Government of Pakistan
Ministry of Planning, Development and Special Initiatives
(Money, Prices and Fiscal Policy Section)

Review of Consolidated Fiscal Operations
(July-September FY2020-21)

Revenue

Total revenue during the first quarter of 2020-21 stood at Rs. 1478.7 billion, which is 0.6 percent lesser than the total revenue of Rs. 1489.1 billion of the corresponding period of last year. Tax revenue at Rs. 1122.3 billion recorded a negative growth of 1.7 percent. Federal tax revenue recorded negative growth of 2.6 percent while provincial tax recorded growth of 6.88 percent, respectively.

Details of consolidated fiscal operations during the period under review are given at **Annex-I**. Summary of consolidated fiscal operations is given in the table below.

Summary of Fiscal Operations		***(Billion Rs)***		
	Q1- FY19	*Q1- FY20*	*Change*	*% Change*
Total Revenue	**1,489.1**	**1,478.7**	**-10.4**	**-0.7**
Tax Revenue	1,142.9	1,122.3	-20.6	-1.8
FBR's Tax Collection	964.4	1,010.6	46.2	4.8
Non-Tax Revenue	346.1	356.3	10.2	2.9
Total Expenditure	**1,775.1**	**1,963.1**	**188.0**	**10.6**
Current Exp	1,582.2	1,812.5	230.3	14.6
Development Exp	142.5	164.5	22.0	15.4
PSDP (Fed+ Pro)	142.4	160.5	18.1	12.7
Fiscal Deficit	**286**	**484.4**	**198.4**	**69.4**
Primary Balance	**285.7**	**257.6**	**-28.1**	**-9.8**

FBR's tax collection at Rs. 1,010.6 billion recorded a growth of 4.8_percent which was contributed by matching growths of 2.2 percent and 6.3percent in direct and indirect taxes. Within indirect taxes, collection of customs duties declined by 0.2 percent due to compression of imports including food items, petroleum products, textiles, metals, chemicals, machinery and vehicles, etc. Other indirect taxes, i.e., sales tax and federal excise duty posted growths of 7.9 percent and 13.8percent respectively.

Non-FBR taxes also grew by 111.6 percent to reach at Rs. 156.8 Billion with major portion contributed by Natural Gas Development Surcharge (Rs. 8.1 Billion) and Petroleum Levy (Rs. 136.4 Billion).

Non-tax revenue at Rs. 356.3 billion registered a growth of 2.9 percent. Federal non-tax revenue grew by 6.7 percent mainly due to substantial increase in mark-up and defence proceeds. Provincial non-tax revenue fell by 35.3 percent to reach 20.0 Billion.

Expenditure

Total expenditure during the period under review stood at 1,963.1 billion, registering a growth of 10.6 percent. Development expenditure with a growth of 15.4 percent outpaced the growth of current expenditure which was 14.6 percent. PSDP spending recorded growth of 12.7 percent with negative growth in federal PSDP and growth in provincial ADPs expenditures (-1.5 percent and 27.2 percent) respectively. Other development or non-PSDP expenditure raised by 3800.0 percent. Net lending to PSEs recorded a growth of 978.7 percent.

Fiscal Deficit

Fiscal deficit during the period under review stood at Rs. 484.4 billion (1.1 percent of GDP) as compared to Rs. 286.0 billion (0.6 percent of GDP) during Q1-FY19.

Primary balance (total revenue minus total expenditure excluding interest payments) recorded a deficit of Rs. 257.6 billion (0.6 percent of GDP) as compared to a surplus of Rs. 285.7 billion (0.6 percent of GDP) during Q1-FY19. It shows that a remarkable increase of non-interest current expenditures. Revenue balance (total revenue minus current expenditure) which shows the government's savings or dis-savings, remained in deficit. However, this deficit increased from Rs. 93.1 billion (0.2 percent of GDP) to Rs. 333.8 billion (0.7 percent of GDP).

For financing of the fiscal deficit, the government relied more on domestic borrowing which grew by 170.3 percent. On the other hand, external borrowing plummeted by 3.1 percent.

Pakistan Debt Position:

As presented in **Annex II**, Total Debt and Liabilities of Pakistan stood at Rs. 44,801.0 Billion in September, 2020 recording increase of 0.54%. Out of this, Gross Public Debt of the government increased to Rs. 36,949.2 Billion (87.2% of GDP) by end of September, 2020 as compared to Rs. 36,398.6 Billion (81.1% of GDP) by end of June, 2020. Government Domestic Debt increased by 1.8 percent and Government External Debt increased by 1.37 percent and debt from IMF fell by 2.38 percent.

Conclusion

The fiscal deficit position of Pakistan exhibited a rise in the period under review when total expenditures exceeded total revenues by Rs. 69.4 Billion. The total expenses of the country showed rise owing to increased current and development expenditure. The government could not maintain the austerity measures designed in the corresponding period last year because of Covid-19 pandemic. The Covid-19 pandemic required the government to raise spending in other development expenditures like strengthening social safety nets through Ehsas cash transfers and Benazir Income Support Program funds to help the poor fight unemployment and hunger. From the current expenditure side, the most contribution in increased expenses was made by mark-up payments to domestic debt servicing. In contrast to this, the total revenues generated by Pakistan suffered a set-back as compared to the corresponding period last year. The main reasons for less tax collection were reduction in federal tax collection contributed by the fall in customs duties due to banned imports of various items. A primary deficit and provincial deficit for the first quarter will cause problems for government financing and hinder achieving desired fiscal targets.

Annex-I

Consolidated Fiscal Operations (July-September 2020-21) (Provisional)

(Billion Rs)

	Q1-FY19	Q1-FY20	% Change	As % of GDP	
				Q1-FY19	Q1-FY20
Total Revenue	**1,489.1**	**1,478.7**	**-0.7**	**3.4**	**3.2**
A) Tax Revenue	**1,142.9**	**1,122.3**	**-1.8**	**2.6**	**2.5**
a) Federal	1,038.4	1,010.6	-2.7	2.4	2.2
i) FBR's Tax Collection	964.4	1,010.6	4.8	2.2	2.2
- Direct Taxes	355.7	363.6	2.2	0.8	0.8
- Indirect Taxes	608.6	647.0	6.3	1.4	1.4
Customs Duties	155.6	155.3	-0.2	0.4	0.3
Sales Tax	403.9	435.7	7.9	0.9	1.0
Federal Excise Duty	49.2	56.0	13.8	0.1	0.1
ii) Other taxes	74.1	156.8	111.6	0.2	0.3
b) Provincial	104.5	111.7	6.9	0.2	0.2
B) Non-Tax Revenue	**346.1**	**356.3**	**2.9**	**0.8**	**0.8**
a) Federal	315.2	336.3	6.7	0.7	0.7
- Mark-up (PSEs & Others)	3.3	25.6	675.8	0.0	0.1
- Dividend	1.7	1.5	-11.8	0.0	0.0
- Profits Post Office Deptt/PTA	71.8	8.1	-88.7	0.2	0.0
- Surplus Profit of SBP	185.0	105.0	-43.2	0.4	0.2
- Defence	2.6	2.8	7.7	0.0	0.0
- Passport Fee	6.2	3.0	-51.6	0.0	0.0
- Discount Retained on Crude Oil Price	3.7	1.4	-62.2	0.0	0.0
- Royalties on Oil/Gas	23.8	14.6	-38.7	0.1	0.0
- Windfall Levy against Crude Oil	2.0	0.3	-85.0	0.0	0.0
- Petroleum Levy on LPG	0.8	0.8	4.1	0.0	0.0
- Receipts from United Nations		3.5		0.0	0.0
- Others	10.7	23.5	119.6	0.0	0.1
b) Provincial	30.9	20.0	-35.3	0.1	0.0
Total Expenditure	**1,775.1**	**1,963.1**	**10.6**	**4.0**	**4.3**
A) Current Expenditure	**1,582.2**	**1,812.5**	**14.6**	**3.6**	**4.0**
a) Federal	1,069.7	1,253.4	17.2	2.4	2.8
- Markup Payments	571.7	742.0	29.8	1.3	1.6
Servicing of Domestic Debt	494.0	684.9	38.6	1.1	1.5
Servicing of Foreign Debt	77.6	57.1	-26.4	0.2	0.1
- Defence	242.6	224.5	-7.5	0.6	0.5
b) Provincial	512.4	559.2	9.1	1.2	1.2
B) Development Expenditure & Net Lending	**147.2**	**215.2**	**46.2**	**0.3**	**0.5**
a) Development Expenditure	142.5	164.5	15.4	0.3	0.4
i) PSDP	142.4	160.5	12.7	0.3	0.4
- Federal /1	71.8	70.7	-1.5	0.2	0.2
- Provincial	70.6	89.8	27.2	0.2	0.2
ii) Other Development Expenditure	0.1	3.9	3800.0	0.0	0.0
b) Net Lending to PSEs	4.7	50.7	978.7	0.0	0.1
Statistical Discrepancy	**45.8**	**45.8**	**-0.1**	**0.1**	**0.1**
Fiscal Deficit	**286.0**	**484.4**	**69.4**	**0.6**	**1.1**
Financing	**286.0**	**484.3**	**69.3**	**0.6**	**1.1**
a) External	166.5	161.3	-3.1	0.4	0.4
b) Domestic	119.5	323.0	170.3	0.3	0.7
- Bank Borrowing	-123.0	230.8	-287.6	-0.3	0.5
- Non-Bank Borrowing	242.5	92.1	-62.0	0.6	0.2
Memo Items					
Primary Balance	285.7	257.6	-9.8	0.6	0.6
Revenue Balance	-93.1	-333.8	258.5	-0.2	-0.7
Gross Federal Receipts	1,359.7	1,353.7	-0.4	3.1	3.0
Transfers to Provinces	612.5	504.0	-17.7	1.4	1.1
Net Federal Receipts	747.2	849.7	13.7	1.7	1.9
Federal Deficit /2	475.0	528.7	11.3	1.1	1.2
Provincial Surplus /3	196.7	189.0	-4.0	0.4	0.4
GDP (current market prices) /4	***44,003***	***45,567***			

1. Exludes development grants to provinces
2. & 3. In terms of financing
4. Finance Division's estimate of GDP for FY20

Source: Finance Division

Pakistan's Debt and Liabilities-Summary			Annex II	
(In Billion Rupees)				
	R	P		
	Jun-20	Sep-20	Change	% Change
I. Government Domestic Debt	23,282.5	23,701.8	419.3	1.80
II. Government External Debt	11,824.5	11,986.6	162.1	1.37
III. Debt from IMF	1,291.5	1,260.7	-30.8	-2.38
IV. External Liabilities[1]	1,663.3	1,497.3	-166.0	-9.98
V. Private Sector External Debt	2,651.5	2,618.5	-33.1	-1.25
VI. PSEs External Debt	810.0	791.3	-18.7	-2.31
VII. PSEs Domestic Debt	1,490.5	1,478.6	-11.9	-0.80
VIII. Commodity Operations[2]	813.4	753.6	-59.9	-7.36
IX. Intercompany External Debt from Direct Investor abroad	729.1	712.6	-16.5	-2.26
A. Total Debt and Liabilities (sum I to IX)	**44,556.4**	**44,801.0**	244.5	0.55
B. Gross Public Debt (sum I to III)	**36,398.6**	**36,949.2**	550.6	1.51
C. Total Debt of the Government - FRDLA Definition[3]	**33,252.4**	**33,728.7**	476.4	1.43
D. Total External Debt & Liabilities (sum II to VI+IX)	**18,969.9**	**18,867.0**	-103.0	-0.54
E. Commodity Operation and PSEs Debt (sum VI to VIII)	**3,114.0**	**3,023.5**	-90.5	-2.91
Guaranteed Debt & liabilities	1,527.1	1,449.9	-77.2	-5.06
Non-guaranteed Debt & liabilities	1,586.9	1,573.6	-13.3	-0.84
As percent of GDP			**Change**	
Total Debt and Liabilities	*106.8*	*98.3*	*-8.5*	
Gross Public Debt	*87.2*	*81.1*	*-6.1*	
Total Debt of the Government - FRDLA Definition	*79.7*	*74.0*	*-5.7*	
Total External Debt & Liabilities	*45.5*	*41.4*	*-4.1*	
Commodity Operation and PSEs Debt	*7.5*	*6.6*	*-0.8*	
Guaranteed Debt & liabilities	*3.7*	*3.2*	*-0.5*	
Non-guaranteed Debt & liabilities	*3.8*	*3.5*	*-0.3*	
Government Domestic Debt	55.8	52.0	*-3.8*	
Memorandum Items	**FY20[P]**	**FY21[T]**		
GDP (current market price)[4]	41,726.7	45,567.0		