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Mini budget: Govt may adjust budget deficit target to 5.5pc

ISLAMABAD: In the wake of rising debt servicing obligations in the aftermath of steep fall of rupee against US dollars, the PTI led government will have to adjust upward its budget deficit target to 5.5 percent of GDP through upcoming mini budget against the earlier envisaged target of 5.1 percent for the current fiscal year.

The budget deficit up to 5.5 percent of GDP in absolute terms will require the government to borrow more than Rs2,200 billion through domestic and foreign loans to finance its deficit despite this fact that many liabilities such as monster of circular debt that had already peaked to Rs1,400 billion would not be taken into official books fully.

"So the debt burden is bound to increase in first year rule under the dispensation of PTI led regime", top official conceded while talking to The News here on Monday.

The government plans to take some additional tax measures of Rs150-160 billion by slapping and raising Federal Excise Duty on mobile users, cigarettes and increasing duty on import of expansive vehicles, IPhones and adjusting duty slabs on certain imported items but this exercise will be undertaken in such a way that should not harm export of items where raw material is imported from other countries.

When Federal Minister for Finance Asad Umar was contacted for inquiring about fiscal adjustments in the coming mini budget, the minister said that more than 90 percent measures would be taken to facilitate investors and reducing cost of doing business in the country. He said that the budget deficit would be re-adjusted in the wake of increasing requirement of debt servicing; however, he refrained to disclose any figure in terms of possible hike in the budget deficit during the current fiscal year.

However, the sources said that the last PML-N led regime had envisaged deficit target at 4.9 percent of GDP on the eve of budget announcement for 2018-19 but the PTI jacked it up to 5.1 percent of GDP in September last claiming that they had made adjustments otherwise the deficit might climb to 7.1 percent of GDP till end June 2019.

Just in first quarter (July-Sept) period the budget deficit went up to 1.4 percent of GDP highest ever in first quarter in last several years and it was heading towards 3.5 percent of GDP for the first half (July-Dec) period of the current fiscal year. Although, the fiscal details has not yet been worked out but the Finance Ministry officials are indicating that the deficit was running out of control in the wake of massive FBR's shortfall, non-tax revenue shortfall and increasing debt servicing requirements in first six months of the ongoing fiscal year.

"Without fiscal adjustments, the budget deficit will definitely cross 7 percent of GDP because the deficit could be divided into 40:60 ratios in first and second half of financial year keeping in view the historical trends of last two to three decades of the country," said the official sources.

Another top official said that the government would present five year plan for macroeconomic and fiscal projections before the Parliament in order to spell out its roadmap. "Only one question will remain unanswered either to chip in the IMF or chip out Fund programme from the overall roadmap on the economic front under the PTI led regime, the official concluded.

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