

**Experts term government's estimate of 5.6 percent fiscal deficit 'unrealistic'**

The government's estimate of 5.6 percent fiscal deficit for the current fiscal year in the medium term macro-economic framework is "flatly unrealistic" as it would be impossible to limit below 6.5 percent of the GDP. This was the consensus on an anecdotal survey of independent economists carried out by Business Recorder on condition of anonymity.

The government, in the media term economic framework shared with the International Monetary Fund (IMF), projected a budget deficit for the current fiscal year at 5.6 percent. Fitch one of the three major global rating agencies, projected 6 percent of GDP as the fiscal deficit for 2018-19. Finance Ministry has estimated fiscal deficit for the current fiscal year at 5.6 percent in absolute terms (Rs 2183 billion) of the GDP followed by 5.3 percent or (Rs 2404 billion) for next fiscal year 2019-20, 4.9 percent (Rs 2533 billion) for 2020-21 and 4.5 percent or (Rs 2567 billion) for 2021-22.

When contacted a former finance minister and reputed economist stated on condition of anonymity that fiscal deficit projection of 5.6 percent of GDP was completely unrealistic given the Rs 236 billion revenue shortfall during July-February acknowledged by Federal Board of Revenue (FBR). The budget deficit for the current fiscal year would be very difficult to limit below 6.5 percent of the GDP, he added. The FBR shortfall in the current year is attributed to: (i) reduction of tax on petroleum products caused Rs 75 billion loss to revenue; (ii) increase in income tax limit and reduction in tax rates for salaried class cost another Rs 35 billion; (iii) cut in Public Sector Development Programme (PSDP) led to revenue loss of Rs 55 billion; (iv) withholding tax suspension on telecom sector by the Supreme Court impacted Rs 35 billion; (v) import compression reduced collection on duty on imported items with a shortfall of Rs 20 billion; and (vi) other categories (cement, fertilizers sectors etc) caused revenue loss of Rs 15 billion during July-Feb 2018-19.

The FBR collected Rs 2,330 billion during July-Feb 2018-19 against the target of Rs 2,566 billion. Federal Finance Minister Asad Umer in an interview to a foreign newspaper this week stated that the government is likely to secure 6 to 12 billion dollar bail out package from the IMF indicating that the exact borrowing needs of the country have not yet been worked out. Twelve billion dollars is doable, sources added, even though Pakistan has a borrowing limit from the IMF of up to \$12 billion and has already availed \$6.4 billion under 2013-16 Extended Fund Facility. The Fund routinely makes adjustments based on a borrowing country's needs, sources added.

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