

Budget deficit widens to 2.7pc in first half

ISLAMABAD: Pakistan's budget deficit widened to Rs1.030 trillion or 2.7 percent of gross domestic product (GDP) in the first half of the current fiscal year of 2018/19, as expenditures on interest payments and defence increased during the period, official data showed on Wednesday.

Finance ministry's fiscal operations data showed that the budget deficit stood at Rs796 billion or 2.2 percent of GDP during the same period of the last fiscal year.

The development spending and net lending became the major victim in the first half of the current fiscal under Pakistan Tehreek-e-Insaf-led regime as development spending was slashed to Rs369.388 billion as against Rs576.823 billion during the corresponding period of the last fiscal year when Pakistan Muslim League (Nawaz) was ruling over the country.

The utilisation on federal public sector development program touched the lowest ebb and stood at Rs160.504 billion in the first six months as against Rs203.015 billion a year earlier.

The provincial development spending stood at Rs167.724 billion compared with Rs316.771 billion.

The finance ministry's data indicated that the budget deficit might be heading towards seven percent of GDP for FY2019 as opposed to 6.6 percent in FY2018.

Independent economists, including Hafiz Pasha agreed that the budget deficit would reach seven percent of GDP by June-end.

Karachi-based Topline Securities said budget deficit is expected to increase in the coming quarters.

"The government is forecasting FY19 budget deficit of 6.3 percent or more, which indicates a budget deficit of two percent for the next two quarters each," the brokerage said in a flash note.

The government reported budget deficit at 1.3 percent of GDP for the second quarter of the current fiscal year, which was higher than the budget deficit of one percent in the corresponding period a year earlier.

The first-half budget deficit of Rs1.030 trillion was financed through domestic and external borrowings to the tune of Rs811.944 billion and Rs217.958 billion, respectively.

The data further showed that total revenues of the country stood at Rs2.327 trillion in the first half, of which total tax revenues stood at Rs2.083 trillion and non-tax revenues Rs244.610 billion.

Federal tax revenues stood at Rs1.895 trillion and provincial governments collected Rs187.773 billion.

Total expenditures were booked at Rs3.357 trillion in the July-December period out of which the major chunk of up to Rs2.984 trillion billion was consumed by the current expenditures.

Out of current expenditures, the interest payment on loans consumed Rs876.679 billion as against Rs751.439 billion a year earlier.

The defence expenditures stood at Rs479.594 billion during the first half of the current fiscal year as against Rs393.388 billion during the same period a year earlier, according to finance ministry's data.

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