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FY20 sees fiscal deficit at 8.1pc

ISLAMABAD: Pakistan's fiscal deficit came in at 8.1 per cent of GDP in 2019-20, almost 1pc lower than anticipated, mainly because of under utilisation of Prime Minister's Economic Relief and Support Package.

The data released by the Ministry of Finance put the country's total budget deficit at Rs3.376 trillion in fiscal year ending June 30, 2020 or 8.1pc of GDP. This deficit is lower than last year's 8.9pc — the highest in at least four decades. As such, this was the second consecutive year of the PTI that the country ran a budget deficit of over 8pc.

The finance ministry had earlier projected deficit at around 9.1pc on the basis of Rs1.24tr Covid-19 relief package announced by Prime Minister Imran Khan. The International Monetary Fund had also projected deficit at 9.2pc of deficit or Rs3.86tr as part of its $1.4 billion Rapid Financing Instrument mainly because of a major revenue shortfall and additional expenditure arising out of Covid-19 relief package.

The finance ministry said the primary deficit — other than debt servicing — worked out at Rs756.6bn or 1.8pc of GDP.

Expenditures declined amid Covid-19 lockdowns

A senior finance ministry official said the actual expenditures turned out to be lower than anticipated even though the ministry did not impose any restriction on spending. Instead it had allowed disbursements to ministries, divisions and various arms of the government on the basis of evidence for expenditure on ground.

He said the ministries and divisions had actually no capacity during the course of initial lockdowns following Covid-19 spread. As such, total savings against Rs1.24tr package announced by the Prime Minister turned out to be about Rs480bn which could not be spent during 2019-20.

There was another clear indication of lower expenditure on account of development programme as the federal government could spend just Rs468bn on development projects throughout the year against Rs701bn — creating another Rs233bn or almost 0.6pc of GDP.

The finance ministry said the FBR revenue collection stood at Rs3.998tr during fiscal year 2019-20 against the target of Rs5.550tr set in the budget — a gap of about Rs1.552tr. The overall revenues amounted to Rs6.272tr while tax revenue stood at Rs4.747tr. Of this, about Rs4.334tr came from federal revenues and provincial revenue of Rs413.6bn.

On the other hand, non-tax revenue came in at Rs1.524tr against a budget target of Rs895bn. This included about Rs1.422tr non-tax revenue of the federal and Rs102bn of the provincial governments.

The finance ministry put the total expenditure during the last fiscal year at Rs9.648tr including current expenditure of Rs8.532tr. The federal expenditure was estimated at Rs6.016tr and provincial expenditure at Rs2.516tr.

The total development expenditure and net lending was reported at Rs1.204tr. This included total development expenditure of Rs1.090tr. The provinces utilised about Rs622bn on development schemes. Other development expenditures were reported at Rs65.5bn while net lending stood at Rs48.5bn. The finance ministry also conceded a statistical discrepancy of about Rs87bn during the last fiscal year.

An official said the federal cabinet was also presented with this data along with initial economic indicators of the current year and it was appreciated that fiscal deficit was contained significantly lower than international estimates without compromising funding to those affected by coronavirus pandemic.

The cabinet was also informed that the Public Sector Development Programme utilisation was robust so far during the current fiscal as finance ministry dispensed with the requirements of ways and means and endorsements. Also, the revenue generation was also at an all-time high in July and collection was higher than target by almost Rs57bn.

The cabinet was also informed that special initiatives had been launched to increase refunds and about Rs40bn were released on Monday for this purpose. Since the PTI came to power, the current account deficit had been brought down from $20bn to $3bn while exports were up despite Covid-19 demand stagnation and cost of borrowing had been brought down due to better debt management.