

Pakistan Economy

1HFY25: Pakistan posts a budget deficit of 1.2% of GDP

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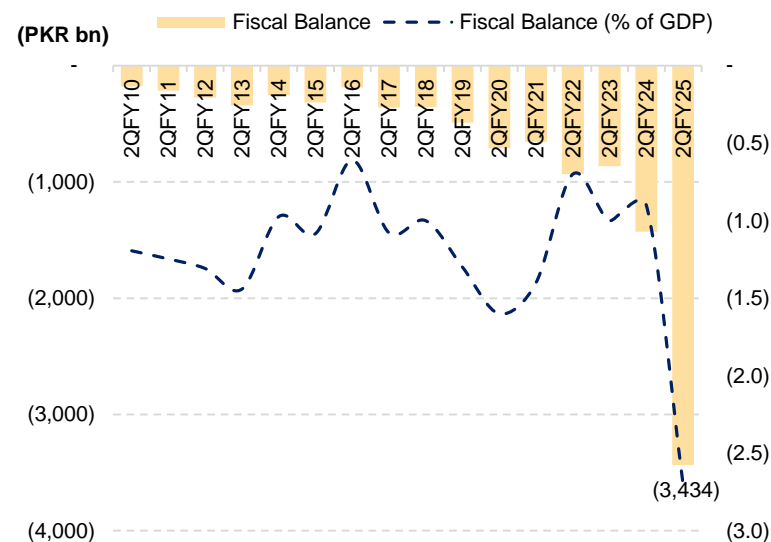
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1HFY25: Pakistan posts a budget deficit of 1.2% of GDP

- Reflecting ongoing fiscal consolidation efforts, during 1HFY25 the economy posted a higher **primary surplus** of PKR 3.6trn, equivalent to 2.9% of GDP. In 2QFY25 alone, the surplus amounted to PKR 401bn (0.32% of GDP). Moreover, the **fiscal deficit** narrowed significantly, declining by 36% YoY to PKR 1.5trn (1.2% of GDP) from 2.3% in the SPLY. This improvement was driven by strong revenue growth in both tax and non-tax revenues, which outpaced the growth in overall expenditure.
- Total revenue** clocked-in at PKR 9.2trn (7.4% of GDP), up 43% YoY. This represents a significant improvement from PKR 6.5trn recorded in 1HFY24. Specifically, **tax revenue** experienced a YoY increase of 26%, reaching PKR 11.3trn. Total revenue collected by the FBR marked a 26% YoY growth, reaching PKR 5.6trn during 1HFY25.
- Indirect taxes** exhibited a 23% YoY growth, amounting to a total of PKR 2.8trn in 1HFY25. This growth was mainly driven by increases in sales tax, customs duty, and federal excise duty, which recorded YoY increments of 25%, 11%, and 31%, respectively. These increments resulted in a cumulative collection of PKR 1.9trn for sales tax, PKR 599bn for customs duty, and PKR 347bn for FED. On the other hand, **direct taxes** witnessed a YoY growth of 29%, totaling PKR 2.8trn.
- Non-tax revenues** witnessed a remarkable 82% YoY growth, reaching a total of PKR 3.6trn. This remarkable growth was primarily fueled by a substantial profit of PKR 2.5trn from the SBP. Furthermore, Petroleum Levy collections also experienced a 16% YoY rise, reaching PKR 549bn.
- Furthermore, **total expenditure** rose by 22% YoY to PKR 8.2trn (6.6% of GDP). The current expenditure experienced a 17% YoY increase to PKR 7.7trn while **government spending on development and net lending** increased by 2% YoY to PKR 261bn. To note, markup payments experienced a growth of 22% YoY, totaling PKR 5.1trn.
- During 1HFY25, the overall **PSDP** reached PKR 164bn, reflecting a 8% YoY increase. At the provincial level, PSDP amounted to PKR 32bn, marking a 47% jump on YoY basis.

Exhibit: Historical Fiscal Balance



Source (s): MoF, AHL Research

Pakistan Federal Fiscal Operations

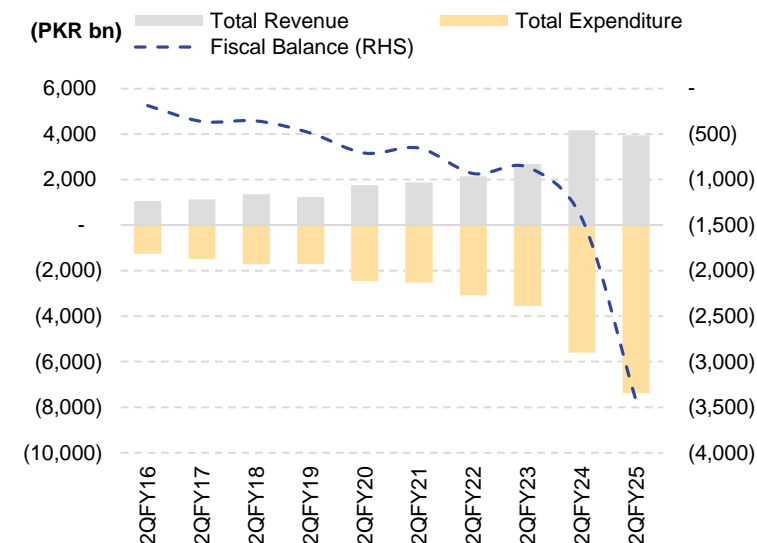
Budgetary Operations

Pakistan Fiscal Operations

PKR bn	1HFY25	1HFY24	YoY	2QFY25	2QFY24	YoY	1QFY25	QoQ
Gross Revenue Receipts	9,227	6,448	43%	3,642	3,954	-8%	5,585	-35%
FBR Taxes	5,625	4,469	26%	3,062	2,428	26%	2,563	19%
Direct Taxes	2,782	2,149	29%	1,551	1,214	28%	1,230	26%
Indirect Taxes	2,843	2,320	23%	1,511	1,214	24%	1,333	13%
Customs Duties	599	541	11%	322	288	12%	277	16%
Sales Tax	1,898	1,515	25%	993	788	26%	905	10%
Federal Excise	347	265	31%	196	137	43%	151	29%
Non-Tax Revenue	3,602	1,979	82%	580	1,526	-62%	3,022	-81%
Less: Provincial Share	3,339	2,435	37%	1,774	1,347	32%	1,565	13%
Net Revenue Receipts	5,888	4,013	47%	1,868	2,607	-28%	4,019	-54%
Total Expenditure	8,201	6,710	22%	5,718	4,272	34%	2,483	130%
Current Expenditure	7,702	6,584	17%	5,330	4,320	23%	2,373	125%
Mark-up Payments	5,142	4,220	22%	3,835	2,840	35%	1,306	194%
Defence	890	758	18%	480	415	16%	410	17%
Grants	644	524	23%	374	320	17%	271	38%
Subsidies	237	375	-37%	217	373	-42%	20	978%
Pension	450	404	11%	227	201	13%	223	2%
Running of Civil Govt and Others	339	302	12%	196	171	15%	142	38%
Development exp and net lending	261	255	2%	183	172	6%	78	135%
Total Development Exp	165	152	8%	127	100	28%	37	240%
Federal PSDP	165	152	8%	127	100	28%	37	240%
Other Development Exp	96	103	-7%	56	72	-23%	40	38%
Net lending	-28	-12	136%	-27	-8	238%	-2	1527%
Federal Budget Balance	-2,313	-2,697	-14%	-3,850	-1,666	131%	1,536	nm
Provincial Surplus	775	289	168%	416	238	75%	360	16%
Overall Budget Balance	-1,538	-2,408	-36%	-3,434	-1,428	141%	1,896	nm
Primary Balance	3,604	1,812	99%	401	1,413	-72%	3,202	-87%

Source (s): MoF, AHL Research

Exhibit: Revenue vs Expenditure



Source (s): MoF, AHL Research

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