

FISCAL OPERATIONS (6MFY20)

Primary surplus stood at Rs286bn in 6MFY20 against a deficit of Rs153bn in SPLY

Friday, 14 February, 2020

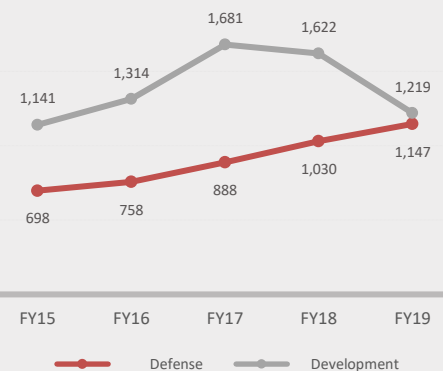
Government of Pakistan has recently published its data regarding fiscal operations according to which, the primary surplus for the first half of the current fiscal year was Rs286 billion against a deficit of Rs153 billion in the SPLY. The budget deficit was restricted at Rs995 billion (2.3% of GDP) against Rs1 trillion (2.7% of GDP) in the SPLY. Due to the growing debt burden, the country spent Rs1.3 trillion on debt servicing in the first half of current fiscal year – higher by 46% from the previous year. The debt and defense spending consumed Rs1.8 trillion or 56% of the total federal government revenues, according to the finance ministry. The overall expenditures of federal and provincial governments stood at Rs4.2 trillion– higher by 26% as compared to last year. Compared with this, the total revenues stood at Rs3.2 trillion – 39% higher than the SPLY.

Pakistan and the IMF have agreed that there would be no mini-budget or a reduction in the tax collection target, as talks between the two parties concluded here on 12th Feb 2020. However, it was advised that Pakistan should increase its non-tax income by Rs400 billion to boost revenue collection. Furthermore, the country would also ensure the implementation of privatization program and not increase the sales tax to 18%; the rate would, for now, be maintained at 17%.

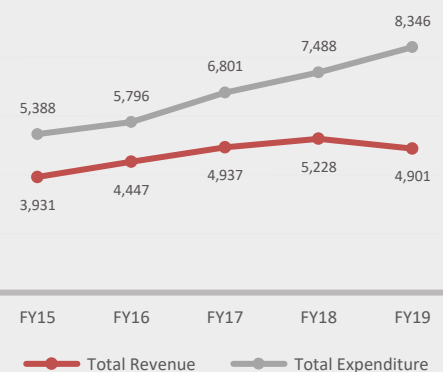
All figures in Rs'bn	6MFY19	6MFY20	YoY
Total Revenue	2,327	3,232	38.9% ▲
Total Expenditure	3,357	4,227	25.9% ▲
Budget Deficit	1,030	995	3.4% ▼
Primary Deficit	153	-286	287.0% ▼
As % of GDP	6MFY19	6MFY20	YoY
Total Revenue	6.1%	7.3%	1.3% ▲
Total Expenditure	8.7%	9.6%	0.9% ▲
Budget Deficit	2.7%	2.3%	0.4% ▼
Primary Deficit	0.4%	-0.7%	1.1% ▼
Revenue (Rs'bn)	6MFY19	6MFY20	YoY
Tax Revenue	2,083	2,465	18.4% ▲
Direct Taxes	673	784	16.6% ▲
Property Tax	7	8	14.3% ▲
Excise duty	99	127	28.7% ▲
Sales Tax	693	859	23.9% ▲
Taxes on International Trade	336	328	2.3% ▼
Stamp duties	32	34	5.7% ▲
Motor vehicles tax	13	11	13.0% ▼
Gas Infrastructure Development Cess	11	5	56.1% ▼
Natural Gas Development Surcharge	3	5	51.5% ▲
Petroleum Levy	82	138	68.4% ▲
Other taxes	43	57	33.3% ▲
Non-Tax Revenue	245	767	213.4% ▲
Expenditure (Rs'bn)	6MFY19	6MFY20	YoY
Current Expenditure	2,984	3,721	24.7% ▲
Mark-up Payments	877	1,281	46.1% ▲
Defense	480	530	10.4% ▲
Development	361	465	28.8% ▲

Key Statistics

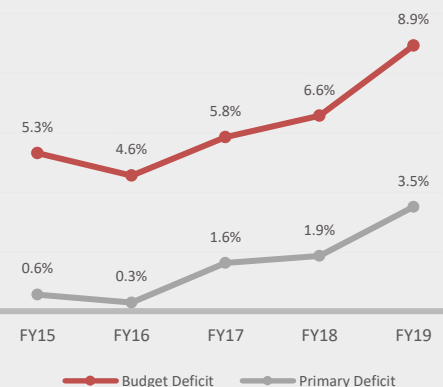
Development vs Defense Expenditure



Revenue vs Expenditure



Budget & Primary Deficit % of GDP



Sources: ACPL Research, Ministry of Finance)

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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