

Commentary on Federal Budget

PTI government has presented its third budget. The incumbent Finance Minister was expected to spell out new directions of the government which are pro-growth and reflected with fiscal allocations that are in agreement with the Fund while encouraging the existing and new enterprises. At least from the Budget speech it appears he has been successful. However, a critical appraisal is required to qualify this stance.

Government has faced numerous economic challenges, aggravated by the Covid 19 Pandemic but the Government has successfully progressed from recovery and stabilization to sustainable growth. Provisional GDP growth rate for FY 2021 is estimated to be 3.94% against the targeted growth of 2.1%. The Current account balance during Jul-Apr, FY 2020-21 had been in surplus of \$0.8 bn (0.3 % of GDP) against a deficit of \$4.7 bn (-2.1 % of GDP) in the corresponding year. This had been possible both by an increased export of 6.5% to \$21.0 bn and remittances significantly growing by 29.0% to \$24.2 bn. FBR tax collection grew by 14.4% to Rs.3,780 bn during Jul-Apr FY 2020-21 against Rs.3,303 bn last year and is expected to post a healthy Rs. 4,691 collection by the end of FY 2020-21. Government has posted a primary surplus for the

first three quarters of FY 2020-21. This has enabled the government to resume the \$6bn Extended Fund Facility and completed the second to fifth review under the program with IMF.

However the journey to growth from stabilization along with unwarranted risks of Covid-19 is tough and requires an out of the box thinking. This is recognized by the government; Federal Minister for Finance and Revenue Mr. Shukat Tarin stated in his interview for PIDE Pre-Budget P & R Volume II, Issue VI Tax, Expenditures, And Debt: Trica of Budget Challenges "...Well I'm very impressed with the work that PIDE has done. We are making broad use of the recommendations which we have found over there. For instance, the growth areas, productivity, investment, vibrant cities, markets, openness, creativity, internet access and technology usage, those are the areas of growth and those are the, I would say, engines of growth". While the growth enablers are understood the approach towards these enablers still needs to step-up. PIDE Growth Commission has presented a detailed report titled "The PIDE Reform Agenda" to unleash Productivity, Investment, Vibrant Cities, Markets, Openness, Creativity, Internet Access, and Technology Usage.

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