



# **FISCAL POLICY STATEMENT JANUARY 2025**

**BUDGET WING &  
ECONOMIC ADVISOR'S WING  
FINANCE DIVISION  
GOVERNMENT OF PAKISTAN**



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# Preface

I am honoured to present the Fiscal Policy Statement for FY2024, prepared in accordance with the provisions of the Fiscal Responsibility and Debt Limitation (FRDL) Act, 2005. This policy statement demonstrates transparency in fiscal stance, accountability, and prudent fiscal management in alignment with the overarching economic objectives of the Government of Pakistan. The FRDL Act, 2005, a pivotal legislation guiding fiscal discipline, mandates the Federal Government to submit a comprehensive fiscal policy statement to the National Assembly by the end of January each year. This statement is designed to fulfill the statutory obligations set forth in Section 6 of the FRDL Act, 2005, providing an in-depth analysis of key macroeconomic indicators essential for a comprehensive understanding of a country's fiscal landscape.

This statement meticulously evaluates the key fiscal indicators including total expenditures, net revenue receipts, fiscal deficit, Federal fiscal deficit excluding foreign grants, public debt, and debt per capita. By following sound fiscal and debt management practices, the Federal Government emphasizes its commitment to aligning these indicators with established benchmarks and broader economic priorities. Furthermore, the policy statement reviews the policy measures and rationale behind any deviation in fiscal targets related to taxation, subsidies, expenditures, and borrowing.

I am grateful to the Honourable Minister for Finance and Revenue, Senator Muhammad Aurangzeb, for his strategic input and policy guidance. I would also like to appreciate the support of the Budget Wing and Debt Management Office, Finance Division. The enormous efforts of the officers of the Economic Adviser's Wing, Finance Division, have been instrumental in preparing this document, in particular, I would like to appreciate Dr. Imtiaz Ahmad, Economic Adviser, Dr. Naseem Faraz, DG (MFPU)/Deputy Economic Adviser, Dr. S. M. Naeem Nawaz, Director (Fiscal), and Dr. Nazia Gul (Assistant Economic Adviser) in the preparation of this comprehensive document.

**(Imdad Ullah Bosal)**  
Secretary Finance





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## 1. Introduction

**1.1** Fiscal policy plays a pivotal role in fiscal management and shapes the economic landscape through its influence on growth, stability, and equality. It is instrumental in shaping the structure and implementation of taxation system to mobilize resources and efficient use of government expenditures. Through effective fiscal policy practices, Government can address the economic slowdowns or overheating by adjusting tax rates and Government expenditures. An optimal combination of revenues and expenditures requires a balance between generating enough revenue to fund necessary public services and investments while avoiding excessive taxation. Moreover, a well-managed fiscal policy can contribute to reducing income inequality and promoting social welfare. Keeping in view, the Fiscal Policy Statement is being prepared to give accurate information along with analysis of the fiscal stance of the Government.

**1.2** The economic performance and fiscal policy are deeply interconnected in Pakistan, like anywhere else. A weak economy poses significant challenges by constraining Government revenues and increasing fiscal deficits. It limits the Government's capacity to meet revenue targets, control expenditures, manage public debt, and respond effectively to sudden economic shocks. In FY2023, a GDP contraction of 0.2 percent highlighted these vulnerabilities, and thus, raised a challenging situation for fiscal management. This nexus highlights that robust economic performance is important for effective fiscal management.

**1.3** In FY2024, Pakistan's economic and financial position has gradually improved, mainly attributed to prudent fiscal policy implementation and inflows from multilateral and bilateral partners. The country completed the IMF's Stand-By Arrangement (SBA) in April 2024. These positive developments increased the confidence of economic agents, leading to a boost in economic activity. FY2024 is concluded with receding inflation, a surplus in the primary fiscal balance, a negligible current account deficit, and a stable exchange rate. The fiscal consolidation has played a critical role in reviving the economy.

**1.4** On the account of prudent fiscal management, a sustained improvement has been observed in fiscal performance in FY2024. The primary balance showed a surplus of Rs. 952.9 billion (0.9% of GDP) and subsidies were fully utilized according to the budget target. However, the total fiscal deficit has narrowed down from 7.8 percent of GDP in FY2023 to 6.8 percent in FY2024. The revenue collection reached Rs. 13,269 billion (99.2% of the budget estimates), supported by Rs. 10,085.2 billion in tax revenues and Rs. 3,183.8 billion in non-tax revenues. The Government expenditure slightly surpassed budget estimates by 2.3 percent, mainly due to a rise in mark-up payments (11.7% higher than the budget estimate). However, the Government has been successful in curtailing the non-mark-up expenditure within the budget limits.

**1.5** The Government is focusing on performance-based budgeting and regular monitoring of expenditures to ensure the efficient use of public funds. During FY2024, Federal Government continued Austerity Measures which helped in containing public expenditure. Furthermore, Government's effort for domestic resource mobilization coupled with other reforms such as digitization and IT based solutions, controlling tax evasion, and ensuring transparency & accountability, has supported in improving revenue collection.

**1.6** For FY2025, GDP is budgeted to grow by 3.6 percent, driven by sectoral growth in agriculture (2.0%), industry (4.4%), and services (4.1%). The key contributors include improved trade and remittances, the decline in inflation due to exchange rate stability and lower commodity prices, and growth in IT exports. Furthermore, economic reform strategies are anticipated to increase the investment which will support the inclusive economic growth.

**1.7** July – September (Q1) FY2025 has witnessed an improvement in the fiscal balance. The primary balance posted a surplus of Rs.3,202.4 billion (2.6% of GDP) while the fiscal balance posted a surplus of 1.5 percent of GDP (Rs. 1,896 billion). On the back of a resilient external sector, improvement in economic performance, and effective fiscal management, it is expected that the sustained fiscal consolidation will continue in the upcoming quarters of the ongoing fiscal year.

**1.8** The Government has launched URAAN Pakistan (National Economic Transformation Plan 2024-2029). It is a roadmap designed to stimulate the economic growth with the focus on exports, E-Pakistan, environment, energy, and equity. Its successful implementation depends on comprehensive engagement across sectors and provinces, timely and effective implementation of structural reforms to deliver sustainable growth and efficient fiscal management.

## **2. Provisions of Fiscal Responsibility and Debt Limitation Act 2005 (FRDLA 2005)**

This fiscal policy statement is presented to fulfill the requirement of Section 6 of FRDLA 2005, which stipulates that:

- (1). Federal Government shall cause to be laid before the National Assembly a fiscal policy statement by the end of January each year.
- (2). The fiscal policy statement shall, inter alia, analyze the following key macroeconomic indicators, namely: -
  - (a) total expenditures;
  - (b) total net revenue receipts;
  - (c) total fiscal deficit;
  - (d) total Federal fiscal deficit excluding foreign grants;
  - (e) total public debt; and
  - (f) debt per capita.
- (3). The Federal Government shall explain how fiscal indicators accord with the principles of sound fiscal and debt management.
- (4). The fiscal policy statement shall also contain:
  - (a) the key measures and rationale for any major deviation in fiscal measures pertaining to taxation, subsidy, expenditure, administrated pricing and borrowing.
  - (b) an update on key information regarding macroeconomic indicators;
  - (c) the strategic priorities of the Federal Government for the financial year in the fiscal area;
  - (d) the analysis to the fullest extent possible of all policy decisions made by the Federal Government and all other circumstances that may have a material effect on meeting the targets for economic indicators for that fiscal year as specified in the medium-term budgetary statement; and
  - (e) an evaluation as to how the current policies of the Federal Government are in conformity with the principle of sound fiscal and debt management and the targets set forth in the medium-term budgetary statement.

### 3. Budget Strategy FY2024

**3.1** Medium-Term Budget Strategy Paper (MTBSP), for FY2024 to FY2026, laid down the path of economic priorities and objectives of the Government over the medium term for achieving the principle of sound fiscal management in its framework. The document highlighted the Government endeavours to enhance revenues and rationalize expenditures to manage fiscal deficits. Non-essential expenditure was curtailed with the introduction of austerity measures, untargeted subsidies were reviewed, and losses of public sector enterprises were addressed through improved governance. Substantial allocations were ensured towards pro-poor initiatives to protect the vulnerable segments of society.

**3.2** MTBSP outlined a disciplined approach to manage expenditures to ensure fiscal sustainability. Austerity measures would play a key role in rationalizing expenditure, with a focus on curbing non-essential expenditure and rationalizing subsidies. Total Federal expenditure of Rs. 14,460 billion was budgeted for FY2024, with current expenditures at Rs. 13,320 billion, including Rs. 7,303 billion for markup payments and Rs. 1,804 billion for defense services. That was aligned with the broader objective of managing the fiscal deficit effectively while lowering the total fiscal deficit to 6.5 percent of GDP.

**3.3** Significant resources were allocated to social protection programs, including the Benazir Income Support Program (BISP), which has received increased funding of Rs. 450 billion to safeguard vulnerable population. These targeted expenditures were designed to provide a safety net for the most affected segments of society amidst ongoing economic challenges.

**3.4** Moreover, in the medium term, the Government is prioritizing productive and developmental expenditures. Public Sector Development Program (PSDP) spending was planned at Rs. 950 billion for FY2024, increasing to Rs. 1,475 billion by FY2026. Investments in infrastructure, IT, and regional connectivity aimed at enhancing economic activity and job creation. Moreover, public sector development projects were aligned with strategic goals for sustainable and inclusive growth.

**3.5** Performance-based budgeting and regular monitoring of expenditures ensure the efficient use of public funds. On the revenue side, total Federal revenue for FY2024 was estimated at Rs. 12,163 billion, including Rs. 9,200 billion from FBR tax revenues and Rs. 2,963 billion from non-tax revenues.

**3.6** The reform agenda under the Public Finance Management (PFM) Act, 2019 remained continue to improve governance and accountability in public expenditure. All entities of the Federal Government are geared towards performance-based budgeting, and the scope of Treasury Single Account (TSA) is being enhanced for effective accounting of public money. Budget execution is being monitored regularly to address any deviations. Focus on cash forecasting and management will facilitate optimal utilization of available resources.

## 4. Fiscal Position FY2024

4.1 A summary of consolidated fiscal performance (Federal and Provincial Governments) during FY2024 is provided as under:

**Table 1: Consolidated Fiscal Position for FY2024**

(Rs. Billion)

Description	FY2024		B.E. as % of GDP	Actual as % of GDP
	B.E.	Actual		
<b>1. Total Revenue (a+b)</b>	13,377.0	13,269.0	12.6	12.5
<b>a. Tax Revenue</b>	10,283.0	10,085.2	9.7	9.5
Federal	9,415.0	9,311.0	8.9	8.8
Provincial	868.0	774.2	0.8	0.7
<b>b. Non-Tax Revenue</b>	3,094.0	3,183.8	2.9	3.0
Federal	2,886.0	2,960.7	2.7	2.8
Provincial	208.0	223.1	0.2	0.2
<b>2. Total expenditure (a+b+c+d)</b>	20,282.2	20,475.9	19.2	19.4
<b>a. Current Expenditure</b>	17,846.4	18,570.9	16.9	17.5
Federal	13,252.0	13,970.1	12.5	13.2
Provincial	4,594.4	4,600.9	4.3	4.3
<b>b. Development Expenditure</b>	2,282.7	2,026.8	2.2	1.9
Federal	842.7	635.1	0.8	0.6
Provincial	1,440.0	1,391.7	1.4	1.3
<b>c. Net Lending</b>	153.1	51.7	0.1	0.0
<b>d. Statistical Discrepancy</b>	-	173.5	-	0.2
<b>Total Fiscal Balance</b>	-6,905.3	-7,206.9	-6.5	-6.8
<b>Primary Balance</b>	397.2	952.9	0.4	0.9
<b>GDP</b>	105,817	105,616		

Source: Budget Wing, Finance Division

Note: Revised GDP estimates for FY2024 have been used as released by the Pakistan Bureau of Statistics in December 2024.

## 5. Total Federal Expenditures

5.1 The Federal expenditures include both current and development expenditures. In FY2024, total Government expenditures slightly surpassed budget estimates by 2.3 percent, mainly due to an increase in current expenditures. During July-September FY2025, the Federal Government made current expenditure Rs. 2,372.9 billion and Rs. 77.8 billion for development projects.

**Table 2: Total Federal Expenditures**

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Current Expenditure</b>	13,344.4	14,073.1	105.5	2,372.9	2,263.8
<b>Statistical Discrepancy</b>	0.0	-281.0		32.5	90.8
<b>Current Expenditure (incl. Statistical Discrepancy)</b>	13,344.4	13,792.1	103.4	2,405.4	2,354.6

## Fiscal Policy Statement January 2025

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Development Expenditure (incl. net lending)</b>	1,140.0	1,030.9	90.4	77.8	83.3
<b>Total</b>	14,484.4	14,823.0	102.3	2,483.1	2,437.9

Source: Budget Wing, Finance Division

**5.2** Current expenditures mainly consist of markup payments on domestic and foreign debt, subsidies, defense spending, pensions, and other obligations. In FY2024, total current expenditures reached 105.5 percent of the budget estimates, driven primarily by increased markup payments due to high-interest rate. During Q1 FY2025, the Government made markup payments of Rs. 1,306.4 billion and provided subsidies amounting to Rs. 20.2 billion.

**Table 3: Comparative Statement of Federal Current Expenditures**

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Defense</b>	1,804.0	1,858.8	103.0	410.2	343.1
<b>Mark-up Payments</b>	7,302.5	8,159.8	111.7	1,306.4	1,379.6
<b>Subsidies</b>	1,064.3	1,067.4	100.3	20.2	2.5
<b>Pension</b>	801.0	807.8	100.9	222.8	203.3
<b>Others</b>	2,372.6	2,179.3	91.9	413.3	203.4
<b>Total</b>	13,344.4	14,073.1	105.5	2,372.9	2,263.8

Source: Budget Wing, Finance Division

**5.3** The budget estimates of subsidies for FY2024 were Rs. 1,064.3 billion, with Rs. 893.1 billion for the power sector. With prudent management, the actual expenditures for the provision of subsidies remained at Rs. 1,067.4 billion.

**Table 4: Subsidies for FY2024**

(Rs. Billion)

Sectors/Subsidies	FY2024		Actual as % of B.E.
	B.E.	Actual	
<b>Energy</b>	943.7	943.8	100.0
Power	893.1	893.2	100.0
TDS WAPDA + KESC	631.0	601.1	95.3
IPPs	262.1	292.1	111.4
Petroleum	50.6	50.6	100.0
<b>Fertilizer Plants</b>	21.0	20.6	98.0
<b>Food USC, PASSCO &amp; GB Wheat</b>	54.5	60.4	110.9
<b>Naya Pakistan Housing</b>	0.5	0.035	7.0
<b>Metro Bus</b>	2.0	2.0	100.0
<b>Others</b>	42.6	40.5	95.2
<b>Total</b>	1,064.3	1,067.4	100.3

Source: Budget Wing, Finance Division

**5.4** The budget FY2024 estimated development expenditures Rs. 1,140 billion, however, actual expenditures decreased to Rs. 1,030.9 billion (90.4% of B.E), primarily due to decrease in PSDP



of Rs. 217.8 billion against budgetary allocation. The PSDP has been utilized worth Rs. 37.5 billion in Q1 FY2025. Usually, utilization of PSDP during the first quarter of the fiscal year remains slow.

**Table 5: Total Development Expenditures**

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>PSDP</b>	950.0	732.2	77.1	37.5	52.6
<b>Net Lending</b>	190.0	298.7	157.2	40.3	30.7
<b>Total</b>	1,140.0	1,030.9	90.4	77.8	83.3

Source: Budget Wing, Finance Division

## 6. Total Net Revenue Receipts

**6.1** Total revenue receipts of the Government are bifurcated into tax and non-tax revenues. The FBR collects a major portion of tax revenues. During FY2024, the tax collections by the FBR remained at Rs. 9,311 billion against the budget estimate of Rs. 9,415 billion. The gross revenues of the Federal Government were 99.9 percent of the budget estimate. Following provisions of the 7th National Finance Commission (NFC) award, the revenues of the Federal Government are transferred to the provinces. After transfers to the provinces, the total net revenue receipts remained with the Federal Government were 97.5 percent of its budget estimates. Furthermore, FBR has collected Rs. 2,562.9 billion in tax revenues in Q1 FY2025.

**Table 6: Total Net Revenue Receipts**

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Tax Revenue (FBR)</b>	9,415.0	9,311.0	98.9	2,562.9	2,041.5
<b>Non-Tax Revenue</b>	2,963.2	3,050.5	102.9	3,021.7	453.1
<b>Gross Revenue</b>	12,378.2	12,361.5	99.9	5,584.6	2,494.6
<b>Transfers to Provinces</b>	5,399.0	5,263.6	97.5	1,565.1	1,088.2
<b>Total Net Revenue Receipts</b>	6,979.2	7,097.8	101.7	4,019.5	1,406.4

Source: Budget Wing, Finance Division

## 7. Total Fiscal Deficit

**7.1** In FY2024, the total fiscal deficit, a gap between revenue collections and expenditures, remained at 6.8 percent of GDP. However, the surplus in primary balance was recorded at 0.9 percent of GDP. During Q1 FY2025, the total fiscal and primary balance recorded surplus of Rs. 1,896.0 billion and Rs. 3,202.4 billion, respectively, on the back of higher revenues relative to expenditures.

Table 7: Total Fiscal Deficit

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Total Revenue</b>	13,377.0	13,269.0	99.2	5,827.3	2,685.8
<b>Total Expenditures</b>	20,282.2	20,475.9	101.0	3,931.2	3,665.8
<b>Total Fiscal Balance</b>	-6,905.3	-7,206.9	104.4	1,896.0	-980.1
As % of GDP	-6.5	-6.8		1.5	-0.9
<b>Primary Balance</b>	397.2	952.9	239.9	3,202.4	399.6
As % of GDP	0.4	0.9		2.6	0.4
<b>GDP</b>	105,817	105,616		124,150	105,616

Source: Budget Wing, Finance Division

## 8. Total Federal Fiscal Deficit, Excluding Foreign Grants

8.1 In FY2024, after the transfer of resources to provinces, Net Federal Revenue Receipts were Rs. 7,097.8 billion (against the budget estimate of Rs. 6,979.2 billion). Accordingly, the Federal budget deficit remained at 7.3 percent of GDP. Furthermore, the mark-up payments were significantly higher than the budget estimates (11.7%), and the primary surplus closed at 0.9 percent of GDP.

Table 8: Total Federal Fiscal Deficit (excluding Foreign Grants)

(Rs. Billion)

Description	FY2024		Actual as % of B.E.	Actual Q1 FY2025	Actual Q1 FY2024
	B.E.	Actual			
<b>Net Federal Revenue</b>	6,979.2	7,097.8	101.7	4,019.5	1,406.4
<b>Total Federal Expenditures</b>	14,484.4	14,823.0	102.3	2,483.1	2,437.9
<b>Federal Fiscal Balance</b>	-7,505.3	-7,725.1	102.9	1,536.3	-1,031.5
As % of GDP	-7.1	-7.3	-	1.2	-1.0
<b>Provincial Surplus</b>	600.0	518.2	86.4	359.7	51.4
As % of GDP	0.6	0.5	-	0.1	0.1
<b>Total Fiscal Balance</b>	-6,905.3	-7,206.9	104.4	1,896.0	-980.1
As % of GDP	-6.5	-6.8	-	1.5	-0.9
<b>Mark-up Payments</b>	7,302.5	8,159.8	111.7	1,306.4	1,379.6
<b>Primary Balance</b>	397.2	952.9	239.9	3,202.4	399.6
As % of GDP	0.4	0.9	-	2.6	0.4
<b>GDP</b>	105,817	105,616	-	124,150	105,616

Source: Budget Wing, Finance Division

## 9. Total Public Debt

9.1 The FRDL Act 2005 (amended in June 2017) defines Total Public Debt as debt owned by the Government (Federal and Provincial) serviced out of consolidated funds and debts owed to the International Monetary Fund less accumulated deposits of the Federal and Provincial Governments with the banking system. The total public debt as percent of GDP decreased from 74.9 in June 2023 to 67.5 in June 2024, the details are provided as follows:

Table 9: Total Debt and Liabilities Position

(Rs. Billion)

Description	Jun-2023	Jun-2024	Sep-2024
<b>Domestic Debt</b>	38,810	47,160	47,536
<b>External Debt</b>	24,071	24,086	24,602
<b>Total Public Debt</b>	62,881	71,246	72,138
<b>Total Debt of the Government<sup>1</sup></b>	57,779	65,079	64,091
<b>Debt Ratios</b>			
<b>Total Public Debt as percentage of GDP<sup>1</sup></b>	74.9	67.5	-
<b>Total Debt of Government as percentage of GDP</b>	68.8	61.6	-
<u>Memorandum Items</u>			
<b>GDP (current market price)</b>	83,949	105,616	-
<b>Government Deposits with the Banking System<sup>2</sup></b>	5,102	6,141	8,047
<b>US Dollar, last day average exchange rates</b>	286.4	278.4	277.7

1. As per the Fiscal Responsibility and Debt Limitation Act, 2005 amended in June 2017, "Total Debt of the Government" means the debt of the Government (including the Federal Government and the Provincial Governments) serviced out of the consolidated fund and debts owed to the IMF less accumulated deposits of the Federal and Provincial Governments with the banking system.
2. Accumulated deposits of the Federal and Provincial Governments with the banking system.

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

## 10. Debt Per Capita

**10.1** From June 2023 to June 2024, the Total Public Debt increased from Rs. 62,881 billion to Rs. 71,246 billion mainly due to increase in interest payments. Accordingly, the Debt Per Capita increased from Rs 271,264 in FY2023 to Rs 301,954 during FY2024, as shown in Table 10.

Table 10: Debt Per Capita

Description	Jun-2023	Jun-2024
<b>Total Public Debt (Rs. Billion)</b>	62,881	71,246
<b>Total Debt of the Government (Rs. Billion)</b>	57,779	65,079
<b>Population (in million) *</b>	231.5	235.95
<b>Debt per capita (Rs) – (Total Public Debt/Population)</b>	271,624	301,954

Source: State Bank of Pakistan and Pakistan Bureau of Statistics

\*: The Debt Per Capita is calculated using the same number that PBS used in the National Accounts to calculate the Per Capita Income. PBS and the National Institute of Population Studies (NIPS) are in the process of adapting to new population data and its forecasts for the fiscal years onward from the 7<sup>th</sup> Population and Housing Census.

## 11. Analysis of the Fiscal Year 2024

**11.1** In FY2024, the improvement in fiscal indicators (fiscal and primary deficits) is attributed to a deceleration in the actual non-interest expenditures (5.1%) compared to budgeted estimates. Additionally, a primary surplus of 0.9 percent of GDP in FY2024 helped to contain the total fiscal deficit.

**11.2** FY2024 witnessed a sustained recovery by turning negative economic growth (0.2 % in FY2023) into positive growth (2.5 %), and the total fiscal deficit recorded at 6.8 percent in FY2024, slightly higher than the budget target of 6.5 percent of GDP. The slight increase in the overall balance was on account of higher interest payments that kept current expenditures slightly higher

than budget targets. On the contrary, total revenues observed a slight shortfall which contributed to the actual Federal fiscal deficit of 7.3 percent of GDP (against the budget target of 7.1 percent of GDP). The main contributing factors that led to a rise in fiscal deficit were beyond fiscal management, which included the high interest rates and exchange rate depreciation.

**11.3** FBR tax revenue remained at 98.9 percent of the budget estimates. The slight shortfall was compensated by the non-tax revenue which surpassed the budget estimates and recorded as 102.9 percent of the budget estimates. The slow growth in post-COVID and post-floods period recovery primarily hindered the achievement of the budget targets. The gross revenues of the Federal Government were 99.9 percent of the budget estimate in FY2024.

**11.4** Prudent fiscal management, including the expenditure rationalization approach, resulted in expenditure on subsidies in full alignment with budget targets. The budgeted subsidies for FY2024 were set at Rs. 1,064.3 billion while actual subsidy expenditures were recorded at Rs. 1,067.4 billion.

**11.5** Overall fiscal year was concluded with a modest increase in total Government expenditures primarily driven by the current expenditures. However, Federal Government rationalized the development expenditure which kept the actual expenditure closed to the budget estimates.

## 12. Principle of Sound Fiscal Management and Future Path

**12.1** According to FRDL Act, 2005; the Federal Government shall pursue its policy and objectives in accordance with the principles of sound fiscal management. The Federal Government shall take all measures to reduce the Federal fiscal deficit excluding grants and the ratio of total public debt to gross domestic product and maintain it within prudent limits. The principle of sound fiscal management which is prescribed in the FRDL Act, 2005 is as follows:

*“Limiting the Federal Fiscal Deficit excluding Foreign Grants to four percent of gross domestic product during the three years, beginning from the financial year 2017-18 and maintaining it at a maximum of three and a half percent of the gross domestic product thereafter.”*

**12.2** MTBSP for FY2025 to FY2027 reiterates the Government's commitment to adhering to and implementing principles of transparency, responsiveness, inclusiveness, and improved financial management through the medium term. Through initiatives focused on revenue mobilization and expenditure rationalization, the Government endeavors to achieve fiscal consolidation, with the ultimate goal of stabilizing the economy and fostering sustainable inclusive growth. The Government is dedicated to realizing the targets and objectives articulated within this framework. The economic trajectory requires a blend of short-term and long-term measures to navigate through challenges such as inflation, current account deficit, low foreign exchange reserves, and substantial debt burden. For the Government, strengthening macroeconomic stability and laying the foundation for balanced growth are key priorities.

## 13. Update on Key Macroeconomic Indicators

**13.1** Pakistan economy has showed signs of stability in FY2024. The GDP growth is recorded at 2.5 percent with declining trends in inflation, a surplus primary balance, a minimal current account deficit, and a stable exchange rate. The real sector recovered from its downturn, while

external account position strengthened as imports were restrained through prudent fiscal and monetary policies with an impressive growth in exports and remittances.

**13.2** During July-December FY2025, economy showed signs of resilience to domestic and global challenges. Inflation is on a downward trajectory, reduced from 28.8 percent to 7.2 percent. The Government is also successfully managing trade and current account deficits, a relief for financing challenges. The current account balance recorded a surplus of USD 1.2 billion compared to a deficit of USD 1.4 billion in the same period last fiscal year. In view of declining pressure on prices on imported goods and stability in domestic economy, further improvement in the performance of the economy is anticipated in the upcoming months.

**Table 11: Update on Key Macroeconomic Indicators**

Items	Actual FY2024	Jul-Dec		
		FY2025	FY2024	% Change
Fiscal Sector (Rs. Billion)				
Tax Collection (FBR)	9,311	5,625	4,469	25.9
Non-Tax Revenue (Jul-Nov)	3,050.5	3,417.7	1,757.2	94.5
Fiscal Deficit (Jul-Nov)	7,207	43.5	1,375.4	
-As % of GDP	6.8	0.04	1.3	-
Primary Balance (Jul-Nov)	953	3,349.7	1,542.1	
-As % of GDP	0.9	2.7	1.5	-
Real Sector (%)				
GDP Growth	2.50	0.92 (Q1)	2.30 (Q1)	
CPI-Inflation-Y-o-Y	23.4	7.2	28.8	-
Credit to Agriculture Sector (Jul-Nov)	2216	925.6	853.0	8.5
Policy Rate (%)	20.5	12.0	22.0	-1000bps
External Sector (\$ Billion)				
Current Account Balance	(1.7)	1.2	(1.4)	-
-As % of GDP	0.5			
Trade Deficit (Goods) FoB	22.1	11.5	10.2	12.6
Exports FoB	31.1	16.2	15.1	7.2
Imports FoB	53.2	27.7	23.4	9.3
Remittances	30.3	17.8	13.4	32.8
FOREX Reserves (16 <sup>th</sup> Jan)	14.6	16.3	13.7	19.7
SBP	9.4	11.6	8.6	34.9
Commercial Banks	4.2	4.7	5.1	-7.8
Credit to Private Sector (01 <sup>st</sup> Jul-10 <sup>th</sup> Jan)	364.2	1,532.6	123.3	↑
Stock Market-KSE 100 Index (21 <sup>st</sup> Jan)	78,445	115,042	63,282	81.8
Incorporation of Companies (Nos)	26,939	16,510	14,082	17.2
Exchange Rate (31 <sup>st</sup> Dec)	278.3	278.8	279.9	0.4
FDI (Net)	2,346.1	1,329.2	1,107.9	20.0

Source: Economic Adviser's Wing, Finance Division

## 14 Conclusion

**14.1** The Fiscal Policy Statement reviews the key macroeconomic indicators, including total expenditures, net revenue receipts, fiscal deficit, public debt, and debt per capita by comparing them with established benchmarks and national economic priorities. This policy statement reviews the policy measures and rationale behind any deviation in fiscal targets associated with taxation, subsidies, expenditures, and borrowing.



**14.2** The Government has demonstrated a strong commitment to fiscal discipline by focusing on surplus primary balance, reflecting its strategic efforts toward achieving fiscal consolidation. The fiscal balance showed resilience; the Federal fiscal deficit recorded at 7.3 percent of GDP (target of 7.1% of GDP). The revenue collection remained close to the budget targets while expenditures slightly surpassed their budgeted levels. The consolidation has been achieved on the back of Austerity Measures which helped in controlling public expenditure and Government's effort for domestic resource mobilization for controlling tax evasion and ensuring transparency and accountability in revenue collection.

**14.3** Aiming for fiscal sustainability over the medium term, the MTBSP provides a clear roadmap that reflects the Government's committed to increase transparency, and sound fiscal management through revenue mobilization, expenditure rationalization, and fiscal consolidation to stabilize the economy and support sustainable growth.

**14.4** For FY2025, stable inflation and exchange rate, low interest rate, decreasing international commodity prices, along with focus on export promotion particularly IT exports are anticipated to improve the economic growth trajectory.

**14.5** Finally, the Government is steering the economy through the *URAAN Pakistan* (National Economic Transformation Plan 2024-2029), a strategic framework aimed at driving economic growth with an emphasis on exports, E-Pakistan, environmental sustainability, energy, and equity. Its success hinges on robust collaboration across sectors and provinces, the timely execution of structural reforms, and efficient fiscal management to ensure sustainable development.

Government of Pakistan  
Finance Division

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Subject: **STATEMENT OF RESPONSIBILITY UNDER SECTION 10(1) (A) OF  
FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005**

Stated that all policy decisions with material economic or fiscal implications that the Federal Government has made before January 7, 2025, the day on which the contents of the Fiscal Policy Statement were finalized, and all other circumstances with material economic or fiscal implications of which I was aware before that day have been communicated to the Secretary of Finance;

The statement, to the best of our knowledge, provides for:

- i. The integrity of the disclosure contained in the economic policy statements;
- ii. The consistency with the requirements of this Act of the information contained in the economic policy statements: and
- iii. The omission from the economic policy statement of any decision or circumstances specified in sub-section (3) of section 8.

**(Senator Muhammad Aurangzeb)**  
Minister for Finance and Revenue

Government of Pakistan  
Finance Division

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Subject: **STATEMENT OF RESPONSIBILITY UNDER SECTION 10(1) (B)  
OF FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT, 2005**

Stated that Ministry has supplied to the Minister, using its professional judgment based on economic and fiscal information available before January 7, 2025, the day on which the contents of the Fiscal Policy Statement were finalized a Fiscal Policy Statement incorporating the fiscal and economic implications of those decisions and circumstances, but any decision or circumstances that the Minister has determined under sub-section (3) of section 8 of the Fiscal Responsibility and Debt Limitation Act, 2005, shall not be incorporated in the Fiscal Policy Statement.

**(Imdad Ullah Bosal)**  
Secretary Finance