MID-YEAR
BUDGET REVIEW REPORT

FY 2024-25

GOVERNMENT OF PAKISTAN
FINANCE DIVISION

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FY 2024-25

Government of Pakistan
Finance Division

Letter of Report Submission

April, 2025

Dear Mr. Speaker,

In terms of Section 34(1) of the Public Finance Management Act, 2019, the Mid-year Budget Review Report for FY2024-25 is hereby submitted for placement before the National Assembly. The report provides budgeted and actual comparison of revenues, expenditure and financing besides a brief economic update and outlook.

Best regards,

Muhammad Aurangzeb
Minister for Finance and Revenue

The Speaker
National Assembly
Islamabad

Foreword

The Mid-year Budget Review Report for FY2024-25 has been prepared in compliance to Section 34(1) of the Public Finance Management Act, 2019 which calls upon the Federal Government to lay before the National Assembly a report providing budgeted and actual comparison of revenues, expenditure and financing. This report apprises the House of the six-month fiscal performance of the Government as against the FY2024-25 budget passed by the National Assembly in June 2024. The report evidences the Government's commitment to fiscal consolidation through enhanced revenue mobilization and prudent expenditure management.

I would like to appreciate the efforts of all Federal Government offices and principal accounting officers for their support in achieving budgetary targets and for exercising prudence in managing public money. I also extend gratitude to the Ministry of Planning, Development & Special Initiatives, the Federal Board of Revenue, and to the officers of Finance Division for preparing this report.

(Imdad Ullah Bosal)
Finance Secretary

Contents

Executive Summary

Pakistan's economy rebounded to 2.5 percent in FY2024 and witnessed continued improvement in FY2025. Due to sound macroeconomic management, effective inflation control measures, and enhanced fiscal and external account stability, the first half of the current fiscal year has witnessed positive developments in key macroeconomic indicators. CPI Inflation substantially declined to 7.2 percent from 28.8 percent last year. It reduced to 4.1 percent in December 2024 (29.7 percent last year), which is 80 months lowest. The Government's multi-pronged strategy to combat inflation brought the rate back to single digits. This along with other measures have allowed a shift in monetary policy direction and policy rate has been reduced by a cumulative 1000 basis points to 12.0 percent by January 2025.

On the external side, the current account posted a surplus of USD 1.2 billion against the deficit of USD 1.4 billion last year. FDI has significantly improved, rising by 20 percent, while remittances surged by an impressive 32.8 percent. Foreign exchange reserves stood at USD 16.1 billion as of December 20, 2024. Moreover, the KSE-100 index reached a historic high of 115,259 points as of December 30, 2024, reflecting growing investor confidence and robust market performance.

On the fiscal side, prudent fiscal management has led to substantial increase in revenue collection. Net revenue receipts have improved by 47 percent against corresponding period last year, with an increase of 82 percent in non-tax revenue and 25.9 percent in tax revenue. Fiscal deficit reduced to 1.2 percent of GDP from 2.3 percent of GDP last year and primary surplus improved to 2.9 percent of GDP against 1.7 percent of GDP last year. Expenditures of the Federal Government grew by 22.2 percent to Rs. 8,201 billion as against Rs. 6,710 billion last year, primarily due to debt servicing. Development spending largely focused on leveraging various sectors of the economy for achieving sustainable & inclusive growth, prosperity and social wellbeing.

This report gives a mid-year comparison of the budgeted and actual revenues, expenditure and financing undertaken in the first half of FY2024-25. Fiscal and other data in the report is however subject to reconciliation at the end of the financial year.

1. Mid-year Economic Update

Pakistan's economy rebounded to 2.5 percent in FY2024 after witnessing negative growth in FY2023. The recovery is underpinned by the implementation of tough policies, structural reforms, and administrative measures. These measures have stabilized the economy while steering it towards continued improvement in FY2025. Due to sound macroeconomic management, effective inflation control measures, and enhanced fiscal and external account stability, the first half of the current fiscal year has witnessed positive developments in key macroeconomic indicators.

During July-November FY2025, LSM declined by 1.25 percent against the contraction of 1.9 percent last year, however, the rate of contraction slowed down. Industries such as textiles, wearing apparel, pharmaceuticals, and automobiles displayed renewed vitality, highlighting the sector's resilience and potential for recovery.

CPI Inflation substantially declined to 7.2 percent from 28.8 percent last year. In December 2024, it reduced to 4.1 percent (29.7 percent last year), which is 80 months lowest. The Government's multi-pronged strategy to combat inflation brought the rate back to single digits. This along with other economic recovery measures have allowed a shift in monetary policy direction and policy rate has been reduced by a cumulative 1000 basis points to 12.0 percent by January 2025.

The external account position has improved significantly supported by notable increases in exports and remittances. During July-December FY2025, the current account posted a surplus of USD 1.2 billion against the deficit of USD 1.4 billion last year. Exports grew by 7.2 percent while Imports saw an increase of 9.3 percent. FDI has also shown significant improvement, rising by 20 percent, while remittances surged by an impressive 32.8 percent. Resultantly, foreign exchange reserves stood at USD 16.1 billion as of December 20, 2024. Additionally, the KSE-100 index reached a historic high of 115,259 points as of December 30, 2024, reflecting growing investor confidence and robust market performance.

On the fiscal side, owing to prudent fiscal management, the overall fiscal deficit reduced to 1.2 percent of GDP from 2.3 percent of GDP last year. Moreover, the primary surplus continued to improve and reached Rs. 3,604 billion (2.9 percent of

GDP) from Rs. 1,812 billion (1.7 percent of GDP) last year.

In September 2024, Pakistan entered a 37-month IMF EFF program worth USD 7 billion, focused on prudent policies and reforms to ensure sustained and inclusive growth. While acknowledging the importance of fundamental reforms for sustained progress, the government launched URAAN Pakistan initiative to advance crucial projects and reforms outlined in the National Economic Transformation Plan.

2. Mid-year Fiscal Performance

The government has maintained its commitment to fiscal consolidation in FY2025 through enhanced revenue mobilization and prudent expenditure management. The government is moving forward with comprehensive reforms across all sectors of the economy to achieve this goal.

During July-December FY2025, net revenue receipts have improved by 47 percent to Rs. 5,888 billion against Rs. 4,013 billion last year. The increase in revenues is on the back of 82 percent increase in non-tax collection and 25.9 percent in tax collection. Expenditures of the Federal Government increased by 22.2 percent to Rs. 8,201 billion against Rs. 6,710 billion last year, owing to increased markup payments.

July-December

Rs.bn

	Gross Revenue Receipts	Net Revenue Receipts	Total Federal Expenditure	Overall Fiscal Balance	Overall Primary Balance
FY 2024-25	9,227	5,888	8,201	(1,538)	3,604
FY 2023-24	6,448	4,013	6,710	(2,408)	1,812

The government's effective resource mobilization and better expenditure management strategy resulted in reducing fiscal deficit to 1.2 percent of GDP from 2.3 percent of GDP recorded last year. Moreover, the Government has been successful in controlling the non-markup spending resulting in an overall primary surplus of Rs. 3,604 billion (2.9 percent of GDP) from Rs. 1,812 billion (1.7 percent of GDP) last year. Details of fiscal performance are as follows:

Rs.bn

	Budget Estimates FY 2024-25	Jul-Dec Actual FY 2024-25	Jul-Dec Actual FY 2023-24
Gross Revenue Receipts	17,815	9,227	6,448
FBR	12,970	5,625	4,469
NTR	4,845	3,602	1,979
Less: Provincial Share	7,438	3,339	2,435
Net Federal Revenue Receipts	10,377	5,888	4,013
Total Federal Expenditure	18,877	8,201	6,710
Current	17,203	7,940	6,455
Development and Lending	1,674	261	255
Federal Budget Deficit	(8,500)	(2,313)	(2,697)
as % of GDP	-6.8%	-1.9%	-2.5%
Primary Balance	1,275	2,828	1,523
as % of GDP	1.0%	2.3%	1.4%
Provincial Surplus	1,217	775	289
Overall Fiscal Deficit	(7,283)	(1,538)	(2,408)
as % of GDP	-5.9%	-1.2%	-2.3%
Overall Primary Balance	2,492	3,604	1,812
as % of GDP	2.0%	2.9%	1.7%
GDP	124,150	124,150	106,045

3. Mid-year Revenue Receipts

Federal revenue receipts are categorized as tax revenues collected by FBR and non-tax revenues comprising of receipts collected by the Federal Government from various sources. All receipts form part of the Federal Consolidated Fund (FCF) maintained with the State Bank of Pakistan.

3.1 FBR Tax Revenue

During July-December FY2024-25, FBR collected Rs. 5,625 billion reflecting an increase of 25.9 percent against corresponding period last year. Tax-wise details are as below:

Rs.bn

Description	Budget Estimates FY2024-25	Jul-Dec Actual FY2024-25	Jul-Dec Actual FY2023-24	% Increase
FBR Taxes	12,970	5,625	4,469	25.9
Direct Taxes	**5,512**	**2,782**	**2,149**	**29.4**
Indirect Taxes	**7,458**	**2,843**	**2,320**	**22.5**
Custom Duty	1,591	599	541	10.7
Sales Tax	4,919	1,898	1,515	25.3
FED	948	347	265	31.0

3.2 Non-Tax Revenue

During July-December FY2024-25, NTR collection remained well above the CFY target, with 74 percent of the target achieved in the first half. 82 percent increase was witnessed compared to corresponding period of last fiscal year. Details of NTR collection are given below:

Rs.bn

Description	Budget Estimates FY2024-25	Jul-Dec Actual FY2024-25	Jul-Dec Actual FY2023-24
Non-Tax Revenues	**4,845**	**3,602**	**1,979**
SBP Profit	2,500	2,500	972
Petroleum Levy	1,281	549	473
Mark-up (PSEs and Others)	198	83	203
Royalties on Oil and Gas	162	97	87
Dividends	139	97	50
PTA Surplus including License Fee	44	29	4
UN Receipts	52	24	10
Mark-up (Provinces)	96	49	39
Passport and Citizenship Fee	75	40	26
Defence Receipts	42	15	14
Discount retained on Local Crude Oil	25	12	13
GIDC	3	1	1
GDS	26	27	5
ICT Taxes	25	12	10
Windfall Levy on Crude Oil	28	2	14
Petroleum Levy on LPG	4	2	2
Others	145	63	56

4. Mid-year Expenditures

4.1 Current Expenditure

Details of mid-year current expenditure are given below:

Rs.bn

	Budget Estimates FY 2024-25	July-Dec Actuals FY 2024-25	July-Dec Actuals FY 2023-24
Interest Payments	9,775	5,142	4,220
Defence	2,122	890	758
Running of Civil Govt.	839	339	302
Pension	1,014	450	404
Grants / Transfer	1,777	882	395
Subsidies	1,363	237	375

Provision	313	-	-
Total	**17,203**	**7,940**	**6,455**

As evident, major chunk of current expenditure was for meeting interest payments (64.8 percent of total current expenditure) during the July-December period. Of the Rs. 5,142 billion, Rs. 4,675 billion was spent on account of domestic interest payments and Rs. 467 billion on external interest payments.

Rs.bn

	Budget Estimates FY 2024-25	Jul-Dec Actual FY 2024-25	Jul-Dec Actual FY 2023-24
Servicing of Domestic Debt	8,736	4,675	3,718
Servicing of Foreign Debt	1,039	467	502
Total	**9,775**	**5,142**	**4,220**

Expenditure on running of civil government was at 40 percent of the budget estimates. Similarly, defence expenditure also remained at 42 percent of the FY2024-25 budget allocation. The Government did not extend any supplementary grants during the period under consideration and unforeseen requirements were addressed through re-appropriations and technical supplementary grants. Function-wise current expenditure details are as follows:

Rs.bn

Function	Budget Estimates FY 2024-25	Jul-Dec Actual FY 2024-25	Jul-Dec Actual FY 2023-24
General Public Service	13,647	6,528	5,251
Defence Affairs and Service	2,122	890	758
Public Orders and Safety Affairs	283	146	125
Economic Affairs	358	79	78
Environment Protection	7.3	0.4	0.3
Housing and Community Amenities	28	2	2
Health	28	10	9
Recreation Culture and Religion	18	8	7
Education	104	39	36
Social Protection	608	238	189
Total	**17,203**	**7,940**	**6,455**

4.2 Development Expenditure (PSDP)

Federal PSDP was set at a size of Rs. 1,400 billion which was later reduced to Rs. 1,100 billion due to fiscal constraints and primary balance targets. As per NEC guidelines for PSDP 2024-25, priority was given to projects at advanced stages of execution with adequate funding to strategic and core projects including foreign aided projects with particular focus on water resources, transport, communications, and energy sectors.

In PSDP 2024-25, almost 94% of resources have been allocated to the ongoing projects while only 6% of the resources have been earmarked for new projects. Priority has been assigned to infrastructure sector being the primary responsibility of the Federal Government with over 59% of allocations, followed by social sector with 18% and balanced regional development with 13% of allocations. Adequate resources have also been allocated to sectors like IT & telecom, science & technology, governance and production etc.

Ministry of Planning, Development & Special Initiatives authorized rupee allocation of Rs. 376 billion for the first two quarters in line with funds release strategy for FY2024-25. The procedure for release of development funds was simplified to expedite development work. Quarterly reviews including mid-year review were also undertaken to ensure smooth execution and timely completion of projects while addressing the impeding issues. Against the released funds, expenditure stood at Rs. 145.4 billion as per SAP system, while reported as Rs. 296 billion by ministries/divisions during mid-year review meetings.

Importance is being given to development projects relating to 5Es i.e. exports, equity, empowerment, environment and energy framework, CPEC as well as 4RF i.e. resilient, recovery, rehabilitation and reconstruction framework. New projects focus on supporting exports, enhancing productivity, deepening IT/digital infrastructure, innovation driven enterprises, agroindustry and seed development, blue economy, science & technology, R&D and innovation reforms.

5. Financing

The composition of domestic and external debt as of end December 2024 is given below:

Domestic Debt		**External Debt**	
PIBs	63.61%	Multilateral	56%
T-Bills	18.10%	Bilateral	27%
Government Ijara Sukuk	11.58%	Eurobonds	8%
NSS / Others	6.71%	Commercial / Others	9%

Following are the highlights of borrowing operations during first half of FY2025:

i. The interest expense was around Rs. 5.1 trillion of which 91% was interest on domestic debt. Owing to expenditure rationalization measures taken by the government, a federal primary surplus of Rs. 2.8 trillion was posted resulting into a federal fiscal deficit of Rs. 2.3 trillion.

ii. Financing of the federal fiscal deficit was carried out entirely through domestic sources.

iii. Government retired short-term treasury bills by around Rs. 1,504 billion.

iv. Gross issuance of fixed rate PIBs amounted to Rs. 1,283 billion against maturity of Rs. 1,153 billion.

v. Gross issuance of floating rate PIBs amounted to Rs. 4,929 billion against repayment of Rs. 1,863 billion.

vi. Gross issuance of Government Ijara Sukuk (GIS) was Rs. 1,302 billion whereas the GIS maturity amounted to Rs. 378 billion.

vii. Total net flows in National Saving Schemes stood at Rs. 89.1 billion.

viii. To meet investor preferences and lengthen the debt maturity profile, the government introduced 10-year Sukuk with both Variable Rate Return (VRR) and Fixed Rate Return (FRR) options, raising Rs. 374.8 billion from these instruments.

ix. Debt Management Office initiated a Buyback and Exchange Program, under which strategic Liability Management Operations were conducted in the interbank treasury markets through which the government successfully repurchased around Rs. 1 trillion worth of treasury bills which resulted in savings of Rs. 31 billion of interest servicing. This initiative optimized overall fund utilization, reduced concentration risk, and positively influenced both short-term and long-term borrowing costs for the government.

x. External budgetary disbursements were recorded as USD 3.5 billion, of which USD 1.8 billion was received from multilateral sources, USD 500 million from commercial sources, USD 240 million from bilateral development partners, and USD 928 million was recorded as inflow from Naya Pakistan Certificates. External budgetary repayment amounted to USD 3.4 billion.

xi. USD 1 billion China SAFE deposits and USD 3 billion Saudi deposits were rolled over for one year in July 2024 and December 2024, respectively.

xii. Pakistan received the first tranche of USD 1.02 billion under the IMF's Extended Fund Facility Programme amounting to USD 7 billion.

Financing details of federal fiscal deficit during the first half of CFY are as follows:

Rs.bn

	FY 2024-25 Budget	Jul-Dec Actual FY 2024-25
Total Financing	8,500	2,313
Domestic	7,834	2,392
External	666	-79

6. Conclusion

This report highlights the July-December 2024 six-month fiscal performance of the Government against targets outlined in FY2024-25 budget. In the first half of the fiscal year, the economic outlook remained strong with positive developments in key macroeconomic indicators. The Government continues to prioritize fiscal consolidation focusing on enhanced revenue mobilization and maintaining prudent fiscal discipline.

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