

Q Pakistan's rupee are getting devalue. What are its main reasons and implications?

Ans 1- Introduction

'Pakistan is a country of 'concern'.'  
(USHR - 2023)

Pakistan has been facing economic crisis since the last few decades. Several reasons caused devaluation of rupee. As a result, Pakistan faces several economic crisis. Hence, Pakistan must embrace positive policies to stable rupee.

2+ A brief overview of devaluation of rupee



Pakistan's rupee is devalued since 2008.

The following table shows an overview of it:

SBP - Report

FY	Rupee against \$
2008	62
2013	84
2018	125
Jan 2022	178
Jan 2023	270

Thus, rupee devalued since 2008 till now.

### 3- Causes of devaluation of rupee

Following are main causes of devaluation of rupee:

#### a) Decline in dollar reserves

... Pakistan's foreign reserves declined and



Balance of payment crisis is a main issue. In FY, 2022, import was of \$ 80bn and export of only \$ 36bn. Hence, deficit fall by \$ 44bn. (SBP-2023) - Hence, rupee devalued.

Decline in \$ reserves	Devaluation of rupee
IMF n policy shift	
Balance of payment crisis	

## Implications of devaluation of rupee

Following are implications of rupee devaluations:

4-



## a) Circular debt of loan

Unfortunately, Pakistan's economy can not survive without loan. In FY 2022, Pakistan got loan of \$36 bn. (SBP-2023) Due to circular revolve. if taking loan, friends are also hesitant to give loan.

## b) Decline in foreign reserves

Pakistan's remittance are declined. As per latest updates, remittance decreased \$20.5 bn. Therefore, foreign reserves are declined, too.

## c) Unprecedented inflation

Pakistan is revolving



in a vicious sphere of  
inflation. Inflation  
reached at 35.5 pc  
since 1965. (Annual  
Price Inflation Index, 2023)  
Hence, price reached  
at its high peak.

## 5- Methodology to stable Rupee

Pakistan must stable  
rupee in a following manner

- 9) Start trading in rupee  
Pakistan need to  
trade in currency. Trade  
with Afghanistan,  
Iran and China should  
be in currency. As per  
report, 2pc of trade is  
shifted in year with  
China. (PBS, 2022). Hence,  
promote trade in currency.



b) Control \$ outflux

Pakistan should  
bann luxuries items.  
Pakistan's import is  
more than export and  
rupee get devaluation.  
Hence, Pakistan should  
rely on national products

c) Acquire loan from  
friend countries

Pakistan need  
to get loan from  
friend countries rather  
than IMF. According  
to recent report of  
SBP, 2023; China's inflow  
stabled rupee at \$4.6bn.  
Thus, move to friends  
countries to stable rupee.

d) Conclusion

"Pakistan has



a tremendous potential  
to bring stability."  
(WB-2023)

Pakistan, no doubt,  
is caught in a vicious  
cycle. But, Pakistan  
can still stand on  
own feet and can reduce  
severe implications of  
devaluation of rupee.