

Major Economic challenges are being faced by Pakistan. what recommendations do you suggest to deal with these issues.

### Introduction

The economic challenges of Pakistan are poverty, high inflation rate, trade deficit, depreciation of Pakistani rupee, acute energy crisis, high external debts, and lack of foreign investment.

Pakistan needs to implement some strong economic policies to come out of the economic crisis and debt trap. Instead of relying imports Pakistan should diversify its local industries and should create ease in establishing new business.

Moreover, Pakistan should utilize its resources to eradicate the energy crisis and to ensure the smooth working of industries.

### Major Economic challenges of Pakistan

#### Poverty:

Poverty is a major economic challenge for Pakistan. The government does not have sufficient money to fulfill the needs of the people. The rate of development project in the country is low due to which people face joblessness which contributes to low per capita income. As a result, people have poor standard of living.

"we need to be compassionate towards our compatriots; towards those who cannot afford to eat twice a day we need to ask what happens to the 25 million children out of school. we need to ask what happens to our population. we need to ask how we



we are grapple with climate change.  
This is the time that we decide to change  
our destiny"  
"Imran Khan"

### Growing trade deficit:

Even though the export of Pakistan have increased in recent years, Pakistan still faces a high trade deficit. Pakistan's trade deficit widened by a staggering 82 percent year on year to reach USD 31.98 billion as per the data released by the Pakistan Bureau of Statistics in March 2022. The deficit is expected to rise further in the wake of rising crude oil and wheat prices, which constitute a major part of Pakistan's import. At the same time foreign remittances from the Gulf which are a major contributor to Pakistan's Foreign exchange, declined by USD 376 million declined by 17 percent over the previous month in January 2022.

### Depreciation of Pakistani currency.

The value of the Pakistani rupee has been depreciating against the US dollar at a fast rate as compared to other regional currencies like the Bangladeshi Taka and Indian Rupee. This depreciation in 2018 against the US dollar alone, was responsible for excessive USD 79 billion increase in public external debt.

### High inflation rate.

The inflation rate of Pakistan in the year 2021 was 8.9 percent. The high rate is due to



to the devaluation of the state currency and high taxes imposed by the government. The prices of necessary commodities are sky-high and out of reach of laymen.

### Energy crisis:

Pakistan is facing a severe energy crisis due to its reliance on imported petroleum products rather than utilizing local renewable energy sources. This energy crisis directly influences all the sectors of the economy like trade, industries, and agriculture.

### Lack of foreign investment:

Investment from foreign countries has declined significantly in recent years because of political volatility, terrorism, severe energy crisis, and Pakistan's listing on the grey list of FATF.

### Financial Action Task force (FATF)'s Grey List:

Pakistan has present on the Financial Action Task Force's grey list since 2018. This immensely impacts the exports, import remittances, and international funding for Pakistan. Moreover Pakistan is in severe danger of getting blacklisted which would lead to severe international sanctions and bankruptcy for Pakistan.

### Stagnant small and medium scale enterprises

Pakistan ranked 141st out of 141 in the Global Competitiveness Report of the World Economic Forum (WEF) which calculates the performance of countries in indicators such as institutions health, business dynamism, infrastructure, ICT adoption, macroeconomic stability, labor market.



skills, financial stability and innovation capacity, etc. This means that the performance of SMEs is very poor in Pakistan.

### Heavy external debt:

Pakistan's external debt reached 1163 USD bn in March 2021. This large external debt is a major obstacle to sustainable economic and human development.

\* The interest that we have to pay on our debt obligations has reached levels where we have to take on more debt just to settle it "Imran Khan".

### Rise in unemployment:

In 2020, the unemployment rate in Pakistan was 4.45 percent. This shows that a large number of the population do not contribute at all to the economic growth of the country. This increases the poverty rate and the burden of debt on the country.

### Way Forward:

#### Utilizing natural resources:

Natural resources present in the country like coal, wind, solar and sustainable energy will enable the industrial and agricultural sectors to contribute positively to the economy of Pakistan.

#### Promoting local industries:

Promoting local industries and taking them to a next level is the need of the hour. Government must have invest wisely to promote small and



and large scale business so that, Pakistani products get recognition in international markets.

“We cannot let our history rob us for our future, what we're trying to do now is to demonstrate a break from the past ‘Raza Buzri’”.

### Proper management for external debt.

Pakistan needs to reduce its external debt studies indicate that robust economic growth, decisive and lasting fiscal consolidation and a favorable external environment characterized by strong global growth can reduce the debt burden of Pakistan.

“We have diversify our exports. We cannot rely on just textiles”.

He further adds that he see, IT, pharmaceutical and engineering sectors as other areas of potential growth.

### Creating business opportunities in Pakistan:

Pakistan needs to facilitate ease of doing business through proper policy reforms.

Government should also make lenient policies to encourage foreign investment in the country.

### Conclusion:

In conclusion, poverty, unemployment heavy external and domestic indebtedness high trade and low investment are they the key economic challenge in Pakistan. Encouraging local business increasing exports and utilizing natural resources are some of the measures which can be adopted to deal with this economic havoc.