

Q

What major economic challenges are being faced by Pakistan? What recommendations do you suggest to deal with these issues?

Answer 1-

Introduction

"A healthy economy is a prosperity signal for the nation."

(- Malpeha Lodhi)

Pakistan has been facing economic crisis. In fact, several factors are evidences of economic crisis. Consequently, negative implications are on Pakistan. Therefore, some suggestive recommendations must be adopted to revive economy.

2-

Economic Meltdowns - an Overview

"Weak economic growth leads to crisis"

for the stability of the state."

(Faisal Bari)

1- Intro

2- Econ Melt

3- Crisis

a) Botswana  
b) Brazil

c) Thailand

d) Pakistan

e) Trade def.

4- Implications

a) Unemployment

b) Devalued Rupee

c) Unemployment

d) S. Rupee

e) Inflation

4w

3w

f) Deficit

g) HC

CGA

Unfortunately, Pakistan has been facing economic crisis. Rupee of Pakistan has lost its value within a short time.

"Rupee devalued at worth 190 PKR versus 1\$ in April 2023."

(- currency fluctuation, 2023)

Thus, Pakistan's economy is rapidly meltdown.

### 3- Current Challenges to economy of Pakistan

Following are challenges to economy of Pakistan:

#### a) Budget deficit at peak

Budget deficit is a major challenge to economy of Pakistan. In fact, budget decreased tremendously.

In fiscal year 2022-2023,

↳ The government had \$ 4.14 Trn PKR and expenditure was 01

\$ 8.4 bn PKR. 23

(Budget crisis, 2023)

Thus, budget deficit is a major economic challenge.

b)

Balance of Payment Crisis

Moreover, BOP crisis is another major economic challenge. Every year, government of Pakistan faces the crisis of (BOP) - In fiscal year 2022,

BOP crisis was of \$ 18 billion worth PKR. 23

(- Economy crumbling, 2023)

Thus, BOP crisis is also another major economic challenge.

c)

Tremendous dependency on foreign loan

Dependency on foreign loan is a challenge to economy of Pakistan. In fact,

every government coming in power, first acquire loan:

"In 2022, loan was taken worth \$36 billion and payment was of \$34 billion."

(- Dependency Syndrome, 2023)

Hence, dependency on foreign loan is a challenge to economy.

d) Decline in foreign reserves

Moreover, decline in foreign reserves is also a challenge to economy of Pakistan. In fact, economic crisis are led by decline in foreign reserves due to devalue of PKR.

"About \$23.5 billion of foreign reserves decline in 2023."

(- Al-Jazeera, 2023)

Thus, foreign reserves is also a challenge to economy of Pakistan.

## c) Trade deficit

Furthermore, trade deficit is also a challenge for economy. In fact, Pakistan is import based economy and this leads to trade deficit at peak.

✓ Fiscal Year 2022-2023,

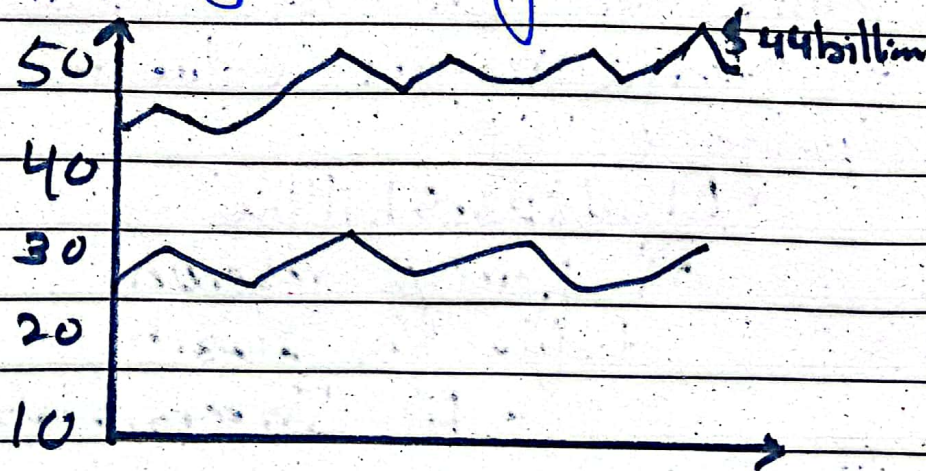
Pakistan's import was of \$ 80 billion

and Export was of \$ 36 billion; hence,

trade deficit reached at \$ 44 billion.

(- Asian Development Bank, 2023)

(As diagrammatically;



Trade deficit

Therefore, trade deficit is also a challenge to economy of Pakistan.

#### 4- Implications of economic crisis

Following are implications:

- a) Tremendous debt of loan  
Pakistan is caught in a cycle of tremendous debt. Unfortunately, Pakistan's economy can not survive without loan.

Loan acquired - 2008 to Jan 2023  
(State Bank of Pakistan)

| FY           | Worth in trillion PKR |
|--------------|-----------------------|
| 2008         | 6                     |
| 2013         | 12                    |
| 2018         | 30                    |
| 2022         | 47                    |
| January 2023 | 62                    |

Thus, Pakistan is in tremendous debt of

loan.

b) Unprecedented and Skyrocketing Inflation

Moreover, skyrocketing inflation is another negative implication. Palestinian economy has a threat of inflation at peak.

According to Sensitive Price Index,

Inflation reached at 35.5 pc in May 2023, 7th most expensive country in the world. (SPT - 2023)

| Novem | Dec 2022 | April  | May    |
|-------|----------|--------|--------|
| 21pc  | 21pc     | 31.5pc | 35.5pc |

(Sensitive Price Index)  
2023.

Therefore, unprecedented inflation is outcome of economic crisis.

5- Recommended Measures to revive economy  
Following are measures:

a) Industrial Reformation

Pakistan needs to reform its industries. Industries are declined in Pakistan.

"July 2022, almost 120 industries were closed due to loadshedding and insecurity."

(- Industrial Decline, 2023)

Thus Pakistan reform its industries.

b) Reform Agriculture Sector

Pakistan needs to reform its agriculture. In fact, Pakistan is an agrarian economy.

"Almost 1/3 of economy"



depends on agriculture")

(Economic Survey, 2018)

Therefore, Pakistan needs to reform its agriculture sector.

### c) Reform Energy Sector

Further, Pakistan needs to reform its energy sector.

More than half of economic crisis is due to dependency on import of hydrocarbon.

"Almost 60% of trade deficit is due to

imported hydrocarbons.

(- Economy chaos, 2019)

Pakistan needs to depend on renewable local sources:

#### Energy Production from local sources

|                |               |
|----------------|---------------|
| Wind           | 3000 MW       |
| Solar          | 900 MW        |
| Hydel          | < 60 pc of MW |
| Nuclear Energy | < 11000 MW    |

Therefore, Pakistan reform its energy sector.

6-

## Conclusion

"Energy crisis are led by economic crisis, all crisis are due to economic crumbling."

(- Ishaq Hudaib)

Pakistan has been facing economic crisis since 2007. Several causes lead to economic crisis. Negative implications can be decreased by adopting suggestive measures. Hence, Pakistan needs to reform its economy.