

Explain the problems and performance of major sectors of economy and discuss the contemporary economic challenges in Pakistan in light of these problems and performance

## 1- Introduction

The Pakistan economy is facing innumerable number of challenges as its various sectors are under performing, which is <sup>here</sup> <sup>ing</sup> ~~leading~~ to loss of productivity and growth. For instance, sectors like agriculture, textile, Large-scale manufacturing, construction, power, automobile etc are ~~yearly~~ poorly performing. This has exacerbated the economic crisis, which is leading to high inflation, unemployment, balance of payment crisis etc. Therefore, it can be said that low productivity of major economic sectors are exacerbating the aforementioned challenges in Pakistan.

## 2- Performance and problems in the major sector of economy

### 2.1- Agriculture

Pakistan is an agrarian economy <sup>so</sup> and its future economic growth relies in the agriculture sector. Currently, it employ 40% of the population and contribute to 20% in the national GDP. Moreover, from the period of 1990-2010 it was one of the major profitable sector. But, after 2010 to till now, Pakistan is importing wheat annually. For example, in the Fisical Year 2021-22, Pakistan imported 3m ton of wheat to meet its consumption demand. This decline is due to no

Research in agriculture, repeated floods i.e (2010, 2011) which destroyed 30B <sup>Value</sup> standing crops in 2022 (Economic survey/2022). So, it can be said that agriculture poor performance has led to economic downfall.

## 2.2-Textile

Textile is another pivotal sector of Pakistan economy. As many cities in Pakistan like sialkot, Faisalabad, Karachi are considered to be one of textile hub of south Asia. In the year 2022, Pakistan textile export was nearly 420B also it employs nearly 40% of total labour force. But, in the present year it is facing negative growth projection due to import curbs. Moreover, as per Economic survey 2022-23 growth projection has fallen from 6% to 0.28%. <sup>Thus,</sup> Leading to loss of employment, productivity and growth.

## 2.3-Construction

Construction industry is another key sector of economy. As it oversee development of infrastructure and provide employment opportunities. But, the sector is experiencing downward trend. For instance, cement industry declined by 16.55% in FY 2022-23. Similarly, steel rate in Pakistan declined by 17%. Thus it can be said that construction industry is experiencing bust period in Pakistan.

## 2.4- Small and Medium Industry

The small and medium industry is another key economic sector of Pakistan. As it contribute to 30% of GDP and employ 78% of non-agricultural labour force. Also it experienced 8% growth in FY2



and 6.1% growth in FY 22 but in FY 23, it experienced 0.25% growth due to import curb and <sup>imposing</sup> stringent dollar capping policy. This led to low growth in this sector.

### 2.5 - Power sector

Power sector is another key economic sector of Pakistan. This sector ensure energy availability and its efficient transmission flow. But it is experiencing negative growth. More over, this sector has led to massive debt, for instance, in the year 2023, its debt has risen to 4 trillion rupees. It is an inefficient sector which is overly regulated by bureaucracy. Thus, it can be said it is one of the key sector which is exacerbating economic uncertainty in Pakistan.

### 2.6 - State Owned Enterprises

Pakistan has various state owned enterprises which are becoming a burden for the state. As their day to day functioning are causing billions of rupees loss. For instance, Pakistan Railways, PTA, Pakistan steel mills, Radio Pakistan etc are causing loss of 8% GDP annually. As these sectors are inefficient, unresponsive and overly bureaucratized this is leading to annual revenue loss. Hence, it can be deduced that state owned enterprises are causing heavy economic loss.

## 3 - Contemporary Economic Challenges

### 3.1 - Inflation:

The economy of Pakistan is tailspin owing to

the negative growth experienced in its various sector. This has compounded inflation to an unprecedented level. In the present FY-23, Inflation is hovering between 29% as per Economic Survey 2022-23. This has marginalized people propensity to pay. Moreover as per BISP, people are earning 37000 rupees per month which is equivalent to \$0.57 per day. Hence, it can be said that aforementioned problems has compounded inflation which has ballooning the crisis further.

### 3.2 - Low Growth

The current economic crisis has led to emergence of twin crisis that is high inflation and high unemployment. This crisis has <sup>in turn</sup> led to low growth in various economic sector. As governments in pursuit of controlling inflation are curbing imports of raw materials which has fallen growth from 6% of FY-22 to 0.28% in FY-23. Therefore, it can be said that low growth has resulted from compounding economic problems in various sector of Pakistan economy.

### 3.3 Current Account Deficit/Balance of Payment crisis

As various sectors of economy heavily rely on imports of raw material like the textile, construction and automobile sector. This has made Pakistan economy an import led economy. Therefore it has enabled an environment of dollar flight from Pakistan. <sup>Moreover,</sup> payments of commodities are made in dollar to international/overseas market. For instance, In FY-22 current account deficit was \$17.4B. This has led to more debt accommodation to finance budget. So, it can be said that current account deficit has exacerbated economic challenge in Pakistan.



### 3.4 - ~~Circular~~ Risen Debt

Debt has risen to an unprecedented level. <sup>successive</sup> As governments have failed to curtail government size and functions. For instance, in 2008 total Pakistan debt was Rs 6 trillion which has risen to 51 trillion Rupees by 2023. This rising debt implies that most of the government revenue is used for debt servicing purpose, which has trapped Pakistan in a vicious debt cycle where citizens of Pakistan are the ultimate affected as they lose their purchasing power due to <sup>high</sup> inflation. So, it can be deduced that rising debt has compounded economic challenges in Pakistan.

### 3.5 - Devaluation of Rupee

Rupee devaluation has negatively impacted the economy of Pakistan. As rupee devaluation lead to loss of Rupee value, which in turn lead to increase in prices of essential commodities. This not only increases inflation but also increases debt percentage and interest at it. Moreover, it increases cost of production and



transport cost which directly impacts the common people currently, 1 PK is equivalent to 285 Rupees and last year 2022, 1 PK was equivalent to 170 Rupees so, an increase of nearly 700% was recorded which implies Rupee lost its value 100 times against dollar. Thus, it can be said devaluation has heavily impacted economy in Pakistan.

#### 4 - Conclusion

In conclusion, the economy of Pakistan and its various sector like agriculture, Textile, SOEs, Textile, SMIs etc. are painting an dismal economic growth environment. Moreover, the associated contemporary challenges like high inflation, balance of payment crisis, debt etc. are compounding more economic challenges, which will only dissipate if massive structural reforms coupled with political stability happens at nation level consensus.