

Economic crisis: causes, impacts, and way forward

outlines

- 1- Introduction:
- 2- A cursory glance on term 'Economic crisis'
- 3- An overview of current economic situation of Pakistan
- 4- Causes behind the economic crisis of Pakistan
 - a- Excessive reliance on International Lenders.

Case in point: Pakistan turned to IMF for 2nd time

- b- chronic Political instability in country.
- c- Severe energy crisis in country

Case in point: According to Minister of Division the demand of electricity in 2023 was 30,154 MW while the supply was 22,000 MW

- d- Lack of
- e- Poor government
- Case in
- Trans
- percept
- 140
- F- Global shock
- Case
- Consequences of
- a- Rising Fiscal
- Case in
- Pakistan
- fiscal
- b- Increasing
- c- Hindering Business.
- d- Lack of
- According
- 2023-2024
- e- Leading to
- F- Devaluation

Impacts,

- d- Lack of Industrialization
- e- Poor governance system in country

Case in point: According to Transparency International corruption perception index Pakistan ranked 140 out of 180 countries.

- F- Global shocks to economy of country.
- Case in point: Russia - Ukraine conflict, Middle East crisis.

5 Consequences of Economic Crisis

- a- Rising Fiscal deficit.

Case in point: According to Pakistan Economic Survey (2023-2024) fiscal deficit is 484 Billion USD

- b- Increasing current account deficit

- c- Hindering the formation of new Business.

- d- Lack of FD₂ in country.

According to Pakistan Economic Survey 2023-2024 FDI is

- e- Leading to undiversified economy.

- F- Devaluation of Pak rupees.

e- Surging inflation rate
case in point: According
to Pakistan Bureau of
Statistics the inflation rate
in country is 31%.

b- Suggestions to overcome Economic Crisis in country

- a- Promoting independent economic path.
- b- To create charter of Economy
- c- To Boost exports and curb lavish
Imports.
- d- To proliferate the tax collection
- e- To improve governance system
- b- Controlling the inflation rate.

7- Conclusion

The Essay

Former Prime minister of UK and Secretary of State David Cameron has rightly stated that The economy is start and end of everything. you can't have successful education reforms or any other reform if you don't have a strong economy. No nation can achieve true greatness without strong and independent economy. A stable economic situation ensure justice within society, while nation who fail to develop stable economy suffers from economic and social turbulence. Sadly, Pakistan has been facing dire economic situation which has ext shakzen the foundation of country and led to quagmire of issues. Some major causes of economic crisis are: over-dependence on international lenders, political instability and energy crisis. These causes have severe consequences including devaluation of rupees, high inflation rate,

At present, Pakistan faces serious economic crisis, that has jolted the foundations of country. In 2023 Pakistan signed 9-month stand-by agreement with IMF. The economic crisis resulted in low GDP rate, high inflation rate which is 31% as reported by Pakistan Bureau of Statistics. This unprecedented increase in inflation has made it hard for middle and low-socioeconomic class to purchase the necessities. This economic crisis has become a looming ^{threatening} situation to country and is engulfing it on all sides.

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Multiple causes have attributed to this grave economic situation.

Firstly, over-reliance on the international lenders is proliferating this crisis. Pakistan has signed 9-months

agreement with IMF in 2023. Pakistan has history of borrowing money from international finances to boost its economy. Pakistan has turned to IMF 2nd time to ^{borrow} lend money. This lending comes with strict conditions and austerity measure which make the life of common man more critical. It also raise the debt of country and made it more vulnerable to external shocks. Hence reliance on international lender has major role in economic crisis of country.

Second major reason behind this economic crisis is political instability. A stable political system ensure more business policies, sustained economic growth. But in case of Pakistan, in recent years Motion of No confidence which replaced the government resulted in country wide protests and arrests of political workers.

lates on, February the political delegation and protest debilitated the economic chronic instability in minds of this unpredictable instability has

Besides severe energy crisis is major contributor the impact of energy. But demand of and Pakistan challenges. According the demand and supply severe energy on industries supply of

lates on, February 2024 elections exacerbate the political instability due to rigging allegation and protests. This situation has debilitated the economy of country. This chronic instability has created uncertainty in minds of investors to finance in this unpredictable situation. Therefore political instability has sharpen the economic crisis.

Besides the political instability, the severe energy crisis in the country is major contributory factor. 60% of the import of country is non-renewable energy. But in present condition the demand of energy is much high and Pakistan is facing severe energy challenges. According to ministry of Orission the demand of energy is 30,154 MW and supply is 22000 MW. This severe energy crisis has major impact on industries, which require persistent supply of energy. Frequent power shortage

has disrupted the business sector of country. So, energy crisis is posing more serious threat to economy of country.

Furthermore, the lack of industrialization has also a major contributing role in economic crisis. Pakistan is primarily dependent on traditional sectors including agriculture and textile industries. Pakistan is lagging behind in the production and manufacturing industry.

Automotive industry is glaring example it is assembling motorbikes and cars which major spare parts are imported from china and Japan.

Other major industries are also suffering due to energy and economic crisis. Nishat mills have shut down in 2021 due economic disruptions.

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is changing world conditions have
impacted the economic sector of
Pakistan. These global shocks have
weakened the already weak economy.
Major events including Russia-Ukraine
conflict, which has disrupted the
imports of country and Middle East
energy prices and supply including less
energy production by KSA in 2021-2022
have proliferated the economic uncertainties
and deepened the economic crisis
of country.

All of these profound causes
of economic crisis have grave consequences.
First of all, economic crisis has
resulted in high Fiscal deficit which
mean high expenditure of government and
less savings. According to Pakistan Economic
Survey (2023-24) the fiscal deficit
of country is . The deficit in
turn leads to more dependence on IMF to meet

the expenditures of country

Another consequence of economic crisis is high current Account deficit (CAD). According to State bank of Pakistan the CAD (2023-24) was \$464 Million.

This CAD occurs when imports of country are higher than exports. It resulted in more money spent on imports. It led to less investment and more vulnerability to external shocks.

Besides CAD, Hindering the formation of new business is major impact of economic crisis. Due to economic crisis, it is difficult to develop or continue the business. In this way strict conditions of IMF and political instability has substantial role.

According to report of World Bank Pakistan rank 109 out of 180 countries in business opportunities. As result most of the individuals are going abroad

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for better business opportunities. Thus, the economic crisis has highly affecting the establishment of new Business

Nevertheless, the economic crisis has resulted in less Foreign Direct investment. FDI in any country leads the sustained growth and employment rate. But Pakistan has failed to attract the foreign investors. According to Pakistan Economic Survey (2023-24) FDI is only 23.5%. Major reason behind this is less GDP rate, for investment it must be above 3% but in case of Pakistan it is around 2.3%. Hence declining FDI is major consequence of economic crisis.

In addition to these, the undiversified economy is another impact of economic crisis. Pakistan has undiversified economy which is limited to few sectors including agriculture

and textile industry. Dealing
economically critical situation
is difficult to establish
innovative industries and sectors.
It decreased the competitiveness
country in external standing. These
economic crisis has led limited
economic sectors in country.

Furthermore the devaluation
of rupee is gross impact of economic
crisis. Pakistani rupees is significantly
depreciated in last two years against
major currencies of world. According
to Bloomberg report; Pakistani
rupees has depreciated by 39%
in 2024. This devaluation has
led to less foreign ^{currency} reserves and
Balance of payment crisis. Consequently
Pakistan has to pay for imports in
dollars at the expense of rupees.
Thus devaluation of rupee is

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Lastly, the substantial impact of economic crisis is high inflation rate. The present inflation has overshadowed all the previous boundaries. It is wreaking havoc on low and middle income groups. It became highly difficult for them to afford the even basic commodities. It resulted in countrywide protest in 2023, during which people burnt their gas and electricity bills and shut down the businesses. According to Pakistan Bureau of Statistics the inflation rate is 31% which is projected to further increase.

This inflation rate has led to more dissatisfaction and stress for individuals. Therefore, surging inflation rate is grave consequence of economic crisis.

The consequences of economic crisis are highly troublesome, but all hope is not lost. Subsequently, there are various suggestions to overcome the economic crisis in country.

First and foremost measure is to adopt independent economic path. It would ensure sustained economic growth. IMF debt comes with austere conditions, the international lenders highly influenced the ^{made} economic decisions of country. So, Government should pursue economic policies in free way through monetary and fiscal policies. In this way country can attain economic resilience.

Secondly, Government should extend efforts to create charter of economy. It will be document which will contain policies and actions

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be created through consultation with
relevant stakeholders and business owners
It would give confidence to the
business sector on economic policies that
would be same with changing government
Thus charter of economy would provide
opportunity to establish and strengthen the
business sector of country.

In addition to this,
policies must be developed to boost
the export and curb the import of
lavish items. To increase the export,
Government should provide incentives like
subsidies. constant supply of energy
is highly substantial for industries. So,
renewable sources of energy should be
promoted as well. To curb the
import of lavish items which
are usable only for elite class,
strict measures must be adopted like

like ^{increasing} custom, tariff duty. Through
vexing exports and widening imports
economic crisis can be stippled.

Furthermore tax collection
system must be proliferating to
overcome the economic crisis. Tax
collection network should be broader
by vanishing the tax exemptions to
certain sectors and to bring major
industries in tax network. For example
the local formula milk producing
industry does not pay tax at all
by arguing that it is basic life
commodity. Government is now
adopting strict measures to bring
non-payers in tax network by
blocking sim cards of non-
tax payers. Thus, mobilizing the
tax system is highly essential to
curb the economic crisis.

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Besides the proliferation of tax collection, the governance system of country should be strengthened.

According to transparency international corruption perception index; Pakistan ranked 140 out of 180 countries.

Measures must be adopted to hold the wrongdoers accountable and smooth flow of resources to improve the lives of people. National accountability Bureau (NAB) should have more power and free from institutional and individual influence. In regard amendment in NAB ordinance use prerequisite for existence of vesting power.

Lastly, inflation rate must be controlled. For this government has to develop more strict monetary measure. Price monitoring unit should be establish at regional and local level. Production of goods and services rate should

increased. More serious effort
required to curb the black marketing
smuggling of commodities in this
regard. Hence, inflation rate
be decreased by monetary policy
also by reducing government
on non essential items

To conclude, Pakistan
pledged with unprecedented economic
crisis at this present time. This
issue has dented the socio-
economic fabric and led to many
issues for the country. The GDP
rate has been stagnated, with
devaluation of rupees, FDI has
declined and inflation rate has
reached at zenith level. It
has led to massive burden on
shoulders of ordinary man. Indeed
the economy is the base upon
which nations stand. However,

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By adopting
immediacy, can
turbulent

economy can stifle country's progress

Major attributing factors in economic crisis are over-reliance on international,

debt, lack of political stability and industrialization. But despite

all of these economic crisis, there is much hope. Country can attain

high standards of success by adopting certain measures like independent

economy, charter of economy, strict monetary policies in this regard.

By adopting substantial steps in more immediacy, country can overcome the turbulent situation.