

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 ✓
to IMF for 23rd time ✓
- b- chronic Political instability in the 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 ✓
percep ✓
140 ✓
- F- Global ✓
- Case ✓
conf ✓
- Consequences of ✓
- a- Rising ✓
- 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

of Pakistan 2023-2024 FDI is \rightarrow ?

- e- Leading to undiversified economy.
- F- Devaluation of Pak rupees.

Currency

Economic crisis

crisis

International

turning

toy

toy

Minister

electronic

while

e- Suggesting 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 the 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

Focus on punctuation

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 ensures justice within society, while nation which fails to develop stable economy suffers from economic and social turbulence. Sadly, Pakistan has been facing dire economic situation which has er shaken the foundation of country and has 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,

lack of exports and FDIs. But all hope has not lost. By taking certain measures country can overcome this relentless situation. Important measures include pursuing independent economic path, creating checkered way of economy, liberal rate tax network and controlling inflation. By adopting such measures, it is possible for the country to become stronger ~~even before~~ than before.

Economic crisis include decline ~~declining~~ in economic activity. It include debt crisis, and wurrency crisis, etc. It has many features encompassing inflation rate, less business opportunities and low GDP rate. The world has faced several economic crisis including include: 2008 global financial crisis led to sharp decline in economic activity, and than to COVID-pandemic resulted in to severe economic disruption due to closure of border and businesses.

At present serious economic jolted the in 2023 stand-by agree economic crisis rate, high inflation as reported statistics. The in inflation middle and purchase the crisis has to country all sides. M to this go Fir international le crisis. Pabi

At present, Pakistan faces a serious economic crisis, that has jolted the foundations of the country. In 2023, Pakistan signed a 9-month stand-by agreement with IMF. The economic crisis resulted in low GDP growth 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 lower socioeconomic class to purchase the necessities. This economic crisis has put the country in a threatening situation.

to ~~country~~ and is engulfing it on all sides.

Multiple causes have contributed 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 financiers to boost its economy. Pakistan has turned to IMF 2nd time to borrow money. This lending comes with strict conditions and austerity measure which make the life of common man more critical. It also raises the debt of country and make it more vulnerable to external shocks. Hence reliance on international market 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 and 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.

later 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 to the impact of energy. But demand of and Pakistan challenges. According to the demand and supply severe energy industries supply of

lates on, February 2024 elections exacerbated the political instability due to bigging allegation and protest. This situation has debilitated the economy of country. This chronic instability has created uncertainty in minds of investors to invest 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. bal. of the import of country is non-renewable energy. But in present condition, the demand of energy is much higher and Pakistan is facing severe energy challenges. According to ministry of Orission the demand of energy is 30,154 MW and supply in 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. Do, 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
off due to energy and economic
crisis. Nishat mills have shut down in
2021 due economic disruptions.

Last but not the least

is changing
impacted
Pakistan. The
worsen the
major even
conflict. A
impacts of
energy price
energy price
have poor
and decrease
of of
All
of economic
First of
resulted in
mean by
less saving
Survey (20
of country
turn leads to
more

Sector of
is posing
economy

uch of
major
Pakistan
is
sectors
side industries
in the
industry.

example
and cases
are
Pan.
during
economic
down in
least

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 $\text{\$}10.5$ billion. 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 \$4.1 billion.

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.

for better economic the established has resulted investment. the sustain But Pak the Pak Pakistan E is only this is it must case of Hence decl consequence undiversified of econom undiversified to few

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 started 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 significant
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 reserves
Balance of payment crisis. Consequently
Pakistan has to pay for imports in
dollars at the expense of rupees.
Thus devaluation of rupee is

consequence
impact of
inflation
has over
boundaries. It
low and
highly diffi
the even
in countries
which peo
electricity
businesses
of statis
31% which
This in
mode dis
individuals
rate is
economic

consequence of economic crisis.

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.

The jobs Suffering 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

towards
be created
relevant
It would
business
would be
Thus
opportunity
business

policies
the export
lavish
Government
subsidies
is high
renewable
promote
import
are
start

of economic
but all
mentally, these
to overcome
country

realise is
omic path.
uneel economic

with austere
lendless highly
ecisions of
should pursue
way through

In this
mic resilience

should
chartes of
document which
actions

towards sustain economy. it should
be created through consultation with
relevant stakeholders and business
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 ~~and~~ duty. Through
verging exports and ~~warning~~ ^{import}
economic crisis can be ~~stabilized~~.

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.

Besides
tax collection
of country

According
corruption. p
banked 140

Measures m
the wrongdoer

flow of
lines of

Bureau (NAB)

and free
influence in

NAB ordinance
ensurance of

be controlled

to develop

Price man

at
reg

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 are prerequisite for existence of vesting power.

Lastly, inflation rate must be controlled. For this government has to develop more strict monetary measures. Price monitoring unit should be established 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
can be decreased by monetary policy
also by reducing government spending
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,

economy can
Major attributes
crisis are
denied, lack
and industrial
all of these
is much
high standards
certain measures
economy, that
monetary policies
By adopting S
immediacy, coun
turbulent S

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.

Knowledge gap in the argumentation

Improve foundation (grammar and sentence structure)

Focus on punctuation