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Subject : English Essay.

Economic Crisis in Pakistan Challenges and Prospects.

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Essay

The global economic crisis, triggered by the COVID-19 Pandemic in 2020, has had far-reaching consequences. Widespread lockdowns, Supply chain disruptions, and reduced consumer spending led to a global recession in 2020, with a trade contraction of 12% per-cent and over 100 million jobs lost. Commodity Price shocks, currently fluctuations, and reduced foreign investment further exacerbated the crisis. Pre-existing factors, such as US-China trade tensions, Brexit uncertainty, rising global debt, and climate change, also contributed to the crisis. In response, governments and central banks implemented monetary policy easing, fiscal Stimulus Packages, and international cooperation through the G20 and IMF.

Give overview of the topic as well in the introduction

Pakistan's economy Stands at a critical crossroads, facing

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a complex web of challenges that threaten its stability and growth. With dwindling foreign exchange reserves, a widening current account deficit, and a heavy reliance on foreign loans, the country is struggling to maintain economic sovereignty. Stagnant small and medium enterprises, reduced foreign direct investment, and a shameful picture on the human development index further exacerbate the crisis. Meanwhile, the country's tax base remains narrow, and corruption and mismanagement hinder effective governance.

The economic decay in Pakistan can be attributed to a combination of factors. One major cause is fiscal mismanagement, characterized by chronic budget deficits, reckless borrowing, and a lack of investment in productive sectors. Another significant factor is the energy crisis, which has led to power

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outages, reduced industrial productivity, and increased costs. Pakistan's economy has been hindered by a lack of structural reforms, including a narrow tax base, inadequate infrasturcture, and an unfavorable business environment. Corruption and mismanagement have also taken a toll, with widespread graft, nepotism, and inefficient institutions. Furthermore, the country's reliance on foreign loans and aid has created a culture of dependency, rather than encouraging self-sufficiency and sustainable growth. Political instability, security concerns, and a lack of investment in human capital have also contributed to Pakistan's economic decay making it challenging to achieve economic stability and prosperity.

Pakistan's dwindling foreign exchange reserves pose a significant challenge to the country's economic stability. As

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of 2024, the reserves have declined to a critically low level of $4.6 billion, barely enough to cover two months of imports. This decline is attributed to a widening trade deficit, which reached $37.7 billion in 2023, and a sharp decrease in foreign investment. The country's exports have also declined by 10% in 2023, further exacerbating the crisis. The situation is dire, with the rupee depreciating by 30% against the dollar since 2022, and inflation soaring to 30%. The government's reliance on IMF loans has increased, with Pakistan receiving its 13th bailout package in 2022.

Pakistan's exponentially increasing current account deficit has pushed the country's economy to the brink of collapse. The deficit's growth rate has accelerated, with a 50% increase in the first quater of 2024 alone, reasing $5.5 billion This surge has led to a massive trade deficit of $40.5 billion in 2023, with imports exceeding exports by a staggering $23.5 billion. The country's foreign exchange reserves are dwindling rapidly, with a $1.5 billion decline in January 2024, leaving only $3.1 billion to cover essential imports. The rupee's value has plummeted, losing 10% of its value in 2024, and inflation has soared to 35% eroding the purchasing power of citizens. The government's debt servicing burden has also increased, with $12.5 billion in external debt payments due in 2024, further straining the economy.

Pakistan economic crisis is further exacerbated by the stagnant growth of small and medium enterprises which are the backbone of the economy. As of 2024, SMEs contribute only

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30% to Pakistan's GDP, compared to 60% in regional peers. The sector's growth has been hindered by limited access to finance, with only 4% of SMEs having access to formal credit channels. Additionally, SMEs face a 30% higher tax burden compared to larger enterprises, stifling innovation and expansion. The lack of skilled labour and infrastructure also hampers SME growth, with 60% of SMEs citing energy shortages as a major constraint. Furthermore, the sector's exports have declined by 15% in 2023, resulting in a significant loss of foreign exchange earnings.

Pakistan's economic crisis is severely impacted by reduced foreign direct investment (FDI), which has declined by 50% in 2023, reaching a mere $1.2 billion. This downward trend countries in 2024, with FDI inflows falling by another 20% in the first quater. The country's FDI-to-GDP ratio stands at a meager 0.7%, compared to 2.5% in regional peers. The decline is attributed to perceived political and economic instability, security concerns, and a challenging business environment. Furthermore, Pakistan's ranking in the World Bank's Ease of Doing Business Index has slipped to 164th position in 2024, deterring foreign investors. The reduced FDI has resulted in a significant shortage of foreign exchange, exacerbating the current account deficit and currency devaluation.

Pakistan's economic crisis is further complicated by its dismal performance on the Human Development Index (HDI), ranking 161st out of 189 countries in 2023. As of 2024, Pakistan's HDI score stands at 0.544, indicating a significant deficit in human capital development. The country's literacy rate remains low at 58%, with a stark gender disparity, while 40% of population lacks access to basic healthcare. Moreover, Pakistan has the world's second-highest number of out-of-school children, with 22.8 million children not receiving formal education. The country's stunted human development hampers economic growth, with a estimated loss of 2% GDP growth due to low human capital.

Pakistan's economic crisis is deeply entwined with the social fabric being torn apart by the never-ending war on Terror, which has ravaged the country for over two decades. As of 2024, Pakistan has suffered over 80,000 casualties, including 20,000 fatalities, and incurred economic losses exceeding $150 billion. The

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conflict has displaced millions, with 1.7 million internally displaced persons still living in precarious conditions. The war on terror has also perpetuated a culture of fear, mistrust, and extremism, eroding social cohesion and fueling sectarian violence. Moreover, the country's education system has been severely impacted, with over 10,000 schools destroyed or damaged, affecting the education of 3.5 million children.

Pakistan's economic crisis is exacerbated by myopic financial policies, leading to a fiscal quandary with the country relying heavily on IMF bailouts. As of 2024, Pakistan has availed 13 IMF Programs since 1988, with the current program totaling $6.5 billion. The country's reliance on IMF loans has increased significantly, with external debt soaring to $130 billion, accounting for 45% of GDP. The short-term focus of these policies has failed to address structural issues, such as a narrow tax base, inefficient state-owned enterprises, and inadequate investment in human capital.

Pakistan's taxation system is regressive, disproportionately burdening the poor while exempting the wealthy. As of 2024, the country's tax-to-GDP ratio stands at a mere 9.5%, with a significant portion of the burden falling on indirect taxes which affect the poor the most. The wealthy elite, comprising less than 1% of the population, hold over 20% of the country's income, yet contribute a meager 2% to the tax revenue. In contrast, the bottom 50% of the population bears a tax burden of 14%. The General Sales Tax rate of per-cent 17% further exacerbates the issue, with essential items like food

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and medicine being taxed, affecting the poor's purchasing power. Moreover, tax evasion and exemptions for the wealthy have resulted in a loss of over Rs. 1 trillion in revenue, equivalent to 2.5% of GDP. This regression taxation system perpetuates income inequality, hindering economic growth and social development in Pakistan.

Pakistan's clientless progressive reforms in fiscal policy, although well-intentioned, have inadvertently created economic challenges. As of 2024, the reforms have led to a 20% increase in taxes, resulting in higher production costs and reduced competitiveness for businesses. The new tax regime has also led to a 15% decline in investment, as investors await clearity on tax exemptions and incentives. Furthermore, the expansion of social protection programs, such as Ehsaas, has increased expenditure by 25%, straining public finances and leading to a 10% increase in the fiscal deficit. The increased spending on education and healthcare, although necessary, has also put pressure on the budget, with a 12% increase in the public sector borrowing requirement. These factors have contributed to a 5% decline in economic growth, a 10% depreciation of the rupee, and a 15% increase in ~~[illegible]~~ inflation, affecting the livelihoods of millions of Pakistanis.

Pakistan's economic crisis is severely exacerbated by rampant corruption and money laundering, which have become entrenched in the country's financial system. As of 2024, Pakistan ranks 140th out of 180 countries in Transparency International's Corruption Perceptions Index, with a score of 27 out

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of loss. The State Bank of Pakistan estimates that over $10 billion is laundered annually, equivalent to 4% of GDP. This has resulted in a significant loss of revenue, with the Federal Board of Revenue missing its tax collection target by 25% in 2023. The crisis has also seen a surge in currency smuggling, with over $1 billion in cash leaving the country in 2023 alone.

Pakistan's economic crisis is significantly hindered by mass illiteracy, which poses a substantial obstacle to producing a well-trained workplace. As of 2024, Pakistan's literacy rate stands at a mere 58%. with over 40 million adults lacking basic reading and writing skills. The concentration of wealth in a few hands further exacerbates the issue, as the 1% of the population holds over 20% of the country's income, while

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the bottom 50% holds less than 30%.. This vast inequality limits social mobility and access to quality education, Perpetuating the cycle of poverty and illiteracy. Moreover, the lack of a skilled workforce has led to a 20% decrease in Productivity, making Pakistan's economy less competitive globally.

Pakistan's economic crisis is Poised for a transformative Shift as increasing political awareness translates into Positive political will, necessary for economic Progress will necessary for economic Progress. As of 2024, Voter turnout has increased by 25%, with 60% of eligible voters casting their ballots, compared to 45% in 2018. This shift has resulted in a government that Prioritizes economic reform, with a 30% increase in investment in human capital, reaching Rs. 1.2 trillion, and a 20% increase in infrastructure

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development, totaling Rs 2.5 trillion. Moreover, the government's commitment to transparency and accountability has led to a 40% reduction in corruption, with Pakistan ranking 120th in the Corruption Perceptions Index, up from 140th in 2020. This renewed political will has also led to the passage of key legislation, such as the Financial Action Task Force (FATF) bill, improving Pakistan's global economic standing, with a 15% increase in foreign investment, reaching $2.0 billion.

Pakistan's economic crisis is poised for a significant turnaround due to increased investment by foreign countries and individuals. As of 2024, Pakistan has attracted $3.5 billion in foreign direct investment, a 20% increase from 2023. The country's improving economic indicators and business-friendly policies have

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have drawn investors from China, Saudi Arabia, and the UAE. The China-Pakistan Economic Corridor (CPEC) has alone invested $25 billion in infrastructure development, creating over 100,000 jobs. Furthermore, the government's efforts to improve the ease of doing business have resulted in a 15% increase in foreign portfolio investment, reaching $1.2 billion. Individual investors have also shown confidence, with a 10% increase in remittances, totaling $25 billion. This influx of foreign investment is expected to boost Pakistan's GDP growth to 4.5% in 2024, reduce the fiscal deficit by 2%, and create over 500,000 new jobs, making a significant step towards economic recovery.

Pakistan's economic crisis is expected to alleviate due to a significant improvement in the country's

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security situation, leading to a peaceful environment conductive to economic stability. As of 2024, terrorism-related incidents have decreased by 70% compared to 2019, resulting in a 25% increase in foreign investment and a 15% rise in tourism. The improved security has also led to a 10% increase in domestic economic activity, with a growth in industries such as textiles, agriculture, and construction. The government's efforts to curb terrorism have resulted in a 20% reduction in military expenditure, allowing for a reallocation of resources towards development projects. Furthermore, the peaceful environment has boosted consumer confidence, leading to a 12% increase in private sector credit and a 10% rise in retail sales with a projected GDP growth rate of 4.8% in 2024, Pakistan is a poised to transition from a low-income to a middle-income country, making a significant milestone in its economic journey.

Pakistan's economic crisis is poised for a significant turnaround due to the burgeoning middle class, which augurs well for the country's economic prognosis. As of 2024, Pakistan's middle class has grown to 50 million people, constituting 25% of the population, with a disposable income of $50 billion. This demographic shift has led to a 20% increase in consumer spending, driving demand for goods and services. The middle class has also fueled a 15% growth in the retail sector, with sales reaching $20 billion. Moreover, their increased purchasing power has led to a 10% rise in automobile sales, a 12% increase in housing demand, and a 15% growth in the food and beverage industry.

With a Project GDP growth rate of 5% in 2024, Pakistan's burgeoning middle class is expected to drive economic expansion, reduce Poverty, and increase per capita income to $1,800, marking a significant improvement in the country's economic outlook.

Pakistan's economic crisis is expected to stabilize due to Policy initiatives prioritizing Public opinion, ensuring a People-centric approach to economic decision-making. As of 2024, the government has launched several key initiatives, including citizen-centric budgeting, social Protection Programs, tax reforms, and investments in human capital. These initiatives have yielded Promising results, with a 25% increase in Public Participation in budget allocation decisions, 15% expansion in coverage of social Protection Programms benefiting to million

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vulnerable citizens, and simplified tax filing for 5 million individuals and small businesses. With a Projected ~~[illegible]~~ GDP growth rate of 5.5% in 2024, Pakistan's Policy initiatives prioritizing Public opinion are expected to drive economic stability, reduce poverty, and increase per capita income to $2,200 by 2025, making a significant turnaround in the country's economic fortunes.

The China-Pakistan Economic Corridor (CPEC) is a harbinger of economic stability for Pakistan, mitigating crisis Prospects. By 2024, CPEC has attracted $25 billion in investments, created 50,000 jobs, and boosted economic growth by 2%. It has also added 5,000 MW of Power to the grid, reducing energy shortages by 50%. With its completion expected by 2030,

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CPEC is projected to grow Pakistan's economy by 6%, reduce poverty by 10%, and increase per capita income to $2,500, ensuring economic stability and growth.

Pakistan's advancements in science and technology are helping to mitigate economic crisis prospects. By 2024, the country has seen significant growth in its IT industry, launched its first 5G network, and increased R and D investments, leading to a projected 25% growth in the tech sector by 2025 and enhanced economic prospects.

Pakistan's democratic governance since 2018 has driven economic growth, with notable achievements including: 25% increase in foreign investment, 15% GDP growth, 30% inflation reduction, 20% rise in tax revenue,

40% suge in citizen confidence.
A Projected 5% GDP growth rate in 2025 is expected to further Stabilize Pakistan's economy, solidifying its economic foundation.

Pakistan's robust foreign Policy, focusing on regional cooperation, has enhanced trade viability, yielding: 25% increase in regional trade, $5 billion foreign investment, 30% boost in exports, 20% reduction in trade deficit, Resulting in Strengthened economic resilience and a Projected 4% GDP growth rate in 2025.

Pakistan's restored relations with neighboring countries has mitigated economic crisis Prospects by increasing trade with China, Iran, and Afghanistan by 30% to $15 billion, surging foreign investment by 4% to $3.5 billion, Boosting exports by 25% to $2.5 billion, Reducing trade deficit by 15%

Pakistan's economic prospects have been significantly bolstered by various factors. The country's advancements in science and technology have led to a remarkable 25% growth in the IT industry and are projected to contribute to a 5% GDP growth rate in 2025. Furthermore, the continuation of democracy has yielded substantial economic gains, including a 25% increase in foreign investment, 15% GDP growth, and a notable 40% surge in citizen confidence. Additionally, Pakistan's robust foreign policy centered on regional cooperation has enhanced trade viability, resulting in a 25% increase in regional trade, $5 billion in foreign investment, and a 20% reduction in trade deficit. The restoration of relations with neighboring countries has also yielded impressive results, with trade increasing by 30% to $15 billion, foreign investment surging by 40% to \$3.5 billion, and the trade deficit decreasing by 15%. These collective achievements have strengthened Pakistan's economic resilience, driven growth, and Positioned the country for a Sustainable and prosperous future.