DAY:

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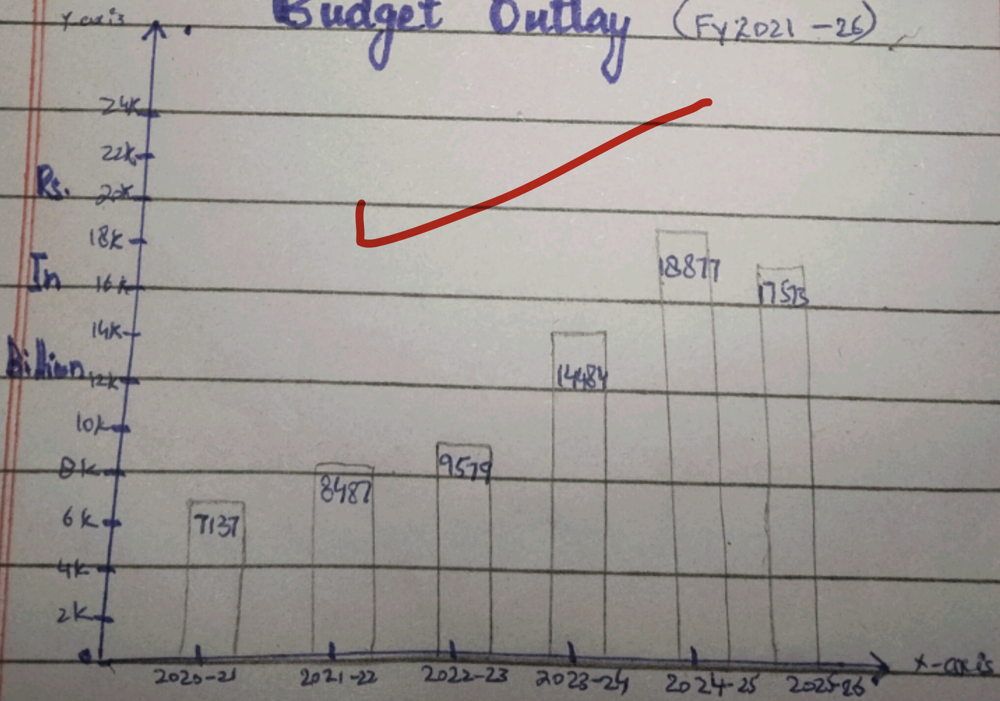
Reasons of Economic Crisis in Pak.

mention the full qs statement or the source of the qs for proper evaluation....

(1) Budget Deficit:

In the major crisis of economy budget deficit is most alarming. Pakistan faces the budget deficit from many years. The revenues of government are less but the government is spending more that's why we are facing budget deficit.

Budget Outlay (FY2021-26)



Data taken from budgets in brief.

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(2) Trade Deficit:

The second biggest problem of economic crisis is trade deficit. Pakistan is exporting to foreign countries is less than the importings from these countries. The **causes** of trade deficit includes:

⇒ Lack of competitiveness
⇒ Currency Exchange rates
⇒ Domestic Consumption
⇒ Trade policies
⇒ Global economic problems.
⇒ Political Instability

Trade deficit is a major issue due to which is our GDP ratio is low.

"The only way that we can reduce our financial dependence on the inflow of funds from the rest of the world is to reduce our trade deficit."
(Martin Feldstein)

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(3) High Inflation rate :

The inflation rate in Pakistan is high due to which the prices of the goods arise leading to decrease in Purchasing power of money. According to the Economic Survey of Pakistan 2025-26 the **inflation target is** 7.5% while the inflation rate in 2025-26 is ________ according to economic survey.

(4) Natural Disasters in Pakistan:

Pakistan faces frequent and severe natural disasters, including **earthquakes, floods, cyclones and droughts.**

(i) Earthquakes in Kashmir **2005**, which killed ten thousands of people and a major destruction and the government has to spend on those diasters

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that can become a reason of economic crisis.

(ii) **Cloudbursts:**

Cloud bursts have caused flash floods in nothern pakistan many times. Heavy rains in KPK and Gilgit overloaded streams & man made drainage systems, sending streams of water. This cloudbursts which used to be rare, are now expected to happen every year. The human cost has been high due to these disasters.

(iii) **Flooding in big Cities:**

A few hours of rain can flood huge areas of the city. stopping traffic and business. In **2022**, the terrible flood caused **$ 30 billion** in damage.

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(5) Security Issues in Pakistan:

Pakistan facing a variety of issues since its independence from india.

Security Issues

- Terroism
- Crimes
- Inter-provincial Disharmony
- Refugee Problem.

Goverment spends money to reduce crimes, terrorism and its a cost and due to these are trade suffers. The expots of the country affted due to it. Border insecurity and Smuggling reduce formal trade and widens the trade deficit. Pakistan shared borders with Afghanistan and Iran which contributed to smuggling of fuel and oil. This undocumented trade alone is **estimated to be billions of rupees annually.**

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(6) **Water & Energy Crisis:**

Energy crisis reduces industrial productivity, leading to lower exports. Textile sector which contributes 60% of exports faces frequent power and gas shortage. In 2023 Pakistan Textile mills reported billions of dollars loss in exports due to energy shortages. Agriculture sector also faces water shortage.

(7) **Industrial Collapse:**

when local industries collapse, dependency on imports increases. Closure of domestic industries like auto mobile, machinery and electronics leads to increased import of finished goods.

(8) **Slow down Service Sector.**

Service sector slowdown

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reduces support for the manufacturing and export sectors. Services like transportation and finance are crucial for industry and trade. weak performances can raise cost and lower export competitiveness.

Agriculture problems in Pakistan

Floods, climate and droughts change disrupt agriculture. In 2022 flood destroys 4 million acres of crops.

SUGGESTIONS

Structual Adjustment Programs:

Structual Adjustments Programs promote export-led growth through policy reforms. Under IMF programs, Pakistan often adopts currency devaluation, making exports cheaper and more competitive.

add and highlight references/examples against these arguments.........

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SAP reduces import dependency by encouraging local production. Though **tariff rationalization and subsidy removal** inefficient exports become expensive.

Generate Revenue:

Higher government revenue reduces reliance on external borrowing for exports. By increasing the tax collection the government can fund imports without increasing external debt.

Export Oriented Policies:

Export promotion increase foreign earnings. Special economic zones and industrial support attract investors. Under CPEC economic zones are designed to attract investors.

10

Strong Legislations:

Custom laws can improve transparency and reduce smuggling. Anti smuggling laws should be [illegible]

end the answer with conclusion......