# "Economic Crises in Pakistan".

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## Outline.

I) Introduction.

II) Historical overview on Pakistan's economy.

III) Root causes of Pakistan's economic crises;

i) Negative balance of payment leds the country's economy towards decline.

ii) Excessive government's spendings directs the budget towards deficit.

iii) ~~To~~ Low production ratio limits the gross domestic production (GDP) growth.

iv) Poor fiscal management weakens the economic stability.

v) Widespread corruption in financial officials directs the economy towards decline.

vi) High population growth hinders the economic development.

IV) Implications on Pakistan's economy;

i) The country faces ~~moves towards~~ the danger of fiscal deficit.

ii) The country faces ~~the~~ risk of debt burden.

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iii) GDP (Gross Domestic Production) suffers alot.

iv) Inflation rate enhances rapidly.

v) The unemployment ratio enhances exponentially.

vi) Poverty spreads more violently.

V) Policy Measures to get out from crises.

i) Enhancing production to counter deficit.

ii) Strengthening the governance system to ensure accountability.

VI) Conclusion

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Pakistan's economy has faced a turbulent journey, marked by recurring crises that have hindered it's potential, stifled growth, and kept millions in poverty. Despite of having abundant natural resources, the country's economy has faced many ups and downs. ~~in~~ It is due to the economic flunctuations, the country has stood in the crossroads of declination or default. The country has faced the crises many times. Negative balance of payment has become the primarily cause of the crises. This would have threatened the ~~producti~~ income generation of the country. Furthermore, excessive spendings in different sectors has also turned the economy's direction towards declination. Moreover, the GDP (gross domestic production) has suffered many times because of the low prodution tendency. Another root cause of the crises is the poor fiscal management in all

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sectors. This would have weakens the economic stability of Pakistan. In the reflection of these instances, the country has faced the problem of fiscal deficit many times. The country has taken loans many times. It is due to, the GDP (gross domestic production) rate has faced ~~mano~~ risk many times. Consiquently, the inflation rate has jumped with higher ratio. These all implications has ~~put~~ pressurized Pakistan's economic stability. Pakistan needs some steps to counter the crises and to pursue sustainable development. It is better to mention that, enhancement in production rate can counter the crises. Moreover, a good governance system can also extract the country from the pond of corruption and can averts the ~~enor~~ economy towards progress.

Since it's independence, the economy of Pakistan has

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passed through the doors of ~~trob troubles.~~ many changes over time. Pakistan's economy was primarily agricultural when it gained independence in 1947. It's economy grew rapidly in the first four decades after independence, with an average annual growth rate of 6%. In the late 20th century, Pakistan has experienced economic crisis due to debt crisis and volatile short-term liabilities. Since 2012, it's GDP growth has gradually increased. It is due to initiatives like the China-Pakistan Economic Corridor (CPEC) have contributed to infrastructure and energy development. Amid these economic dynamics, Pakistan underwent a structural transition. The GDP share of agriculture declined from 53% in 1947 to 21.2% in 2010, while the GDP share of industry rose from 9.6% in 1949-50 to 25.4% in 2010. Additionally, the GDP share of the services sector increased from 37.2% in 1950 to 53.4% in 2010.

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With the start, one of the primary root causes of economic crisis is the negative balance of payment. As Pakistan is agricultural based country. It's exports are mainly agricultural goods such as cotton, wheat, rice and textiles etc. While it's imports are mainly heavily machinery, petroleum items, and electronic etc. The prices of these items are too heavy while the export rates of agricultural goods are low as compare to the import items. It is due to, the economy of Pakistan has faced the hazard of negative balance of payment. As it is that, ~~the~~ exports in October 2024 has remained with in range of \$ 2.5 – 2.8 billion, and imports ~~rem~~ \$ 4.5 – 4.9 billion. This data shows a major difference in ~~t~~ exports and imports' rates. Therefore, the negative balance of payment has become one of root causes of economic crisis.

Adding on, excessive

government spending directly contributes to budget deficits by increasing expenditures beyond the governments revenue. When a government allocates large sums of money to programs, infrastructure, or social services without sufficient tax income or alternative funding sources, it creates a financial shortfall. Pakistan also has faced persistent budget deficits due to excessive government spending. One major example is the country's high defence and debt servicing expenditures, which consume a significant portion of the national budget. For example, in the fiscal year 2022-23, Pakistan allocated over 50% of its total budget to debt repayments and defense spending, leading limited funds for development projects. This cycle of overspending can weaken economic stability. Thus, unchecked government spending is a major driver of persistent budget deficits.

Heading on, one of the key

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factors limiting Pakistan's GDP is it's low production ratio, which results in insufficient output to meet both domestic and international demand. The country's industrial and agricultural sectors face numerous challenges including outdated technology, energy shortages, and lack of skill labour, all of which contribute to low productivity levels. For instance, Pakistan's manufacturing sector operates at a lower efficiency compared to regional competitors like India and China, reducing its ability to export goods at competitive prices. Additionally, the agricultural sector, which employs a significant portion of the population, suffers from water scarcity and poor infrastructure, further restricting overall production. ~~th~~ Therefore, low production rate also contributes in strengthening the crisis.

Adding to this, poor fiscal management significantly weakens

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Pakistan's economic stability by increasing budget deficits, inflation, and debt burdens. High levels of debt servicing divert resources away from essential sectors like education, healthcare, and infrastructure, slowing down long term economic growth. Additionally, insufficient tax collection and a narrow tax base limit government revenue, forcing authorities to cut development spending or impose indirect taxes that disproportionately affect lower-income groups. Misallocation of funds, corruption, and lack of transparency further erode investor confidence, discouraging both local and foreign investments. As a result, economic instability persists, making it difficult for Pakistan to achieve sustainable growth and financial independence.