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Pak Affairs:

Q. What is economy. Problems faced by Pakistan, why and How to over-comes these challanges.

Economy:

System of production, distribution and consumption of Goods and Services in a country. It includes all activities related to Trade, industry, agriculture banking, employment and public finance.

"Economy is the art of making the most of life." (George Bernard)

Types of Economy:

Market Economy: Driven by demand and supply (eg U.S.A)

Command (Policy) Economy: Controlled by government (e.g North Korea)

Mixed Economy: Combination of market and government (e.g Pakistan)

Economic problems faced by Pak.

1) Low GDP Growth:

Average ~2.5% (23-24) Compared to 6-7% required for population growth.

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- Main Sectors like Agriculture industry underperforming.

2) High Inflation:
- Peaked at 29.3% in 2023, reducing purchasing power.
- Caused by currency devaluation, oil-imports, and supply shocks.

3) Massive Public debt
- Total debt ~Rs 80 Trillion (2024)
- Interest payment consume > 50% of revenu (IMF 2024)

4) Low Tax Revenue.
- Tax To GDP: 9% (2024), far below ideal 15-18%.
- Only 2 million Pakinis file Taxes

5) Poor Governace and Corruption.
- Wastage of resources, weak institutions, political instability.
- Delays in desicion making discourage investors.

6) Energy Crises
- Load shedding, circular debt (~2.6 Trillion), and high electricity cost. (NEPRA)
- Poor transmission and reliance on imported fuel.

Quotations

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7) Unemployment and poverty

Unemployment rate: ~8.5% (2024)
Poverty: ~40% population lives below poverty line (World Bank)

Why Pakistan Faces these Challenges.

Factors. Explaination.

⇒ Political instability - Frequent change in leadership discourage long Term planning.

⇒ Weak Governance - Corruption, inefficient spending, poor Tax compliance.

⇒ Import dependence - Fuel, machinery and Food imports strain reserves.

⇒ Narrow Export Base - Mainly Textiles; lacks Techs, pharma, value added goods.

⇒ Low Human Capital - Poor education, skill gaps, brain drain.

(Optional) → authentic Source. "A weak economy leads to weak governance"

Comparison Between Good or Bad Company.

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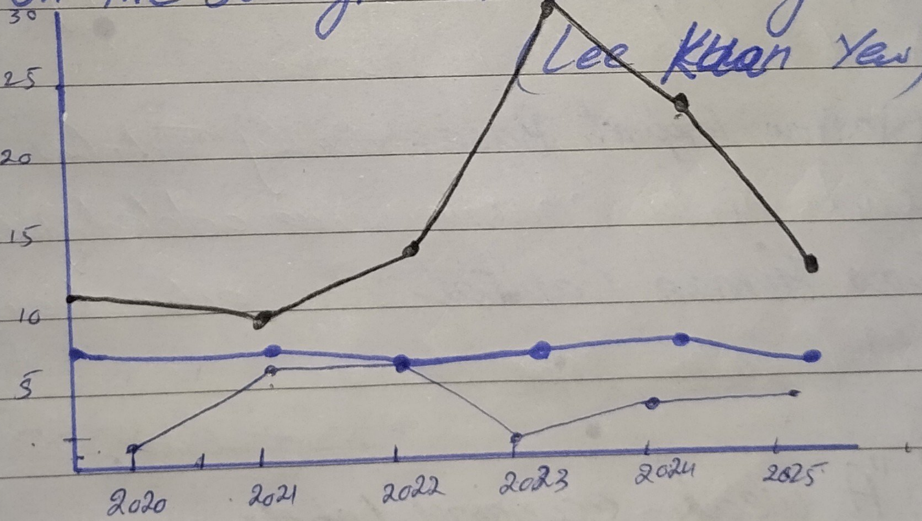
Features	Good.eco.	Bad.eco.
Growth Rate	(5-7%) High & stable,	(<2%) Low/negative
Inflation	(2-6%) Low,	(>10-20) High
Jobs	Abundants	Scarce
Public debt	(<60%) Low/sustainable,	(>70%) High/un-sustainable
Exposts	Diversified	Limited
Currency	Stable	weak.

Examples.

Good economy: Germany, China, Singapore.

Bad economy: Pak(2023), Srilanka(2022), Venezuela.

"A Nation's greatness depends on the strength of its economy" (Lee Khan Yew)



Black → inflation

Blue → unemployment rate.

pencil → GDP Growth.

Graph shows Pakistan Econimic indicator (2020-2025)

Day: Visual Insight. Date:

- **GDP Growth**: dipped sharply in 2023, recovering slowly.
- **Inflation**: Peaked in 2023, sign of decline.
- **Unemployment**: Continues to rise due to slow economic activities.

How to overcome these Challenges.

Short-Term Measures.

Monetary Control: Lower inflation via interest rate managment.

Tax Reforms: Broaden base, digitize FBR reduce Leakages

Rationalize Subsidies: Targeted Support instead of Blanket Subsidies.

Long-Term Strategies

Export Diversification.

- Develop IT, pharm and engineering sectors.
- Use CPEC to access Central Asian markets.

Energy Reforms:

Fix DISCO, invest in solar and hydro, reduce losses.

Privatize loss-Making (SEO) SOEs:

Save billions annually by offloading

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non-performing entities.

Human Capital Development:

Invest in vocational Training,

STEM education and youth delpmnt.

Stabilize politics and Governance:

Ensure continuity of policy, reduce corruption, enable investment climate.

Conclusion:

Pakistan's economic challenges are deep rooted, but not unfixable. With the right mix of structural reforms, Good governance and investment in people, Pakistan can stabilize its economy ~~and~~ and ensure Sustainable growth.

"No nation can rise to the height of glory unless its economy is strong."

(Quaid-e-Azam).