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Pakistan's Economic Challenge: Evaluating the Key Issues and the Structural Factors

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Abstract: *Historically, Pakistan has been preoccupied with internal political instability and regional security threats. The country has failed to adopt a long-term economic roadmap and experience socio-economic development. Consequently, the country faces various economic issues such as trade deficit, current account deficit, fiscal deficit, inflation and burgeoning debt. These issues are connected with lower GDP growth rate, which remains far below the potential in all economic sectors. In broader context, Pakistan's prevailing economic problems are the result of several structural factors—historical, political, security, social and environmental. This paper elucidates Pakistan's key economic issues by following a qualitative analytical approach and providing the indicators of these economic problems in quantitative form. The paper also gives an account of the structural factors that persist as the root causes of Pakistan's economic challenges. Based on Rostow's model of economic growth, the paper shows that Pakistan fails to take-off as the country still follows traditional society practices and struggles to meet the take-off preconditions.*

Introduction

Pakistan's contemporary economic challenges are multifaceted and deeply entrenched, affecting nearly every aspect of the country's development. From instable inflation and high unemployment rates to low industrial base and large fiscal deficit, the country's economy has been struggling to maintain stability and growth. These issues are not only interconnected but also have far-reaching implications for Pakistan's social and political landscape. The underlying causes of these economic troubles are complex and vary from internal structural inefficiencies to external pressures such as global economic fluctuations and geopolitical dynamics. To fully comprehend the nature of these problems, it is essential to undertake a comprehensive analysis that delves into the historical, social, and economic factors that have shaped Pakistan's economic trajectory. Over the years, factors such as political instability, corruption, inconsistent policy frameworks, inadequate infrastructure, and a lack of effective governance have compounded the challenges facing the economy. Furthermore, Pakistan's dependence on foreign loans and remittances, coupled with a lack of diversification in production and exports, has left it vulnerable to external shocks, thus exacerbating the economic difficulties.

An important aspect of understanding the root causes of Pakistan's economic troubles lies in examining empirical economic data that reflects both long-term trends and short-term fluctuations. Statistical analysis of indicators such as GDP growth, inflation rates, trade imbalances, and foreign direct investment can offer critical insights into the dynamics at play. This data provides a more accurate understanding of the dynamics of Pakistan's economic instability and enables policymakers to formulate more effective solutions. Pakistan's contemporary economic problems are also connected with the global and regional economic environment in which the country operates. International trade dynamics, foreign aid dependencies, and the impact of global financial crises all play a significant role in shaping the country's economic landscape. By incorporating both qualitative and quantitative approaches, this paper aims to identify not only the immediate causes of Pakistan's economic woes but also the broader systemic issues that hinder long-term economic development. Ultimately, the solution to Pakistan's economic problems lies in addressing the underlying structural weaknesses and fostering a more inclusive, diversified, and resilient economy.

Theoretical Framework

This paper draws on Rostow's stages of economic growth theory, which maintains that a society progresses through five stages subject to certain economic, political and social factors. The first stage 'Traditional Society' refers to an agricultural and pre nation state society. Second stage 'Preconditions for Takeoff' involves savings and investment, and a process by which a state starts assuming an international outlook. Third stage 'Takeoff' experiences a short period of urbanization and industrialization with technological advancements. Fourth stage 'Drive to Maturity' undergoes diversification of industry, infrastructure development, and improvement in life over an extended time period. The fifth stage 'Age of High Mass Consumption' entails a high level of economic activity, mass consumption, domination of the service sector, and higher income levels (Willis, 2023).

Rostow's economic growth model offers a useful framework to comprehend Pakistan's economic issues. First, Pakistan is stuck in the "traditional society" phase because of the long-lasting effects of the colonial institutions, which were established to extract the local resources instead of promoting local growth. These inherited extractive institutions have impeded modernization and development. The nation cannot progress to the "preconditions for takeoff" phase of development because of the obstructions caused by political instability, poor governance, and erratic policies. Political uncertainty has adversely affected foreign investment and hence higher levels of production and exports. It also undermines the political will for adopting long-term economic policies and institutional reforms and hence realizing economic development.

Pakistan remains behind the "takeoff" phase, which involves fast industrialization and economic expansion. The economy of Pakistan has structural shortcomings, including imbalances in trade and current account, higher public debt, and low industrialization. These issues reduce the scope for long-term economic growth. To achieve the "drive to maturity" phase, Pakistan must enhance human capital through quality education, gender equality, and health. Existing human development indicators show that the workforce of the country is underdeveloped in terms of skills, constraining innovation and productivity.

Lastly, Pakistan is much far from the stage called the "age of high mass consumption," where economies move towards services and mass welfare. The country's widespread unemployment, multidimensional poverty, and lack of access to fundamental rights and facilities indicate that it is far away from achieving this higher level of development. To move forward, Pakistan needs to stabilize its political environment, institutionalize reforms, and tackle social and environmental problems. Only by surmounting the structural obstacles Pakistan can move towards sustained growth and modernization.

Research methodology

The article follows a 'mixed-methods' strategy to examine Pakistan's economic issues. It starts with a quantitative analysis of principal economic indicators such as GDP growth, inflation, trade, and employment based on time-series data and regression analysis to discern trends and relationships. The statistical data has mostly been collected from Pakistan Economic Survey. The qualitative method involves the collection of data from secondary sources and hence developing an in-depth analysis of the factors that account for Pakistan's economic challenges. The secondary data has been gathered from research articles, reports, and newspaper opinion articles. Wholistically, the article combines quantitative and qualitative methods by underlining Pakistan's key economic issues in numerical form and then providing a detailed elaboration of the factors behind these economic issues.

Pakistan's Economic Problems

Gross Domestic Product (GDP) is a widely used empirical metric that provides a statistical overview of a country's economic performance measured on quarterly or annual basis. It indicates the monetary total value of all goods and services produced domestically in a specific timeframe. GDP indicates a country's economic health.

Historically, the trajectory of Pakistan's economic growth has been inconsistent characterised by boom-and-bust cycles. The roller coaster economic trajectory shows rapid economic expansion followed by abrupt economic contraction with severe implications, especially for the have-nots in the country. The following growth indicators from 2015 to 2020 suggest gradual decline in the country's GDP growth rate. However, the recession was followed by an improvement in the growth numbers in the subsequent years from 2021 to 2022. Pertinently, these economic fluctuations are driven by the interplay of multiple causative factors. As shown in the Table 1, a cursory look at the economic growth statistics of the period 2015-22 reflects the historical pattern of Pakistan's economic growth.

Table 1 GDP Growth Rates (Sector Wise) Indicators

Growth Rate (%)	2015	2016	2017	2018	2019	2020
GDP	3.8	4.1	4.6	6.1	3.1	-0.9
Agriculture	1.8	0.4	2.2	3.9	0.9	3.9
Manufacturing	4.1	4.0	4.9	7.1	4.5	-7.8
Services Sector	4.2	5.0	5.6	6.0	5.0	-1.2

Source: Pakistan Economic Survey 2022-23

A sluggish economic growth rate has adverse impact on both the macroeconomic and microeconomic indictors of a country including Pakistan. The recurrent contractions in the country's economic growth rate causes unemployment, inflationary pressures, fall in exports, currency devaluation, government budget deficit, increase in public debt, low credit rating, weak consumer confidence, low business confidence, cuts in public sector development programme, rise in poverty and low human development. This implies that the poor GDP growth rate has a blanket effect and lies at the heart of the country's economic woes.

In this context, it is important to gain quantitative insight into Pakistan's major micro and macro-economic indicators and their relationship with the dynamic of GDP growth rate. In other words, Pakistan's current economic conditions call for evaluating how poor GDP growth rate creates and exacerbates the macro and micro economic problems of the country. Presently, the country is unable to grow at a healthy rate with shrinking agriculture, declining manufacturing and stagnant service sectors. The ill-effects of low GDP growth manifest themselves in the macro and micro economic problems.

GDP Volume

GDP is used as a reliable economic metric to measure economic health of a country. The total monetary value of all goods and services produced within Pakistan during 2015-22, suggests economic stagnation, meagre increase and even contraction in GPD volume. The low economic output of the country is an indicator of its ailing economy. Considering Pakistan's demographic and natural capital, the current volume of its GDP does not correspond to its true economic potential.

Table 2 Gross Domestic Product of Pakistan (US$ bln)

2015	2016	2017	2018	2019	2020
300.4	313.9	339.6	356.8	321.8	300.8

Source: Economic Survey of Pakistan 2022-23

Trade Deficit

Due to weak competitiveness, lack of value addition, reliance on traditional exports and destinations, Pakistan suffers from perennial trade deficit reflected by its higher imports than exports. The trade imbalance indicates Pakistan's poor performance in agriculture, manufacturing and service sectors which are key components of the GDP. The trade deficit creates balance of payment crisis as the country buys more than it sells to the rest of the world. The lower exports mean the country is unable to shore up and maintain foreign exchange reserves. Exports are key to fill the nations' coffers with foreign currency. Robust foreign reserves are critical to avoid default, international donors and pay the import bill from local resources. In the context of Pakistan, higher imports continue to sap the country's limited foreign reserves with severe consequences for its economic sustainability. Recently, the country went back to IMF to avoid the looming default as its critically low foreign reserves were inadequate to meet import liabilities. In turn, IMF terms and conditions bind the country to increase energy prices leading to higher inflation with socio-economic consequences for the lower and middle classes.

Table 3 Foreign Trade Indicators

	2015	2016	2017	2018	2019	2020
Trade Growth (%)						
Export	-3.9	-8.8	0.1	12.6	-2.1	-7.1
Import	-0.8	-0.6	16.7	16.0	-6.8	-15.9
As % of GDP						
Export	8.0	7.0	6.5	6.9	7.5	7.5
Import	13.8	13.1	14.1	15.6	16.1	14.5
Trade Deficit	5.7	6.1	7.7	8.7	8.6	7.0

Data source: Pakistan Economic Survey 2022-23

Current Account Deficit

The trade deficit contributes to current account deficit that occurs when a country's imports and foreign payments exceed its exports and foreign earning. Pakistan's foreign payment obligations continue to increase with time. Unless the situation is reversed, the concurrent increase in imports and fall in exports, is an unsustainable drain on the country's ever-shrinking foreign reserves. Moreover, the current account deficit damages Pakistan's credit rating and dampens investors' confidence locally and internationally.

Table 4 Current Account Deficit Indicators

	2015	2016	2017	2018	2019	2020
Current Account Deficit (%)	0.9	1.6	3.6	5.4	4.2	1.6

Source: Pakistan Economic Survey 2022-23

Fiscal Deficit

The fiscal deficit has been acute and long-standing problem of Pakistan. The statistical overview of current and capital expenditures shows that government's expenditures always exceed its total revenue from taxes and non-tax income inflows. Mounting recurrent spendings, burden of debt servicing, increase in non-development expenditure, tax evasion, tax avoidance, and overall economic downturn are the causative factors of the growing fiscal deficit in the country. Resultantly, the fiscal imbalance reduces fiscal space for investment in the public infrastructure and human development.

Table 5 Fiscal Deficit Indicators

	2015	2016	2017	2018	2019	2020
Deficit (as % of GDP market prices)	4.8	4.1	5.2	5.8	7.9	7.1

Source: Pakistan Economic Survey 2022-23

Stock Exchange

Stock Exchange is a platform wherein investors can buy and sell their shares of goods and services offered by registered companies issuing shares to the public. The growth percentage of a stock exchange means the rate of growth in value of securities bought and sold on the exchange during a specific time period. The increase in the value or market capitalization reflects overall growth in the stock market. There are several factors that contribute to the growth. For instance, economic boom, business friendly government policies and incentives spur the growth in Stock Exchange. However, growth in stock exchange can be misleading as in case of Pakistan where speculations and inside trading often cause sudden boom at stock market followed by a resounding crash caused by political turmoil, economic uncertainty and panic selling. The following table reveals insignificant and inconsistent growth rate. On the whole, it shows negative growth reflective of overall economic contraction in the country.

Table 6 Stock Exchange (growth %) Indicators

	2015	2016	2017	2018	2019	2020
Karachi Stock Exchange (KSE 100 Index)	16.0	9.8	23.2	-10.0	-19.1	1.5

Source: Pakistan Economic Survey 2022-23

Exchange Rate

The relative value of local currency against another is called exchange rate. It determines how much a local currency can be traded for another currency in the foreign exchange market. Whether fixed or floating, a healthy exchange rate of local currency is key to a country's international business transactions. Historically, Pakistani rupee has never been at par with the US dollar. At the time of country's independence, PKR 3.31 were equal to 1 US$. However, its current trajectory suggests tumultuous fall in its value against the greenback. Recently, rupee witnessed free fall during 2022-23. Driven by trade imbalance, depleted foreign exchange reserves, hoarding, high dollar demand, black marketing, speculations, ballooning debt servicing payments, political and economic uncertainty, the continuous depreciation in rupee's value is the symptom of overall economic slump faced by the country. Weaker value of rupee leads to increase in foreign debt payments, inflated energy rates and higher cost of living in the country.

Table 7 *Exchange Rates*

	2015	2016	2017	2018	2019	2020
US$ to PKR	101.01	104.83	104.30	109.45	139.80	155.66

Source: Business Recorder

Foreign Exchange Reserves

Financial sustainability and stability depend on the forex reserves i.e.., the reserves of foreign currencies and assorted liquid resources possessed by the central bank or any other monetary authority in a country. The liquid assets include foreign currencies, Special Drawing Rights (SDRs), gold, foreign exchange assets (treasury bills, foreign government bonds, liquid securities). Pakistan's recurrent recourse to the IMF and other international creditors for loan, is indicative of the country's perennially low forex reserves. Economic recession, lack of fiscal discipline, trade deficit, fiscal deficit, ever-growing burden of debt servicing account for the ever-dwindling forex reserves of the country. The country's low level of forex reserves undermines its economic sovereignty; causes inflation; creates balance of payment problems and dampens investors' confidence.

Table 8 Foreign Exchange Reserves Indicators

	2015	2016	2017	2018	2019	2020
Foreign Exchange Reserves (Million US$)	13,525	18,142	16,383.6	14,481.6	18,886.4	24,397.6

Source: State Bank of Pakistan, 2023

Public Debt

Public debt, also known as national debt or government debt, is the total amount of money owed by a country to domestic and foreign lenders. With external debt of $125.726 billion as of March 2023, Pakistan's total public debt stands at PKR 63 trillion by the end of September 2023 (Amir, 2023). The debt to GDP ratio is a reliable metric to represent a country's total public debt as a percentage of its GDP. Pakistan suffers from the crisis of high debt-to-GDP ratio, which currently stands at around 73.6% (Amir, 2023). It implies that the country has borrowed more than it produces to repay. Moreover, it means around 58% of government revenues are used for interest payment obligations. This high ratio exceeds the recommended limit of 60% by the Fiscal Responsibility and Debt Limitation Act (FRDLA) (Wahid, 2023). Failure to develop indigenous revenue resource base has rendered Pakistan heavily reliant on various forms of local and foreign borrowings, particularly bonds and loans, to manage its budget deficit and fiscal commitments. IMF is the lender of last resort for Pakistan. Slump in GDP growth severely constrains a government's ability to generate tax and non-tax revenues from its local resources. To meet its current and capital expenditures, successive Pakistani governments have been dependent on domestic and international creditors. Consequently, the country's national debt continues to pile up unabated. Economic crunch and depreciation in the value of rupee against dollar exponentially multiply the country's public debt and the cost of debt servicing.

Table 9 Public Debt Indicators

	2015	2016	2017	2018	2019	2020
Domestic Debt	12,193	13,626	14,849	16,416	20,732	23,283
External Debt	5,188	6,051	6,559	8,537	11,976	13,116
Total Public Debt (Rs in Billion)	17,380	19,677	21,409	24,953	32,708	36,399

Source: Pakistan Economic Survey 2022-23

Consumer Price Index (CPI)

By measuring the average consumer price trends (changes) over time or the fluctuations in the prices paid by consumers for the basket of consumer goods and services, the CPI is used a metric to quantitatively gauge inflation and the change in the cost of living in a country. The basket is the collection of essential items namely edibles, housing, beverages, education, transportation, health care, and communication. On average, CPI national inflation, was recorded at 29.2% during Jul-May, FY 2023 compared to 11.3% in the last fiscal year (Economic Survey of Pakistan, 2022-23, p: 16). Weaker economic growth leads to wages stagnation, and trade deficit, which, in turn, causes the limited forex reserves to shrink with implications for local currency in Pakistan. Consequently, the deprecation of PKR against dollar causes inflationary pressures. Additionally, the inflationary pressures are stemming from precipitous depreciation in exchange rate of rupee, the flood-caused damages to agriculture sector, higher transportation cost caused by higher energy prices, and surge in global food rates.

Table 10 Consumer Price Index Indicators

	2015	2016	2017	2018	2019	2020
CPI (growth %)	4.5	2.9	4.8	4.7	6.8	10.7

Source: Economic Survey of Pakistan 2022-23

Unemployment Rate

The unemployment rate refers to the percentage of the work force currently jobless. Economic slowdown leads to contraction in job opportunities and even layoffs caused by austerity measures adopted by private sector. With 240 million population, Pakistan is one of the youngest countries in the world. However, the growing percentage of unemployed labor force is reflective of sluggish growth rate of economy. To absorb the growing jobless work force, Pakistan is supposed to grow at 7% annually (Shaikh, 2018).

Robust growth rate, emphasis on skill-based education, market-oriented skills, incentivizing self-employment, entrepreneurship, start-up culture, revival of agriculture, increasing industrial base, greater export of skilled human resource can help bring down high unemployment rate in the country.

Table 11 Unemployment Indicators

Indicators	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Labor Force (m)	61.04	-	-	65.5	68.8	71.8
Employed	54.4	-	-	61.7	64.0	67.3
Unemployed	3.62	-	-	3.8	4.7	4.5
Employment Rate (%)	5.9	5.9	5.8	5.8	6.9	6.3

Note. '-'Indicates the unavailability of reliable data from a credible source

Per Capita Income (US$)

Worked out by the division of total GDP of a country by its total population, per capita income is the average earnings received by each individual. Despite its shortcoming, it helps measure scale of wealth generation and its distribution in a country. Economies with higher growth rates tend to register higher income earned by the people while low GDP growth causes financial crunch that results in low wages.

Table 12 Per Capita Income of Pakistan

	2015	2016	2017	2018	2019	2020
(US $)	1609	1640	1723	1768	1578	1458

Source: Pakistan Economic Survey 2022-23

Factors of Pakistan's Economic Problems

In order to gain profound understanding of the contemporary economic challenges of Pakistan, it is essential to identify and evaluate the complex set of the structural factors comprising historical, political, security, social, technological, and environmental factors. The interplay of these multiple factors underlies the ever-deepening economic woes of the country.

Developmental Factors

States with colonial past tend to carry on with the debilitating burden of colonial legacy in the form of draconian laws, extractive institutional apparatus, exploitive economic structures and the obscurantist mindset. In retrospect, the colonial institutions and structures were designed and programmed to rule the local population and exploit their resources rather than to serve and bring about socioeconomic development of the locals. Pro-public, open, accountable and facilitative institutional structures lead to progress and economic development whereas exploitative and extractive institutional arrangements lead to failure (Robinson et al., 2012).

Long and exploitative British colonial rule had a crippling effect on socio-economic fabric of India. Thus, Pakistan came into being as poor and economically underdeveloped nation. Pakistan being a post-colonial state continues to grapple with the colonial legacies. Over a long period, the British rule put in place institutional, procedural, legal and administrative, and economic structures designed to serve economic interests of the colonial masters. The economic model continues to be extractive, exploitative and elitist as the heavy burden of indirect taxes impoverishes the have-nots and enriches the rich living a subsidized lifestyle at the cost of general public good. The skewed economic model of Britishers promoted and prioritized the cultivation of certain cash crops notably cotton and jute for export. It stifled diversification in agricultural sector that is a key component of GDP growth. Consequently, the country faced food insecurity and had to look for food aid and import time and again (Economic Advisor's Wing, 2023). Further, what constitutes today's Pakistan was considered a British junkyard devoid of any large-scale manufacturing base as the colonial masters went on to industrialize only certain pockets in India. Barring few flour mills and jute processing factories, industrial base was non-existent in the newly born country in 1947 (Hussain, 2004). As it gained independence in 1947, Pakistan was supposed to reform and reorient the elitist colonial governance structures. However, the country has not been able to transform the inherited colonial economic structures into progressive and inclusive systems.

Infrastructure of all types provides foundation for modern economy to function and thrive. Pakistan is not known for modern infrastructure. It either lacks or has poor hard (bridges, roads, airports, seaports, rail transport, telecommunication, power stations, sewage, drainage), soft (educational, R&D, health, law enforcement, financial systems) and critical infrastructure (rail and road, telecommunication, public health, agricultural facilities) systems (Corporate Finance Institute, 2024). Poor infrastructure holds the country back from developing its human and material resources. Poor infrastructure results in limited access to markets, higher cost of doing business, corruption, bureaucratic red-tapism, low agricultural output, vulnerability to natural disasters, urban congestion, low FDI, energy insecurity, and shortage of highly skilled workforce. Pakistan needs to invest in and develop sustainable, resilient, efficient infrastructure in tune with demands of modern economy.

Contributing about 24 percent of GDP, agriculture is the largest sector of Pakistan's economy. It is the backbone of the country's economy employing half of work force. The largest chunk (80%) of foreign exchange comes from it (Government of Pakistan, 2024). More importantly, it is vital to food security of 240 million people in the country. Despite having the world's largest irrigation system and fertile land, Pakistan's agriculture system is marred by low per-acre production, reliance on traditional cultivation and irrigation methods, mono crop cultivation practices, water scarcity, soil erosion, waterlogging, climate-change-induced natural disasters, lack of research and development, lack of value-addition, energy crisis, urban sprawl, lack of land reforms, and poor rail and road connectivity between farm and market. Revival of the agricultural sector is critical for boosting economic self-reliance and prosperity.

Political Factors

Political stability, good governance and rule of law act as a bedrock for economy. Any smooth economic activity depends on political certainty, order and policy consistency. However, Political turmoil and polarization have come to characterize Pakistan where democracy continues to be stymied by inter-institutional struggles for power. Consequently, political uncertainty and unrest discourages FDI, and causes capital flight, frequent stock market crashes, abrupt policy changes, politically motivated violence, and recurrent protests and sit-ins.

Weak democracy and absence of the rule of law in the country have led to elite capture of economy and crony capitalism in the country. The elite capture has caused income inequity, monopolies, cartelization, economic parasitism and corruption. Open, inclusive, transparent and accountable governance is essential to enhance economic productivity and attract foreign investment in the country.

Security Factors

Economy cannot grow in the absence of peace and order. Pakistan confronts multiple internal and external security challenges. Regional hostilities especially with its nuclear-armed eastern neighbor have rendered the country a security state obsessed with traditional security that saps the country's meagre economic resources. Pakistan's expensive traditional security paradigm militates against economic development. Further, the country is less integrated with regional markets. The alienation from regional trade means greater cost of doing business with extra-regional countries and reduced competitiveness of Pakistani products in far-off markets. Additionally, the violence caused by the menace of terrorism, religious fanaticism and ethnic separatism are on the rise in the country. It dents country's soft image, dampens investors' confidence, stifles tourism industry and causes brain drain and disinvestment.

Social Factors

Human development and gender equality are critical to economic progress and prosperity. Pakistan fares poorly on both the indicators with adverse implications for economic productivity and output. According to the latest UN Human Development Report 2021-2022, with drastic drop in its ranking, Pakistan is ranked at 161 out of 192 countries in the human development index that measures education level, gender equality and income levels in a country (UNDP, 2024). Moreover, the country stands at 142 out of 146 countries in the Global Gender Gap Report 2023 annually published by World Economic Forum (WEF) (Ahmed, 2023). Women's population constitutes almost 50% of the country's demography. However, women are underrepresented in labour force and state institutions due to social, cultural, economic, educational and procedural barriers.

Illiteracy, ill-heath and low income have multidimensional effects on health of economy as modern knowledge economy necessitates high-tech education, technical skills and health security. Education, healthcare and decent income level directly and indirectly contribute to GDP growth and economic productivity.

Environmental Challenges

Climate change poses an existential threat to humanity's physical existence and material progress. The planet earth's habitability and stability are foundation of all life and human civilisation on the planet reeling from anthropogenic environmental crisis. It creates new economic problems and aggravates the exiting issues in the economy. Being a poor agricultural country with poor governance, Pakistan is one of the most vulnerable to climatic effects. According to the Global Climate Risk Index, Pakistan is the fifth most climate-vulnerable country (ReliefWeb, 2023). Increasing temperature, and air and soil pollution badly affect crop yield and livestock output.

Every year, the climate-induced calamites like heat waves, extreme weather events, sea-level rise, floods, erratic weather patterns and irregular monsoon undermine Pakistan's economic production causing immense economic losses to already an ailing economy. For instance, the 2022 devastating floods caused widespread and immeasurable damages to livelihood, infrastructure and agriculture. With more than 8 million displaced people**,** the floods affected 33 million people and more than 1730 lost their lives. The assessment estimates total damages to exceed USD 14.9 billion, and total economic losses to reach about USD 15.2 billion (World Bank Group, 2022). Prioritising adaptation, mitigation and sustainable economic development can help the country achieve robust economic growth while protecting its local ecosystem and ensuring social equality.

Conclusion

Pakistan undergoes a serious economic challenge manifested in various economic issues including trade deficit, current account deficit, fiscal deficit, rupee devaluation, low forex reserves, high public debt, inflation and unemployment. These issues are connected with an inconsistent economic growth pattern of Pakistan. Economic trajectory of the country shows rapid economic expansion followed by abrupt economic contraction. Better economic performance coincides with the foreign inflows in the form of foreign aid coupled with remittances followed by an economic recession as the foreign inflows diminish. This shows Pakistan seriously lacks indigenous capacity for economic productivity and growth.

Pakistan's problem of poor economic growth is rooted in various structural constraints. Firstly, based on the colonial past, Pakistan's economic model is centered on extractive institutions that depend on the subsidies and perform poorly in terms of production and provision of services. Further, the country lacks in hard, soft and critical infrastructure systems, which play key role in enhancing the levels and quality of production. Secondly, political instability creates hurdles in adopting long-term economic policies and roadmaps, undertaking economic reforms, and attracting FDI. Thirdly, Pakistan's preoccupation with hostile regional security milieu and internal terrorist threat undermines its capacity not only for spending on the socio-economic development but also for providing a conducive environment for investment and manufacturing. Fourthly, the country does not spend much on imparting quality education and healthcare to develop a skilled human resource and hence meet the market needs.

Finally, environmental calamites like extreme weather conditions, sea-level rise, floods, erratic weather patterns and irregular monsoon undermine Pakistan's economic production causing immense economic losses to already an ailing economy.

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