SUMMARY of the Article “State of the economy,” Editorial, Dawn, June 13th, 2024

The editorial examines the state of Pakistan’s economy for the outgoing fiscal year as depicted in the new Pakistan Economic Survey. It suggests that while there has been some stabilization in key macroeconomic indicators, this stability is fragile and heavily dependent on IMF support, which necessitates yet another larger bailout. The finance minister acknowledged this vulnerability at the survey’s launch. Although the economy appears to have hit rock bottom in the last financial year, the slight improvements in macro indicators this year are seen as progress. However, this does not offer much hope for the future. The editorial highlights that the economy likely expanded by only 2.4%, slower than the population growth rate, driven primarily by increased output in cotton, wheat, and rice crops rather than industrial recovery. Agriculture saw a growth of 6.3%, the fastest in two decades, but its reliance on major crops highlights structural weaknesses. The industry and services sectors expanded by just 1.2% each, meaning no new jobs were created to accommodate the growing workforce. The government managed to reduce the current account deficit to $200 million in the first ten months against a $6 billion target for the year, avoiding a default on foreign payments and building international reserves to $9 billion, which stabilized the foreign exchange market. However, this external stability came at the cost of economic growth, jobs, investment, poverty, and exports due to informal and administrative controls on imports. Fiscal deficit has been slightly narrowed but remains high, averaging 7.3% over the past five years, with public debt exceeding Rs67.5 trillion and debt expenses at Rs5.5 trillion in the first three quarters of the fiscal year. Fiscal consolidation forced significant cuts in spending on economic and social infrastructure development, impacting future growth and welfare. Tax revenue collection surged by nearly 30%, mainly burdening the working classes and corporate sector. Overall, the fiscal year has been difficult for citizens, with worsening economic conditions, declining real wages, and high inflation. The editorial concludes that while the economy is off course, there is potential for recovery if the ruling elite can prioritize the nation's broader interests over their own.

Easy/Short SUMMARY:

The article discusses Pakistan's economy, noting that while there are signs of stabilization thanks to IMF support, this stability is weak and relies on future bailouts. The economy grew by 2.4% this year, mainly due to increased crop production, not industrial recovery, and didn't create new jobs. The government reduced the current account deficit and built up reserves but at the cost of economic growth and job creation. Tax revenue increased, but mainly burdened the working class and businesses. Despite some improvements, the economic conditions remain tough for citizens with high inflation and low wages. The article suggests that real improvement depends on the ruling elite prioritizing national interests.

SOLUTIONS of The Problem:

Diversify the Economic Base

Encourage industrial recovery and diversification beyond agriculture to create more jobs and reduce dependency on major crops.

Enhance Structural Reforms in Agriculture

Invest in modern agricultural practices and infrastructure to reduce structural weaknesses and increase efficiency and productivity.

Promote Small and Medium Enterprises (SMEs)

Provide incentives, training, and financial support to SMEs to stimulate job creation and innovation in various sectors of the economy.

Strengthen Fiscal Policies

Implement comprehensive fiscal reforms to widen the tax base, reduce the tax burden on the working class, and ensure a more equitable tax system.

Increase Investment in Social and Economic Infrastructure

Reallocate resources to improve infrastructure and social services, fostering long-term economic growth and development.

Expand Export Base

Develop policies to boost exports, reduce reliance on a few commodities, and diversify export markets to improve the trade balance.

Improve Governance and Transparency

Enhance transparency and accountability in economic policies and governance to build investor confidence and ensure efficient resource allocation.

Foster Public-Private Partnerships

Encourage collaboration between the public and private sectors to leverage resources and expertise for large-scale development projects.

Strengthen Monetary Policies

Implement sound monetary policies to control inflation, stabilize the currency, and ensure sustainable economic growth.

Invest in Human Capital

Focus on education, skill development, and healthcare to build a competent workforce capable of driving economic progress.

IMPORTANT Facts and Figures Given in the Article:

- Economy expanded by 2.4% in the fiscal year.
- Agriculture growth was 6.3%, the fastest in two decades.
- Industry and services sectors expanded by 1.2% each.
- Current account deficit reduced to $200 million in the first ten months against a $6 billion target.
- International reserves built up to $9 billion.
- Public debt over Rs67.5 trillion and debt expenses Rs5.5 trillion in the first three quarters.
- Fiscal deficit averaged 7.3% in the last five years.
- Tax revenue collection increased by nearly 30%.

MCQs from the Article:

1. What was the estimated economic growth rate for Pakistan in the outgoing fiscal year?

A. 3.2%
B. 5.6%
C. 2.4%
D. 4.8%

2. Which sector saw the fastest growth in two decades?

A. Agriculture
B. Industry
C. Services
D. Technology

3. What was the current account deficit reduced to in the first ten months of the fiscal year?

A. $6 billion
B. $200 million

C. $2 billion
D. $1 billion

4. How much did Pakistan's international reserves build up to?

A. $6 billion
B. $9 billion
C. $12 billion
D. $15 billion

5. What was the increase in tax revenue collection?

A. 10%
B. 20%
C. 30%
D. 40%

6. What is the public debt of Pakistan as mentioned in the article?

A. Rs57.5 trillion
B. Rs47.5 trillion
C. Rs67.5 trillion
D. Rs77.5 trillion

7. What does the article suggest is the primary driver of economic growth for the fiscal year?

A. Industrial recovery
B. Increased output in cotton, wheat, and rice crops
C. Expansion of the services sector
D. Growth in technology sector

VOCABULARY:

1. **Stabilised** (verb) (□□□□ □□□□□□): Made or become unlikely to change, fail, or decline.

2. **Fragile** (adjective) (□□□□): Easily broken or damaged; delicate.
3. **Bailout** (noun) (□□□□□): Financial assistance to a failing business or economy to save it from collapse.
4. **Depicted** (verb) (□□□□ □□□ □□□□□): Represented by a drawing, painting, or other art form; described in words.
5. **Structural** (adjective) (□□□□□): Related to the arrangement of and relations between the parts or elements of a complex entity.
6. **Curtail** (verb) (□□□□ □□): Reduce in extent or quantity; impose a restriction on.
7. **Default** (noun) (□□□□): Failure to fulfill an obligation, especially to repay a loan or appear in a court of law.
8. **Surged** (verb) (□□□□□ □□ □□□□): Increased suddenly and powerfully.
9. **Dwindling** (verb) (□□□□ □□): Diminishing gradually in size, amount, or strength.
10. **Backbreaking** (adjective) (□□□ □□□): Physically demanding or exhausting.
11. **Silver lining** (noun) (□□□ □□ □□□□): A sign of hope or a positive aspect in an otherwise negative situation.
12. **Fiscal** (adjective) (□□□□□□□): Relating to government revenue, especially taxes.
13. **Consolidation** (noun) (□□□□□□□): The action or process of combining a number of things into a single more effective or coherent whole.
14. **Infrastructure** (noun) (□□□□□□□□□□□): The basic physical and organizational structures and facilities needed for the operation of a society or enterprise.
15. **Wages** (noun) (□□□□): Fixed regular payment earned for work or services, typically paid on a daily or weekly basis.
16. **Inflation** (noun) (□□□□□□□): A general increase in prices and fall in the purchasing value of money.
17. **Account deficit** (noun) (□□□□□ □□ □□□□□): The amount by which a country's spending exceeds its income from trade, investment, and other revenue.
18. **Reserves** (noun) (□□□□□): Funds set aside for future use; savings.
19. **Tax burden** (noun) (□□□□ □□ □□□□): The financial charge or amount of taxes that individuals or businesses must pay.
20. **Vested interests** (noun) (□□□□□□ □□□□): A personal stake or involvement in an undertaking or state of affairs, especially one with an expectation of financial gain.

□ *Attention Please!*

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State of the economy
Editorial

THE current fiscal year is but another year lost. Going by the new Pakistan Economic Survey, which maps the state of the economy for the outgoing fiscal year, the economy stabilised, so to speak, as crucial macro indicators perked up even if most budget targets would be missed. But the newfound 'stability', aided and funded by the IMF, remains fragile and reliant on yet another larger bailout from the Fund to sustain. The finance minister admitted as much while speaking at the launch of the survey. That the economy rock-bottomed during the last financial year means that any improvement in macro indicators this year would be interpreted as progress. The sad reality is that the economic picture depicted in the survey does not offer much to celebrate or inspire hope about the future. The minister boasted that the nation would start the new fiscal year on a 'stronger note'. But what exactly does that mean?

Indeed, the economy is likely to have expanded by 2.4pc, at a slightly slower pace than the population growth rate. This growth is driven by an increase in the cotton, wheat and rice crop output rather than industrial recovery. Though agriculture rose by 6.3pc — the fastest in two decades — its dependence on major crops underscores the structural weaknesses in the sector. Industry and the services sector expanded by a meagre 1.2pc each. That means the economy did not produce any new jobs to accommodate the millions entering the market. Then, the government somehow curtailed the current account deficit to $200m in the first 10 months against a target of $6bn for the year. The government has successfully averted default on its foreign payments, built up its international reserves to $9bn, and brought stability to the foreign exchange market. Nonetheless, this external account stability owes to informal and administrative controls on imports at the expense of economic growth, jobs, investment, poverty and exports. Moreover, the government has slightly narrowed its fiscal deficit, which has averaged 7.3pc in the last five years and pushed public debt to over Rs67.5tr and debt expense to Rs5.5tr in the first three quarters of this fiscal to March.

However, this fiscal consolidation forced the government to drastically cut down its expenditure on economic and social infrastructure development, the cost of which will be paid by the economy and people in the years to come. Tax revenue collection has surged by nearly 30pc. Yet this growth has come on the back of the increased tax burden on the working classes and corporate sector. Like the previous year, the current fiscal has been very stressful for citizens as worsening economic conditions, dwindling real wages and high inflation have proved to be backbreaking for low middle-income households. So where is the win? The only silver lining one can see is that while the ship called the Pakistan economy has drifted far off the path, it could still change course provided the ruling elite is able look beyond their narrow vested interests.

Published in Dawn, June 13th, 2024