Unveiling Pakistan's Economy

"The Harsh Reality Check"

Introduction:

The economy affects every part of our lives what we earn, what we buy, and how we live. Yet, many people don't fully understand how it works. This booklet is written to change that.
In simple words, I will explain key concepts like GDP, GDP per capita, Purchasing Power Parity (PPP), and what these mean for a country like Pakistan. We will also explore important topics like the cost of living, average income, corruption, tax misuse, and the truth behind currency value.
Whether you're a student, a curious reader, or someone who wants to understand Pakistan's economic problems and solutions, this booklet is for you. Let's explore how the economy really works and how it affects our daily lives.

Chapter 1:

What is GDP?

GDP stands for **Gross Domestic Product**. It means the total value of all the goods and services a country produces in one year. Imagine everything made in Pakistan from clothes to mobile phones, fruits to cars all of that added together is called **GDP**.
Let's understand it with an example:
Suppose in one year:

- A farmer grows wheat worth Rs. 500,000
- A factory makes goods worth Rs. 10 million
- A software company earns Rs. 5 million

So, all this production adds to Pakistan's GDP.

Types of GDP:

1. **Nominal GDP:**
   It includes current prices without adjusting for inflation.
2. **Real GDP:**

   It adjusts for inflation, so we can compare with past years.

A higher GDP means the country is producing more and earning more. But GDP alone doesn't show if people are living better or not. For that, we need to see **GDP per capita** *(in the next chapter)*.

Chapter 2:

What is GDP per Capita?

GDP per capita means the **GDP divided by the population** of a country. It shows **how much money, on average, one person earns from the total GDP**.

Easy Formula:

GDP per capita= Total GDP ÷ Total Population

For Instance:

- If a country has a GDP of **Rs. 1,000,000**
- And it has **1,000 people**

Then:

GDP per capita= 1,000,000 ÷ 1,000 = Rs.1,000

This means **each person, on average, contributes Rs. 1,000 to the country's production**. It helps us compare how well people live in different countries.

Important Concepts:

- **Directly Proportional to GDP**:
  If GDP increases and the population remains the same, then GDP per capita increases.
- **Inversely Proportional to Population**:
  If the population increases and GDP stays the same, GDP per capita decreases.

Real-Life Example (Pakistan):

- Suppose Pakistan's GDP is **$374.6 billion.**
- And population is **240 million.**

Then GDP per capita is:

$$374.6 \div 240 = 1.5608$$

So, the **GDP per capita** of Pakistan is approximately **$1,561**.
This doesn't mean everyone earns this much it's just an average. Many people earn far less, and a few rich ones earn much more.

Chapter 3:

What is PPP?

PPP stands for **Purchasing Power Parity**. It is a way to compare how much people can buy with their money in different countries. It doesn't just look at currency value, it looks at what that money can buy.

Example:

Let's say:

- In the **USA**, a burger costs **$5**
- In **Pakistan**, the same kind of burger costs **Rs. 280**

This means that Rs. 280 in Pakistan has the same purchasing power as $5 in the USA.
So, the PPP exchange rate is:

$$\$1 = Rs.56$$

This is different from the market exchange rate which is currently around **Rs. 280 per $1** *(as of 4/19/2025).*
So, by PPP, the Pakistani rupee **isn't as weak** as it looks because many things are much cheaper here.

Why PPP is Important:

Normal exchange rates can be misleading. Just because $1 equals Rs. 280 doesn't mean the USA is 280 times richer or more expensive. Many products in Pakistan are cheaper, so the same amount of money can sometimes buy more here.

PPP helps us understand:

- What people can buy in their own country.
- How rich or poor people really are.
- If a person's salary is enough for local living costs.

Simple Example:

If someone in Pakistan earns **Rs. 30,000 per month**, they can:

- Pay rent
- Eat basic food
- Travel locally

Meanwhile, someone in the USA needs at least **$1,000** per month to live a similar lifestyle.
So, in terms of PPP, both people might be living similarly, even though the numbers look very different.
PPP gives a real picture of how much value your money holds inside your country.
That's why PPP is often more useful than just looking at the dollar rate.

Chapter 4:

What is PPP per Capita?

Now that we understand **PPP** (Purchasing Power Parity), let's talk about **PPP per Capita** one of the most important ways to measure how well people are really living in a country.

Simple Meaning:

$$\text{PPP per Capita} = \text{Total GDP based on PPP} \div \text{Population}$$

This tells us how much value, on average, one person produces or earns in a country, after adjusting for local prices.

Why It’s Better Than Normal GDP per Capita:

Normal **GDP per capita** just divides a country’s GDP by its population but it doesn’t consider how cheap or expensive life is in that country.
PPP per capita fixes that. It says, “Okay, maybe you earn less in rupees, but things are cheaper there. So, let’s balance it fairly.”

Example:

- Pakistan’s **GDP per capita** (nominal) is around **$1,500**
- But Pakistan’s **PPP per capita** is around **$6,600**

It means the real living standard of an average Pakistani is closer to what someone with **$6,600** lives like in the USA — not just $1,500.

The Reality:

Just because we earn less in numbers, doesn’t mean we’re always poorer. PPP per capita shows a fairer and smarter comparison between countries.
But even with this, we can’t hide the fact: **millions of Pakistanis still struggle daily**. Many earn far below the average and are stuck in a system that benefits the rich more than the poor.

Why It Matters:

When governments or global organizations ignore PPP, they make unfair comparisons. PPP per capita is what we should look at when asking:

- How strong is our economy?
- How much are people getting from it?

Chapter 5:

When Did Pakistan’s GDP Rise and Fall the Most?

Pakistan’s economy has had its ups and downs, just like a rollercoaster. There were times when GDP grew fast, and there were times when it crashed badly mostly because of poor decisions, corruption, or lack of planning.

Best Time: 2003–2006 (Musharraf Era)

During this time, Pakistan's GDP growth rate reached up to **9%**, which was one of the highest in South Asia. The economy felt active, fast, and hopeful.

Why did it grow?

- Heavy foreign investment (telecom, banking).
- Industrial development.
- Reforms in banking and privatization.

But sadly, this growth didn't fully reach the common people. It mostly helped the elite. Still, it was a high-growth period.

Worst Time: 2018–2023 (Political & Economic Instability)

In these years, GDP slowed down sharply — especially during:

- COVID-19 pandemic
- IMF loans with strict conditions
- Political instability and power games
- High inflation and massive rupee devaluation

GDP growth dropped below 1% at times.

Businesses closed. Jobs disappeared. Prices rose daily. People lost hope.

The Main Problem:

Pakistan keeps repeating mistakes:

- Borrowing without plans to pay back.
- Spending more than earning.
- Letting politics destroy progress.
- Ignoring common citizens while protecting the elite.

Growth that doesn't benefit the people is not real progress. A rising GDP is useless if people remain jobless, hungry, or in debt.

Chapter 6:

How Much Money Do People Need VS What They Actually Earn in Pakistan?

Let's get real: Living in Pakistan is not cheap anymore. Prices have gone up — from food to fuel, from rent to medicines. But people's income? That's barely moved.

How Much Money Is Needed to Live in Pakistan (Per Year)?

To live a **simple but decent life** (with rent, food, bills, education, transport, and basic healthcare), here's a rough estimate:

Expense	Monthly	Yearly
Rent (small flat)	Rs. 20,000	Rs. 240,000
Food & groceries	Rs. 15,000	Rs. 180,000
Utilities & transport	Rs. 10,000	Rs. 120,000
Education (1–2 kids)	Rs. 8,000	Rs. 96,000
Medical & emergencies	Rs. 5,000	Rs. 60,000

Total Yearly Minimum Needed:

Rs. 700,000 to 800,000

That's just for **survival** not for savings, business, or a comfortable future

What People Actually Earn (on Average):

According to national reports:

- Average salary in Pakistan = Rs. **35,000 per month**
- That's only Rs. **420,000 per year**

But the truth is even worse:

- Many workers earn just Rs. **15,000–20,000**
- Millions of families survive on one person's small income

This **huge gap** between **needs and income** creates:

- Poverty
- Depression
- Street crimes
- Child labor
- Hopeless youth

The Harsh Reality:

We are living in a country where a person needs Rs. 60,000 a month but only earns half of that and is still expected to pay taxes and be patient.
If this continues, how can we expect progress?

Chapter 7:

Corruption in Pakistan

(Who Stole What and How?)

Corruption is not just a political issue in Pakistan it's a national disease. From top politicians to petty officers, public money is stolen, wasted, or misused. And the common man pays the price.

How Big is the Problem?

According to reports, **Pakistan loses billions of rupees every year** to corruption. In fact:

- Over **Rs. 12,000 billion** have been **embezzled or misused** over the past 20 years.
- That's **enough money to build thousands of hospitals, schools,** or give every poor person a stable income.

Where Does the Money Go?

Corruption happens in:

- Mega projects (fake costs and fake companies)
- Tax offices (bribes and under-reporting)
- Police and bureaucracy (power misuse)
- Education and health budgets (ghost schools, fake employees)

Who Was Involved?

Here are some **high-profile corruption cases** that made headlines:

- **Asif Ali Zardari (PPP):** Involved in **fake accounts** case — billions laundered.
- **Nawaz Sharif (PML-N):** Disqualified in **Panama Papers** case — undeclared assets abroad.
- **Yousaf Raza Gillani:** Involved in **OGRA and Hajj scam**.
- **Shahid Khaqan Abbasi: LNG contract scam** worth billions.
- **Bureaucrats:** Many officers own **luxury properties** far beyond their income.

This isn't just about one-party **corruption has no political color** in Pakistan. It's a game the elite play, and the poor always lose.

What Can Be Done?

- Strong laws and **independent accountability**
- Public awareness
- Honest leaders
- Transparency in every department

But first **people must stop defending corrupt leaders** just because they like their party or slogans. Pakistan comes before politics.

Chapter 8:

Currency Misconceptions

(Is a Low Currency Always a Sign of Poverty?)

Many people believe that **if a country's currency is weak, it must be poor.** But this is **a huge misunderstanding**.

The Truth:

Currency value is **not the only** or even the **main sign** of a country's strength. A lower currency **doesn't always mean poverty**, and a higher currency **doesn't always mean wealth**.

Example 1:

- **1 Kuwaiti Dinar (KWD) = around 3.2 USD**
- **1 Iranian Rial (IRR) = 0.000024 USD**

(According to 4/19/2025)

Clearly, **Kuwait** is rich, and Iran has issues, right?
But here's the deeper truth:

- Kuwait has a **small population**, huge **oil exports**, and stable politics.
- Iran is suffering due to **international sanctions**, internal issues, and currency mismanagement.

Example 2:

- **Japan's currency (Yen)** is weak compared to USD.
- But Japan is still one of the **strongest economies** in the world.

Currency value depends on:

- Export–import balance
- Political stability
- Inflation rate
- Interest rates
- Foreign reserves

Low Currency Can *Reduce* Corruption

Imagine two corrupt people:

- One steals **1,000 Kuwaiti Dinars = 3,200 USD**
- Another steals **1,000 Iranian Rials = 0.024 USD**

Who gets more benefit? The one with **high currency**.
So sometimes, **a weaker currency limits large-scale corruption**, especially when

money is traceable.

Stop Judging by Currency

Pakistanis often look at the exchange rate and feel ashamed but **PPP, living costs, and economic systems** matter more than just numbers. A country's dignity is in its **people's honesty, productivity, and system**, not in the **currency's value.**

Conclusion:

This booklet was written not to complain but to **wake up**.
Pakistan has potential. We have resources, smart youth, hardworking people. But what's stopping us?

"Corruption. Lies. Ignorance. Poor planning."

The common man pays tax, works hard, and sacrifices daily but sees no return.
It's time to **raise awareness**, ask questions, and **demand better leadership and fair systems**.
If every Pakistani understands GDP, PPP, and how corruption ruins our lives, then maybe the next generation will live in a country we're proud of.

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