

Pakistan, an impoverished and underdeveloped country, has suffered from decades of internal political disputes, low levels of foreign investment, and declining manufacturing. Faced with untenable budgetary deficits, high inflation, and haemorrhaging foreign exchange reserves, the government agreed to an International Monetary Fund standby arrangement in November 2008.

Even so, Pakistan achieved GDP growth in the 6-8% range in 2004-07 (6% in 2007), spurred on by gains in the industrial and service sectors. In 2008 growth was 1.6%, rising to 3.4% in 2009 and 4.8% in 2010. Although 24% of the population still lives below the poverty line, levels have decreased by 10% since 2001, and the government has steadily raised development spending in recent years.

In 2008 the fiscal deficit – a result of this increased spending and chronically low tax collection – exceeded the government's target of 4% of GDP. Inflation remains the top concern among the public, jumping from 7.7% in 2007 to 20.8% in 2008, primarily because of rising world fuel and commodity prices. However, there was a significant drop in 2009 – to 13.6%. The Pakistani rupee has depreciated significantly as a result of political and economic instability.

Despite economic reforms, a lot of Pakistan remains underdeveloped (particularly in rural areas). Around half of the population is illiterate and there is substantial under-employment.

Long term challenges include increasing investment in education, healthcare, and electricity production, and reducing dependence on foreign donors. The government is taking steps towards encouraging more foreign investment: large amounts of foreign investments have been made into several industries.

The service sector accounts for 54.6% of the country's GDP; industry 23.6% and agriculture 21.8% (2008 figures). The top industries are telecoms, software, car manufacturing, textiles, steel, shipbuilding and, more recently, aerospace.

Pakistan's population of 187 million (2011 figure) is predominately Muslim. The capital city is Islamabad (although the port city of Karachi is the largest city). Although Urdu is the official language, Punjabi is more widely spoken and English is used by the government and in business.

The Republic of Pakistan was created in 1947, following the fall of the British Raj in India. Initially, the new country consisted of East Pakistan (present-day Bangladesh) and West Pakistan. Since its inception there has been ongoing conflict between India and Pakistan over the disputed region of Kashmir in the north. Bangladesh was created as a separate country in 1971 following a war between India and Pakistan.

President Asif Ali Zadari's inauguration in 2008 solidified the country's return to civilian government after more than eight years of military rule.