

How can inflation in Pakistan be compared to inflation in the world?

Outline

1- Introduction

Thesis statements: In the multipolar world, inflation is a serious threat to Pakistan as well as to other countries. All factors that are responsible for inflation, are related to bad governance. ^{Nevertheless} Hence, inflation is not yet a permanent issue; ^{hence} so it can be addressed by ^{new} implementing policies and good governance - ^{implementing}

2- Inflation is a serious global problem

3- Factors that are responsible for inflation in Pakistan

- a) Primary cause of inflation is ^{the} poor governance
- b) Political instability breaks down the economy of the country
- c) Inflation: a root cause of economic crisis
- d) Unemployment leads inflation across Pakistan
- e) Decline in dollar reserves in the interbank of Pakistan
- f) Poor tax collection promotes inflation
- g) Devaluation of rupee against dollar

4- Inflation in Pakistan and in the world

- a) Singapore's good governance is a great paradigm for Pakistan's government
- b) Pakistan's energy results price hike and comparison with neighbouring countries
- c) The USA's (United State of America) latest public policy and poverty in Pakistan
- d) Pakistan is going to be another Sri Lanka
- e) Pakistan faces the same situation as Afghanistan
- f) Inflation assessment in Pakistan in comparison with Europe

5- Remedial measures to cope inflation

- a) Government needs to reform its policies
- b) Enhance higher education and employment
- c) Role of media to spread awareness in the democratic country
- d) Islamic banking encourages economic sustainability

6- Conclusion

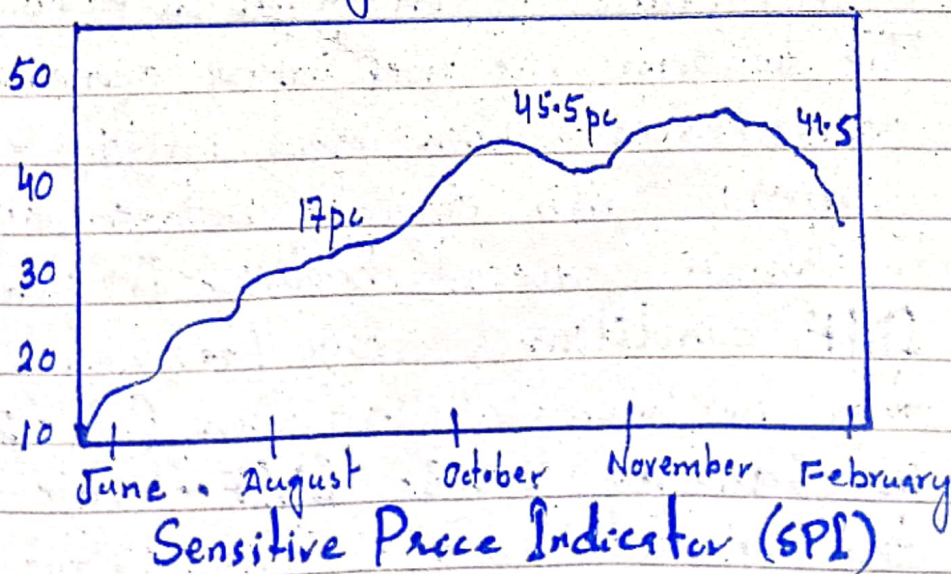
"Inflation is reached at the highest peak and will rise further." It is true that inflation has affected the world and it has become a challenge for countries in the world. Not only this, but it seems that inflation will even rise in the future. In fact, inflation is a serious global problem that is caused by bad governance, political instability, economic crisis, unemployment, decline in dollar reserves, and poor tax collection, especially in Pakistan. Moreover, devaluation of rupee is also a main issue leading inflation in Pakistan. However, as it is a global problem; hence, other countries are also facing the same issue as in Pakistan. In comparison with Singapore, Pakistan is only 2pc. Along with Singapore, the USA's public policy is a mirror for Pakistan. In addition, Pakistan is on the same path as Sri Lanka was. As comparing with neighbouring countries, imported energy in Pakistan is a burden on its economy, hence leads inflation. Besides, situation in Pakistan is not much different from Afghanistan.

Similarly, Europe is also facing ^{the} issue of inflation, like Pakistan. In the multipolar world, inflation is become a serious risk to Pakistan as well as for other countries. All factors that are responsible for inflation, are related to bad governance. ^{Nevertheless} Hence, inflation is not yet a permanent issue, hence it can be addressed by implementing policies and good governance.

In the contemporary world, inflation is not a problem of a single country rather it is a global issue. Not only developing countries like Pakistan, Afghanistan, Sri Lanka, and Egypt are facing inflation; but many developed countries are also facing the same issue, such as European countries, the United State of America, and Indo-Pacific countries. Due to this rise of inflation, many countries are at the risk of default. Since the last 4 decades, inflation is at the highest peak and is become a global issue. This global issue is become a serious

risk to health that has already led food insecurity in the world. This global issue; hence, needs a global solution.

Many factors are responsible for inflation in Pakistan. Chief among which is the poor role of government or bad governance. In fact, activities of bad governance are main players of rising inflation. Due to this, inflation in Pakistan is increased by 40pc in the first 5 months of Fiscal year 2022-23 from June to February 2023. It has jumped from 17pc to 41.5pc. (Sensitive Price Indicator (SPI), 2023). Hence, it is clear that government is failed to regulate its responsibilities and policies that is become the primary cause of rising inflation in Pakistan.



Along with poor governance, political instability is another factor responsible for inflation in Pakistan. Since its inception, Pakistan has been suffering from continuous wave of political instability. Because of this political instability, Pakistan lost its eastern wing, Bangladesh. The result of this has been facing by Pakistan since 1971 till today. The main industrial and agriculture hub, 50pc dependent on Kolkata in its region. To sum of, Pakistan has lost its main pillar due to political instability. Result of this is in the form of unprecedented inflation.

Further, economic crisis is a root cause of inflation in Pakistan. The two terms are interlinked economic crisis leads inflation and inflation leads economic crisis and in between two Pakistan is caught badly. As per IMF condition, sale tax on fuel has increased. Inflation 27.6pc in January 2023. (IMF - sale tax on fuel, 2023). This is the

result of economic crisis in the country. This will further impacts in the result of unprecedented inflation in Pakistan. In conclusion, economic crisis is as a curse for Pakistan that leads inflation.

Furthermore, unemployment is also main player in rising inflation in Pakistan. More than half of people in Pakistan are jobless, this is become burden on economy of the country. According to the recent news, about 2 million people lost their jobs in the last year 2022. This as a result, increased inflation from 6.3pc to 9.1pc across country (Saqib, inflation and its discontents, 2023). This clearly indicates that unemployment is a root cause in rising inflation. Thus, it is right to say that an employment leads inflation.

In addition, decline in dollar reserves in the inter-bank of Pakistan is not good for country. Pakis is facing the issue of decline in dollar reserves from many past years. In January, Pakistan had only less than

\$3bn reserves in its inter bank.
This, resultantly, banned import of fuel. Not only this, but as a result inflation jumped high and high continuously. According to the Annual Consumer Price Inflation Index, the inflation has jumped from 31.5 pc to 35.5 pc, the highest in its half of century since 1965. Pakistan is become the 17th expensive country in the world. (ACPI- Inflation in its highest peak and will rise further, 2023). Thus, decline in dollar reserves is harmful for Pakistan and gives birth to inflation.

Moreover, poor tax collection has also impacts on Pakistan in the form of inflation. When government is unable to calculate collect tax, it puts burden on economy, which automatic hits inflation in the country. In February, 2023, the tax collection in Pakistan dropped by 0.4 pc from 4.8 pc to 4.4 pc, a serious

risk to the government. (Ain Azadi Poor tax collection) > 2023). Therefore, it seems clear that poor collection of tax has negative impact on country that leads, encourages inflation across Pakistan.

Last but not least, devaluation of PKR against dollar is a serious matter that promotes inflation in Pakistan. In successive governments, rupee never got sustainability. In 2000, it was 37 PKR against \$1; in 2008, 62 PKR; in 2013, 84 PKR; in 2018, 125 PKR; in 2023, January, it was 178 PKR, in ~~January~~^{February} 2023, it reached at 270 PKR. (Statebank of Pakistan)

The continuously decline of value of Rupees leads inflation across country. According to recent update, the value of PKR against \$1 is 284. Thus, Pakistan is caught in a vicious cycle of inflation.

Inflation is not only issue of Pakistan, but condition in other countries is also not very different from Pakistan.

On the other hand, condition of Singapore is different from Pakistan. Singapore's good governance is a good paradigm for Pakistan. However, Pakistan is the largest country in area and population yet it has no comparison with Singapore. According to recent news, Foreign Direct investment of Singapore is 82pc against Pakistan's a mere 2pc. Moreover, Singapore's governance attracts the USA and China, the world's super power. Because, laws in Singapore are being followed, while in Pakistan rules are broken - (World Economic Forum - 2023). Hence, in comparison with Singapore, Pakistan is caught in a vicious circle of inflation.

Further, in comparison with neighbouring countries, the main cause of Pakistan's inflation is imported energy and energy transmission loss is high. Pakistan is already energy deficit country and almost energy is being lost during transmission - i.e. loss

of energy during transmission is 17pc (against) 12pc of Afghanistan, 9pc of India and 3pc of China. (Energy survey report). It seems, Pakistan is reaching at the highest peak in inflation. Pakistan, due to its energy crisis is in inflation circle. Thus, Pakistan is also in inflation leading country in its neighbour.

Furthermore, the world's superpower, the USA is also facing an issue of inflation since 4 decades. Pakistan is developing country, but the USA is developed as well. As the world's superpower is also facing the same issue.

But in comparison with Pakistan, the USA is improving its policies to sustain its economy and get rid of inflation. As per recent updates, Joe Biden, president of the USA has arranged the 2nd Democracy summit, to encourage role of media and strengthen democracy. In 2021, the 1st Democracy summit was held to encourage human rights and get free from kickbacks. (Democracy summit, 2023)

Inflation is global problem, but in comparison with Pakistan, the USA is also trying to get rid of it. Therefore, inflation in Pakistan has no control in comparison with the USA.

Moreover, Condition of Pakistan is not different from Sri Lanka. Pakistan walks on the same path on which Sri Lanka was before its default. Inflation is such a disease that weakens any country. Sri Lanka is also an agriculture country, but the bad governance made people's life difficult. Inflation in Sri Lanka resulted loss of human due to poverty, unemployment, and lack of subsidy. The same condition is prevailing in Pakistan. A few days ago, 12 people were killed in Karachi for struggling to get wheat flour. (August Consumer Price Index, 2023). Hence, inflation in Pakistan is the same case like Sri Lanka.

After Sri Lanka, Afghanistan is also the same problem example.

for Pakistan - Pakistan needs to get lesson from Afghanistan by seeing condition of it. (Result of inflation) in Afghanistan due to several issues such as war on terror and humanitarian crisis put human's life in trouble. The case is not different in Pakistan. Life of people in Pakistan is also in trouble and results deaths. Therefore, Pakistan is also becoming another Afghanistan with the highest rise of inflation in the country.

Lastly, Europe is also facing an issue of inflation like other world's countries. In fact, Europe is at the highest peak of inflation since the last 4 decades. Top among countries is the United Kingdom. Along with the UK, Germany and France since 45 years are suffering from global inflation. Hence, Pakistan is the same facing issue, but is going deeper in inflation rather to get rid of it. Therefore, inflation is a global problem that has hit Europe as well.

In order to cope inflation, government of Pakistan needs to reform its policies. Inflation is at its high peak and as a result price of commodities is in hike. According to CIA, "What Pakistan needs to do" Government of Pakistan must take its initiative to reform public policies and increase wages upto 25,000 per labour. It's job of government to bind its provincial governments to ensure it across provinces. Hence, Pakistan will effectively address this inflation.

Similarly, another policy needed by government in its educational reformation. Pakistan needs to implement and enhance its education, hence to increase employment. Higher education is a guarantee of prosperous future of a nation. Not only this, but it is also a main pillar of economy. A source of FDI

and successful business. According to the UNDP Report, 30 pc of Pakistan's population is receiving the higher education and will receive further. Moreover, 37 pc people are uneducated, untrained and unemployed. (UNDP Report, 2023). Therefore, Pakistan needs to implement its education sector.

Moreover, role of media in a democratic country will be very favourable. Media has power to bring digital democracy and to address public issues. Media severely need to highlight such as like, inflation would support democracy to enhance a strong future. For this, government of Pakistan needs to ensure autonomy of media in favour of public and country. Hence, with the help of media, Pakistan can tackle issue of inflation.

Pakistan is an Islamic country and system of Islamic

banking in Pakistan encourages economic sustainability. According to recent report, Maszom Bank in Pakistan, is a successful banking channel in Pakistan. Thus, Islamic banking system plays a role to encourage economy of country and to control inflation. Thus, Pakistan needs to promote Islamic banking channel across country.

In a nutshell, Pakistan is a country of crisis, such as inflation is become a major problems today. Pakistan's bad governance is a main role player in this. Problems that are responsible for inflation in Pakistan are political instability, economic crisis, unemployment, lack of dollar reserves, poor tax collection, devaluation of rupee. These are mainly responsible for rising inflation in Pakistan. In comparison with other

countries, Pakistan is a serious challenge facing country after Sri Lanka. Condition of the USA, the UK, Indo-pacific countries, and ASEAN are not very different from Pakistan. However, Pakistan can address inflation crisis positively by implementing its policies and playing a role of good governance.

"Inflation is like sin,
every government
denounces it and every
government practices
it."

(Frederick Hayek-Ross)