

Q. Pakistan is facing mounting price hike ...

..... ?

Ans:- Pakistan is an ~~exp~~ import based economy. From the nib of pen to the fighter air crafts, from finished cloths to quality shoes we ~~ex~~ import everything. Pakistan is an agricultural country but still it exported its wheat at cheaper prices in 2021 and again imported high priced wheat, on facing scarcity of it. The price hike is basically increment in prices of commodity goods. So, the self dependency of Pakistan is almost none. Even the vegetables and fruits are also being imported from the worldly countries.

Due to high import bills, the trade deficit of Pakistan, according to ~~for~~ finance division is expected to be 27.8 billion dollar for fiscal year 2022-23. Such a high trade deficit inhibits government to provide any subsidy on commodity good. As a result a massive price hike is observed during the m going year, with month on month growth of 48% in July and

August - This year Pakistan faced highest price hike since last 50 years. According to the ~~statistics~~ <sup>figure</sup> of Pakistan bureau of statistics - The over all inflation rate of 29% is expected for the year 2022.

This situation has caused a lot of financial strain among people. This strain is observed all over the world

but the significance is in the case of Pakistan is severe in the sense that poverty and unemployment in the country were already swallowing the middle class ~~already~~ and pushing it below the line of poverty. Now it is well said that, Pakistan's middle class is a visit to doctor away from being poor. This price hike is result of many global and local factors which are needed to be mitigated.

### Reasons of Inflation:-

Few important reasons of inflation are explained below;

## 1- Devaluation of Rupee :-

Since Pakistan imports 70% of its oil, and gas and coal. More precisely 72% oil, 67% gas and 85% coal is imported. The rupee devalued in last five years abnormally. Since, rupee to dollar exchange rate was 115 Rs in April 2018 and it has mounted to 219 Rs as per December rate is concerned. So, this has appreciably increased out export bills and as a result trade deficit and thus causing trickle down effect, resulting in inflation.

## 2- Terms and conditions of IMF :-

In April 2022, the foreign exchange reserves of Pakistan dropped below 7 billion dollar and government broke the agreement with IMF by giving fuel subsidies. As a result, after power transition is state, the procurement of IMF deal was a major challenge. As a result Pakistan had to fulfill all the conditions prior of getting the loans. ~~market~~ Due to this there was a sudden increase of fuel prices with 85 Rs.

increase in petrol price, more than Rs. 100 in diesel, coal rates were double and total increase in gas prices were 88%.

in 7 months - this had a trickle down effect and prices increased causing

inflation. The month on month PDI was 5 rupees to be imposed as well.

The two major conditions of IMF, i.e.,

1 - Rupee devaluation

2 - Increase in fuel prices

were met and to save a default.

So, IMF bailout package and its conditions contributed a lot in this respect causing massive price hike -

### 3. Political Instability :-

Unfortunately, Pakistan has been a battle ground of political adventures and misadventures since its formation. April was a month of impeachment of then P.M. Mr. Imran Khan through parliament, when he lost the majority and had to leave the office after a long period of resistance and struggle to be in power - Unlike the civilized nations, the

ousted P.M in Pakistan instead of accepting the parliamentary defeat decided to battle the political war on roads. causing conducting massive processions, cyber war against institutions and lock downs along with road closure. This situation he created an undulating political uncertainty and thus causing unrest in markets. The stock markets crashed and dollars exchange rate reached 248 PKR in July/August - this causing an unstoppable wave of inflation -

#### 4. Inflation is imported:-

This all issue started when Pakistan increased its imports and thus the effect of any global event is observed in the country - Due to Russian-Ukraine war and USA and EU's sanctions on Russian oil, the global Brent oil prices increased exceptionally - The crude oil price was 78 dollar per barrel in January 2022 which reached to 127 dollar per barrel in June 2022 - this had massive impact on the prices of commodities

due to increase in transportation cost -

International fuel prices broke the 40 years record in Pakistan and 39 years record in USA. Still it was the same for every country but Pakistan being an import based economy was hit hard. As a result of all this global events, in Pakistan electricity prices increased to an alarming level. The

domestic electricity unit ~~per~~ increased from 16 Rs. to 39 Rs and the commercial unit increased from 36 Rs to 58 Rs -

Agriculture capping was removed and this causing highest ever electricity bill of farmer as per 60 Rs per unit rate -

This effect ~~event~~ destroyed the remaining agricultural productivity of Pakistan.

The causes and effect of inflation are innumerable and are required to be mitigated to save the nation from a ~~to~~ growing humanitarian crisis caused by monstrous price hike -

## Solutions to Price hike:-

The solutions of this mounting price hike are inter linked and should be performed actively-

### 1- Stabilization of Rupee:-

Since, volatile currency is major cause of inflation - Thus it is needed to be stabilized to meet the effects of inflation - Rupee stabilization would stabilize foreign exchange reserves, decrease foreign debts and decrease the budget deficit -

### 2- Dollars availability:-

In our country the illegal and unnatural outflow of dollars is actually causing a lot of damage to economy as for an exchange rate is concerned. Thus, this outflow through smuggling and dollar hoarding should be stopped by force -

Along with stopping out flow, the influx of dollars should be increased through remittances, cutting off

the import bills, securing bailout packages, extension of deposits of brotherly countries and the long term and the most effective way is increasing exports to earn dollar - This.

### 3- Political stability :-

The self obsessiveness of leaders and considering themselves as integral for Pakistan has damaged this country very badly.

The economy should be above politics <sup>in</sup> the wider interest of people of country.

As, because economic stability would be achieved without political stability.

So, following steps should be performed in this regard:

- Party protesting in streets should go back to parliament and discuss and solve its disputes there, as Chief Justice of Pakistan also recommended the same.

- Elections should be announced as earliest as possible with a short term arrangements of economy, so that



a party with fresh mandates should take the major policy decisions -

since, split mandate and coalition governments can never perform the miracles at all -

#### 4- Increase of Export base :-

The production should be increased and thus increasing exports of country to decrease current account deficit and thus decreasing trade deficit -

This is the longterm and the most long lasting solution to our import based economy. According to state bank of Pakistan, export value decrease by 20% in last 6 months -

These statistics are strong for a longterm economic situation of this country -

#### Conclusion:-

In a nutshell, Pakistan is a very complex country with entangled issues - thus, it is needed that all political class should sit with

all the stake holders and decide it  
once for all, that no politics on  
economy - This charter of economy is  
the need of our - Otherwise, this  
growing price hike would ~~eat~~ blow  
everything up among the masses and  
may ~~also~~ cause a Srilanka like  
situation in country, God forbid!