

How can Inflation in Pakistan Be Compared to Inflation in the World?

Outline:-

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Thesis Statement:

keep practising

In Pakistan, inflation has become an unending disease to the economy specially food inflation. Pakistan 19th among states with highest inflation rate.

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In Pakistan, inflation has become an unending disease to our economy and once state is caught in the circle of inflation, it is difficult for that state to get side of it. This year is recorded highest inflation rate in history of Pakistan. The food inflation is most highlighted issue now a days. Because one who cannot afford the daily food product, how can he deal with other luxury items. The reason of high food inflation consist of ~~the~~ currency devaluation, increase in oil product and so on. The list is as long as our imagination. This is all because of political instability in our country. Pakistan is 19th among the state with highest inflation and this inflation is increasing day-by-day. Now it's a time to introduce some policies and to fasten the management to improve the volatility of different products. National and international trade policies should be introduced to make market stable and predictable for producers.

Inflation refers to a continuous, general increase in the price of goods and services. Rise in prices is called inflation. Inflation at very fast rate is Hyper-Inflation, medium is Stagflation and low level is Creeping Inflation. During the recent years, the rise has been abnormal and it has endangered the stability of our economy nationally and individually. In Pakistan, inflation has become an unending disease to our economy. Once a state is caught in the circle of inflation, it is difficult for that state to get rid of it.

Various factors contribute to the rise in prices. Some are natural factors like unfavorable weather conditions, which affect the food production and lead to the shortage of commodities in the market. With more money chasing fewer goods, the prices take to the wings. Beside this natural problem, there are synthetic problems like hoarding which contribute to the rapid increase in prices. The trading community, which sense a shortage of certain commodities, especially the essential commodities, they resort to large-scale hoarding. They release the hoarded products after increase in the price and make a neat margin over their investment in the hoarded product. They get too much profit but it waters inflation.

The rise of prices in Pakistan can also

be attributing to the deplorable acts of traders. Their only motive is to get maximum profit and so they try to charge lot of money from the customers as much as possible. This has created a class of people who are becoming richer day by day and the other class is becoming poorer. Hoarding is also playing a bad role in escalation of prices in the commodities. One of the most important reasons for inflation is the deficit budgeting. In order to cover the gap Pakistan has been printing more paper currency because foreign aid and taxes cannot cover up the deficit. Therefore, there will be greater circulation of paper money. There will be hike in price of domestic used product as the purchasing power of the people has increased. Wrong taxation policy has also been responsible for the rise in prices. The hike in taxes results in greater desire to avoid taxes. Thus public take wrong way of not paying taxes and there will be escalation in prices.

Food price inflation has emerged as the main economic challenge for Pakistan. It harms growth and reduces the purchasing power of people. Pakistan, being a developing country, is facing a challenge with rising food prices. This problem needs to be addressed.

as it decreases the welfare of poor people. The food inflation crisis is pushing many into poverty. Moreover, no relief is being provided to the people by the government.

Nobody in Pakistan draws attention to problems like structural flaws, ineffective coordination between the federal and provincial government, weak enforcement of law prohibiting high market pricing, and unfair business activities like hoarding and disrupted supply chain, etc. In this scenario, the depreciation of the rupee is held responsible for all issues and is not addressed. There are a variety of causes and effects of all records food inflation in Pakistan. Some economists contend that it is due to global consequences and political instability in the country.

Food inflation is a widespread phenomenon in Pakistan as governments ~~continue~~ to increase prices, making the lives of common people unbearably difficult. The country's food prices are being driven up mostly by the currency rate and oil prices. Inflation is further boosted by ongoing wheat flour and sugar crisis brought on by false shortages, enabling people to sell them at higher prices. The increase in inflation has created malnutrition problems and lowered the standard of living, both of which give rise to health-

related issue. According to the Global Hunger Index, Pakistan ranked 92nd out of 116 countries which shows a serious level of hunger in the country. Food inflation in Pakistan remains in double digits for the second straight year - It increased to a record of 28.80 percent in July, according to the Bureau of Statistics. It has eroded the purchasing power of people and with the same income levels, they cannot purchase these goods.

The depreciation of the Pakistani Rupee is a significant factor in the rising food inflation in Pakistan. The political instability in the country over the past few years months also impacted the currency devaluation. Pakistan is a net importer of food items so the depreciation of the rupee increased the prices of food commodities. All imported goods, including crude oil, soybeans, poultry feed, fertilizer, seeds and pesticides face price hikes as a result of devaluation. The cost of producing agricultural commodities is impacted by the rise in the pricing of these imported goods. Over the past year, the cost of imported DAP fertilizer has climbed by more than twice as much.

The exchange rate devaluation and global increase in oil prices have badly affected the cost of production. The rise

in prices of key inputs i.e. seed, fertilizers, pesticides, agricultural machinery, and transportation directly impact the prices of finished products. On IMF's demands, subsidies on seeds and fertilizers have been withdrawn, resulting in a rise in prices. Due to less production of fertilizers in the country, the government has to import DAP fertilizer at high rates. The shortage of fertilizer affected crop production which has caused price hikes. In case of a shortage of canal water, tube wells are used that require diesel. Similarly, agricultural machinery requires fuel and due to high rate of fuel, the cost of production is directly affected. As the cost of production increases, so does food inflation.

Oil prices have a crucial role in increasing food inflation. Transportation of food to great distances requires more fuel consumption. High oil prices raise shipping costs. It also has a great impact on the cost of production of crops as fuel is required in the agricultural sector. An increase in crude oil prices has a direct effect on energy-related items such as electricity and household fuels. The expensive LNG and LPG agreements with Qatar in July also resulted in increased oil prices in the country. In July, inflation in Pakistan increased by 33% due to high petroleum prices.

Climate changing affected the average

Production of Pakistan's staple food crop-wheat. Due to early head wave in March, there's relatively less produce than in previous years. This led to an increase in inflation as there was less supply of wheat. The rate of inflation increased in Pakistan due to a 60% increase in the price of wheat. Heavy rains and flooding in many parts of Pakistan have badly affected crop yield creating food insecurity in the country. Rains have damaged cotton, dates, olives, and other vegetable production. About 70% of onion production in Sindh has been affected by floods. This will lead to a shortage and a rise in the price of commodities. Rains and floods create supply shocks which create inflation in the food sector.

Ineffective coping patterns are the result of government intervention in the market. Due to government support for the cultivation of sugarcane and wheat, other crops that compete with them produce less. The discrepancy between the supply and demands of crops is brought on by the farmers altered preferences. The demand and supply gap increases dependence on imported products that are very expensive due to exchange rate depreciation. Many food items remain in demand despite the monetary tightening. As a result, importing food commodities pushes up the cost of those items and contributes to food inflation.

with prices of goods and services surging throughout the world, mainly due to an unbridled hike in food and energy tariffs, Pakistan's inflation rate has also soared to 26.6 percent in October 2022 from 23.2 percent in September, placing it at the 19th rank, along with Ukraine, among 184 nations where level of dearth have been measured by the Economic data. Basically, driven by the monstrous coronavirus and then the ~~still ongoing~~ Russia-Ukraine war, energy inflation is pushing up the cost of living around the planet. Since October 2020, an index of global energy prices has increased drastically.

Data available from various global sources like IMF, World Bank and Bloomberg and the Visual Capitalist, which is one of the fastest growing online publishers globally, focused on topics including market, technology, energy and the global economy through the power of visual story telling, reveals that out of a set of 184 nations, India, Bangladesh, the impoverished Nepal, Bhutan and Afghanistan have experienced relatively comfortable inflation levels.

India has particularly done very well when it comes to the planning to control inflation with just 6.8 percent inflation. India stands at 129th position, along with the United Arab Emirates, among the 184th countries under review, giving enough fuel

for thought to the Pakistani economic wizards as to how a whopping population of 1.4 billion can be protected from the blunt and ruthless sword of soaring prices in a very difficult time.

Afghanistan stands at number 50 (inflation rate of 13.6% only) and Bangladesh is number 93 on the list with just 8.9 percent inflation. Nepal features at 97 on this list with an inflation rate of 8.6% only. The poor and tiny Bhutan has shown commendable guts by controlling madness of daily-use items to 6.1 percent only, and secure the 140th position, meaning thereby that only 44 countries have done better than this nation on this front. The war-torn Iraq is at number 149 with an inflation rate 5.3 percent. The resource-less Palestine, with inflation levels of 4.4 percent, is at number 159. Statistics reveal that 161 countries have done much better than Pakistan in harnessing the price hike.

A western media outlet has viewed: "Of history is an example, taming rising prices could take at least a few years yet. Take the sky-high inflation of the 1980s. Italy, which managed to combat inflation faster than most countries, brought down inflation from 22% in 1980 and 4% in 1986. Of global inflation rates, which

hover around 9.8% in 2022, were to follow this course, it would take at least until 2025 for levels to reach the 2% target. While the American Federal Reserve Bank projects the inflation in US to fall closer to its 2% target by 2024, the road ahead could still get a lot bumpier between now and then"

This media house added: "As price pressure mount, 33 central banks tracked by the Bank of International Settlement (out of a total of 38) have raised interest rates this year. These coordinated rate hikes are the largest in two decades, representing an end to an era of rock-bottom interest rates. Going into 2023, central bank could continue this shift towards hawkish policies as inflation remains aggressively high. Compared to the 2021 average, natural gas prices in Europe are up six-fold. Real European household electricity prices are up 78% and gas prices have climbed even more, at 144% compared to 20-year averages."

Annual inflation rate in Pakistan rose to 24.5% in December ~~2022~~ of 2022 from 23.8% in November. Food prices surged 35.5%, higher than 31.2% in the previous month, with onion (415%), tea (63.8%), wheat (57.3%), eggs (54.4%) recording the biggest increase. Other upward pressure came from cost of transport

(41.2% vs 44.2%), namely motor fuel (49.45%), clothing and footwear (17.1% vs 18.6%) and housing and utilities (7% vs 9.9%). Compared to the previous month, the CPI increased 0.5%.

Inflation is one of the obstacles on the way of development. In Pakistan, it has squeezed the major part of the population. It needs to be controlled by strategic planning. Domestic production should be encouraged instead of imports; investment should be given preference in consumer goods instead of luxuries, Agriculture sector should be given subsidies, foreign investment should be attracted, and developed countries should be requested for financial and managerial assistance. And lastly a strong monitoring system should be established on different levels in order to have a sound evaluation of the process at every stage.

It is the responsibility of the government to keep food inflation within reasonable levels. The lack of coordination between federal and provincial governments creates room for an increasing rate of food inflation. Effective social protection play an important role in controlling inflation. ~~The water shortage~~ The government should take steps to improve monitoring systems that track imports and exports, currency movement,

and public and private stocks. It should adopt effective monetary and fiscal policies to control inflation - It should introduce effective income support programs to lessen the impact of rising food inflation. The Pakistani government should incentivize the producers, especially the farmer community, and promote progressive taxation for them rather than consumption based taxation