

# Topic: Price Hike in Pakistan; the worst of all worries

## Outline:

### 1. Introduction

Thesis Statement: Although Pakistan is going through a lot of problems at the same time, the worst of all is inflation. It has not only created new issues but also worsened the already existing issues. However, it can be solved through right reforms and permanent policies.

### 2. What has caused price hike in Pakistan?

- a. Slow down of economy
- b. Money depreciation
- c. Elite oriented policies

### 3. How price hike is proved to be worst of all worries

- a. Tight budget for policy implementation

- b. Political Polarization getting worse
- c. Basic necessities are out of reach
- d. Destruction of social fabric of society
- e. Business reaching bankruptcy
- f. leading cause of technological backwardness

4. What to do in time of such crisis

- a. Stabilize the money (Rupee)
- b. Permanent policies
- c. Industrial reforms and export oriented approach.

5. Conclusion

The dead body of a forty years old who died while trying to buy some cheap flour was asking multiple questions from state authorities. Although blame was tossed over to mad crowd, the core issue called inflation still lingered there. Inflation, soaring of prices in shorter period of time, has become the main issue of Pakistan for the past few years. Negligence and poor policy making along with many other factors are to blame. Whoever be blamed, inflation is claiming life and destroying the social fabric of society. Preparing next generation becomes out of question when people can not even get hold of basic necessities. Inability to meet the prices of the raw materials, ~~but~~ causes businesses to shut down; and industries take a nosedive. All of this worsens the already worst issue of inflation. Fighting the inflation is not an easy task as many hard decision and difficult

approaches would be required. Although Pakistan is going through a lot of problems at the same time, the worst of all is inflation. It has not only created new issues but has also worsened the existing ones. However, it can be solved through permanent policies and right reforms.

Inflation struck different economies in different ways and for different reasons. As for Pakistan, some global and many national reasons are to blame for inflation. Slowing down of economy is a major reason for it which is globally caused by Ukraine-Russia war. The estimated growth of 5% of global economy slowed down to 2.2% for 2022, stated the November report of OECD. It is because that Ukraine Russia war has skyrocketed the petroleum prices. This costlier fuel is translated into increased cost of raw materials for industries ultimately burdening the consumer. So, it can easily be manifested that

slowing down of economy has placed its share well in the inflation causing distress to common people.

Not only the slow down of economy but money depreciation has also contributed to inflation.

Prices of goods go up as the value of Pakistani rupees go down with respect to dollar. Along with this disparity, prices of imported goods go up causing an inflation of prices in rupees. Pakistani Rupee has been depreciated from 182.96 PKR per 1 \$ as of April 2022 to 288.82 PKR per 1 \$ as of April 2023. This money depreciation has caused the general price hike of goods. Moreover, once the prices go up, they usually stuck there instead of falling back to the normal old price tag. The decrease of value of money has caused the prices to soare and reach this new height. Thus, inflation can be blamed on money depreciation too.



Inflation can be caused by global reasons and varied economic factor, but it ~~was~~<sup>is</sup> mainly caused by elite oriented policies in Pakistan. Most of the Pakistani especially major property holder or huge industrialist does not pay tax. As per FBR, only 10.4% taxpayer are there in Pakistan. Even after the realization of much needed reforms regarding tax network, only 1.3% increase could be materialized in tax to GDP ratio making it 10.4%. As the major chunk is out from direct tax, the only way out seems indirect taxes. It leaves the poor to bear the brunt of economic crisis in the form of inflation. Recent report from Moody's showed the disturbing numbers of CPI to reach 38%. Even the prices of food doubled from the previous year. If elite continued to stay out of tax net, the life for the poor would continue to be living hell through inflation.

Price hike in Pakistan has proved to be the worst of all worries. For its far reaching impacts on governance, social fabric of society, strategic technologies and life of a person. Price hike in Pakistan has impacted policy implementation along with already low fiscal space for many important sector. As the prices of infrastructure sky rocketed, many policies halted for the lack of capital. For example, education is given only 2.5% of GDP. But, the infrastructure of school were damaged because of floods in 2022. It becomes difficult to rebuild school along with maintaining the cost of other school in this inflation and economic crisis. Same is the case with other key departments like health. It is difficult to even carry on already in process projects let alone develop new projects. Price hike has impacted adversely the governance in Pakistan making it much

than it already is.

Price hike is causing political polarization to get more worse in Pakistan. As the bell of Pakistan's reaching default is ringing and inflation is reaching a new high, people are becoming more and more intolerant. People hold different views regarding the savior of the economy and ultimately savior of the country. Should the incumbent government keep running and give their best to stabilize the economy, or new government should be placed to take care of it? The both sides are getting extreme in their views regarding this question. With the inflation reaching its peaks, political polarization is finding new peaks too. People are being violent in their actions to the opposing views and are ready to hit each other to prove themselves. Price hike is making the



political polarization go worse.

Price hike is also affecting the reach of people to access the basic necessities. These basic necessities have turned into expensive luxuries for the middle class. People are unable to afford even the basic commodities. Even the food got the severe hit of inflation. Wheat prices are increased by 41% while rice prices had reached 102%. People are spending most of their earning on basic food items while all other necessities like buying clothes and sending kids to school for good education are turning into luxuries. Not being able to get good education is also doing bad to development. With CPI hitting 38%, people are finding it difficult to live well in limited earning. Price hike is proving itself to be worst of all worries.

Price hike has triggered

the destruction of society in Pakistan. Pakistan is lower middle income country and average Pakistani hardly makes ends meet. But, inflation is increasing the cost of living for Pakistan. Not only had mafia started hoarding but also public officers are turned to corruption. It has made the life of a common Pakistani a living hell. People are also scared as crime rate is also increasing owing to inflation hit living. Street crimes are at their peak and people are being shot dead for not giving their belongings to looter. Those who can not cope with the hunger of their loved ones are turning to suicide. Humanity is slaughtered for the bag of inexpensive flour. Law makers are not doing well as they can not find modern apparatus owing to high cost of it. Slowly and gradually, society is breaking down because of the inflation.

Moreover, (Businesses are also being shut down because of inflation. Price hike has caused the increase in the prices of raw-material. This has made small businesses to shut down. The start-ups boom in Pakistan is decelerated and had taken a nosedive. Similarly many medium enterprises are on ventilator. This price hike has not spared big businesses either. Many big businesses and industries had taken the brunt and had lowered their production for not being able to purchase inexpensive raw material. As described by the October report of Pakistan Bureau of Statistics, textile industry has shrunk by 24.6% because of low imports of raw material and energy crisis. Similarly, many important drugs have disappeared from market for the shortage of raw material. This raw materials shortage has made many dreamers to give up their dreams. Inflation

has impacted businesses and proved itself worst of all other worries.

Technological backwardness is also apparent and is becoming more visible because of price hike. Inflation has made it difficult to bear the cost of living along with educating poor children in good institutes. Brain drain is also reaching its peaks as more than 800,000 people had left the country because of recent economic turmoil coupled with security threats. All of this is causing Pakistan to be stagnant on the road to development. Pakistan ranked 99<sup>th</sup> in World Innovative Index 2023 that is even 12 points worse than the rank of 2022. It is because of the inflation that made the price of developing new technologies unbearable along with intelligence leaving the country. In the present era, this technological backwardness will cut the country from global chessboard and also make the country dependent

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on technological grants undermining the security of the state in the long run. This technological backwardness can be blamed on the inflation in a state where people are hardly keeping their body and soul together.

The crisis triggered by price hike are becoming evident day by day. Pakistan needs to curb the root cause 'price hike' as soon as possible. The first step forward is stabilizing the rupee against dollar. It is possible by taking reforms serious so that IMF ~~rede~~ releases the 1.1 bn tranche. It will pull the investors back, and will stabilize the currency of Pakistan. Once the currency is stabilized, it will lower the fluctuation in the market products, and, through right reforms, striking of prices can be reversed too. Currency stabilization can be achieved by taking loans from friendly states. Pakistan should

do whatever it takes to achieve the goal of stabilizing currency in positive way. Once stabilization is achieved, it will deescalate the price hike ultimately curtailing the crisis of inflation.

Along with stabilizing money, Pakistan requires to take approach of permanent policies in economy. All political parties should agree upon a long term economic policy. It is waste of revenue when projects are mid-halted because of new projects adopted by new government. So, it is important for all political parties to agree upon some terms and condition for Pakistani economy to prosper. Once permanent policies are in place, it will attract the investors, As economy will get in better shape, it will de-escalate price hike and reduce it. The crisis in place because of price hike would die down. Thus, permanent policies can reduce the inflation

and curtail the crisis triggered by it.

Industrial reforms and export oriented approach should be adopted to stabilize the economy and curb the price hike. Though price hike and shattered economy has troubled Pakistan in many ways, they also have provided Pakistan an opportunity to undo the past mistakes and rewrite new future. Textiles and pharmaceuticals are the only big industries of Pakistan that too are lagging behind India's industrial unit. Not much focus was given to industrial growth as 'mafia Raj' prevented the growth of new industry. Only new industrial units were actually assembling units dependent on imports of smaller parts. This does not translated into growth of small and medium enterprises either stagnating the industry where it already was. It is time to do industrial reforms that is

export related. Export oriented industrial growth will stabilize the economy and prosper the country. Not only <sup>would</sup> the disease of inflation be cured but per capita income would also increase. This way industrial reforms can curb the price hike.

To put it in a nutshell, price hike - triggered by global forces along with ~~the~~ poor domestic policies - has proved itself to be worst of all worries. It has impacted the welfare of the people who are unable to cope with the disaster of inflation. Tearing the social fabric of society apart, it has given out an intolerant society. With businesses shutting down and no technological development, Pakistan is sinking lower into many crisis at ~~once~~, once. It is high time to reform the country's economy to curtail the looming crisis of total breakdown. Stabilising currency, placing permanent



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policies in front of investors and reforming industrial sector to make products at home can help to lift off the curse off the society.

Pakistan should stop serving the few elites and work towards the welfare of general public who is taking all the brunt of inflation. If right policies are not placed in the society to curb the inflation - the worst of all worries - it would kill the society quite literally.