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Is current inflation in Pakistan global or domestic? Suggest some practical measures to address it?

Answer:-

Introduction

"Pakistan has become the 17th most expensive country"

(Sensitice Price Index Report, 2023)

Pakistan faces unprecedented inflation due to global and domestic causes. In fact, inflation in Pakistan is due to global super commodity cycle and it is due to domestic economic meltdown. Therefore, some reformation needs to cope growing inflation in Pakistan.

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Current scenario of inflation in Pakistan: an overview

"Inflation in Pakistan reached at 31.5% in March, 2023."

(Sensitive Price Index of Inflation, 2023)

Pakistan faces skyrocketing inflation. Unfortunately, Pakistan is caught in a vicious cycle of inflation. Therefore, Pakistan is become vulnerable to growing inflation.

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Causes of global inflation and Pakistan

Following are global causes:

a)

Spread of COVID-19 globally

Spread of COVID-19 globally affected the econo-

my of the world. Due to closure of borders, demand of goods increased.

"Post-COVID-19, opening of global border led to fuel price hike in the international market from \$23 per liter to \$78 per liter."

(Global Economic Index, 2022)

Thus, spread of COVID-19 affected global economy.

b) Russia-Ukraine war and global commodity super cycle

Russia-Ukraine war also affected global super cycle. In fact, the US banned Russian fuel and products.

"Russia is the world's first largest

oil and gas
producer."

(- Al-Jazeera, 2022)

Moreover, Ukraine's economy collapsed due to war.

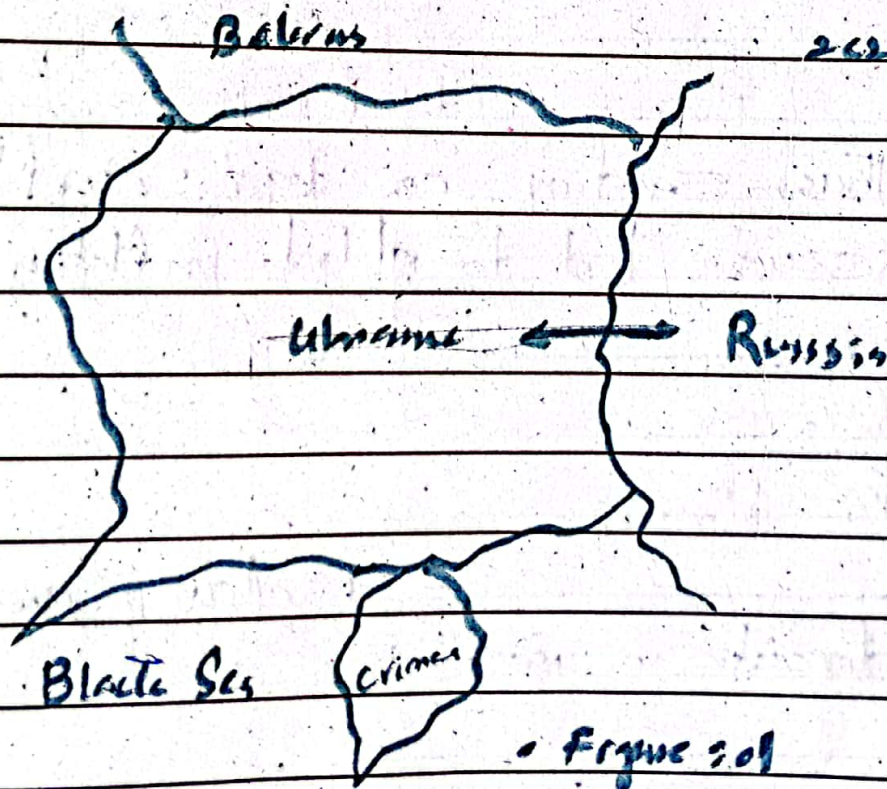
"Ukraine is also the
world's largest energy
and agriculture producer."

(- Faizal Bari,

Russia-Ukraine conflict,

Balrus

2022)



• Figure 3.01

Thus, Russia-Ukraine war led
to global inflation.

c) Sanctions on Iran and Venezuela

Moreover, Sanctions on Iran and Venezuela also led to global inflation. In fact, the international market could not meet the demand.

"Fuel prices jumped rapidly in global market at \$178 per barrel."

(- Al-Jazeera,

Global inflation, 2022)

Thus, Sanctions on Iran and Venezuela led to global inflation.

4- Domestic causes of inflation in Pakistan

Following are domestic causes:

i) IMF conditions and inflation cycle

Pakistan is rev.

olving in a cycle of inflation due to conditions of IMF. In fact, power tariffs are increased at peak.

" Fuel prices in January 2022 was of 178 PKR and reached at 270 PKR in January 2023 "

(-Pakistan Bureau of Statistics, 2023)

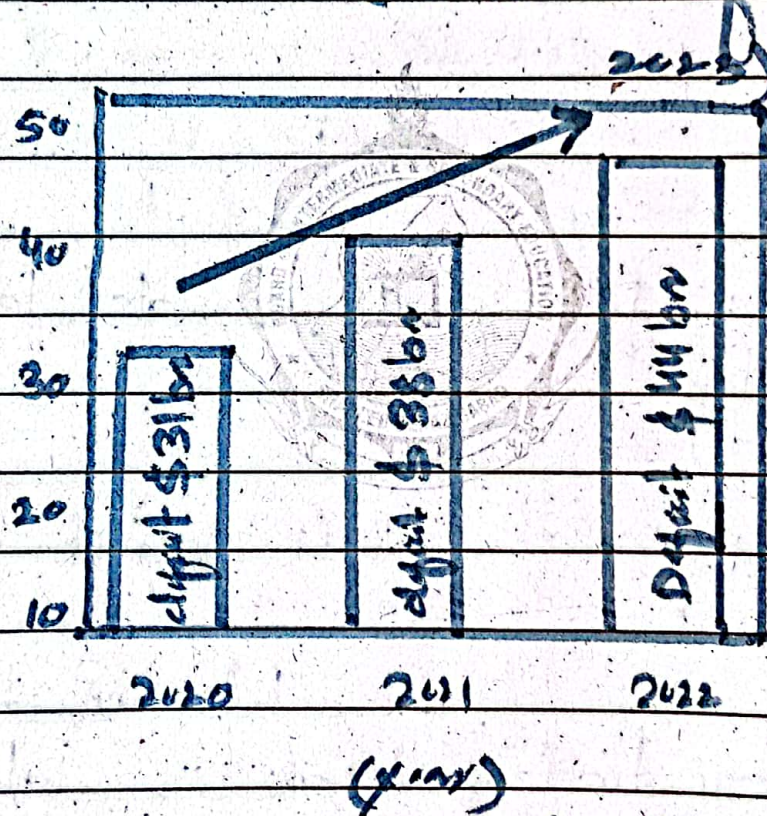
Thus, IMF conditions also lead to inflation.

(E) Tremendous trade deficit of Pakistan

Moreover, tremendous trade deficit is also a cause of inflation. Unfortunately, Pakistan is caught badly in trade deficit.



"In Fiscal year 2022,
 Pakistan did export
 of \$36 billion and
 its import was
 of \$80 billion;
 trade deficit
 reached at \$44 billion"
 (- State Bank of Pakistan)



Trade index (deficit)
 Hence, trade deficit is also
 a major cause of domestic
 inflation.

iii) Generation of energy from imported hydrocarbon

Further, generation of energy from imported hydrocarbon is also responsible for inflation. Pakistan produces its 60% of energy from hydrocarbon.

"About 25% of trade deficit is due to import of hydrocarbon."

(Economic Survey 2011)

Therefore, imported hydrocarbon is also a cause of inflation.

5- Remedial measures to curtail growing inflation in Pakistan

Following are measures:

a) Reform agriculture of Pakistan
Pakistan needs

to reform its agriculture. In fact, 19% of GDP depends on agriculture.

"Pakistan can improve its GDP at 24% by improving its agriculture sector."

(Pakistan Bureau of Statistics, 2011)

Thus, Pakistan should reform its agriculture.

(ii) Reform energy sector of Pakistan

Moreover, Pakistan also needs to reform its energy sector. Pakistan can save its GDP by reforming energy sector from its best sources.

"Pakistan has a tremendous capacity

to produce renewable energy."

At the World Bank

2023)

Thus, Pakistan should reform its energy sector.

(iii)

Reform industrial sector of Pakistan

Pakistan should reform its industries. Unfortunately, Pakistan does not focus on industries.

• Pakistan will get \$ 200 billion from CPEC-industrialization

2023)

(Economic Survey,

2023)

Thus, Pakistan should reform its industries.

5.

Conclusion

"Pakistan is the 5th most populated country in the world"

(- The World Bank Report, 2023)

Pakistan's growing population has aggravated its economic woes. Unfortunately, Pakistan faces economic downturn due to growing population. Therefore,

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