

Price hike in Pakistan: The worst of all ill worries

Outline:

1) Introduction

a) How can a price hike in Pakistan be the worst of all worries?

3) Factors contribute towards Inflation/price hike

a) Prices of global commodity

Impact the Inflation rate in Pakistan

Case point: Russia and Ukraine's war impact on oil prices internationally

b) Political instability fosters Inflation by hindering effective policies

Case point: i) Pakistan Ranked 180 in Political stability Index (World Bank 2022)

ii) The Bottom Billion by Paul Collier

c) Current Account deficits causes currency devaluation and exacerbates the inflation

Case point: Pakistan's imports 18%

of GDP and exports 10% (SBP report)

d) Overliance on internal and external debt due fiscal deficit increase inflation

Case point: FY2023 expenditure rose by

2% and witnessed 83% in debt (Ministry of Finance 2023)

④ Impacts of Price hike can be seen every sphere of Pakistan

a) Rising cost of living ^{worsen} exacerbates the unemployment

Case point: 5.6 million people are employed in Pakistan (ILO-2023)

b) Inflation ~~has~~ ^{lead to} ~~caused~~ malnutrition and lowered living standards

Case point: Pakistan ranked 102/125 (GHI 2023)

c) Inflation caused unequal distribution of wealth ~~resulting~~ in ~~social~~ unrest

Case point: Conflict Theory by Karl Marx

Richest people doubled their wealth during Covid-19 (Oxfam-2024)

d) Inflation contributes in to Political unrest

Case point: Anti-government protest amidst rising Inflation

e) Rising Prices ^{severely} ~~has~~ ~~had~~ impact the business sector

Case point: Supply and demand concept Wealth of Nations by Adam Smith

Textile industry Crisis (Sputniknews)

⑤ Measures to counter price hike in Pakistan

- a) Increase in tax revenue and major cuts in government expenditure
- b) Shifting investment from depleted sector to technology and IT sector
- c) Reducing gap by of current account deficit by shifting into alternative energy resources.

6) Conclusion



The Greek mythology figure faced with eternal chore pushing the boulder up the hill. Every time he neared the peak the sheer weight of boulder overwhelmed him causing it roll down to the starting point. Similar case is with Pakistan economy. Every time it seems poised to overcome any economic hurdle burgeoning inflation hampers dampens economic growth of the country. Moreover, inflation in Pakistan is considered as the worst of all worries. The factors

that contribute towards price hike are prices of global commodity, political instability, current account deficit and fiscal deficit. Furthermore, overreliance on debt further exacerbate the inflation. However, As the consequence of this unemployment rate worsens, Due to lack of access to basic necessities it leads to malnutrition and lower living standards. Additionally, Inflation widens the gap of unequal wealth distribution and creates the social unrest in society. Similar to this it impacts the political stability and health of business sector. However, price hike can be incarcerated by reducing fiscal gap and ^{by} increasing the revenue. Furthermore, implementing effective policies regarding investments in technology sector can help ^{to} overcome the current account deficit. Hence, Price hike or Inflation determines the health of economy because it impacts the all sphere of life. However, in Pakistan continuous price hike is the worst of all worries.

Inflation depicts the rising

prices of goods and services. As with (rise increasing price increase) ^{surge} in Prices reflects the increase in Consumer Price Index (CPI) and devaluation of the currency, as more money is required to buy the commodities. In his book "Rich Dad, Poor Dad" Robert Kiyosaki explained that money is not everything but it is going to impact everything in like education, healthcare, food preferences and living standard. However, Price hike impact all these in Pakistan. Hence, Inflation (is rise) is considered as the worst of all worries in Pakistan.

The prices of global commodity impacts the inflation rate in Pakistan, as inflation rate has the ripple effect international. The increase in oil prices have been witnessed amid Russia and Ukraine war and aftermath of Covid-19 hardly hit the all nations in world including Pakistan. However, there is continuous in Inflation in Pakistan. Pakistan Inflation rate is 29.0%.. (Economic Survey of Pakistan 2022-23)

Hence, global commodity prices impact the inflation rate of Pakistan.

In addition to this, Political stability fosters the inflation by hindering the implementation of effective policies. "one of reasons causing development countries to stuck into development pitfall is bad governance due to political instability." (*The Bottom Billion, Paul Collier*). As Pakistan is in development trap due to political instability. According to world Bank report Pakistan is ranked at 181 in political stability index. Hence, Political instability leads towards inflation and economic turmoil.

Moreover, consequence of current account deficit leads to currency devaluation and exacerbates the inflation in the country. As current account deficit depicts the increase in demand of foreign product which automatically increase the demand for foreign currency. As the result of this it, domestic currency depreciates and there will be increase in prices. As in Pakistan Imports are 18% of GDP while

~~imports~~ ^{exports} are 10% of GDP (World Bank report). Hence, in Pakistan one of the reasons causing inflation is persistent current account deficit.

In similar way, overdependence on internal and external debt due to fiscal deficit contributes into surge in inflation. Fiscal deficit is witnessed when expenditure surpasses the revenue. However, to meet the expenses countries rely on foreign and domestic debt. According to Ministry of Finance in FY23 the expenditures rose by 21% and debt servicing rose upto 80%. Hence, Pakistan's fiscal deficit further increase the price hike in country.

As the consequence of above mentioned factors, cost of living rises and it worsen the unemployment rate. Whenever, there is price hike people spend wisely and cut out unnecessary purchases. As the result of demand and supply of the good effected. In order to balance out industries start laying off employment

which automatically leads to increase in unemployment rate. However, in Pakistan 5.6 million people are unemployed (International Labour Organization, 2023). Hence, employ price hike hit the employment opportunities.

Moreover, due to rising unemployment due to inflation leads to malnutrition and lower living standard. Moreover, Furthermore, people have insufficient access to basic necessities of life. Lack access to quality life result into stunt growth in children and food crisis in country. Currently, Pakistan is placed at 102/125. (Global Hunger Index 2023). Hence, Inflation instigates the food crisis.

In addition to this, inflation price hike causes the unequal distribution of wealth resulting in social unrest. According to **Karl Marx conflict Theory**, there is always conflict between haves and have-nots. This conflict impacts the social fabric of the society. During Covid-19 the richest people doubled

their income. (Oxfam report, 2024). However,
inflation widens the gap between
classes. Similar is the case in Pakistan
rich are becoming ^{more} rich while poor are
becoming more poor. Hence, Inflation
disrupt the social harmony in society.

In similar way, inflation
contributes into political unrest or
instability. The opposition exploits the
price hike to serve its agenda.
Political parties and pressure
group ~~demonstrate~~ ^{stage} anti-governmental
protest amid rising inflation. Such
kind of agendas halt the economic
activities and further exacerbates
the economic turmoil. Hence, inflation
provides the ground to opposition
parties to make government susceptible to
their demands. Hence, such demonstrations
are real danger to national integration
of Pakistan.

Furthermore, rising prices
severely impact the business sector,
potentially leading to the closure
of the business. The supply and demand
are market factors that determines the

the equilibrium in markets. (Adam Smith, *Wealth of Nations*). The price hike caused the disruption in market equilibrium and escalated the industry crisis in Pakistan. According to the reports of *Sputnik new agency* around 1600 textile industries are closed in Pakistan. Hence, inflation instigates the industry crisis and closure of industries in Pakistan.

However, Inflation is the biggest problem for Pakistan. It can be alleviated by reducing the fiscal deficit by cutting down the government expenditures. Furthermore, government can increase the revenue by increasing the enhancing the tax collection. Hence, Price hike can be counter through proper measures.

In similar way to overcome the menace of price hike Pakistan needs to shift the investment from depleted sectors to technology sectors. Moreover, shifting investment priorities will help to cater the current account deficit problem. Hence, shifting investments ~~can~~ can counter the price hike problem.

Moreover, Pakistan heavily rely on the imports. The main imports products are energy based products. Hence, shifting from non-renewable energy resources to renewable energy resources can help to deter current account deficit problem. Hence, ^{correcting} ~~controlling~~ fiscal and current account deficit ~~to~~ can control the price hike.

In nutshell, Inflation significantly price hike poses threat to the overall health of the economy. As price hike impacts economic growth, employment, currency strength and overall health of economic system. Moreover, persistent price hike reflects poor governance and political instability, currency devaluation, higher unemployment rate, high cost of living and poor standard of living and slow economic growth. **Seymour Lipset** presented the modernization theory which says more well to do the nation more chances it is going to save the democracy. However, significant measures can be taken to alleviate the inflation in country.