**Tsunami of price hikes**

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Pakistan has been ranked the world’s fourth most expensive country. Prices are skyrocketing, and no one knows when there will be an end to these hikes. Inflationary pressures are increasing the cost of living.

The present case of high inflation which is slowly inching towards hyperinflation needs to be checked at all costs. It has the capacity to destroy all future planning, making things worse in the days to come. But the most crucial question is: who will check it and how?

The Rs120 billion relief package for around 130 million people announced by the prime minister was offset by increases in fuel prices a day later. Although relief packages are no solution to price hikes, they definitely provide social security and a safety valve against hunger to the poor. The inflation in question is not limited to oil prices, or for that matter to any one commodity or product.

From freight prices to food prices, an increase in the prices of almost every commodity is adversely affecting the poor. This double-digit inflation has had the worst effects on daily-use perishable items, pushing the sensitive price index (SPI) up 0.67 percent weekly (WoW) with the cumulative effect of 15.21 percent year-on-year (YoY) basis. The per kilogramme sugar price has gone berserk, hitting the Rs150 mark last week. It is shocking that such things are happening in an agricultural country.

Commodity and food prices have broken all records. As a result, both the economy and the people are suffering. All sorts of price indices including the consumer price index (CPI), sensitive price index (SPI) and wholesale price index (WPI) have crossed all records in the last three years.

The Pakistan Bureau of Statistics (PBS) printed out its list of prices of daily-use items on November 5. It witnessed a rise in the prices of sugar by 5.32 percent, tomatoes 19.23 percent, mustard oil 3.74 percent, rice 1.28 percent and LPG 1.73 percent. This had a combined effect of 0.67 percent in the overall weekly price hike as the SPI showed upwards trajectory. Actually, the PBS data indicate commodities with different weights. Items with the highest weight for the lowest quintile include milk (17.5 points), flour (6.2 points), sugar (5.2 points), vegetable ghee (3.3 points) and electricity (8.4 points).

The government has also raised LPG prices once again, jacking up to Rs13 per kg. This has added more to the miseries of the poor. An increase in fuel prices announced on Friday would be visible in the SPI data released next week.

The government has raised the petroleum development levy (PDL) to Rs9.62 on petrol, Rs9.14 on high speed diesel and Rs 2.06 on kerosene oil per litre. Pakistan is already facing LNG shortage due to mismanagement as reported umpteen times by Geo News anchor Shahzeb Khanzada. But reportedly Pakistan has secured LNG spot cargoes at an all-time high price of $30.65 per mmbtu which will also raise gas prices, further contributing to the already high inflation in the economy.

The IMF programme is still in limbo as no announcement or statement has come out so far from the financial institute’s side, although Adviser to the PM on Finance Shaukat Tarin and Governor State Bank of Pakistan Reza Baqir are quite hopeful for the resumption of the stalled loan package. Apparently, the IMF’s tough conditions are a stumbling block to the release of the next tranche of one billion dollars through which Pakistan is expecting to ease out its financial difficulties. Continuous price hikes and high inflation are the direct outcome of agreeing to the IMF conditions as the institute wants more taxes to be collected for which necessary exemptions are to be withdrawn. Further, it demands to raise electricity, gas and fuel prices.

IMF pressure on the government to give full autonomy to the State Bank of Pakistan is another area of discussion. Interestingly, there is no emphasis nor any accountability mechanism suggested in the case of the failure of the SBP to stabilise prices and control inflation, which is the main function of the central bank. In my last article ‘An economy in peril’ (Nov 3), it was emphasised that the ideal monetary and fiscal policy framework ensures stable economic growth and development in any country.

Monetary policy tools are used to enhance investment, control inflation, stabilise prices through policy rates and by providing financing or refinancing facilities to industrialists and exporters. These tools need to be carefully used to stabilise prices, enhance exports, and create investment-friendly atmosphere to ensure growth. Exports need to be enhanced through promotion of SEZs and diversification of supply chains.

It is a point of concern that further depreciation of the Pakistani rupee, which is jacking up interest rates on the demand of the IMF, in the coming days will definitely create problems of cost-push hyperinflation, discouraging investment with no significant improvement in exports and only a slight decrease in imports, while compromising the much-needed growth.

Policymakers need to ponder over inflationary pressures that are disturbing our economic stability in short, medium and long term. If we accept all conditions of the IMF, we have to go for currency depreciation and raise interest rates, compromising our growth targets. In this way, the growth of the large-scale manufacturing (LSM) sector would be compromised and investment would be highly discouraged.

This would be done in the context of controlling inflation, increasing exports and discouraging imports. A better administrative management system is immediately required to control the inevitable damages.

The larger question is: how to arrest inflation and price hikes for economic stability and sustainability? I believe that the IMF programme requires a careful strategic review as its conditions are disturbing our economic stability. But we have to have a Plan B to tackle our economic woes and difficulties for which the collective and inclusive decision-making is necessitated. Parliament is the best forum to get things done, as exclusivity has no place to stand. There is an immediate need of arresting inflation and controlling prices, especially food prices through a better supply chains management system.

The writer is an economist.