SUMMARY of the Article "Rising inflation," by Editorial, Dawn [Published on January 3rd, 2024]

The inflationary challenge in Pakistan appears increasingly difficult to address, with recent data from the Pakistan Bureau of Statistics revealing a rise in monthly inflation to 29.7%, compared to 24.5% a year ago and 29.2% a month earlier. This surge is attributed to the upward adjustment of fuel charges in electricity tariffs and increased prices of essential kitchen items. Weekly price data had already indicated an upward trend, leading to second-round effects as manufacturers and sellers passed on the higher energy costs to consumers. The State Bank of Pakistan had anticipated persistent inflation due to a gas price hike. Year-over-year CPI inflation has surged by almost 29% in the first half of the fiscal year, up from 25% in the corresponding period the previous year. While the SBP, IMF, and the government predict a slowdown in inflation in the second half of the fiscal year, their estimates vary from 21% to almost 26%. Despite the expectations of a slowdown, inflation faces risks such as potential currency depreciation, rising international commodity prices, and further energy price increases. Consumer and business inflation expectations remain high, reflecting the ongoing challenges. Monthly CPI inflation has averaged over 20% since January 2021, double the last 10-year average, highlighting a significant and unprecedented rise in living costs over three years. Constantly increasing prices, particularly for food, housing, energy, and transportation, have disproportionately affected low- and middle-income households amid stagnant wages. As elections approach, political parties are yet to announce plans to address and control inflation, raising concerns about the financial burdens faced by ordinary citizens.

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Easy/Short SUMMARY:

The inflation rate in Pakistan has risen to 29.7%, driven by increased fuel charges and essential kitchen item prices. Weekly data had already indicated this trend, impacting consumers as manufacturers passed on higher energy costs. The State Bank of Pakistan expected persistent inflation due to a gas price hike. Year-over-year CPI inflation increased by nearly 29% in the first half of the fiscal year. Projections suggest a slowdown in the second half, but varying estimates pose risks, including currency depreciation and rising commodity and energy prices. Consumer and business inflation expectations remain elevated, reflecting ongoing challenges. Monthly CPI inflation has averaged over 20% since January 2021, causing significant financial burdens, especially for low- and middle-income households with stagnant wages. Despite elections approaching, political parties are yet to announce plans to address inflation, raising concerns about citizens' financial woes.

SOLUTIONS of The Problem:

1. Comprehensive Inflation Control Strategy:

- Develop and announce a comprehensive strategy to control inflation, addressing factors such as energy prices and essential commodities.

2. Short-Term Measures for Price Stability:

- Implement short-term measures to stabilize prices, considering targeted interventions in key sectors contributing to inflation.

3. Policy Coordination for Inflation Management:

- Enhance coordination between government policies, the State Bank of Pakistan, and other relevant institutions to effectively manage and curb inflation.

4. Addressing Energy Price Impact:

- Develop strategies to mitigate the impact of energy price increases on inflation, ensuring a balance between energy affordability and economic stability.

5. Monitoring and Regulation of Essential Commodities:

- Strengthen monitoring and regulatory mechanisms for essential commodities to prevent unjustified price hikes and ensure market stability.

6. Public Awareness Campaigns on Inflation:

- Launch public awareness campaigns to inform citizens about inflation, its causes, and measures individuals can take to cope with rising living costs.

7. Income Support for Vulnerable Groups:

- Introduce income support programs specifically targeting vulnerable groups to alleviate the financial burden caused by inflation.

8. Enhanced Fiscal and Monetary Policies:

- Implement enhanced fiscal and monetary policies that strike a balance between economic growth and inflation control.

9. Long-Term Structural Reforms:

- Initiate long-term structural reforms addressing economic inefficiencies, market distortions, and factors contributing to persistent inflation.

10. Transparency and Accountability in Price

Reporting:

- Ensure transparency and accountability in price reporting mechanisms, reducing the likelihood of misinformation and speculation affecting inflation expectations.

IMPORTANT Facts and Figures Given in the Article:

- **Monthly Inflation Rate:** 29.7%
- **Year-over-Year CPI Inflation Increase:** Nearly 29% in the first half of the fiscal year.
- **Projection for Annual Inflation Rate:** Varies between 21% to almost 26%.
- **Monthly CPI Inflation Average Since January 2021:** Over 20%.
- **Impact of Inflation on Food, Housing, Energy, and Transportation Prices:** Significant burden on low- and middle-income households.
- **Political Parties' Response to Inflation:** No announced plans, raising concerns about citizens' financial challenges.

MCQs from the Article:

1. **What is the recent monthly inflation rate in Pakistan?**
   A. 20%
   B. 29.7%
   C. 15%
   D. 35%

2. **What was the year-over-year CPI inflation increase in the first half of the fiscal year?**
   A. 15%
   B. 25%
   C. Nearly 29%

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D. 20%

3. **What factor contributed to the increase in monthly inflation?**
   A. Decrease in fuel charges
   B. Upward adjustment of fuel charges in electricity tariffs
   C. Decrease in essential kitchen item prices
   D. Stagnant wages

4. **Why did the State Bank of Pakistan anticipate persistent inflation?**
   A. Lower energy prices
   B. Decrease in gas prices
   C. Gas price hike
   D. Increased international commodity rates

5. **What do projections suggest about the annual inflation rate in the second half of the fiscal year?**
   A. 30%
   B. 18%
   C. Varies between 21% to almost 26%
   D. 25%

VOCABULARY:

1. **Inflationary** (adjective) (□□□□□): Rel

ating to or characterized by inflation, a general increase in prices.
2. **Genie** (noun) (□□): A spirit of Arabian folklore, as depicted traditionally imprisoned within a bottle or oil lamp.
3. **Bureau** (noun) (□□□□): An office or department for transacting particular business.
4. **Surge** (verb) (□□□□□): A sudden powerful forward or upward movement, especially by a crowd or by a natural force such as the tide.
5. **Projection** (noun) (□□□□□□□□): An estimate or forecast of a future situation or

trend based on a study of present ones.
6. **Mitigate** (verb) (□□□□ □□): Make (something bad) less severe, serious, or painful.
7. **Alleviate** (verb) (□□□□ □□): Make (suffering, deficiency, or a problem) less severe.
8. **Stagnant** (adjective) (□□□ □□□): Showing no activity; dull and sluggish.
9. **Proactive** (adjective) (□□□□□□□): Creating or controlling a situation rather than just responding to it after it has happened.
10. **Unjustified** (adjective) (□□□□□□): Not done for any good reason.

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Rising inflation
Editorial

IT is becoming difficult to put the inflation genie back into the bottle. New price data from the Pakistan Bureau of Statistics shows that monthly inflation edged up to 29.7pc last month from 24.5pc a year ago and 29.2pc a month back, owing to the upward adjustment of fuel charges in electricity tariffs and the increase in essential kitchen items. The continuous upward swing in the short-term weekly price data had already indicated as much, with second-round effects coming into play as manufacturers and sellers passed on the increase in energy rates to consumers. The State Bank of Pakistan, too, had hinted at sticky inflation in its December monetary policy statement due to the gas price hike. Overall, year-over-year CPI inflation has spiked by nearly 29pc in the first half of the ongoing fiscal year, from 25pc in the corresponding period the previous year.

According to the SBP, IMF and the government, the pace of increase in prices would slow down in the second half of the fiscal year to June due to the 'high base effect' of the last fiscal year, falling demand, easing of supply constraints and plunging global commodity rates. Their projections for the annual inflation rate, however, vary widely between 21pc to almost 26pc. These estimates compare favourably with the headline inflation of 29.6pc, recorded during 2022-23. Nevertheless, the inflation outlook faces multiple risks, ranging from potential currency depreciation to an upswing in international commodity prices, to a further increase in energy prices, as noted by the bank. Hence, inflation expectations of both consumers and businesses remain elevated in spite of some improvement of late. The monthly CPI inflation average has persisted at over 20pc since January 2021 — or double the last 10-year average of slightly over 10pc, underscoring the unprecedented rise in the cost of living in three years. Constantly rising food, housing, energy and transportation prices have especially burdened low- and middle-income households as wages stagnated. More people are more food insecure today than they were three years ago, not just because of shortages but also owing to the erosion of purchasing power. With elections just a few weeks away, no party has announced their plans to fix the causes of and control price inflation. Perhaps they are as clueless as ever; or just don't care about the financial woes of ordinary people.

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