

Editorial

### **Rising inflation**

Despite promises that the worst was over, the economy continues to face greater challenges. The most crucial number for the public remains inflation. Economists not affiliated with the government had been predicting a high increase in prices in the coming months. So it has come to be. Inflation in July rose by 10.34 percent. This means the new fiscal year has kicked off with double-digit inflation. The number is the highest seen in sixty-eight months, which puts the public under greater financial pressure. Compared to last year, inflation has almost doubled. And compared to June this year, inflation has gone up from 8.9 percent to double digits. The situation shows that the impact of budgetary measures and State Bank of Pakistan monetary policy remains negative. The hike in petroleum prices and the increase in electricity and gas tariffs are the measures that can be said to be directly responsible for the jump, while the new tax measures proposed in the budget are also crucial towards explaining how the situation has become this way. The impact is in addition to the increase in price of imported items, including industrial raw material, which has been caused by the depreciation in the rupee.

With the government putting its inflation target at 11-13 percent, the increase will not be considered alarming by those in power. It would appear that it is a product of public policy, rather than any unusual response of the market to the government's actions. For now, the bulk of the increase has come in the price of non-food items. But the impact will make its way to the food sector soon. Food inflation alone has increased to 9.2 percent per annum, which means there are serious reasons to worry about the impact of the economic slowdown and inflation on hunger and malnutrition in the country. The cost of education, clothing, utility supplies and health has increased by over 8 percent, which means affordable living is not going to be available anytime soon. Rather there seem to be a committed set of policies that are going to push the public's lifestyles down.

The working poor, who could previously afford a meal a day, must now find some other way to feed their stomachs. The State Bank itself has been catering the monetary policy based on the assumption that inflation will increase. One can hope there will be some understanding shown admits that inflation does not help the economy – and measures are taken to counter the increase in prices across the board.