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## **Delayed action main reason behind higher inflation: Finance Division**

ISLAMABAD: The government on Monday said that delays in policy adjustments in FY18 primarily drove the rise in inflation hitting lower and middle classes. Finance government has come up with a series of reasons that lead to a rise in inflation, largely hitting middle and lower middles class.

In a detailed statement, the Finance Division listed reasons for the rise in inflation, which was largely led by lagged adjustments during FY18 in the shape of increase in gas and electricity prices.

To make correction, the government adopted prudent expenditure management and contractionary monetary policy to compress aggregate demand. To this effect, the State Bank of Pakistan (SBP) raised the policy rate to 13.25 per cent to arrest inflationary pressures.

In this regard, Finance Division has worked out a strategy to control inflationary pressures in the economy.

Explaining the measures to control inflation, the Finance Division said the government had discontinued borrowing from SBP which had an inflationary impact, and switched to commercial banks for borrowing which has less so. Similarly, National Price Monitoring Committee (NPMC) in consultation with provinces was regularly tracking prices and supply of essential food and non-food items.

On the expenditures side, it said the government was following austerity measures with complete restriction on supplementary grants. This is to help control the aggregate demand to ease inflationary pressure in the country.

The government is also committed to imposing the burden of adjustments in energy prices on those who can afford rather than the poor segments of the society, the statement adds. A subsidy of Rs226.5 billion had been allocated in budget for customers who use less than 300 units of electricity a month which will benefit around 75pc of total electricity users.

The Economic Coordination Committee has already approved a subsidy of Rs1.5bn to provide relief to 'roti tandoors' for provision of cheap bread.

To improve socioeconomic condition of the common man and boost agriculture sector, the government is implementing "National Agriculture Emergency Programme" and has approved 13 mega projects at a cost of Rs287bn. The scheme is being executed with the coordination of all provinces aimed at boosting crops yield, fisheries and livestock development as well as water conservation, the statement continued.

To facilitate industrial sector, the government is providing a series of targeted subsidies and incentives including for electricity and gas, export development package as well as Long-Term Trade Financing (LTFF) and Export Refinancing Scheme (ERS) at cheaper rates.

With regard to the reports on employment creation, the statement noted ‘Naya Pakistan Housing Programme’ which is envisaged to construct 5m homes over the next five years. With its strong backward linkages, development of housing sector will also lead to significant increase in growth of at least 40 different industries.

Similarly, ‘Kamyab Jawan Programme’ launched recently had a two-tier programme whereby the first one ranged from 0.1-0.5m and the second from 0.5-5m. Loans for tier-1 made available at a subsidised rate of 6pc while for tier-2 is 8pc.