

INFLATION

Introduction:

Stable inflation is always associated with better growth and development outcomes. Price stability not only reduces uncertainty but also provides multi-dimensional positive impacts on social, economic, and psychological spheres of all segments of the society, especially poor families.

Prior to the COVID-19 outbreak, the government was making efforts to stabilize the inflationary pressure that originated from requisite adjustment policies. Thus, the spike in inflation which appeared due to energy tariff adjustments and the adoption of market-based exchange rate was flattened out mainly due to the government initiatives taken for price stability. Therefore, the average CPI inflation was projected to decelerate by the end of the current fiscal year.

The emergence of COVID-19 and social distancing strategies to control this pandemic have affected demand and supply across the globe. State Bank of Pakistan (SBP) was maintaining double-digit interest rate to control inflation; it has now sharply cut the policy rate by 525 basis points to 8 percent. The easing of the policy rate is aimed at supporting economic activity in the wake of COVID-19 amid a fall in inflation outlook.

During first seven months of the current fiscal year, inflationary pressures persisted. The headline inflation rose by 14.6 percent in January 2020, compared to 5.6 percent in the same month last year, primarily because of a steep surge in food inflation. This trend was attributed to a number of factors such as temporary supply disruptions in perishables and higher transportation costs. Another reason is the change in weather patterns; all the seasons in 2019 have faced some shift from the usual time which caused losses in the minor crops thereby increasing the reliance on imported foodstuff.

For price stability, the government pursued a combination of policy measures such as curtailing current expenditures, improving agricultural productivity, fostering investment for stimulating output, and ensuring adequate availability of consumer goods. The government also remained vigilant on the market situation for smooth supply of commodities. For relief to the common man, the government provided a major subsidy to the Utility Stores Corporation (USC). Thus, essential commodities such as wheat flour, sugar, pulses and cooking oil/ ghee were sold to consumers at subsidized prices by Utility Stores Corporation (USC). All these measures helped in contracting the CPI-national to single-digit which fell to 8.5 percent in April 2020. This was the third successive month showing a decline in inflation, whereas it dropped more than 6 percent in the last three months.

Recently, the COVID-19 outbreak has negatively affected the whole economy especially daily wagers and the poor. The government planned accordingly and is efficiently utilizing all available resources to combat this pandemic, thus performing better than many financially stable countries. The government announced an economic relief and stimulus package of approximately Rs 1.24 trillion, the highest ever in history, to support the poor and help the local industry to offset the negative impact of the coronavirus outbreak in the country.

Most importantly, to further facilitate the public, the government reduced the prices of various petroleum products ranging from Rs 15 to Rs 30 on May 1, 2020. Earlier, the petroleum products prices were decreased by up to Rs 7 per liter for the month of March and subsequently Rs 15 per liter in April. The reduction in petroleum prices in March and April further decelerated the inflation rate as evident from the data of April.

7.2 Consumer Price Index:

The headline inflation measured by the Consumer Price Index (CPI) is recorded at 11.22 percent during Jul-Apr FY2020 as against 6.51 percent during the same period last year. Perishable food items are the main contributory factor in jacking up the food inflation in the Food and Non-alcoholic Beverages group, as it is recorded at 34.7 percent against the decline of 7.1 percent during the same period. Inflation in Non-perishable food items is recorded at 12.4 percent against 5.5 percent during last year. The significant rise in FED on Cigarettes put upward pressure on the Alcoholic Beverages & Tobacco which recorded at 21.9 percent during Jul-Apr FY2020 as against 10.7 percent the same period last year. The Housing, Water, Electricity, Gas & other Fuel are recorded at 7.1 percent during Jul-Apr FY2020 as against 8.2 percent during the same period last year. It has a weight of 23.6 percent, thus any untoward movement directly affects the vulnerable segment of the society. CPI movements by major groups are given below in Table 7.1.

Table 7.1: Composition of CPI-National Inflation (Jul-Apr)

Commodity	Weights	% Change On Average Basis	
		2018-19(Jul-Apr)	2019-20(Jul-Apr)
CPI National	100.0	6.5	11.2
Food & Non-alcoholic Beverages	34.6	3.5	15.9
i) Non- perishable Food Items	29.6	5.5	12.4
ii) Perishable Food Items	5.0	-7.1	34.7
Alcoholic Beverages& Tobacco	1.0	10.7	21.9
Restaurant & Hotels	6.9	5.5	7.0
Clothing &Foot wear	8.6	6.4	9.5
Housing, Water, Electricity .Gas& other Fuel	23.6	8.2	7.1
Furnishing &Household Equipment Maintenance	4.1	7.2	10.6
Health	2.8	6.5	11.7
Transport	5.9	15.7	15.0
Communication	2.2	2.3	3.8
Recreation & culture	1.6	6.5	6.8
Education	3.8	9.4	6.0
Miscellaneous	4.9	7.9	11.9

Source: Pakistan Bureau of Statistics

Box 7.1: Comparison of Base Years for CPI

With the introduction of rural markets in the new base, PBS is collecting prices from both rural and urban markets to compute CPI. The following table compares the coverage of both bases i.e. old (2007-08) and new (2015-16).

Description	Base Year 2015-16	Base Year 2007-08
Urban		
No. of Cities	35	40
No. of Markets	68	76
No. of Items	356	487
No. of Commodities	94	89
No. of Groups	12	12
Rural		
No. of Rural Areas	27	Nil
No. of Markets	27	Nil
No. of Items	244	Nil
Classification	Classification of Individual Consumption on Purpose (COICOP)	

SALIENT FEATURES OF THE NEW BASE

Salient features of the new base (2015-16) are as under

- a) **Introduction of Rural Consumer Price Index (RCPI) for the first time in the history of the country.** The old base CPI was urban biased, and was criticized for not including rural markets. The new base CPI includes Urban as well as Rural markets of the country.
- b) **Introduction of National Consumer Price Index along with Urban Consumer Price Index and Rural Price Index.** In the new base, Rural Consumer Price Index (RCPI), Urban Consumer Price Index (UCPI) and National CPI will be published against a single number of CPI under the old base.
- c) **Introduction of Population weights based on recent Population Census, 2017.** In the old methodology, equal weights were assigned to large and small cities. In the new base, population weights are introduced, thus cities will get weights, according to their population size.
- d) **Computation of Indices based on Weighted Geometric Mean.** In the new base, Geometric Mean (G.M) is used instead of Arithmetic Mean (A.M) as per international practice.
- e) **Introduction of consumption quintiles instead of income quintiles.** In the old methodology, the income quintiles were used. In new base, the consumption quintiles are introduced to capture the actual consumption pattern of the households.
- f) **Introduction of consumer weighted approach to compute Gas prices.** PBS was criticized for giving equal weights (20%) to each of five price slabs (in old base) to compute combined Gas price. In the new base, slab wise consumer weights are introduced to calculate the quintile and combined Gas prices.
- g) **Rationalization of Electricity Prices and introduction of consumer weighted approach to compute prices.** The earlier methodology was using only slab wise electricity rates without taking in to account the taxes, surcharges and Fuel Price Adjustment (FPA). In the new base, taxes and fuel price adjustments have been included to determine the electricity prices. Slab wise consumer weights are also introduced for calculation of quintile and combined prices.
- h) **Electronic data collection (Android Based) for the first time in the history of PBS.** PBS decided to introduce end to end electronic transformation of data with no human intervention. Hence, with the inception of new base year 2015-16, Pakistan Bureau of Statistics has been collecting the retail and wholesale prices since July 2016 and computing the following five indices on monthly/weekly basis:
 - i. **Urban** – Consumer Price Index (UCPI)
 - ii. **Rural** – Consumer Price Index (RCPI)
 - iii. **National** – Consumer Price Index (NCPI)
 - iv. **Core-** Non Food Non Energy
 - v. **Wholesale** Price Index (WPI)
 - vi. **Sensitive** Price Indicator (SPI)

Pakistan Economic Survey 2019-20

The old base CPI was urban biased as rural markets were not covered. In the new base, the introduction of rural markets allows us to analyze price changes in both rural and urban areas for capturing the full picture of the price trends in the economy. The CPI on new base (2015-16) comprises of Urban and Rural CPI. Urban CPI covers 35 cities and 356 consumer items. The Rural CPI covers 27 rural centers and 244 consumer items. In the new base year, the national CPI for 12 major groups is also computed by taking a weighted average of Urban CPI and Rural CPI.

The table given below presents the other inflationary indicators (CPI-Urban and CPI-Rural) which are also following the same pattern during the last three months.

Table 7.2: CPI, Food and Non-Food Inflation (%)

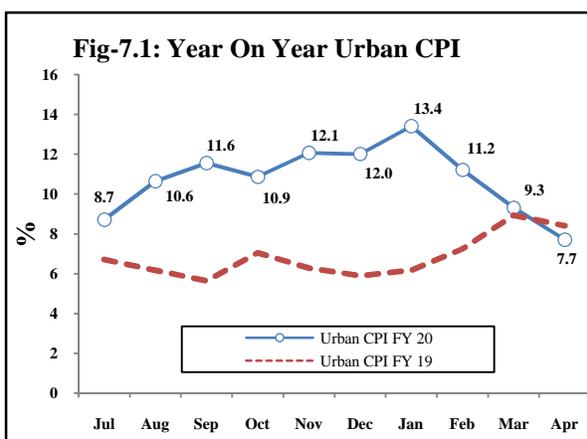
Months	CPI-National	Urban			Rural		
		CPI	Food	Non Food	CPI	Food	Non Food
Jul-19	8.4	8.7	7.9	9.2	7.9	9.3	6.7
Aug-19	10.5	10.6	11.9	9.9	10.3	12.6	8.4
Sep-19	11.4	11.6	15.0	9.7	11.1	15.0	8.0
Oct-19	11.0	10.9	13.7	9.3	11.3	14.6	8.7
Nov-19	12.7	12.1	16.6	9.6	13.6	19.3	9.0
Dec-19	12.6	12.0	16.7	9.5	13.6	19.7	8.8
Jan-20	14.6	13.4	19.5	10.2	16.3	23.8	10.5
Feb-20	12.4	11.2	15.2	9.1	14.2	19.7	9.8
Mar-20	10.2	9.3	13.0	7.3	11.7	15.5	8.5
Apr-20	8.5	7.7	10.4	6.2	9.8	12.9	7.4

Source: Pakistan Bureau of Statistics

CPI inflation-Urban increased by 7.7 percent on Year on Year basis in April 2020 as compared to an increase of 9.3 percent in the previous month and 8.4 percent in April 2019. The Urban Food and Non-Food inflation recorded at 10.4 percent and 6.2 percent as compared to 13.0 percent and 7.3 percent respectively in the previous month.

During the period Jul-Apr FY2020, CPI-urban recorded at 10.7 percent as against 6.9 percent during the same period last year.

In urban areas, the following items recorded increase in prices during April 2020 as against April 2019: Pulse moong (101.1 percent), Potatoes (92.26 percent), Pulse mash (67.89 percent), Pulse masoor (47.67 percent), Eggs (44.16 percent), Onions (40.72 percent), Gur (33.75 percent), Pulse gram (31.22 percent), Beans (29.92 percent), Besan (29.01 percent), Sugar (27.80 percent), Vegetable ghee (26.31 percent), Cooking oil (22.21 percent), Wheat (16.76 percent), Wheat flour (14.82 percent), Meat (13.75 percent), Gram whole (12.52 percent), Tea (9.54 percent), Gas charges (54.84 percent), Construction input items (16.6 percent), Motor vehicles (13.59 percent), Drugs and medicines (13.03 percent), Footwear (11.49 percent) and Motor vehicle accessories (11.25 percent).

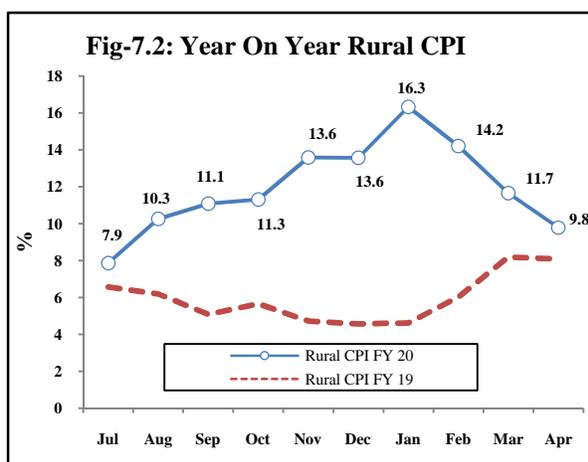


On the other hand, items that registered price declines in urban areas were Tomatoes (55.44 percent), Chicken (28.76 percent), Fish (2.52 percent), Electricity charges (5.88 percent) and Liquefied Hydrocarbons (2.34 percent).

CPI inflation-rural increased by 9.8 percent on a year-on-year basis in April 2020 as compared to an increase of 11.7 percent in the previous month and 8.1 percent in April 2019. The Rural Food and Non-Food inflation recorded at 12.9 percent and 7.4 percent as compared to 15.5 percent and 8.5 percent respectively in the previous month.

During the period Jul-Apr FY2020, CPI-rural recorded at 12.0 percent as against 6.0 percent during the same period last year.

In rural areas, commodities that recorded increase in prices during April 2020 over April 2019 were: Potatoes (103.48 percent), Pulse Moong (94.41 percent), Pulse Mash (56.15 percent), Pulse Masoor (45.11 percent), Onions (38.93 percent), Beans (34.48 percent), Vegetable ghee (29.47 percent), Eggs (29.26 percent), Pulse Gram (28.54 percent), Gur (27.05 percent), Cooking oil (26.84 percent), Sugar (24.54 percent), Wheat (21.88 percent), Besan (20.92 percent), Wheat Flour (18.13 percent), Rice (12.75 percent), Doctor Clinic Fee (18.37 percent) and Readymade Garments (10.65 percent). The items recording declines in their prices are Tomatoes (56.28 percent), Chicken (28.5 percent), Fish (0.02 percent) and Electricity Charges (5.88 percent).



7.3: Core Inflation

Non-food non-energy (NFNE) inflation is calculated by excluding the food group and energy items (Petrol, diesel, CNG, electricity, and natural gas) from the CPI basket. The State Bank of Pakistan (SBP) also uses core inflation while formulating its monetary policy. Thus the effect of monetary policy on prices is reflected on core inflation with lag effect.

The inflationary pressures in core inflation receded during the start of second-quarter whereas rural inflation depicted a slightly increasing trend. This signifies that the macroeconomic stabilization measures i.e. increase in interest rates, fiscal consolidation and realignment of the exchange rate with fundamentals have proved largely effective.

The gradual build-up of domestic demand is evident from rising Core inflation for Urban and Rural, recording at 7.8 percent and 8.7 percent respectively during Jul-Apr FY2020 as compared to 7.2 percent and 6.8 percent during the same period last year.

Due to the continuous increase in Clothing & Footwear and healthcare costs, core inflation remained higher on average compared to the same period last year. Table 7.3 shows the core inflation trend year-on-year basis.

Pakistan Economic Survey 2019-20

Table 7.3: Core Inflation

(%)

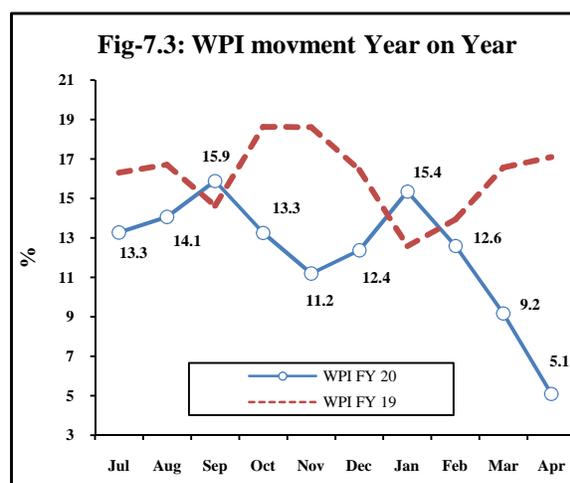
Months		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Jul-Apr
2018-19	Urban	6.7	6.7	7.0	7.5	7.7	7.8	7.1	7.1	7.2	7.0	7.2
	Rural	6.8	6.7	6.7	6.7	7.1	7.4	6.6	6.4	6.5	6.8	6.8
2019-20	Urban	8.2	8.5	8.4	7.7	7.5	7.5	7.9	8.0	7.4	6.4	7.8
	Rural	7.8	8.8	8.8	8.6	8.4	8.1	9.0	9.4	9.4	8.5	8.7

Source: Pakistan Bureau of Statistics

7.4: Wholesale Price Index (WPI)

Wholesale prices of 419 items included in WPI are being collected from 19 cities. Their prices are influenced immediately by trend in import prices and local production. The items have been divided into five groups.

During the current Fiscal year, WPI is moving towards a downward trajectory since January 2020 which augurs well for other inflationary indicators in the coming months. The Year on Year (YoY) WPI for April 2020 is recorded at 5.1 percent against 9.2 percent in the previous month and 17.1 percent in the same month last year. The index on period average basis during Jul-Apr FY2020 has been recorded at 12.2 percent as against 16.2 percent during the same period last year.



Further categorization of the index into 5 constituent groups reveals the highest inflationary pressure in the Ore & mineral group showing an increase of 30.1 percent as against 25.3 percent during the same period last year. The other transportable goods recorded at 5.5 percent as against a massive increase of 30.0 percent the same period last year which overall drag the WPI index during FY2020. The group-wise comparison is given in Table below.

Table 7.4: Wholesale Price Index (WPI)

(%)

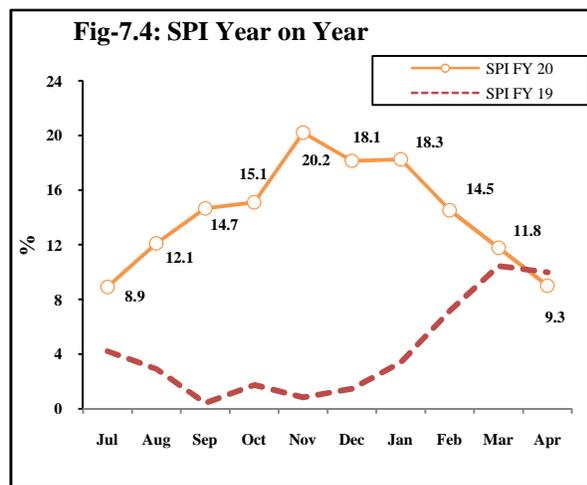
Commodity	Weights	On Average Basis	
		Jul-Apr 2018-19	Jul-Apr 2019-20
General(WPI)	100.0	16.2	12.2
Agriculture Forestry & Fishery Products	25.8	9.5	11.4
Ores & Minerals, electricity, gas & water	12.0	25.3	30.1
Food Products, Beverages & Tobacco, Textiles, Apparel & Leather Products	31.1	10.1	10.6
i) Food Products and Bev.& Tobacco	20.1	7.3	12.9
ii) Textiles & Apparel	10.3	15.5	7.3
iii) Leather Products	0.7	6.3	5.0
Other Transportable Goods Except Metal Products, Machinery & Equipments	22.4	30.0	5.5
Metal Products, Machinery & Equipment	8.7	9.0	13.9

Source: Pakistan Bureau of Statistics

7.5: Sensitive Price Indicator

Sensitive Price Indicator (SPI) is computed on weekly basis to assess the price movements of essential commodities at a shorter interval of time so as to review the price situation in the country. SPI comprises of 51 essential items and the prices are being collected from 50 markets in 17 cities of the country.

The trend of this index is monitored regularly and immediate measures are taken to control fluctuation in prices. The SPI year-on-year basis in FY2020 remained volatile as presented in the graph given below.



The annualized increase in SPI during Jul-Apr FY2020 was recorded at 14.3 percent against 4.2 percent in the same period last year. Twenty nine (29) major food items including wheat, wheat flour, rice, tomatoes, onions, masoor pulse, moong pulse, mash pulse, chicken, sugar, red chilies etc. having a weight of 59 percent influenced SPI by (+) 7.8 percent.

Table 7.5: Change in prices of major food items of SPI

(%)

Description	Units	Weights (Combined)	% Change Apr-20/ Apr-19	Contributions
Wheat Flour Bag	20 Kg	4.0	14.4	0.6
Rice Basmati Broken (Average Quality)	1 Kg	1.3	6.7	0.1
Rice IRRI-6/9 (Sindh/Punjab)	1 Kg	0.2	13.8	0.0
Bread plain (Small Size)	Each	0.6	20.7	0.1
Beef with Bone (Average Quality)	1 Kg	3.4	10.3	0.3
Mutton (Average Quality)	1 Kg	2.4	11.0	0.3
Chicken Farm Broiler (Live)	1 Kg	3.9	-26.4	-1.0
Milk fresh (Un-boiled)	1 Ltr	18.4	4.2	0.8
Curd (Dahi) Loose	1 Kg	1.8	5.4	0.1
Powdered Milk NIDO 390 gm Polybag	Each	0.4	14.9	0.1
Eggs Hen (Farm)	1 Doz	1.4	31.2	0.4
Mustard Oil (Average Quality)	1 Kg	0.0	13.7	0.0
Cooking Oil DALDA or Other Similar Brand (SN), 5 Litre Tin	Each	3.1	21.9	0.7
Vegetable Ghee DALDA/HABIB 2.5 kg Tin	Each	1.5	28.3	0.4
Vegetable Ghee DALDA/HABIB or Other superior Quality 1 kg Pouch	Each	1.5	29.4	0.4
Bananas (Kela) Local	1 Doz	0.9	0.7	0.0
Pulse Masoor (Washed)	1 Kg	0.5	41.6	0.2
Pulse Moong (Washed)	1 Kg	0.5	92.1	0.4
Pulse Mash (Washed)	1 Kg	0.3	61.7	0.2

Pakistan Economic Survey 2019-20

Table 7.5: Change in prices of major food items of SPI (%)

Description	Units	Weights (Combined)	% Change Apr-20/ Apr-19	Contributions
Pulse Gram	1 Kg	0.5	28.7	0.1
Potatoes	1 Kg	2.1	117.5	2.5
Onions	1 Kg	1.7	20.9	0.4
Tomatoes	1 Kg	1.4	-54.5	-0.8
Sugar Refined	1 Kg	3.2	24.3	0.8
Gur (Average Quality)	1 Kg	0.1	29.8	0.0
Salt Powdered (NATIONAL/SHAN) 800 gm	Each	0.2	3.6	0.0
Chilies Powder NATIONAL 200 gm Packet	Each	0.8	5.7	0.0
Garlic (Lehsun)	1 Kg	0.6	53.9	0.3
Tea Lipton Yellow Label 190 gm Packet	Each	2.4	9.2	0.2
Total		59.0		7.8

Source: Pakistan Bureau of Statistics

7.6: Global International Prices

Oil futures prices plunged below zero for the first time in history in April 2020, as the Coronavirus pandemic caused global demand to collapse and buyers were not willing to take delivery of crude because of lack of storage place. The settlement price for WTI crude contracted on 20-04-2020 was -\$40.0 amid concerns about storage and a slump in global demand due to the Coronavirus pandemic. Now the brent crude is being traded around \$38 per barrel.

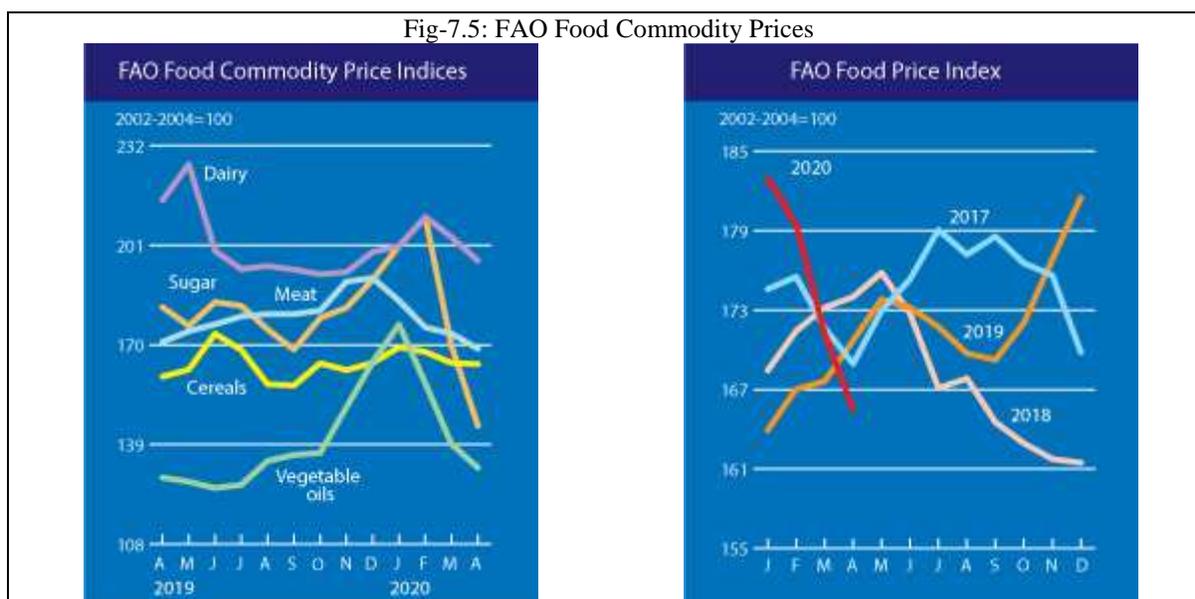
Table 7.6: International Prices of Major Commodities

Months	Sugar (\$/Mton)	Palm Oil (\$/Mton)	Soyabean oil (\$/Mton)	Crude oil (\$/Brl)	Wheat (\$/Mton)	Rice (\$/Mton)	Tea (\$/Mton)	DAP (\$/Mton)	Urea (\$/Mton)
Apr-19	280.0	588.0	734.0	71.2	199.5	391.3	2650.0	323.8	247.5
May-19	270.0	563.0	743.0	70.5	199.5	386.8	2730.0	313.4	247.5
Jun-19	280.0	552.0	743.0	63.3	206.1	394.2	2570.0	314.9	247.5
Jul-19	280.0	544.0	748.0	64.0	196.2	391.7	2640.0	314.9	247.5
Aug-19	270.0	586.0	793.0	59.3	181.1	407.5	2630.0	292.9	262.5
Sep-19	260.0	580.0	779.0	62.3	189.6	401.7	2540.0	285.8	237.5
Oct-19	280.0	591.0	771.0	59.4	199.5	397.0	2580.0	277.4	237.0
Nov-19	280.0	683.0	775.0	62.7	203.2	394.8	2600.0	248.0	224.5
Dec-19	300.0	770.0	834.0	65.9	210.9	400.9	2570.0	238.2	217.5
Jan-20	310.0	810.0	876.0	63.6	224.5	426.0	2510.0	264.9	215.4
Feb-20	330.0	729.0	800.0	55.0	215.3	426.5	2350.0	279.4	214.4
Mar-20	260.0	635.0	748.0	33.0	209.1	469.6	2190.0	276.2	231.1
Apr-20	230.0	609.0	680.0	23.3	219.0	543.7	2190.0	282.0	235.0
% Change									
Apr-20/Jul-19	-17.9	11.9	-9.1	-63.6	11.6	38.8	-17.0	-10.4	-5.1
Apr-20/Apr-19	-17.9	3.6	-7.4	-67.3	9.8	38.9	-17.4	-12.9	-5.1
Apr-20/Mar-20	-11.5	-4.1	-9.1	-29.4	4.7	15.8	0.0	2.1	1.7

Source: Commodities Price Pink Sheet, WB

The Palm oil and Soybean oil prices are recorded at \$ 609/MT and \$ 680/MT respectively in April 2020 showing a decline of 4.1 percent and 9.1 percent over March 2020. Keeping the present scenario, Malaysia has directed palm plantations to continue operations even as the country shuts businesses to prevent the spread of the coronavirus, ensuring steady supplies of the tropical oil to global markets.

The sharp decline in FAO Food Price Index in April marked the third consecutive monthly fall largely driven by COVID-19 pandemic-demand contractions. While the latest fall in prices was most pronounced for vegetable oils and sugar, the other sub-indices also registered lower values in April.



The export prices of all the major cereals, except rice and wheat, fell for the third consecutive month. Despite large global supplies, combined with generally favorable crop prospects, rise in wheat prices reflecting strong demand. The international maize prices registered a further decline in April, pressured by not only large supplies but also much weaker demand especially from the biofuel sector stemming from a plunge in crude oil prices. By contrast, international rice prices extended their upward trend into a fourth straight month, reaching their highest level since June 2018.

The vegetable oil prices continued to decline in April mainly stemmed from fall in palm oil prices (for the second consecutive month) which was fuelled primarily by uncertainties over the impact of the COVID-19 pandemic on global demand. Soya and rapeseed oil prices were also affected by higher than expected crushing in the USA and eroding demand for biodiesel in the EU.

Global import demand for Skim Milk Powder and Whole Milk Powder dampened considerably, mainly due to disruptions in dairy supply chains with the imposition of containment measures to control the spread of COVID-19.

The significant monthly dip in international sugar prices was largely caused by the fallout from the COVID-19, as confinement measures imposed by several countries curtailed

demand from out-of-home consumption. In addition, the steep fall in crude oil prices exerted further downward pressure on sugar markets, as lower energy prices tend to boost the production of sugar instead of ethanol. This is notably the case in Brazil, the world's largest sugar exporter.

7.7: Government Steps to control Inflation

Policy Measures

- ECC allowed import of 0.3 million tons of wheat to decrease the local wheat price and to meet the domestic requirement. In order to control its prices, the ECC approved waiving 60 percent regulatory duty and 7 percent withholding taxes on wheat import.
- ECC banned sugar export in an attempt to regulate the surging prices.
- The government has discontinued borrowing from the State Bank of Pakistan which has an inflationary impact. Government has retired Rs 552 billion (Jul-8th May, FY2020) as compared to the borrowing of Rs 4,967 billion in the same period last year.
- To contain fiscal deficit, there is a complete restriction on supplementary grants to ease out inflationary pressures.
- SBP raised the policy rate by cumulative 750 bps to 13.25 percent from January 2018 till July 2019 but considering the uncertainty due to the Coronavirus and improving inflationary outlook, the MPC has cut the policy rate by a cumulative 525 bps in two months to 8 percent.

Administrative Measures

- Prices monitoring Cell in the Ministry of National Food Security is monitoring price hikes of essential food items.
- The government is expanding the network of Sasta Bazaars and Utility Store outlets for provision of smooth supply of daily use items.
- The Competition Commission of Pakistan (CCP) is taking effective measures to control Cartelization and undue Profiteering.

Relief Measures

- The ECC approved a Rs 50 billion technical supplementary grant for the Utility Store Corporation (USC) announced under the PM's relief package.
- To facilitate customers, a subsidy of Rs 226.5 billion has been allocated in the budget for customers who use less than 300 units of electricity in a month and expenditure of Rs 186.5 billion has been made up till 19th May, FY2020.
- Out of Rs 24 billion allocated for the gas subsidy, expenditure of Rs 15.5 billion has been made up till 19th May, FY2020.
- To minimize the negative impact of COVID-19, the government is making the best efforts to provide relief to consumers in energy prices and other essential items. The government announced the relief package of almost Rs 1.24 trillion. Some of the salient features of the package are:

- A sum of Rs 200 billion has been allocated for labors across the country. To support vulnerable families, Rs 150 billion is reserved for the monthly stipend which has increased from Rs 2000 to Rs 3000 per month for the next four months for 9.2 million families.
- The Panagahs (shelter) for jobless and poor has been extended to provide meals and shelter for unemployed.
- Subsidy of Rs 50 billion to USC to ensure the availability of essential items.
- For wheat procurement, Rs 280 billion has been set aside.
- People will also be able to pay electricity and gas bills in instalments whose electricity consumption is up to 300 units and the gas bill is up to Rs 2000. The facility covered 75 percent of power consumers and 81 percent of gas consumers.
- Other measures include tax relaxation on imports of pulses, duty waive off on import of palm oil, and reduced petroleum levy on POL products.

7.8: Conclusion

The recent COVID-19 outbreak has weakened demand putting downward pressure on commodity prices but there is also a risk of supply disruption. Thus, falling international commodity prices especially crude oil will help ease inflationary pressures; however supply disruption and hoarding to push prices up. The government is making all efforts in maintaining a smooth supply. The government is also committed to take strict action against hoarding thus the risk of price hike has been considerably reduced. Inflation is therefore expected to remain at 10.7 percent, below the earlier projection of 11.8 percent and is expected to further scale down to single digit in FY2021. The Government is utilizing all resources to provide maximum relief to the public. Economic Stimulus Package, Ehsas Emergency Relief Programme, incentive package for SMEs and reduction in petroleum prices etc., will provide multidimensional positive impacts to all segments of society especially poor families.
