

OpenVoiceNews Pakistan

Transparent. Unbiased. Yours.

Pakistan Government Outlines Strategy to Restore Purchasing Power

August 8, 2025

— Categories: Finance



The government has acknowledged that high inflation in recent years has sharply reduced the purchasing power of ordinary Pakistanis, but insists that recent economic measures are beginning to reverse the trend.

Minister of State for Finance and Revenue Bilal Azhar Kayani told the National Assembly on Thursday that the administration is pursuing a “multi-dimensional strategy” to bring real wages back to 2017 levels and ease the burden on low-income households through targeted relief programs.

In a written reply to a question from Dr. Mahreen Razzaq Bhutto, Kayani said inflation had dropped from 23.4% in FY2024 to 4.5% in FY2025. For July FY2026, inflation stood at 4.1%, down from 11.1% in the same month the previous year.

The government listed several budgetary measures, including a 10% ad-hoc salary increase for civil servants, a 7% pension rise, no new income taxes, and expanded subsidies for utility bills. Funding for the Benazir Income Support Programme (BISP) has been increased to Rs716 billion, benefiting around one crore families.

Kayani said the government is also focusing on improving labour productivity through skill development, vocational training, digitization, entrepreneurship, and investment in capital goods. Encouraging the formalization of businesses, he noted, ensures more stable and higher wages for workers.

Dr Bhutto, while welcoming the measures, questioned their real-world impact. “If the government claims real wages are improving, in which sectors is that visible? Eleven crore Pakistanis still live below the poverty line,” she said. She also criticized reliance on consumption-based taxes, arguing that levies such as those on fuel disproportionately affect the poorest citizens.

Kayani responded that inflation control is only one part of the solution, with employment growth being equally vital. He said Pakistan’s economic stability has led to improved ratings from Fitch, S&P, and Moody’s. The policy rate, once at 22%, has been reduced as inflation eased, encouraging business activity. Citizens earning up to Rs600,000 annually remain exempt from income tax.

Other lawmakers, including Mirza Ikhtiar Baig and Sahibzada Sibqhatullah, pressed the government on industrial competitiveness, layoffs at utility stores, and the enforcement of minimum wage laws. Baig also urged action on electricity tariffs, reminding the government of its pledge to reduce rates by 8–9 cents per unit to help textile exporters and revive industries in hubs such as Faisalabad.

The debate reflects the broader challenge facing Pakistan’s economy: translating macroeconomic stability into tangible improvements in household incomes while safeguarding industrial growth and employment.