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## Pakistan Government Acknowledges Inflation Outpaced Wage Growth

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ISLAMABAD, The federal government has admitted that rising prices have outpaced wage growth in Pakistan, reducing the purchasing power of citizens.

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 control inflation, restore real wages to 2017 levels, and ease financial pressures on low-income households through targeted relief measures.

Responding to a question from Dr Mahreen Razzaq Bhutto, Kayani said, “We understand this is one of the most pressing issues for citizens and a fundamental benchmark for assessing our economic policies.”

In a written reply, the government reported that inflation had dropped sharply from 23.4% in FY2024 to 4.5% in FY2025. For July FY2026, inflation stood at 4.1%, compared to 11.1% in the same month last year.

The measures outlined included a 10% ad-hoc salary increase for civil servants, a 7% pension rise, no new income taxes, and expanded subsidies under the Benazir Income Support Programme (BISP), which now has a budget of Rs716 billion. Additional initiatives involve utility bill relief and skill development programs aimed at increasing labour productivity.

The reply noted that formalizing the workforce and promoting entrepreneurship would lead to higher and more regular wages, while GDP-linked employment growth would help restore real incomes.

Dr Bhutto welcomed the announced measures but questioned their real-world impact. “Despite these steps, I see no meaningful improvement in real incomes. If the government claims 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, such as fuel levies, which she argued affect the poorest citizens most.

Kayani responded that inflation control is only part of the solution. “Real purchasing power improves when inflation is contained and employment opportunities expand. With a stable macroeconomic environment, we have regained international confidence. Rating agencies like Fitch, S&P, and Moody’s have upgraded our outlook,” he stated. He added that the policy rate had dropped from 22% as inflation eased, supporting business revival. One crore families now benefit from BISP, and those earning up to Rs600,000 annually are exempt from income tax.

Other lawmakers, including Mirza Ikhtiar Baig and Sahibzada Sibhatullah, pressed the government on industrial competitiveness, utility store layoffs, and enforcing minimum wage laws. Baig urged the fulfillment of commitments to lower electricity rates by 8–9 cents per unit to aid textile exporters and revive manufacturing in Faisalabad and other industrial hubs.

