

Abstract

# Determinants of Food Inflation in Pakistan: Empirical Evidences <sup>†</sup>

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<sup>†</sup> Presented at the third International Tropical Agriculture Conference (TROPAG 2019), Brisbane, Australia, 11–13 November 2019.

Published: 13 February 2020

**Abstract:** Today food inflation is a rising issue. The world food problem is getting more complicated as the world population is increasing more rapidly than food production. Pakistan being a developing country is a victim of higher food prices. The present study is an attempt to identify main determinants affecting food inflation in Pakistan. The study is based upon the time-series data from 1997 through 2017, collected from secondary sources including published issues of Economic Survey of Pakistan, Agricultural Statistics of Pakistan and annual reports of State Bank of Pakistan. Method of OLS (Ordinary Least Square) was applied by developing an equation for food price inflation and five major determinants; food imports, food exports, wheat support price, value-added in agriculture and money supply respectively. These variables were regressed with CPI (Consumer Price Index) food, the measure of food inflation. The results indicated that agricultural value addition is highly significant and negatively affecting the food inflation while Food imports have most significant positive effect on food inflation. Supply of money in the country and wheat support price are effecting food inflation significantly. The study suggested that increase in agricultural output and tight monetary policy are the key factors to decrease food inflation. The government should adopt measures to improve the productivity of agricultural sector, encourage agro-based industry, moderation in government administered price and should control the supply of money in the country.

**Keywords:** determinants; food inflation; inflation; Pakistan

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**Author Contributions:** M.A.: The main author of research; S.A.M.: The supervisor of throughout research study.

**Funding:** This research received no internal or external funding.

**Conflicts of Interest:** The authors declare no conflicts of interest.



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