

EXCLUSIVE INTERVIEW



PAKISTAN
BUREAU OF
STATISTICS
Government of Pakistan

Dr. Naeem-uz-Zafar

Chief Statistician
Pakistan Bureau of Statistics (PBS)
Ministry of Planning, Development &
Special Initiatives



“ Higher food inflation in Pakistan is due to high international prices of palm oil, import of pulses, and high food agricultural support prices (in the case of wheat and sugar), and the exchange rate phenomenon ”

ICMA: Can you briefly explain how the PBS collects price statistics?

Dr. Naeem-uz-Zafar: PBS collects weekly prices and monthly prices to measure weekly and monthly inflation, respectively. PBS collects weekly prices for 51 items from 17 cities comprising of 50 markets, and monthly prices from urban areas for 356 items from 35 cities comprising 68 markets and from rural areas 244 items from 27 rural centers comprising 27 markets. Three quotations are taken

for each item from every market. The collected data is then disseminated in the shape of three indices i.e., Sensitive Price Indicator (SPI), Consumer Price Index (CPI), and Wholesale Price Index (WPI).

PBS has its own network of 34 Regional/Field Offices spread across the country. In all offices, specialized staff has been posted to collect prices from specified markets and supervised by an officer at all Regional/Field Offices. They personally visit shops, stores, and establishments as per a predetermined time schedule and collect the prices from three shops of selected items from Urban centers and two shops from Rural centers. Prices are reported in schedules specifically developed for the purpose.

ICMA: What is the status of price data in Pakistan?

Dr. Naeem-uz-Zafar: Price data in Pakistan is currently based on base-year 2015-16 and being implemented from July 2019. In this regard, five consumption quantiles based on HICS Survey were developed to capture the inflationary contribution of different consumption/income levels of the population. Further, the population weights were used to appropriately represent various cities and their contribution to the national inflation. Consumer weights were also introduced for different slabs of electricity and gas to appropriately capture the income slab-wise contribution in the inflation indices.

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Province-wise Summary Statistics of Cities/Markets

Description	Islamabad	Punjab	Sindh	KP	Balochistan	National
No of CPI Cities-Markets: Urban	1-4	16-29	7-21	5-7	6-7	35-68
No of Rural Centres	—	8-8	6-6	7-7	6-6	27-27
No of SPI Cities-Markets	1-4	8-21	4-18	2-4	2-3	17-50
No of WPI Cities-Markets	—	10	6	2	1	19
No. of Regional/Field Offices	1GB, 1AJK	15	8	5	4	34

The details of Price Statistics are given as follows:

- 1) **Consumer Price Index (CPI):** It is a statistical measure of the average change in the consumer prices of a predetermined basket of goods and services customarily purchased/consumed by inhabitants of the country, belonging to specified income groups in the selected geographical areas over a fixed period of time.
 - a) **National CPI:** is used to measure inflation in the country and compiled by combining Urban and Rural CPIs on monthly basis.
 - b) **Urban CPI:** It covers 68 markets in 35 cities/urban centers of the country. Prices of 356 consumer items are taken for computation of urban index on monthly basis.
 - c) **Rural CPI:** it covers 27 markets in 27 rural areas of the country. Prices of 244 consumer items are taken for computation of rural index on monthly basis.
- 2) **Sensitive Price Indicator (SPI):** It is computed on weekly basis to assess the price movements of essential commodities at a shorter interval of time to review the price situation in the country. SPI comprises 51 essential items from 50 markets in 17 cities.
- 3) **Wholesale Price Index (WPI):** It is computed on monthly basis and is considered as an appropriate measure of the movement of wholesale prices of predetermined items in primary wholesale markets. The wholesale prices are being collected for 419 items from 19 cities of Pakistan.

ICMA: What formula is used by PBS for calculating different inflation indicators like CPI, SPI, etc?

Dr. Naeem-uz-Zafar: For Urban CPI, three quotations for each item are obtained from different shops in a market and two quotations in the case of Rural CPI. For each item, the Geometric Mean (G.M) of these quotations is taken as a Representative Price for that market. The City Average, the price for each item is computed by taking G.M of

representative prices of all selected markets of the city. The urban average price of an item is thus obtained by taking the weighted geometric mean of all 35 cities covered under urban CPI with WPC as city population weight. Similarly, for Rural, the average price of an item is obtained by taking the weighted geometric mean of all 27 rural centers covered under rural CPI with WPC as respective rural center population weight.

$$I_n = \frac{\sum (P_n / P_o) \times W_i}{\sum W_i} \times 100$$

Formula used for Computation of Index

Laspeyre's formula as given below is being used for the computation of Urban CPI and Rural CPI:

Where I_n = CPI for the nth period

p_n = price of an item in the nth period

p_o = price of an item in the base period

W_i = weight of the ith item in the base period = $P_{oi} q_{oi} / \sum P_{oi} q_{oi}$

$\sum w_i$ = Total weight of all items.

ICMA: In your opinion, what are the core reasons for rising inflation in the country?

Dr. Naeem-uz-Zafar: Among twelve groups for the computation of general inflation, food, and energy inflation remains higher than the core inflation. The higher energy inflation in Pakistan is due to high international crude oil prices. High energy and gas prices were desired to curtail the circular debt. Furthermore, higher food inflation in Pakistan is due to high international prices of palm oil, import of pulses, and high food agricultural support prices (in the case of wheat and sugar), and the exchange rate phenomenon.

ICMA: What are the possible improvement venues and what PBS is doing in this context?

Dr. Naeem-uz-Zafar: PBS conducted the 'Family Budget Survey' through HIICS in 2015-16 and implemented the rebasing of prices in 2019. Over time, the consumption pattern of society changed and hence the prices had to be rebased to factor in changes in consumption behavior and the need for additional coverage. Due to these reasons, PBA plans to redo the rebasing in the year 2023 by conducting Family Budget Survey.

Price indices, ideally, should track the prices from the farm gate and industrial inputs to the prices paid by consumers. PBS collects data for CPI and WPI but the first leg of the price system, Producers Price Index, which collects from the farm gate, is missing. PBS plans to complete the price system by adding 'Producers Price Index' in the price indices. This will complete the price system and will also help in improving reporting of Pakistan's income on Purchasing Power Parity basis, which makes the national income of countries comparable.

PBS plans to initiate Quarterly GDP which is a major demand from various stakeholders like the Finance Division, State Bank of Pakistan, Private sector, and academia

Besides price system improvements, PBS plans to initiate Quarterly GDP which is a major demand from various stakeholders like the Finance Division, State Bank of Pakistan, Private sector, and academia. Another related initiative is Regional GDP which is again demand of provinces and like Quarterly GDP, Regional GDP too is required by stakeholders from the public and private sector.

It is well known that the structure of the economy changes with time and it needs to be updated to know the

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contribution of different sectors to national income. This is important in its own right and it is also needed for effective planning and provision of enabling environment for upstream and downstream sectors of major economic sectors. The updating of the structure of the economy is done by Supply-and-Use Tables which map different sectors of the economy in terms of their input and output linkages. Updating these tables is an overdue task which PBS has taken up. Updating these tables will help in producing more representative numbers of national income.

ICMA: In what area do you think ICMA and PBS can jointly work together for economic benefits?

Dr. Naeem-uz-Zafar: ICMA is a premier organization that has been producing professional accountants well versed with the theory and has the credential of professional services offered to the industry. ICMA can engage with PBS through technical workshops to ascertain the value addition in the different economic sectors. Similarly, PBS is of the view that ICMA's knowledge of the cost structure of economic sectors can provide valuable input for developing the 'Produce Price Index'.

ICMA: ICMA can provide its nationwide students who may be used by PBS on internships for making field surveys. What do you say about this proposal?

Dr. Naeem-uz-Zafar: PBS can give technical assistance by providing workshops, internships, and orientation programs to ICMA fellows and faculty. In this vein, an MoU can be signed between the two organizations.

The Editorial Board thanks Dr. Naeem-uz-Zafar for giving his exclusive interview for Management Accountant Journal.