

COMMODITY PRICES FOR LOWER INCOME GROUP IN MAJOR CITIES OF SINDH DURING COVID-19

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The COVID-19 pandemic is a ferocious dragon consuming each country in its way. Pakistan too has been hard hit due to the pandemic. Till 24 March there have been 6 deaths with 6 recoveries, with the total cases surging to 784 in the country.² In Sindh there are a total of 399 cases so far. The speed with which new cases are popping shows that Pakistan is on a dangerous trajectory.

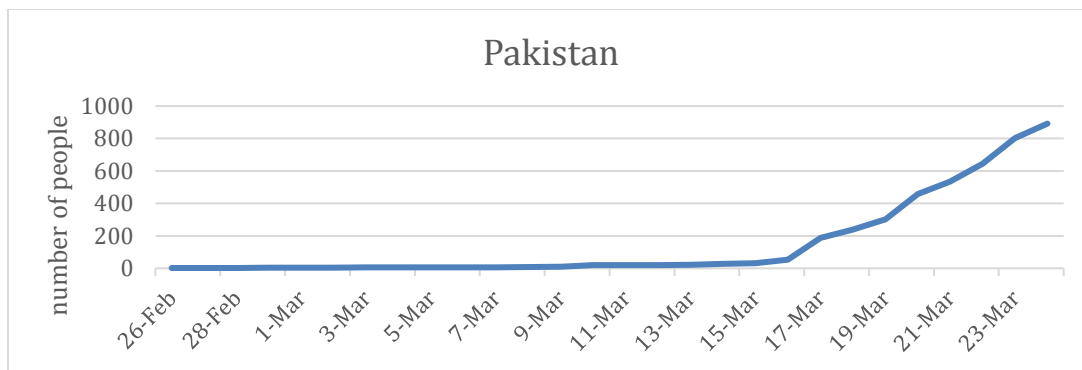


Figure 1. source: covid.gov.pk and various media announcements

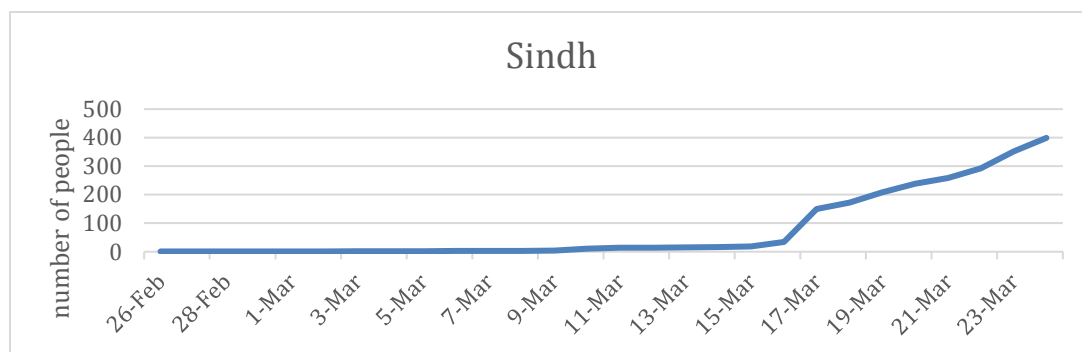


Figure 2. source: covid.gov.pk and various media announcements

The government has taken strict measures to lockdown the Sindh province where the numbers of cases are showing exponential growth. Recently a video of a middle-aged woman begging the police to let her go to work went viral. She was pleading that her pay will get deducted and she won't have anything to feed her children. What will they eat? Such heart-wrenching scenarios show that the

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² Data from <http://covid.gov.pk/stats/pakistan> and various other sources.

daily wage earners or the piecework paid earners are the hardest hit segment of society. They are already struggling for survival and with the present condition they will die of hunger before death through the disease.

The latest 2018 report of PBS states that the total unemployment rate is 5.7 percent in the country. Sindh has a high rate of youth unemployment, 12.45% (2017-2018). Further breaking it gender wise shows that it is 4.9% for males and 11.9% for females. In 2019 the agriculture sector employed 41.37%, services sector employed 34.96% while the industry employed 23.67% of the workforce.

At this time of economic crisis, it is important to see those who have vulnerable employment.³ They form the lower income group. The vulnerable employment as measured in 2017-2018 was 55.6%. This high number raises several red flags in the current pandemic. It shows that a huge number may lose their jobs in case of business closures. The hard-hit sectors due to COVID-19 may resort to laying off workers. These sectors include hotels and restaurants (48.6%), Transport and communications (49.4%), real estate and business activities (63.4%), manufacturing (32.9%). Looking provincial wise, in Sindh the share of vulnerable unemployment is 49.5%. Sectoral wise shares are manufacturing has 22.8%, construction has 4.1%, transport and communication has 34.2%, real estate and business activities has 63.9%.

These figures show that vulnerable employment is very high. The wage rates for the Hyderabad, Sukkur and Larkana have remained constant; however, Karachi shows a slight increase in the wage rates of painters and plumbers indicating that many of them have returned to their villages due to the pandemic and the shortage in supply increased their wage rates. But the lockdown will inhibit any accruing of benefits to them. The wages of masons, electricians and laborer have remained constant over the period analyzed. But again, this is of little benefit to these low-income earners as they have been robbed of their livelihood due to the COVID-19 lockdown.

³ Vulnerable employment is measured as the proportion of own-account workers and contributing family workers in total employment.

<http://www.pbs.gov.pk/sites/default/files/Pakistan%20Employment%20Trend%20%20Reprt%202018%20Final.pdf>

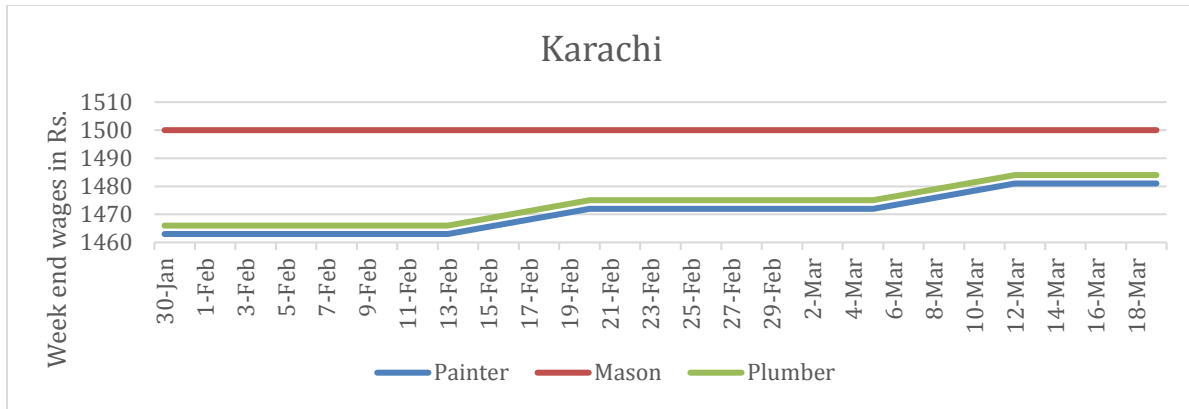


Figure 3. source: Pakistan Bureau of Statistics

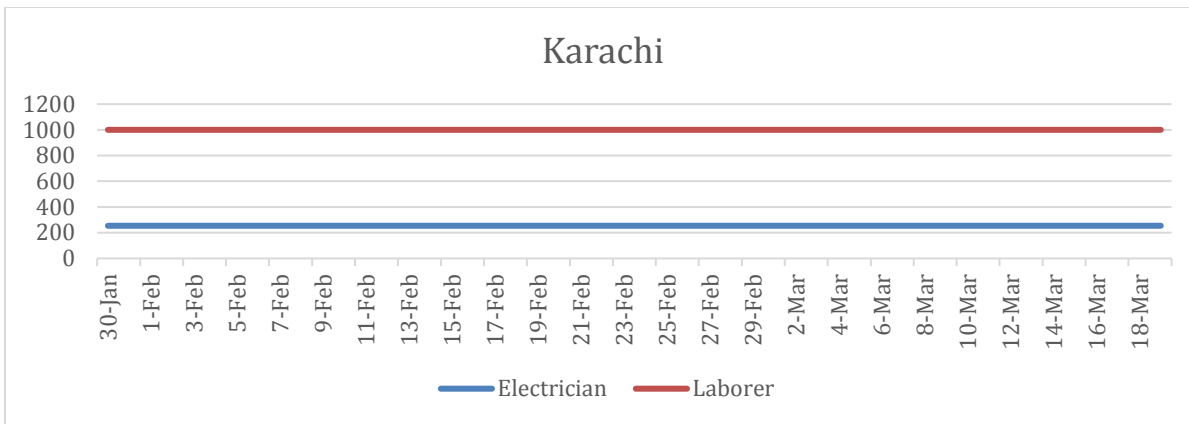


Figure 4. source: Pakistan Bureau of Statistics

Out of the paid employment in Sindh, the Casual paid employee is 46% and Paid worker by piece rate is 6.2%. This means that 52.2% of the paid employee will have no work during the lockdown. This along with the low statistic of employment-to-population ratio in Sindh i.e. 49%; gives a bleak picture. This may cause rampant poverty in the province as a result of the COVID-19.

To complete the picture of the economic toll, it is necessary to look at the price level in the economy. Although the supply chain has not been that badly affected, the recent hoarding behavior by the people has created supply and demand issues. The high demand has started to show effects on inflated prices of some products. For example, the price of a 200 ml sanitizer bottle has seen an escalation of 200%. Similarly, the Rs. 10 surgical masks are being sold at Rs. 40. Although the government is trying to stop such unreasonably high prices charged by the retailers, the general price level has increased for high demand products. This is causing problems to the poor who have already become more vulnerable due to the COVID-19 lockdown. Food distribution channels have started to face issues due to transport disturbances, but it does not seem to have impacted staple commodities since they are distributed in bulk.

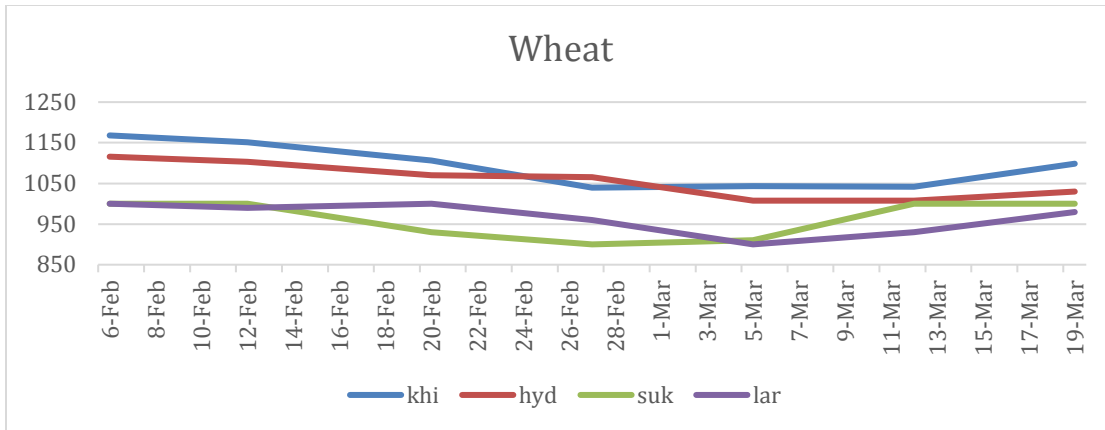


Figure 5. source: Pakistan Bureau of Statistics

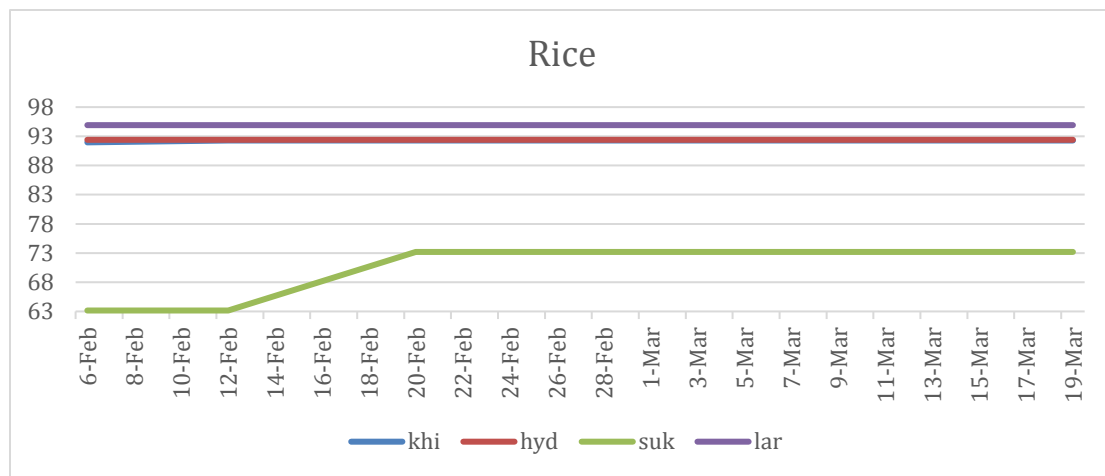


Figure 6. source: Pakistan Bureau of Statistics

The wheat prices have fallen slightly but seem to pick up pace in the last recordings. Rice prices show no impact in any city except Sukkur. However, the milk prices have started to increase in Karachi and Hyderabad. Eggs prices had decreased after the winter season but have again started to show an increasing trend. The reason for a positive trend in both the eggs and milk maybe due to excess consumption to boost immunity against the diseases (as being promoted by media).

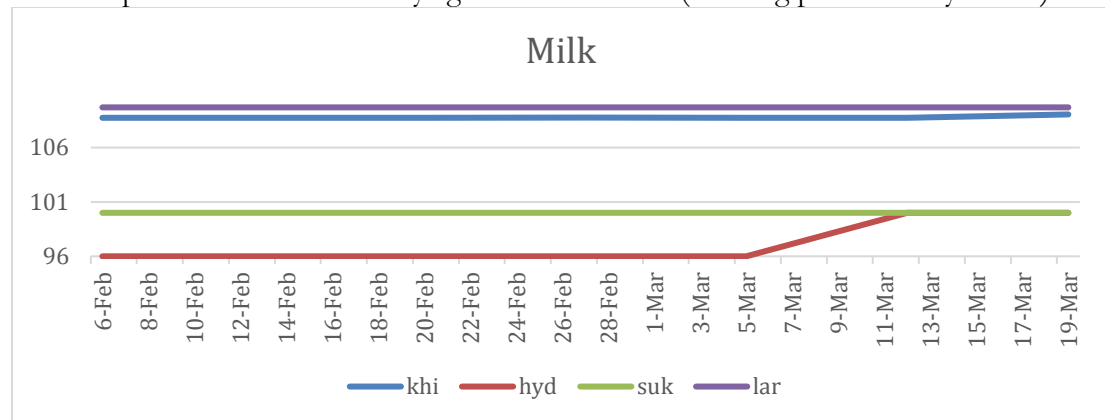


Figure 7. source: Pakistan Bureau of Statistics

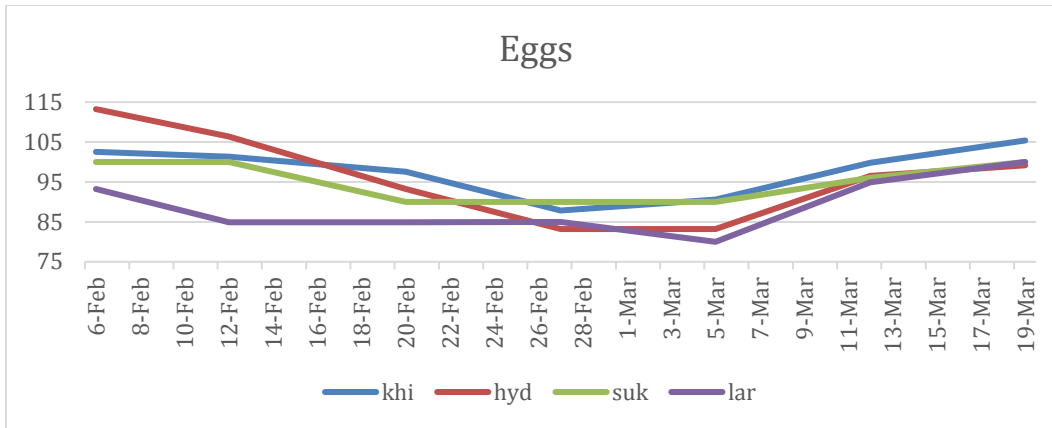


Figure 8. source: Pakistan Bureau of Statistics

The price of vegetable ghee shows a slight increase in Karachi. The price of sugar is showing a general upward trend for all the cities.

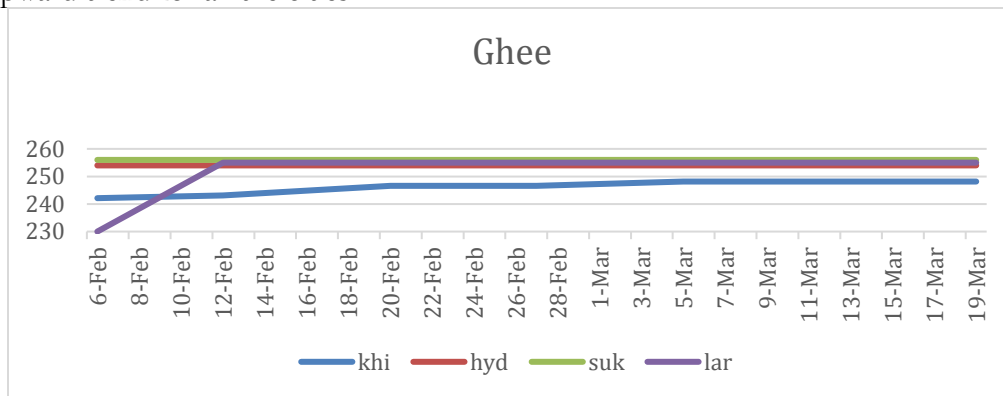


Figure 9. source: Pakistan Bureau of Statistics

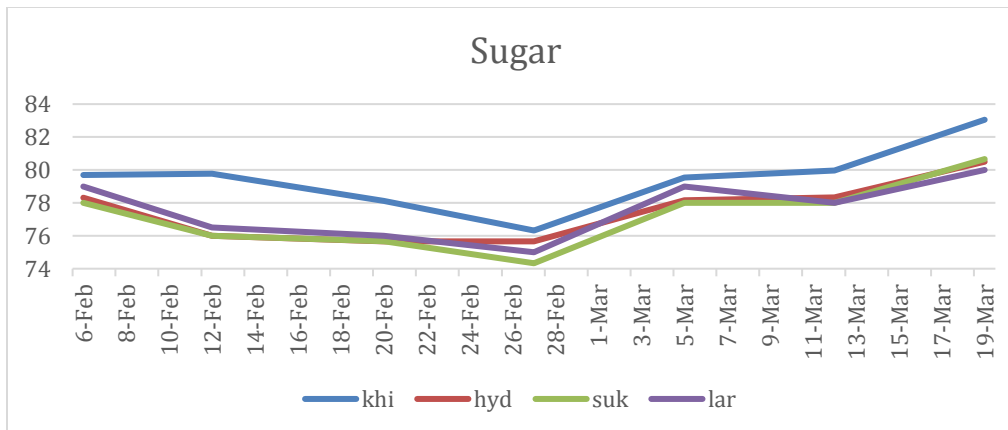


Figure 10. source: Pakistan Bureau of Statistics

Although the price of onion showed an upward trend, it has again started to taper off. However, potatoes have started to see a surge in prices, maybe because it can be stored for a longer period and people have started hoarding it. These price increases will cause a blow to the lower income groups, especially ones who have already lost sources of income.

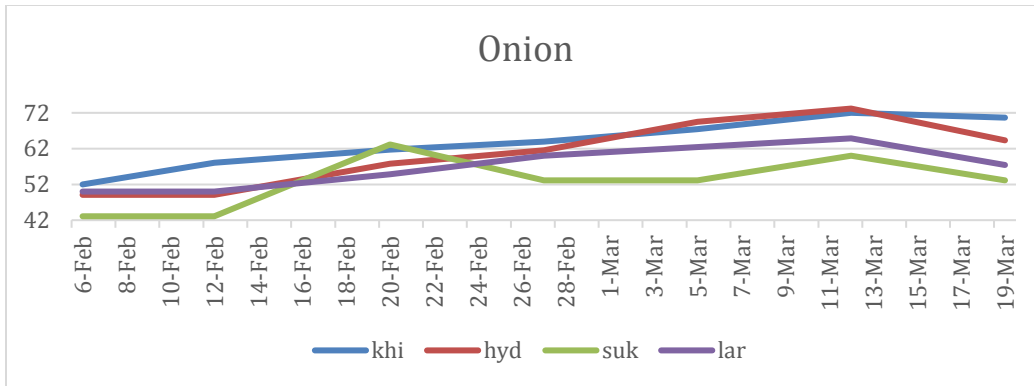


Figure 11. source: Pakistan Bureau of Statistics

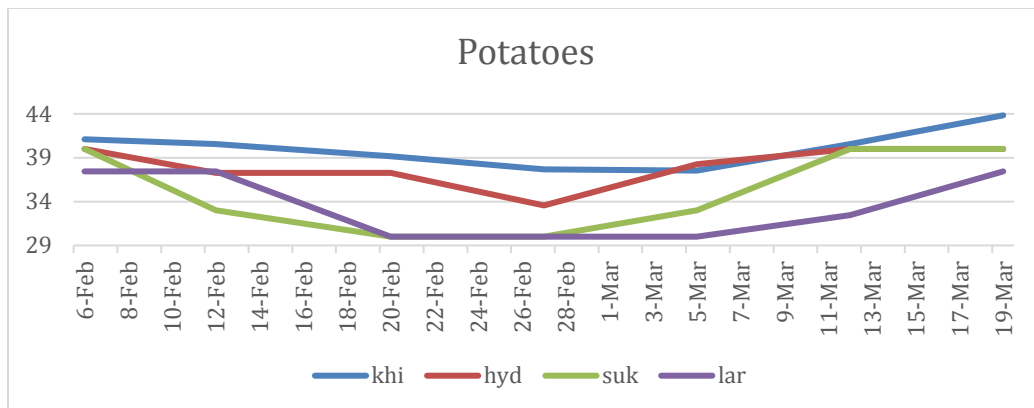


Figure 12. source: Pakistan Bureau of Statistics

The prices of daals, such as mash, moong and masoor, have shown a downward trend in prices. These daals form a major composition of a poor man’s diet and thus it may help curb, a little, the brunt of losing source of income due to COVID-19.

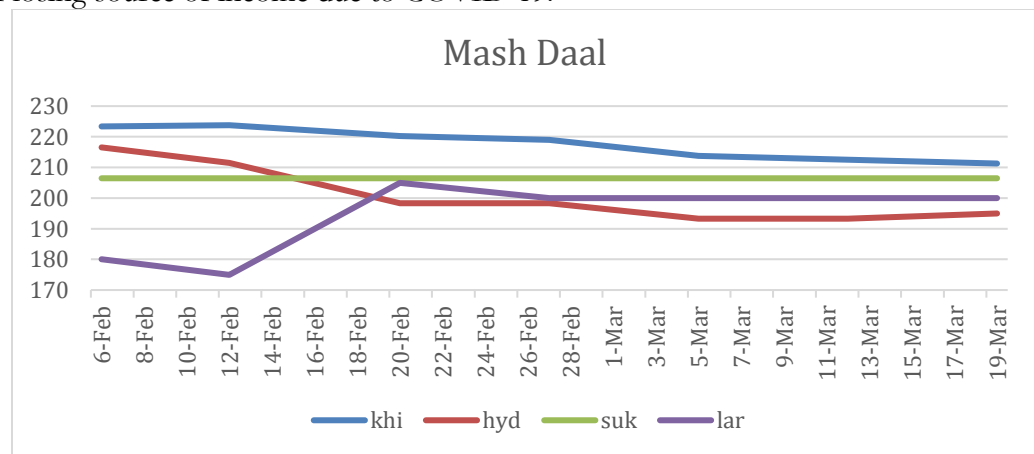


Figure 13. source: Pakistan Bureau of Statistics

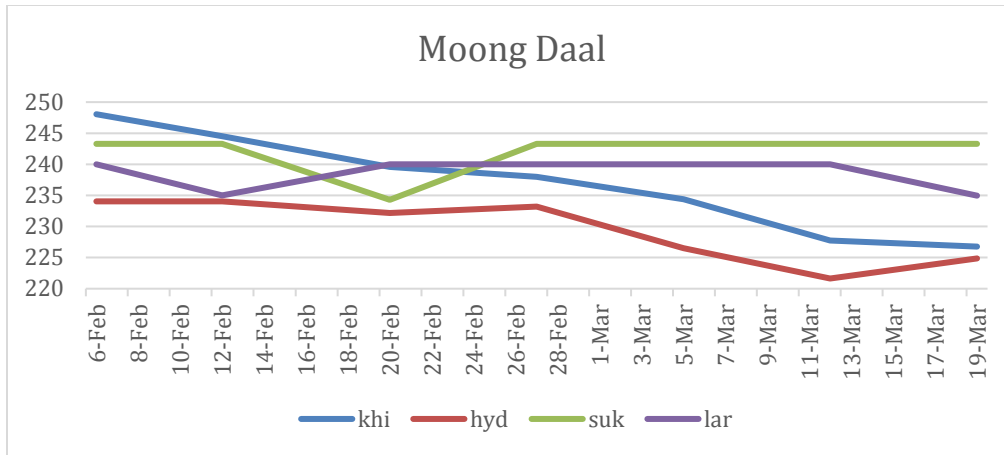


Figure 14. source: Pakistan Bureau of Statistics

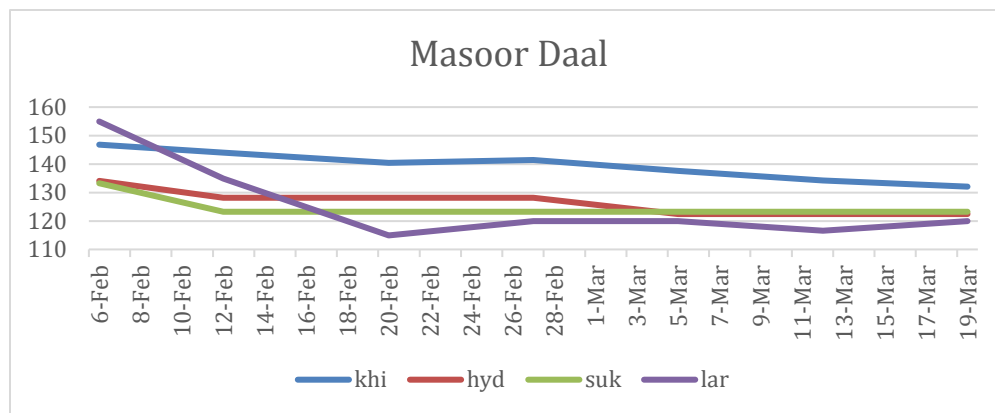


Figure 15. source: Pakistan Bureau of Statistics

It is estimated that there will be a 1.4% decline globally in labor productivity and the total factor productivity shock to the world GDP will be 1%.⁴ The latest study conducted by IFPRI shows that the developing countries may suffer an almost 25% decrease in food export, even though demand for food is income inelastic. It is expected, that in South Asia there will be an increase in the number of people under the poverty line by 2.1% as a result of the total factor productivity shock.

The global recession has caused the price of gold per gram to fall over the one-month period i.e. from Rs 8,156.44 on 21st Feb to Rs. 7,666.93 on 22 March 2020. The demand for cash has surged due to the pandemic as people have increased cash hoarding. The global oil price has fallen too. It fell by around 30% due to the falling demand. This may prove helpful for the economy as our import bills will see a decline, since 26% of imports is oil price driven. This will have a favorable impact on the balance of payments. If the government passes the entire decrease to the consumers, it may alleviate some miseries, but it seems unlikely as the government may want to use it to reduce

⁴ <https://www.ifpri.org/blog/how-much-will-global-poverty-increase-because-covid-19>

the circular debt. On the other hand, both the downward trend in gold and oil will help decrease inflation in the country which had started to become quite uncontrollable before the pandemic. This may prove favorable especially for the lower income groups.

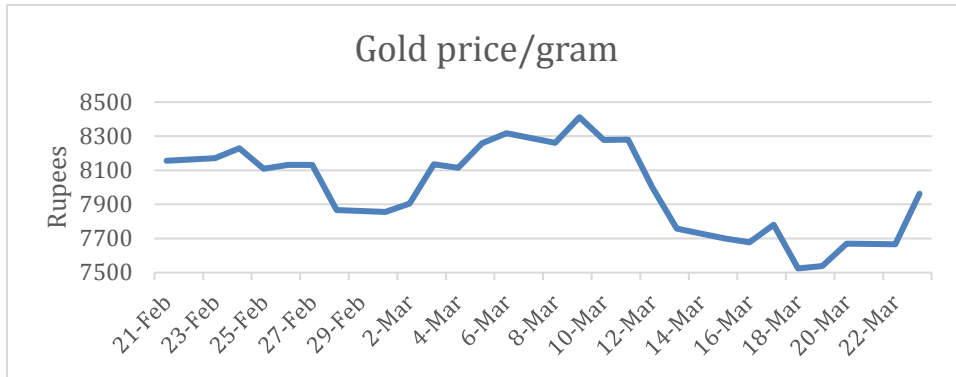


Figure 16. source: Bullion rates

It is expected that the SMEs in Pakistan will face cash constraints and may head towards bankruptcies. The supply chain will be affected with less labor and lower consumer demand for income elastic products. Exporters will suffer the most since their shipments are stuck at ports and there is low global demand.