



SOCIETY OF ACTUARIES

Article from:

The Actuary

January 1994 – Volume 28, No. 1



on the lighter side

Inflation in Pakistan

by Sajid Akram Zahid

It intrigues me when people talk of inflation. They do not take a long-term view. Yugoslavia is about to issue bank notes of Dinar 10 billion denomination, each worth about U.S. \$6. Now, that is inflation.

Taking a reasonably long-term view, let us compare 1993 prices with 1860, 133 years earlier, for a "basket" made of paratha:

	Wheat	Ghee
Price per maund in 1860	Rs 1.67	Rs 26.67
Price per maund in 1993	Rs 160	Rs 4,000
Inflation Rate p.a.	3.5%	3.8%

In 1860, a servant's monthly salary was Rs 3 without food. Today our minimum wage is Rs 1500 p.m. The inflation rate per annum works out to 4.8%. Gold was Rs 10 per tola. Now it is close to Rs 4000 per tola. The implicit inflation rate p.a. is 4.6%.

Let us move somewhat closer in time to a medium-term of 65 years. There was a famine, and wheat prices shot up from Rs 2.50 to Rs 8 per maund. If we take the pre-famine price, the inflation until today is 6.6% p.a. Of course, we should not mislead people by taking the peak famine price for the base year.

Let us move even closer, with a short term of 45 years to 1948, and expand our "basket":

	1948 Rs	1993 Rs	Inflation p.a.
Milk per seer	0.25	14	9.4%
Mutton per seer	0.25	72	13.4%
Gold per tola	100	4000	8.5%
Daily wages (unskilled)	2	80	8.5%
Petrol per gallon	2	64.8	8.0%
Residential land/sq. yd.	5	1000	12.5%

Prices have risen most in the meat section, followed closely by land. Men all over the world used to fight over women, gold, and land. We have no figures for women, but gold should now be replaced by mutton. If the past trend continues, mutton will be Rs 20,736 per seer in year 2038 A.D., whereas gold will have risen to Rs 160,000 per tola. In 1948, one could exchange 1 tola gold for 400 seers of mutton; in 1993, it was worth about 55.6 seers of mutton; and in 2038 A.D., it will purchase 7.7 seers of mutton, i.e., not even a goat.

We have been watching carefully the expansion of the commodities market, especially the futures. Suppose one were to invest Rs 1 million in mutton, futures maturing in 2038; the mind boggles at the possibilities.

Prices of some commodities rise faster than others. These differentials in inflation are an open invitation to investors who care to set aside a nest egg for their grandchildren and great grandchildren. Areas under permafrost in the ex-Soviet Union are dirt cheap for meat storage.

While I do not take full responsibility for the rates of inflation (these were calculated by our trainee actuary Zahra Zahid), I collected the basic data. Random checks were made to ensure the usual accuracy, and in my opinion, the results are as reliable as several other actuarial estimates.

Anyone for mutton pulao?

Economists have bulls and bears in the stock exchange. They also get stagflation. What we have here is goat-flation. We did not carry out our forecast program for more than 45 years, but the sharply rising mutton price curve will eventually

overtake and surpass the not-so-sharply rising curve of gold prices — tola for tola.

Anyone for mutton tikka?

Futurism is a new fad. Not one of the books written on this subject deals with mutton. Most futurists are visionaries, having lost touch with reality. They cannot perform some basic arithmetical functions. You don't need even lower math. No, sir (read Nope! sirree in America).

Anyone for mutton qorma?

Glossary

Paratha: Flat bread made with wheat flour and an almost equal weight of ghee, or as much ghee as the so-called bread would hold.

Doctors do not recommend it to those with severe angina.

Maund: 38 kilograms

Ghee: Heated, melted, and purified butter

Tola: 12 gms

Seer: 950 gms

Gallon: 4.5 litres

Pulao: Dish made with some meat, lots of rice, spices of all kinds, and natural color. Greeks call it pilaf, and it tastes different.

Tikka: Meat cooked over open fire without pots or pans. Almost like shashlik, but without tomatoes, onions, etc.

Qorma: Curry, but much thicker and richer. Not recommended for heart patients, being a bit high in cholesterol, nevertheless very tasty. Many in their wisdom would rather have a qormaful shorter life than a longer one otherwise.

Sajid A. Zahid is a consulting actuary in Karachi, Pakistan.