**Exploring the Nexus between Monetary Policy and Food Inflation in Pakistan: A Quantile Regression Approach**

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**ABSTRACT**

Food inflation can be stabilized by the monetary policy, but the literature has lack in explaining this and still limited for selection of estimation approach. Most of the studies on monetary policy and food inflation carried out in advanced and developed countries whereas developing or low-income countries like Pakistan remain unexplored. Food inflation should be a significant factor for monetary economists as the share of food in consumption basket of households is about 36 percent and one third of the population is multidimensionally poor across Pakistan. In Pakistan scenario, previous studies only discussed about determination of factors of food inflation but they have futile to define the monetary policy and food inflation relationship. Most of the time researchers in previous studies employed the simple regression, ARDL models and VAR approach. We deviated from literature and employed quantile regression in our study. Time series data based on monthly observations from September 2005 to October 2020 was used in this study. The variables of interest include food CPI, reverse repo rate that proxies to monetary policy rate, quantum index of manufacturing that proxies to GDP, world food price index of FAO, exchange rate/real effective exchange rate and Transport CPI. The findings of this study suggested that the monetary policy and transportation prices remain highly significant across all quantiles, exhibiting the positive influence on food prices. Whereas world food price index and exchange rate/real effective exchange rate also significant across all quantiles and presenting the constructive relationship with food prices in domestic markets. The fluctuations in the world food price index influence the prices of goods domestically. The quantum index of manufacturing that proxies to gross domestic product (GDP) affected the food inflation positively across all quantiles and show that the production boost up the inflation in the economy.

**Keywords:** Food Inflation, Monetary Policy, Pakistan, Quantile Regression