



Pakistan Market Price Bulletin

August 2014 Issue

Highlights

- The average retail prices of wheat and wheat flour in July observed an increase of two percent each compared to the previous month; thus indicating a change from declining price trends seen in the last few months.
- Most non-cereal food commodities also registered increase in prices in July.
- Estimates for global wheat production was raised to a record high, while the international wheat prices continued their declining trend since past few months.
- The purchasing capacity of low income earners in Pakistan observed a small decline due to worsening in terms-of-trade as a result of the rise in wheat flour price.
- The Headline and food inflation, based on Consumer Price Index (CPI), increased by 7.9 and 7 percent respectively on a yearly basis; while on a monthly basis, these increased by 1.7 and 2.7 percent respectively.

Inflation watch

The headline inflation based on CPI, increased by 7.9 percent on a year-on-year basis in July 2014, compared to 8.2 percent in the previous month and 8.3 percent in July 2013. On a month-on-month basis, it increased by 1.7 percent in July 2014 compared to 0.6 percent in the previous month and 2 percent in July 2013. Similarly, the CPI for food on a monthly basis rose by 2.7 percent in July, while on a yearly basis it increased by 7 percent compared to 9.2 percent a year ago. Income group wise data shows that overall, the lowest income group (up to Rs.8,000) experienced highest inflation in July. The weighted contribution of food group in the overall inflation slightly increased to 37.86 percent during July from 37.67 percent in June, while it was 46.72 percent in July 2013¹.

Marginal increase in the price of staple cereals

According to the Pakistan Economic Survey report issued by the Ministry of Finance, Government of Pakistan, the production of wheat in 2013-14 stood at 25.3 million tons (MT). This production is 4.4 percent higher than the last year's total of 24.2 MT. This raise is attributed to availability of increased cultivable area due to early maturity of cotton crop and also to timely rainfall with regular interval. On the price side, across the five major markets² of the country, the average retail price of wheat and wheat flour

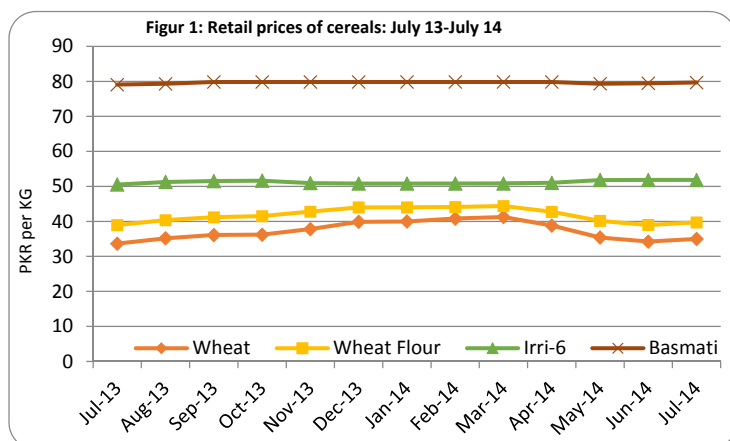
34.23 to PKR 35 while that of wheat flour from PKR 38.97 to PKR 39.73. The price of rice (both *Irri-6* and *Basmati*) in July remained unchanged from the previous month. Compared to three months prior, prices of wheat and wheat flour in July were lower by 10 and 7 percent respectively. During the same period, the price of rice *Irri-6* increased by a marginal two percent while that of *Basmati* almost remained the same. A similar downward trend can be seen over the past six months (Figure 1). The price of wheat and wheat flour in July was found lower by 13 and 10 percent respectively compared to January 2014. The price of rice *irri-6* registered a normal increase of two percent while that of *basmati* declined by the same proportion during this period.

On a year-on-year basis, the prices of wheat and wheat registered modest increases of four and two percent respectively. A more stable trend was seen in case of rice (Figure 1); the price of *Irri-6* registered a nominal increase of three percent while that of *Basmati* observed no change.

Analysis of price differentials across the provinces showed that the prices in Karachi and Quetta were relatively higher than other major markets in the country. In July, the average price of one kilo of wheat flour in Karachi (PKR43.89) was recorded 19 percent higher than that in Multan (PKR36.90)³.

Upward trend in non-cereal food commodity prices

Unlike staple cereals, prices of most non-cereal food commodities showed a significant upward trend in July. The prices increased for eggs (10%), sugar (5%) chicken meat and *Dal Mash* (2% each), and lentil *Masoor* (1%). *Dal Moong* is the only commodity whose price declined, by less than one percent compared to the previous month. Comparing the current prices with those three months prior, similar trend was observed for most commodities. Prices that went up during this period included *Dal Mash* (16%), sugar (7%), *Dal Moong* (6%), eggs (5%) and Lentil *Masoor* (3%). On the other hand, prices of vegetable ghee and chicken meat declined by one percent each. Compared to six months prior, prices of these commodities in July showed significant upward trend. Prices of pulses recorded the most significant increases; prices of *Dal Mash*, *Dal Moong* and Lentil *Masoor* increased by 15, 14 and 7 percent respectively. Similarly, prices of sugar and cooking oil increased by 11 and one percent respectively during the same period. On the other hand, the poultry products: eggs and chicken



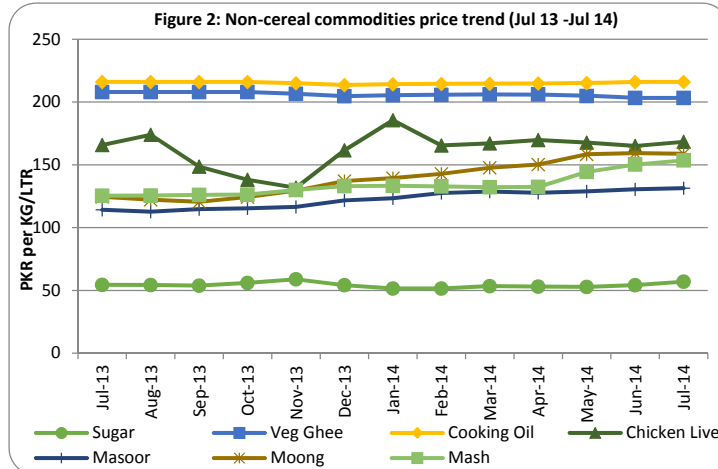
observed a modest increase of two percent each compared to the previous month. The average retail price of one kilo of wheat increased from PKR

¹Inflation Monitor July 2014 – State Bank of Pakistan

²Lahore, Multan, Karachi Peshawar and Quetta

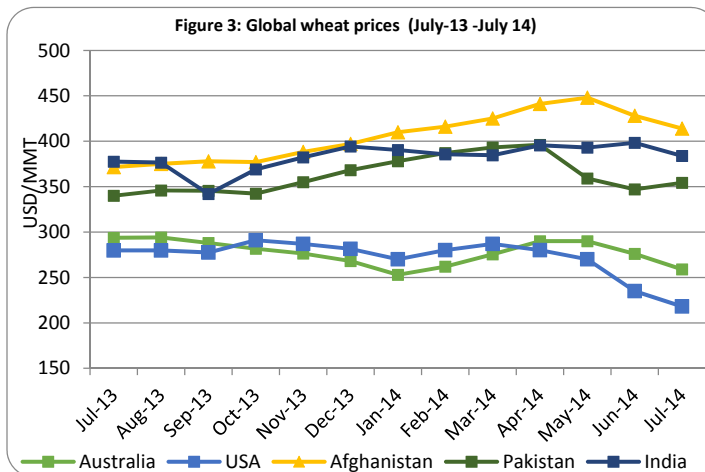
³Pakistan Bureau of Statistics

meat registered decreases of 16 and 9 percent respectively during the same period. Similarly, compared to a year ago, the prices of pulses were found to be significantly higher. Prices of *Dal Moong*, *Dal Mash*, and *lentil Masoor* in July were recorded as 28, 23 and 15 percent higher respectively than the same month a year ago. The price of eggs experienced an increase of 12 percent and that of chicken by nominal two percent during this period. Similarly, the price of sugar also increased by 5 percent while that of vegetable ghee declined by a modest two percent⁴.



Global wheat production estimates go up while price declined:

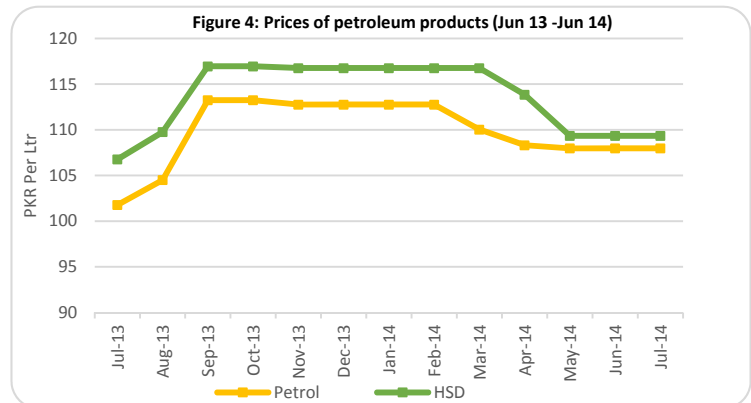
World wheat production was projected to be raised to a record level of 716.1 million tons (MT) with an increase of 10.9 mt in the month of July. The highest increase was recorded for Russia, China and Ukraine by six, two and one MT respectively. The increases in production for Russia and Ukraine are based on fresh harvest report that indicates a very high winter wheat yields, whereas for China it is based on government estimates for summer harvest. On the other hand, world wheat consumption was also estimated to be raised mainly due to increased prospects for wheat feeding. The highest feeding increase was for EU (2.5MT), Russia (1 MT) and Ukraine and Belarus (0.5 MT each)⁵.



On the other hand, the downward trend continued in the global wheat prices in July as well. Compared to the previous month, price of wheat decreased by seven percent in USA, six percent in Australia, three percent in Afghanistan⁶ and by a nominal one percent in India⁷. The domestic wheat price in Pakistan was found to be 62 percent than the U.S., 36 percent higher compared to Australia, while it was 15 and 8 percent lower than in Afghanistan and India respectively.

Petroleum product prices remain unchanged

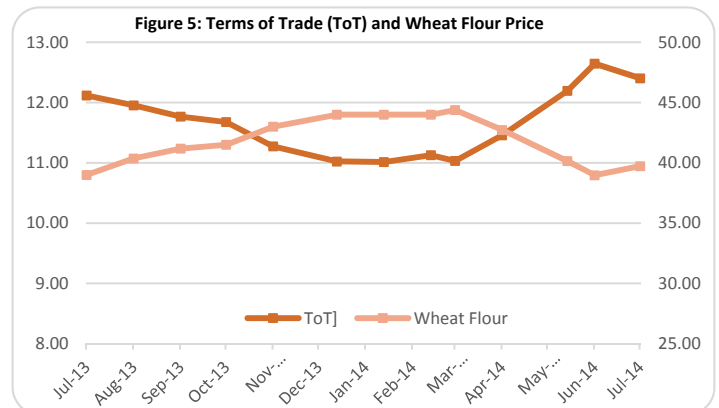
On a month-on-month basis, there was no change in the prices of petroleum products in July. The prices of petroleum products have remained somewhat stable since the past few months. In July the Government has also hinted at a likely decrease the prices. The price of high speed diesel (HSD) in July was recorded at PKR109.34 while that of



petrol at PKR 107.94 per liter. Comparing these prices with those three months prior, a modest decrease of four percent was observed for high speed diesel, while the price of petrol remained unchanged. Similarly, compared to six months prior, prices of HSD and petrol in July were lower by six and four percent respectively. Compared to a year ago, the prices of petrol and high speed diesel in July were still higher by six and two percent respectively. Likewise no change was observed in the price of compressed natural gas (CNG) in July. The price was recorded at PKR 74.90 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in *Potohar*: Islamabad, Rawalpindi and Gujar Khan), whereas it was PKR 66.18 per kg in Region-II (Sindh and Punjab excluding the *Potohar* region)⁸.

Marginal decline in Terms of Trade (ToT)⁹:

The terms of trade between daily wage rate of an unskilled labour and wheat flour worsened slightly in July compared to previous month due to a small increment in the price of wheat flour (Figure 5). The amount of wheat flour that an unskilled wagger labor can purchase with a day's wage declined to 12.40 kilos in July from 12.65 kilos in June (two percent decrease). This ToT is still higher by 8 percent compared to three months prior. Compared to a year ago, the ToT in July was higher by a nominal two percent. Due to disparities observed in wheat flour price and also in the income level across the provinces, the ToT also varied. The highest ToT was recorded in Quetta at 13.41 Kgs of wheat flour per day of wage labour. On the other hand the



lowest ToT was recorded in Multan at 10.84 Kgs¹⁰.

⁴Pakistan Bureau of Statistics

⁵World Agriculture Supply and Demand Estimates (WASDE)—USDA

⁶WFP Afghanistan Office

⁷FAO Global Information and Early Warning System (GIEWS)

⁸Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

⁹Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

¹⁰Pakistan Bureau of Statistics

Retail prices of various food commodities in major cities – July 2014

Major Commodities	Markets	Current Prices (July 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	33.125	0.34	0.38%	-11.78%	-18.56%	0.00%	▶	▼	▼	▶
	Multan	32.7	0.33	5.06%	-5.63%	-13.38%	-1.47%	▲	▼	▼	▶
	Karachi	34	0.34	0.00%	-9.09%	-8.11%	-3.89%	▶	▼	▼	▶
	Peshawar	36.6	0.37	6.09%	-9.41%	-9.41%	7.65%	▲	▼	▼	▶
	Quetta	38.5	0.39	0.00%	-12.50%	-12.50%	18.46%	▶	▼	▼	▲
WHEAT FLOUR kg	Lahore	38.38	0.39	2.07%	-2.74%	-3.32%	5.15%	▲	▼	▶	▶
	Multan	36.9	0.37	3.94%	-6.94%	-10.87%	1.79%	▲	▼	▼	▶
	Karachi	43.892	0.44	2.53%	-0.94%	-8.56%	0.32%	▲	▶	▼	▶
	Peshawar	38.483	0.39	1.38%	-9.95%	-12.54%	0.55%	▲	▼	▼	▶
	Quetta	41	0.42	0.00%	-13.68%	-12.77%	2.50%	▶	▼	▼	▶
RICE IRRI-6	Lahore	63.07	0.64	0.00%	0.00%	0.00%	4.37%	▶	▶	▶	▶
	Multan	41	0.42	0.00%	0.00%	0.00%	-4.65%	▶	▶	▶	▶
	Karachi	61.54	0.62	0.00%	6.95%	8.84%	16.58%	▶	▲	▲	▲
	Peshawar	48.5	0.49	0.00%	0.12%	0.17%	0.17%	▶	▶	▶	▶
	Quetta	45	0.46	0.00%	0.00%	0.00%	-6.25%	▶	▶	▶	▶
RICE BASMATI BROKEN	Lahore	79.29	0.80	0.79%	3.26%	3.26%	9.58%	▶	▶	▶	▶
	Multan	77.5	0.78	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Karachi	76.54	0.77	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Peshawar	80	0.81	0.53%	2.13%	2.13%	1.32%	▶	▶	▶	▶
	Quetta	85	0.86	0.00%	-5.56%	-5.56%	-5.56%	▶	▼	▼	▶
SUGAR	Lahore	57.81	0.59	5.32%	6.54%	10.77%	5.38%	▲	▲	▲	▶
	Multan	55.6	0.56	4.65%	8.81%	10.76%	3.93%	▲	▲	▲	▶
	Karachi	56.22	0.57	5.34%	3.69%	10.19%	4.85%	▲	▶	▲	▶
	Peshawar	57.52	0.58	4.34%	7.49%	9.92%	4.58%	▲	▲	▲	▶
	Quetta	57.6	0.58	6.67%	10.34%	11.63%	4.73%	▲	▲	▲	▶
VEG. GHEE (TIN)	Lahore	202	2.04	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Multan	204	2.07	0.00%	0.00%	0.47%	0.99%	▶	▶	▶	▶
	Karachi	202	2.04	0.00%	-2.88%	-2.88%	-6.48%	▶	▶	▶	▶
	Peshawar	204	2.07	0.00%	0.00%	0.99%	0.99%	▶	▶	▶	▶
	Quetta	204	2.07	0.00%	-3.77%	-3.77%	-6.42%	▶	▶	▶	▶
COOKING OIL (TIN)	Lahore	214	2.17	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Multan	216	2.19	0.00%	0.00%	0.37%	0.93%	▶	▶	▶	▶
	Karachi	218	2.21	0.00%	1.87%	1.87%	-0.91%	▶	▶	▶	▶
	Peshawar	216	2.19	0.00%	0.00%	0.93%	0.93%	▶	▶	▶	▶
	Quetta	216	2.19	0.00%	0.93%	0.93%	-0.92%	▶	▶	▶	▶
CHICKEN LIVE (FARM)	Lahore	146.56	1.48	2.23%	-1.74%	-7.57%	-5.37%	▲	▲	▼	▶
	Multan	156.5	1.58	-1.42%	-3.10%	-10.99%	-2.90%	▼	▶	▼	▶
	Karachi	184.25	1.87	9.86%	-5.40%	-11.47%	19.84%	▲	▼	▼	▲
	Peshawar	163.2	1.65	-4.56%	-3.09%	-11.01%	-7.54%	▼	▶	▼	▶
	Quetta	191	1.93	3.59%	9.14%	-5.45%	4.66%	▲	▲	▼	▶
Pulse Masoor, Washed	Lahore	152.32	1.54	0.00%	-3.18%	13.49%	46.98%	▶	▶	▲	▲
	Multan	122.5	1.24	0.00%	2.94%	2.94%	8.89%	▶	▶	▶	▶
	Karachi	123.54	1.25	1.65%	6.43%	6.01%	10.76%	▲	▲	▲	▲
	Peshawar	120	1.21	0.00%	5.61%	2.85%	8.72%	▶	▲	▶	▲
	Quetta	138.4	1.40	1.76%	4.45%	6.46%	4.45%	▲	▶	▲	▶
Pulse Moong, Washed	Lahore	166.43	1.68	3.04%	5.50%	18.38%	39.94%	▲	▲	▲	▲
	Multan	161.5	1.63	-2.12%	6.48%	17.45%	27.42%	▼	▲	▲	▲
	Karachi	173.08	1.75	0.00%	11.61%	13.07%	31.58%	▶	▲	▲	▲
	Peshawar	152.5	1.54	1.25%	14.88%	22.98%	33.43%	▲	▲	▲	▲
	Quetta	140	1.42	-4.27%	-9.09%	-1.41%	6.87%	▼	▼	▶	▲
Pulse Mash, Washed	Lahore	158.93	1.61	3.31%	10.70%	6.97%	7.88%	▲	▲	▲	▶
	Multan	147.5	1.49	0.00%	20.41%	20.41%	25.53%	▶	▲	▲	▲
	Karachi	143.08	1.45	0.00%	14.39%	16.25%	22.77%	▶	▲	▲	▲
	Peshawar	144.17	1.46	1.69%	19.15%	18.09%	24.91%	▲	▲	▲	▲
	Quetta	174	1.76	5.45%	16.00%	16.00%	33.85%	▲	▲	▲	▲
1M= One month, 3M= Three months, 6M= Six months 1Y= One year				▲ Price increase above normal price fluctuation ▼ Price decrease above normal price fluctuation ▶ Normal price fluctuations							
Price fluctuation is considered normal if the price change is 1 % during one month, 5% during three and six months and 10 percent during one year period											
Monthly price bulletins and more VAM publications are available on http://vam.wfp.org.pk/											
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