

## Pakistan Market Price Bulletin

October 2014 Issue

### Highlights

- The price of staple remained stable in September with a nominal 1% decrease for wheat price, while that of wheat flour remained unchanged.
- In September, the prices of non-cereal food commodities experienced significant fluctuations.
- The headline as well as food inflation, based on the Consumer Price Index (CPI), increased by 7.7 and 7.2 percent respectively on a yearly basis, while on a monthly basis, headline inflation increased by 0.4 while for food it remained the same.
- The price of high speed diesel and petrol decreased by a nominal one percent in September.
- Estimates for global wheat supply as well as production recorded a further increase; while the global wheat prices saw some decrease.
- The purchasing capacity of daily wage earners as reflected by the terms-of-trade, remained unchanged in September.

### Inflation watch

The headline inflation based on CPI, increased by 7.7% on a year-on-year basis in September 2014 compared to 7.0% in the previous month and 7.4% in September 2013. On a month-on-month basis, it increased by 0.4% in September 2014 compared to an increase of 0.3% in the previous month and a decrease of 0.3% in September 2013. Similarly, the CPI for food increased up by 7.2 on a yearly basis, whereas on a monthly basis it remained the same in September. The weighted contribution of food group in the overall inflation increased to 39.62 percent during September from 34.01 percent in August. It was 44.97 percent in September 2013. CPI Inflation on a year-on-year basis in federal and provincial capitals of Pakistan was higher than overall inflation during September except Quetta. Among the five cities, the lowest inflation was observed in Quetta at 5.2 percent while the highest inflation was observed in Islamabad at 15.4 percent<sup>1</sup>.

### Marginal increase in the price of wheat

In Pakistan the *Rabbi* season shall start in November, however, wheat sowing in the flood affected districts of Punjab province are expected to be delayed due to standing waters in the fields. Wheat sowing has also been started in some parts of the country. In September, the average retail price of wheat registered a marginal decrease while that of wheat flour remained unchanged from the previous month. The average retail price of wheat across Pakistan's five major markets<sup>2</sup> declined from PKR35.99 per

of rice *Irri-6* remained unchanged while that of *Basmati* observed a nominal increase of less than a percent on a month on month basis. The price of staple cereals is likely to increase in the coming months with the approaching lean season.

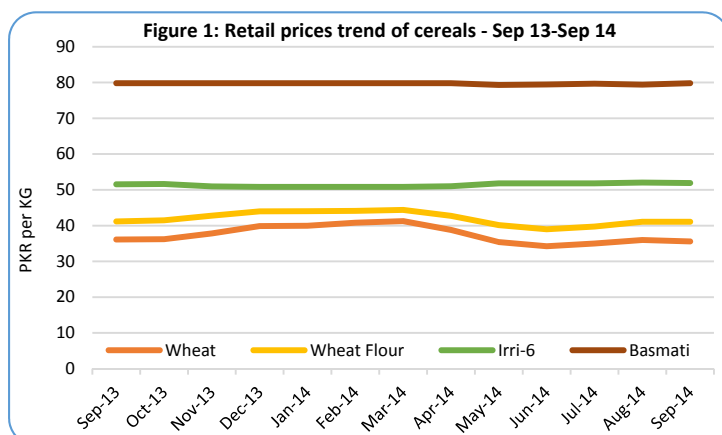
Compared to three months prior, prices of staple cereals were found somewhat higher: price of wheat flour registered an increase of 5 percent while that of wheat increased by four percent. No significant changes were noticed in the price of rice during this period: price of *irri-6* remained unchanged while that of *basmati* registered a nominal increase of one percent (Figure 1). Compared to six months ago (March), the prices of wheat and wheat flour in September were found to be lower by 14 and eight percent respectively. On the other hand, the price of rice *irri-6* recorded a marginal increase of two percent while that of *basmati* remained the same during this period.

On a year-on-year basis, the price of wheat registered a modest decrease of about 2 percent, whereas the price of wheat flour remained almost the same. In case of rice, the prices observed the same stable trend also on a yearly basis: while the price of *Irri-6* registered a nominal increase of one percent that of *basmati* remained the same. Prices of staple cereals varied among the major markets, for instance the highest prices of wheat and wheat flour were recorded in Quetta and Karachi at PKR38.50 and PKR 44.31 per kilo respectively, while the lowest prices of both were recorded in Multan at PKR33.69 and PKR39.25 per kilo<sup>3</sup> respectively.

### Upward trend in non-cereal food commodity prices

Like in August, a mixed trend was observed in the prices of non-cereal food commodities in September; while prices of some commodities increased significantly, others registered some decline. For instance, price of chicken meat registered a significant decrease of 16 percent, while on the contrary, the price of eggs went higher by seven percent compared to the previous month. Other commodities that registered increase in prices include: sugar (5%) and lentil *masoor* and *dal mash* (1%). Somewhat similar trends were observed when comparing these prices with those three months prior. Commodities that registered increase in the prices include: eggs (32%), sugar (13%), *dal mash* (6%) and lentil *masoor* (2%). On the other hand, the price of chicken registered a decrease of around 18 percent, and that of eggs lowered by 6 percent during this period.

Compared to six months ago, prices of these commodities in September displayed significant fluctuations: while prices of some commodities increased others registered a decline. Commodities that registered



kilo in August to PKR 35.56 per kilo in September, whereas the price of wheat flour remained at PKR 41 per kilo in September. In case of rice, price

<sup>1</sup>Inflation Monitor September 2014 – State Bank of Pakistan

<sup>2</sup>Lahore, Multan, Karachi Peshawar and Quetta

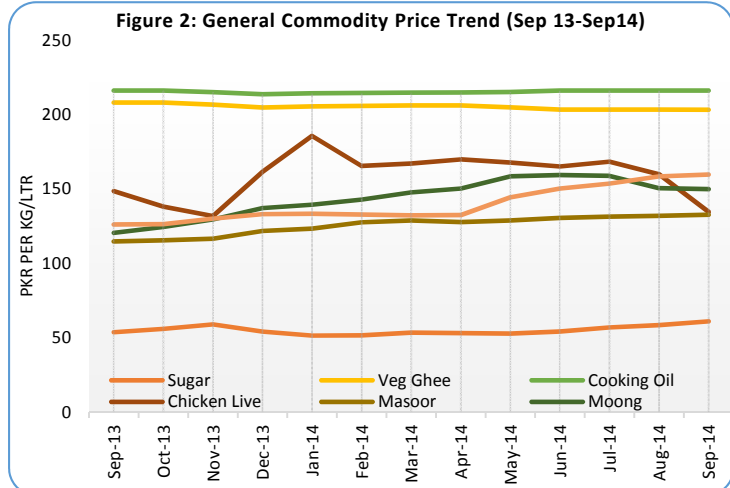
<sup>3</sup>Pakistan Bureau of Statistics

increases in the prices include: *dal mash* (21%), sugar (14%), lentil *masoor* (3%) and cooking oil and *dal moong* (1%). On the other hand, the price of

lower than in Afghanistan and ten percent than in India, whereas it was recorded 74 percent higher than in USA (Soft Red Winter) and 33 percent higher than in Australia<sup>6</sup>.

#### Marginal decrease in petroleum product prices

In September, the government notified a nominal decrease of one percent in the prices of petroleum products. With this decrease, the prices of one liter of petrol and high speed diesel decreased from PKR 108 and PKR 109 per liter in August to PKR 106.56 and 108.34 per liter respectively.

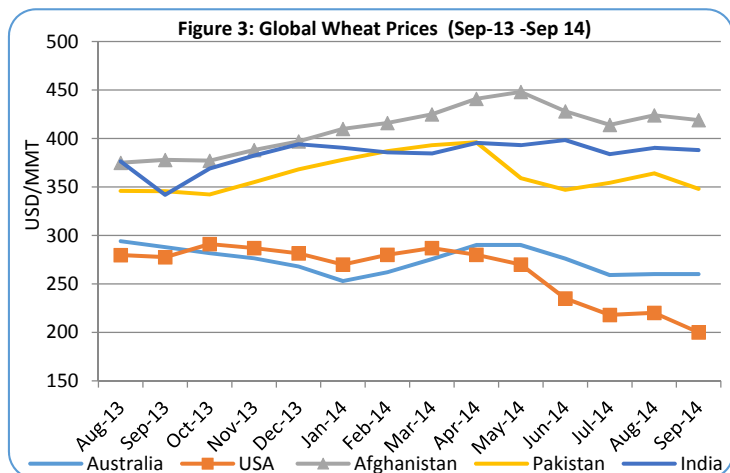


chicken meat registered a decrease of around 20 percent and that of eggs and vegetable ghee also lowered by 5 and one percent respectively.

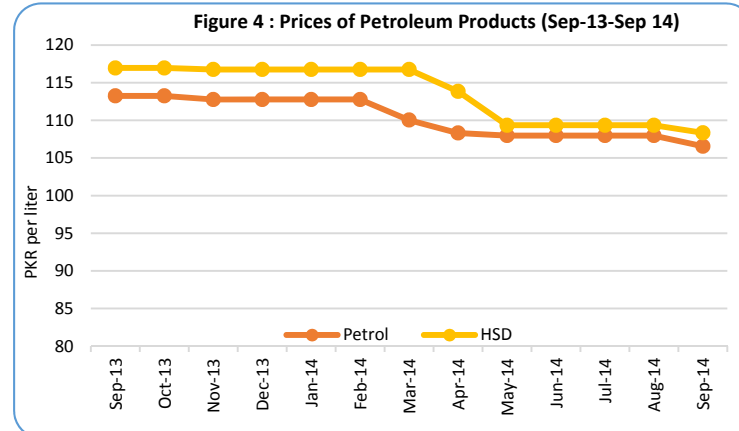
These commodity price increases, especially for pulses, are more significant than they were a year ago. The prices of *dal mash*, *dal moong*, and lentil *masoor* registered increases of 27, 24 and 16 percent respectively on a yearly basis. Similarly, the price of eggs and sugar also registered increases of 14 and 10 percent respectively over the same period. Those commodities whose prices declined over the same one year period included chicken meat and vegetable ghee by 9 and 2 percent respectively<sup>4</sup>.

#### Global wheat supply and production estimates go up

In September, estimates for global wheat supply have been raised slightly, offsetting lower beginning stocks. Global production is raised by 1.2 million tons (mt) led by a 3.0 mt increase for EU and 0.5 mt increases for both Pakistan and Ukraine. On the other hand, estimates for production declined by 1.0 mt for Kazakhstan, 0.8 mt for Algeria, 0.5 mt for both Australia and Canada, and 0.3 mt for Argentina. In parallel, estimates for global wheat consumption have also been raised by 4.1mt<sup>5</sup>.



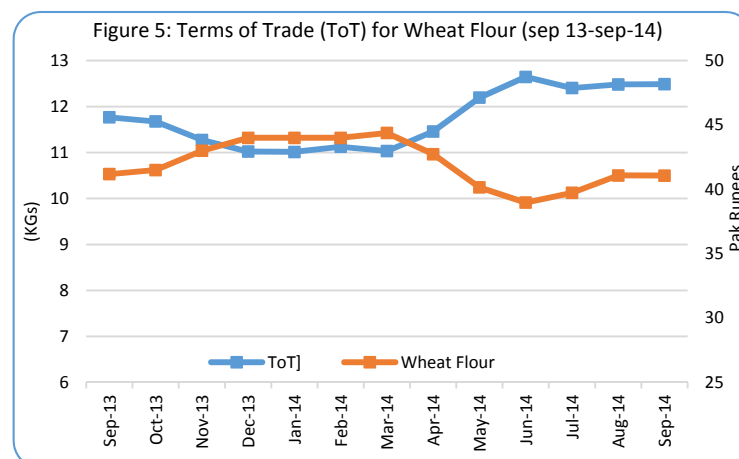
Along with the increased supply, the global wheat prices experienced a downward trend for most international markets. For instance, the price of wheat declined significantly by nine percent in USA, one percent each in India and Afghanistan, while it remained the same in Australia. Compared to the regional markets, wheat price in Pakistan remained 17 percent



Compared to the beginning of the year (January), the prices of high speed diesel (HSD) and petrol in September were found to be lower by seven and five percent respectively. Similarly, compared to a year ago, these prices in September<sup>7</sup> are lower by seven and six percent respectively. The price of compressed natural gas (CNG) in September remained unchanged at PKR 76.35 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in *Potohar*: Islamabad, Rawalpindi and Gujar Khan), and PKR 71.50 per kg in Region-II (Sindh and Punjab excluding the *Potohar* region)<sup>8</sup>.

#### Terms of Trade (ToT) remains unchanged<sup>9</sup>

On a month-on-month basis, there has been no change in the terms-of-trade between the daily wage rate<sup>10</sup> for an unskilled labour and wheat flour price (Figure 5). The amount of wheat flour that an unskilled wagger laborer could purchase with a day's wage was recorded at 12.40 kilos in September. Compared to its level three months prior, this ToT is still lower by one percent while it is 13 percent higher compared to six months ago. Compared to a year ago, the ToT in September was higher by 6 percent. Variations in ToT were observed among different markets as a result of disparities in wheat flour prices and wage rates. For instance, the highest ToT was recorded in Lahore at 15 Kgs of wheat flour per day of wage labour due to the highest recorded wage rates. On the other hand, the lowest ToT was seen in Multan at 10.20 Kgs per day of wage labour<sup>11</sup>.



<sup>4</sup>Pakistan Bureau of Statistics

<sup>5</sup>World Agriculture Supply and Demand Estimates (WASDE)—USDA

<sup>6</sup>FAO Global Information and Early Warning System (GIEWS)

<sup>7</sup><http://www.psopk.com>

<sup>8</sup>Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

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

<sup>10</sup> The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

<sup>11</sup>Pakistan Bureau of Statistics

### Retail prices of various food commodities in major cities – September 2014

Major Commodities	Markets	Current Prices (Sep 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	34.88	0.34	1.27%	5.68%	-15.49%	-4.62%	▲	▲	▼	►
	Multan	33.69	0.33	-3.75%	8.23%	-15.78%	-4.09%	▼	▲	▼	►
	Karachi	34.00	0.33	0.00%	0.00%	-12.82%	-8.11%	►	►	▼	►
	Peshawar	36.75	0.36	-3.29%	6.52%	-12.50%	3.89%	▼	▲	▼	►
	Quetta	38.50	0.38	0.00%	0.00%	-12.50%	5.48%	►	►	▼	►
WHEAT FLOUR kg	Lahore	39.90	0.39	0.06%	6.12%	0.50%	0.50%	►	▲	►	►
	Multan	39.25	0.38	0.64%	10.56%	-8.72%	-0.32%	►	▲	▼	►
	Karachi	44.31	0.43	-0.35%	3.50%	-6.68%	-2.08%	►	►	▼	►
	Peshawar	40.87	0.40	-0.46%	7.66%	-8.08%	-1.13%	►	▲	▼	►
	Quetta	41.00	0.40	0.00%	0.00%	-13.23%	1.86%	►	►	▼	►
RICE IRRI-6	Lahore	65.32	0.64	2.66%	3.57%	3.57%	5.80%	▲	►	►	►
	Multan	41.00	0.40	0.00%	0.00%	0.00%	-4.65%	►	►	►	►
	Karachi	59.04	0.58	-4.06%	-4.06%	4.42%	4.42%	▼	►	►	►
	Peshawar	49.17	0.48	0.35%	1.38%	1.38%	1.74%	►	►	►	►
	Quetta	45.00	0.44	0.00%	0.00%	0.00%	-6.25%	►	►	►	►
RICE BASMATI BROKEN	Lahore	79.29	0.78	0.00%	0.79%	3.26%	3.26%	►	►	►	►
	Multan	77.50	0.76	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	76.54	0.75	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Peshawar	78.33	0.77	-0.53%	-1.57%	0.00%	0.00%	►	►	►	►
	Quetta	87.50	0.86	2.94%	2.94%	-2.78%	-2.78%	▲	►	►	►
SUGAR	Lahore	61.42	0.60	3.98%	11.90%	12.59%	11.96%	▲	▲	▲	►
	Multan	59.25	0.58	4.17%	11.52%	14.21%	12.32%	▲	▲	▲	►
	Karachi	61.62	0.60	6.94%	15.46%	16.00%	15.59%	▲	▲	▲	►
	Peshawar	61.83	0.61	5.48%	12.15%	13.53%	13.53%	▲	▲	▲	►
	Quetta	61	0.60	2.09%	12.96%	15.64%	14.55%	▲	▲	▲	►
VEG. GHEE (TIN)	Lahore	202	1.98	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	204	2.00	0.00%	0.00%	0.00%	0.99%	►	►	►	►
	Karachi	202	1.98	0.00%	0.00%	-2.88%	-6.48%	►	►	►	►
	Peshawar	203.5	1.99	-0.25%	-0.25%	-0.25%	0.74%	►	►	►	►
	Quetta	204	2.00	0.00%	0.00%	-3.77%	-6.42%	►	►	►	►
COOKING OIL (TIN)	Lahore	214	2.10	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	216	2.12	0.00%	0.00%	0.00%	0.93%	►	►	►	►
	Karachi	218	2.14	0.00%	0.00%	1.87%	-0.91%	►	►	►	►
	Peshawar	216	2.12	0.00%	0.00%	0.47%	0.93%	►	►	►	►
	Quetta	216	2.12	0.00%	0.00%	0.93%	-0.92%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	114.36	1.12	-12.78%	-20.23%	-21.33%	-9.24%	▼	▼	▼	▼
	Multan	126.25	1.24	-15.72%	-20.47%	-20.89%	-8.10%	▼	▼	▼	►
	Karachi	136.62	1.34	-24.02%	-18.54%	-26.87%	-15.14%	▼	►	▼	▼
	Peshawar	138	1.35	-11.54%	-19.30%	-14.29%	-10.68%	▼	►	▼	▼
	Quetta	157.5	1.54	-13.70%	-14.58%	-13.70%	-3.82%	▼	►	▼	►
Pulse Masoor, Washed	Lahore	152.32	1.49	0.00%	0.00%	-3.18%	49.39%	►	►	►	▲
	Multan	125	1.23	2.04%	2.04%	5.04%	11.11%	▲	►	▲	▲
	Karachi	126.54	1.24	0.00%	4.11%	6.04%	11.90%	►	►	▲	▲
	Peshawar	125.42	1.23	4.52%	4.52%	7.50%	13.33%	▲	►	▲	▲
	Quetta	133.75	1.31	-3.17%	-1.65%	1.90%	-0.93%	▼	►	►	►
Pulse Moong, Washed	Lahore	155.71	1.53	-0.50%	-3.60%	-0.63%	30.14%	►	►	►	▲
	Multan	132.5	1.30	-6.74%	-19.70%	-11.30%	12.29%	▼	▼	▼	▲
	Karachi	169.33	1.66	-2.87%	-2.17%	11.53%	37.58%	▼	►	▲	▲
	Peshawar	144.17	1.41	-4.42%	-4.28%	9.32%	23.93%	▼	►	▲	▲
	Quetta	147.5	1.45	14.56%	0.85%	-0.67%	17.53%	▲	►	►	▲
Pulse Mash, Washed	Lahore	176.02	1.73	7.62%	14.42%	22.60%	21.62%	▲	▲	▲	▲
	Multan	152.5	1.49	2.23%	3.39%	24.49%	29.79%	▲	►	▲	▲
	Karachi	143.08	1.40	-4.98%	0.00%	16.25%	16.25%	▼	►	▲	▲
	Peshawar	152.5	1.49	0.96%	7.57%	25.34%	32.61%	►	▲	▲	▲
	Quetta	173.75	1.70	-2.11%	5.30%	15.83%	33.65%	▼	▲	▲	▲
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 <a href="http://vam.wfp.org.pk/">http://vam.wfp.org.pk/</a>											
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