

Pakistan Market Price Bulletin

November 2014 Issue

Highlights

- The price of staples remained stable in October with a nominal 1% decrease for wheat flour. The price of wheat remained unchanged.
- The headline as well as food inflation, based on the Consumer Price Index (CPI), increased by 5.8% and 5.2% respectively on a year-on-year (YoY) basis, while on a month-on-month (MoM) basis, headline inflation increased by 0.2% ; food inflation remained almost the same.
- The government notified an average decrease of 2% in the price of high speed diesel and petrol in October.
- In October, most non-cereal food commodities experienced a slight decrease in prices.
- Estimates for global wheat supply, as well as production, recorded a decrease; on the other hand, the global wheat prices saw some increases.
- The purchasing capacity of daily wage earners as reflected by the terms-of-trade, slightly improved due to decrease in wheat flour price.

Inflation Watch

The headline inflation based on Consumer Price Index (CPI), increased by 5.8% on a YoY basis in October 2014, compared to 7.7% in the previous month and 9.1% in October 2013. On a MoM basis, a 0.2% increase was observed in October 2014 compared to 0.4% in the previous month and a 2.0% increase from October 2013. Similarly, the CPI for food on a YoY basis increased by 5.2% compared to 7.2% in the previous month, whereas on a MoM basis it declined slightly by less than 1% in October. The weighted contribution of food groups in overall inflation decreased to 40% during October from 39.6% in September, it was 45.2% in October 2013. CPI inflation on YoY basis in the federal and provincial capitals of Pakistan was higher than overall inflation during October 2014, except in Quetta. Among these five cities, the lowest inflation was observed in Quetta at 3.6% while the highest inflation was observed in Lahore at 8.3%¹.

Marginal decrease in the price of wheat flour

Wheat sowing has started in most parts of the country with the onset of the Rabi season in October. Also in October, the Government increased the wheat support price from PKR 1,200 per 40 kg to PKR 1,300 per 40 KG (an 8% increase). In October, the price of staple cereals remained relatively stable compared to the previous month. On a monthly basis, while the price of wheat remained almost unchanged, that of wheat flour registered a marginal decrease of 1 percent. The average retail prices of wheat and wheat flour across Pakistan's five major markets² were recorded at PKR 35.65 and PKR 40.65 per kg in October, respectively. A stable trend was also observed in the case of rice: the price of *irri-6* remained the same while that of *basmati* saw an increase of less than 1%. The price of staple cereals is likely to increase in the coming months with the coming lean season.

A slight upward trend was seen in the prices of staple cereals compared to three months ago (July). The price of wheat and wheat flour both registered an increase of 2% during this period. No significant changes were observed in the price of rice during this period: the price of *irri-6* remained unchanged while that of *basmati* registered a nominal increase of 1% (Figure 1). In October, a significant downward trend can be seen, particularly in the prices of wheat and wheat flour, compared with the six months prior (April). During this period the prices of wheat and wheat flour registered decreases of 8% and 5% respectively. In the same period, the price of rice *irri-6* and *basmati* showed an increment of 2% and 1%, respectively.

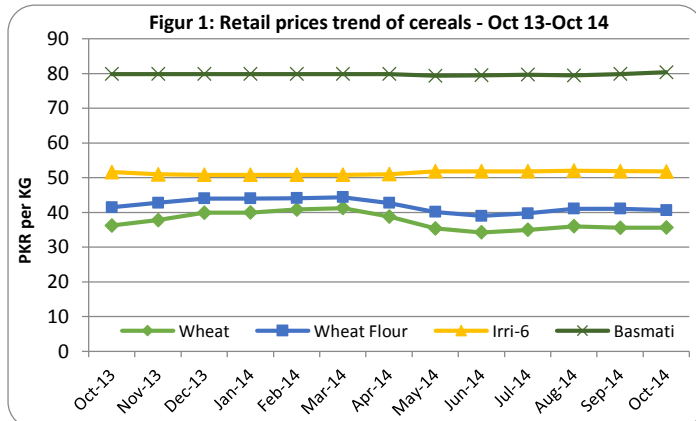
On a year-on-year basis, the price of both wheat and wheat flour registered a modest decrease of about 2%. Over the same period, the prices of rice *basmati* and *irri-6* registered a nominal increases of less than a percent. The prices of staple cereals varied among the major markets. The highest price for wheat was recorded in Quetta at PKR 38.50 and for wheat flour in Karachi at PKR 41 per kg, respectively. On the other hand, the lowest prices of both were recorded in Multan at PKR 33.50 and PKR 38.90 per kg,³ respectively.

Some decrease among non-cereal food commodity prices

Most non-cereal food commodities registered decreases in their prices compared to the previous month. Commodities that registered a decrease in price include: sugar (3%), chicken, lentil *masoor* and *dal moong* (1% each). Prices of eggs and vegetable ghee also declined by less than 1% during October. On the other hand, only *dal mash* experienced a nominal increase of 1% on a monthly basis. A mixed trend was seen in the prices of these commodities when compared to prices three months ago. Some commodities showed significant increases while some declined significantly. Commodities that showed an increase in their prices include: eggs (19%), *dal mash* (5%) and sugar (4%). By contrast, the price of chicken and *dal moong* decreased by 21% and 6%, respectively.

Prices of vegetable ghee, lentil *masoor* and cooking oil remained the same over the past three month period. A similar set of mixed trends were observed when comparing these prices with those six months prior. Commodities that registered increases in their prices include: eggs (25%), *dal mash* (22%) sugar (11%), and lentil *masoor* and cooking oil by 3% and 1%, respectively; while the price of chicken, vegetable ghee, and *dal moong* registered decreases of about 22%, 2% and 1% respectively over the same period.

Figure 1: Retail prices trend of cereals - Oct 13-Oct 14

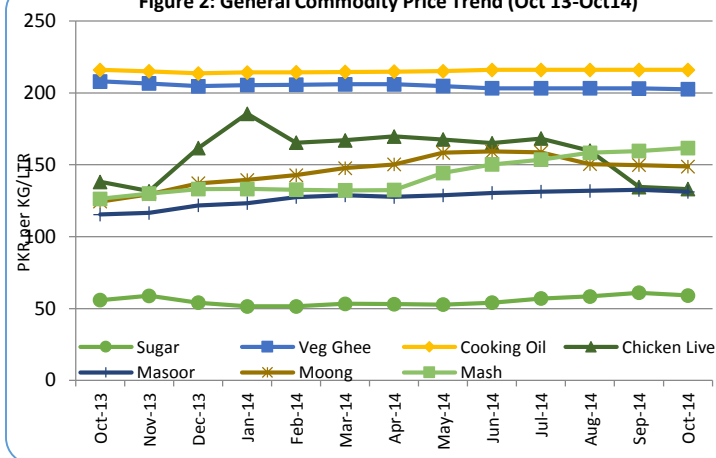


¹Inflation Monitor September 2014 – State Bank of Pakistan

²Lahore, Multan, Karachi Peshawar and Quetta

³Pakistan Bureau of Statistics

Figure 2: General Commodity Price Trend (Oct 13-Oct14)



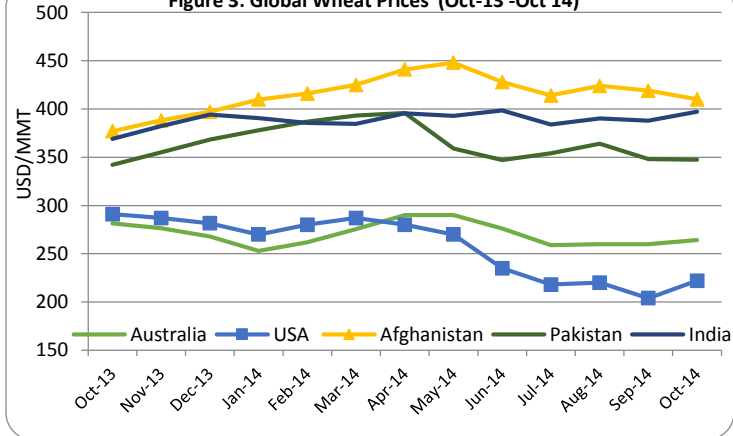
On a year-on-year basis, prices of some commodities increased significantly while others declined marginally. Commodities that went up during this period include: *dal mash* (28%), *dal moong* (19%), lentil *masoor* (14%) eggs (8%) and sugar (6%). On the other hand, the price of chicken and vegetable ghee lowered marginally by 4% and 3%, respectively, on yearly basis⁴.

Global wheat supply and production estimates declined

In October, estimates for global wheat supply were lowered by 1.1 million tons (mt) with decreased production offsetting higher beginning stocks. Global wheat production also lowered by 1.3 mt, led by a 1 mt reduction for Australia, a 0.8 mt reduction for Egypt, and a 0.5 mt reduction for Kazakhstan. Partly offsetting these reductions is a 1.4 mt increase for the EU. Changes for Northern Hemisphere countries reflect updated harvest reports and government statistics. Australia's production decreased as a result of persistent dryness in parts of the southeast that continued through October. Similarly, a reduction of 1.4 mt has also been noted in global wheat consumption, which is largely attributable to a reduction of food and feed use in Egypt, stemming from changes in their bread subsidy programme. Global wheat ending stocks for 2014/15 have increased by 0.3 mt to 192.9 mt, mostly due to higher stocks in the European Union (EU)⁵.

On a month-on-month basis, global wheat prices experienced an increase of 9% in the USA and 2% each in India and Australia, while it declined by 2% in Afghanistan. Compared to regional markets, wheat prices in Pakistan remained 15% lower than in Afghanistan and 13% lower than in India, but was 56% higher than in the USA (soft red winter) and 31% higher than in Australia⁶.

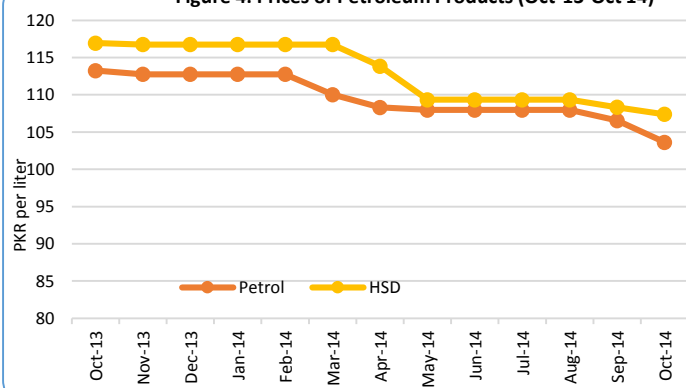
Figure 3: Global Wheat Prices (Oct-13 -Oct 14)



Decrease in prices of petroleum product

In October, the government notified of a further decrease of 2% on average in the prices of petroleum products. The price per liter of petrol and high speed diesel (HSD) decreased from PKR 108.34 and PKR 106.56, respectively, in September to PKR 103.62 and PKR 107.39 in October. These

Figure 4: Prices of Petroleum Products (Oct-13-Oct 14)

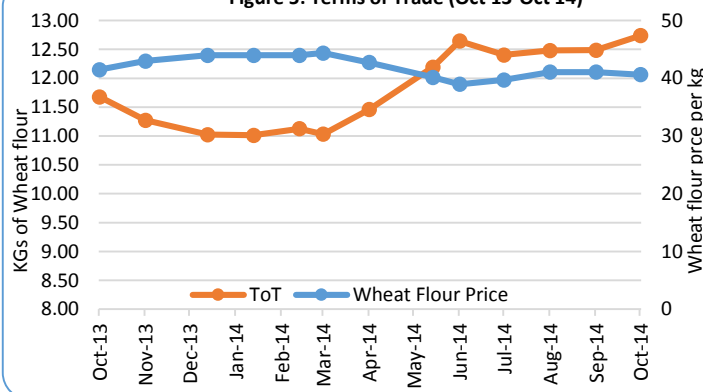


prices are now 4% and 2% lower, respectively, compared to three months prior. When compared to six months prior, the price of super petrol was lower by 4%, and high speed diesel was lower by 6%. The prices of both petrol and HSD in October registered a decrease of 8% compared to a year ago⁷. The price of compressed natural gas (CNG) remained unchanged in October 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)⁸. With the onset of the winter season, the government has decided to stop the provision of CNG for vehicles in Punjab and in the federal capital for a period of four months starting from November in order to provide uninterrupted gas for domestic and industrial use.

Terms of Trade (ToT) ⁹ marginal improvement

In October, due to a slight decrease in the price of wheat flour, the terms of trade between the daily wage rate¹⁰ for an unskilled labour and wheat flour price saw a marginal 2% improvement (Figure 5). The amount of wheat flour that an unskilled wagger laborer could purchase with a day's wage increased from 12.4 kg in September to 12.7 kg in October. Compared to its level three months prior, the ToT was 2% higher by, whereas the improvement compared to six months ago is 11% higher. The ToT in October recorded an increase of 9% compared to a year ago. Regional differentials were noticed in the ToT due to the difference in prices and wage rates. The highest ToT in October was recorded in Lahore at 15 kgs of wheat flour per day of wage labour, while the lowest was in Multan at 11 kgs¹¹.

Figure 5: Terms of Trade (Oct 13-Oct 14)



⁴Pakistan Bureau of Statistics

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

⁶FAO Global Information and Early Warning System (GIEWS)

⁷<http://www.psopk.com>

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

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

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

¹¹Pakistan Bureau of Statistics

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

Major Commodities	Markets	Current Prices (Oct 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	35.03	0.34	0.43%	5.74%	-6.72%	-4.11%	►	▲	▼	►
	Multan	33.50	0.33	-0.56%	2.45%	-3.32%	-5.37%	►	▲	►	►
	Karachi	34.00	0.33	0.00%	0.00%	-9.09%	-8.11%	►	►	▼	►
	Peshawar	37.20	0.36	1.22%	1.64%	-7.92%	4.49%	▲	►	▼	►
	Quetta	38.50	0.38	0.00%	0.00%	-12.50%	5.48%	►	►	▼	►
WHEAT FLOUR kg	Lahore	39.90	0.39	0.00%	3.96%	1.12%	0.50%	►	►	►	►
	Multan	38.90	0.38	-0.89%	5.42%	-1.89%	-2.75%	►	▲	►	►
	Karachi	43.11	0.42	-2.71%	-1.79%	-2.71%	-6.29%	▼	►	►	►
	Peshawar	40.28	0.39	-1.42%	4.68%	-5.73%	-2.42%	▼	►	▼	►
	Quetta	41.00	0.40	0.00%	0.00%	-13.68%	1.23%	►	►	▼	►
RICE IRRI-6	Lahore	65.32	0.64	0.00%	3.57%	3.57%	3.57%	►	►	►	►
	Multan	41.00	0.40	0.00%	0.00%	0.00%	-2.84%	►	►	►	►
	Karachi	56.54	0.55	-4.23%	-8.12%	-1.74%	0.00%	▼	▼	►	►
	Peshawar	49.17	0.48	0.00%	1.38%	1.51%	1.74%	►	►	►	►
	Quetta	47.00	0.46	4.44%	4.44%	4.44%	-2.08%	▲	►	►	►
RICE BASMATI BROKEN	Lahore	79.29	0.77	0.00%	0.00%	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	0.76	0.00%	-2.09%	0.00%	0.00%	►	►	►	►
	Quetta	90.00	0.88	2.86%	5.88%	0.00%	0.00%	▲	▲	►	►
SUGAR	Lahore	60.79	0.59	-1.03%	5.15%	12.03%	8.51%	▼	▲	▲	►
	Multan	56.83	0.55	-4.08%	2.21%	11.21%	4.85%	▼	►	▲	►
	Karachi	58.62	0.57	-4.87%	4.27%	8.12%	4.75%	▼	►	▲	►
	Peshawar	59.77	0.58	-3.33%	3.91%	11.70%	4.99%	▼	►	▲	►
	Quetta	59.4	0.58	-2.62%	3.13%	13.79%	5.32%	▼	►	▲	►
VEG. GHEE (TIN)	Lahore	202	1.97	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	202.8	1.98	-0.59%	-0.59%	-0.59%	0.40%	►	►	►	►
	Karachi	202	1.97	0.00%	0.00%	-2.88%	-6.48%	►	►	►	►
	Peshawar	202	1.97	-0.74%	-0.98%	-0.98%	0.00%	►	►	►	►
	Quetta	204	1.99	0.00%	0.00%	-3.77%	-6.42%	►	►	►	►
COOKING OIL (TIN)	Lahore	214	2.08	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	216	2.10	0.00%	0.00%	0.00%	0.93%	►	►	►	►
	Karachi	218	2.12	0.00%	0.00%	1.87%	-0.91%	►	►	►	►
	Peshawar	216	2.10	0.00%	0.00%	0.00%	0.93%	►	►	►	►
	Quetta	216	2.10	0.00%	0.00%	0.93%	-0.92%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	109.96	1.07	-3.85%	-24.97%	-26.28%	-7.25%	▼	▼	▼	►
	Multan	130.5	1.27	3.37%	-16.61%	-19.20%	-1.90%	▲	▼	▼	►
	Karachi	138.39	1.35	1.30%	-24.89%	-28.95%	-4.11%	▲	▼	▼	►
	Peshawar	133.6	1.30	-3.19%	-18.14%	-20.67%	-6.44%	▼	▼	▼	►
	Quetta	153	1.49	-2.86%	-19.90%	-12.57%	0.66%	▼	▼	▼	►
Pulse Masoor, Washed	Lahore	150.6	1.47	-1.13%	-1.13%	-4.27%	44.86%	▼	►	►	▲
	Multan	127.5	1.24	2.00%	4.08%	7.14%	13.33%	▲	►	▲	▲
	Karachi	123.77	1.21	-2.19%	0.19%	6.62%	9.45%	▼	►	▲	▲
	Peshawar	120	1.17	-4.32%	0.00%	5.61%	8.79%	▼	►	▲	▲
	Quetta	134	1.31	0.19%	-3.18%	1.13%	-2.19%	►	►	►	►
Pulse Moong, Washed	Lahore	155.71	1.52	0.00%	-6.44%	-1.29%	29.00%	►	▼	►	▲
	Multan	132.5	1.29	0.00%	-17.96%	-12.64%	11.04%	►	▼	▼	▲
	Karachi	164.08	1.60	-3.10%	-5.20%	5.80%	17.97%	▼	▼	▲	▲
	Peshawar	135.67	1.32	-5.90%	-11.04%	2.20%	17.29%	▼	▼	►	▲
	Quetta	156	1.52	5.76%	11.43%	1.30%	22.64%	▲	▲	►	▲
Pulse Mash, Washed	Lahore	176.96	1.72	0.53%	11.34%	23.26%	24.03%	►	▲	▲	▲
	Multan	155.5	1.52	1.97%	5.42%	26.94%	32.34%	▲	▲	▲	▲
	Karachi	149.08	1.45	4.19%	4.19%	19.19%	21.12%	▲	►	▲	▲
	Peshawar	155	1.51	1.64%	7.51%	28.10%	34.78%	▲	▲	▲	▲
	Quetta	172	1.68	-1.01%	-1.15%	14.67%	29.13%	▼	►	▲	▲
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/ Please send you feedback and comments on Islamabad.vam@wfp.org											