

Pakistan Market Price Bulletin

December 2014 Issue

Highlights

- The stable trend in staple prices continued throughout November. The price of wheat flour remained unchanged, and wheat registered an increase of 2% compared to the previous month.
- Most non-cereal food commodities registered an increase in prices in November.
- The general and food inflation, based on the Consumer Price Index (CPI), increased by 4% and 2.1%; respectively, on an annual basis. On a month-on-month basis, headline inflation increased by 0.5% while food inflation declined by 0.4%.
- Global wheat production was estimated at a record high in November. Despite this, global wheat prices showed some increase.
- In November, at a further decrease, the prices of petroleum products were recorded at their lowest level in three years.
- The purchasing capacity of daily wage earners as reflected by their terms-of-trade, remained unchanged due to the stable price of wheat flour.

Inflation Watch

General inflation based on the Consumer Price Index (CPI), increased by 4% on an annual basis in November, compared to a 5.8% increase in the previous month, and 10.9% in November 2013. On a month-on-month basis, it decreased by 0.5% in November 2014, compared to an increase of 0.2% in the previous month and 1.3% in November 2013. Similarly, the CPI for food on a yearly basis increased by 2.1% in November, compared to 5.2% in the previous month, whereas on a monthly basis, it declined slightly less than 1% compared to the previous month. The weighted contribution of food groups in overall inflation decreased to 35% during November from 40% in October¹.

Stable trends in the price of wheat flour

In Pakistan *Rabi* season started in November and wheat sowing, the major *Rabi* crop, has been completed in almost all parts of the country. The Federal Committee on Agriculture (FCA) has fixed the wheat crop for 2014-15 production target at 26 million tons on an estimated area of 8.91 million hectares. Prior to this, the *Kharif* season completed in October 2014. The production of rice, which is the major *Kharif* crop, was estimated at 8.44 million tons². And despite an increase in the wheat support price in October (from PKR 1,200 to PKR 1,300 per 40 kg), no significant impact was seen on the price in November. In November, while the price of wheat increased by

increased from PKR 35.65 per kg in October to PKR 36.19 per kg in November, whereas the price of wheat flour remained the same at PKR 40.56 per kg. Similarly for rice, *Irri-6* rice registered an increase of 1%, while *Basmati* remained the same compared to previous month.

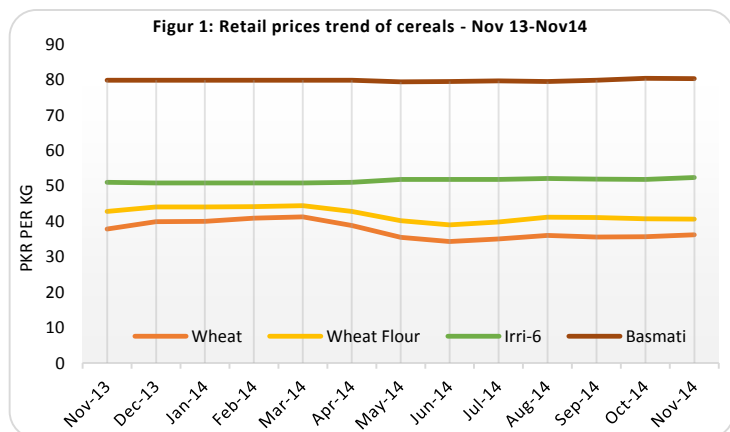
A stable trend was observed in the prices of staples when compared to their prices three months prior (August) - a marginal 1% increment was recorded in the price of wheat, while wheat flour registered a decrease of 1%. In case of rice, a one percent increase was noticed both in the price of *Irri-6* and *Basmati* compared to three months ago (Figure 1). Comparing the current prices with those six months ago (May), the prices of wheat and wheat flour were higher by 2% and 1%; respectively. During the same period, the prices of *Irri-6* and *Basmati* also showed an upward shift of 1%.

A downward trend was observed in the prices of staple cereals over a period of one year. In November, the prices of wheat and wheat flour were lower by 4% and 5%; respectively, compared to November 2013. On the other hand, the prices of *Irri-6* and *Basmati* rice registered nominal increases of 3% and 1% during the same period. The prices of staple cereals varied among the major markets. For instance, the highest price for wheat in November was recorded in Peshawar at PKR 39 per kg, and for wheat flour, in Karachi, at PKR 43 per kg. The lowest prices for both staples were recorded in Multan at PKR 33.8 per kg and PKR 38.6 per kg;⁴ respectively.

Increase in most non-cereal food commodity prices

Most non-cereal food commodities observed an increase in price in November. Commodities that registered an increase in their prices included: chicken (12%), *dal moong* (9%), eggs (9%), and *dal mash* and lentil *masur* (3%). Sugar is the only commodity whose price declined, by around 4%, compared to the previous month. Compared to three months ago, a mixed trend was observed in November; some commodities showed an increase while other registered a decrease in prices. The prices of chicken and sugar decreased by 7% and 2%; respectively, while the prices of cooking oil and vegetable ghee registered a decrease of less than 1%. During that same period, commodities that registered an increase in prices included: eggs (16%) *dal moong* (8%) *dal mash* (5%) and lentil *masur* (2%).

Comparing the prices of these commodities with those six months prior, significant fluctuation was observed in poultry products and pulses. Over this period, while the price of eggs increased by 46%, chicken declined by 11%. The price of vegetable ghee also decreased by 1% during this period. Commodities that showed an upward trend during this period included: *dal mash* (15%), lentil *masur* (5%) and *dal moong* (3%).



2%, wheat flour remained unchanged compared to the previous month. Across Pakistan's five major markets³, the average retail price of wheat

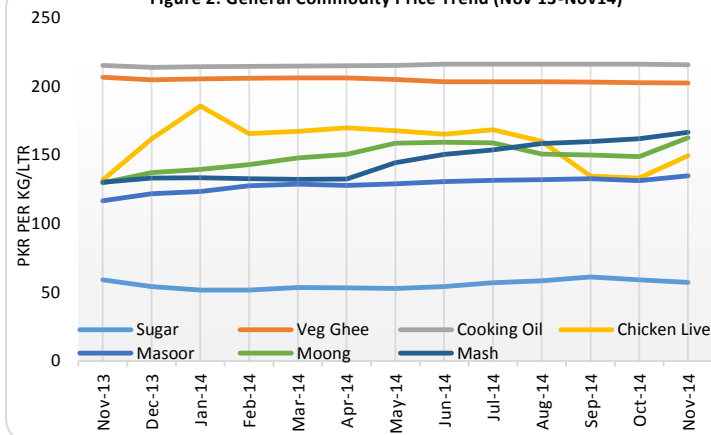
¹ Pakistan Bureau of Statistics

² SUPARCO Pakistan Satellite based Crop Monitoring System Bulletin (PAK-SCMS)

³ Lahore, Multan, Karachi Peshawar and Quetta

⁴ Pakistan Bureau of Statistics

Figure 2: General Commodity Price Trend (Nov 13-Nov14)



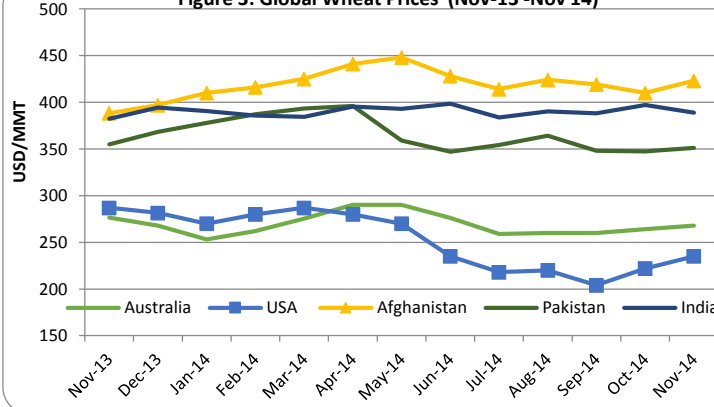
On an annual basis, the highest increase in prices was observed for pulses in November: *dal mash*, *dal moong* and lentil *masur* were higher by 28%, 25% and 16%; respectively, compared to a year ago. On the other hand, modest decreases of 3% and 2% were seen in sugar and vegetable ghee over the same period⁵.

Increase in global wheat supply and production estimates

In November, estimates for global wheat supply were raised by 1.9 million tons (mt) with increased production offsetting lower beginning stocks. Global wheat production remained at a record high and increased a further 2.3 mt, driven by a 1.8 mt increase for Canada and 0.5 mt for Kazakhstan. Production increase data are drawn from updated government statistics. Partly offsetting this increase is a 0.4 mt reduction for global beginning stocks in Indonesia. Global wheat consumption, by contrast, was slightly lower. The biggest influencing factor was a 1.5 mt decrease for the European Union (EU) as a result of wheat feeding on larger coarse grain supplies and higher wheat exports. Canada's wheat feeding increased by 0.5 mt on the larger crop. Global ending stocks are projected at 2.0 mt higher mostly in increases for Canada, the EU, and Russia⁶.

Despite increases in production, global wheat prices also increased in November. Wheat prices experienced an increase of 6% in the USA, 3% in

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



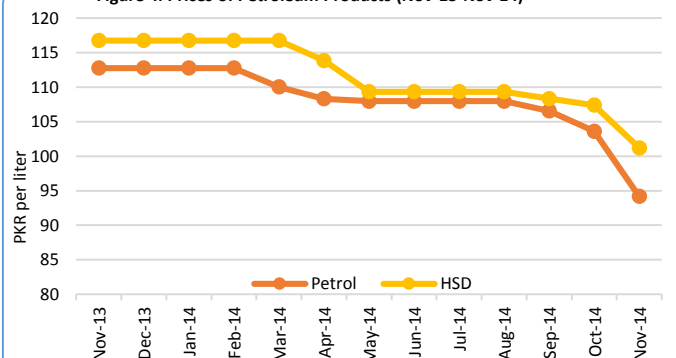
Afghanistan and 1% in Australia, while in India it declined by 2%, compared to the previous month. Domestic wheat price in Pakistan remained 17% lower than in Afghanistan and 10% lower than in India, but was 49% higher than in the USA (soft red winter) and 31% higher than in Australia⁷.

Significant decline in prices of petroleum products

A significant decline has recently been observed in global petroleum prices which in turn has caused a decline in domestic petroleum prices in Pakistan,

which came into effect after announcement by the Government. The prices of High Speed Diesel (HSD) and petrol in November 2014 were lower by 10% and 6%; respectively, compared to the previous month. These prices were also lower by 13% and 7% compared to six months ago, and by 16% and 13%; respectively, compared to a year ago⁸. On the other hand, the government stopped the provision of CNG for vehicles in Punjab and in the federal capital since November for a period of four months in order to manage shortage of gas for domestic and industrial use. Compact Natural Gas (CNG) prices remained unchanged in November at PKR 76.35 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in *Potohar*: Islamabad, Rawalpindi and Gujar

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

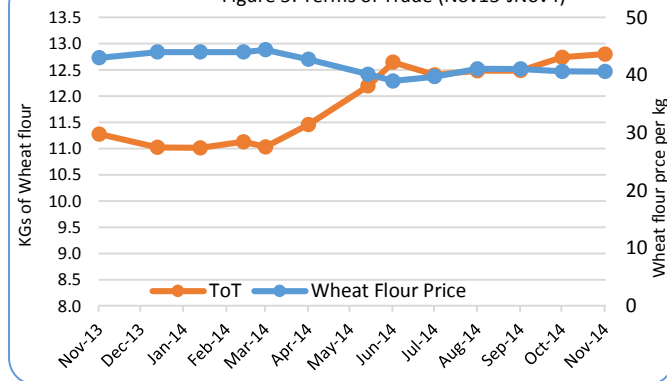


Khan), and PKR 71.50 per kg in Region-II (Sindh and Punjab excluding the *Potohar* region)⁹.

Marginal improvement in Terms of Trade (ToT)¹⁰

In November, since there was no change in the price of wheat flour, the terms of trade between the daily wage rate¹¹ for an unskilled laborer and the purchase price of wheat flour remained the same (Figure 5). The amount of wheat flour that an unskilled wage laborer could purchase with a day's wage remained at 12.8 kg in November. Compared to its level three months prior, the ToT was higher by 3%, whereas compared to six months prior, it showed an improvement of 5%. Even more notable, the ToT in November recorded an increase of 14% compared to a year ago. Looking at the purchasing capacity of poor households at the provincial level, the highest ToT was observed in Lahore and the lowest in Multan. Even though the highest average income of a day laborer was recorded in Karachi, the ToT there was lower than in other major cities due to relatively high price wheat flour. On the other hand, while the wheat flour price was recorded relatively low in Multan, the ToT remained the lowest in that city due to lower wage rates for unskilled labour in the city¹².

Figure 5: Terms of Trade (Nov13-JNov4)



⁵Pakistan Bureau of Statistics

⁶World Agriculture Supply and Demand Estimates (WASDE)—USDA

⁷FAO Global Information and Early Warning System (GIEWS)

⁸<http://www.psopk.com>

⁹Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

¹⁰ Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

¹¹ The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

¹²Pakistan Bureau of Statistics

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

Major Commodities	Markets	Current Prices (Nov 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	35.25	0.34	0.64%	2.36%	7.74%	-7.54%	►	►	▲	►
	Multan	33.813	0.33	0.93%	-3.39%	9.52%	-7.99%	►	►	▲	►
	Karachi	34.375	0.33	1.10%	1.10%	-3.85%	-7.09%	▲	►	►	►
	Peshawar	39	0.38	4.84%	2.63%	8.71%	1.63%	▲	►	▲	►
	Quetta	38.5	0.37	0.00%	0.00%	-7.78%	-0.65%	►	►	▲	►
WHEAT FLOUR kg	Lahore	39.9	0.39	0.00%	0.06%	6.12%	0.50%	►	►	▲	►
	Multan	38.625	0.37	-0.71%	-0.96%	8.04%	-6.08%	►	►	▲	►
	Karachi	43.058	0.42	-0.12%	-3.16%	-2.82%	-6.40%	►	►	►	►
	Peshawar	40.208	0.39	-0.19%	-2.06%	4.24%	-8.47%	►	►	►	►
	Quetta	41	0.40	0.00%	0.00%	-7.87%	-4.93%	►	►	▼	►
RICE IRRI-6	Lahore	65.32	0.63	0.00%	2.66%	3.57%	3.57%	►	►	►	►
	Multan	41	0.40	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	56.54	0.55	0.00%	-8.12%	-8.12%	0.00%	►	▲	▼	►
	Peshawar	48.86	0.47	-0.63%	-0.29%	0.78%	0.95%	►	►	►	►
	Quetta	50	0.49	6.38%	11.11%	11.11%	9.29%	▲	▲	▼	►
RICE BASMATI BROKEN	Lahore	79.29	0.77	0.00%	0.00%	3.26%	3.26%	►	►	►	►
	Multan	77.5	0.75	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Karachi	76.54	0.74	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Peshawar	77.81	0.76	-0.66%	-1.19%	-0.66%	-0.66%	►	►	►	►
	Quetta	90	0.87	0.00%	5.88%	2.86%	0.00%	►	▲	►	►
SUGAR	Lahore	58.79	0.57	-3.29%	-0.47%	7.87%	-1.18%	▼	►	▲	►
	Multan	55.04	0.53	-3.15%	-3.23%	7.65%	-2.81%	▼	►	▲	►
	Karachi	57.23	0.56	-2.37%	-0.68%	8.76%	-3.13%	▼	►	▲	►
	Peshawar	58.34	0.57	-2.39%	-0.48%	9.37%	-1.34%	▼	►	▲	►
	Quetta	55.75	0.54	-6.14%	-6.69%	7.21%	-7.47%	▼	▲	▲	►
VEG. GHEE (TIN)	Lahore	202.00	1.96	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	202.00	1.96	-0.39%	-0.98%	-0.98%	1.41%	►	►	►	►
	Karachi	202.00	1.96	0.00%	0.00%	-2.88%	-6.48%	►	►	►	►
	Peshawar	202.00	1.96	0.00%	-0.98%	-0.98%	0.00%	►	►	►	►
	Quetta	204.00	1.98	0.00%	0.00%	-0.97%	-4.45%	►	►	►	►
COOKING OIL (TIN)	Lahore	214.00	2.08	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	Multan	216.00	2.10	0.00%	0.00%	0.00%	1.89%	►	►	►	►
	Karachi	218.00	2.12	0.00%	0.00%	1.87%	-0.91%	►	►	►	►
	Peshawar	214.00	2.08	-0.93%	-0.93%	-0.93%	0.00%	►	►	►	►
	Quetta	216.00	2.10	0.00%	0.00%	0.23%	0.47%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	125.11	1.21	13.78%	-4.58%	-16.94%	12.09%	▲	▲	▼	▲
	Multan	145.00	1.41	11.11%	-3.20%	-11.45%	14.85%	▲	►	▼	▲
	Karachi	161.06	1.56	16.38%	-10.43%	-13.16%	25.90%	▲	▼	▼	▲
	Peshawar	143.50	1.39	7.41%	-8.01%	-10.87%	3.24%	▲	▼	▼	►
	Quetta	172.50	1.67	12.75%	-5.48%	-2.82%	12.20%	▲	▼	▼	▲
Pulse Masoor, Washed	Lahore	146.34	1.42	-2.83%	-3.93%	-5.48%	27.44%	▼	►	▼	▲
	Multan	134.58	1.31	5.55%	9.86%	10.65%	17.03%	▲	▲	▲	▲
	Karachi	124.33	1.21	0.45%	-1.75%	5.55%	10%	▼	►	▲	▲
	Peshawar	127.92	1.24	6.60%	6.60%	11.52%	15.41%	▲	▲	▲	▲
	Quetta	140.00	1.36	4.48%	1.35%	3.70%	8.74%	▲	►	►	►
Pulse Moong, Washed	Lahore	158.44	1.54	1.75%	1.25%	-1.41%	27.53%	▲	►	►	▲
	Multan	156.25	1.52	17.92%	9.97%	-4.46%	23.76%	▲	▲	►	▲
	Karachi	163.08	1.58	-0.61%	-6.45%	-1.51%	13.98%	►	▼	►	▲
	Peshawar	152.29	1.48	12.25%	0.97%	4.34%	32.23%	▲	►	►	▲
	Quetta	182.50	1.77	16.99%	41.75%	16.80%	31.53%	▲	▲	▲	▲
Pulse Mash, Washed	Lahore	177.01	1.72	0.03%	8.22%	23.29%	19.17%	►	▲	▲	▲
	Multan	156.88	1.52	0.89%	5.17%	15.49%	30.73%	▲	▲	▲	▲
	Karachi	153.08	1.49	2.68%	1.66%	9.87%	24.37%	▲	►	▲	▲
	Peshawar	158.65	1.54	2.35%	5.03%	18.07%	36.97%	▲	▲	▲	▲
	Quetta	186.25	1.81	8.28%	4.93%	10.37%	30.70%	▲	►	▲	▲
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 your feedback and comments on Islamabad.vam@wfp.org											