

Pakistan Market Price Bulletin

January 2015 Issue

Highlights

- The stable trend in staple food prices continued throughout December. The price of wheat and wheat flour registered a nominal decrease of less than 1% compared to the previous month.
- Non-cereal food commodities showed a mixed trend in prices in December.
- The general and food CPI (Consumer Price Index), increased by 4.3% and 3.4%; respectively, on a year on year basis. On a month-on-month basis, they both decreased by 1% and 2% respectively.
- Estimates for global wheat production were at a record high in December, while the global wheat price remained stable, except in the USA.
- The Government notified of a further decrease in the prices of petroleum products, bringing their prices down to the 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 Consumer Price Index (CPI), increased by 4.3% on a year-on-year basis in December 2014, compared to a 4.0% increase in the previous month, and 9.2% in December 2013. On a month-on-month basis, it decreased by 1.0% in December 2014 compared to a 0.5% decrease in the previous month and a 1.3% decrease in December 2013. Similarly, on an annual basis, the CPI for food increased by 3.4% in December, compared to 2.1% in the previous month; whereas on a monthly basis, it declined by 2.1% compared to the previous month¹. The weighted contribution of food groups in overall inflation increased to 33.26% during December 2014, up from 22.63% in November 2014. It was 42.35% a year prior, in December 2013. Among Pakistan's five major cities, the lowest inflation was observed in Quetta at 0.9% while the highest inflation was observed in Lahore at 8.0%².

Stable trends in wheat prices

The price of staple food cereals remained stable in December while the average retail price of wheat and wheat flour registered a nominal decrease of less than 1%. Across Pakistan's five major markets³, the average retail price of wheat and wheat flour decreased from PKR 36.19 per kg and PKR 40.56 per kg in November to PKR 36.08 per kg and PKR 40.34 per kg, respectively, in December. Similarly in December, a 2% and 1% decrease was observed, compared to November, in the prices of *Basmati* and *Irri-6* rice, respectively.

Compared to prices three months prior (September 2014), the price of wheat registered a 1% increase while that of wheat flour decreased by 2%. Over the same period, the price of *Basmati* rice registered a 2% decrease while that of *Irri-6* rice remained unchanged. As observed in Figure 1, over the period of the last six months, the price of wheat and wheat flour registered 5% and 4% increases. By contrast, over the same period, the price of *Irri-6* rice did not observe any change, while *Basmati* declined by a marginal 1%.

In December, a significant decrease of 10% and 8% was observed in the prices of wheat and wheat flour, respectively, compared to its prices in the same month last year. On the other hand, over the same period, a marginal increase of 2% was registered in the price of *Irri-6* rice, while the price of *Basmati* declined by the same proportion. Among the provinces, the price of wheat remained highest in Peshawar at PKR 39 per kg, and lowest in Multan at PKR 33 per kg. Similarly, the highest price of wheat flour was recorded in Karachi at PKR 43 per kg, and lowest in Multan at PKR 38.50 per kg⁴.

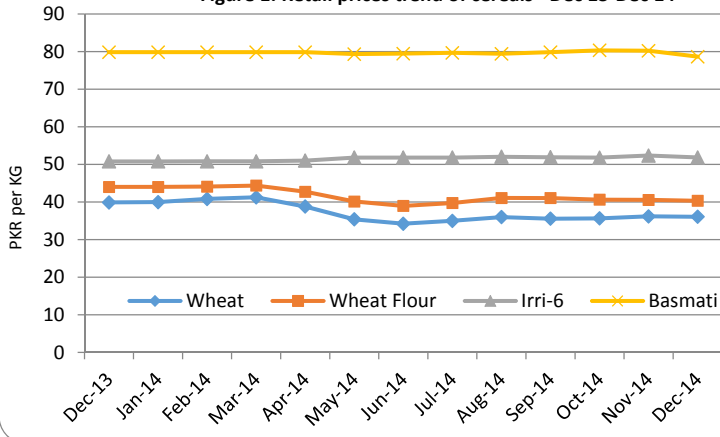
Mixed trends in non-cereal food commodity prices

A mixed trend was seen in the average retail price of non-cereal food commodities in December 2014. Commodities that registered decreases in their price include: sugar (5%), cooking oil (3%) and vegetable ghee and *Dal Mash* (1% each). On the other hand, the price of chicken, lentil *masoor*, *Dal Moong* and eggs increased by 8%, 3%, 2% and 1% percent, respectively, compared to the previous month. Over a period of three months, prices of some commodities observed decreases while others increased significantly: the price of sugar registered a decrease of 11%, cooling oil and vegetable ghee also registered decreases of 3% and 1%, respectively. On the other hand, several prices of non-cereal commodities registered increases, including: chicken (20%), eggs (9%), *Dal Moong* (11%) and *Dal Mash* and lentil *masoor* (4% each) over the same period.

Comparing the prices with those six months prior, significant increases were seen in the prices of eggs and pulses. The price of eggs was higher by about 43%, and that of *Dal Mash*, lentil *Masoor* and *Dal Moong* registered increases of 11%, 6% and 4%, respectively, during this period. On the other hand, the prices of chicken, cooking oil and vegetable ghee registered marginal decreases of 2%, 3% and 1%, respectively.

On a year-on-year basis, the prices of non-cereal food commodities showed normal fluctuations, except for pulses, which registered significant increases. The price of *Dal Mash*, *Dal Moong* and lentil *Masoor* were found higher by 25%, 21% and 14%, respectively, in December compared to a year

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

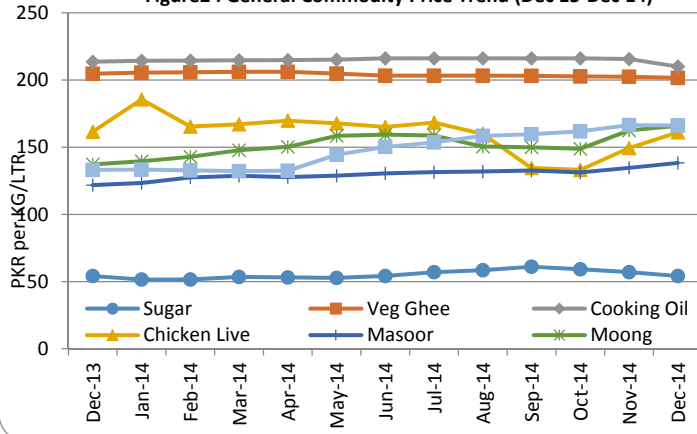

¹ Pakistan Bureau of Statistics

² Inflation Monitor, State Bank of Pakistan

³ Lahore, Multan, Karachi Peshawar and Quetta

⁴ Pakistan Bureau of Statistics

Figure2 : General Commodity Price Trend (Dec 13-Dec 14)



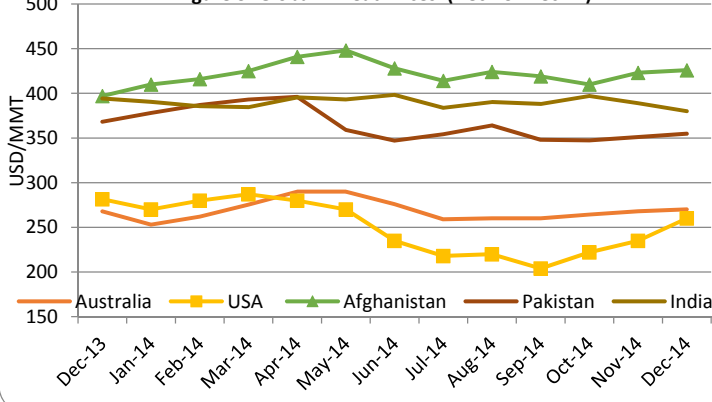
ago. On the other hand, a small decrease of 2% each was noticed in the prices of cooking oil and vegetable ghee over the same period⁵.

Increase in global wheat supply and production estimates

In December, estimates for global wheat supply (2014-15) increased by 1.7 million tons (mt) due to an increase in both production and beginning stocks. Global wheat production remained at a record high and increased by a further 1.2 mt, driven by a 1.1 mt increase for Ethiopia due to improved weather conditions, while production estimates also grew by 0.1 mt for the European Union (EU). Estimates of global beginning stocks were up by 0.5 mt, exclusively, based on revised production estimates (2013-14) for the EU. Global wheat exports were up by 1.2 mt owing to greater supplies and stronger demand in several importing countries. Exports were up by 1 mt for the EU, 0.7 mt for Ukraine, 1 mt each for Canada and Iran, and 0.2 mt for India. Global wheat consumption also went up slightly, mostly due to increased feed use in Iran, Ethiopia, and Uzbekistan. A 0.2 mt increase for Ethiopia food use was offset by a 0.2 mt reduction for the EU. Increased supplies were mostly offset by increased use with global ending stocks raised by 1.1 mt⁶.

On a monthly basis, global wheat prices remained stable, save for the US, where it increased by approximately 11% in December. In India, the wheat price declined by 2%, whereas it registered an increase of 1% each for

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



Australia and Afghanistan. Domestic wheat prices in Pakistan remained 17% lower than in Afghanistan and 8% lower than in India, but was 36% higher than in the USA (soft red winter) and 31% higher than in Australia⁷.

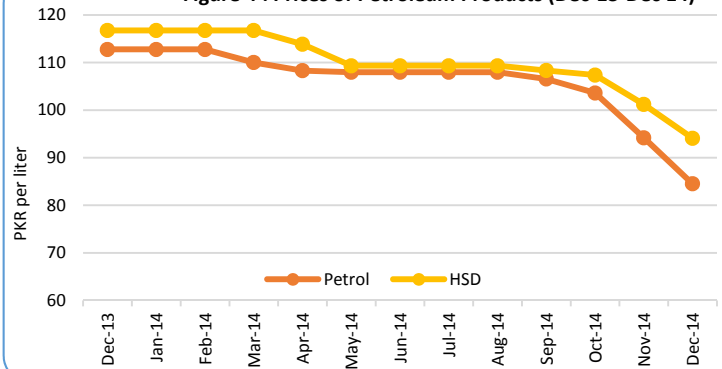
Further decline in prices of petroleum products

Decrease in global fuel prices resulted in a further decline in the domestic prices of petroleum products in December 2014. The price of petrol and High

Speed Diesel decreased on average by approximately 9% compared to the previous month. With these decreases, the price of petroleum products were at their lowest level in three years. The prices of High Speed Diesel (HSD) and petrol decreased from PKR 101.21 per liter, and PKR 94.19 per liter in November to PKR 94.09 per liter and PKR 84.53 per liter, respectively, in December. These prices were lower by 21% and 13%, compared to three months ago⁸. Compared to one year ago, December prices were lower by 25% and 19%, respectively.

On the other hand, the Government stopped the provision of Compact Natural Gas (CNG) for vehicles in Punjab and the federal capital territory. CNG prices remained unchanged in December 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

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

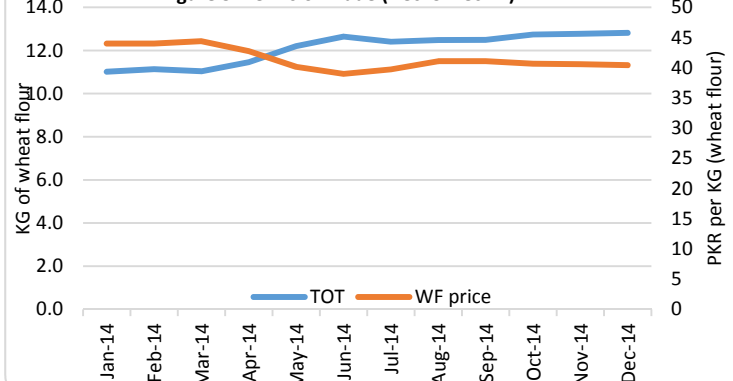


excluding the Potohar region)⁹.

A stable trend in Terms of Trade (ToT)¹⁰

The ToT between the daily wage rate¹¹ for an unskilled laborer and wheat flour did not observe any change in December from the previous month (Figure 5). The amount of wheat flour that an unskilled laborer could purchase with a day's wage remained at 12.8 kg in December. This ToT was higher by 3% compared to three months prior, and was higher by less than 1% compared to six months prior. Even more notable, the ToT in December recorded an increase of 16% compared to a year ago. Looking at provincial analysis, 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 the relatively high price of wheat flour. On the other hand, while the price of

Figure 5: Terms of Trade (Dec13-Dec 14)



wheat flour was recorded as relatively low in Multan, the ToT remained the lowest in that city due to lower wage rates for unskilled labour in the city¹².

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 – December 2014

Major Commodities	Markets	Current Prices (Dec 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	35.25	0.35	0.00%	1.08%	6.82%	-11.46%	►	►	▲	▼
	Multan	33.13	0.33	-2.03%	-1.67%	6.43%	-14.24%	▼	►	▲	▼
	Karachi	34.50	0.34	0.36%	1.47%	1.47%	-6.76%	►	►	►	►
	Peshawar	39.00	0.38	0.00%	6.12%	13.04%	-2.50%	►	▲	▲	►
	Quetta	38.50	0.38	0.00%	0.00%	0.00%	-12.50%	►	►	►	►
WHEAT FLOUR kg	Lahore	39.90	0.39	0.00%	0.00%	6.12%	0.50%	►	►	▲	►
	Multan	38.50	0.38	-0.32%	-1.91%	8.45%	-7.78%	►	►	▲	►
	Karachi	43.08	0.42	0.04%	-2.78%	0.63%	-7.86%	►	►	►	►
	Peshawar	39.21	0.39	-2.49%	-4.05%	3.29%	-12.53%	▼	►	►	▼
	Quetta	41.00	0.40	0.00%	0.00%	0.00%	-12.77%	►	►	►	▼
RICE IRRI-6	Lahore	65.32	0.64	0.00%	0.00%	3.57%	3.57%	►	►	►	►
	Multan	40.25	0.40	-1.83%	-1.83%	-1.83%	-1.83%	▼	►	►	►
	Karachi	56.54	0.56	0.00%	-4.23%	-8.12%	0.00%	►	►	▼	►
	Peshawar	47.08	0.46	-3.64%	-4.25%	-2.93%	-2.77%	▼	►	►	►
	Quetta	50.00	0.49	0.00%	11.11%	11.11%	11.11%	►	▲	▲	▲
RICE BASMATI BROKEN	Lahore	75.00	0.74	-5.41%	-5.41%	-4.67%	-2.33%	▼	▼	►	►
	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	74.17	0.73	-4.68%	-5.31%	-6.80%	-5.31%	▼	▼	▼	►
	Quetta	90.00	0.88	0.00%	2.86%	5.88%	0.00%	►	►	▲	►
SUGAR	Lahore	55.63	0.55	-5.38%	-9.43%	1.35%	1.74%	▼	▼	►	►
	Multan	51.75	0.51	-5.98%	-12.66%	-2.60%	-1.20%	▼	▼	►	►
	Karachi	55.42	0.54	-3.16%	-10.06%	3.84%	2.72%	▼	▼	►	►
	Peshawar	55.29	0.54	-5.23%	-10.58%	0.29%	0.53%	▼	▼	►	►
	Quetta	52.75	0.52	-5.38%	-13.52%	-2.31%	-3.21%	▼	▼	►	►
VEG. GHEE (TIN)	Lahore	197.50	1.94	-2.23%	-2.23%	-2.23%	-2.23%	▼	►	►	►
	Multan	202.00	1.99	0.00%	-0.98%	-0.98%	1.41%	►	►	►	►
	Karachi	202.00	1.99	0.00%	0.00%	0.00%	-2.88%	►	►	►	►
	Peshawar	202.00	1.99	0.00%	-0.74%	-0.98%	0.00%	►	►	►	►
	Quetta	204.00	2.01	0.00%	0.00%	0.00%	-3.77%	►	►	►	►
COOKING OIL (TIN)	Lahore	209.50	2.06	-2.10%	-2.10%	-2.10%	-2.10%	▼	►	►	►
	Multan	206.00	2.03	-4.63%	-4.63%	-4.63%	-2.83%	▼	►	►	►
	Karachi	210.50	2.07	-3.44%	-3.44%	-3.44%	-1.64%	▼	►	►	►
	Peshawar	208.00	2.05	-2.80%	-3.70%	-3.70%	-2.80%	▼	►	►	►
	Quetta	216.00	2.12	0.00%	0.00%	0.00%	0.93%	►	►	►	►
CHICKEN LIVE (FARM)	Lahore	143.11	1.41	14.39%	25.14%	-0.17%	-1.72%	▲	▲	►	►
	Multan	150.83	1.48	4.02%	19.47%	-4.99%	-7.89%	▲	▲	▼	►
	Karachi	166.64	1.64	3.46%	21.97%	-0.64%	-0.08%	▲	▲	►	►
	Peshawar	163.50	1.61	13.94%	18.48%	-4.39%	-0.46%	▲	▲	►	►
	Quetta	181.25	1.78	5.07%	15.08%	-1.70%	8.21%	▲	▲	►	►
Pulse Masoor, Washed	Lahore	151.96	1.49	3.84%	-0.24%	-0.24%	20.88%	▲	►	►	▲
	Multan	137.50	1.35	2.17%	10.00%	12.24%	15.55%	▲	▲	▲	▲
	Karachi	128.08	1.26	3.02%	1.22%	5.38%	10.72%	▲	►	▲	▲
	Peshawar	127.92	1.26	0.00%	1.99%	6.60%	8.10%	►	►	▲	►
	Quetta	146.25	1.44	4.46%	9.35%	7.54%	12.50%	▲	▲	▲	▲
Pulse Moong, Washed	Lahore	161.07	1.58	1.66%	3.44%	-0.28%	19.47%	▲	►	►	▲
	Multan	162.50	1.60	4.00%	22.64%	-1.52%	22.64%	▲	▲	►	▲
	Karachi	163.08	1.60	0.00%	-3.69%	-5.78%	8.30%	►	►	▼	►
	Peshawar	159.17	1.56	4.52%	10.40%	5.68%	29.28%	▲	▲	▲	▲
	Quetta	183.75	1.81	0.68%	24.58%	25.64%	26.94%	►	▲	▲	▲
Pulse Mash, Washed	Lahore	176.96	1.74	-0.03%	0.53%	15.03%	19.11%	►	►	▲	▲
	Multan	157.50	1.55	0.40%	3.28%	6.78%	28.57%	►	►	▲	▲
	Karachi	153.08	1.51	0.00%	6.99%	6.99%	24.37%	►	▲	▲	▲
	Peshawar	162.33	1.60	2.32%	6.45%	14.50%	32.51%	▲	▲	▲	▲
	Quetta	181.25	1.78	-2.68%	4.32%	9.85%	21.85%	▼	►	▲	▲
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/ Please send you feedback and comments on Islamabad.vam@wfp.org											