

## Pakistan Market Price Bulletin

March 2015 Issue

### Highlights

- In February, the price of wheat remained the same while that of wheat flour registered a further decrease of 1% compared to previous month.
- On a month-on-month basis, most non-cereal food commodities also showed a stable trend in February.
- The general and food CPI (Consumer Price Index), increased by 3.2% and 2.1%; respectively, on a year on year basis. On a month-on-month basis, both decreased by 0.9% and 1.8% in February 2015.
- In February, estimates for global wheat supply declined slightly, while the global wheat price experienced a downward trend.
- The Government notified of a further decrease in the prices of petroleum products.
- The purchasing capacity of daily wage earners as reflected by their terms-of-trade, showed marginal improvement in February over January.

**Inflation Watch:** On a year-on-year basis, the general as well as food inflation based on Consumer Price Index (CPI), increased by 3.2% and 2.1% respectively in February 2015, compared to 3.9% and 3% respectively in the previous month and 7.9% and 7.6% respectively in February 2014. On a month-on-month basis, both decreased by 0.9% and 1.8% in February 2015, compared to an increase of 0.1% in case of general inflation and a decrease of 0.5% in the previous month<sup>1</sup>. The inflation rate has been decreasing in the past few months, primarily because of stability seen in food prices and the continued decline of petroleum prices.

#### Further decline in wheat flour prices

The *Rabi* crops have reached the peak vegetative growth in February. The analysis of the satellite based Vegetation Index (NDVI) data shows that wheat and other *Rabi* crops this year have performed above average. December and early part of January remained a dry period, however, weather was generally cool and expected to be poised in favorable range in view of the heavy rains later. Overall, the wheat production is expected to be good. Satellite data based estimates have suggested that a wheat harvest of 26.4 million tonnes may be expected<sup>1</sup>.

Despite the lean season, the average retail prices of staple cereals have declined slightly in the last few months. In February, while the price of wheat remained the same, that of wheat flour registered a decrease of 1% compared to the previous. The average price of wheat and wheat flour in February was recorded at Rs.35.8 and Rs.39.7 per kg respectively across the country's main markets<sup>2</sup>. In case of rice, the price of *Irri-6* observed a decline of 2% while that of *Basmati* remained the same.

Compared to three months prior, the price of wheat and wheat flour in February were found to be lower by 1% and 2% respectively. During the

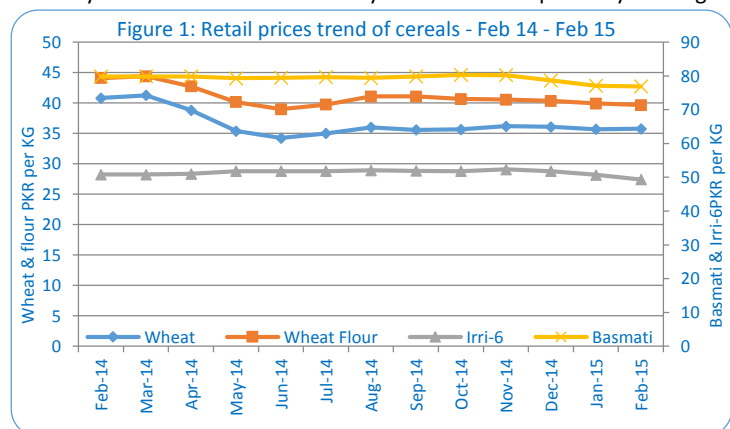
same period, the prices of *Basmati* and *Irri-6* rice registered significant decreases of 6 and 4% respectively. Compared to six months ago, the price of wheat observed a nominal decrease of about 1% whereas that of wheat flour declined by 4%. Similar declining trend was observed in the price of rice compared to six month ago: the price of *Irri-6* and *Basmati* registered a decreases of 5% and 3% respectively during the same period.

A significant decline was observed in the price of staple cereals on an annual basis. The prices of wheat and wheat flour in February were lower by 13% and 10% respectively compared to a year ago. During the same period, the price of rice *Irri-6* and *Basmati* observed a nominal decreases of 3 and 4% respectively. Inter-provincial differences were observed in the prices of staple cereals; for instance, the price of wheat flour in Karachi (Sindh) and Quetta (Balochistan) remained 9% and 8% higher respectively than that in Multan (Punjab).

#### Stable trends in non-cereal food commodity prices

In February, the prices of most non-cereal food commodities remained largely stable except poultry products. While the price of Chicken registered an increase of 21%, that of eggs declined by 17% compared to previous month. Other commodities that registered increases included: *Dal Moong*, *Dal Mash* and *Lentil Masoor* (1% each) and price of sugar also increased by about 1% on monthly basis. The prices of cooking oil and vegetable ghee also registered nominal decreases of 2% each compared to previous month. Compared to three months ago, prices of most commodities observed a downward trend. Prices that registered increases included *Dal Moong* (6%), *lentil Masoor* (4%), and *Dal Mash* (3%). Commodities with decrease in prices included: chicken (15%), eggs (16%), cooking oil (7%), sugar (5%) and vegetable ghee (4%).

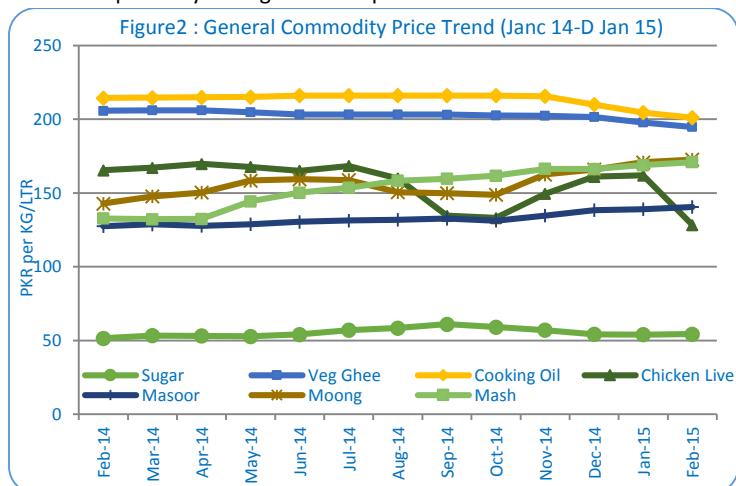
A mixed trend was observed in the prices of these commodities over a period of six months; some of these commodities experienced significant increases, while others declined marginally. Commodities with price increases included: *Dal moong* (15%), *daal mash* (8%) and *lentil masoor* (7%). Those commodities which saw a decline in prices during this period included: sugar and cooking oil (7% each), chicken (20%) and vegetable ghee (4%). On a year-on-year basis, prices of these commodities showed modest to significant fluctuations. The prices of *dal mash*, *dal moong* and *lentil* (*Masoor*) in February experienced the highest increases of 29, 21 and 10% respectively compared to a year ago. Similarly, the price of sugar also observed an increase of 5% during the same period. On the other hand, the



<sup>1</sup> SUPARCO Pakistan Satellite based Crop Monitoring System Bulletin (PAK-SCMS)

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

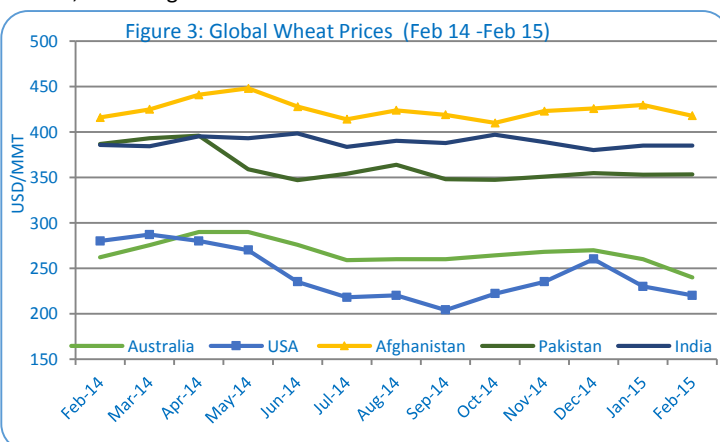
prices of eggs, chicken, vegetable ghee and cooking oil reduced by 22, 7, 6 and 8% in average. With these decreases, the price of petroleum products were now at their lowest level since the past few years. The prices of High Speed



#### Slight decline in global wheat supply and production estimates

Estimates for global wheat supplies in 2014-15 were lowered fractionally mainly due to reduction in production for Brazil, which is partially offset by a larger Belarus crop. On the other hand, estimates for global wheat exports were raised by 0.5 million tons (mt). The primary export increase is for European Union (EU). Similarly, imports were raised by 0.3 mt each for Morocco, Philippines and Thailand; 0.2 mt each for Jordan and Vietnam; and 0.1 mt each for Ecuador and Saudi Arabia. These increases are partially offset by reductions of 0.3mt each for Algeria, Syria and Yemen; 0.2 mt for Libya, and 0.1 mt each for Israel and Japan. Estimated global wheat consumption is also down fractionally on lower food use, which is partially offset by increased wheat feeding. The largest decreases for food use are 0.3 mt each for Brazil, India and Syria; and 0.2 mt each for Libya and Yemen. Feed use is raised by 0.5 mt for Australia, and 0.2 mt for Thailand<sup>4</sup>.

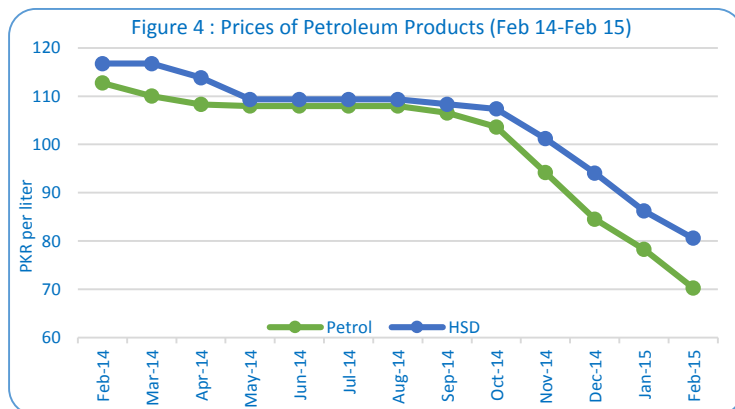
Global wheat prices experienced further decrease in February compared to the previous month. The price of wheat saw decrease of 8% in Australia, 4% in USA, 2% in Afghanistan while it remained the same in India. In February,



the domestic wheat price in Pakistan was 60% higher compared to USA and 47% than Australia, while it was about 8% lower than in India and 15% lower than in Afghanistan.

#### Further decline in prices of petroleum products

The prices of petroleum products continued to decrease in February. The price of petrol and High Speed Diesel further decreased in February by about

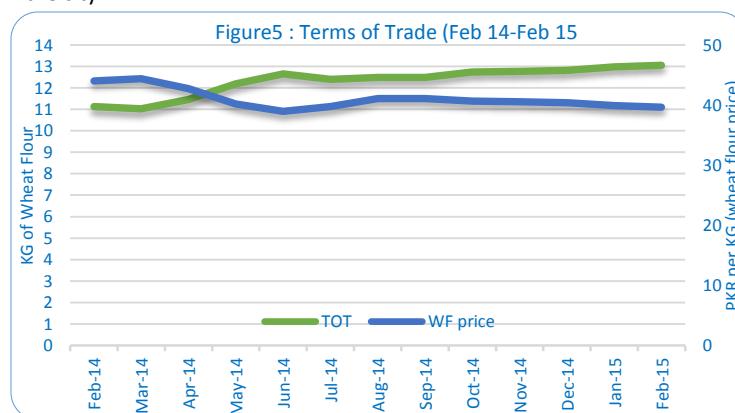


Diesel (HSD) and petrol decreased from PKR 86.2 and PKR 78.28 per liter respectively in January to PKR 80.61 and PKR 70.30 per liter in February. These prices were lower by 20% and 25% respectively compared to three months ago, 26% and 35%, respectively compared to six months ago, and 31 and 36% compared to a year ago<sup>5</sup>.

The provision of Compact Natural Gas (CNG) for vehicles in Punjab and the federal capital territory was stopped few months ago, and it still remains so. CNG prices remained unchanged in February 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>6</sup>.

#### A stable trend in Terms of Trade (ToT)

The ToT between the daily wage rate<sup>8</sup> for an unskilled laborer and wheat flour almost remained the same in February compared to January (Figure 5). The amount of wheat flour that an unskilled laborer could purchase with a day's wage was recorded at 13.1 kg in February. This ToT was higher by 2%, 5% and 17% respectively compared to three months, six months and one year ago. Among the provinces, 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 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 city<sup>9</sup>.



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

<sup>4</sup>World Agriculture Supply and Demand Estimates (WASDE)—USDA

<sup>5</sup><http://www.psopk.com>

<sup>6</sup>Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

<sup>7</sup>Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

<sup>8</sup>The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

<sup>9</sup>Pakistan Bureau of Statistics

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

Major Commodities	Markets	Current Prices (Feb 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	LAHORE	35.25	0.35	0.00%	0.00%	2.36%	-14.29%	►	►	►	▼
	MULTAN	33.00	0.33	0.30%	-2.40%	-5.71%	-14.15%	►	►		▼
	KARACHI	35.00	0.35	0.86%	1.82%	2.94%	-9.09%	►		►	►
	PESHAWAR	37.00	0.37	0.00%	-5.13%	-2.63%	-11.90%	►	▲	►	▼
	QUETTA	38.50	0.38	0.00%	0.00%	0.00%	-12.50%	►	►	►	▼
WHEAT FLOUR kg	LAHORE	38.50	0.38	-0.52%	-3.51%	-3.45%	-3.02%	►	►	►	►
	MULTAN	38.00	0.38	-0.52%	-1.62%	-2.56%	-9.25%	►	►	►	▼
	KARACHI	41.56	0.41	-1.34%	-3.48%	-6.53%	-13.42%		►	▲	▼
	PESHAWAR	39.23	0.39	-0.64%	-2.43%	-4.44%	-10.67%	►		►	▼
	QUETTA	41.00	0.41	0.00%	0.00%	0.00%	-12.77%	►	►	►	▼
RICE IRRI-6	LAHORE	64.57	0.64	-0.92%	-1.15%	1.48%	2.38%	►	►	►	►
	MULTAN	37.00	0.37	-3.14%	-9.76%	-9.76%	-9.76%	▼	▼	▼	►
	KARACHI	52.79	0.52	-6.63%	-6.63%	-14.22%	-6.63%	▼	▼	▼	►
	PESHAWAR	42.50	0.42	-3.03%	-13.02%	-13.27%	-12.33%	▼	▼	▼	
	QUETTA	50.00	0.49	0.00%	0.00%	11.11%	11.11%	►		▼	▲
RICE BASMATI BROKEN	LAHORE	73.57	0.73	0.00%	-7.21%	-7.21%	-4.19%	►	▼	▼	►
	MULTAN	75.00	0.74	-1.32%	-3.23%	-3.23%	-3.23%	▼	►	►	►
	KARACHI	76.54	0.76	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	PESHAWAR	69.38	0.69	0.07%	-10.83%	-11.90%	-11.43%	►	▼	▼	▼
	QUETTA	90.00	0.89	0.00%	0.00%	5.88%	0.00%	►	►	▲	►
SUGAR	LAHORE	54.7	0.54	-1.69%	-6.96%	-7.40%	4.97%	▼	▼	▼	►
	MULTAN	53.5	0.53	0.75%	-2.80%	-5.94%	5.94%	►	►	▼	►
	KARACHI	54.62	0.54	3.21%	-4.56%	-5.21%	7.90%	▲	►	▼	►
	PESHAWAR	55.25	0.55	-0.02%	-5.30%	-5.75%	5.58%	►	▼	▼	►
	QUETTA	53.25	0.53	0.47%	-4.48%	-10.88%	2.40%	►	►	▼	►
VEG. GHEE (TIN)	LAHORE	194	1.92	-0.41%	-3.96%	-3.96%	-3.96%	►	►	►	►
	MULTAN	194	1.92	-0.82%	-3.96%	-4.90%	-4.90%	►	►	►	►
	KARACHI	193.9	1.92	-4.01%	-4.01%	-4.01%	-6.78%	▼	►	►	►
	PESHAWAR	194	1.92	-1.62%	-3.96%	-4.90%	-4.20%	▼	►	►	►
	QUETTA	198	1.96	-0.60%	-2.94%	-2.94%	-6.60%	►	►	►	►
COOKING OIL (TIN)	LAHORE	196	1.94	-4.67%	-8.41%	-8.41%	-8.41%	▼	▼	▼	►
	MULTAN	196	1.94	0.00%	-9.26%	-9.26%	-9.26%	►	▼	▼	►
	KARACHI	203.5	2.01	-2.16%	-6.65%	-6.65%	-4.91%	▼	▼	▼	►
	PESHAWAR	208	2.06	0.00%	-2.80%	-3.70%	-2.80%	►	►	►	►
	QUETTA	202	2.00	-1.37%	-6.48%	-6.48%	-5.61%	▼	▼	▼	►
CHICKEN LIVE (FARM)	LAHORE	105.11	1.04	-24.25%	-15.99%	-19.83%	-24.85%	▼	▼	▼	▼
	MULTAN	125	1.24	-18.03%	-13.79%	-16.55%	-20.53%	▼	▼	▼	▼
	KARACHI	145.46	1.44	-18.73%	-9.69%	-19.10%	-20.92%	▼	▼	▼	▼
	PESHAWAR	119.5	1.18	-25.96%	-16.72%	-23.40%	-26.80%	▼	▼	▼	▼
	QUETTA	146.25	1.45	-17.84%	-15.22%	-19.86%	-19.86%	▼	▼	▼	▼
Pulse Masoor, Washed	Lahore	156.07	1.54	1.61%	6.65%	2.46%	2.64%	▲	▲	►	►
	Multan	137.5	1.36	0.00%	2.17%	12.24%	15.55%	►	►	▲	▲
	Karachi	133.08	1.32	3.90%	7.04%	5.17%	11.08%	▲	▲	▲	▲
	Peshawar	129.8	1.28	-0.09%	1.47%	8.17%	11.25%	►	►	▲	▲
	Quetta	146.25	1.45	0.17%	4.46%	5.88%	12.50%	►	►	▲	▲
Pulse Moong, Washed	Lahore	170.45	1.69	3.55%	7.58%	8.92%	10.10%	▲	▲	▲	▲
	Multan	172.5	1.71	1.37%	10.40%	21.41%	24.32%	▲	▲	▲	▲
	Karachi	173.08	1.71	1.17%	6.13%	-0.72%	13.07%	▲	▲	►	▲
	Peshawar	163.55	1.62	2.22%	7.39%	8.43%	30.62%	▲	▲	▲	▲
	Quetta	183.75	1.82	-2.26%	0.68%	42.72%	29.40%	▼	►	▲	▲
Pulse Mash, Washed	Lahore	189.2	1.87	3.41%	6.89%	15.68%	30.64%	▲	▲	▲	▲
	Multan	162.5	1.61	1.25%	3.58%	8.94%	32.65%	▲	►	▲	▲
	Karachi	153.08	1.51	0.00%	0.00%	1.66%	24.37%	►	►	►	▲
	Peshawar	164.92	1.63	2.49%	3.95%	9.18%	35.31%	▲	►	▲	▲
	Quetta	185	1.83	-1.07%	-0.67%	4.23%	22.31%	▼	►	►	▲
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											
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