

## Pakistan Market Price Bulletin

February 2015 Issue

### Highlights

- The downward trend in staple cereals prices continued in January 2015; the price of both wheat and wheat flour registered decrease of 1% compared to the previous month.
- The general and food CPI (Consumer Price Index), increased by 3.9% and 3.0%; respectively, on a year on year basis. On a month-on-month basis, general CPI increased by 0.1% while for food it decreased by 0.5%.
- Estimates for global wheat production were at a record high in January, while the global wheat price showed a downward trend.
- 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, showed marginal improvement in January.

### Inflation Watch

In January 2015, general inflation based on Consumer Price Index (CPI), increased by 3.9% on a year-on-year basis, compared to a 4.3% increase in the previous month, and 7.9% in January 2014. On a month-on-month basis, it increased by 0.1% in January 2015 compared to a 1% decrease in the previous month and a 0.5% increase in January 2014. Similarly, on an annual basis, the CPI for food increased by 3.0% in January, compared to 2.4% in the previous month; whereas on a monthly basis, it marked a nominal decrease of 0.5% compared to December 2014<sup>1</sup>. The weighted contribution of food groups in overall inflation decrease from 33.3% in December 2014 to 32.1% in January 2015. It was 38.4% in the same month last year. Among Pakistan's five major cities, the lowest inflation was observed in Quetta at 0.6% while the highest was in Lahore at 6.6%<sup>2</sup>.

### Further decline in wheat prices

In January two rainfall spells were observed, both in Punjab and KPK; thus the monthly rainfall in January was much higher than of last two years. These rains brought relief to the moisture stress on wheat crops especially in rain fed areas. The crop stand is reportedly good at this stage; and if weather remains favorable, the prospects of wheat seem bright. On the other hand, despite the lean season, the average retail price of staple continued its downward trend in January 2015. Across Pakistan's five major markets<sup>3</sup>, the average retail price of wheat and wheat flour both registered a decrease of 1% in January compared to the previous month. The price of wheat decreased from PKR 36 per kg to PKR 35.6 per kg while for wheat flour it

decreased from PKR 40.34 per kg to PKR 39.9 per kg. Similarly the price of rice *irri-6* and *basmati* both saw a decline of 2% each compared to December 2014.

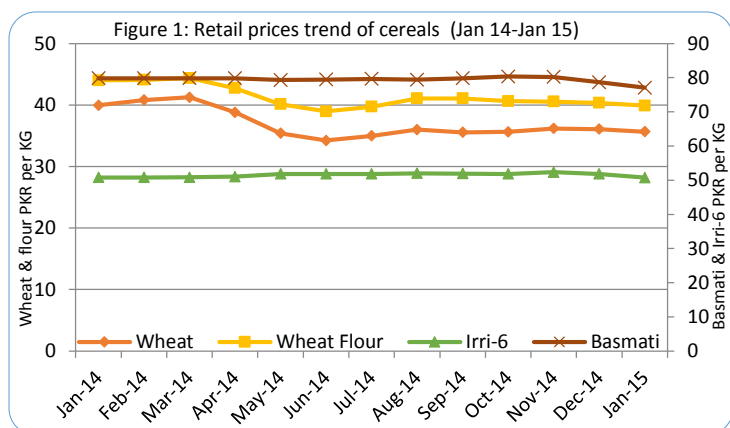
Compared to three months ago, the price of wheat flour in January was found to be lower by 2%, while that of wheat remained the same. Over the same period, the price of *Basmati* and *irri-6* registered a decrease of 4 and 2% respectively. As can be seen in Figure 1, the price of wheat flour in January came down to same level as six months before (July 2014), while the price of wheat was still found to have increased by 2% during the same period. In case of rice, the price of *basmati* and *irri-6* registered a decrease of 3 and 2% respectively over the same period.

Compared to a year ago, the prices of wheat and wheat in January registered a significant decrease of 11% and 9% respectively. On the other hand, over the same period, while the price of rice *irri-6* remained the same that of *basmati* declined by 3%. Price differential analysis among the provinces indicates that the price of wheat remained highest in Quetta at PKR 38.5 per kg, and lowest in Multan at PKR 32.9 per kg. Similarly, the highest price of wheat flour was recorded in Karachi at PKR 42 per kg, and the lowest in Multan at PKR 38.2 per kg<sup>4</sup>.

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

Most non-cereal food commodities registered some increase in price in January 2015 compared to the previous month. Commodities that registered increase in their price include: *dal moong* (3%); *dal mash* (2%); and eggs, lentil *masoor* and chicken increased by 1% each. On the other hand, price of cooking oil and vegetable ghee declined by 3 and 2% respectively compared to previous month. Compared to three months ago, prices of some commodities increased significantly while other registered some decrease. The highest increase (21%) was registered in the price of chicken, similarly other commodities that registered increase in price included: *dal moong* (15%), eggs (10%), lentil *masoor* (6%) and *dal mash* (4%). The commodities of which prices declined included: sugar (9%), cooking oil (5%) and vegetable ghee (2%).

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 31%, and that of *Dal Mash*, *Dal Moong* and lentil *Masoor* registered increases of 10%, 8% and 6%, respectively, during this period. On the other hand, commodities that registered decreases in prices included: sugar (5%), cooking oil (5%), vegetable ghee (3%) and chicken (4%).



<sup>1</sup> Pakistan Bureau of Statistics

<sup>2</sup> Inflation Monitor, State Bank of Pakistan

<sup>3</sup> Lahore, Multan, Karachi Peshawar and Quetta

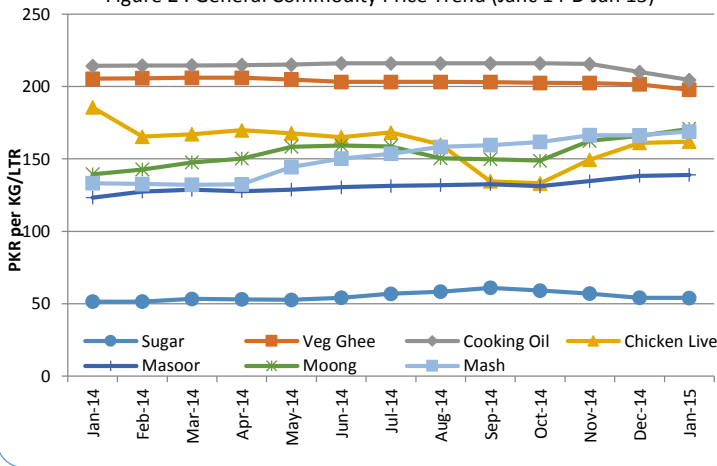
<sup>4</sup> Pakistan Bureau of Statistics

On a year-on-year basis, the prices of non-cereal food commodities showed normal to significant fluctuations. The prices of *Dal Mash*, *Dal Moong* and lentil *Masoor* in January 2015 were found to be higher by 27%, 23% and 13%, respectively, compared to a year ago. On the other hand, decreases were noticed for chicken (13%), sugar and cooking oil (5% each) and vegetable ghee (4%) during this period.

#### Further decline in prices of petroleum products

The prices of petroleum continued to decrease in January as well. In January, the price of petrol and High Speed Diesel (HSD) decreased further by approximately 8% compared to the previous month. With these decreases, the price of petroleum products were at their lowest level in three years. The prices of HSD and petrol decreased from PKR 94.09 and PKR 84.53 per liter in December to PKR 86.23 and PKR 78.28 per liter respectively in January. These prices were lower by 20% and 24%, compared to three months ago, and by 21% and 27%, respectively, compared to six months ago<sup>7</sup>. Compared to a year ago, the price of petrol in January registered a decrease of 31% while that of HSD declined by 26% during the same period.

Figure 2 : General Commodity Price Trend (Jan 14-D Jan 15)

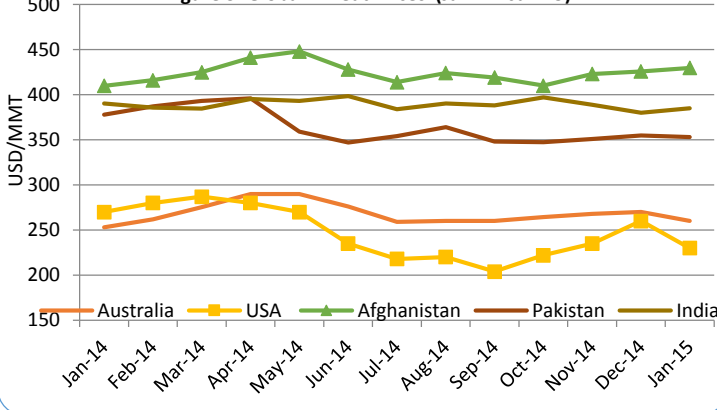


#### Increase in global wheat supply and production estimates

In January, estimates for global wheat supply (2014-15) increased by 3.3 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 1.7 mt, driven by a 0.5 mt increase for both Argentina and Kazakhstan. The Argentine change reflects harvest reports to date; Kazakhstan's increase is from updated government statistics. Production is also raised by 0.3 mt for Turkey and Ukraine. Beginning stocks are raised 1.7 million tons mostly on back-year revisions to the Turkey production. Global wheat consumption for 2014/15 is up 1.5 million tons on both higher food and feed use. The largest increases for food use are for Egypt and Russia, up 0.5 million tons each. Turkey feed use is up 0.4 million tons. Partly offsetting are 0.5 mt and 0.3 mt reductions, respectively for Canada and Brazil feed use<sup>5</sup>.

In January, global wheat prices registered significant decrease of 12% in USA, 4% in Australia, whereas it registered an increase of 1% in Afghanistan and India. Domestic wheat prices in Pakistan remained 18% lower than in Afghanistan and 8% lower than in India, but were 53% higher than in the USA (soft red winter) and 36% higher than in Australia<sup>6</sup>.

Figure 3: Global Wheat Prices (Jan 14 -Jan 15)



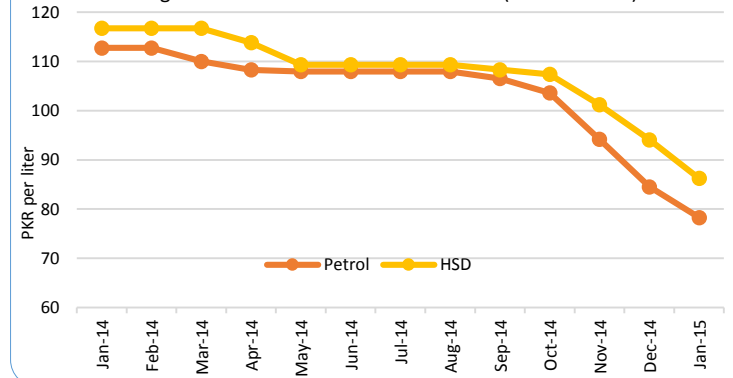
<sup>5</sup>World Agriculture Supply and Demand Estimates (WASDE)—USDA

<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

Figure 4 : Prices of Petroleum Products (Jan 14-Jan 15)

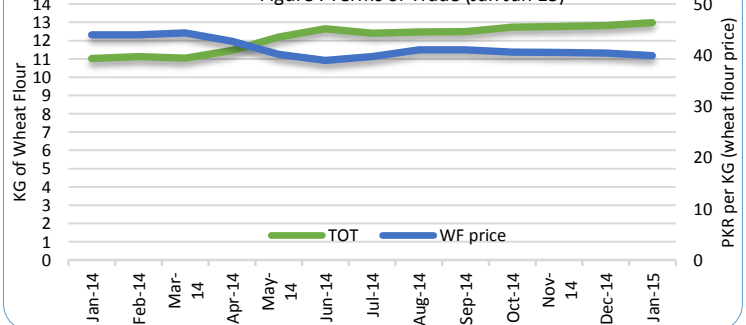


On the other hand, the Government still has not opened the provision of Compact Natural Gas (CNG) for vehicles in Punjab and the federal capital territory. CNG prices remained unchanged in January at PKR 76.35 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in Potohar: Islamabad, Rawalpindi and Gujar Khan), and PKR 71.50 per kg in Region-II (Sindh and Punjab excluding the Potohar region)<sup>8</sup>.

#### A stable trend in Terms of Trade (ToT)<sup>9</sup>

The ToT between the daily wage rate<sup>10</sup> for an unskilled laborer and wheat flour observed a marginal improvement in January (Figure 5). The amount of wheat flour that an unskilled laborer could purchase with a day's wage increased 12.8 kg in December 2014 to 13.0 kg in January 2015. This ToT in January was higher by 2% compared to three months prior, and was higher by 5% compared to six months prior. Even more notable, the ToT in January recorded an increase of 18% 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 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>11</sup>.

Figure : Terms of Trade (Jan Jan 15)



<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 – January 2014

Major Commodities	Markets	Current Prices (Jan 2014) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	LAHORE	35.25	0.35	0.00%	0.64%	6.42%	-13.34%	►	►	▲	▼
	MULTAN	32.9	0.33	-0.68%	-1.79%	0.61%	-12.85%	►	►	►	▼
	KARACHI	34.7	0.34	0.58%	2.06%	2.06%	-6.22%	►	►	►	►
	PESHAWAR	37.0	0.37	-5.13%	-0.54%	1.09%	-8.42%	▼	►	►	►
	QUETTA	38.5	0.38	0.00%	0.00%	0.00%	-12.50%	►	►	►	▼
WHEAT FLOUR kg	LAHORE	38.7	0.38	-3.01%	-3.01%	0.83%	-2.52%	▼	►	►	►
	MULTAN	38.2	0.38	-0.78%	-1.80%	3.52%	-7.73%	►	►	►	►
	KARACHI	42.13	0.42	-2.21%	-2.28%	-4.03%	-12.24%	▼	►	►	▼
	PESHAWAR	39.48	0.39	0.70%	-1.98%	2.60%	-10.26%	►	►	►	▼
	QUETTA	41	0.41	0.00%	0.00%	0.00%	-12.77%	►	►	►	▼
RICE IRRI-6	LAHORE	65.17	0.64	-0.23%	-0.23%	3.33%	3.33%	►	►	►	►
	MULTAN	38.2	0.38	-5.09%	-6.83%	-6.83%	-6.83%	▼	▼	▼	►
	KARACHI	56.54	0.56	0.00%	0.00%	-8.12%	0.00%	►	►	▼	►
	PESHAWAR	43.83	0.43	-6.90%	-10.86%	-9.63%	-9.48%	▼	▼	▼	►
	QUETTA	50	0.49	0.00%	6.38%	11.11%	11.11%	►	▲	▲	▼
RICE BASMATI BROKEN	LAHORE	73.57	0.73	-1.91%	-7.21%	-7.21%	-4.19%	▼	▼	▼	►
	MULTAN	76	0.75	-1.94%	-1.94%	-1.94%	-1.94%	▼	►	►	►
	KARACHI	76.54	0.76	0.00%	0.00%	0.00%	0.00%	►	►	►	►
	PESHAWAR	69.33	0.69	-6.53%	-11.49%	-13.34%	-11.49%	▼	▼	▼	▼
	QUETTA	90	0.89	0.00%	0.00%	5.88%	0.00%	►	►	▲	►
SUGAR	LAHORE	55.64	0.55	0.02%	-8.47%	-3.75%	6.61%	►	▼	►	►
	MULTAN	53.10	0.53	2.61%	-6.56%	-4.50%	5.78%	▲	▼	►	►
	KARACHI	52.92	0.52	-4.51%	-9.72%	-5.87%	3.72%	▼	▼	▼	►
	PESHAWAR	55.26	0.55	-0.05%	-7.55%	-3.93%	5.60%	►	▼	►	►
	QUETTA	53.00	0.52	0.47%	-10.77%	-7.99%	2.71%	►	▼	▼	►
VEG. GHEE (TIN)	LAHORE	194.80	1.93	-1.37%	-3.56%	-3.56%	-3.56%	▼	►	►	►
	MULTAN	195.60	1.93	-3.17%	-3.55%	-4.12%	-3.66%	▼	►	►	►
	KARACHI	202.00	2.00	0.00%	0.00%	0.00%	-2.88%	►	►	►	►
	PESHAWAR	197.20	1.95	-2.38%	-2.38%	-3.33%	-2.38%	▼	►	►	►
	QUETTA	199.20	1.97	-2.35%	-2.35%	-2.35%	-6.04%	▼	►	►	►
COOKING OIL (TIN)	LAHORE	205.60	2.03	-1.86%	-3.93%	-3.93%	-3.93%	▼	►	►	►
	MULTAN	196.00	1.94	-4.85%	-9.26%	-9.26%	-8.92%	▼	▼	▼	►
	KARACHI	208.00	2.06	-1.19%	-4.59%	-4.59%	-2.80%	▼	►	►	►
	PESHAWAR	208.00	2.06	0.00%	-3.70%	-3.70%	-2.80%	►	►	►	►
	QUETTA	204.80	2.03	-5.19%	-5.19%	-5.19%	-4.30%	▼	▼	▼	►
CHICKEN LIVE (FARM)	LAHORE	138.76	1.37	-3.04%	26.19%	-5.32%	-12.49%	▼	▲	▼	▼
	MULTAN	152.50	1.51	1.11%	16.86%	-2.56%	-13.27%	▲	▲	►	▼
	KARACHI	178.99	1.77	7.41%	29.34%	-2.85%	-14.00%	▲	▲	►	▼
	PESHAWAR	161.40	1.60	-1.28%	20.81%	-1.10%	-12.00%	▼	▲	►	▼
	QUETTA	178.00	1.76	-1.79%	16.34%	-6.81%	-11.88%	▼	▲	▼	▼
Pulse Masoor, Washed	Lahore	153.60	1.52	1.08%	1.99%	0.84%	14.45%	▲	►	►	▼
	Multan	137.50	1.36	0.00%	7.84%	12.24%	15.55%	►	▲	▲	▼
	Karachi	128.08	1.27	0.00%	3.48%	3.67%	9.90%	►	►	►	►
	Peshawar	129.92	1.29	1.56%	8.27%	8.27%	11.36%	▲	▲	▲	▲
	Quetta	146.00	1.44	-0.17%	8.96%	5.49%	12.31%	►	▲	▲	▲
Pulse Moong, Washed	Lahore	164.60	1.63	2.19%	5.71%	-1.10%	17.08%	▲	▲	►	▲
	Multan	170.17	1.68	4.72%	28.43%	5.37%	23.76%	▲	▲	►	▲
	Karachi	171.08	1.69	4.91%	4.27%	-1.16%	11.76%	▲	►	►	▲
	Peshawar	160.00	1.58	0.52%	17.93%	4.92%	29.03%	►	▲	►	▲
	Quetta	188.00	1.86	2.31%	20.51%	34.29%	32.39%	▲	►	▲	▲
Pulse Mash, Washed	Lahore	182.96	1.81	3.39%	3.39%	15.12%	23.15%	▲	►	▲	▲
	Multan	160.50	1.59	1.90%	3.22%	8.81%	31.02%	▲	►	▲	▲
	Karachi	153.08	1.51	0.00%	2.68%	6.99%	24.37%	►	►	▲	▲
	Peshawar	160.92	1.59	-0.87%	3.82%	11.62%	31.82%	►	►	▲	▲
	Quetta	187.00	1.85	3.17%	8.72%	7.47%	24.67%	▲	▲	▲	▲
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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