

Pakistan Market Price Bulletin

November 2015 Issue

Highlights

- In October 2015, the prices of wheat and wheat flour recorded an increase of 3% each compared to the previous month.
- Unlike staple cereal, most non-cereal food commodities registered a price decrease compared to the previous month.
- The general inflation based on Consumer Price Index (CPI), increased by 1.6% on a year-on-year (YoY basis) in October 2015.
- The headline as well as food inflation, based on the Consumer Price Index (CPI), increased by 5.8% and 5.2% respectively on a YoY basis, while the CPI for food on a YoY basis increased by 0.5%.
- Estimates for global wheat supply as well as production recorded a decrease; on the other hand, the global wheat prices registered increases.
- Increase in the price of wheat flour caused a deterioration in the purchasing capacity of the daily wage earners.

Inflation Watch: The general inflation based on Consumer Price Index (CPI), increased by 1.6% on a YoY basis in October 2015, compared to 1.3% in the previous month and 5.8% in October 2014. On a month-on-month (MoM) basis, a 0.5% increase was observed in October 2015 compared to 0.1% in the previous month and a 0.2% increase in October 2014. Similarly, in October 2015, the CPI for food on a YoY basis increased by 0.5% compared to 0.1% in the previous month and 5.2% in October 2014; whereas on a MoM basis, it increased by 0.4% in October 2015 compared to a decrease of 0.4% in the previous month. The weighted contribution of food groups in overall CPI inflation (YoY) increased to 12.98% during October 2015 from -3.59% in September 2015; it was 37.95% in October 2014. CPI Inflation (YoY) in October 2015 was higher in federal and provincial capitals compared to overall inflation except Lahore. Among these five cities¹, the lowest inflation was observed in Lahore at 0.2 percent while it was highest in Karachi at 4.2 percent².

Upward trend in the price of staple cereals

October is towards the end of *Kharif* season and is soon followed by *Rabi* season. SUPARCO has estimated rice crop (the major *kharif* crop) 2015-16 cultivated on an area of about 3234 thousand hectare, with a total estimated production of 8.675 million tons (mt). The government has not announced any change in the wheat support price for the upcoming harvest.

At the outset of the lean season (October), the average retail prices of wheat and wheat flour registered an increase of about 3 percent each compared to the previous month. With this, the average retail prices of wheat and wheat

flour across Pakistan's five major markets³ were recorded at PKR 34.09 and PKR 39.32 per kg respectively. On the other hand, on a month-on-month basis, the prices of *Irri-6* and *Basmati* rice registered decreases of 3 and 2 percent respectively.

An upward trend has been observed in the prices of staple cereals compared to three months ago (July 2015). The prices of wheat and wheat flour registered an increase of 3% each during this period. Rice - *Irri-6* and *Basmati* - also registered increase of 3 and 2 percent in the prices during this period. In October 2015, fluctuation was noticed in the prices of staple cereals compared to six months prior (April 2015). During this period, while the price of wheat registered a decrease of 2 percent, that of wheat flour increased by 1 percent. On the other hand, during the same period, the prices of *irri-6* and *basmati* rice showed a decrease of 6% and 4% respectively.

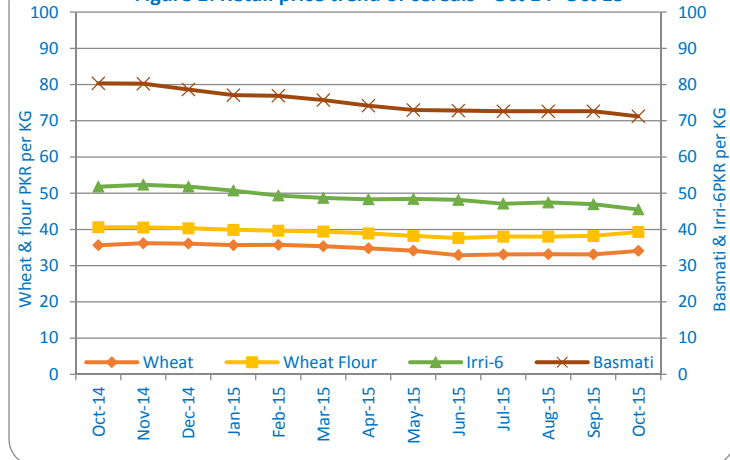
On a year-on-year basis, the price of both wheat and wheat flour registered a modest decrease of about 4% and 3%. Over the same period, the prices of *Irri-6* and *Basmati* rice registered significant decreases of 11% and 12% respectively. Price differentials were recorded for staple cereals among the major markets. The highest prices for wheat and wheat flour were recorded in Karachi at PKR 36.80 and PKR 42.91 per kg respectively whereas, the lowest prices were in Peshawar at PKR31.40 and PKR38.15 per kg⁴ respectively.

Fluctuations in non-cereal food commodity prices

In October, retail prices of non-cereal food commodities registered modest to significant fluctuations. Commodities that registered decrease in prices include: sugar (5%), chicken (5%), vegetable ghee and cooking oil (1%) each. On the other hand, price of *Daal Mash* and lentil masoor registered an increase of 12% and 1% during this period. Most non-cereal food commodities have registered significant price decrease compared to three months prior. These include chicken (35%), sugar (8%), *Daal Moong* (6%), cooking oil (3%), vegetable ghee (2%) and lentil *Masoor* (1%). On the other hand, prices of *Daal Mash* and eggs have increased by about 19% and 1% respectively during this period.

Similarly, prices of non-cereal food commodities in October recorded significant fluctuations compared to six months prior. Commodities that showed an upward trend in their prices during this period include *Daal Mash* (27%), eggs (13%), lentil *Masoor* (3%) and sugar (6%). Commodities that recorded price decreases during this period include chicken (16%), *Daal Moong* (9%), cooking oil (6%) and vegetable ghee (5%).

Figure 1: Retail price trend of cereals - Oct 14- Oct 15



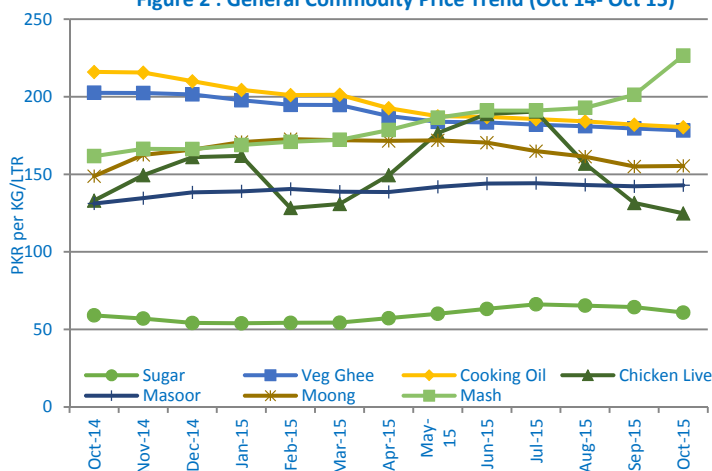
¹Islamabad, Lahore, Karachi, Peshawar and Quetta

²Inflation Monitor October 2015 – State Bank of Pakistan

³Lahore, Multan, Karachi Peshawar and Quetta

⁴Pakistan Bureau of Statistics

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

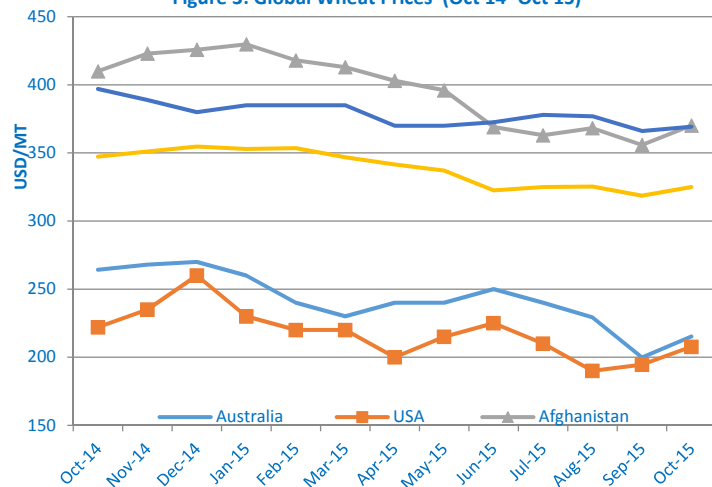


On a year-on-year basis, prices of some commodities increased significantly while others declined marginally. The price of *Daal Mash* recorded the most significant increase (40%) compared to its price a year ago. Similarly, prices of lentil *Masoor*, *Daal Moong* and sugar also registered increases of 9%, 4% and 3% respectively on yearly basis. On the other hand, the prices of chicken and cooking oil experienced a decrease of 16% each while that of eggs and vegetable ghee decreased by about 13% and 12% respectively⁵.

Global wheat supply and production estimates declined

In October 2015, estimates for global wheat supply were marginally lowered by 0.2 million tons (mt) with decreased beginning stocks partially offsetting impact of a small increase in production. Estimates for production in EU has been increased by 2 mt while it has been reduced by 1 mt in case of Australia and 0.5 mt for Russia. The Australia change reflects very hot and dry October conditions affecting grain fill and lowering yield potential. The global wheat crop is now projected at 733mt. On consumption side, an increase of 1 mt has been noted in global wheat consumption, largely for China. Global

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



ending stocks have been lowered by 1.2 million tons to 227.3 million, yet remained record high⁶.

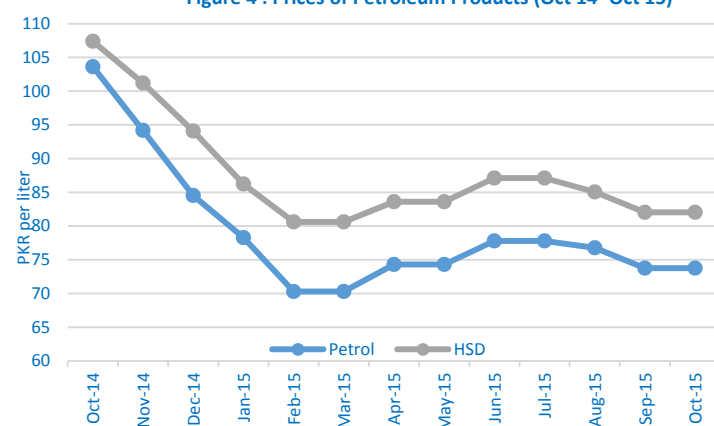
On a MoM basis, global wheat prices experienced an increase of 8% in Australia⁷, 7% in USA⁸, 4% and 1% in Afghanistan⁹ and India¹⁰ respectively. Compared to regional markets, wheat prices in Pakistan remained 12% lower

than in Afghanistan and India, but were 56% higher than in the USA (soft red winter) and 51% higher than in Australia.

Stable petroleum product prices

The prices of petroleum products remained unchanged in October; petrol and high speed diesel (HSD) prices were thus recorded at PKR 73.6 and PKR 82.04 per liter respectively. The current prices of super petrol and HSD are lower by 5% and 6% respectively compared to three months prior. A nominal decline of 2% and 1% have been recorded in the prices of HSD and petrol over a period of six months. However, on a YoY basis, super petrol and HSD have registered decrease of about 29% and 24% respectively in October 2015¹¹. The price of compressed natural gas (CNG) remained unchanged in October at PKR 75.82 per kg in Region-I (Khyber Pakhtunkhwa, Balochistan, and in Potohar: Islamabad, Rawalpindi and Gujar Khan), and PKR 67.50 per kg in Region-II (Sindh and Punjab excluding the Potohar region)¹².

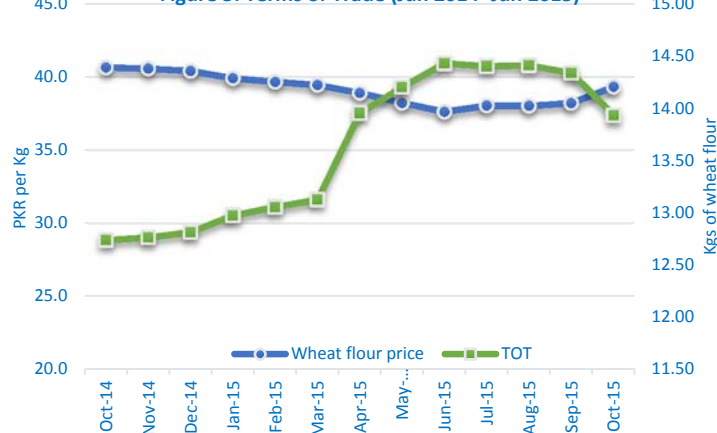
Figure 4 : Prices of Petroleum Products (Oct 14- Oct 15)



Deterioration in Terms of Trade (ToT)¹³

Due to an increase in the price of wheat flour, the terms of trade between the daily wage rate¹⁴ for an unskilled labour and wheat flour price declined by about 3% (Figure 5) in October. The quantity of wheat flour that an unskilled wagger laborer could purchase decreased to 13.93 Kg from 14.34 Kg in September. This ToT was found lower by 3% compared to 3 months ago, but higher than 9% than a year ago. The highest ToT was recorded in Lahore at 15.46 kgs of wheat flour per day of wage labour, while the lowest was in Multan at 12.34 kgs¹⁵.

Figure 5: Terms of Trade (Jun 2014- Jun 2015)



⁵Pakistan Bureau of Statistics

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

⁷FAO Global Information and Early Warning System (GIEWS)

⁸FAO Global Information and Early Warning System (GIEWS)

⁹WFP Afghanistan Office

¹⁰FAO Global Information and Early Warning System (GIEWS)

¹¹<http://www.psopk.com>

¹²Oil & Gas Regulatory Authority (OGRA) Govt. Pakistan

¹³Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

¹⁴The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

¹⁵Pakistan Bureau of Statistics

Retail prices of various food commodities in major cities – October 2015

Major Commodities	Markets	Current Prices (Oct 2015) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	34.53	0.33	1.17%	2.52%	0.58%	-1.43%	▲	►	►	►
	Multan	32.50	0.31	6.56%	5.52%	4.17%	-2.99%	▲	▲	►	►
	Karachi	36.80	0.35	5.14%	5.14%	5.14%	8.24%	▲	▲	▲	►
	Peshawar	31.40	0.30	1.29%	1.29%	-10.29%	-15.59%	▲	►	▼	▼
	Quetta	35.20	0.34	0.57%	0.57%	-8.57%	-8.57%	►	►	▼	►
WHEAT FLOUR kg	Lahore	38.82	0.37	3.38%	1.89%	0.31%	-2.71%	▲	►	►	►
	Multan	38.50	0.37	5.12%	5.48%	5.19%	-1.03%	▲	▲	▲	►
	Karachi	42.91	0.41	3.87%	5.92%	5.40%	-0.46%	▲	▲	▲	►
	Peshawar	38.15	0.37	1.51%	2.85%	1.73%	-5.30%	▲	►	►	►
	Quetta	38.20	0.37	0.53%	0.53%	-6.83%	-6.83%	►	►	▼	►
RICE IRRI-6	Lahore	54.54	0.52	-10.16%	-10.16%	-15.53%	-16.50%	▼	▼	▼	▼
	Multan	36.20	0.35	-2.16%	-2.16%	-2.16%	-11.71%	▼	►	►	▼
	Karachi	44.62	0.43	0.00%	-1.76%	-13.43%	-21.08%	►	►	▼	▼
	Peshawar	42.33	0.41	-0.40%	-0.40%	-0.40%	-13.91%	►	►	►	▼
	Quetta	50.00	0.48	0.00%	0.00%	8.70%	6.38%	►	►	▲	►
RICE BASMATI BROKEN	Lahore	65.79	0.63	-8.36%	-8.36%	-10.57%	-17.03%	▼	▼	▼	▼
	Multan	69.00	0.66	-1.43%	-1.43%	-3.50%	-10.97%	▼	▼	▼	▼
	Karachi	73.08	0.70	0.00%	0.00%	-1.85%	-4.52%	►	►	►	►
	Peshawar	68.33	0.65	0.00%	0.00%	0.00%	-12.77%	►	►	►	▼
	Quetta	80.00	0.77	0.00%	0.00%	-3.61%	-11.11%	►	►	►	▼
SUGAR	Lahore	64.79	0.62	-1.67%	-1.22%	12.02%	6.58%	▼	►	▲	►
	Multan	59.30	0.57	-6.07%	-8.63%	5.33%	4.35%	▼	▼	▲	►
	Karachi	59.86	0.57	-6.35%	-10.15%	3.10%	2.12%	▼	▼	►	►
	Peshawar	61.73	0.59	-5.28%	-9.13%	7.23%	3.28%	▼	▼	▲	►
	Quetta	58.80	0.56	-7.76%	-10.91%	3.89%	-1.01%	▼	▼	►	►
VEG. GHEE (TIN)	Lahore	176.00	1.68	-2.49%	-3.30%	-3.30%	-12.87%	▼	►	►	▼
	Multan	176.00	1.68	-1.12%	-4.35%	-7.37%	-13.21%	▼	►	▼	▼
	Karachi	181.20	1.73	0.00%	0.00%	-2.16%	-10.30%	►	►	▼	▼
	Peshawar	180.00	1.72	0.05%	0.00%	-4.46%	-10.89%	►	►	▼	▼
	Quetta	178.00	1.70	0.00%	-2.63%	-7.29%	-12.75%	►	►	▼	▼
COOKING OIL (TIN)	Lahore	178.00	1.70	-3.26%	-4.30%	-4.30%	-16.82%	▼	►	►	▼
	Multan	178.00	1.70	-1.11%	-4.30%	-7.29%	-17.59%	▼	►	▼	▼
	Karachi	182.00	1.74	0.00%	-2.78%	-5.76%	-16.51%	►	►	▼	▼
	Peshawar	182.00	1.74	0.00%	0.00%	-7.14%	-15.74%	►	►	▼	▼
	Quetta	182.00	1.74	0.00%	-2.57%	-7.14%	-15.74%	►	►	▼	▼
CHICKEN LIVE (FARM)	Lahore	96.76	0.93	-8.81%	-41.34%	-24.26%	-12.00%	▼	▼	▼	▼
	Multan	120.50	1.15	-5.49%	-35.04%	-19.40%	-7.66%	▼	▼	▼	►
	Karachi	137.66	1.32	-7.01%	-32.34%	-12.34%	-0.53%	▼	▼	▼	►
	Peshawar	115.20	1.10	-8.57%	-39.50%	-21.53%	-13.77%	▼	▼	▼	▼
	Quetta	154.00	1.47	2.67%	-25.96%	-7.23%	0.65%	▲	▼	►	►
Pulse Masoor, Washed	Lahore	161.96	1.55	0.00%	0.00%	3.77%	7.54%	►	►	►	►
	Multan	137.50	1.32	0.00%	0.00%	0.00%	7.84%	►	►	►	►
	Karachi	143.08	1.37	0.00%	0.00%	7.51%	15.60%	►	►	▲	▲
	Peshawar	132.00	1.26	2.52%	2.52%	4.41%	10.00%	▲	►	►	▲
	Quetta	140.00	1.34	0.00%	-6.67%	0.00%	4.48%	►	▼	►	►
Pulse Moong, Washed	Lahore	158.57	1.52	-2.20%	-10.12%	-9.09%	1.84%	▼	▼	▼	►
	Multan	141.50	1.35	2.29%	-4.07%	-12.92%	6.79%	▲	►	▼	►
	Karachi	163.08	1.56	-5.78%	-5.78%	-5.78%	-0.61%	▼	▼	▼	►
	Peshawar	147.00	1.41	1.09%	-6.77%	-10.76%	8.35%	▲	▼	▼	►
	Quetta	167.00	1.60	6.88%	-1.76%	-8.74%	7.05%	▲	►	▼	►
Pulse Mash, Washed	Lahore	202.86	1.94	0.00%	0.00%	3.27%	14.64%	►	►	►	▲
	Multan	231.00	2.21	23.75%	30.14%	40.43%	48.55%	▲	▲	▲	▲
	Karachi	236.31	2.26	24.62%	33.45%	54.37%	58.51%	▲	▲	▲	▲
	Peshawar	218.58	2.09	12.46%	15.55%	22.45%	41.02%	▲	▲	▲	▲
	Quetta	244.00	2.33	4.95%	16.75%	22.00%	41.86%	▲	▲	▲	▲
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											