

Pakistan Market Price Bulletin

August 2016 Issue

Highlights

- In July 2016, wheat and wheat flour prices negligibly increased by 1% from June 2016;
- Headline inflation, based on Consumer Price Index (CPI), negligibly increased by 1.3% from the previous month (June 2016), and by 4.1% from the same month last year (July 2015);
- Prices of most non-cereal food commodities remained almost unchanged from June 2016;
- The Casual labour wage/Wheat flour Terms-of-Trade (ToT) average has been slightly improving since last quarter of 2015 due to stable wheat flour price. However, it negligibly deteriorated by 1% from June 2016; and
- In July 2016, total global wheat production for 2016-2017 is projected at 743.4 million tons.

Headline inflation negligibly increased

In July 2016, the headline inflation based on Consumer Price Index (CPI) negligibly increased by 1.3% from the previous month (June 2016), and by 4.1% from the same month last year (July 2015). The CPI for food increased by 2.5% from June 2016, and by 4.7% from July 2015. Whereas, the CPI for non-food increased by 0.5% and 3.7%, respectively. The weighted contribution of food group in the overall CPI remained at 34.8% in July 2016, which was the same in July 2015¹.

Retail prices of staple cereals remain stable (Figure 1)

In July 2016, the average retail prices of staple cereals negligibly increased compared to the previous month (June 2016). The price of wheat and wheat flour across the country's main markets² were recorded at PKR 33.6 and PKR 38.6 per kg, respectively, indicating a negligible increase by 1.0% for each commodity. The price of rice Irri-6 and *Basmati* was recorded at PKR 44.8 and 64.7 per kg, also showing a negligible increase by 0.4% and 0.9%, respectively from June 2016.

Compared to three months ago (April 2016), wheat and wheat flour price in July negligibly decreased by 1.7% and 0.5%, respectively. However, during this period, the price of Irri-6 and *Basmati* varieties of rice negligibly increased by 2.4% and 0.9%, respectively.

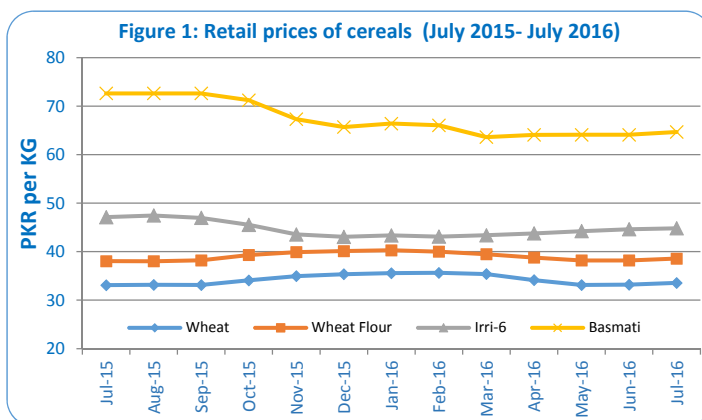
4.3% and 2.6%, respectively. Whereas, Irri-6 rice price slightly increased by 3.4% during this period.

On a one-year comparison (July 2015), wheat and wheat flour price increased by 1.4% each, while prices *Irri-6* and *Basmati* slightly decreased by 4.9% and 11%, respectively³.

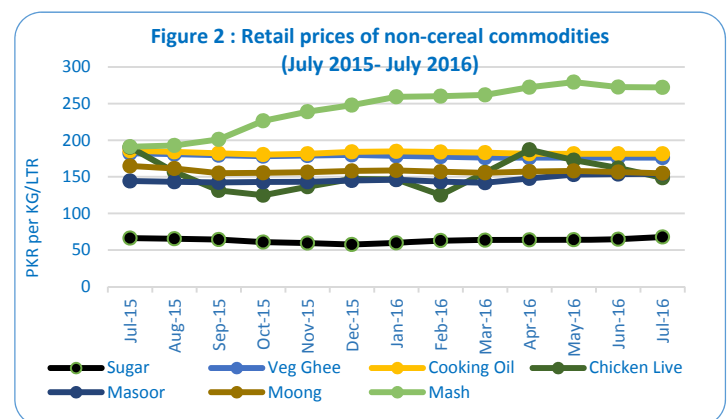
Retail prices of non-cereal food commodities remained stable (Figure 2)

In July 2016, there were no significant fluctuations in the prices of non-cereal food commodities compared to the previous month. The price of live chicken decreased by 8.3%, and that of pulses *Dal Moong* and *Dal Mash* by 1.1% and 0.2%, respectively. On the other hand, sugar and lentil *Dal Masoor* price increased by 4.7% and 0.2%, respectively.

Compared to three months ago (April 2016), prices of the majority of non-cereal commodities in July 2016 insignificantly fluctuated, except live chicken. The prices of pulses *Dal Mash* and *Dal Moong* negligibly decreased by 0.1% and 1.6%, respectively. Egg price slightly reduced by 2.5%, while sugar and lentil *Masoor* slightly increased by 6.2% and 4.2%, respectively.



Comparing the cereal prices with six months ago (January 2016), the price of wheat, wheat flour, and Basmati in July 2016 slightly decreased by 5.7%,



Meanwhile, live chicken price significantly decreased by 20.5%. Over a six month period starting January 2016, wider variations were observed, with some commodities negligibly or significantly increased, while others recorded a negligible or significant decrease. The increased prices were reported for sugar (by 13.5%), chicken (1.4%), lentil *Dal Masoor* (5.4%) and

¹Pakistan Bureau of Statistics, Islamabad
²Lahore, Multan, Karachi Peshawar and Quetta

³ Pakistan Bureau of Statistics, Islamabad

pulse *Dal Mash* (5%). Meanwhile, egg price significantly decreased by 29.5%. A negligible price decline was seen in the prices of pulse *Dal Moong* (by 2.4%), cooking oil (1.7%) and vegetable ghee (1.3%).

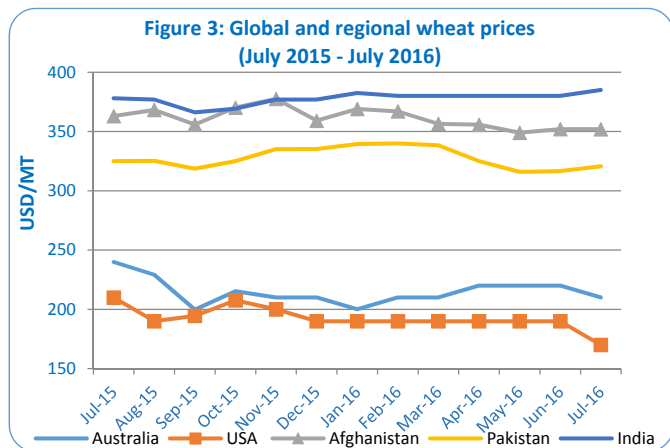
Compared to July 2015, the prices of non-cereal food commodities experienced insignificant fluctuations, except for the price of pulse *Dal Mash* which significantly increased by 42%, and the price of live chicken which significantly decreased by 22%. The prices of sugar and lentil *Dal Masoor* slightly increased by 2.5% and 6.8%, respectively. Whereas, the price of pulses *Dal Moong*, vegetable *ghee* and cooking oil slightly decreased by 6.2%, 3.2%, and 2.2%, respectively⁴.

Major markets across the country are generally well integrated in July 2016, with an exception of Quetta where prices of Basmati rice, live chicken, lentil Masoor and pulse Moong were significantly higher than other big cities, mainly due to its remoteness and low rice production.

Increase in estimated global wheat production (Figure 3)

In July 2016, the total global wheat production was projected to be at 743.4 million tons (MT), an increase by 4.9 million MT compared to June 2016. With the exception of lower crop yield expected in the western part of the European continent due to unfavorable weather conditions, virtually all major wheat-exporting countries in the world (United States, Australia, Canada, Kazakhstan, Russia, and Ukraine) enjoyed near-perfect weather conditions and most of them projected to have record-high or near-record wheat output this month. Among them, Russia is expected to have the largest wheat harvest in its history⁵.

Although the reduced wheat production from the EU will be partially offset by projected expansion of wheat production in all the other major wheat exporting countries during this month, the overall exportable wheat supply will decrease. The EU wheat output is projected by 7.0 million MT lower, whereas the combined wheat output of all major wheat exporters including the United States is expected to increase by 5.0 million MT leaving the gap of 2.0 million MT. As a result, the aggregate wheat stocks at the beginning of July 2016 of the major exporting countries are projected down by 3.8 million MT (down by 3.0 million MT in the EU alone).



Compared to June 2016, wheat prices in July 2016 decreased in the USA⁶ (by 10.5%) and Australia⁷ (4.5%), while India⁸ and Afghanistan⁹ reported a

⁴ Pakistan Bureau of Statistics

⁵ World Agriculture Supply and Demand Estimates, USDA

⁶ FAO Global Information and Early Warning System (GIEWS)

⁷ FAO Global Information and Early Warning System (GIEWS)

⁸ FAO Global Information and Early Warning System (GIEWS)

⁹ WFP Afghanistan Office

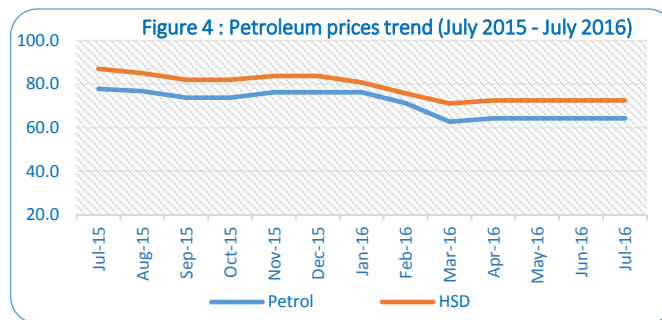
¹⁰ <http://www.psopk.com>

¹¹ The ratio of the price of the primary income good relative to the price of the primary expenditure good. It simply measures the purchasing power of a particular livelihood

negligible increase by 1.3% and 0.01%, respectively. The domestic retail wheat price in Pakistan was 89% higher than in USA, 53% higher than in Australia, whereas it was 17% and 9% lower than in India and Afghanistan, respectively.

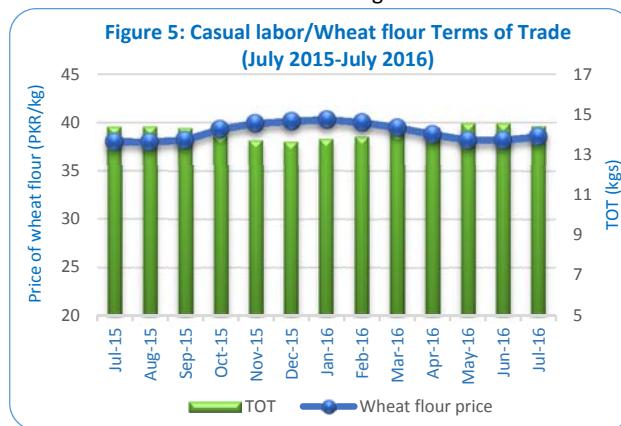
Stable prices of petroleum products (Figure 4)

Compared to June 2016, customer's prices of petroleum products remained unchanged in July 2016. The current prices of super petrol and High Speed Diesel (HSD) were recorded at PKR 64.3 and PKR 72.5, respectively. Similarly, no change was found in these prices compared to three months ago (April 2016). On a 6-month comparison with January 2016, the current prices of super petrol and HSD significantly lowered by 16% and 10%, respectively. HSD and petrol price significantly decreased by 17% compared to July 2015¹⁰.



Terms-of-Trade (ToT)¹¹ negligibly deteriorated (Figure 5)

In July 2016, the average ToT was recorded at 14.4 kg of wheat flour, which negligibly deteriorated by 1.0% compared to June 2016. Over the past year, there has been negligible to very slight improvement in the ToT compared to three months (0.6% April 2016), six months (3.8% January 2016) and twelve months (0.2% July 2015) ago, mainly due to stable wheat flour price. However, the ToT varied across different cities due to variations either in wheat flour price or the labor wage¹², or both. The highest ToT was observed in Lahore at 15.9 kg, while the lowest in Peshawar at 13.5 kg. Despite the highest labor wage was recorded in Karachi, the ToT in Karachi was relatively lower than other major cities due to higher wheat flour price. On the other hand, despite the relatively low wheat price in Peshawar, the ToT remained the lowest due to lower wage rates¹³.



group. In this Bulletin, the Terms of Trade (ToT) between casual unskilled labor wage and Wheat flour is applied. This ToT reveals how many Kilograms of Wheat flour can be purchased with one-day casual unskilled labor wage, but does not say how many days a month a laborer can get to cover the family food needs.

¹² The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)

¹³ Pakistan Bureau of Statistics

Retail prices of main food commodities in major cities – July 2016

Major Commodities	Markets	Current Prices (July 2016) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	33.18	0.32	0.91%	-8.17%	-6.88%	-1.48%	▶	▼	▼	▶
	Multan	32.00	0.31	3.06%	-5.88%	-4.48%	3.23%	▲	▼	▶	▶
	Karachi	35.60	0.34	1.71%	0.00%	-3.78%	1.71%	▲	▶	▶	▶
	Peshawar	32.00	0.31	0.00%	-6.43%	-6.57%	-4.48%	▶	▼	▼	▶
	Quetta	35.00	0.33	0.00%	-5.41%	-6.67%	-9.09%	▶	▼	▼	▶
WHEAT FLOUR kg	Lahore	37.80	0.36	1.29%	-3.08%	-3.08%	2.23%	▲	▶	▶	▶
	Multan	36.23	0.35	1.78%	-5.15%	-5.89%	1.00%	▲	▼	▼	▶
	Karachi	41.85	0.40	1.69%	1.19%	-5.63%	3.83%	▲	▶	▼	▶
	Peshawar	37.01	0.35	0.34%	-4.62%	-5.41%	0.14%	▶	▶	▼	▶
	Quetta	40.00	0.38	0.00%	0.00%	-1.23%	-2.44%	▶	▶	▶	▶
RICE IRRI-6	Lahore	49.07	0.47	0.00%	0.00%	4.63%	-24.00%	▶	▶	▶	▼
	Multan	41.00	0.39	2.50%	17.14%	17.14%	10.81%	▲	▲	▲	▲
	Karachi	43.31	0.41	0.00%	0.00%	0.00%	-13.52%	▶	▶	▶	▼
	Peshawar	40.75	0.39	0.00%	0.00%	-1.93%	-4.12%	▶	▶	▶	▶
	Quetta	50.00	0.48	0.00%	2.46%	0.00%	4.17%	▶	▶	▶	▶
RICE BASMATI BROKEN	Lahore	57.68	0.55	0.00%	0.00%	8.52%	-21.60%	▶	▶	▲	▼
	Multan	64.16	0.61	1.31%	1.31%	1.31%	-8.34%	▲	▶	▶	▶
	Karachi	68.75	0.66	0.00%	0.56%	0.56%	-5.93%	▶	▶	▶	▶
	Peshawar	65.83	0.63	0.00%	0.00%	-2.17%	-3.66%	▶	▶	▶	▶
	Quetta	67.00	0.64	3.08%	6.35%	-16.25%	-16.25%	▲	▲	▼	▼
SUGAR	Lahore	68.74	0.66	4.10%	6.69%	12.82%	13.25%	▲	▲	▲	▲
	Multan	66.40	0.63	4.40%	6.75%	11.82%	13.02%	▲	▲	▲	▲
	Karachi	67.65	0.65	6.08%	8.34%	15.19%	12.52%	▲	▲	▲	▲
	Peshawar	67.93	0.65	3.28%	6.14%	13.37%	12.75%	▲	▲	▲	▲
	Quetta	68.60	0.66	5.54%	7.19%	14.33%	12.92%	▲	▲	▲	▲
VEG. GHEE (TIN)	Lahore	176.00	1.68	0.00%	0.00%	-1.12%	-3.30%	▶	▶	▶	▶
	Multan	176.00	1.68	0.00%	0.00%	0.00%	-4.35%	▶	▶	▶	▶
	Karachi	181.20	1.73	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Peshawar	176.00	1.68	0.00%	0.00%	-2.22%	-2.22%	▶	▶	▶	▶
	Quetta	172.00	1.64	0.00%	0.00%	-3.37%	-10.42%	▶	▶	▶	▼
COOKING OIL (TIN)	Lahore	178.00	1.70	0.00%	-4.30%	-4.30%	-4.30%	▶	▶	▶	▶
	Multan	186.00	1.78	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Karachi	187.20	1.79	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
	Peshawar	178.00	1.70	0.00%	0.00%	-2.20%	-2.20%	▶	▶	▶	▶
	Quetta	178.00	1.70	0.00%	0.23%	-2.20%	-9.18%	▶	▶	▶	▶
CHICKEN LIVE (FARM)	Lahore	126.96	1.21	-11.81%	-12.66%	3.97%	-18.02%	▼	▼	▶	▼
	Multan	140.50	1.34	-8.47%	-12.73%	0.36%	-16.84%	▼	▼	▶	▼
	Karachi	149.28	1.43	-9.17%	-5.76%	-11.29%	-25.58%	▼	▼	▼	▼
	Peshawar	149.40	1.43	-10.86%	-2.73%	9.85%	-14.63%	▼	▶	▲	▼
	Quetta	177.00	1.69	-2.21%	9.94%	6.47%	-3.67%	▼	▲	▲	▶
Lentil Masoor, Washed	Lahore	166.43	1.59	0.00%	6.03%	4.37%	4.66%	▶	▲	▶	▶
	Multan	142.50	1.36	0.00%	6.47%	0.00%	3.64%	▶	▲	▶	▶
	Karachi	153.23	1.46	2.36%	8.26%	8.74%	10.97%	▲	▲	▲	▲
	Peshawar	144.33	1.38	0.11%	8.25%	4.65%	12.10%	▶	▲	▶	▲
	Quetta	164.00	1.57	-1.20%	13.89%	9.33%	12.14%	▼	▲	▲	▲
Pulse Dal Moong, Washed	Lahore	160.86	1.54	1.13%	-0.13%	-0.13%	-8.83%	▲	▶	▶	▶
	Multan	142.50	1.36	0.00%	-1.72%	-3.39%	-14.93%	▶	▶	▶	▼
	Karachi	166.54	1.59	0.00%	4.59%	4.65%	-3.78%	▶	▶	▶	▶
	Peshawar	141.93	1.36	-0.28%	0.66%	-6.42%	-12.66%	▶	▶	▼	▼
	Quetta	162.00	1.55	-5.81%	-5.26%	-6.76%	-10.00%	▼	▼	▼	▶
Pulse Dal Mash, Washed	Lahore	286.71	2.74	1.88%	7.24%	12.75%	45.96%	▲	▲	▲	▲
	Multan	256.50	2.45	-0.71%	0.59%	0.59%	45.53%	▶	▶	▶	▲
	Karachi	273.46	2.61	0.08%	3.21%	5.98%	62.70%	▶	▶	▶	▲
	Peshawar	276.67	2.64	0.00%	10.37%	9.21%	47.23%	▶	▲	▲	▲
	Quetta	267.00	2.55	-2.20%	-1.48%	-2.91%	31.04%	▼	▶	▶	▲

1M= One month, 3M= Three months, 6M= Six month, 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% during one year period.
Monthly price bulletins and more VAM publications are available on <http://vam.wfp.org.pk/>
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