

Pakistan Market Price Bulletin

February 2016 Issue

Highlight

- Staple cereal prices remained generally stable in January 2016; price of wheat flour remained unchanged while that of wheat increased by less than one percent compared to the previous month.
- On a year-on-year basis, general as well as food CPI (Consumer Price Index) increased by 3.2% and 2.5% respectively in January 2016 whereas on a month-on-month basis, both general and food CPI decreased by 0.2% and 0.6% respectively.
- The price of high speed diesel (HSD) declined by 4% in January 2016, while that of super petrol remained unchanged.
- The purchasing capacity of daily wage earners as reflected by their terms-of-trade, showed marginal improvement in January 2016.

Inflation Watch

In January 2016, general inflation based on Consumer Price Index (CPI), increased by 3.2% on a year-on-year basis, compared to a 3.3% increase in the previous month, and 3.9% in January 2015. On a month-on-month basis, it decreased by 0.2% in January 2016 compared to a 0.6% decrease in the previous month and a 0.1% increase in January 2015. Similarly, the CPI for food on an annual basis marked a 2.5% increase in January 2016, compared to an increase of 3% in January 2015; while on monthly basis, it decreased by 0.6% compared to a 1.6% decrease in the previous month¹.

Staple trend in cereal prices

In January, two rainfall spells were observed, both in Punjab and KPK, which brought some relief to the moisture stress on wheat crops especially in rain fed areas, and if weather remains favorable, the prospects for wheat are bright. The prices of wheat flour remained unchanged in January, while an increase of less than one percent was noticed in the price of wheat compared to the previous month. In January 2016, across Pakistan's five major markets², the average retail price of wheat and wheat flour were recorded at PKR 35.58 and PKR 40.29 per kilo respectively. Similarly the price of rice *irri-6* and *basmati* both registered an increase of one percent each in January 2016 compared to the previous month.

Compared to three months ago, the prices of wheat and wheat flour in January 2016 were found to be higher by 4% and 3% respectively. On the

other hand, over the same period, the prices of *Basmati* and *irri-6* registered decreases of 7% and 5% respectively. Compared to six months prior (July 2015), the prices of wheat and wheat flour in January 2016 were higher by 8% and 6% respectively. On the other hand, prices of *Basmati* and *Irri-6* decreased by 9% and 8% respectively during the same period.

As can be seen from Figure 1, the average price of wheat in January 2016 was about the same as a year ago (January 2015); while the price of wheat showed a nominal increase of 1% during this period. On the other hand, over the same period, prices of rice *Irri-6* and *Basmati* registered significant decreases of 15% and 14% respectively. Price differential analysis among the provinces indicates that in January 2016, the price of wheat remained highest in Quetta at PKR 37.5 per kg, and lowest in Multan at PKR 33.50 per kg. Similarly, the highest price of wheat flour was recorded in Karachi at PKR 44.35 per kg, and the lowest in Multan at PKR 38.5 per kg³.

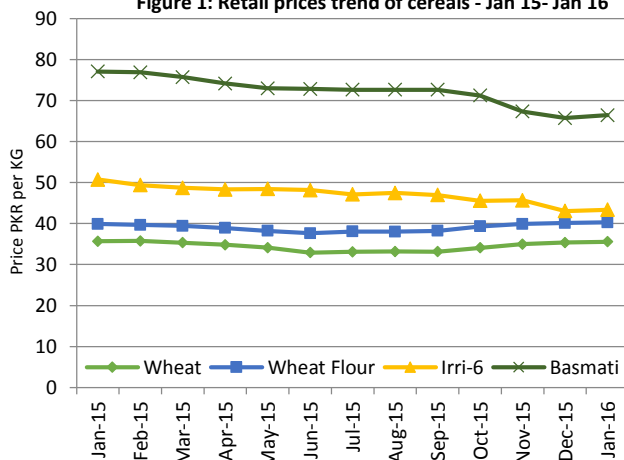
Marginal fluctuation in non-cereal food commodity prices

In January 2016, prices of non-cereal food commodities observed marginal fluctuation compared to the previous month. Commodities that registered price increase include *Dal Mash* (5%), sugar (4%), and lentil *Masoor* (1%); while the prices of *Dal Moong* chicken and cooking oil did not observe any change. The prices of eggs and vegetable ghee observed a marginal decline of 1% each during this period. Compared to three months ago, most non-cereal food commodities registered price increase. Commodities which experienced price increase include chicken (17%), *Dal Mash* (14%), eggs (10%), and cooking oil, *Dal Moong* and lentil *Masoor* (2% each). On the other hand, a marginal decrease of 2% was observed in sugar prices during this period.

Significant price fluctuations can be seen in the prices of these commodities in the past six months (Figure 2). A steep rise (36%) can be seen in the price of *Dal Mash* compared to six months ago. Other commodities that registered price increase included eggs (12%) and lentil *Masoor* (1%). On the other hand, during this period, commodities that registered price decrease include chicken (23%), sugar (10%), *Dal Moong* (4%), vegetable ghee (2%) and cooking oil (1%).

On a year-on-year basis, the prices of non-cereal food commodities showed nominal to significant fluctuations. The prices of *Dal Mash*, sugar and lentil *Masoor* in January 2016 were found to be higher by 53%, 11% and 5% respectively, compared to January 2015. On the other hand, a price decrease of 10% each was observed for cooking oil and vegetable ghee. Prices of *Dal Moong*, eggs and chicken also registered decreases of 7%, 13% and 10% respectively during the same one year period⁴.

Figure 1: Retail prices trend of cereals - Jan 15- Jan 16



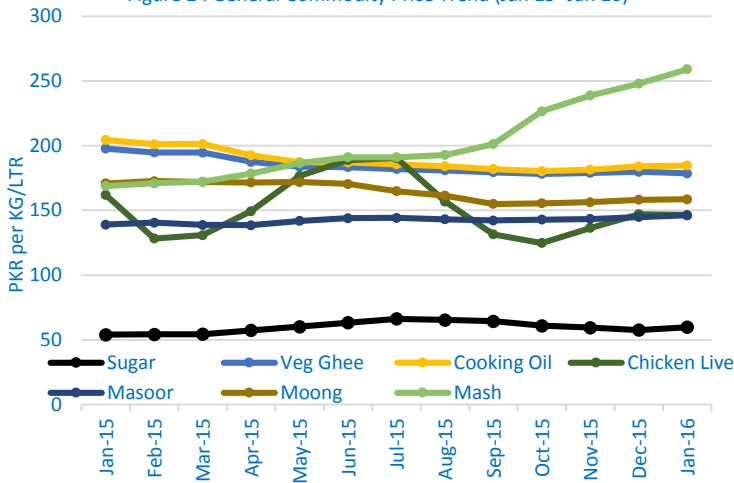
¹ Pakistan Bureau of Statistics

² Lahore, Multan, Karachi Peshawar and Quetta

³ Pakistan Bureau of Statistics

⁴ Pakistan Bureau of Statistics

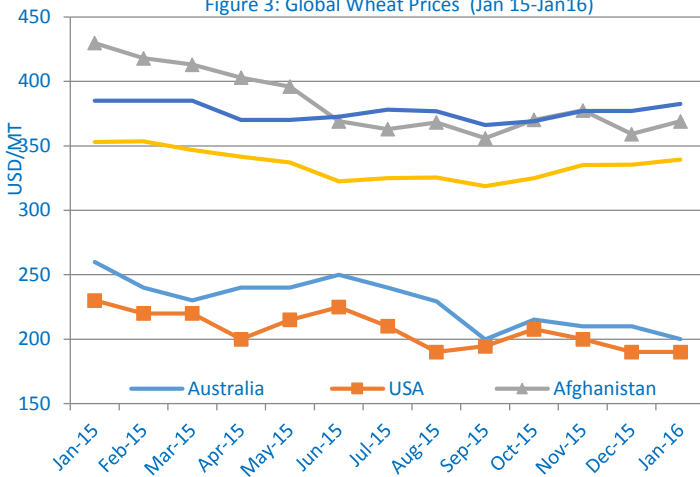
Figure 2 : General Commodity Price Trend (Jan 15- Jan 16)



Increase in global wheat supply and production estimates

In January, estimates of global wheat supply (2015-16) were raised by 2.1 million tons (mt) due to an increase in beginning stocks and a slightly higher production. The largest change to beginning stocks is a 2.0 million-ton increase for China. Estimates for global wheat production are higher by 0.4 mt mainly due to 0.5 mt increase for Argentina and a 0.3 mt increase for Ukraine, while estimate for Kazakhstan is lowered by 0.3 mt. On the other hand, global wheat consumption went down by 1.5 mt for both food and feed use. The largest increases for food use is for China (4 mt), while consumption lowered in India by 2.9 mt. With wheat supplies increasing and total usage decreasing, global ending stocks have been raised by 6.8 million tons to a record 238.9 million tons⁵.

Figure 3: Global Wheat Prices (Jan 15-Jan16)



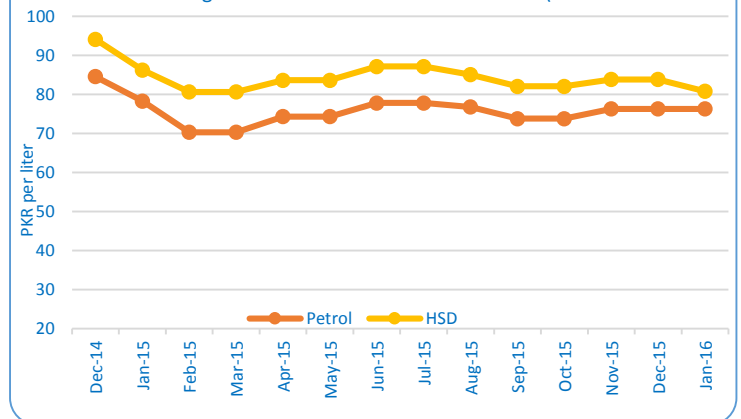
In January 2016, compared to the previous month, wheat prices registered increase of 3% in Afghanistan and 2% in India⁶ while it registered decrease of about 5% in Australia⁷ and remained unchanged in USA⁸. Domestic wheat prices in Pakistan remained 11% and 8% lower than in Afghanistan and India respectively, but were 79% higher than in the USA (soft red winter) and 70% higher than in Australia.⁹

Some decline in petroleum prices

In January 2016, the government notified a decrease of about 4% in the price of high speed diesel (HSD), from PKR 83.79 to PKR 80.79. However, the price

of super petrol remained unchanged. Compared to three months prior, while the price of petrol has registered an increase of about 3% that of high speed diesel has gone down by 2%.

Figure 5 : Prices of Petroleum Products (Jan 15- Jan 16)

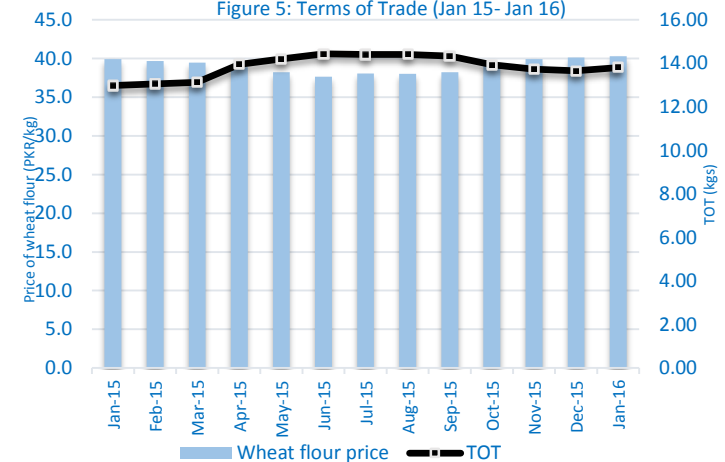


Similarly, compared to six months ago (July 2015), the prices of high speed diesel and super petrol have decreased by 7% and 2% respectively. On a year on year basis, the price of HSD and super petrol in January 2015 were found lower by 6% and 3% respectively⁹.

Marginal improvement in Terms of Trade (ToT)¹⁰

The ToT between the daily wage rate¹¹ for an unskilled laborer and wheat flour price 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 from 13.7 Kg in December 2015 to 13.8 Kg in January 2016. This is due to a marginal increase in the income of the daily wage earners. The ToT in January 2016 was thus higher by 1% compared to the previous month, while it was still lower by 1% compared to three months prior. The ToT in January 2016 registered an increase of 4% compared to a year ago.

Figure 5: Terms of Trade (Jan 15- Jan 16)



Among the main cities, the highest ToT in January has been noted in Lahore (15.38 kg), and the lowest in Karachi (12.86 kg¹²).

⁵World Agriculture Supply and Demand Estimates (WASDE)—USDA
⁶FAO Global Information and Early Warning System (GIEWS)
⁷FAO Global Information and Early Warning System (GIEWS)
⁸FAO Global Information and Early Warning System (GIEWS)
⁹http://www.psopk.com

¹⁰the 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 group
¹¹The income base for computation of ToT is the average wage rate of five major cities (Lahore, Multan, Karachi, Peshawar & Quetta)
¹²Pakistan Bureau of Statistics

Major Commodities	Markets	Current Prices (Jan 2016) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	Lahore	35.63	0.34	0.00%	4.40%	9.62%	1.06%	▶	▶	▲	▶
	Multan	33.50	0.32	0.45%	9.84%	12.61%	1.13%	▶	▲	▲	▶
	Karachi	37.00	0.35	0.00%	5.71%	5.71%	7.25%	▶	▲	▲	▶
	Peshawar	34.25	0.33	0.74%	10.48%	9.60%	-12.18%	▶	▲	▲	▶
	Quetta	37.50	0.36	1.90%	7.14%	4.17%	-2.60%	▲	▲	▶	▶
WHEAT FLOUR kg	Lahore	39.00	0.37	-0.26%	3.86%	6.70%	-2.26%	▶	▶	▲	▶
	Multan	38.50	0.37	0.26%	5.12%	9.22%	0.00%	▶	▲	▲	▶
	Karachi	44.35	0.42	0.06%	7.35%	10.02%	2.95%	▶	▲	▲	▶
	Peshawar	39.13	0.37	0.43%	4.10%	5.80%	-0.21%	▶	▶	▲	▶
	Quetta	40.50	0.39	1.76%	6.58%	3.85%	-1.22%	▲	▲	▶	▶
RICE IRRI-6	Lahore	46.90	0.45	3.49%	-22.75%	-25.13%	-28.20%	▲	▼	▼	▼
	Multan	35.00	0.33	0.00%	-5.41%	-5.41%	-13.04%	▶	▼	▼	▼
	Karachi	43.31	0.41	0.00%	-2.94%	-2.94%	-10.92%	▶	▼	▼	▼
	Peshawar	41.55	0.40	-0.29%	-2.24%	-2.24%	-11.75%	▶	▶	▶	▼
	Quetta	50.00	0.48	0.00%	0.00%	0.00%	0.00%	▶	▶	▶	▶
RICE BASMATI BROKEN	Lahore	53.15	0.51	7.22%	-25.96%	-26.87%	-29.13%	▲	▼	▼	▼
	Multan	63.33	0.60	0.52%	-9.53%	-9.53%	-18.28%	▶	▼	▼	▼
	Karachi	68.37	0.65	-0.22%	-6.44%	-6.44%	-10.67%	▶	▼	▼	▼
	Peshawar	67.29	0.64	-0.31%	-1.52%	-1.52%	-9.28%	▶	▶	▶	▶
	Quetta	80.00	0.76	0.00%	0.00%	0.00%	-11.11%	▶	▶	▶	▼
SUGAR	Lahore	60.93	0.58	1.03%	-7.53%	-3.71%	9.53%	▲	▼	▶	▶
	Multan	59.38	0.57	7.77%	-5.94%	-3.45%	14.74%	▲	▼	▼	▲
	Karachi	58.73	0.56	1.15%	-8.12%	-7.57%	5.97%	▲	▼	▼	▶
	Peshawar	59.92	0.57	3.54%	-8.06%	-5.20%	8.37%	▲	▼	▼	▶
	Quetta	60.00	0.57	6.38%	-5.88%	-7.34%	13.74%	▲	▼	▼	▶
VEG. GHEE (TIN)	Lahore	178.00	1.70	-3.26%	-1.39%	-2.20%	-9.87%	▼	▶	▶	▶
	Multan	176.00	1.68	0.00%	-1.12%	-4.35%	-12.87%	▶	▶	▶	▼
	Karachi	181.20	1.73	0.00%	0.00%	0.00%	-10.30%	▶	▶	▶	▼
	Peshawar	180.00	1.72	0.00%	0.05%	0.00%	-10.89%	▶	▶	▼	▼
	Quetta	178.00	1.70	0.00%	0.00%	-6.32%	-12.75%	▶	▶	▼	▼
COOKING OIL (TIN)	Lahore	186.00	1.77	0.00%	1.09%	0.00%	-11.22%	▶	▶	▼	▼
	Multan	186.00	1.77	1.75%	3.33%	0.00%	-9.71%	▲	▶	▼	▶
	Karachi	187.20	1.79	0.00%	2.86%	0.00%	-11.07%	▶	▶	▼	▼
	Peshawar	182.00	1.74	0.00%	0.00%	0.00%	-12.50%	▶	▶	▼	▼
	Quetta	182.00	1.74	0.00%	0.00%	-6.19%	-15.74%	▶	▶	▼	▼
CHICKEN LIVE (FARM)	Lahore	122.11	1.16	-8.44%	15.08%	-25.59%	-14.67%	▼	▲	▲	▼
	Multan	140.00	1.34	-1.06%	9.80%	-24.92%	-7.18%	▼	▲	▲	▶
	Karachi	168.28	1.61	13.62%	13.67%	-15.04%	0.98%	▲	▲	▲	▶
	Peshawar	136.00	1.30	-10.76%	7.94%	-26.29%	-16.82%	▼	▲	▲	▼
	Quetta	166.25	1.59	3.91%	10.83%	-21.30%	-8.28%	▲	▲	▲	▶
Pulse Masoor, Washed	Lahore	159.46	1.52	-1.54%	-1.54%	-1.54%	4.94%	▼	▶	▶	▶
	Multan	142.50	1.36	1.42%	3.64%	3.64%	3.64%	▲	▶	▶	▶
	Karachi	140.91	1.34	0.23%	-1.52%	-1.52%	10.02%	▶	▶	▶	▲
	Peshawar	137.92	1.32	1.85%	7.12%	7.12%	7.82%	▲	▲	▲	▶
	Quetta	150.00	1.43	2.74%	7.14%	0.84%	2.56%	▲	▲	▶	▶
Pulse Moong, Washed	Lahore	161.07	1.54	0.62%	-0.66%	-8.71%	0.00%	▶	▶	▼	▶
	Multan	147.50	1.41	0.00%	6.63%	-6.35%	-9.23%	▶	▲	▼	▶
	Karachi	159.14	1.52	-0.37%	-8.05%	-8.05%	-2.42%	▶	▼	▼	▶
	Peshawar	151.67	1.45	0.78%	4.30%	-5.21%	-4.71%	▶	▶	▼	▶
	Quetta	173.75	1.66	0.43%	11.20%	-6.08%	-5.44%	▶	▲	▼	▶
Pulse Mash, Washed	Lahore	254.29	2.43	5.20%	25.35%	26.36%	43.70%	▲	▲	▲	▲
	Multan	255.00	2.43	0.79%	36.60%	43.66%	61.90%	▶	▲	▲	▲
	Karachi	258.03	2.46	6.88%	36.08%	49.08%	68.56%	▲	▲	▲	▲
	Peshawar	253.33	2.42	5.26%	30.33%	34.36%	56.06%	▲	▲	▲	▲
	Quetta	275.00	2.62	4.56%	18.28%	27.91%	51.72%	▲	▲	▲	▲

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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