

Pakistan Market Price Bulletin

June 2016 Issue

Highlights

- Wheat and wheat flour prices continued to decline in May 2016, registering a decrease of 3% and 2% respectively compared to the previous month.
- In May 2016, the headline inflation, based on consumer price index, rose by 3.2% on a year-on-year (YoY) basis following 4.2% growth in the previous month.
- The purchasing capacity of the poor income group reflected in the Terms-of-Trade (ToT) saw some improvement in May 2016 due to decrease in wheat flour price.
- Estimates suggest an increase in global wheat production and supply in May 2016.
- Petroleum prices remained stable in May 2016, however its price is significantly lower than a year ago.

Inflation watch: In May 2016, the headline inflation, based on consumer price index, rose by 3.2% on a year-on-year (YoY) basis following 4.2% growth in the previous month and a growth of 3.2% in May 2015. On a month-on-month (MoM) basis, headline inflation surged by 0.2% in May 2016 against a growth of 1.5% in the previous month. In May 2016, a growth of 2.1% was recorded by the CPI for food on a YoY basis compared to 4.7% in the previous month and 3.0% in May 2015¹. In May 2016, the weighted contribution of food group in the overall inflation was 27.33% compared to a growth of 46.55% in April 2016, and a decrease of 39.65% in May 2015².

Staple cereal prices continue to decline

The staple cereal prices registered a further decline in May 2016. The average retail prices of wheat and wheat flour across the country's main markets³ were recorded at PKR 33.13 and PKR 38.19 per Kg respectively, registering a decrease of 3% and 2% compared to April. In case of rice, while the price of *Basmati* remained the same, that of *Irri-6* observed an increase of 1% over the previous month (Figure1).

The price of wheat and wheat flour, in May 2016, were found lower by 7% and 5% each compared to three months prior. During the same period, while rice *Basmati* registered a price decrease of 3% that of *Irri-6* registered an increase of 2%. Compared to six months ago prices of wheat and wheat flour in May have registered decrease of 5% and 4% respectively. During this period, *Basmati* experienced a price decline of 5%, while that of *Irri-6* registered an increase of 2. Compared to a year ago, price of wheat in May 2016 registered a decrease of 3% whereas that of wheat flour remained

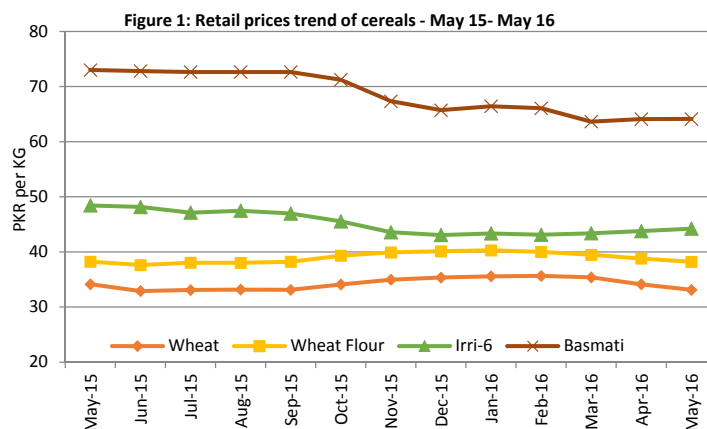
almost the same. More significant decline was observed in price of rice, with *Basmati* and *Irri-6* registering decreases of 12 and 9% respectively

Figure 1 shows the one year price trends of staple cereals. A mix trend can be seen; prices of wheat and wheat flour showed upward trend at the beginning of the current year and then have been declining since March. On the other hand, rice *Irri-6* and *Basmati* showed declining trends at the outset of current year and registered an increase in prices since March 2016. In May 2016 price differentials were noticed in staple cereal prices across the different main markets in the country. The highest price for wheat was recorded in Quetta at PKR 35.25 and for wheat flour in Karachi at PKR 41.15 per Kg, while the lowest price was recorded in Multan at PKR30 and 35 per Kg respectively⁴.

Mixed trend in non-cereal food commodity prices

Non-cereal food commodities showed mix trend in prices in May 2016. Compared to the previous month, commodities that registered price decrease include: chicken (8%) and eggs (3%). Commodities that recorded increase in prices include *dal mash* and lentil *masoor* (3% each), dal moong (1%), while the prices of sugar, vegetable ghee and cooking oil remained unchanged. Compared to three month prior, an increasing trend was seen in the prices of these commodities in May 2016. Prices that registered increase include chicken (38%), *Dal Mash* and lentil *Masoor* (7% each) sugar (2%) and Dal Moong (1%). On the other hand eggs, cooking oil and vegetable ghee registered price decrease of 24%, 2% and 1% respectively during this period.

Figure 2 shows one year price trend of non-cereal food commodities; most commodities have registered price increase during the last six month. For instance in May 2016, compared to November 2015, prices increase for chicken (27%), *Dal Mash* (17%), sugar (8%), lentil *Masoor* (7%) and *Dal Moong* (1%). On the other hand, eggs and vegetable ghee registered price decrease of 24% and 2% respectively over the same period. On a YoY basis, normal to significant price fluctuations can be observed in non-cereal food commodities. *Dal mash* experienced the highest increase (50%) during this period, while other commodities with normal price increase include lentil *Masoor* (8%) and sugar (7%). On the other hand, commodities for which



¹Pakistan Bureau of Statistics

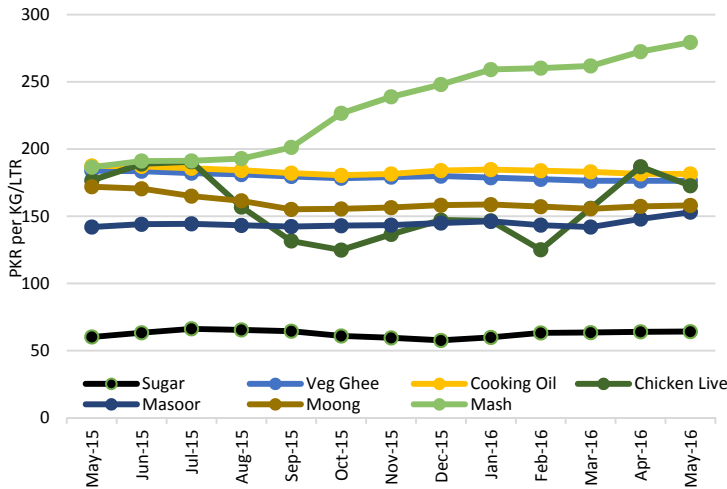
²Inflation Monitor State Bank of Pakistan

³Lahore, Multan, Karachi Peshawar and Quetta

⁴Pakistan Bureau of Statistics

prices had decreased include Dal Moong (8%), vegetable ghee (4%), vegetable ghee (3%) and chicken (2%)⁵.

Figure 2 : Price Trends in Non-cereal Commodities (May 15- May 16)

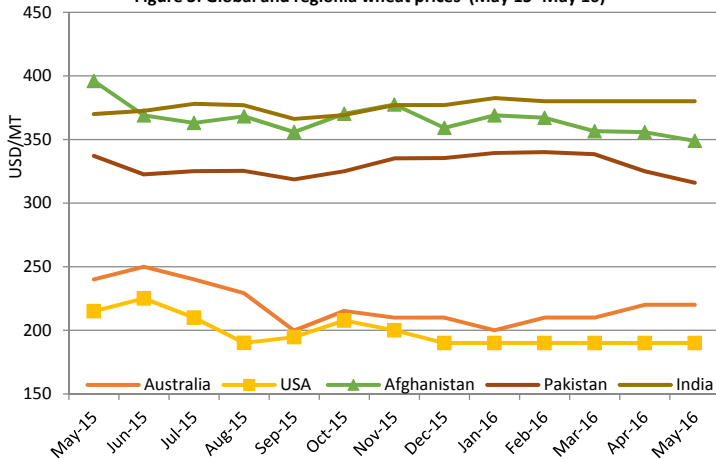


Wheat Harvesting in Pakistan: Harvesting of wheat, the main staple, has been completed in May 2016 across the country. In 2015-16, an estimated 25.48 MT wheat has been produced, 1.6% higher than previous year production. The public sector wheat procurement also started in almost all parts of the country during May. The Federal Committee on Agriculture (FCA) has fixed the wheat procurement target at 8 million tons for execution by Provincial Food Departments and Pakistan Agriculture Storage and Supply Corporation (PASSCO) at PKR 1300/40KG.

Increase in global wheat supply and production estimates

According to an estimate released by United State Department of Agriculture (USDA), global wheat supplies for 2016-17 has increased by 3.9 million tonnes (mt) mainly due to increased production in the European Union, Russia, and the US, offsetting the impact of reduced production in Brazil and Mexico. The EU production increase is entirely for Spain due to favorable growing conditions as confirmed with satellite imagery data. The production forecast for France is unchanged despite heavy rain for the month of May 2016. Production in Russia has increased owing to larger area under spring wheat⁶.

Figure 3: Global and regional wheat prices (May 15 -May 16)



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

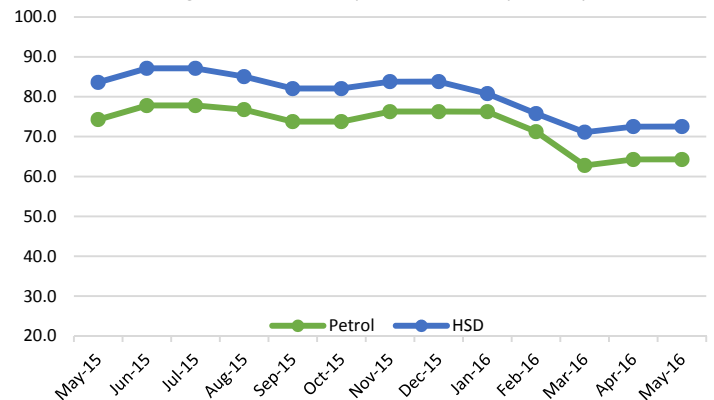
¹⁰http://www.psopk.com

In May 2016, wheat price remained unchanged in in Australia⁷, India⁸ USA compared to the previous month while it registered a decrease of 3% in Afghanistan⁹. In May 2016 the domestic wheat price in Pakistan was found higher than the US (66%) and Australia (44%) while it was lower than India and Afghanistan by 17% and 9% respectively.

Stability in petroleum prices

In May 2016, the prices of petroleum products did not observe any change and the per liter prices of super petrol and high speed diesel remained at

Figure 4: Petroleum prices trend (May 15-May 16)

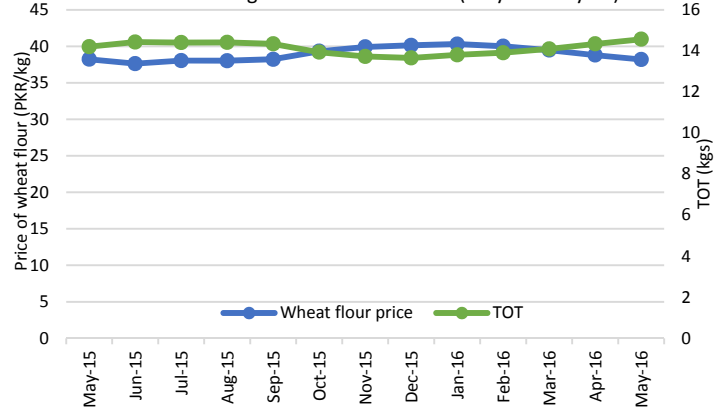


PKR 64.71 and PKR 72.52 respectively. Compared to three months ago, the current prices of HSD and super petrol were found lower by 10% and 4% respectively. Compared to six months ago (November 2015) HSD and petrol have registered a price decrease of about 16% and 13% respectively. Compared to a year ago, the price of HSD and super petrol were lower by 13% each in May 2016¹⁰.

Marginal improvement in Terms of Trade (ToT)¹¹

In May 2016, a marginal improvement was seen in the purchasing capacity of the daily wage earners. The ToT between the daily wage rate¹² for an unskilled laborer and wheat flour increased by 1.6% compared to the previous month (Figure 5). The amount of wheat flour that an unskilled laborer could purchase with a day's wage was recorded at 14.56 kg in May 2016, an improvement of about 2.5% from its level (14.20 kgs) a year ago. ToT in May 2016 is higher by 4.7% compared to its level three months ago, and by 6% compared to six month ago. The ToT varied across different cities due to differentials in wheat flour prices and wage rates. The highest ToT has been observed in Lahore at 16 kgs, and the lowest in Karachi at 13.40kgs though average income of a day laborer is higher in Karachi, which is offset by relatively high prices of wheat flour¹³.

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



¹¹the 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

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

¹³Pakistan Bureau of Statistics

Retail prices of various food commodities in major cities – May 2016

Major Commodities	Markets	Current Prices (May 2016) / KG		% Change Over				Change Direction			
		PKR	USD	1M	3M	6M	1Y	1M	3M	6M	1Y
WHEAT	LAHORE	33.13	0.32	-4.33%	-7.02%	-6.03%	1.44%	▼	▼	▼	▶
	MULTAN	30.00	0.29	-4.76%	-10.45%	-10.11%	-3.23%	▶	▼	▼	▶
	KARACHI	35.00	0.33	0.00%	-5.41%	-5.41%	0.00%	▶	▼	▼	▶
	PESHAWAR	32.25	0.31	-3.73%	-5.84%	-2.76%	-3.73%	▼	▼	▶	▶
	QUETTA	35.25	0.34	-2.08%	-6.00%	-2.08%	-8.44%	▼	▼	▶	▶
WHEAT FLOUR Kg	LAHORE	37.50	0.36	-2.85%	-3.85%	-3.85%	1.42%	▼	▶	▶	▶
	MULTAN	35.00	0.33	-3.78%	-9.09%	-10.26%	-2.44%	▼	▼	▼	▶
	KARACHI	41.15	0.39	1.35%	-7.20%	-5.86%	2.10%	▲	▼	▼	▶
	PESHAWAR	37.31	0.36	-2.77%	-4.63%	-3.92%	0.96%	▼	▶	▶	▶
	QUETTA	40.00	0.38	0.00%	-1.23%	2.56%	-2.44%	▶	▶	▶	▶
RICE IRR1-6	LAHORE	49.07	0.47	0.00%	4.63%	3.17%	-24.00%	▶	▶	▶	▼
	MULTAN	38.00	0.36	6.29%	8.57%	7.80%	2.70%	▲	▲	▲	▶
	KARACHI	43.31	0.41	0.00%	0.00%	-0.16%	-13.52%	▶	▶	▶	▼
	PESHAWAR	40.75	0.39	0.00%	-1.93%	-2.21%	-4.12%	▶	▶	▶	▶
	QUETTA	50.00	0.48	0.00%	0.00%	0.00%	4.17%	▶	▶	▶	▶
RICE BASMATI	LAHORE	57.68	0.55	0.00%	8.52%	6.46%	-21.60%	▶	▲	▲	▼
	MULTAN	63.33	0.60	0.00%	0.00%	-2.57%	-9.53%	▶	▶	▶	▶
	KARACHI	68.75	0.66	0.13%	0.56%	-1.79%	-5.93%	▶	▶	▶	▶
	PESHAWAR	65.83	0.63	0.00%	-2.17%	-2.47%	-3.66%	▶	▶	▶	▶
	QUETTA	65.00	0.62	0.00%	-18.75%	-18.75%	-18.75%	▶	▶	▼	▼
SUGAR	LAHORE	65.08	0.62	1.01%	6.81%	5.63%	7.22%	▲	▲	▲	▶
	MULTAN	62.38	0.60	0.21%	5.05%	6.85%	6.18%	▶	▲	▲	▶
	KARACHI	63.22	0.60	-0.99%	7.65%	8.16%	5.16%	▶	▲	▲	▶
	PESHAWAR	64.87	0.62	0.06%	8.26%	7.37%	7.67%	▶	▲	▲	▶
	QUETTA	65.00	0.62	1.17%	8.33%	11.11%	7.00%	▲	▲	▲	▶
VEG. GHEE (TIN)	LAHORE	176.00	1.68	0.00%	-1.12%	-2.22%	-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%	-2.22%	-2.22%	-2.22%	▶	▶	▶	▶
	QUETTA	172.00	1.64	0.00%	-3.37%	-3.37%	-10.42%	▶	▶	▶	▼
COOKING OIL (TIN)	LAHORE	178.00	1.70	0.00%	-4.30%	-2.20%	-4.30%	▶	▶	▶	▶
	MULTAN	186.00	1.78	0.00%	0.00%	4.49%	0.00%	▶	▶	▶	▶
	KARACHI	187.20	1.79	0.00%	0.00%	2.13%	0.00%	▶	▶	▶	▶
	PESHAWAR	178.00	1.70	0.00%	-2.20%	-2.20%	-2.20%	▶	▶	▶	▶
	QUETTA	178.00	1.70	0.00%	-2.20%	-2.20%	-9.18%	▶	▶	▶	▶
CHICKEN LIVE (FARM)	LAHORE	159.11	1.52	-4.93%	30.30%	32.47%	2.74%	▼	▲	▲	▶
	MULTAN	163.75	1.56	-7.75%	16.96%	29.70%	-3.08%	▼	▲	▲	▶
	KARACHI	182.12	1.74	-11.98%	8.22%	32.40%	-9.20%	▼	▲	▲	▶
	PESHAWAR	176.00	1.68	-3.56%	29.41%	24.82%	0.57%	▼	▲	▲	▶
	QUETTA	182.50	1.74	-8.75%	9.77%	15.87%	-0.68%	▼	▲	▲	▶
Pulse Masoor, Washed	Lahore	166.43	1.59	3.36%	4.37%	2.76%	4.66%	▲	▶	▶	▶
	Multan	142.50	1.36	3.95%	0.00%	3.64%	3.64%	▲	▶	▶	▶
	Karachi	148.37	1.42	3.21%	5.29%	4.08%	7.45%	▲	▲	▶	▶
	Peshawar	138.75	1.32	1.68%	0.60%	4.07%	7.77%	▲	▶	▶	▶
	Quetta	168.75	1.61	4.65%	12.50%	19.47%	15.38%	▲	▲	▲	▲
Pulse Moong, Washed	Lahore	166.07	1.59	1.53%	3.10%	4.73%	-5.87%	▲	▶	▶	▶
	Multan	142.50	1.36	-0.43%	-3.39%	-3.39%	-14.93%	▶	▶	▶	▼
	Karachi	166.54	1.59	3.59%	4.65%	2.97%	-3.78%	▲	▶	▶	▶
	Peshawar	142.33	1.36	0.59%	-6.16%	-3.78%	-12.41%	▶	▼	▶	▼
	Quetta	172.50	1.65	-2.82%	-0.72%	3.76%	-4.17%	▼	▶	▶	▶
Pulse Mash, Washed	Lahore	301.43	2.88	3.30%	18.54%	48.59%	53.45%	▲	▲	▲	▲
	Multan	263.33	2.51	1.28%	3.27%	6.04%	49.41%	▲	▶	▲	▲
	Karachi	272.31	2.60	2.05%	5.53%	6.11%	62.01%	▲	▲	▲	▲
	Peshawar	275.84	2.63	5.17%	8.89%	18.64%	46.79%	▲	▲	▲	▲
	Quetta	283.75	2.71	0.89%	3.18%	11.82%	39.26%	▶	▶	▲	▲

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% during one year period

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