

Inflation Monitor

November 2005



State Bank of Pakistan

Economic Policy and Research Departments

Contents **Page No.**

1.	Overview	1
	1.1 Core Inflation	3
2.	Consumer Price Inflation	4
	2.1 Food Inflation	5
	2.2 Non-food Inflation	6
	2.3 Major Contributions	9
	2.4 Regional Incidence of Inflation	10
	2.2 Socio-economic Incidence of Inflation	11
	2.3 Item-wise Distribution of Price Changes	11
3.	Wholesale Price Inflation	16
4.	Commodity Prices in International Market	24
5.	Sensitive Price Indicator	27
6.	Wage Inflation	29

Annexure:

- 1. Table 1: SPI Basket**
- 2. Table 2: Top Ten Items by Contribution to CPI Inflation**
- 3. Table 3: City-wise Inflation**

Researchers

Fida Hussain
Economic Policy Department

fida.hussain@sbp.org.pk

Syed Sarfaraz Ali Shah
Research Department

syed.sarfaraz@sbp.org.pk

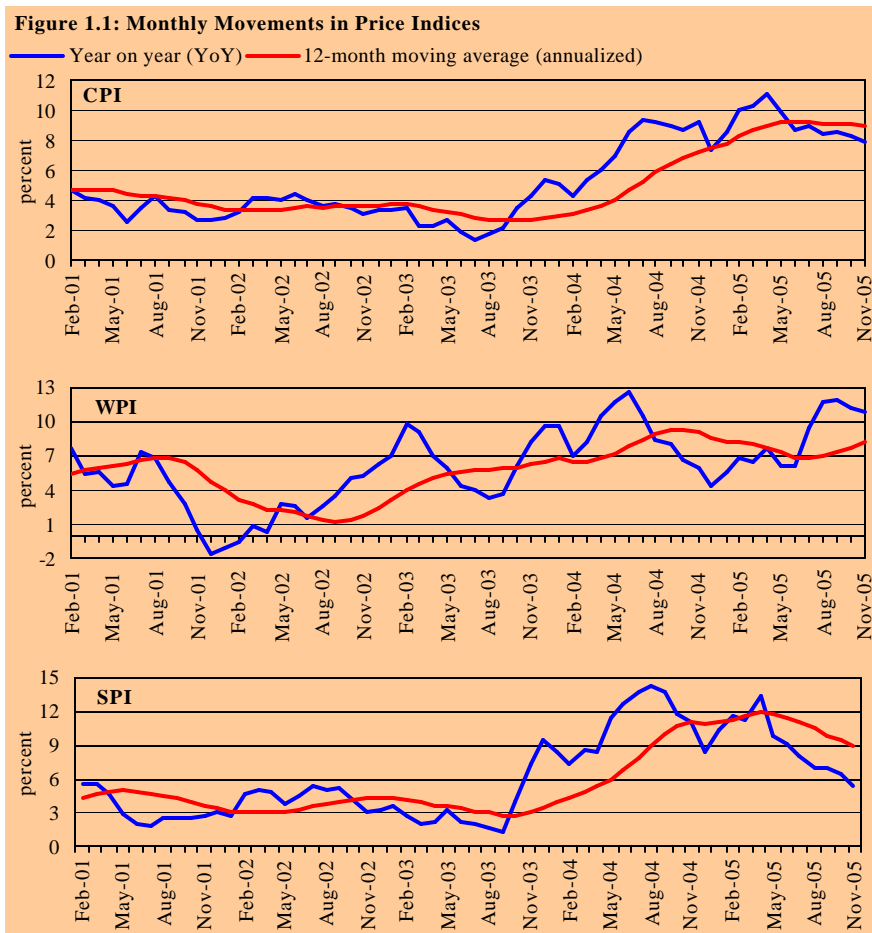
1. Overview

All the three price indices exhibited a decelerating YoY trend during November 2005. The headline consumer price inflation was recorded at 7.9 percent, the lowest level since January 2005; SPI was recorded at 5.4 percent inflation; at its lowest since November 2003. YoY inflation in WPI which had risen sharply during the first quarter of FY06, decelerated to 10.9 percent during November 2005. Similarly, core inflation that had resurged a little during October 2005, also declined marginally during November (see **Table 1.1**).

	CPI			WPI			SPI	Core Inflation	
	General	Food	Non-Food	General	Food	Non-Food	General	By	By
								Exclusion	Trimming
Dec-04	7.4	7.9	7.0	4.2	7.9	1.6	8.6	7.1	7.7
Jan-05	8.5	10.4	7.2	5.6	9.9	2.6	10.3	7.3	8.3
Feb-05	9.9	12.9	8.0	6.7	11.9	3.3	11.6	7.4	8.6
Mar-05	10.2	13.3	8.2	6.3	11.1	3.1	11.4	7.6	8.0
Apr-05	11.1	15.7	8.0	7.7	13.6	3.7	13.4	7.9	8.5
May-05	9.8	12.5	8.0	6.0	10.1	3.2	9.9	7.5	8.0
Jun-05	8.7	9.3	8.4	6.2	8.4	4.6	9.2	7.4	7.7
Jul-05	9.0	9.7	8.5	9.4	10.0	8.9	8.0	7.6	7.3
Aug-05	8.4	7.8	8.8	11.7	8.6	14.0	7.1	7.6	7.1
Sep-05	8.5	7.5	9.3	11.9	7.5	15.2	7.0	7.6	7.0
Oct-05	8.3	6.4	9.6	11.1	7.2	14.1	6.5	7.8	7.0
Nov-05	7.9	5.8	9.4	10.9	6.4	14.3	5.4	7.6	6.8
Avg.	9.0	9.9	8.4	8.2	9.3	7.2	8.9	7.5	7.9

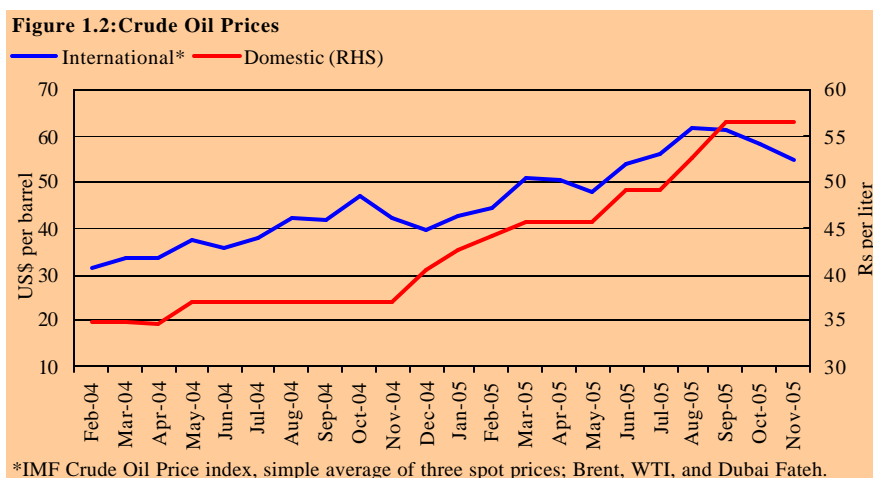
<i>Annual Point to Point (YoY) % Change (Nov 05 over Nov 04)</i>						
Index	General	Food	Non-Food	Past Five Years Average		
				General	Food	Non-Food
CPI	7.9	5.8	9.4	5.4	5.8	5.2
WPI	10.9	6.4	14.3	6.1	5.6	6.6
SPI	5.4	-	-	5.9	-	-
<i>Average % Change (Jul 05 - Nov 05 Over Jul 04 - Nov 04)</i>						
CPI	8.4	7.4	9.1	5.4	5.8	5.2
WPI	11.0	7.9	13.3	6.4	5.7	6.9
SPI	6.8	-	-	6.0	-	-
<i>12 Months Moving Average % Changes</i>						
CPI	9.0	9.9	8.4	5.3	5.8	5.0
WPI	8.2	9.3	7.2	6.2	5.6	6.6
SPI	8.9	-	-	6.2	-	-
<i>Monthly % Changes (Nov 05 Over Oct 05)</i>						
CPI	0.9	1.3	0.4	0.5	0.9	0.3
WPI	0.8	0.3	0.1	-0.1	0.5	-0.5
SPI	0.1	-	-	1.1	-	-

It is the sharp fall in *food* inflation which is responsible for a slowdown in the inflation indices. During November 2005, prices of most of the minor crops including tomato and onion, recorded a decline on a year on year basis. Similarly, the price of wheat, which had increased in November 2005 in comparison with the previous month, is still considerably lower than the price recorded in November 2004. The impact of the fall in food prices is more evident in the YoY SPI² inflation, which is lower than its last five years' average for the month of November (see **Table 1.2**).



² Majority of the items in the SPI basket belong to the food group of CPI.

The falling food inflation has more than offset the impact of high fuel prices on the overall inflation. Oil prices which have in the recent past risen considerably in the international market have started to decline during Sep-Nov 2005. The domestic oil prices, which had moved up in line with the international prices, are yet to be adjusted in response to this recent decline (see **Figure 1.2**).



Although the government has kept the domestic oil prices unchanged since September 2005 despite the declining prices in the international market, a possible consequent reversal of fuel prices in the domestic market might result into a further slowdown in inflation if international oil prices maintain this trend.

1.1 Core Inflation

Both the measures of core inflation³ depicted decelerating trends in November 2005, though with varying magnitudes due to the difference in their computational methodology.

Both the non-food, non-energy inflation and 20% trimmed mean decelerated largely due to the visible deceleration in HRI inflation during the month. Also, most of the sub-indices of the CPI non-food group remained either stable or declined slightly, thus contributing towards the weakening of core inflation on a year on year basis during November. Core inflation (trimmed 20%) was recorded at 6.8 percent YoY during November 2005, which is its lowest level during the last eighteen months (see **Figure 1.3a & 1.3b**).

³ As calculated by the Exclusion method and the Weighted trimmed mean (20 %).

Annualized core inflation has also been decelerating since the start of FY06, revealing the impact of SBP's tight monetary stance (see **Figure 1.3a & 1.3c**).

Figure 1.3a: Core Inflation by 20 % Weighted Trimmed Mean

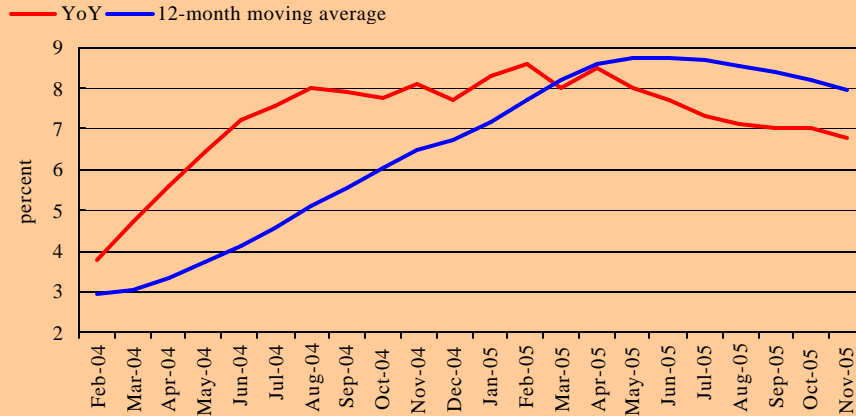


Figure 1.3b: Core Inflation by Exclusion Method (YoY)

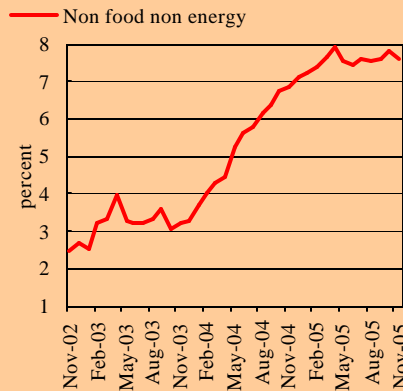
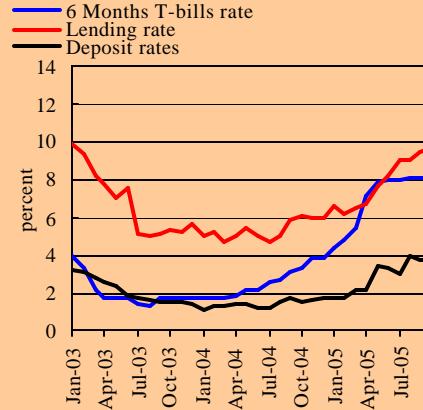


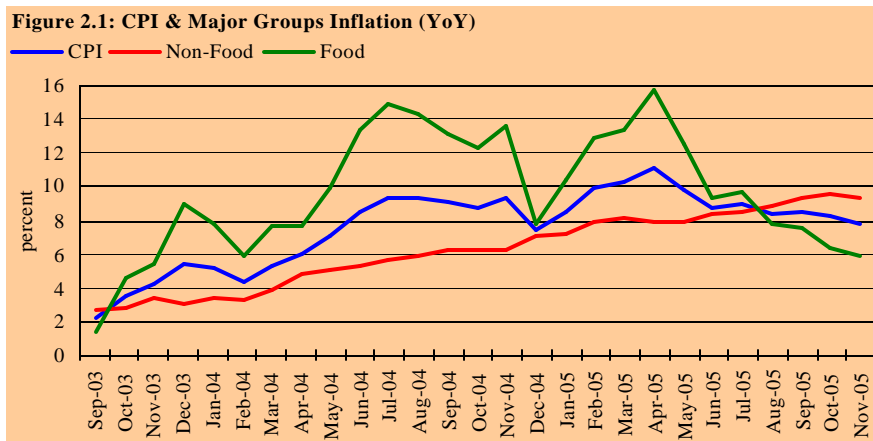
Figure 1.3c: Interest Rates



2. Consumer Price Inflation

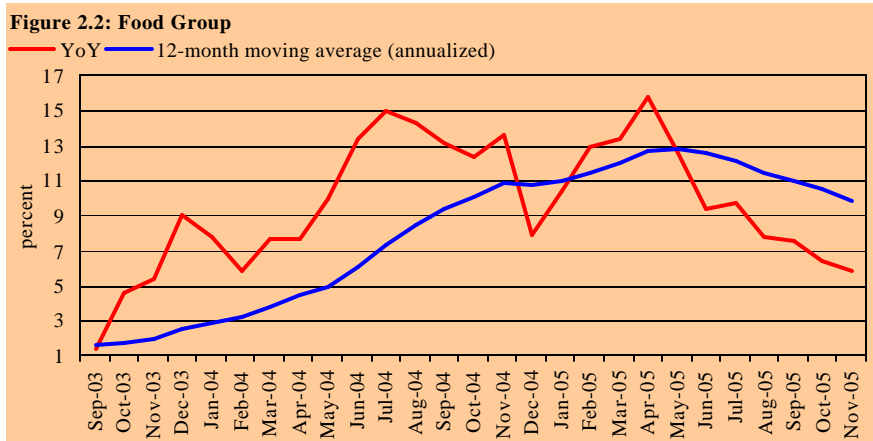
Despite the high *non-food* inflation, CPI inflation maintained its decelerating trend during November 2005. CPI inflation has been decelerating since May 2005, on the back of falling *food* inflation. During the last quarter of FY05, the YoY deceleration in CPI inflation was more pronounced, yet later the persistently rising CPI *non-food* inflation placed some upward pressure on the headline inflation. Nevertheless, CPI inflation dropped to its eleven month low at 7.9 percent during

November 2005, mainly due to the continuous deceleration in *food* inflation (see **Figure 2.1**).

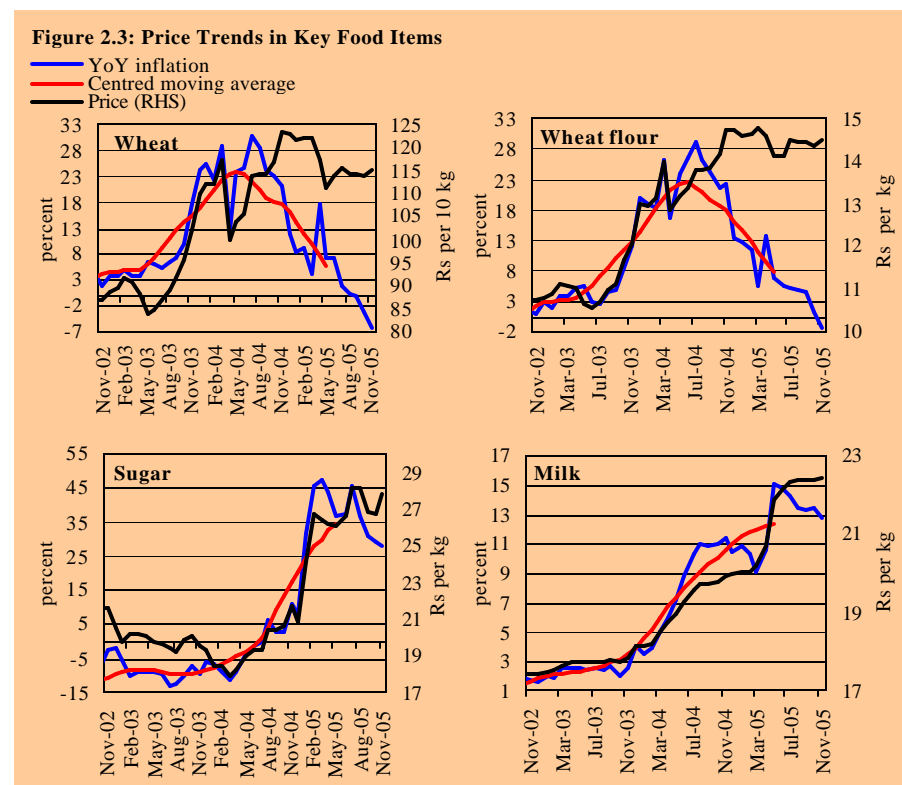


2.1 Food Inflation

The CPI *food* group recorded 5.8 percent YoY inflation in November 2005, the lowest since March 2004. Sharp deceleration in YoY food inflation has also pulled the annualized food inflation down to 9.9 percent during November 2005, which is the lowest level recorded during the last fourteen months (see **Figure 2.2**).

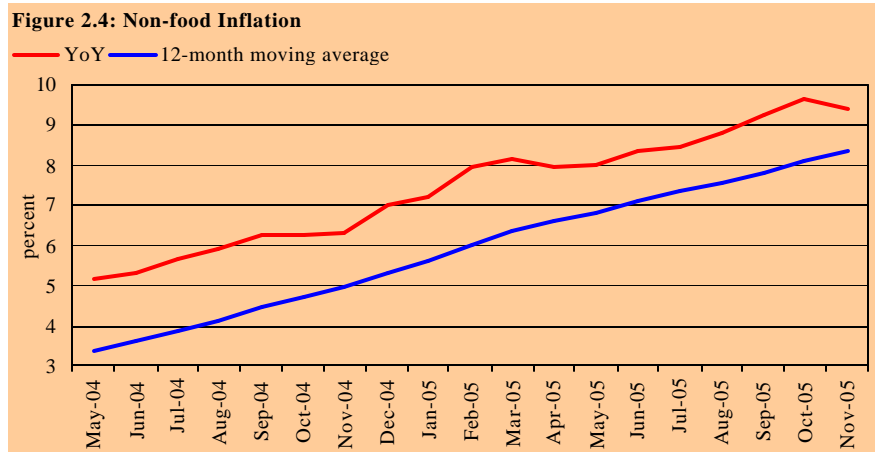


The sharp deceleration in the CPI food group inflation is largely due to the decline in the prices of some important food items including wheat & wheat products, tomato, onion, etc. during the last couple of months. It is notable that although the price of wheat had increased in November 2005 over the previous month, it is still lower when compared to its price during November 2004. The current slight increase in the price of wheat is partly due to its increased demand in view of the sowing season. Similarly growth in the prices of milk also slowed down during November 2005 (see **Figure 2.3**).

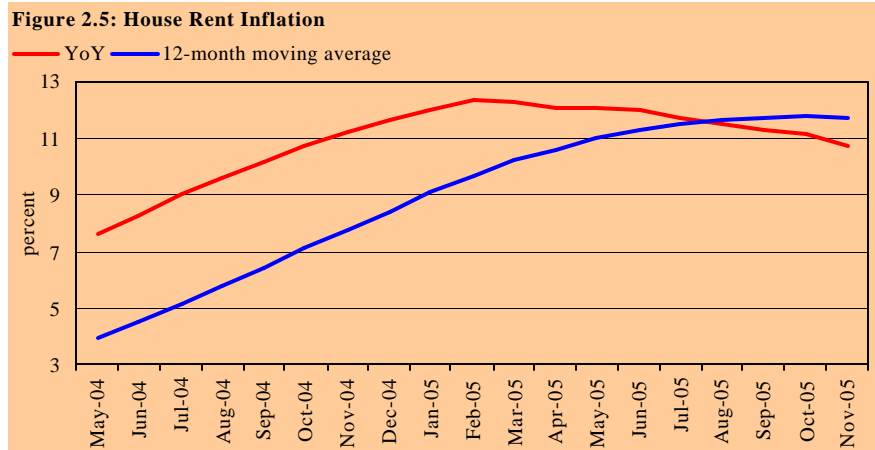


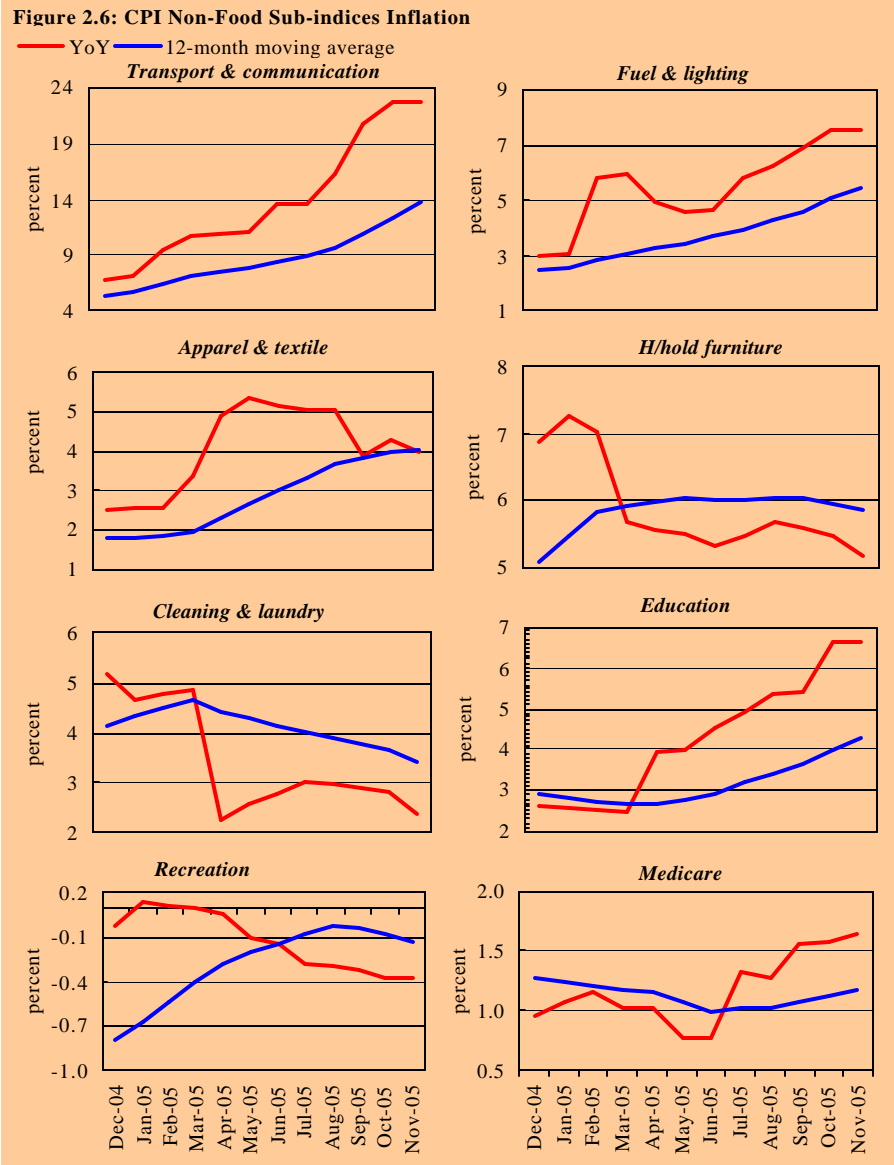
2.2 Non-food Inflation

CPI non-food inflation (YoY), which had been rising at a steady pace, has witnessed a slight deceleration during November 2005, for the first time since May 2005 (see **Figure 2.4**). This recent deceleration is largely attributable to the somewhat stable rate of change in the *transport & communication* and *fuel & lighting* sub-groups during November 2005. Moreover, the obvious deceleration



in the (YoY) HRI inflation has also contributed towards the current slowdown in the CPI *non-food* inflation (see **Figure 2.5**). Most of the other sub-groups of the CPI *non-food* group have also witnessed deceleration during the month (see **Figure 2.6**).





2.3 Major Contributions

As mentioned earlier, both *food* and *HRI* inflation have been decelerating, where the deceleration in the former is more pronounced than that in the latter. As a result, the contribution of both these sub-groups towards headline inflation has also been decreasing. While the inflation contribution from the food group has been declining at a reasonable pace, the relative weighted share of HRI is yet to come down as HRI inflation is still high despite the slight deceleration. The relative weighted shares of the *transport & communication*, and *fuel & lighting* groups, on the other hand, continued to rise steadily (see **Figure 2.7**).

Figure 2.7: Weighted Contribution to Headline Inflation (YoY)

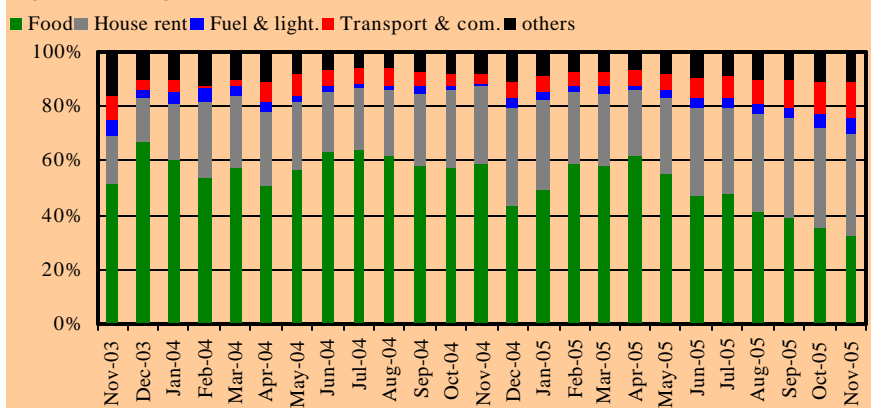


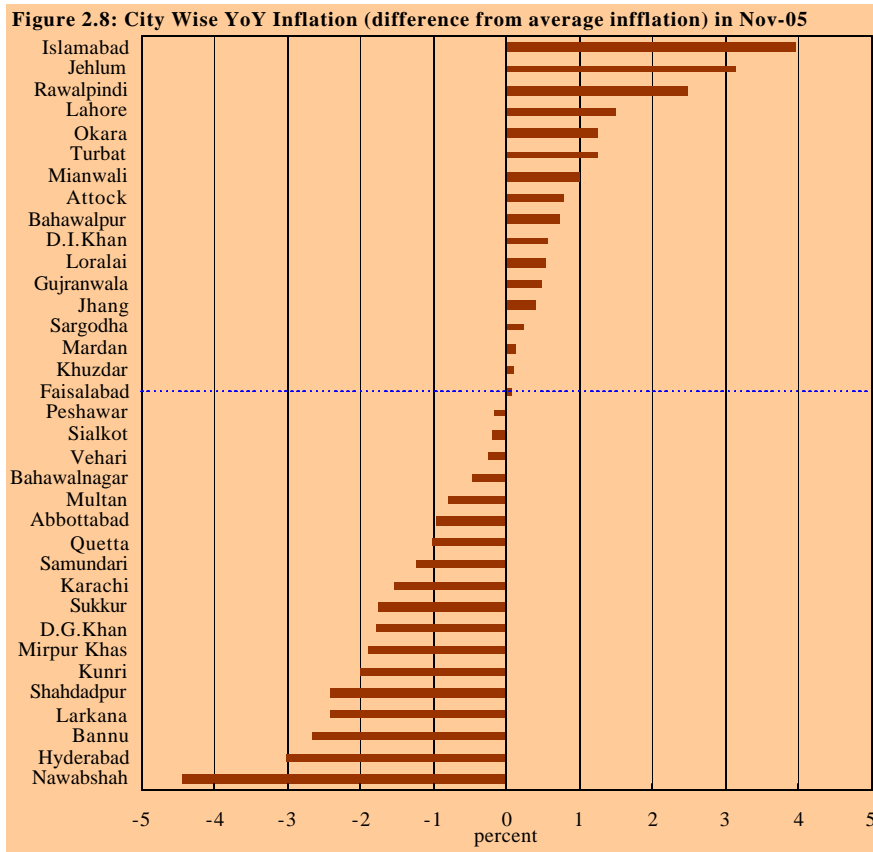
Table 2.3: Top Ten CPI Items Ranked by Weighted Contribution

S.#	Items	Unit	Weights	Price			Point to Point Change		Weighted Contribution
				Nov-05	Nov-03	Nov-04	Nov-05	Nov-05	
1	House rent index	Month	23.43	131.4	3.2	11.2	10.8	32.0	
2	Petrol super	Ltr	1.73	56.5	11.0	9.9	52.4	11.5	
3	Milk fresh (unboiled)	Ltr	6.53	22.4	2.5	11.4	12.8	10.6	
4	Sugar refined	Kg	1.95	27.8	-9.6	10.9	28.3	7.0	
5	Chicken farm broiler	Kg	0.92	81.2	18.4	6.9	24.7	2.9	
6	Beef with bone av.qlty.	Kg	1.61	100.2	18.8	29.9	13.9	2.8	
7	Gas chrg10.1157 - 13.4876	Mmbtu	0.93	305.4	-68.0	6.7	14.5	1.7	
8	Firewood whole	40 kg	0.48	133.4	11.6	17.1	23.7	1.4	
9	Apple	Kg	0.40	40.4	-2.2	6.1	27.8	1.4	
10	High speed diesel	Ltr	0.21	37.4	14.4	6.4	52.4	1.4	
Total			38.2					72.6	

Out of the 374 items of the CPI basket, growth in the prices of only 10 items continued to contribute more than 70 percent to the headline inflation during November 2005. Interestingly, 7 of these 10 items belong to the non-food group, therefore maintaining the 30:70 ratio between the contribution of the food and non-food groups to overall inflation during November (see **Table 2.3**).

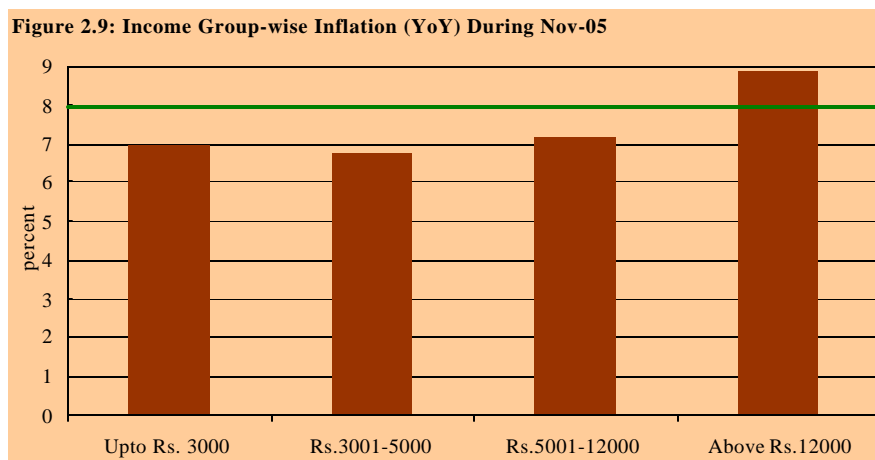
2.4 Regional Incidence of Inflation

In November, the highest (YoY) inflation was recorded in Islamabad, and the lowest in Nawabshah. Inflation in Faisalabad, on the other hand, remained close to the average rate recorded for the whole economy. Out of the four provincial capitals, Lahore recorded the highest inflation, while Karachi witnessed the lowest YoY inflation in November 2005 (see **Figure 2.8**).



2.5 Socio-economic Incidence of Inflation

While the average YoY inflation was recorded at 7.9 percent during November 2005, inflation for the highest income group was recorded at almost 9.0 percent during the month. Whereas the inflationary pressures have shifted from the food group towards the non-food group of CPI, the low income group has witnessed lower inflation than the average inflation rate for the economy as a whole (see **Figure 2.9**).



2.6 Item-wise Distribution of Price Changes in CPI.

Half of the food items in the CPI basket recorded YoY inflation of less than 5 percent during November 2005. The distribution of the rest of the sub-groups, which although remained somewhat the same as in the last month, however notably, 24 out of 43 items in the sub-group *transport & communication* recorded above 5 percent inflation during November 2005.

On an annualized basis, however, most of the food items have recorded less than 5 percent inflation (see **Table 2.4 & 2.5**).

Table 2.4: Distribution of Price Changes (YoY) of CPI Basket in November 2005

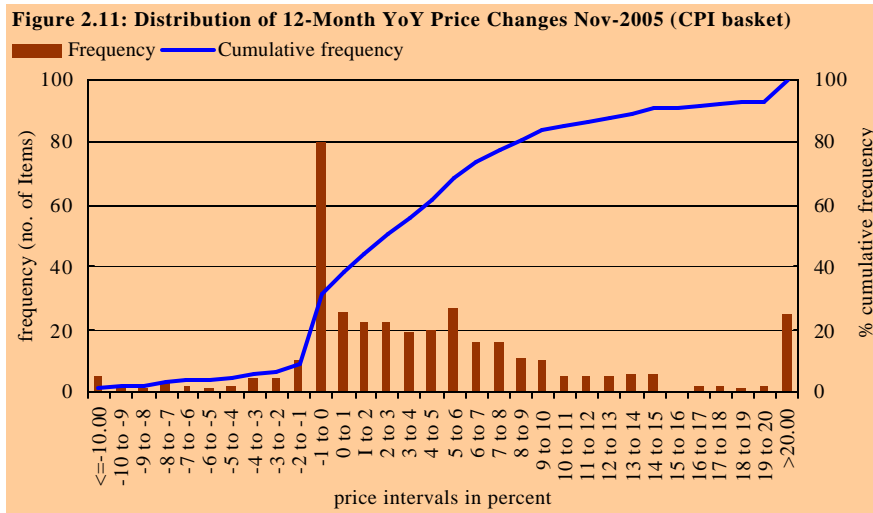
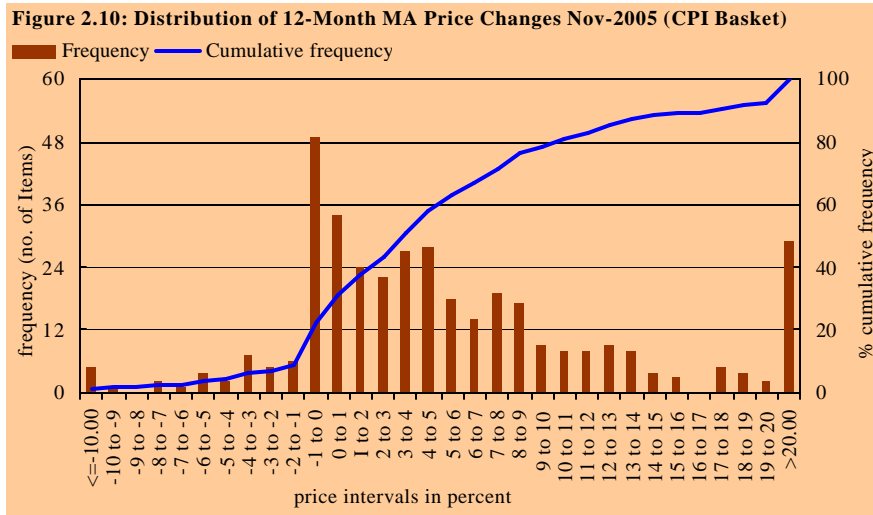
Groups	Weights	% Changes	Total Number of Items	No. of items in each inflation range			
				Decrease or no change	Subdued increase	Moderate increase	Double digit increase
				(0 % or less)	(0 to 5%)	(5 to 10%)	(over 10%)
I. Food Group	40.34	5.8	113	32	24	25	32
Food, Beverages	40.34	5.8	113	32	24	25	32
II. Non-Food Group	59.66	9.4	250	82	84	57	27
Apparel, Textile	6.10	4.0	42	6	20	15	1
House Rent	23.43	10.8	1	0	0	0	1
Fuel & Lighting	7.29	7.5	15	9	0	0	6
H/h Furn. & Equip.	3.29	5.2	44	2	25	15	2
Transport & Com.	7.32	22.7	43	16	3	11	13
Recreation, Enter.	0.83	-0.4	16	11	3	2	0
Education	3.45	6.6	24	5	9	7	3
Cleaning & Laundry	5.88	2.4	36	12	16	7	1
Medicines	2.07	1.6	29	21	8	0	0
Overall	100	7.9	362	114	108	81	59

Note: Prices of 11 seasonal (perishable food) items were not reported during November 2005

Table 2.5: Distribution of Price Changes (annualized) of CPI Basket in November 2005

Groups	Weights	% Changes	Total Number of Items	No. of items in each inflation range			
				Decrease or no change	Subdued increase	Moderate increase	Double digit increase
				(0 % or less)	(0 to 5%)	(5 to 10%)	(over 10%)
I. Food Group	40.34	9.0	124	44	28	17	35
Food, Beverages	40.34	9.0	124	44	28	17	35
II. Non-Food Group	59.66	8.4	250	71	95	60	24
Apparel, Textile	6.10	4.1	42	5	19	17	1
House Rent	23.43	11.7	1	0	0	0	1
Fuel & Lighting	7.29	5.5	15	8	1	1	5
H/h Furn. & Equip.	3.29	5.9	44	2	24	17	1
Transport & Com.	7.32	13.8	43	14	3	14	12
Recreation, Enter.	0.83	-0.1	16	11	5	0	0
Education	3.45	4.3	24	9	12	3	0
Cleaning & Laundry	5.88	3.4	36	6	20	7	3
Medicines	2.07	1.2	29	16	11	1	1
Overall	100	9.0	374	115	123	77	59

The following graphs also reflect the distribution of price changes in different ranges (see **Figures 2.10, 2.11, 2.12 & 2.13**).



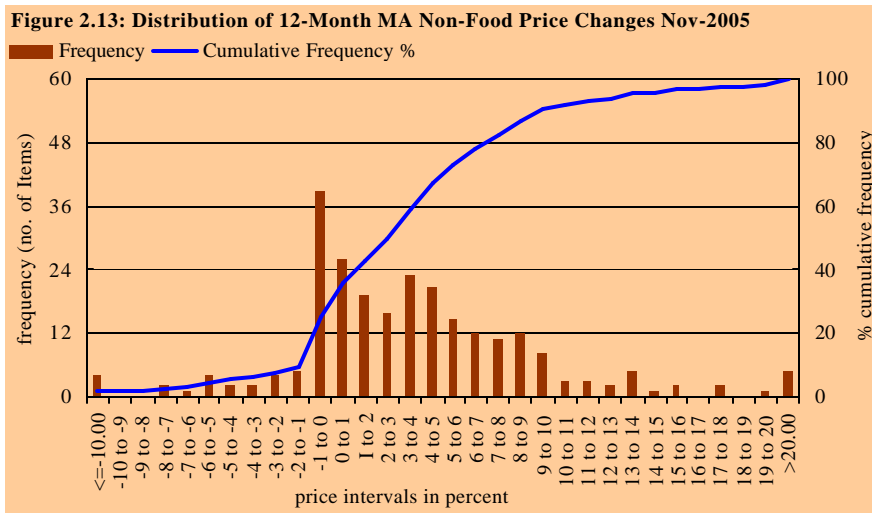
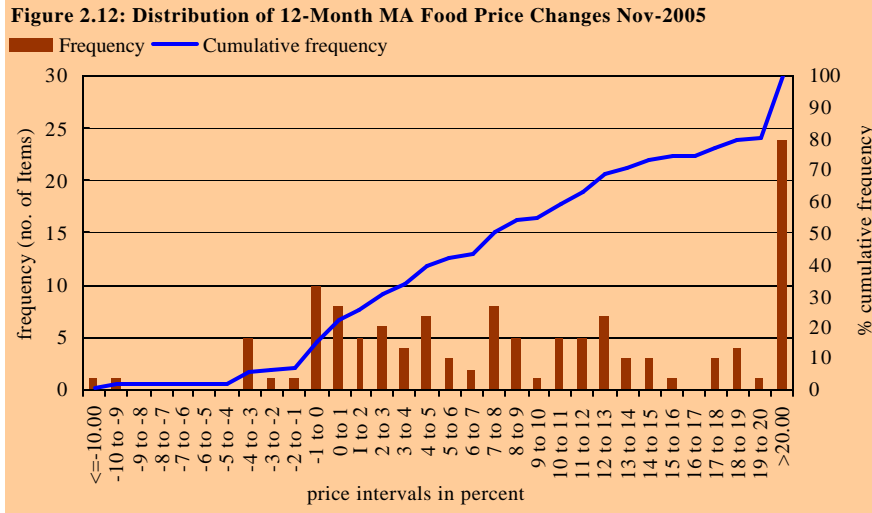
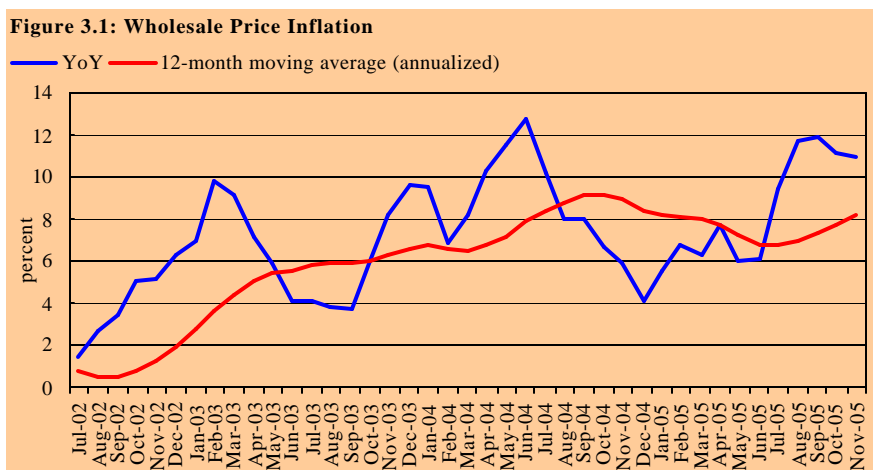


Table 1.2: Selected CPI Items Classified by Range of YoY Price Changes in November 2005				
Groups	Decrease or no change	Subdued increase (up to 5%)	Moderate increase (5 to 10%)	Increase of over 10%
Food Group	Tomatoes Vegetable Ghee (Ls) Wheat Flour Fine/Sup. Wheat Onion	Cold drink Pulse Gram Rice Basmati 385/386 Rice Irri-6 (Sindh/Punjab)	Milk Tetra Pack 1/2 Ltr. Mutton Av. Qty. Eggs farm Cigarettes K2 10's Cooked Beef (Av. Hotel)	Potatoes Milk Fresh (Unboiled) Sugar refined Chicken Farm Broiler Pulse Mash (Washed)
Apparel & Textile	Gents Sandal Bata Ladies Chappal Bata	Tailoring Aw-Suit (M) School Uni. Girl Lawn Av. Qty.	Tailoring Suit Female Linen Av. Qty Second-Hand Coat (M)	Ladies Sandal Bata
House Rent Index	-	-	-	HRI
Fuel & Lighting	Bulb Philips 100 Watt Elect. Charges	-	-	Gas Charges Firewood whole Kerosene Oil
H/hold Furniture	Electric Juicer Tea-Set S. Steel	Air conditioner 1.5 Pell Sewing Machine (Singer) Washing Machine (Singer)	Marriage Hall Household Servant Female Single Bed W/O Foam.	Bucket Plastic Med. Size Mattress Single(4"Thick)
Transport & Commn.	Internet Charges Air Fare Econ. Class. Train Ist Slp <100 km Local Call charges	Car Suzuki (W/O. A/C) Train Ist Slp. > 500 Km Train Ist Slp.101-500	Train A/C Slp.101-500km Train Eco. > 500 Km. CNG Filling Charges	Auto Rickshaw Fares Bus Fare Min(Within City) Petrol Super High Speed Diesel
Recreation	Video Game Sega V.C.P.	Dry Cell 1.5 Volt(Local) Radio With C. Player Tape Recorder	Cinema High Class	-
Education	Com. C.D. Govt. Coll. Fee Ist. Year Govt. Coll. Fee 4th.Year	Ball Pen (Local) Eng. Ist. Yr Complete Set	English Book Ix Or X School Fee 2nd-Ry Eng. Md. School Fee Primary Eng. Md.	Maths Book 1st Year English Book Class VI Urdu Book Class Ix/X(T.B.B)
Cleaning & Laundry	Toilet Paper Roll Toothpaste 70 Grm	Blade 7 o'clock Disposable Razor Gillet Lipstick S. Miss/Medora Artificial jewelry	Washing (Kamiz-Shalwar) Haircut Charges For Men Gold Tezabi 24 Ct Silver Tezabi 24 Ct	Washing Ch. Shirt
Medicare	Galxos-D (450 Grms) Entox Tab. Brufen Tabs 200 Mg.	Disprin Tab. Septran Tablets Doctor (MBBS) Clinic Fee	-	-

3. Wholesale Price Inflation

The YoY wholesale price inflation continued to decelerate for the second month in a row. The wholesale price index (WPI) fell by 0.2 percentage points to 10.9 percent in November 2005 compared to 11.1 percent in the previous month. This slight deceleration, compared to the accelerating trend during the first three months of FY06, is due to the decline in the wholesale prices of some of the food items and relative stability in oil prices amid falling crude oil prices in the international market. However, the easing-off of inflationary pressures as exhibited by this decelerating trend is yet to be reflected in the annualized inflation (12-month moving averages), which has maintained a rising trend. While wholesale price inflation remained significantly higher in comparison with last year's 5.9 percent when WPI was on a declining trend due to falling cotton prices which was offset by the impact of rising oil prices (see **Figure 3.1**).



The wholesale price inflation during July-November 2005 continued to be driven largely by high energy prices. This is clearly evident from the lower wholesale price inflation excluding *fuel, lighting & lubricants*. The *Raw material* sub-index witnessed an increase of 5.7 percent during July-November FY06 compared to a decline of 12.8 percent in last year. More importantly, the food inflation that showed double-digits increase in last year also came down significantly during July-November FY06 (See **Table 3.1**).

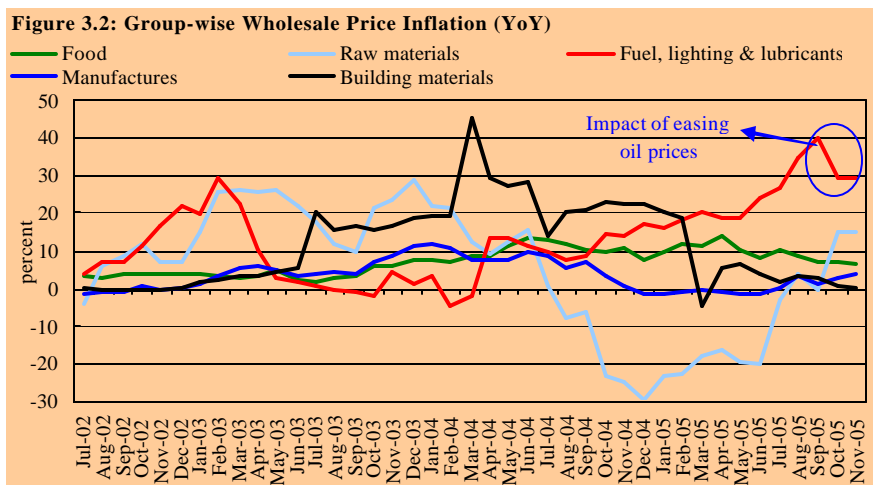
As crude oil prices receded, the domestic prices hovered around last month's level resulting in a slowdown in the YoY growth of the *fuel, lighting & lubricants* sub-index relative to the accelerating trend. With improving supplies of key food

Table 1: Group-wise WPI Inflation (Period to period averages)
Annual percentage changes

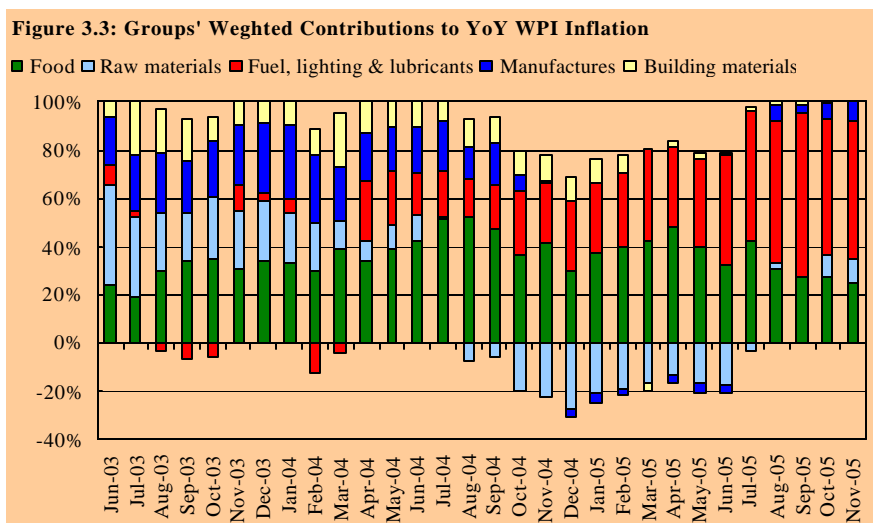
WPI and its components	FY03	FY04	FY05	July-November		
				FY04	FY05	FY06
Food	3.5	7.0	10.7	4.0	11.1	7.9
Raw materials	14.4	17.0	-18.1	16.7	-12.8	5.7
Fuel, lighting & lubricants	12.5	2.8	15.8	0.1	11.0	32.0
Manufactures	1.7	7.9	1.1	5.4	4.8	2.2
Building materials	1.7	22.9	13.7	17.1	20.2	1.8
Overall	5.6	7.9	6.8	5.2	7.7	11.0
<i>Overall excl. food</i>	<i>7.3</i>	<i>8.7</i>	<i>3.6</i>	<i>6.2</i>	<i>5.0</i>	<i>13.7</i>
<i>Overall excl. fuel</i>	<i>3.9</i>	<i>9.2</i>	<i>4.5</i>	<i>6.5</i>	<i>6.9</i>	<i>5.6</i>
<i>Overall excl. food and fuel</i>	<i>4.3</i>	<i>11.7</i>	<i>-1.8</i>	<i>9.3</i>	<i>2.5</i>	<i>3.0</i>

Source: Based on data from FBS

items, the food sub-index maintained the decelerating trend in November 2005. The annual rate of change in the *raw material* sub-index remained above 15 percent in November compared to the sharp decline recorded in the corresponding month of last year. Inflation in the other two sub-indices i.e. *raw material* and *building material*, continued to remain subdued at 3.7 and 0.3 percent respectively in November 2005 (see **Figure 3.2**).

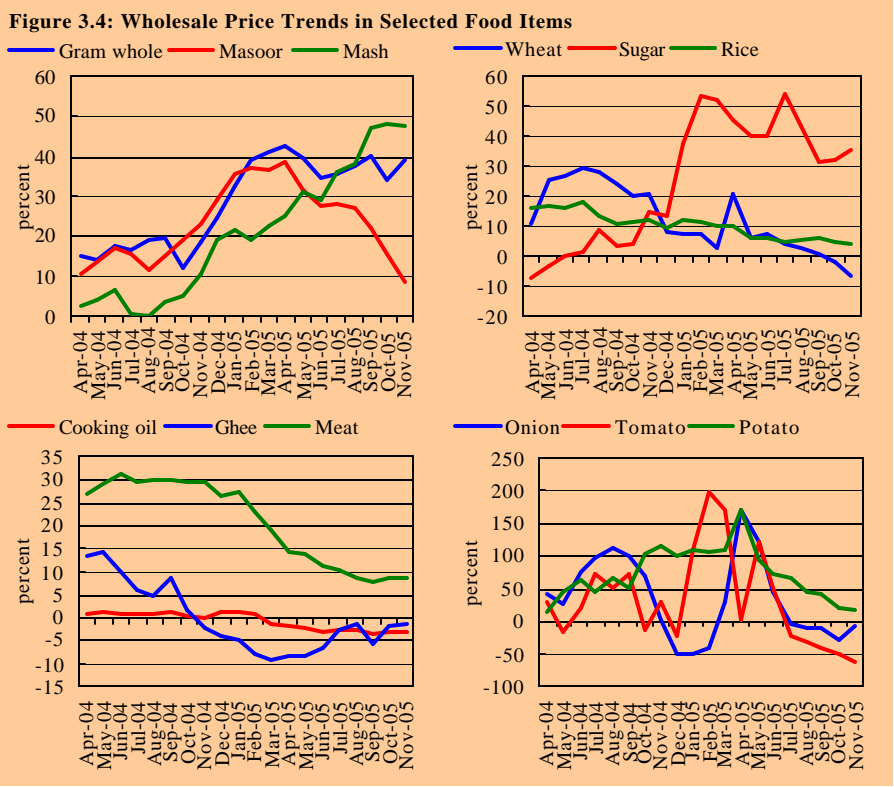


Despite the deceleration recorded, *food* and *fuel, lighting and lubricants* groups continued to remain the major contributors to wholesale price inflation. However, their relative weighted shares have been on decline since the start of FY06, whereas the relative weighted shares of *raw material* and *manufactures* have started to rise. The contribution by the *building material* group has remained insignificant i.e. below 1.0 percent for the last couple of months (see **Figure 3.3**).



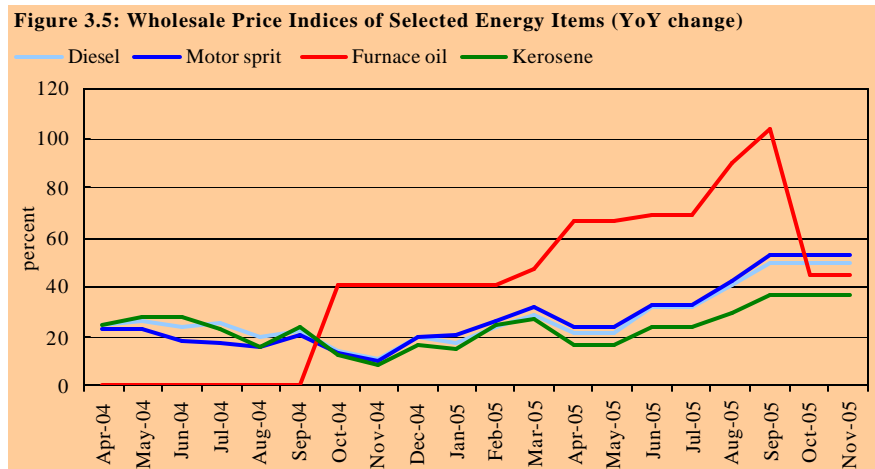
The *food* sub-index maintained a decelerating trend with the annual rate of change falling to 6.4 percent in November from 7.2 percent a month earlier. The annual increase in the food sub-index has seen a declining trend since supplies of some of the food items have started to improve. Beside higher domestic production, allowing duty free import of certain food items has helped to ease the pressure on prices. In November 2005, wholesale prices of pulses also started to decline, reflecting the impact of imports. This is also an indication of lower retail prices in the coming months. The wholesale prices of rice and vegetables also fell, reflecting higher domestic production. On the other hand, the wholesale price of sugar once again exhibited a rising trend as the row over cane prices between mill owners and farmers deepened (see **Figure 3.4**).⁵

⁵ The mills in Sindh stopped operation in protest against Sindh Government's decision to raise the sugar-cane support price by Rs. 12 per maund.

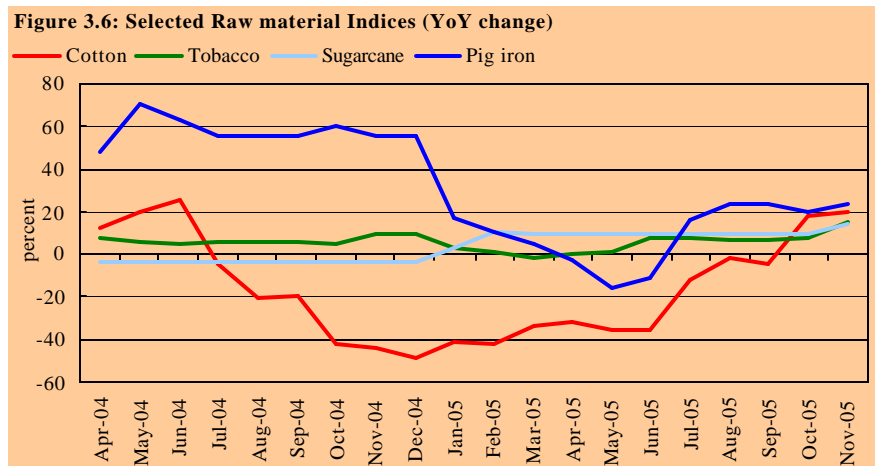


The *fuel, lighting & lubricant* sub-index rose by 29.6 percent YoY in November, marginally lower than the 29.8 percent increase recorded in October, given that the annual increase in furnace oil prices remained constant at 44.2 percent. The wholesale vehicle fuel (diesel and petrol) prices have remained unchanged for the last three months (see **Figure 3.5**).

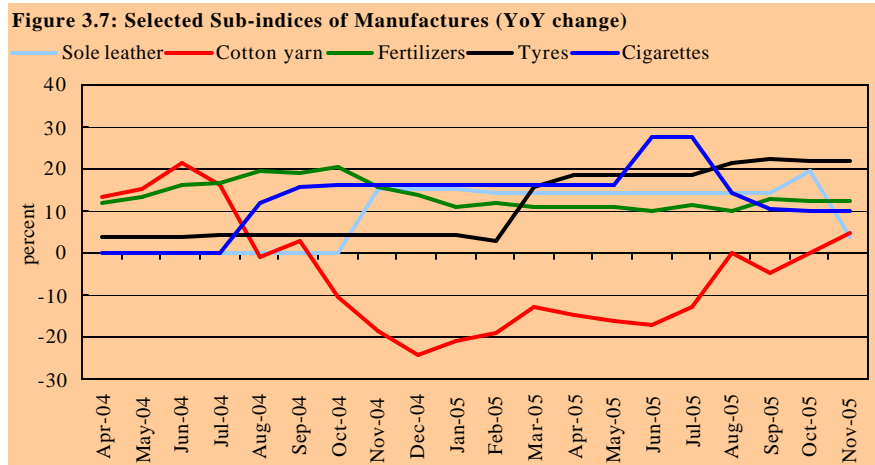
The *raw material* sub-index rose sharply by 15.1 percent in November 2005 compared to a decline of 24.8 percent recorded in the corresponding month of last year. Cotton, sugarcane, tobacco and pig iron were the major raw material sub-indices that showed a rising trend in November 2005. Cotton prices have started to rise in the last couple of months on the back of lower than targeted crop estimates for FY06. Following the trend in cotton prices, cotton seed prices have also risen substantially in the last couple of months. In case of sugarcane, initially the rise in prices was due to the lower than expected crop size. However,



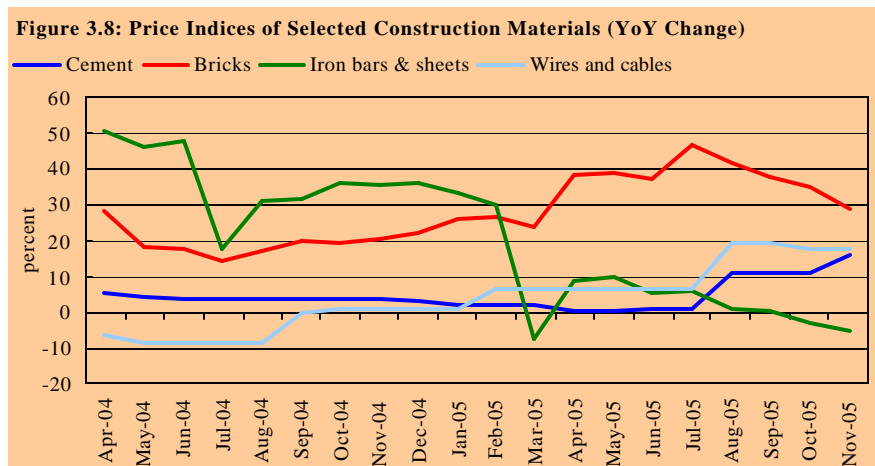
subsequently the diversion of sugarcane away from mills for gur production reduced the availability of sugarcane for mills (see **Figure 3.6**).



Inflation in the *manufactures* sub-index accelerated to 3.7 percent in November from the 3.0 percent increase of last month and 0.6 percent increase recorded in the corresponding month of last year, as prices of cotton and textile manufactures rose on the back of the 19.9 percent increase in cotton prices in November. Leather, fertilizer, tyres, tubes and cigarettes were other manufactures which showed a higher rate of increase in prices (see **Figure 3.7**).



Inflation in the *building material* sub-index fell to a mere 0.3 percent in November 2005 compared to a sharp increase of 22.7 percent in the corresponding month of last year, mainly due to falling domestic iron & steel as well imported prices. The decline recorded in the prices of iron bars & sheets (5.4 percent), paints & varnishes (9.9 percent), tiles (1.0 percent) and cement blocks (0.3 percent) offset the sharp increase in cement (16.0 percent) and bricks (29.3 percent) prices (see **Figure 3.8**). As the cement manufacturers have announced a reduction in prices, which is expected to be reflected in lower wholesale and retail prices from next month onwards, the building material prices may continue to register subdued



inflation in coming months. This has also implications for the house rent index, a sub-index of CPI.

Commodity group or item-wise **distribution** of YoY change in WPI items is shown in **Figure 3.9** and **Table 3.3**.

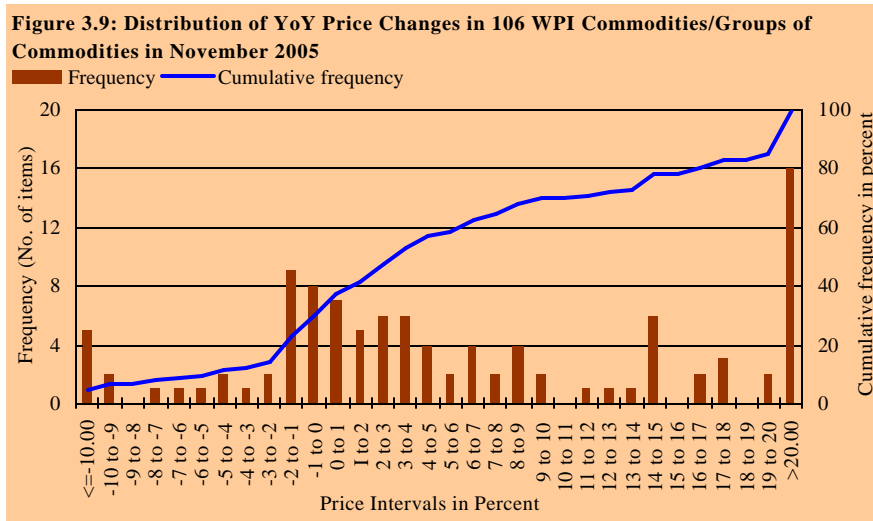
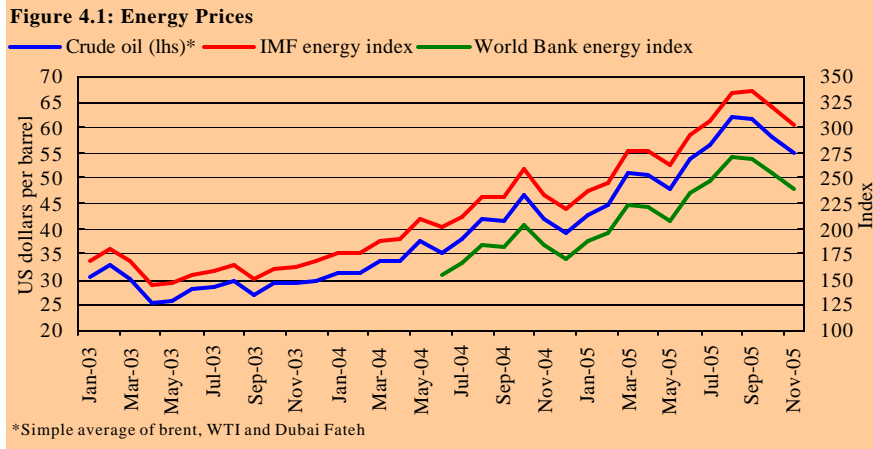


Table 3.3: Group-wise Commodities/Groups of Commodities Classified by Range of Price Change (YoY) during September 2005

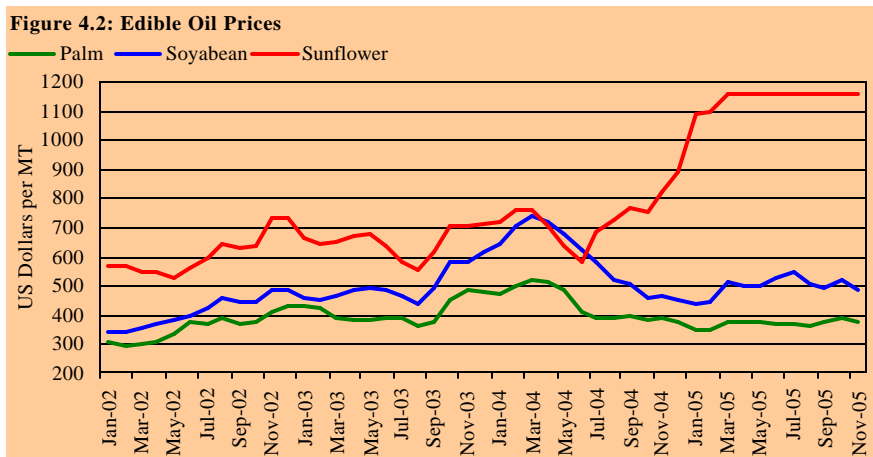
Groups	Decrease or no change	Subdued increase (up to 5%)	Moderate increase (5 to 10%)	More than 10% increase
Food	Tomatoes Onions Wheat Cooking Oil Maida Wheat Flour Fresh Fruits Vegetable Ghee Tea Sugar Confectionary Vegetables Prepared/Preserved Cotton Seed Oil	Beverages Spices Fruit Prepared/Preserved Vegetables Condiments Mustard & Rapeseed Oil Milk Food Mineral Water Rice	Fish Besan Gram Split Eggs OI Cakes Fresh Milk Masoor Meat Salt	Powdered Milk Maize Potatoes Beans Dry Fruits Bajra Chicken Sugar Refined Gram Whole Jowar Mash Gur Moong
Raw material	Skins Wool	Mustard/Rapeseeds	Hides	Sugar Cane Cotton Seeds Tobacco Cotton Pig Iron
Fuel & lighting	Coke Electricity Ind. Supply Tariff-B Elec. Agriculture Tariff-D	-	Mobil Oil	Fire Wood Natural Gas Coal Kerosene Oil Furnace Oil Diesel Oil Motor Sprit
Manufactures	Nylon Yarn Chemicals Blended Yarn Dying Materials Mattresses Soaps Utensils Glass Products Drugs & Medicines Matches	Plastic Products Other Electrical Goods Silk & Reyon Textiles Transports Hosiery Woolen Textiles Pesticides & Insecticides Ready Made Garments Cotton Textiles Foot Wear Machinery Sole Leather Paper Audio-Visual Instruments Cotton Yarn	Cosmetics Jute Manufactures Cigarettes	Fertilizers Tubes Tyres Chrome Leather
Building material	Paints & Varnishes Iron Bars & Sheets Timber Tiles Cement Blocks	Pipe Fittings Sanitary Wares Glass Sheets	-	Cement Wires And Cables Bricks

4. Commodity Prices

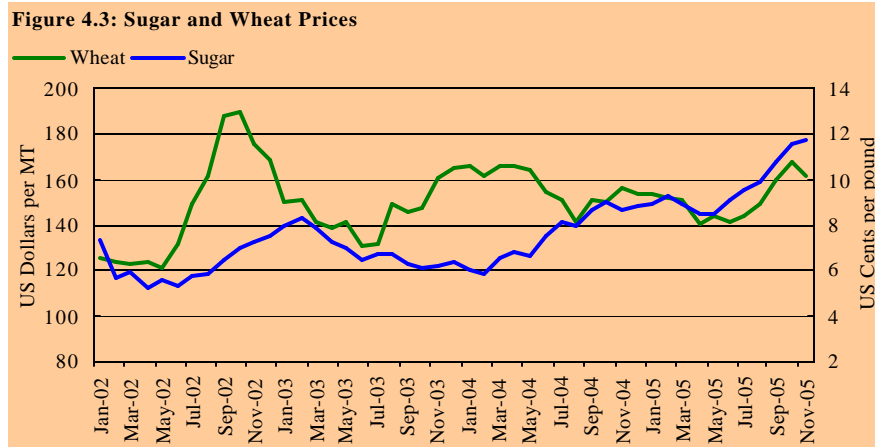
Oil prices eased further and fell to US\$ 55.0 per barrel in November 2005. This was largely due to the lower demand for heating oil in North America and partly due to stock-piling by households well before the advent of winter in anticipation of rise in prices (see **Figure 4.1**). Due to the relatively higher temperature this winter, the price of oil futures is coming down, indicating a further reduction in spot prices in the next few months.



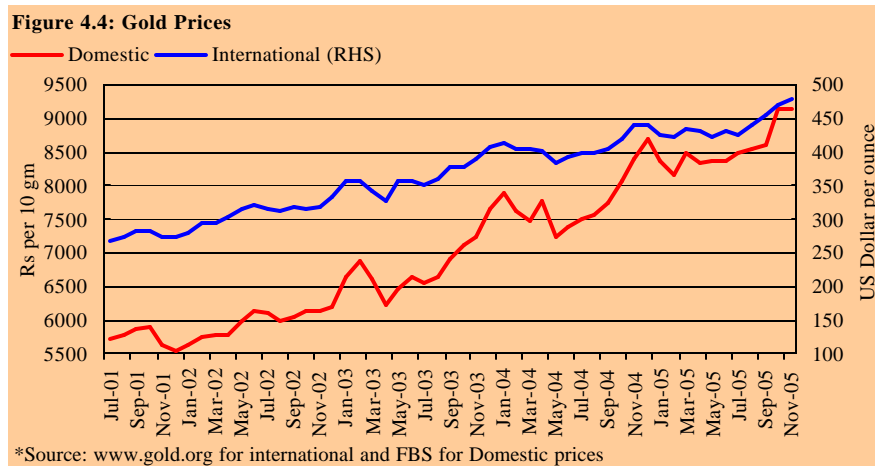
Edible oil prices (palm and soybean) again fell slightly in November after rising modestly in the previous month while the price of sunflower oil remained constant at US\$ 1152 per ton since June (see **Figure 4.2**). This indicates that the domestic wholesale and retail ghee and cooking oil prices might witness further decline in the coming months.



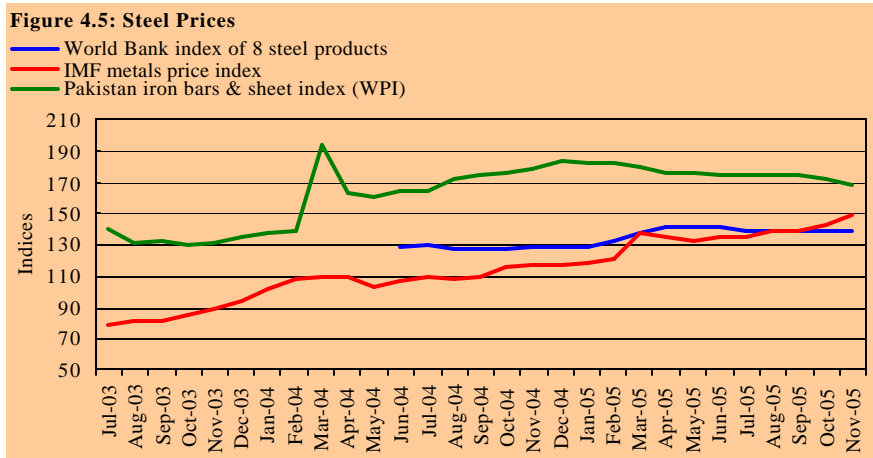
The price of sugar in the international market continued to rise on the news of lower crop estimates for India and Pakistan, while wheat prices declined in November in comparison with last month (see **Figure 4.3**).



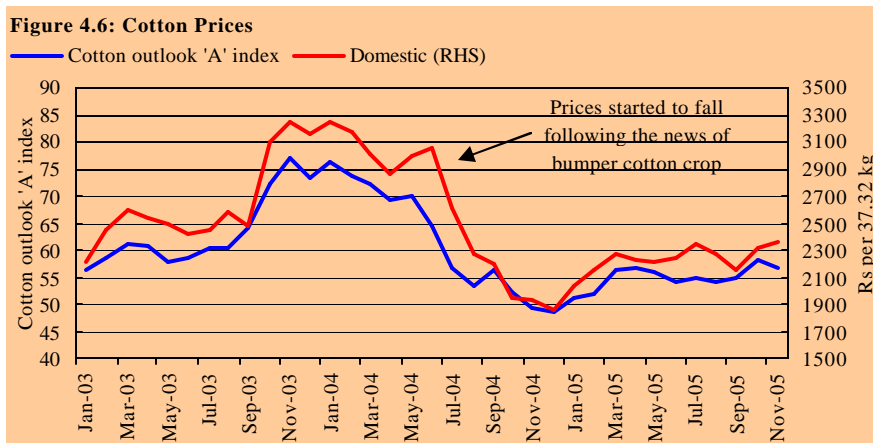
Gold prices continued to rise at a slightly slower pace in November. Increase in the international gold price slowed down to 8.5 percent compared to 11.8 percent in the previous month due to the high base as gold prices rose sharply in October and November last year. The recent persistent increase in gold prices is attributable to higher investment demand as investors took positions in the booming market (see **Figure 4.4**).



Steel prices in the international market have shown a great deal of stability. The domestic steel prices, however, witnessed a declining trend mainly due to stable world prices and reduction in import duty. Moreover Pakistan Steel also reduced prices of major steel products during the month. IMF metals price index, however, continued to show a rising trend as it represents more of metals like zinc, tin, copper etc. rather than steel items (see **Figure 4.5**).



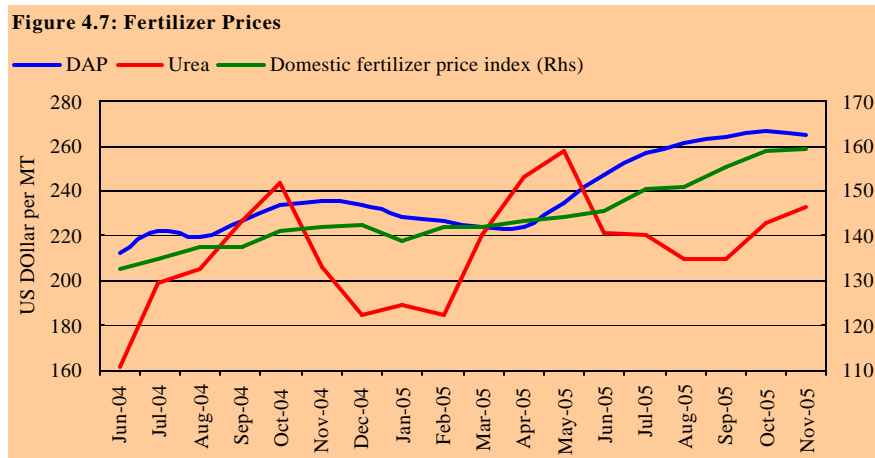
While Cotton 'A' Index showed a decline in global cotton prices, the domestic prices continued to rise amid reports of a below target (of 15 million bales) cotton⁷



⁷ Latest crop estimates by Karachi Cotton Association shows approximately 15.0 percent.

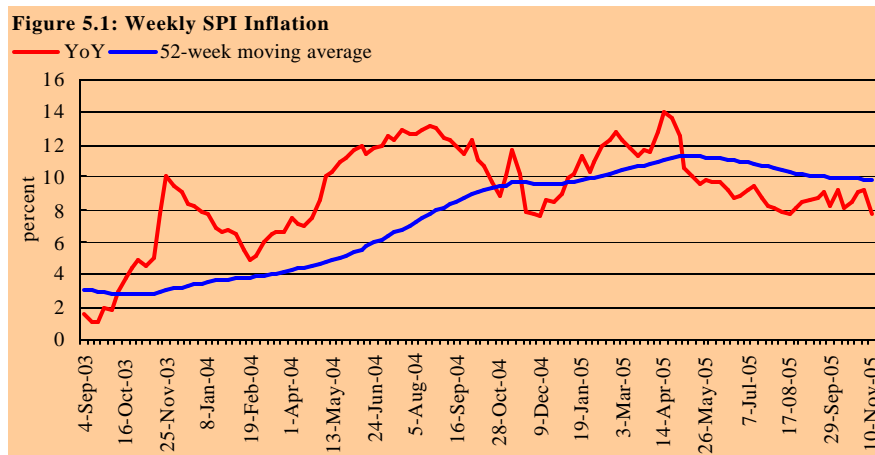
output for FY06 (see **Figure 4.6**).

The wholesale fertilizer prices continued to rise with the start of seasonal off take for Rabi crops (especially wheat) in the backdrop of shrinking domestic capacity against expanding demand and rising prices in the international market (see **Figure 4.7**).

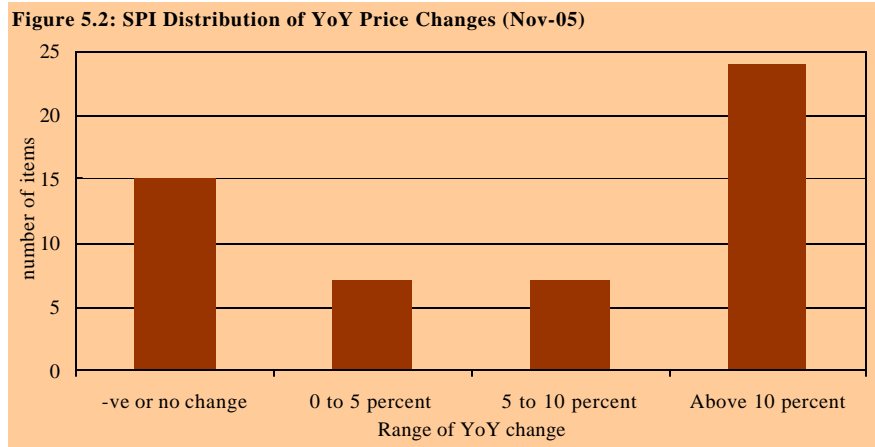


5. Sensitive Price Indicator

Weekly SPI inflation (YoY) continued with a mixed trend during November 2005, however, the 52 weeks moving average inflation exhibited a slight decelerating trend (see **Figure 5.1**).

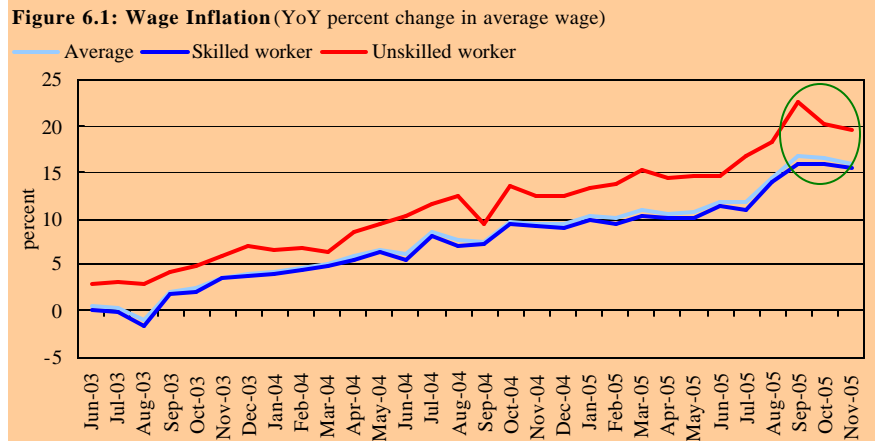


During November 2005, most of the items in the SPI basket registered double digit inflation on YoY basis; however, the negative or zero inflation in some of the staples offset the impact of rise in other items (see **Figure 5.2**).



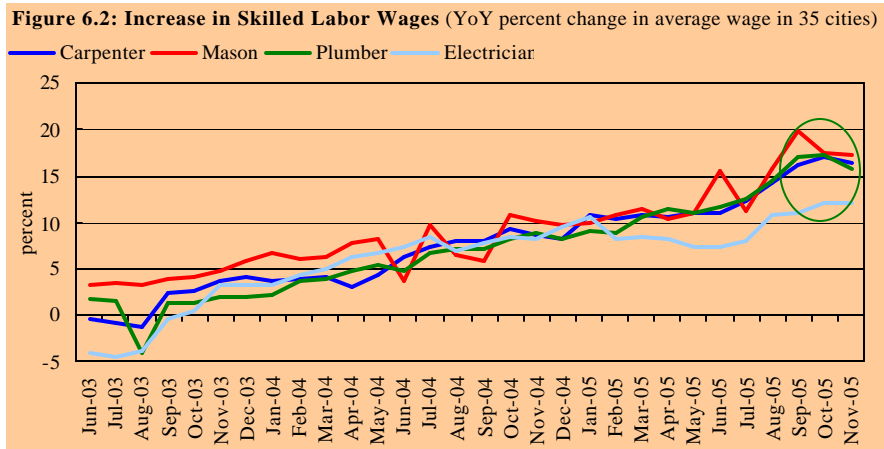
6. Wage Inflation⁹

The wage inflation has continued to decelerate slightly for the last couple of months. The annual increase in average daily wages of five construction workers slowed down to 15.9 percent in November after showing the highest increase of



⁹This is based on wages of 5 construction workers i.e. carpenter, mason, electrician, plumber and labourers.

16.7 percent in September 2005 (see **Figure 6.1**). The deceleration was evident across the wages of all types of construction workers (see **Figure 6.2**).



City-wise variations in average daily wages from the country average are shown in **Figure 6.3**. Average daily wages by type of construction worker are given in **Table 6.1**.

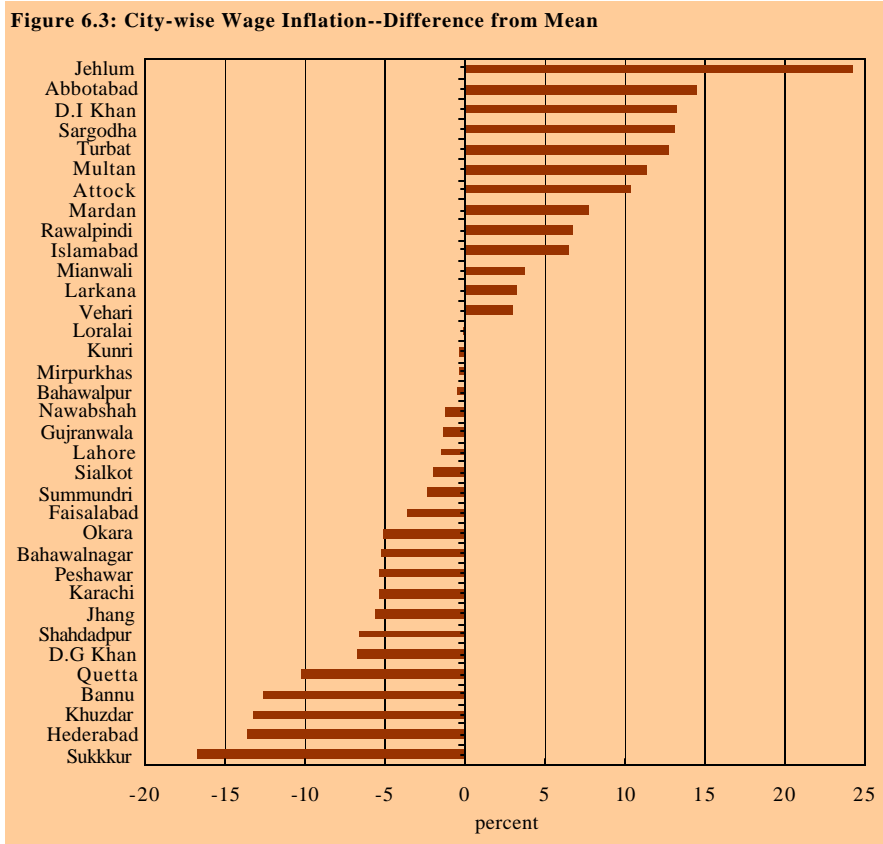


Table 6.1: Daily Wages of Construction Workers (Rs per day)

	Carpenter	Mason	Laborer	Plumber	Electrician
Jul-04	235.2	252.5	122.1	235.1	233.8
Aug-04	236.6	245.3	123.3	235.8	231.1
Sep-04	237.6	245.2	121.7	236.6	232.6
Oct-04	240.3	256.9	126.7	239.3	235.3
Nov-04	242.1	259.5	128.0	242.9	237.0
Dec-04	242.9	261.6	129.4	243.6	240.3
Jan-05	248.5	263.3	130.4	245.8	242.8
Feb-05	248.2	265.6	130.9	245.7	242.8
Mar-05	250.5	269.2	132.5	250.0	244.3
Apr-05	253.3	269.8	134.4	255.4	247.7
May-05	256.0	273.1	136.5	256.8	247.7
Jun-05	258.1	275.2	138.5	258.6	248.8
Jul-05	264.2	280.9	142.5	264.6	252.1
Aug-05	269.9	284.1	145.8	270.2	256.0
Sep-05	275.8	293.6	149.3	276.6	257.7
Oct-05	280.8	302.1	152.2	280.4	263.8
Nov-05	281.5	304.2	152.9	281.3	265.5

Source: Federal Bureau of Statistics

Annexes

S.No	Items	Unit	Price in Rs Nov-2005	Percentage change in Nov-05 over		
				Jun-05	Nov-04	Oct-05
1	Wheat	Kg.	11.6	2.6	-5.9	1.7
2	Wheat flour a.qlt.	Kg.	13.1	0.6	-4.2	0.8
3	Rice basmti.broken	Kg.	20.1	-2.2	-0.2	1.6
4	Rice iri-6	Kg.	15.9	-1.2	5.8	-0.2
5	Masur pulse washed	Kg.	45.5	-1.0	10.0	1.8
6	Moong pulse washed	Kg.	41.3	6.2	43.7	2.5
7	Mash pulse washed	Kg.	45.9	11.1	23.0	2.0
8	Gram pulse washed	Kg.	28.4	2.2	0.7	1.7
9	Beef	Kg.	103.8	2.7	10.8	1.7
10	Mutton	Kg.	196.7	2.3	7.7	1.1
11	Egg hen (farm)	Doz.	43.7	36.1	10.9	6.7
12	Bread plain m.s.	Each	14.2	2.6	10.1	0.0
13	Sugar	Kg.	27.5	3.9	27.2	3.0
14	Gur	Kg.	34.7	13.8	59.0	-7.6
15	Milk fresh	Litr	23.6	2.0	13.6	0.5
16	Milk powdered nido	400g	107.3	1.5	4.2	-0.1
17	Curd	Kg.	28.0	1.3	10.4	0.2
18	Vegetable ghee (tin)	2.5k	203.7	-0.2	-0.3	0.0
19	Vegetable ghee (loose)	Kg.	58.8	0.1	-2.5	-0.3
20	Mustard oil	Kg.	66.7	1.7	1.4	0.5
21	Cooking oil	2.5l	204.5	-0.2	-0.2	0.0
22	Potatoes	Kg.	19.6	10.1	7.7	4.6
23	Onions	Kg.	12.4	5.3	-2.9	-7.6
24	Tomatoes	Kg.	21.7	16.1	-42.8	24.2
25	Bananas	Doz.	26.9	-17.0	19.2	-1.3
26	Salt powdered	Kg.	3.8	4.1	10.1	0.0
27	Red chilies (powder)	Kg.	71.1	-4.2	-9.0	-2.1
28	Garlic	Kg.	55.3	3.5	25.4	-1.2
29	Tea packet	250g	61.8	-0.3	-0.4	0.5
30	Tea (prepared)	Cup	5.6	3.7	11.3	0.5
31	Cooked beef plate	Each	25.6	1.9	7.4	0.0
32	Cooked dal plate	Each	15.3	2.0	4.4	0.0

Table 1 continued . . .

S.No	Items	Unit	Price in Rs Nov-2005	Percentage change in Nov-05 over		
				Jun-05	Nov-04	Oct-05
33	Cigarettes k-2	10's	7.3	2.1	6.0	0.0
34	Coarse latha	Mtr.	34.4	3.1	10.1	0.7
35	Lawn (avg.+s.qlty)	Mtr.	75.6	-0.6	5.5	0.0
36	Voil printed	Mtr.	36.6	-0.8	2.2	0.0
37	Shirting	Mtr.	62.2	1.7	3.8	0.0
38	Sandel gents bata	Pair	399.0	-4.8	-20.0	0.0
39	Sandel ladies bata	Pair	299.0	3.5	20.1	0.0
40	Chappal spng. Bata	Pair	89.0	0.0	0.0	0.0
41	Kerosene	Litr	36.5	16.5	34.4	0.0
42	Firewood	40kg	157.4	8.1	20.3	2.6
43	Elec. Bulb 60-wats	Each	11.5	-1.0	-8.9	0.0
44	Match box	Each	0.6	5.1	21.6	0.0
45	Washing soap	Cake	7.7	1.6	3.2	0.4
46	Bath soap lifebuoy	Cake	13.9	-0.2	-0.5	0.2
47	Chicken (farm)	Kg.	78.2	7.7	16.0	10.1
48	Gas chrg. All clb. Comb	D.mmbt	193.0	5.1	127.0	0.0
49	L.p.g .(cylinder 11kg.)	Each	485.8	42.9	5.5	-1.7
50	Elec. charges. all slabs com	Bd. Unit	4.7	0.0	93.4	0.0
51	Petrol	Litr	56.4	23.5	52.3	0.0
52	Diesel	Litr	37.3	27.8	52.3	0.0
53	Telephone local	Call	2.3	0.0	0.0	0.0
Max:				42.9	127.0	24.2
Median				2.1	7.4	0.0
Min:				-17.0	-42.8	-7.6

Inflation Monitor for November 2005

Table 2: Top Ten CPI Items Ranked by Weighted Contribution								
S.#	Items	Unit	Weights	Price		Point to point change		Weighted contribution.
				Nov-05	Nov-03	Nov-04	Nov-05	
1	House rent index	Month	23.4298	131.4	3.2	11.2	10.8	32.0
2	Petrol super	Ltr	1.7253	56.5	11.0	9.9	52.4	11.5
3	Milk fresh (un-boiled)	Ltr	6.5334	22.4	2.5	11.4	12.8	10.6
4	Sugar refined	Kg	1.9467	27.8	-9.6	10.9	28.3	7.0
5	Chicken farm broiler	Kg	0.9158	81.2	18.4	6.9	24.7	2.9
6	Beef with bone average quality	Kg	1.6098	100.2	18.8	29.9	13.9	2.8
7	Gas charges 10.1157 - 13.4876 mmbtu	Mmbtu	0.9312	305.4	-68.0	6.7	14.5	1.7
8	Firewood whole	40 kg	0.4778	133.4	11.6	17.1	23.7	1.4
9	Apple	Kg	0.4015	40.4	-2.2	6.1	27.8	1.4
10	High speed diesel (HSD)	Ltr	0.2070	37.4	14.4	6.4	52.4	1.4
Total			38.2					72.6
Top Ten CPI Items Ranked by Percentage Change								
1	Gur average quality	Kg	0.0735	34.2	-5.3	10.2	60.9	0.6
2	High speed diesel (HSD)	Ltr	0.2070	37.4	14.4	6.4	52.4	1.4
3	Petrol super	Ltr	1.7253	56.5	11.0	9.9	52.4	11.5
4	Pulse moong (washed)	Kg	0.2230	40.8	-7.9	1.3	48.0	1.4
5	Pistachio average quality	50 gm	0.0301	32.7	-2.1	12.5	41.6	0.2
6	Kerosene oil	Ltr	0.1366	36.3	16.4	7.8	38.3	0.7
7	Bus fare min (within city)	Ticket	0.1411	5.1	6.3	5.0	36.3	0.6
8	Almonds whole average quality.	Kg	0.1004	194.3	45.5	21.8	35.3	0.4
9	Minibus fare min. with in city	Ticket	0.1411	5.8	14.3	8.3	34.6	0.6
10	Gram whole yellow average quality	Kg	0.1491	51.7	-2.9	16.0	34.6	0.7
Total			2.9					17.9

Cities	Income Up to Rs:3000			3001-5000			5001-12000			Above 12000			Combined		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
Lahore	9.0	7.6	10.0	8.8	7.1	9.9	8.9	7.1	10.2	9.9	7.3	11.8	9.4	7.2	11.0
Faisalabad	6.9	4.6	8.5	6.6	4.2	8.5	7.0	4.7	8.8	8.9	5.9	11.1	8.0	5.2	10.0
Rawalpindi	9.7	8.8	10.4	9.1	7.4	10.3	9.5	7.7	10.8	11.3	8.4	13.4	10.4	8.0	12.1
Multan	6.1	4.1	7.5	5.9	4.2	7.1	6.5	4.3	8.1	8.5	5.7	10.6	7.1	4.7	8.9
Gujranwala	7.0	5.8	7.8	7.3	5.8	8.3	8.1	6.4	9.3	9.9	8.5	11.0	8.4	6.7	9.5
Islamabad	10.2	7.1	12.3	10.4	8.1	12.0	10.3	7.8	12.0	12.1	8.5	14.8	11.9	8.3	14.4
Sargodha	7.1	5.2	8.5	7.0	5.3	8.2	7.8	6.4	8.8	9.4	7.0	11.1	8.1	6.4	9.4
Sialkot	7.7	7.4	7.8	6.8	6.3	7.2	7.3	6.8	7.7	8.0	7.5	8.5	7.7	7.1	8.1
Bahawalpur	7.1	5.8	8.1	7.6	6.2	8.7	8.3	7.4	9.0	9.9	8.9	10.6	8.6	7.4	9.5
Karachi	5.0	2.8	6.7	4.6	1.2	7.2	5.0	1.6	7.6	7.7	3.3	11.0	6.3	2.3	9.4
Hyderabad	4.4	3.9	4.7	4.3	3.5	4.9	4.6	3.6	5.3	5.7	4.2	6.7	4.9	3.8	5.7
Sukkur	6.3	6.0	6.5	6.1	5.3	6.7	6.1	5.6	6.5	6.1	5.5	6.5	6.1	5.5	6.5
Larkana	5.1	3.6	6.2	4.7	3.3	5.8	5.5	4.3	6.4	5.8	4.3	7.0	5.5	4.2	6.5
Peshawar	7.8	7.1	8.3	6.0	3.6	7.8	6.8	3.8	8.9	9.0	5.4	11.6	7.7	4.5	10.1
Bannu	6.8	6.6	7.0	5.1	3.3	6.4	5.0	2.3	7.0	5.4	2.2	7.8	5.2	2.7	7.1
Quetta	4.8	2.7	6.3	5.6	3.1	7.4	6.3	3.5	8.3	7.7	4.0	10.3	6.9	3.7	9.1
Khuzdar	9.2	8.3	9.9	8.9	8.9	9.0	8.8	9.2	8.6	9.6	10.3	9.1	8.9	9.0	8.9
Average	7.1	5.7	8.0	6.8	5.1	8.0	7.2	5.4	8.4	8.5	6.3	10.2	7.7	5.7	9.2
Minimum	4.4	2.7	4.7	4.3	1.2	4.9	4.6	1.6	5.3	5.4	2.2	6.5	4.9	2.3	5.7
Median	7.0	5.8	7.8	6.6	5.3	7.8	7.0	5.6	8.6	8.9	5.9	10.6	7.7	5.5	9.4
Maximum	10.2	8.8	12.3	10.4	8.9	12.0	10.3	9.2	12.0	12.1	10.3	14.8	11.9	9.0	14.4

Inflation Monitor for November 2005