

Inflation Monitor

January 2009



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Contents

1.	Overview	1
2.	Consumer Price Index	3
	2.1 Food Inflation	4
	2.2 Non-food Inflation	5
	2.3 City-wise Inflation	8
	2.4 Income Group-wise Inflation	10
	2.5 Services and Non-services Inflation	10
3.	Wholesale Price Index	12
4.	Sensitive Price Indicator	16
5.	Global Commodity Prices	18

Annexure A:	22
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Table A1: CPI Inflation (YoY) by Groups	
Table A2: Distribution of Price Changes of CPI Basket, January 2009 (YoY)	
Table A3: Top Ten Contributors to YoY CPI Inflation in January 2009	
Table A4: Distribution of YoY Price Changes - Selected CPI Items, January 2009	
Table A5: City-wise CPI Inflation (YoY) by Income Groups January 2009	
Table A6: Income Group-wise CPI Inflation (YoY)	
Table A7: Distribution of Wholesale Price Changes (YoY), January 2009	
Table A8: SPI Item-wise Price Movements for the month of January 2009	
Table A9: Consumer Price Index Numbers by Major Groups and Selected Commodities for January 2009	

Figure A1: CPI Non-food Inflation

Figure A2: Frequency Distribution of Price Changes of CPI Items January 2009

Figure A3: Frequency Distribution of Price Changes of WPI Items January 2009

Annexure B: Technical Notes	35
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Overview

Downward trend in headline consumer price index (CPI) inflation (YoY), started in November 2008, turned more pronounced in January 2009 with 2.8 percentage points decline compared 1.4 percent dip in December 2008. This descend was mainly due to a significant decline in food inflation. CPI inflation at 20.5 percent in January 2009, however, was still high compared to 11.9 percent in the same month last year.

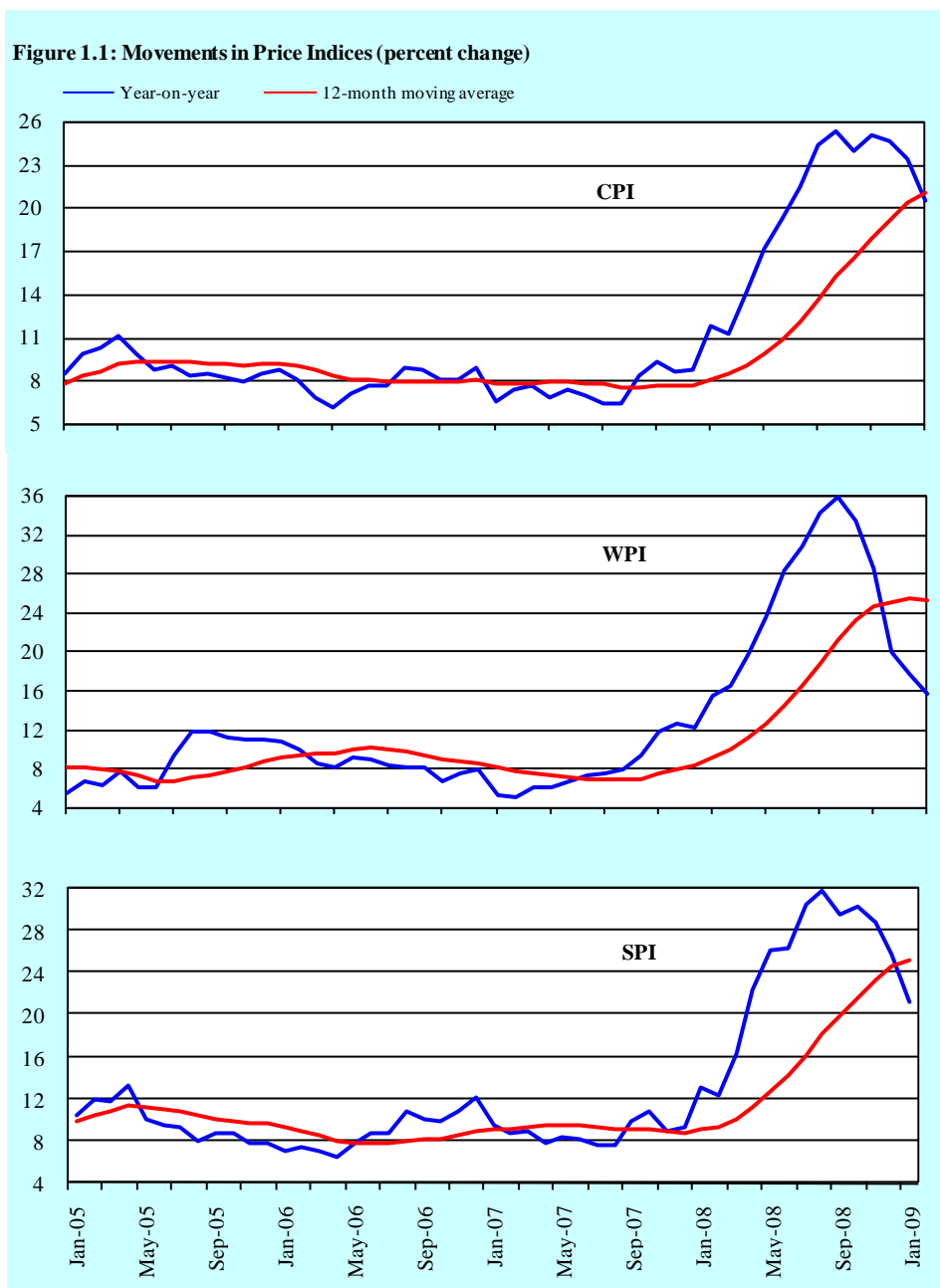
Table 1.1: Inflation (YoY)

	CPI			Core Inflation		WPI	SPI**
	General	Food	Non-food	NFNE *	Trimmed		
Jan-08	11.9	18.2	7.3	7.8	9.6	15.5	13.1
Feb-08	11.3	16.0	7.8	8.1	9.6	16.4	12.3
Mar-08	14.1	20.6	9.4	9.3	11.3	19.8	16.2
Apr-08	17.2	25.5	11.2	10.8	14.1	23.5	22.3
May-08	19.3	28.5	12.5	12.3	15.1	28.2	26.2
Jun-08	21.5	32.0	13.8	13.0	17.2	30.6	26.3
Jul-08	24.3	33.8	17.3	14.7	19.7	34.0	30.6
Aug-08	25.3	34.1	18.7	16.4	21.0	35.7	31.8
Sep-08	23.9	29.9	19.2	17.3	21.2	33.2	29.6
Oct-08	25.0	31.7	19.7	18.3	21.7	28.4	30.3
Nov-08	24.7	30.4	20.2	18.9	21.3	19.9	28.8
Dec-08	23.3	27.9	19.8	18.8	21.7	17.6	25.7
Jan-09	20.5	21.6	19.7	18.9	19.6	15.7	21.3

* NFNE is Non-food non-energy inflation; ** SPI for all income groups combined.

A relative ease in inflationary pressures was also evident in 20% trimmed mean measure of core inflation that was recorded at 19.6 percent (YoY) during January 2009 compared to 21.7 percent (YoY) in the previous month. However, non-food non-energy (NFNE) measure of core inflation moved up slightly during the month under review compared to the preceding month (see **Table 1.1**).

Similar to CPI, wholesale price index (WPI) and sensitive price indicator (SPI) also decelerated in January 2009. WPI inflation (YoY) was recorded at 15.7 percent during January 2009 compared to 17.6 percent in the previous month. Similarly, SPI inflation (YoY) fell by 4.4 percentage points for the same period (see **Figure 1.1**).



2. Consumer Price Index

In January 2009, CPI inflation (YoY) was recorded at 20.5 percent compared to 23.3 percent in December 2008 and 11.9 percent in the corresponding month last year. Both food and non-food inflation witnessed deceleration, with a more pronounced ease seen in food inflation. CPI food inflation was recorded at 21.6 percent during January 2009 (the

lowest level since April 2008) compared to 27.9 percent in December 2008 and 18.2 percent during the same month last year. CPI non-food inflation (YoY) recorded at 19.7 percent during January 2009 was substantially higher than the 7.3 percent recorded in January 2008 but slightly lower than 19.8 percent in the preceding month (see **Figure 2.1**).

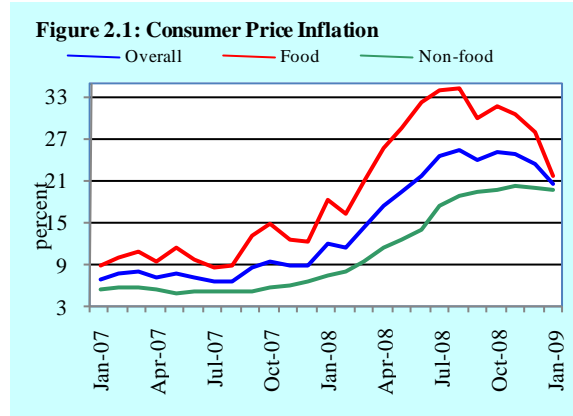
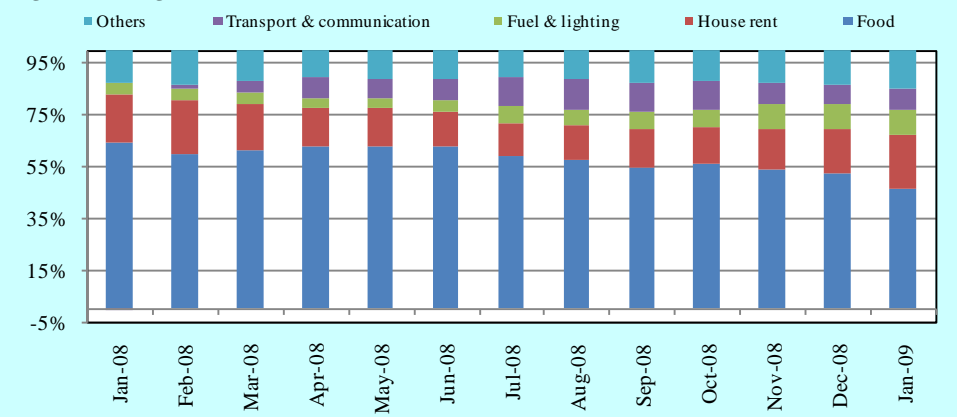


Figure 2.2: Weighted Contribution to CPI Inflation (YoY)



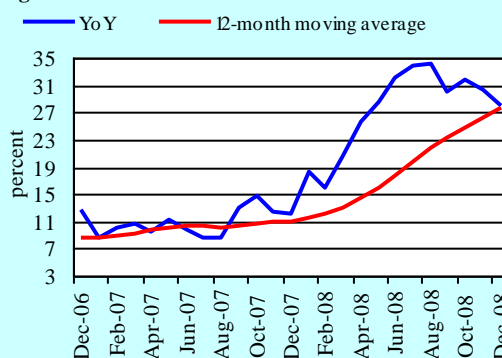
Downward trend in weighted contribution of food group to overall CPI inflation continued and was recorded at 46.6 percent during January 2009 compared to 64.4 percent in the corresponding month last year. Opposite to food group, the weighted contribution of non-food group reached 53.4 percent as compared to 35.6 percent in the corresponding month last year. Weighted contribution of *fuel & lighting* and *transport & communication* sub-groups continued to dominate as compared to other groups of non-food group. The weighted contribution of these

sub-groups was recorded at 9.7 percent and 8.5 percent during January 2009 as compared to 4.8 percent and (-) 2.0 during the same month last year (see **Figure 2.2**).

2.1 Food Inflation

Depite significant decline in food inflation (YoY) during January 2009 compared to the previous month, it was still high compared to the same month last year. Food inflation (YoY) dropped to 21.6 percent during the month under review compared to 27.9 percent in December 2008 and 18.2 percent during the same month last year (see **Figure 2.3**).

Figure 2.3: CPI Food Inflation



A detailed analysis of price movements in CPI food basket reveals that out of 109 reported commodities, three commodities – coriander seed powder (125.2 percent), coffee (108.9 percent) and pulse masoor (107.1 percent) – showed price increases¹ of over 100 percent, 8 showed a price change between 50 to 100 percent, 78 items depicted a price change between 10 to 50 percent, 13 showed single digit price increase, 6 items exhibited a decline in their prices and one item showed no price change (see **Figure 2.4** and **Table A2** in **Annexure A**).

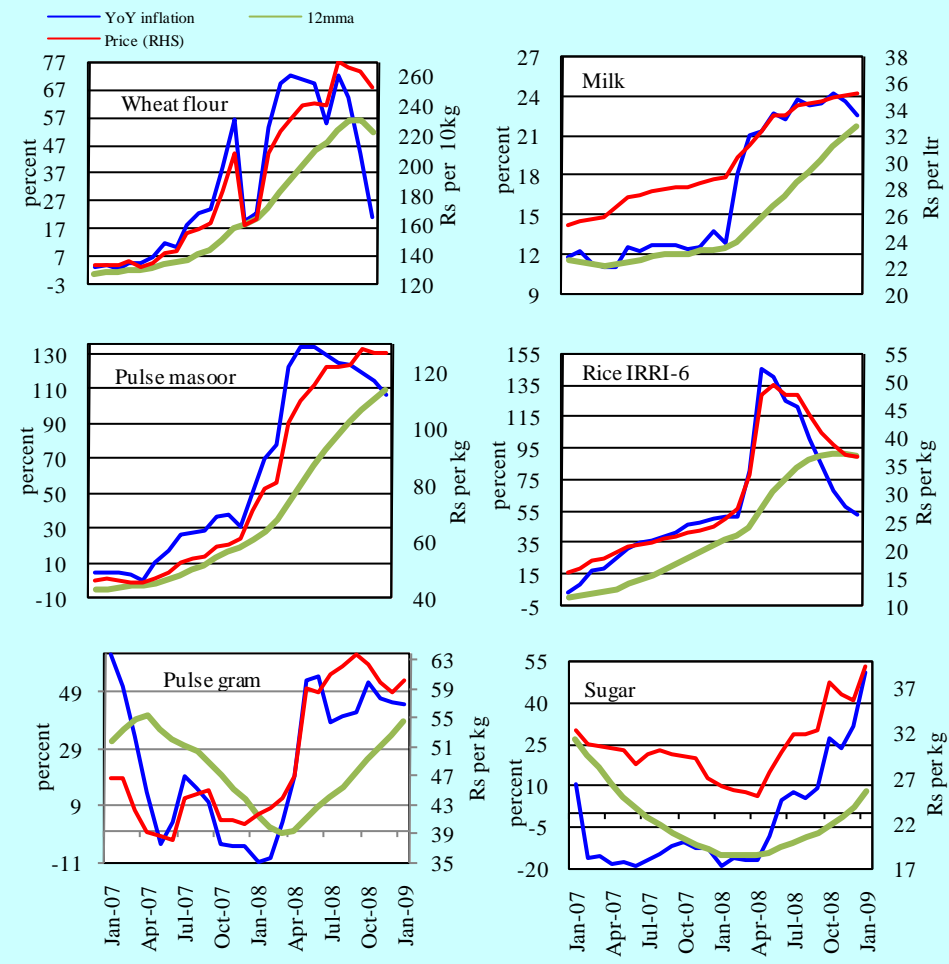
In terms of contribution to overall CPI inflation (YoY), wheat flour and fresh milk were the second and third highest contributors², with 8.0 percent and 7.7 percent share in overall CPI inflation (see **Table A3** in the Annexure). Moreover, within food group, three items i.e. wheat flour, milk fresh, and rice contributed 40.7 percent to food inflation (YoY) during the month under review.

On month-on-month (MoM) basis food inflation showed a significant decline of 2.0 percent in January 2009 compared with an increase of 3.0 percent in January 2008. Item-wise analysis of CPI food group on monthly price change showed that 4 items including pomegranate, sugar, gur and vegetable ghee exhibited double digit price change during January 2009 (5 items during December 2008), whereas prices of 39 items including potatoes, carrot, tomatoes, onions, egg, etc. declined during the month under review.

¹ Price change are compared with January 2008

² house rent index of non-food group being the first

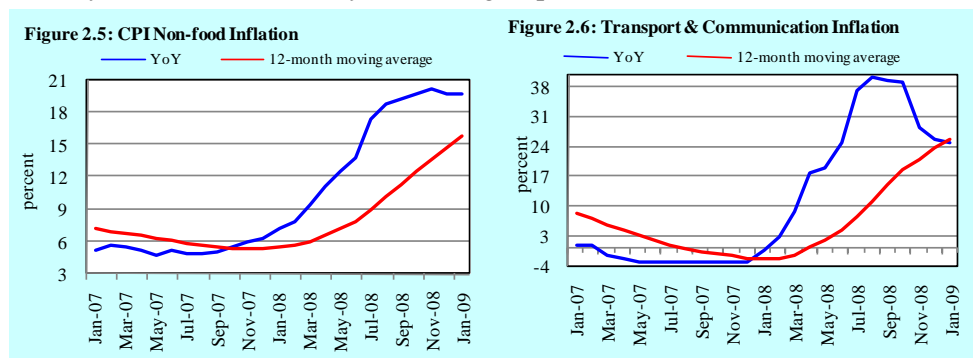
Figure 2.4: Price Trends in Key Food Items



2.2 Non-food Inflation

CPI non-food inflation (YoY) showed a slight decline during January 2009 compared to the previous month, but remained significantly high compared to the corresponding month last year (see **Figure 2.5**). Group-wise analysis of non-food group showed that all sub-groups of CPI non-food group contributed to this strong inflation but the inflation (YoY) in *transport & communication* and *fuel and lighting* sub-groups was significantly high despite some ease in recent months.

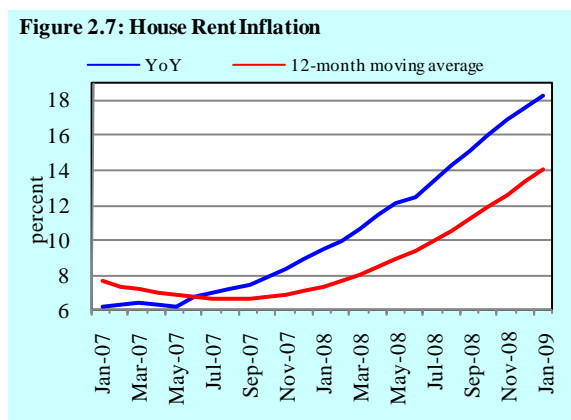
Specifically *transport & communication* sub-group's inflation (YoY) showed continuous decline from September 2008 and was recorded at 25.2 percent during January 2009 compared to 27.5 percent in December 2008 but remained significantly higher compared to the same month last year ((-) 0.3 percent in January 2008). Detailed analysis of this group showed that out of 43 items, 36



items showed price increase in double digit, 3 items showed price increase between 5 to 10 percent and 4 items showed no change (see **Figure 2.6**).

Inflation in *fuel & lighting* sub-group was recorded at 26.9 percent during January 2009 compared to 7.4 percent in the same month last year and 29.5 percent in December 2008. Item-wise analysis of this sub-group revealed that out of 15 items, 9 recorded price change between 20 to 100 percent, one item saw price change above 4 percent, three items showed no price change and one item (gas cylinder) showed a decline in price during the month under review.

House rent index inflation (YoY) continued with uptrend to reach 18.2 percent in January 2009 compared to 9.5 percent during the same month last year and 17.5 percent during the previous month (see **Figure 2.7**).



Following the trend of overall CPI inflation, inflation (YoY) in *apparel, textile & footwear* sub-group showed deceleration in January 2009 compared to the previous month. Inflation (YoY) in this sub-group was recorded at 15.4 percent during the month under review, compared to 8.6 percent during January 2008 and 15.7 in the previous month.

Household furniture & equipment sub-group's inflation (YoY) was recorded at 14.6 percent during January 2009 as compared to 6.1 percent in the corresponding month last year. Detail item-wise analysis of this sub-group revealed that out of 44 items, 38 exhibited price change between 10 to 37 percent and 6 items showed price change between 3 to 10 percent during January 2009 over January 2008.

Recreation & entertainment sub-group's inflation (YoY) reached 12.6 percent during January 2009 compared to 0.5 percent during the same month last year. Detailed item-wise analysis of this sub-group revealed that out of 16 items, six items recorded a price change between 15 to 50 percent; 10 items recorded a change between 0 to 10 percent (with two items showing no price change) during the month under review.

Inflation (YoY) in *cleaning, laundry & personal appearance* sub-group showed deceleration in January 2009 compared to the previous month, however it remained higher compared to the same month last year. Inflation (YoY) in this sub-group was recorded at 19.4 percent compared to 10.1 percent in January 2008 and 19.8 percent during December 2008. Detailed analysis of this sub-group showed that out of 36 items, 24 showed double digit price change between 10 to 45 percent, 10 items recorded a price change between 0 to 10 percent, one item showed no price change and one item showed decline in price change during the month under review.

Education sub-group's inflation (YoY) was recorded at 17.1 percent during January 2009 compared with 4.3 percent during the corresponding month last year. Item-wise analysis of this sub-group showed that out of 24 items 17 showed price change between 10 to 77 percent, 6 items showed price change between 0 to 10 percent (two commodities showed no price change) and only one item showed a decline in price.

Inflation (YoY) in *medicare* sub-group increased 1.7 and 6.9 percentage points during January 2009 compared with both the previous month and the same month last year. Inflation (YoY) in this group was recorded at 14.4 percent during January 2009 compared to 7.5 percent in the corresponding month last year and 12.7 percent during December 2008 (see **Figure A1** in Annexure).

Disaggregated analysis of the overall CPI non-food basket which consists of 250 items, revealed that 172 showed double digit YoY price change during January 2009 compared to only 32 items during the same month last year. The commodities showing double digit price change include UMS charges, match box,

rail and road fares, kerosene oil, high speed diesel, gold and silver tezabi, CNG filling charges, washing machine, etc. Further 29 items showed price change in the range of 5 to 10 percent, 23 showed price change between 0 to 5 percent, 22 recorded no change in their prices and only 4 items showed a decline in prices (see **Table A2 & A4** in the Annexure).

2.3 City-wise Inflation

Data analysis of city-wise inflation showed decline during January 2009 compared to the previous month but the level was still significantly higher compared to the same month last year. Similar to previous month inflation (YoY) level in Karachi, Quetta and Peshawar was higher than the overall CPI inflation (see **Table 2.1**).

	Overall CPI	Islamabad	Lahore	Karachi	Quetta	Peshawar
Jan-08	11.9	9.1	10.1	10.7	12.3	12.2
Feb-08	11.3	9.8	10.4	9.8	11.1	11.4
Mar-08	14.1	11.6	12.0	13.3	13.8	15.8
Apr-08	17.2	13.8	15.4	16.0	17.5	18.9
May-08	19.3	16.4	17.4	18.6	21.8	21.8
Jun-08	21.5	17.7	18.0	21.1	25.3	22.3
Jul-08	24.3	20.9	21.0	23.4	26.3	26.0
Aug-08	25.3	21.3	21.9	24.8	28.6	27.0
Sep-08	23.9	21.5	21.0	25.2	27.4	26.2
Oct-08	25.0	21.7	22.5	24.2	28.7	30.1
Nov-08	24.7	21.0	22.5	24.2	26.9	27.8
Dec-08	23.3	20.9	21.8	23.7	26.5	26.8
Jan-09	20.5	19.0	18.9	20.7	23.2	22.8

The inflation data collected from 35 cities revealed that 20 cities were in the category of high inflation cities, while remaining 15 cities were categorized in low inflation cities during January 2009. **Table 2.2** exhibits that the highest level of YoY inflation was recorded in Mardan (25.7 percent) followed by Nawabshah (25.0 percent). The lowest inflation (YoY) was recorded in Mianwali (16.5 percent). The highest food inflation (YoY) was recorded in Quetta (29.5 percent) and the lowest in Samundari (13.4 percent), whereas the highest non-food inflation was also observed in Mardan (24.0 percent) and the lowest in Mianwali (16.2 percent) during the month under review (see **Table 2.2**).

Table 2.2: City wise Inflation in CPI (YoY) January 2009

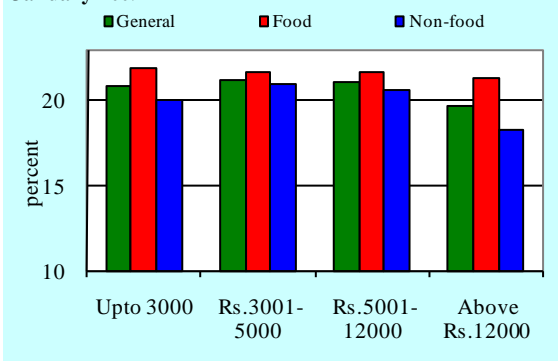
	High inflation cities				Low inflation cities		
	General	Food	Non-food		General	Food	Non-food
Mardan	25.7	27.8	24.0	Jhelum	20.3	22.4	18.8
Nawabshah	25.0	28.3	22.6	Jhang	19.8	18.3	21.0
Shahdadpur	24.4	26.4	22.8	Larkana	19.5	18.8	20.2
Quetta	23.2	29.5	18.2	D.G. Khan	19.5	15.2	23.1
Peshawar	22.8	23.6	22.1	Gujranwala	19.4	19.5	19.3
Sukkur	22.4	24.9	20.5	Bannu	19.4	23.4	16.3
Mirpur Khas	22.0	21.0	22.8	Islamabad	19.0	19.0	19.0
Kunri	21.9	22.0	21.8	Lahore	18.9	19.4	18.4
Loralai	21.8	26.6	18.3	Faisalabad	18.7	15.6	21.3
Sialkot	21.6	24.2	19.4	Vehari	18.4	17.4	19.2
Okara	21.4	19.5	22.9	Bahawalpur	17.0	16.4	17.4
D.I.Khan	21.3	24.3	18.9	Multan	16.8	15.4	18.0
Khuzdar	21.3	24.7	18.7	Samundari	16.8	13.4	19.4
Turbat	21.0	23.4	19.2	Bahawalnagar	16.5	16.8	16.3
Hyderabad	20.8	22.4	19.5	Mianwali	16.5	16.9	16.2
Attock	20.7	22.9	19.1				
Sargodha	20.7	22.8	19.0				
Karachi	20.7	21.5	20.1				
Rawalpindi	20.7	21.8	19.8				
Abbotabad	20.5	20.0	21.0				

Note: High inflation refers to above average inflation, and low inflation refers to below average inflation

2.4 Income Group-wise Inflation

Income group wise inflation (YoY) data indicates that all income groups experienced higher than the average CPI inflation except for the highest income group (with incomes above Rs. 12,000). However, compared to the previous month, all income groups experienced declining trend in all three categories of inflation (viz general, food and non-food) (see **Figure 2.8**).

Figure 2.8 : Income Group-wise CPI Inflation (YoY) January 2009



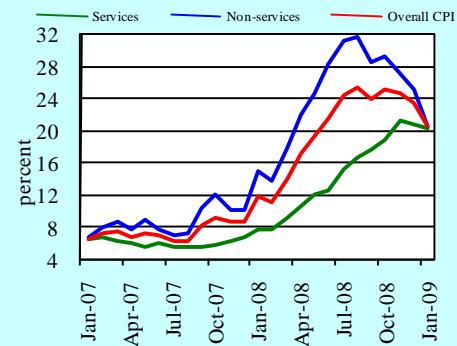
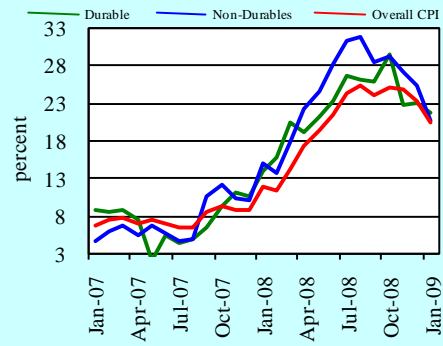
The lowest income group having monthly income upto Rs. 3000 experienced the highest inflation with both food and non-food inflation higher than the overall CPI inflation. This group was followed by income group of Rs. 3001 to 5000 at 21.3 percent and income group with income between Rs. 5001 to 12000 at 21.1 percent. The highest income group with income above Rs. 12000 experienced the lowest inflation of 19.7 percent (overall inflation during January 2009 being 20.5 percent).

City and income group wise data, collected from 17 cities, showed that Quetta recorded the highest inflation for all income groups except for the income group of Rs. 3001 -5000 (Peshawar being the highest) and Multan experienced the lowest inflation for all income groups except for income group above Rs. 12,000 (Bahawalpur being the lowest) during January 2009 (see **Table A5** in Annexure A).

2.5 Services and Non-services Inflation

Inflation (YoY) in services³ and non-services sectors declined during January 2009, compared to December 2008 but remained significantly higher compared to the corresponding month last year. Services sector's inflation (YoY) dropped to 20.2 percent compared to 20.7 percent in December 2008 and 7.7 percent during January 2008. The decline in non-services sector's inflation (YoY) was more pronounced and was recorded at 20.7 percent in the month under review compared to 25.3 percent in December 2008 and 15.0 percent in the corresponding month last year (see **Figure 2.9**).

³ Services group of the CPI basket includes items like house rent index, electricity charges, marriage halls, household servants, transport fare, communication, recreation, tuition fees, laundry charges, hair cut & beauty parlor charges, doctor's fee, tailoring charges, etc.

Figure 2.9: Services & Non-services Inflation**Figure 2.10: Durables and Non-durables Inflation**

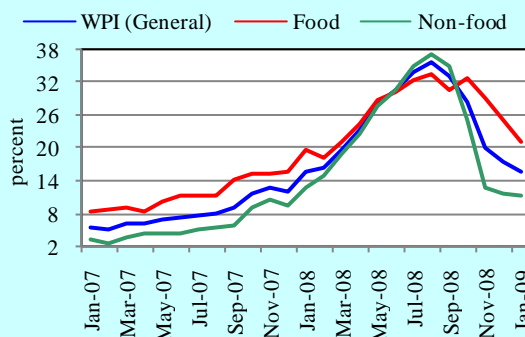
Further segregation of non-services sector into durable⁴ and non-durable sub-groups shows that inflation (YoY) in both sub-groups remained higher during the month under review compared to January 2008 but showed decline compared to the previous month. Inflation (YoY) in durable goods was recorded at 21.8 percent compared to 14.1 percent in the same month last year and 23.0 percent in December 2008. Inflation (YoY) in non-durable goods was recorded at 20.7 percent during January 2009 compared to 15.1 percent in the same month last year and 25.3 percent in December 2008 (see **Figure 2.10**).

⁴ Durable items include suitcase, furniture, electric iron, fans, washing machines, sewing machines, clocks, needles, refrigerators, air conditioners, vehicles, computer & allied products, watches and jewelry, etc.

3. Wholesale Price Index

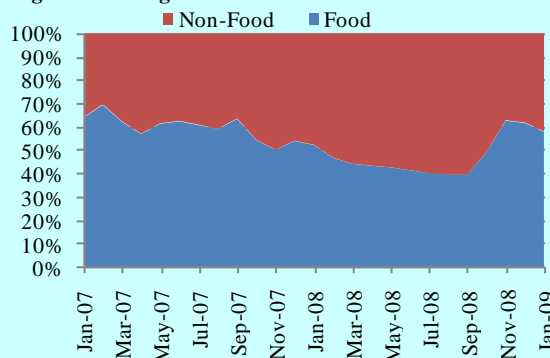
Wholesale price index (WPI) inflation (YoY) continued to decline for the fifth consecutive month dropping to 15.7 percent during January 2009 from 17.6 percent in the previous month. Similar to the overall wholesale price index (WPI) inflation, both food and non-food groups of WPI also witnessed relatively lower inflation (YoY) as compared the previous month. WPI non-food inflation (YoY) was recorded at 11.6 percent (YoY) during January 2009 compared to 11.7 percent in the previous month (see **Figure 3.1**). Similarly, food group of WPI witnessed a relatively lower inflation falling to 21.0 percent (YoY) during January 2009 compared to 25.3 percent during the previous month. The overall WPI inflation and WPI food group inflation is, however, still high compared to the same month last year.

Figure 3.1: Wholesale Price Inflation (YoY)



Weighted contribution of non-food group to overall WPI inflation registered a moderate increase during the month under review as it reached 41.6 percent compared to 37.8 percent during December 2008. Consequently, the weighted contribution of food group in overall WPI inflation decreased to 58.4 percent during January 2009 compared to 62.2 percent during the previous month (see **Figure 3.2**).

Figure 3.2: Weighted Contributions in WPI



A detailed item-wise analysis of WPI basket on YoY basis for January 2009 shows that out of 106 items, 72 items exhibited double digit price change ranging between 11.1 to 115.4 percent. In particular items like pulse masoor, condiments, sugar, potatoes, fertilizers, gram split, etc. showed strong growth of more than 50 percent in their prices.

Among the remaining items, eighteen exhibited growth of 5 to 10 percent in their wholesale prices whereas seven items showed a subdued price increase of up to 5 percent. Prices of the remaining nine items either declined or saw no change during January 2009 (see **Table 3.1**).

The food group of WPI recorded 21.0 percent inflation (YoY) during January 2009

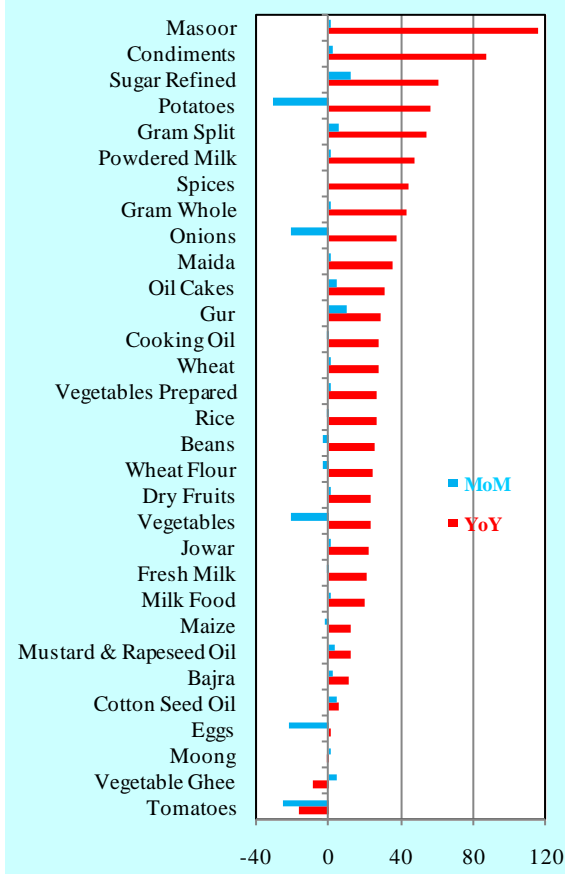
compared to 19.5 percent in the same month last year. Among the major items recording high YoY price increase during January 2009 include pulse masoor, condiments, sugar, potatoes, gram split, besan, etc. On the other hand, three food items showed negative price change including tomatoes (-17.4 percent, vegetable ghee (-9.7 percent) and pulse moong (-1.7 percent) (see **Table A7 & Figure 3.3**).

Wholesale prices of non-food group of WPI continued to show a downtrend during January 2009 and recorded inflation (YoY) of 11.6 percent compared to 12.7 percent in the same month last year. All sub-groups of the non-food group, except *manufactures* sub-group recorded double digit inflation during the month under review (see **Figure 3.4**).

Table 3.1: WPI Price Distribution of YoY Changes (January 2009)

No. of Items					
Groups	Decrease or no change	Up to 5%	5%-10%	More than 10%	Total
A. Food	3	3	4	33	43
B. Non-Food	6	4	14	39	63
Raw material		1	2	6	9
Fuel, lighting & lubricant	1	1	1	8	11
Manufactures	3	2	11	16	32
Building material	2			9	11
Total	9	7	18	72	106

Figure 3.3: Changes in Wholesale Prices of Selected food Items (January 2009)



Almost 60 percent of the items included in the WPI non-food group registered double digit YoY price growth during January 2009 with items like fertilizers, diesel oil, kerosine, cement blocks, tubes, sugarcane, etc. registering more than 40 percent growth (see **Table A7** in Annexure A). On the contrary, prices of six non-food items, including furnace oil, cotton yarn, tiles, etc. either declined or showed no change during the month under review (see **Figure 3.5**).

Further analysis of the various sub-indices of non-food group reveals that the *fuel, lightning & lubricants* sub-group recorded relatively higher inflation (YoY) of 11.7 percent during January 2009 compared to 10.2 percent during the previous month. The inflation recorded in January 2009 is, however, still lower as compared to the same month last year.

The *raw material* sub-group witnessed a trend reversal in inflation (YoY) during January 2009 as it recorded an increase in inflation for the first time since September 2008 to reach 16.4 percent compared to 10.2 percent in December 2008. All items included in the sub-group witnessed positive YoY growth during January 2009 with items

Figure 3.4: WPI Non-food Inflation-YoY

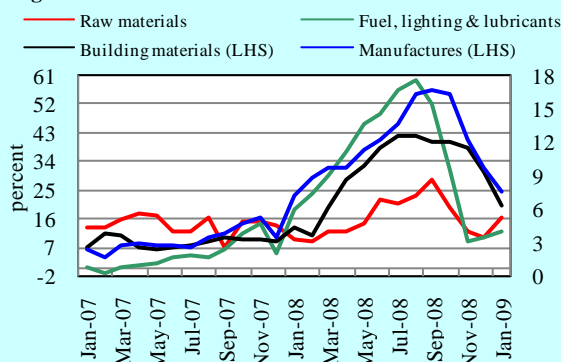
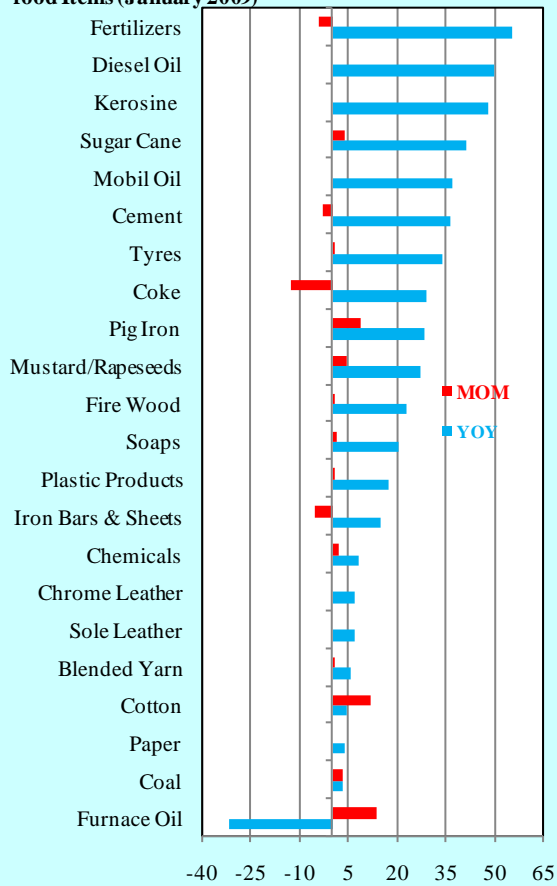


Figure 3.5: Changes in Wholesale Prices of Selected Non-food Items (January 2009)



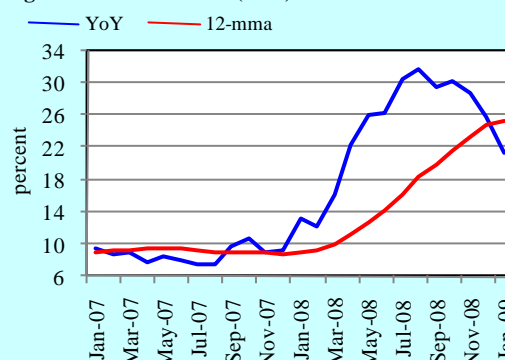
like sugarcane, pig iron, tobacco, etc, recording more than 25 percent growth.

The declining trend in inflation (YoY) in *manufactures* sub-group continued during January 2009 falling to 7.5 percent compared to 9.7 percent during the previous month. Within the sub-group, items including fertilizers, tubes and glass products recorded more than 35 percent YoY price growth during the month under review. Inflation recorded by the *building material* sub-group witnessed a slight decrease during January 2009 as compared to the previous month, although, it is still higher as compared to the same month last year. Among the various items included in the sub-group more than eighty percent of items recorded double digit YoY price change with items such as cement blocks, glass sheets, wires & cables and cement registering more than 35 percent price change in January 2009 (see **Table A7** in Annexure A).

4. Sensitive Price Indicator

Inflation measured by the sensitive price indicator (SPI) eased on YoY basis falling from 25.7 percent in the previous month to 21.3 percent in the month under review. This descent is, however, still higher than the 9.1 percent inflation recorded in January 2008. The long-run trend in SPI, indicated by 12-month moving average, continued its uptrend to reach 25.2 percent during the month under review (see **Figure 4.1**).

Figure 4.1: SPI Inflation (YoY)

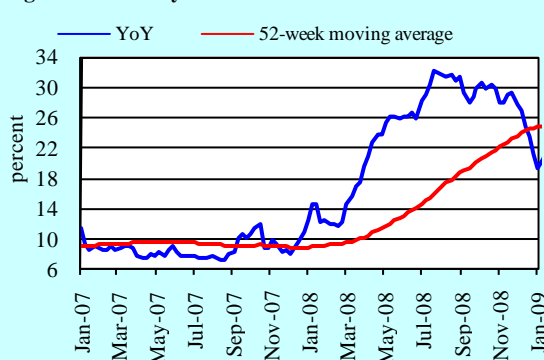


An item-wise analysis of the SPI basket shows that out of 53 items included in the SPI basket, prices of eight either declined or saw no change, one item, i.e. telephone call, registered a price change between 0 to 5 percent, five items recorded price change between 5 to 10 percent and the remaining thirty nine items witnessed double digit price growth during the month under review (see **Table 4.1**). The major items recording high YoY growth during the month under review include pulse masoor (100.2 percent), tea packet (53.8 percent), diesel (52.4 percent), kerosene (51.3 percent), and sugar (49.4 percent).

Table 4.1: Distribution of Price Changes of SPI Basket (YoY)

Percent Change	Number of items			
	Jan-08	Jun-08	Dec-08	Jan-09
0 or less	13	7	5	8
0 to 5	6	3	2	1
5 to 10	7	6	3	5
10 or above	27	37	43	39
Minimum	-47.2	-59.4	-13.8	-17.4
Maximum	63.6	134.9	112.2	100.2

Figure 4.2: Weekly SPI Inflation



SPI on MoM basis, witnessed negative growth for the third consecutive month during January 2009. This downtrend in SPI inflation was contributed by decline in the

prices of tomatoes, potatoes, eggs and onions that recorded more than fifteen percent negative growth during the month under review (see **Table A8** in Annexure A).

Weekly SPI witnessed mixed trends in YoY inflation during January 2009 and fluctuated within the range of 19.3 percent to 22.9 percent (see **Figure 4.2**).

Income group-wise SPI data for January 2009 indicates higher inflation for all income groups as compared to the same month last year. However, in comparison to previous month, all income groups witnessed lower inflation on YoY basis. The income group-wise SPI data

Table 4.2 : Income Group-wise SPI Inflation (YoY)

	percent			
	Jan-08	Jun-08	Dec-08	Jan-09
Up to Rs. 3000	16.3	30.0	25.8	20.8
Rs. 3001-5000	15.9	29.2	26.3	21.3
Rs. 5000-12000	14.5	27.0	26.9	22.0
Above Rs. 12000	10.6	23.5	25.0	21.0
All income groups	13.1	26.3	25.7	21.3

further reveals that incidence of SPI inflation (YoY) remained highest for the income group having monthly income between Rs. 5000 to 12000 (see **Table 4.2**).

5. Global Commodity Prices

Commodity prices in international markets moved up first time in six months during January 2009 on MoM basis as evident from major price indices including non-fuel, food & beverages, metals and energy (see **Table 5.1**). The relative stability in commodity prices is mainly attributed to announced and anticipated production cuts of some major items such as crude oil⁵ and strong import demand of some agricultural commodities such as wheat. As regards individual commodities, almost all major commodities witnessed a rise during January 2009 over the preceding month. However, on YoY basis all commodities showed decline in their prices except rice (see **Figure 5.1**).

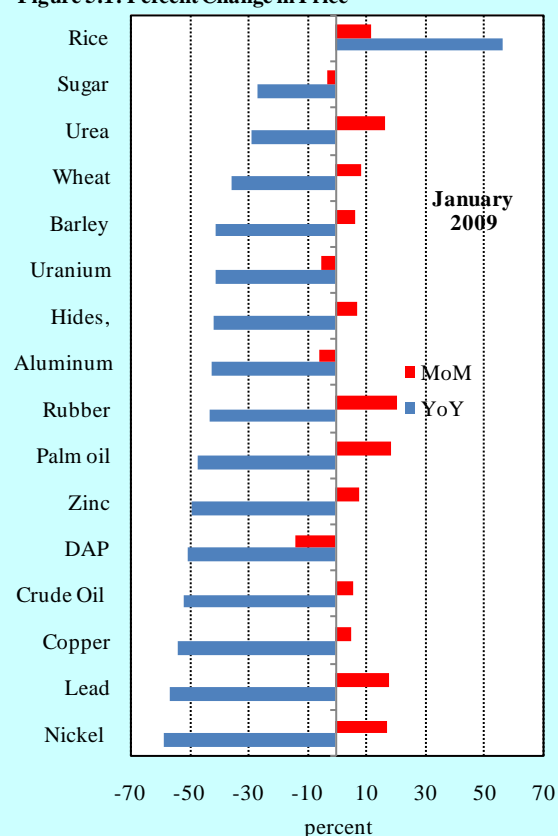
A more detailed picture of fuel (energy) group depicts that average crude oil⁶ prices rose first time after July 2008 on account of evidence that Organization of Petroleum Exporting Countries (OPEC) is complying with record output cuts. Crude oil price reached US\$ 43.9 per barrel during January 2009, showing a rise

Table 5.1: Commodity Price Indices (January 2009)

	YoY (%)	MoM (%)	1 st MoM Rise After
All Commodities	-37.0	4.1	July 2008
Non-Fuel	-25.5	4.2	July 2008
Food & Beverages	-15.1	6.6	June 2008
Metals	-41.4	1	July 2008
Energy	-43.0	4	July 2008

Source: IMF

Figure 5.1: Percent Change in Price



⁵ OPEC has agreed to reduce production by more than 4 million barrel per day and Saudi Arabia has moved to aggressively reduce production according to World Bank's commodity market review.

⁶ Simple average of Brent, WTI and Dubai Fateh.

of 5.8 percent on MoM basis. Current rise in the prices of crude oil prices was also reflected by IMF energy index that increased by 4.0 percent over the previous month (see **Figure 5.2**).

In food group, edible oil (palm and soybean) prices exhibited double digit MoM growth (first time in 11 months) during January 2009 (see **Figure 5.3**). The prices of palm and soybean oil rose due to expectations that dry, warm weather will damage soybean crops in Brazil and Argentina. About half of the soybean-growing regions in Argentina already suffer from moisture deficits.

The prices of food grains (wheat, sugar and rice) also gained significantly on MoM basis (see **Figure 5.4**). The price of wheat – one of the major food staple of the world – showed strongest MoM growth during January 2009 in eleven months due to strong demand from major importing countries including South Korea, Saudi Arabia and Turkey. The most noteworthy movement was witnessed in the prices of rice that registered MoM rise after dropping for 8 consecutive months. This turnaround is mainly due to limited exportable supplies by Thailand. Sugar prices rose 8.1 percent in January 2009 as India – a major consumer of

Figure 5.2: Oil Price/Index

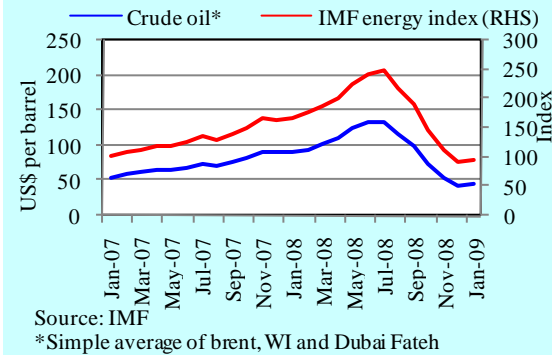


Figure 5.3: Edible Oil

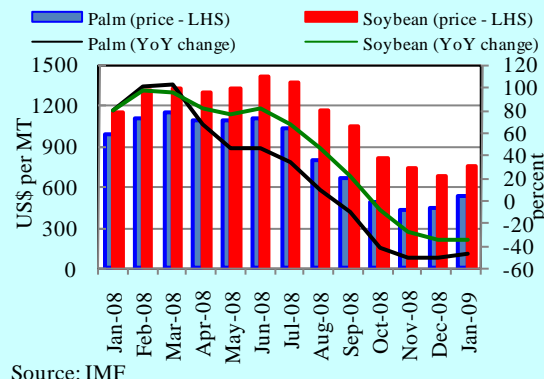
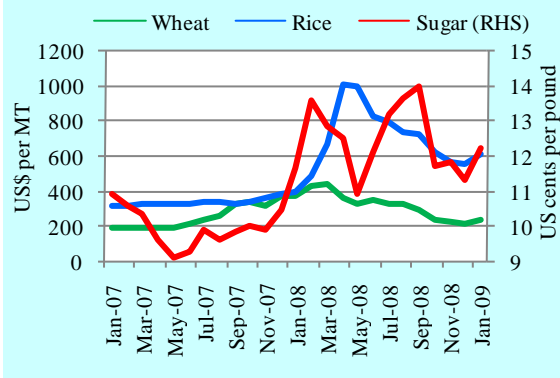


Figure 5.4: Wheat, Rice and Sugar Prices



the commodity – is going to import sugar first time since 2006 due to falling production as farmers switch to other crops, according to the World Bank commodity market review.

Gold prices rose on MoM basis during January 2009 on speculation that a deepening recession will boost the metal's demand. Gold also gained value as volatility on the currency markets drove investors to opt for buying the precious metal (see **Table 5.2**).

Table 4.2: Gold Prices

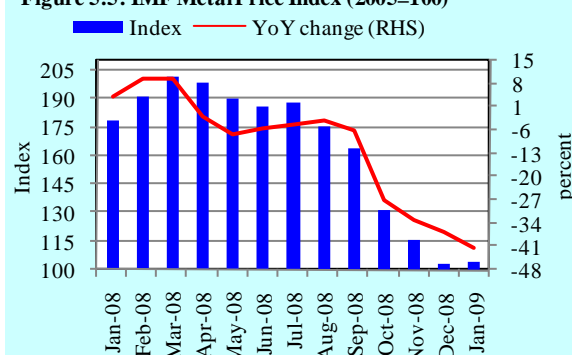
	Price (US\$ per Ounce)	YoY change (%)	MoM change (%)
Dec-07	803.2	27.6	-0.4
Jun-08	887.5	35.4	-0.3
Dec-08	822.0	2.3	8.0
Jan-09	859.2	-3.4	4.5

Source: www.gold.org

After witnessing a monthly fall for five consecutive months, metal prices went up by 1 percent in January 2009 compared to the preceding month as reflected by IMF

metals price index. All base metals including copper, zinc, lead and nickel gained on MoM basis during the month under review on account of: (a) significant cuts in supply, (b) a tentative recovery in demand by steel producers, and (c) robust battery demand for motorcycles and replacement vehicles in China in case of lead (see **Figure 5.5**).

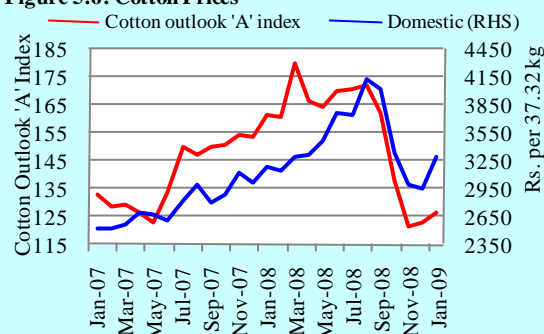
Figure 5.5: IMF Metal Price Index (2005=100)



Source: IMF

Cotton prices increased by 3.5 percent in January 2009 compared to the preceding month as depicted by cotton outlook 'A' index (see **Figure 5.6**). Cotton prices rose in the international markets as U.S. exporters received more orders from China, Pakistan, Bangladesh, Indonesia and Vietnam, and less harvest in the US and China. According

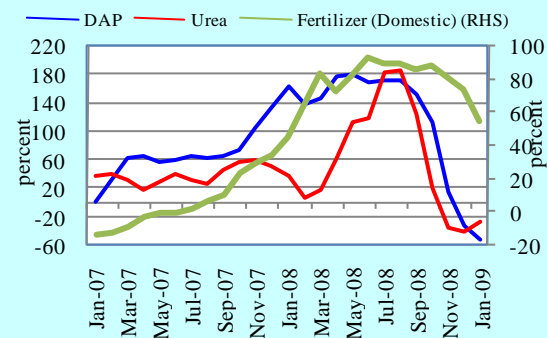
Figure 5.6: Cotton Prices



to China Cotton Association, farmers in China may plant 11.6 million acres this year, down from 21 percent a year earlier. The area planted with cotton in the US may shrink 13 percent from 2008 to 9.47 million acres, according to the US Department of Agriculture.

In case of fertilizer, DAP prices continued to decline and showed a MoM fall of 13.9 percent in January 2009 whereas urea prices showed a positive growth first time in five months. The rise in urea prices was mainly due to a dispute between Russia and Ukraine that caused buyers to rush to secure supplies⁷ (see **Figure 5.7**).

Figure 5.7 : Fertilizer prices (YoY change)



Source: World Bank

⁷ Commodity markets Review, World Bank, February 10, 2009.

Annexure A

Table A1: CPI Inflation (YoY) by Groups						
	Weights	Jan-05	Jan-06	Jan-07	Jan-08	Jan-09
I. Food Group	40.3	10.4	8.2	8.7	18.2	21.6
II. Non-Food Group	59.7	7.2	9.2	5.2	7.3	19.7
Apparel, textile, etc.	6.1	2.6	3.9	4.1	8.6	15.4
House rent	23.4	12.0	9.9	6.2	9.5	18.2
Fuel & lighting	7.3	3.0	12.3	5.8	7.4	26.9
Household furniture & equipment	3.3	7.3	4.4	7.2	6.1	14.6
Transport & communication	7.3	7.2	18.4	0.8	-0.3	25.2
Recreation & entertainment	0.8	0.1	-0.3	0.1	0.5	12.6
Education	3.5	2.5	6.7	7.3	4.3	17.1
Cleaning, laundry, etc.	5.9	4.7	2.8	4.5	10.1	19.4
Medicare	2.1	1.1	2.4	9.9	7.5	14.4
Headline	100	8.5	8.8	6.6	11.9	20.5

Table A2: Distribution of Price Changes of CPI Basket, January 2009 (YoY)						
Groups	% Changes	Total Number of Items	No. of Items in each Inflation Range			
			Decrease or no change	Subdued increase	Moderate increase	Double digit increase (over 10%)
			(0 % or less)	(0 to 5%)	(5 to 10%)	
I. Food Group	21.6	109	6	5	9	89
II. Non-Food Group	19.7	250	26	21	31	172
Apparel, textile, etc.	15.4	42	1		12	29
House rent	18.2	1				1
Fuel & lighting	26.9	15	4	1		10
Household furniture & equipt	14.6	44		2	4	38
Transport & communication	25.2	43	4	1	2	36
Recreation & entertainment	12.6	16	2	5	3	6
Education	17.1	24	3	3	1	17
Cleaning, laundry, etc.	19.4	36	1	4	7	24
Medicines	14.4	29	11	5	2	11
Overall	20.5	359				

Note: Prices of 15 seasonal items were not reported during the month.

Table A3: Top Ten Contribution to YoY CPI Inflation in January 2009

Items	Weights	YoY change		Weighted Contribution	
		Jan-08	Jan-09		
A. Ranked by Weighted Contribution					
1	House Rent Index	23.43	9.47	18.21	20.38
2	Milk Fresh	6.66	13.80	22.62	7.98
3	Wheat Flour	5.11	58.48	22.31	7.74
4	Electricity	4.37	10.07	33.20	5.36
5	Transport Fare/Charges	2.12	2.30	43.82	5.04
6	Rice	1.34	61.04	36.99	3.23
7	Sugar	1.95	-18.99	50.80	2.89
8	Meat	2.70	5.82	14.94	2.80
9	Natural Gas	2.05	2.78	16.52	2.40
10	Readymade Food	1.68	14.07	23.52	2.15
Total		51.41			59.97
B. Ranked by Percentage Change					
1	Pulse Masoor	0.22	31.65	107.05	1.24
2	Match Box	0.13	0.00	100.00	0.40
3	Condiments	0.34	22.89	72.42	1.06
4	Kerosene	0.14	0.00	64.65	0.64
5	Diesel	0.21	0.00	51.91	0.79
6	Sugar	1.95	-18.99	50.80	2.89
7	Train Fare	0.15	0.00	48.96	0.39
8	Tea	1.26	-4.88	45.99	1.95
9	Pulse Gram	0.43	-10.65	45.08	0.85
10	Besan	0.13	-6.51	44.11	0.27
		4.95			10.50
C. Ranked by Weights					
1	House Rent Index	23.43	9.47	18.21	20.38
2	Milk Fresh	6.66	13.80	22.62	7.98
3	Wheat Flour	5.11	58.48	22.31	7.74
4	Electricity	4.37	10.07	33.20	5.36
5	Bakery & Confectionary	2.98	7.56	11.92	1.39
6	Meat	2.70	5.82	14.94	2.80
7	Vegetable Ghee	2.67	43.59	2.17	0.39
8	Tution Fees	2.36	4.74	12.97	1.38
9	Transport Fare/Charges	2.12	2.30	43.82	5.04
10	Natural Gas	2.05	2.78	16.52	2.40
		54.45			54.85

Note: Weighted contribution is estimated by multiplying the weights by the price change of an item; this is then reported as a share in YoY change in CPI, which is 20.5 percent in January 2009.

Table A4: Distribution of Price Changes - Selected CPI Items, January 2009				
Groups	Decrease or no change	Subdued increase (upto 5%)	Moderate increase (5 to 10%)	Increase of over 10%
Food Group	Vegetable Ghee (Loose), Chocolate Candy (Small Size, Tomatoes, Eggs Farm, Pulse Moong (Washed), Chilies Green, Garlic	Toffee (Hilal), Apple, Cold Drink (Standard Size), Biscuits-Packed	Cigarettes Gold Leaf 20'S, Cigarettes Capstan 10'S, Cigarettes K-2 10'S, Pulse Mash (Washed), Jam, Ahmed/Mitchelles Rooh Afza, Fruit Juice Tetra Pack, Pepper Black National, Carrot	Milk Fresh (Unboiled) Wheat Flour Bag, Sugar Refined, Pulse Masoor (Washed), Wheat Flour Fine/Superior, Vegetable Ghee Tin, Coriander Seed Powder National, Chicken Farm Broiler (Live), Cooking Oil (Dalda)
Apparel & Textile	Gents Sandal Bata		School Uniform, Kameez, Shawar, Girl, Tailoring Coat-Pant Suit Gents Shoe, Art 1109 Service	Lawn Average Quality, Long Cloth Average Quality, Ladies Sandal Bata
House Rent Index				House Rent Index
Fuel & Lighting	Gas Cylinder Standard Size, Gas Charges 3.3719 - 6.7438 Mmb, Electricity.Charges Upto 50 Units	Tube Light Philips 40 Watts		Electricity Charges Above 1000 Units, Firewood Whole, Gas Charges 6.7438 - 10.1157,Mmb, Kerosene Oil
Household Furniture & Equipment		Carpet Plain Av. Quality Blanket (90" X 54")	Electric Juicer For Apple, Farshi Dari 12'X9' Avg. quality Wall Clock Quartz Avg Quality,	Quilt (Lihaf) 3 Kg. Cotton, Tea Set Pak. Chinaware 21 Pc Washing Machine Singer
Transport & Communication	Car Tax For 800cc To 1300Cc Platform Ticket Postal Envelope Domestic, Aerogram For Saudi Arabia	Telephone Charges Local Call	Tel Charges Outside City, Petrol Super	A/C Bus Fare Outside City, High Speed Diesel HSD, Minibus Fare Minimum within City, Train Fare A/C Sleeper 1-100Km.
Recreation & Entertainment	Weekly "Akhbar-E-Jahan", TV License Fee domestic	Video Game Sega 16 Byte, Radio With CD Player National, Video Cassette	TV 20" Color With R/Cont, Cinema A/C Highest Class, Cinema Non-A/C High Class	Daily "Jang" Daily "Nawa-E-Waqt" Daily "Dawn"
Education	Govt. College Fee Ist. Year, Govt. College Fee 4th Year, Com. C.D. (Tdk/Imation)	Govt. Engg. Coll. Fee I Year, Govt. University Fee MSc, Comp. With Printer & Speaker	Urdu Book Class V (T.B.Bord),	School Fee Secondary English Medium, School Fee Primary English Medium, English Book Class IX Or X
Cleaning & Laundry	Toothpaste Macleans 70 Grams	Talc Powder Lipstick S.Miss/Medora Brylcreem 210 Ml.	Toilet Paper Roll, Toothbrush, Toothpowder Dentonic 90 Gram, Beauty Parlor Hair Style Charges	Wrist Watch Gents Citizen, Blade Treet Ordinary 10'S, Washing Powder 1000 Gram, Washing Soap Nylon (135-160Gms)
Medicare	Dettol (Medium) Jouhar Joshanda Entox Tab.	Cac. 1000 Tab Daonil Tab. 5 Mg. Septran Tablets	Brufen Tabs 200-Mg. O.R.S. (Nimcol)	Doctor (MBBS) Clinic Fee, Cotton Bandage 2" - 4", Phenergan Syrup 120 Ml.

Table A5: City-wise Inflation (YoY) by Income Groups, January 2009

		Upto Rs:3000			Rs 3001-5000		
		General	Food	Non-Food	General	Food	Non-Food
1	Lahore	19.7	20.7	19.7	20.2	20.4	20.2
2	Faisalabad	19.0	16.7	19.0	19.9	16.8	19.9
3	Rawalpindi	20.8	21.8	20.8	21.6	22.7	21.6
4	Multan	15.9	15.1	15.9	16.4	15.1	16.4
5	Gujranwala	19.7	20.6	19.7	20.3	20.2	20.3
6	Islamabad	18.9	18.5	18.9	18.6	18.7	18.6
7	Sargodha	20.4	22.9	20.4	21.5	24.2	21.5
8	Sialkot	20.9	23.6	20.9	21.8	23.9	21.8
9	Bahawalpur	16.0	16.7	16.0	17.1	16.8	17.1
10	Karachi	21.1	21.5	21.1	20.7	19.7	20.7
11	Hyderabad	20.0	21.6	20.0	20.2	21.5	20.2
12	Sukkur	22.7	26.5	22.7	22.7	25.6	22.7
13	Larkana	19.4	19.4	19.4	18.7	17.6	18.7
14	Peshawar	21.7	23.1	21.7	23.2	23.9	23.2
15	Bannu	21.2	25.2	21.2	19.8	23.6	19.8
16	Quetta	25.8	33.0	25.8	22.9	28.8	22.9
17	Khuzdar	20.4	24.5	20.4	20.7	25.6	20.7
		Rs 5001-12000			above Rs 12000		
		General	Food	Non-Food	General	Food	Non-Food
1	Lahore	19.6	19.9	19.6	18.0	18.6	18.0
2	Faisalabad	19.4	16.2	19.4	18.0	14.8	18.0
3	Rawalpindi	21.3	22.2	21.3	20.1	21.3	20.1
4	Multan	16.9	15.4	16.9	17.0	15.6	17.0
5	Gujranwala	19.6	19.4	19.6	18.2	18.8	18.2
6	Islamabad	19.9	19.6	19.9	18.9	18.9	18.9
7	Sargodha	21.1	23.5	21.1	19.4	20.4	19.4
8	Sialkot	21.9	24.0	21.9	21.3	24.3	21.3
9	Bahawalpur	17.1	16.5	17.1	16.9	15.7	16.9
10	Karachi	21.1	20.5	21.1	20.3	23.1	20.3
11	Hyderabad	20.9	22.4	20.9	20.6	23.0	20.6
12	Sukkur	22.6	25.1	22.6	21.8	23.6	21.8
13	Larkana	19.5	18.8	19.5	20.4	19.9	20.4
14	Peshawar	23.1	23.8	23.1	22.4	23.3	22.4
15	Bannu	18.9	23.4	18.9	19.4	22.8	19.4
16	Quetta	23.7	29.7	23.7	22.8	29.5	22.8
17	Khuzdar	20.1	26.1	20.1	19.4	23.5	19.4

Table A6 : Income group-wise Inflation (YoY)								percent
	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
<u>Up to Rs. 3000</u>								
General	25.3	27.2	28.5	26.4	28.1	27.3	24.8	20.9
Food	34.7	36.4	37.3	32.2	34.7	33.0	29.0	21.9
Non-food	18.6	20.6	22.0	21.9	23.0	22.9	21.5	20.0
<u>Rs. 3001-5000</u>								
General	24.8	26.9	28.0	25.9	27.5	27.4	25.0	21.3
Food	34.8	36.6	37.2	32.0	34.2	32.4	28.6	21.7
Non-food	17.8	19.8	21.3	21.4	22.4	23.7	22.3	21.0
<u>Rs. 5000-12000</u>								
General	22.6	25.3	26.4	24.7	26.1	26.1	24.4	21.1
Food	33.0	34.8	35.2	30.6	32.5	31.2	28.3	21.7
Non-food	14.9	18.2	19.8	20.2	21.0	22.2	21.3	20.6
<u>Above Rs. 12000</u>								
General	19.8	22.8	23.7	22.6	23.3	22.5	21.8	19.7
Food	29.8	31.4	31.4	28.1	29.5	28.5	27.0	21.4
Non-food	12.4	16.5	17.8	18.3	18.4	17.7	17.7	18.4
<u>All income groups</u>								
General	21.5	24.3	25.3	23.9	25.0	24.7	23.3	20.5
Food	32.0	33.8	34.1	29.9	31.7	30.4	27.9	21.6
Non-food	13.8	17.3	18.7	19.2	19.7	20.2	19.8	19.7

Table A7: Distribution of Price Change (YoY) - WPI Items: January 2009

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

Table A8: SPI Item-wise Price Movements					
S.No	Items	Unit	Price Jan 09	Percentage change	
				YoY	Monthly
1	Wheat	Kg.	24.5	29.2	-0.7
2	Wheat flour average quality.	Kg.	25.2	29.9	-4.6
3	Rice basmti broken	Kg.	44.9	29.9	-3.3
4	Rice irri-6	Kg.	36.6	45.8	-1.6
5	Masur pulse washed	Kg.	129.1	100.2	0.5
6	Moong pulse washed	Kg.	48.2	-4.7	-1.5
7	Mash pulse washed	Kg.	75.9	7.6	0.3
8	Gram pulse washed	Kg.	60.0	46.3	4.0
9	Beef	Kg.	143.1	16.9	0.4
10	Mutton	Kg.	258.7	10.6	0.5
11	Egg hen (farm)	Doz.	58.0	-1.4	-22.2
12	Bread plain	Each	24.4	28.9	1.5
13	Sugar	Kg.	38.8	49.4	9.9
14	Gur	Kg.	42.6	32.7	10.7
15	Milk fresh	Litr	36.2	22.1	0.1
16	Milk powdered Nido	400g	170.0	17.0	0.0
17	Curd	Kg.	43.1	24.4	0.1
18	Vegetable .ghee tin	2.5k	329.8	10.1	-7.1
19	Vegetable .ghee loose	Kg.	100.0	-9.6	8.0
20	Mustard oil	Kg.	142.5	12.5	1.4
21	Cooking oil	2.5l	351.5	16.8	-6.2
22	Potatoes	Kg.	16.0	41.4	-27.2
23	Onions	Kg.	21.9	44.4	-18.9
24	Tomatoes	Kg.	23.5	-17.4	-37.6
25	Bananas	Doz.	34.7	10.0	5.3
26	Salt powdered	Kg.	6.1	15.8	0.7
27	Red chilies (powdered)	Kg.	135.8	-0.5	-2.3
28	Garlic	Kg.	43.4	-11.5	-0.3
29	Tea packet	250g	100.0	53.8	-7.0
30	Tea (prepared)	Cup	8.5	22.2	1.7
					continued

Table A8 (continued)

S.No	Items	Unit	Price Jan 09	Percentage change	
				YoY	Monthly
31	Cooked beef plate	Each	40.4	22.5	0.2
32	Cooked dal plate	Each	25.8	27.7	0.5
33	Cigarettes k-2	10's	8.9	7.1	0.0
34	Coarse latha	Mtr.	45.2	15.9	0.1
35	Lawn (avg.+s.qlty)	Mtr.	89.9	12.6	0.0
36	Voil printed	Mtr.	45.5	17.1	0.0
37	Shirting	Mtr.	79.4	11.1	0.0
38	Sandel gents Bata	Pair	499.0	0.0	0.0
39	Sandel ladies Bata	Pair	379.0	26.8	0.0
40	Chappal spng. Bata	Pair	129.0	30.3	0.0
41	Kerosene	Litr	64.0	51.3	0.7
42	Firewood	40kg	268.7	18.3	0.4
43	Elec. Bulb 60-wats	Each	14.5	12.2	2.4
44	Match box	Each	1.0	7.5	0.0
45	Washing soap	Cake	12.6	29.2	0.4
46	Bath soap lifebuoy	Cake	22.0	29.0	0.0
47	Chicken (farm)	Kg.	92.5	23.7	3.1
48	Gas charges . All clb. Comb	D.mmbt	273.7	18.7	0.0
49	L.P.G .(cylender 11kg.)	Each	844.2	-1.1	16.2
50	Elec.chrg.all slabs comb	Bd. Unit	6.8	32.4	0.0
51	Petrol	Litr	58.3	8.3	0.0
52	Diesel	Litr	57.7	52.4	0.0
53	Telephone local	Call	2.4	4.8	0.0
Maximum				100.2	16.2
Median				18.3	0.0
Minimum				-17.4	-37.6

Table A9: Consumer Price Index Numbers by Major Groups and Selected Commodities			
Item and Specification	Weights	Index	
		Jan-08	Jan-09
GENERAL	100.0010	157.73	0.00
FOOD & BEVERAGES.	40.3416	172.96	210.33
1 WHEAT	0.4830	236.71	287.97
2 WHEAT FLOUR	5.1122	219.81	268.85
3 MAIDA	0.1059	208.88	268.84
4 BESAN	0.1320	149.09	214.85
5 RICE	1.3369	211.64	289.93
6 PULSE MASOOR	0.2214	169.65	351.26
7 PULSE MOONG	0.2230	170.04	160.27
8 PULSE MASH	0.2017	154.83	167.23
9 PULSE GRAM	0.4272	143.42	208.08
10 GRAM WHOLE	0.1491	135.41	184.64
11 MUSTARD OIL	0.0456	222.81	261.18
12 COOKING OIL	0.6858	184.54	220.92
13 VEGETABLE GHEE	2.6672	217.39	222.10
14 SUGAR	1.9467	94.77	142.91
15 GUR	0.0735	121.50	165.44
16 TEA	1.2559	109.20	159.42
17 MILK FRESH	6.6615	171.48	210.27
18 MILK POWDER	0.1105	175.11	204.52
19 MILK PRODUCTS	0.5607	155.54	195.54
20 HONEY	0.0358	132.96	175.98
21 CEREALS	0.0878	163.90	226.42
22 JAM,TOMATO,PICKLES & VINEGAR	0.2472	139.28	162.94
23 BEVERAGES	0.7286	141.63	161.83
24 CONDIMENTS	0.3392	140.21	241.75
25 SPICES	0.6008	166.89	209.70
26 DRY FRUIT	0.2760	238.59	305.36
27 BAKERY & CONFECTIONARY	2.9837	126.73	141.83
28 CIGARETTES	0.9527	158.43	174.02
29 BETEL LEAVES & NUTS	0.1851	147.11	169.75
30 READYMADE FOOD	1.6833	175.48	216.76
31 SWEETMEAT & NIMCO	0.3846	178.65	221.76
32 FISH	0.2703	150.02	187.50
33 MEAT	2.6981	224.50	258.04
34 CHICKEN FARM	0.9158	141.31	177.18
35 EGGS	0.4119	217.36	212.21
36 POTATOES	0.5542	119.98	167.48
37 ONIONS	0.5973	142.94	196.05
38 TOMATOES	0.4569	153.93	131.20
39 VEGETABLES	1.9165	155.20	190.85
40 FRESH FRUITS	1.6160	158.96	190.44
APPAREL, TEXTILE & FOOTWEAR.	6.0977	133.03	153.52
41 COTTON CLOTH	1.6197	135.99	155.62
42 SILK,LINEN,WOOLEN/CLOTH	0.5766	134.32	151.91
43 TAILORING CHARGES	0.8636	136.93	160.65
44 HOSIERY	0.1528	143.00	163.87
45 READYMADE GARMENTS	1.2038	127.70	140.90
46 WOOLEN READYMADE GARMENTS	0.1485	151.85	175.89
47 FOOTWEAR	1.5327	128.61	154.62
HOUSE RENT.	23.4298	154.61	182.77
48 HOUSE RENT INDEX (Combined)	23.4298	154.61	182.77

(continued)

(continued)

Table A9: Consumer Price Index Numbers by Major Groups and Selected Commodities

Item and Specification	Weights	Index	
		Jan-08	Jan-09
FUEL AND LIGHTING.	7.2912	160.04	203.09
49 KEROSENE	0.1366	235.87	388.36
50 FIREWOOD	0.4778	243.47	301.44
51 MATCH BOX	0.1301	100.00	200.00
52 BULB & TUBE	0.1311	93.52	102.82
53 ELECTRICITY	4.3698	119.53	159.21
54 NATURAL GAS	2.0458	230.09	268.10
H.HOLD.FURNITURE & EQUIPMENT ETC.	3.2862	140.44	160.97
55 UTENSILS	0.3690	125.80	146.67
56 PLASTIC PRODUCTS	0.1055	147.20	189.38
57 SUITCASE	0.0470	130.64	155.32
58 HOUSE HOLD EQUIPMENTS	0.0953	124.66	147.43
59 FURNITURE (Ready Made)	0.3054	142.63	171.64
60 FURNISHING	0.6362	136.61	153.76
61 ELECT.IRON FANS & WASHING MACHINE	0.1889	128.06	164.11
62 SEWING MACHINE,CLOCK AND NEEDLES	0.1270	119.84	138.43
63 REFRIGERATOR & AIRCONDITIONER	0.1756	101.77	127.85
64 MARRIAGE HALL	0.0445	155.73	183.82
65 HOUSE HOLD SERVANT	1.1918	156.80	171.23
TRANSPORT & COMMUNICATION.	7.3222	148.21	185.59
66 PETROL	1.7253	175.59	189.71
67 DIESEL	0.2070	238.74	362.66
68 CNG. FILLING CHARGES	0.1649	152.27	205.28
69 SERVICE CHARGES	0.3835	137.42	162.50
70 VEHICLES	0.2596	101.54	128.00
71 TYRE & TUBE	0.2831	127.59	156.13
72 TRANSPORT FARE/CHARGES	2.1236	175.21	251.98
73 TRAIN FARE	0.1514	170.01	253.24
74 AIR FARE	0.0983	280.47	342.93
75 COMMUNICATION	1.9255	86.82	91.31
RECREATION & ENTERTAINMENT.	0.8259	106.31	119.69
76 RECREATION	0.3399	101.91	128.36
77 ENTERTAINMENT	0.4860	109.38	113.62
EDUCATION.	3.4548	139.51	163.31
78 TUTION FEES	2.3629	145.58	164.46
79 STATIONERY	0.3500	130.63	164.74
80 TEXT BOOKS	0.6894	127.62	164.64
81 COMPUTER & ALLIED PRODUCTS	0.0525	82.10	84.57
CLEANING LAUNDRY & PER.APPEARANCE.	5.8788	137.33	164.00
82 WASHING SOAP & DETERGENT	1.5535	126.41	158.28
83 TOILET SOAP	0.7436	144.11	186.50
84 TOOTH PASTE	0.4036	108.67	112.39
85 SHAVING ARTICLES	0.3480	119.05	145.46
86 COSMETICS	1.4272	128.34	145.85
87 WATCHES	0.0552	127.90	138.22
88 JEWELLERY	0.3936	246.29	300.48
89 LAUNDRY CHARGES	0.2207	152.06	178.02
90 HAIR CUT & BEAUTY PARLOUR CHARGES	0.7334	133.35	150.29
MEDICARE.	2.0728	130.61	149.37
91 DRUGS & MEDICARES	1.0752	107.39	117.14
92 DOCTOR'S FEE	0.9976	155.63	184.11

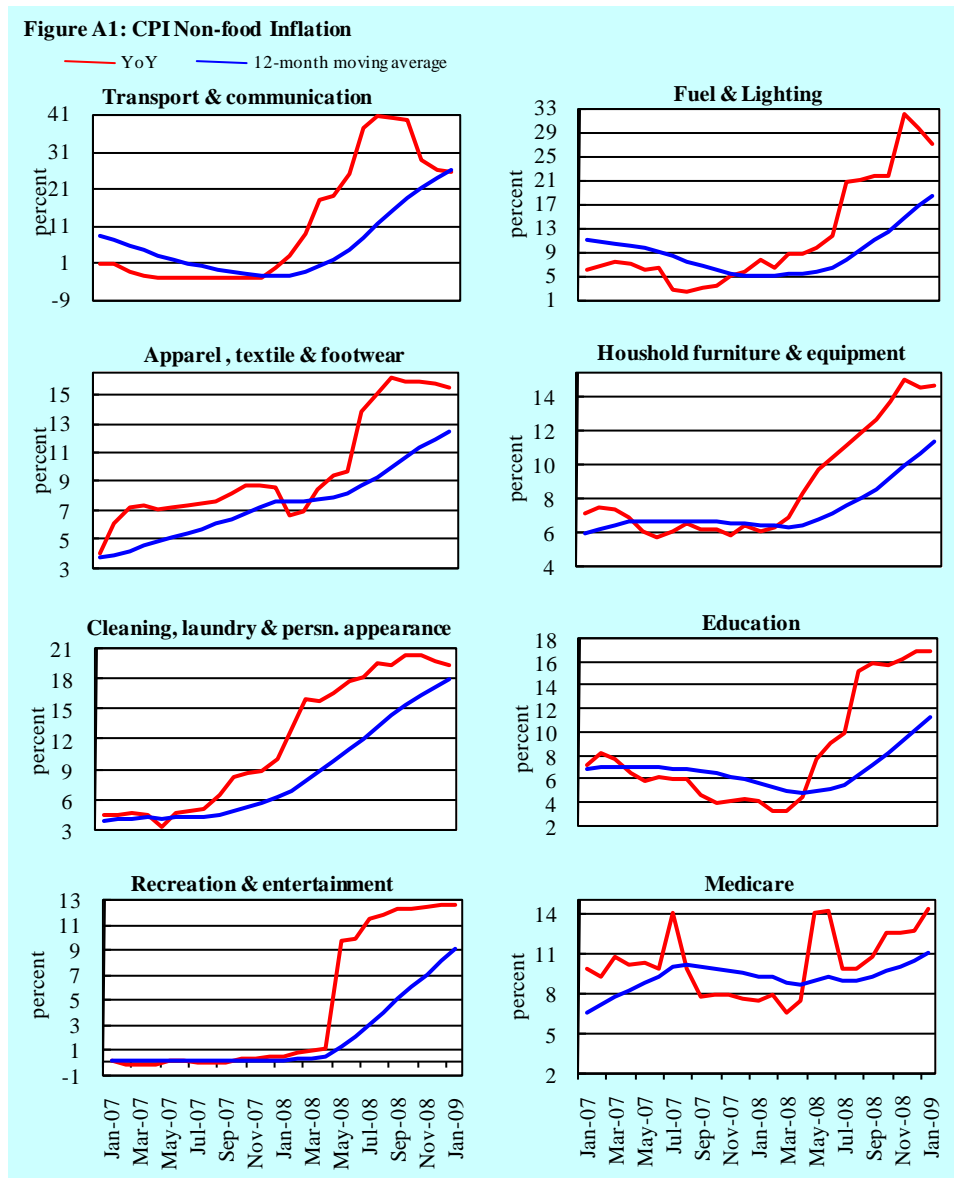


Figure A2: Frequency Distribution of Price Changes of CPI Items, January 2009

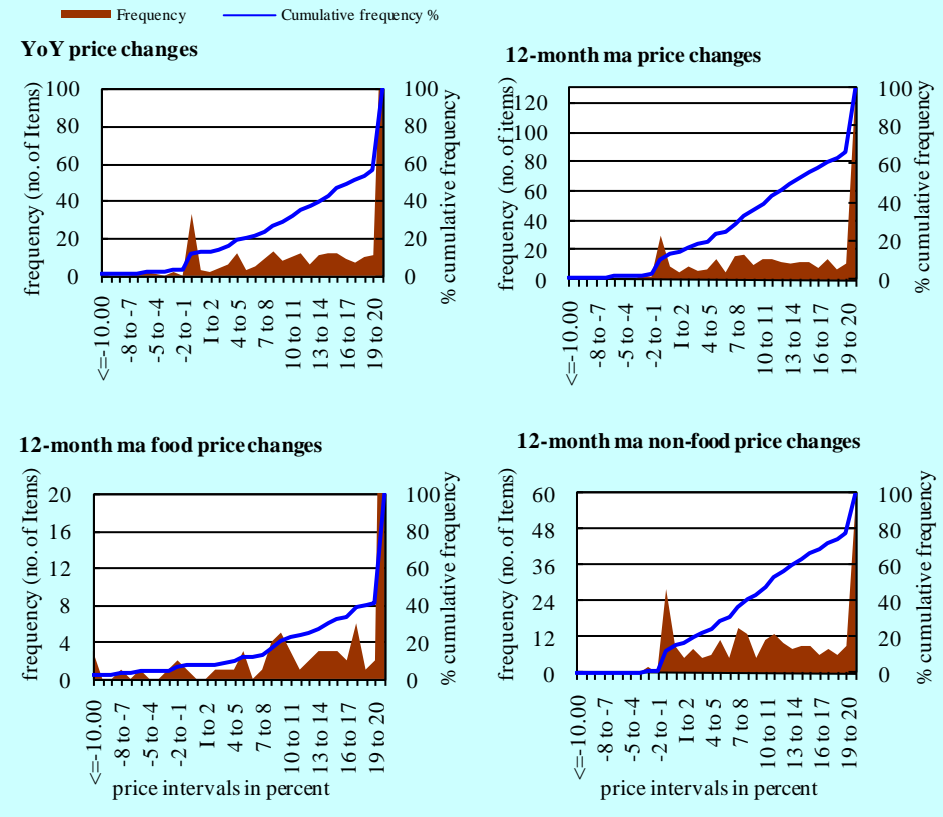
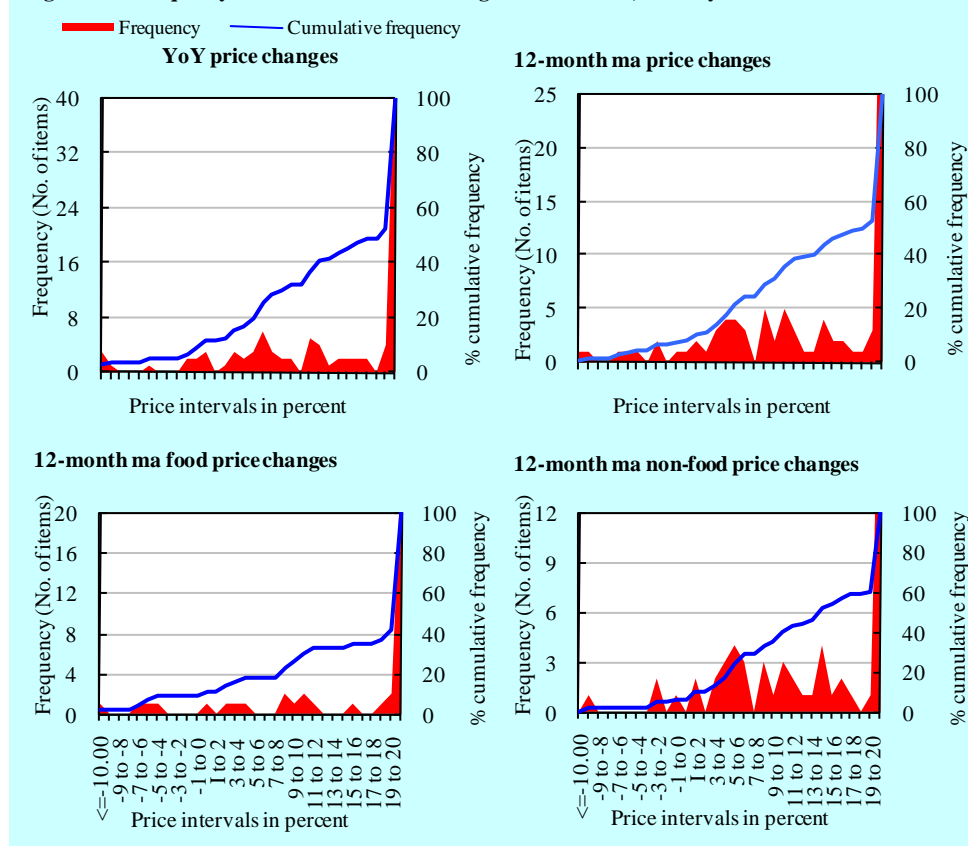


Figure A3: Frequency Distribution of Price Changes of WPI Items, January 2009



Annexure B

Technical Notes

1. All the three measures of inflation, viz. CPI, WPI and SPI are computed by the following Laspeyres Index formula:

$$I_t = \sum_j w_0^j \left(\frac{P_t^j}{P_0^j} \right)$$

where I_t is price index, w_0^j is weight of commodity j in the overall basket, P_t^j is price of commodity j in period t and P_0^j is its price in the base year.

2. Base year for all the indices is the year 2000-01.
3. CPI basket contains 374 consumers' goods; WPI basket contains 425 commodities; SPI contains 53 commodities.
4. YoY inflation is the percent change of an index in a given month over the index in the same month of the last year. It is computed as follows:

$$\pi_t = \left(\frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

5. Period average inflation is the percent change of the average index during the period from July to the given month of a fiscal year over the average index during the corresponding period of the last year. It is computed as follows:

$$\bar{\pi}_t = \left(\frac{\sum_{i=0}^{t-v} I_{t-i}}{\sum_{i=0}^{t-12-v} I_{t-12-i}} - 1 \right) \times 100$$

where v is the serial number of the month of July of current fiscal year in a given time series.

6. Monthly inflation is the percent change of an index in a given month over the index in the preceding month. It is computed as follows:

$$\pi_t = \left(\frac{I_t}{I_{t-1}} - 1 \right) \times 100$$

7. 12-month moving average inflation (Long-run trend inflation) is the percent change of 12-month moving average of a price index; it is computed as follows:

$$\tilde{\pi}_t = \left(\frac{\sum_{i=0}^{11} I_{t-i}}{\sum_{i=0}^{11} I_{t-12-i}} - 1 \right) \times 100$$

8. Core Inflation is defined as the persistent component of measured inflation that excludes volatile and controlled prices. It reflects the normal supply and demand conditions in the economy. Core inflation is computed by the following two methods:

- a) Non-food, Non-energy inflation (NFNE inflation); it is computed by excluding food group and energy items (kerosene oil, petrol, diesel, CNG, electricity and natural gas) from the CPI basket.
- b) 20% trimmed-mean inflation; it is computed through the following steps:
 - i. All CPI items are arranged in ascending order according to YoY/12-month moving average/monthly/period average changes in their price indices in a given month.
 - ii. 20 percent of the items showing extreme changes are excluded with 10 percent of the items at the top of the list (corresponding to cumulative weight of 90% or more) and 10 percent of the items at the bottom of the list (corresponding to cumulative weight of 10 percent or less).
 - iii. The weighted mean of the changes in price indices of the rest of the items is core inflation.

9. Weighted contribution of different items (or sub-groups) to total inflation is worked out as below:

Let the overall index (I_t) is the weighted average of price indexes of individual items or sub-groups (I_{it}), i.e.

$$I_t = \sum_i w_i \cdot I_{it}$$

The weighted contribution of a single item (or a sub-group) to overall inflation is defined as below:

$$C_{it} = \alpha_{it-12} \cdot w_i \cdot \left(\frac{\pi_{it}}{\pi_t} \right)$$

Where C_{it} : Contribution of i^{th} item to the overall inflation

$$\alpha_{it-12} = \frac{I_{it-12}}{I_{t-12}}; \text{ i.e. ratio of item's index to overall index in } \\ \text{the reference month}$$

w_i : Weights of i^{th} item

π_{it} : Inflation of i^{th} item

π_t : Overall inflation