

Inflation Monitor

July 2009



State Bank of Pakistan

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Overview

Current fiscal year commenced with ease in headline CPI inflation (YoY) compared to the same month of previous fiscal year. Consumer price inflation year-on-year basis was 11.2 percent during July 2009 as against 24.3 percent in July 2008 and 13.1 percent in the previous month. Significant decline was witnessed in both food and non-food group's inflation (YoY) during July 2009 as compared to the same month last year.

Contrary to YoY inflation, CPI inflation (MoM) increased during July 2009 and was recorded at 1.5 percent compared to 1.0 percent in June 2009. CPI food group showed significant increase in inflation (MoM) during July 2009, whereas non-food group showed a decline of 0.7 percentage points (see **Table 1.1**).

Ease in inflationary pressures can also be seen in both measures of core inflation, i.e., non-food non-energy (NFNE) and 20% trimmed mean during July 2009. Both NFNE and 20% trimmed mean showed decline during July 2009 as compared to the same month last year and the previous month. NFNE inflation (YoY) was 14.0 percent during July 2009 as compared to 14.7 percent in July 2008 and 15.9 percent in June 2009. 20% trimmed mean inflation (YoY) witnessed significant decline and was recorded at 13.9 percent during the month under review as compared to 19.7 percent in July 2008 and 15.5 percent in June 2009. Both measures of core inflation remained same on month-on-month basis during July 2009 compared to June 2009 (see **Table 1.1**).

Annual CPI inflation measured by 12-month moving average for the month of July 2009 showed acceleration as compared to the same period last year (13.5 percent in July 2008 to 19.6 percent in July 2009). Both food and non-food inflation witnessed increase during the same period.

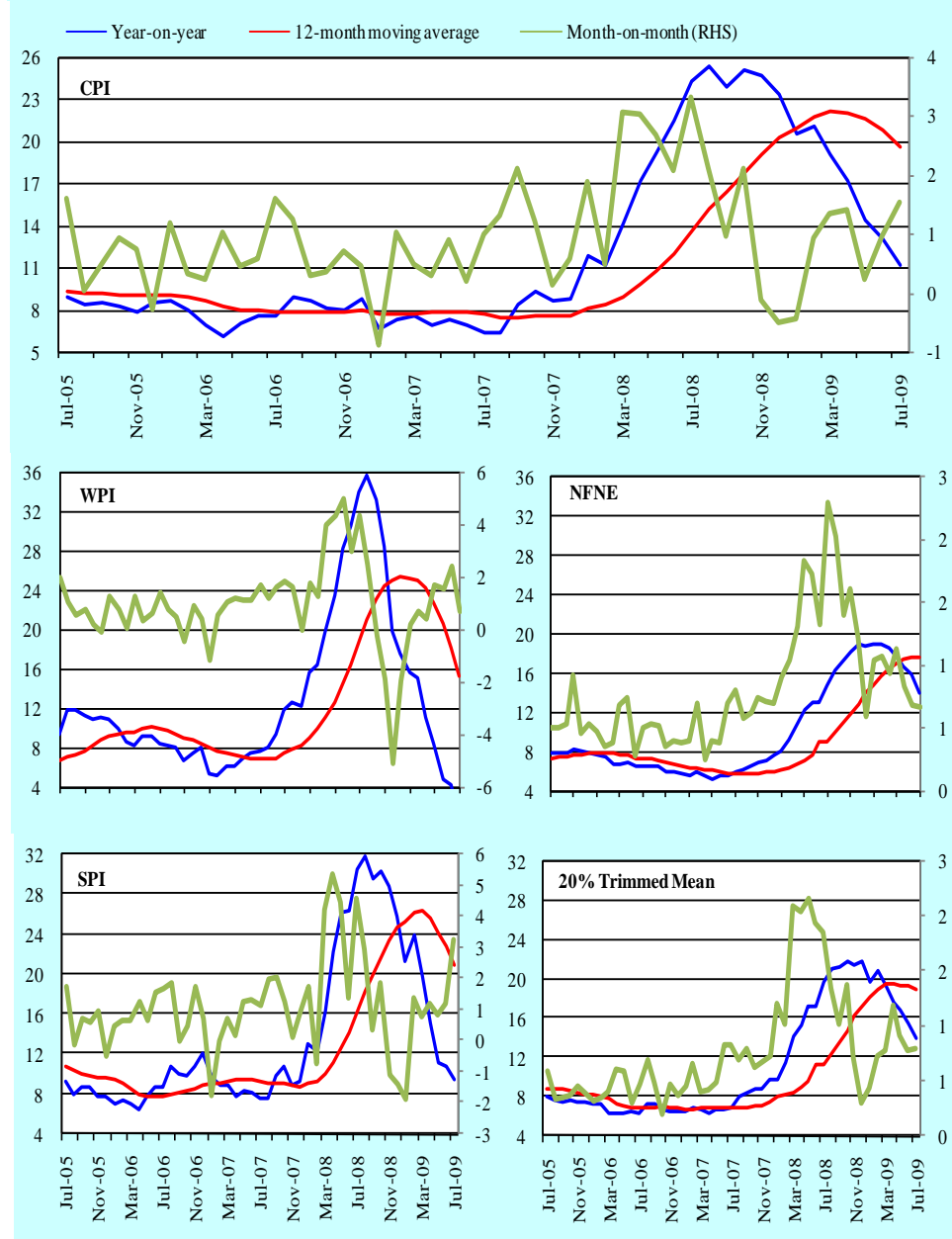
The Wholesale Price Index (WPI) inflation (YoY) reached 0.5 percent during July 2009 as compared to 34.0 percent in the same month last year and 4.1 percent during the preceding month. This significant decline in WPI inflation was due to a significant decline in non-food inflation during July 2009 compared to the corresponding month last year. Inflation (YoY) in sensitive price indicator (SPI) also showed deceleration during the month under review and reached 9.4 percent compared to 30.6 percent during June 2008 and 10.5 percent in June 2009 (see **Figure 1.1**).

Table 1.1: Different Dimensions of Inflation (percent)					
	Jul-07	Jul-08	Jun-09	Jul-09	5-year average#
Year-on-year (July over July)					
Overall CPI	6.4	24.3	13.1	11.2	11.3
Food group	8.5	33.8	10.5	10.7	14.9
Non-food group	4.9	17.3	15.4	11.6	8.8
WPI	7.6	34.0	4.1	0.5	13.9
Food group	11.3	32.5	10.2	8.7	14.4
Non-food group	5.0	35.1	-0.3	-5.4	13.6
SPI	7.5	30.6	10.8	9.4	13.7
Core Inflation					
NFNE*	6.0	14.7	15.9	14.0	8.2
Trimmed	6.7	19.7	15.5	13.9	9.6
Period average (July over July)					
Overall CPI	6.4	24.3	20.8	11.2	0.0
Food group	8.5	33.8	23.7	10.7	0.0
Non-food group	4.9	17.3	18.4	11.6	0.0
WPI	7.6	34.0	18.2	0.5	13.9
Food group	11.3	32.5	23.2	8.7	14.4
Non-food group	5.0	35.1	14.4	-5.4	13.6
SPI	7.5	30.6	22.7	9.4	13.7
Core Inflation					
NFNE*	6.0	14.7	17.6	14.0	8.2
Trimmed	6.6	19.7	19.2	13.9	9.6
12-month moving average					
Overall CPI	7.7	13.5	20.8	19.6	0.0
Food group	10.4	19.8	23.7	21.7	0.0
Non-food group	5.8	8.9	18.4	17.9	0.0
WPI	6.9	18.7	18.2	15.3	10.1
Food group	9.4	20.8	23.2	21.2	11.0
Non-food group	5.1	17.1	14.4	10.9	9.5
SPI	9.3	16.2	22.7	20.8	10.2
Core Inflation					
NFNE*	5.9	9.1	17.6	17.5	6.8
Trimmed	6.8	11.1	19.2	18.8	7.6
Monthly					
Overall CPI	1.0	3.3	1.0	1.5	1.8
Food group	1.5	2.8	1.0	3.0	2.5
Non-food group	0.7	3.8	1.0	0.3	1.3
WPI	1.7	4.4	2.4	0.7	1.7
Food group	1.7	3.5	1.1	2.0	2.2
Non-food group	1.7	5.0	3.5	-0.4	1.4
SPI	1.1	4.6	1.2	3.2	2.2
Core Inflation					
NFNE*	0.8	2.3	0.7	0.7	0.9
Trimmed	0.8	1.8	0.8	0.8	0.9

* NFNE is Non-food non-energy inflation

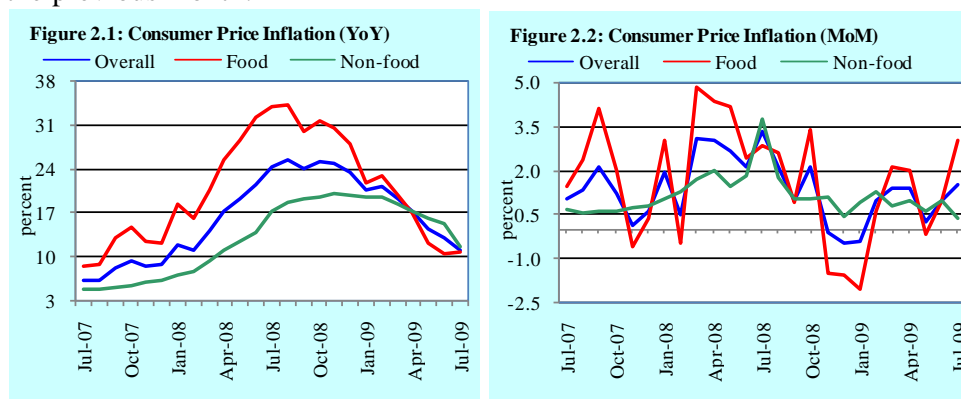
5-year average for the month of July in the previous years

Figure 1.1: Movements in Price Indices (percent change)



2. Consumer Price Index

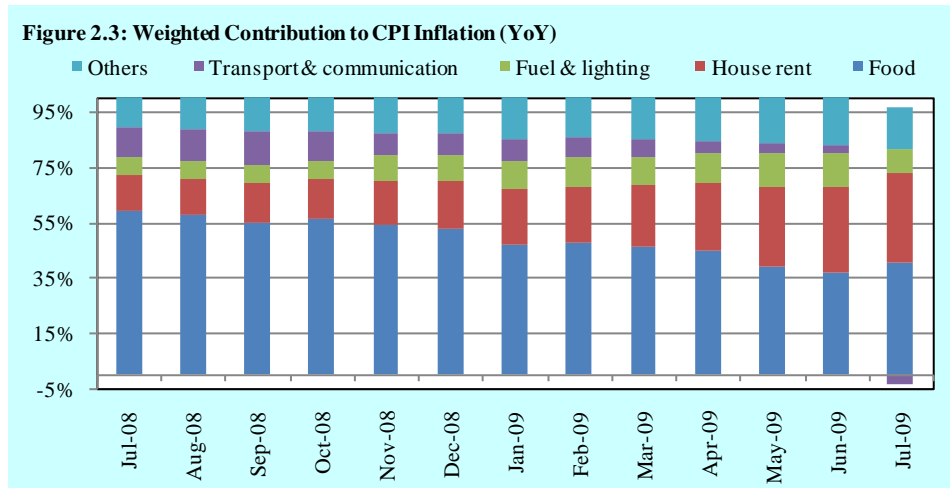
Although CPI inflation (YoY) is in double digits, a significant ease can be seen during the first month of FY10. CPI inflation (YoY) was 11.2 percent in July 2009 compared to 24.3 percent during July 2008 and 13.1 percent during the previous month.



The decline in CPI inflation (YoY) was contributed by both food and non-food groups. However the decline in food inflation was more pronounced during July 2009 when compared to corresponding month last year. Inflation in food group was recorded at 10.7 percent compared with 33.8 percent in July 2008. Non-food inflation (YoY) during the review month reached 11.6 percent as compared to 17.6 percent in July 2008.

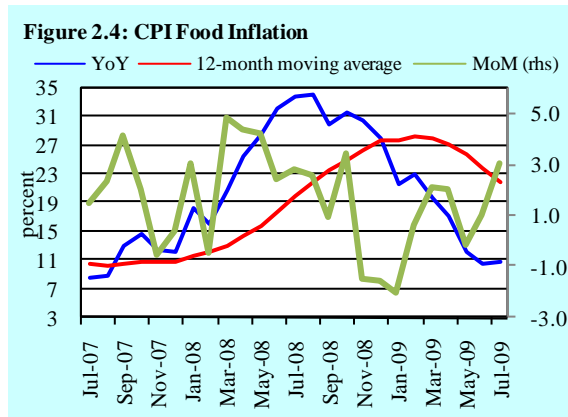
CPI inflation MoM showed acceleration in July 2009 and was recorded at 1.5 percent compared to 1.0 percent during June 2009. This increase in CPI inflation (MoM) was mainly due to a significant increase in food inflation (MoM). Whereas non-food inflation declined on MoM basis during July 2009 compared to the previous month (see **Figure 2.1 & 2.2**).

The weighted contribution of food group in overall inflation dropped to 43.7 percent during July 2009 compared to 59.1 percent in the same month last year. This level though, lower than the last year was higher compared to the previous month. Weighted contribution of non-food group during July 2009 was higher compared with the same month last year but it declined compared with June 2009. Among the components of non-food group weighted contribution, house rent index recorded an increase of 4.1 percentage points during July 2009 compared with the previous month and 22.1 percentage points compared with the same month last year (see **Figure 2.3**).



2.1 Food Inflation

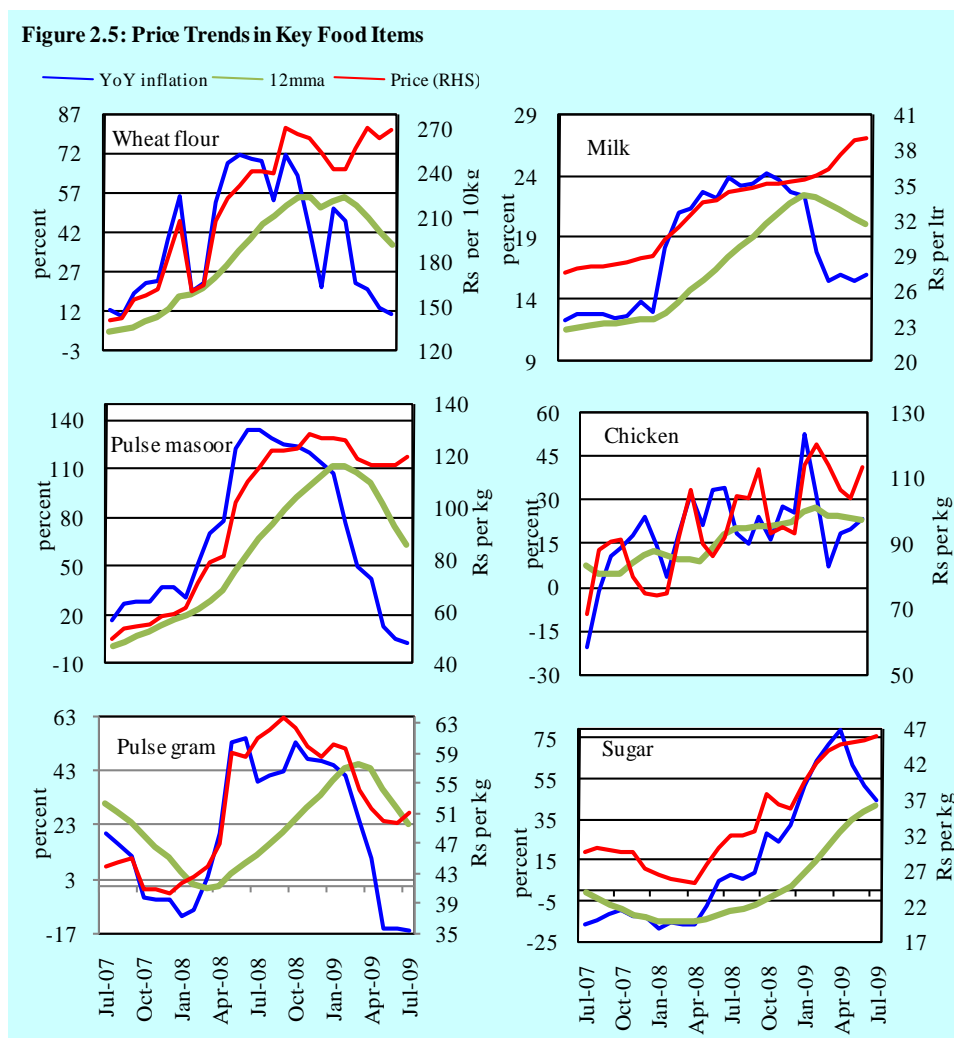
CPI food inflation (YoY) declined during July 2009 compared with the corresponding month last year, however, it showed slight increase compared to the previous month. Specifically, during the month under review, CPI food inflation reached 10.7 percent compared with 33.8 percent in July 2008 and 10.5 percent in June 2009 (see **Figure 2.4**).



In terms of weighted contribution, seven out of top ten commodities were from CPI food group during July 2009, i.e., fresh milk, wheat flour, meat, sugar, vegetables, readymade food and tomatoes. Total weighted contribution of these seven food commodities in the overall CPI inflation was 37.6 percent with 20.4 percent weight (see **Table A3** in the annexure). Within food group, just five items, i.e., wheat flour, fresh milk, meat, sugar and vegetables contributed 73.8 percent with 45.3 percent weight to YoY food inflation.

Out of 112 commodities reported in CPI food group, price movements of these commodities showed that, prices of 18 commodities declined including ghee,

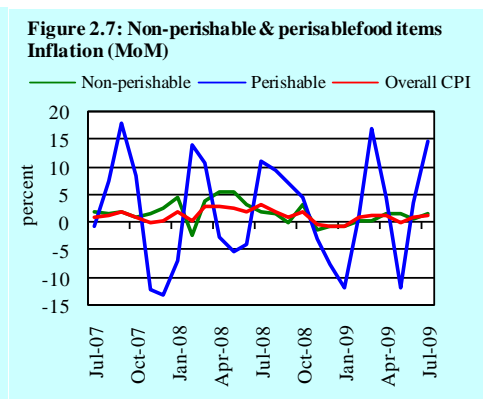
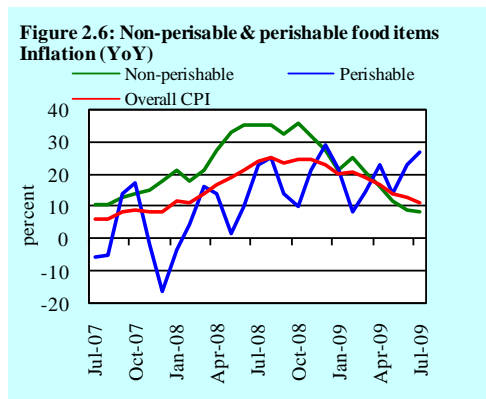
cooking oil, pulse gram, pulse moong, and different types of rice etc; price of only one item did not change. On the other hand, 17 commodities exhibited price changes (YoY) between 0 to 10 percent, 74 commodities showed price change (YoY) between 10 to 93 percent and only one food item coffee witnessed 100 percent price change (YoY) during the month under review (see **Figure 2.5** and **Table A2** in **Annexure A**).



CPI food inflation month-on-month (MoM) basis showed significant increase during July 2009 compared to the previous month. CPI food inflation (MoM) was 3.0 percent during the month under review compared to 2.8 percent during July 2008 and 1.0 percent during the previous month. Detailed item-wise analysis of

CPI food basket on MoM basis showed that 11 items including onion, pulse mash, eggs, potatoes, tomatoes, garlic, etc. showed double digit price change during July 2009, whereas prices of 16 items including arvi, ghee, mustard oil, chillies green, red chillies, etc. declined.

Within food group, further disaggregation (of 40 composite food items in the CPI basket) can be made on the basis of perishable¹ and non-perishable² commodities. Inflation (YoY) in the perishable group witnessed increase and was recorded at 26.6 percent during July 2009 compared to 22.9 percent in July 2008 and 22.8 percent during the preceding month. Prices of perishable commodities are often volatile and this is reflected in the inflation (MoM) which reached 14.7 percent during July 2009 compared to 11.3 percent in the same month last year and 3.6 percent during June 2009. Inflation (YoY) in non-perishable group declined during the month under review and reached 8.6 percent compared to 35.4 percent during the corresponding month last year and 9.0 percent in June 2009. On MoM basis inflation in non-perishable group was 1.5 percent during July 2009 compared to 1.8 percent in July 2008 and 0.7 percent during June 2009 (see **Figure 2.6 & 2.7**).

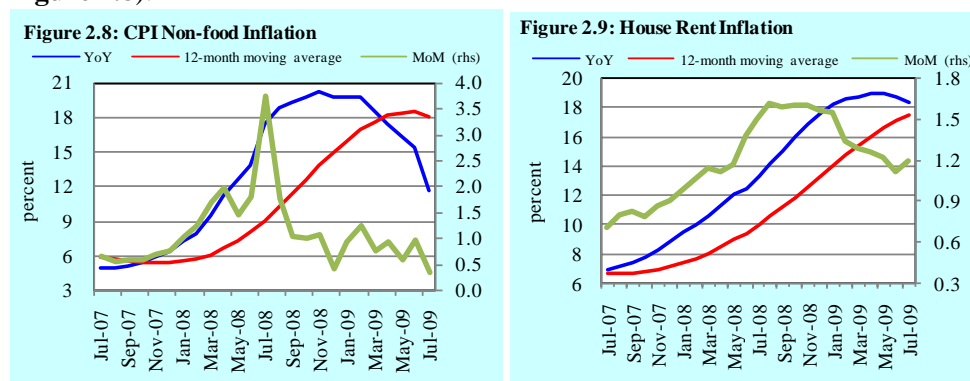


¹ Only five of these composite items, potatoes, onions, tomatoes, vegetables and fresh fruits, are included in perishable group with a total weight of 5.14 percent in overall CPI basket.

² The remaining 35 composite items, have a weight of 35.0 percent, in the non-perishable group.

2.2 Non-food Inflation

CPI non-food inflation (YoY) was recorded at 11.6 percent during July 2009 compared to 17.3 percent in July 2008 and 15.4 percent in the preceding month. During the month under review, inflation (YoY) in all sub-groups of non-food group showed a decline compared to the previous month (see **Figure A1** in Annexure). However, only two sub-groups *house rent* and *education* showed increase compared to the same month last year. CPI non-food inflation on MoM basis declined during the month under review and was recorded at 0.3 percent compared with 1.0 percent during June 2009 and 3.8 percent in July 2008 (see **Figure 2.8**).



Inflation (YoY) in *house rent index* (HRI) was 18.3 percent during July 2009 compared to 13.3 percent in July 2008 and 18.6 percent in the preceding month. Inflation (MoM) in this sub-group reached 1.2 percent compared to 1.1 percent in the preceding month and 1.5 percent in the same month last year (see **Figure 2.9**).

Of the 250 non-food commodities included in the CPI basket, 92 commodities (132 commodities in June 2009) witnessed double digit price change (YoY) which includes text books, electronic goods, firewood, and gold. There are 70 commodities (61 commodities in June 2009) that showed moderate increase in the range of 5 to 10 percent, all other commodities witnessed price change (YoY) either less than 5 percent, no change or declined. Price of only one item, i.e., English Book for class IX and X showed a significant rise of 132.3 percent (YoY) in July 2009 (see **Table A2 & A4** in the Annexure).

Price changes on MoM basis revealed that prices of 23 items (11 items in June 2009) recorded a decline, 130 commodities (150 items in June 2009) exhibited no change in their prices, 48 items (56 items in June 2009) recorded price change from 0 to 0.5 percent, prices of 31 items (18 items in June 2009) ranged between 0.5 to 1.0 percent, and remaining 18 items (15 items during June 2009) showed more than 1 percent change in prices.

2.3 City-wise Inflation

City-wise inflation (YoY) declined in all major cities during July 2009 compared to both the previous month and the same month last year.

Similar to previous month, inflation (YoY) in all major

cities was lower than the average inflation during the month under review.

However, on MoM basis, inflation was lower than the average CPI inflation in two out of five major cities (see **Table 2.1**).

	Jul-08		Jun-09		Jul-09	
	MoM	YoY	MoM	YoY	MoM	YoY
Overall CPI	3.3	24.3	1.0	13.1	1.5	11.2
Islamabad	3.6	20.9	1.4	12.9	1.0	10.1
Lahore	3.3	21.0	0.8	12.9	1.6	11.0
Karachi	2.8	23.4	1.4	11.6	1.5	10.1
Quetta	1.8	26.3	1.7	11.7	1.0	10.7
Peshawar	3.3	26.0	-0.2	12.8	1.5	10.9

City-wise inflation data collected from 35 cities revealed that 19 cities (16 in June

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

	High inflation cities				Low inflation cities		
	General	Food	Non-food		General	Food	Non-food
D.G. Khan	15.0	17.2	13.2	Lahore	11.0	12.3	10.0
Okara	14.8	14.2	15.4	Khuzdar	10.9	9.1	12.4
Shahdadpur	13.9	11.9	15.6	Peshawar	10.9	9.8	11.7
Vehari	13.6	13.7	13.6	Gujranwala	10.8	10.3	11.2
Nawabshah	13.3	12.0	14.4	Quetta	10.7	9.9	11.5
Faisalabad	13.1	14.5	11.9	Hyderabad	10.4	7.0	13.4
Rawalpindi	12.7	15.3	10.6	Bahawalpur	10.3	10.6	10.1
Kunri	12.4	9.6	14.8	Turbat	10.3	10.1	10.6
Bahawalnagar	12.3	13.3	11.4	Karachi	10.1	7.5	12.3
Multan	12.3	13.9	10.9	Islamabad	10.1	12.6	8.2
Jhang	12.2	13.3	11.4	Loralai	10.0	8.2	11.5
Abbotabad	12.2	10.7	13.5	Larkana	9.8	7.4	11.8
Attock	11.9	13.0	11.1	Sukkur	9.8	5.6	13.2
Sialkot	11.9	12.5	11.3	D.I.Khan	9.7	8.6	10.7
Jhelum	11.8	12.2	11.5	Mardan	9.4	6.9	11.5
Mirpur Khas	11.8	8.8	14.3	Bannu	7.8	5.4	9.8
Sargodha	11.8	11.5	12.0				
Samundari	11.7	12.3	11.3				
Mianwali	11.7	12.8	10.8				

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

2009) were having high inflation, while remaining 16 (19 in June 2009) were categorized as low inflation cities during July 2009. Similar to the previous month,

the highest overall CPI inflation (YoY) was recorded in D G Khan, whereas the lowest inflation (YoY) was recorded in Bannu. Shahdadpur and Islamabad were the highest and lowest in non-food inflation (YoY) during the month under review (see **Table 2.2**).

On MoM basis city-wise inflation data revealed that during July 2009, out of 35 cities, 26 cities (18 cities in June 2009) had higher and remaining 9 cities (17 cities in June 2009) had lower than the overall CPI inflation (MoM). The highest inflation (MoM) of 2.8 percent was recorded in Turbat during the review month as against the deflation of 0.7 percent (MoM) in Khuzdar.

2.4 Income Group-wise Inflation

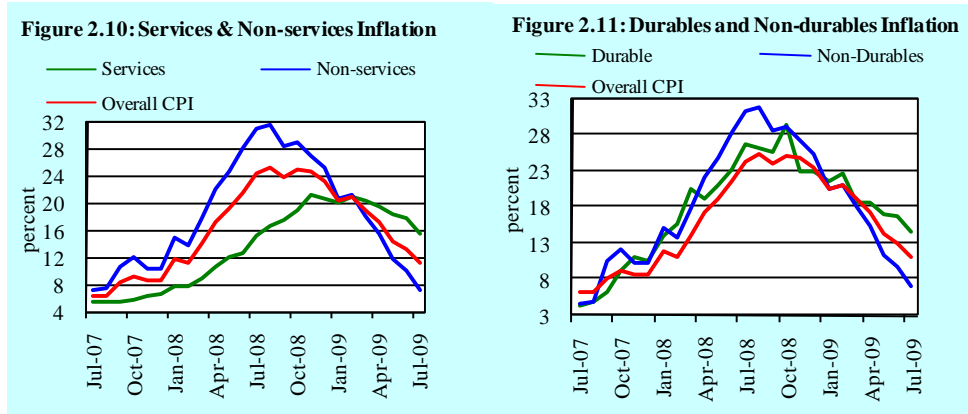
Middle income group, having income range of Rs 5001 – 12000 (per month per household), experienced the highest inflation during July 2009. All other income groups witnessed lower than overall CPI inflation (YoY). On MoM basis only the highest income group had less than overall CPI inflation (MoM) (see **Table 2.3**).

	Table 2.3: Income Group-wise CPI Inflation								percent
	Upto 3000		Rs.3001-5000		Rs.5001-12000		Above Rs.12000		
	Jul-08	Jul-09	Jul-08	Jul-09	Jul-08	Jul-09	Jul-08	Jul-09	
	<i>Yeas-on-yeas (July over July)</i>								
General	27.2	11.7	26.9	11.8	25.3	11.8	22.8	10.3	
CPI Food	36.4	11.3	36.6	10.5	34.8	10.5	31.4	10.9	
CPI Non-food	20.6	12.0	19.8	12.8	18.2	12.9	16.5	9.8	
	<i>Month-on-Month (July over June)</i>								
General	2.9	1.9	2.9	1.8	3.3	1.7	3.4	1.3	
CPI Food	3.2	2.9	3.2	3.0	3.0	3.0	2.4	3.0	
CPI Non-food	2.7	1.0	2.7	0.9	3.6	0.7	4.3	-0.1	

During July 2009, city and income group wise inflation (YoY) data, collected from 17 cities revealed that Quetta recorded the highest inflation in the lowest income group. Rawalpindi recorded highest inflation for middle income groups and Khuzdar for the highest income group. Bannu experienced the lowest inflation for all income groups. On MoM basis, inflation in Gujranwala was highest for all income groups. Sukkur had the lowest inflation (MoM) for all income groups (see **Table A5** in Annexure A).

2.5 Services and Non-services Inflation

While inflation (YoY) in both the services³ sector was slight higher in July 2009, compared to the corresponding month last year, inflation in non-services sector declined sharply in this period. Inflation (YoY) in services sector was 15.4 percent compared to 15.3 percent during the corresponding month last year and 18.0 percent in the previous month. On MoM basis inflation in services sector showed increase of 0.2 percentage points in July 2009 compared to the previous month, whereas in non-services sector a 0.3 percentage points decline was recorded in this period (see **Figure 2.10**).



Further disaggregation of non-services sector into durable⁴ and non-durable items showed that inflation (YoY) in durable items dropped to 14.8 percent during July 2009 as compared to 26.8 percent in the same month last year and 16.8 percent in the preceding month. Inflation in non-durable items also declined and was recorded at 7.0 percent during the month under review compared to 31.3 percent in July 2008 and 9.8 percent in June 2009. On MoM basis inflation in durable items showed an increase of 0.2 percentage points whereas non-durable items showed decline of 0.3 percentage points during July 2009 compared to June 2009 (see **Figure 2.11**).

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.

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.

3. Wholesale Price Index

Declining trend in wholesale price index (WPI) inflation (YoY) continued during July 2009 reaching 0.5 percent (lowest level since May 2002), compared to 34.0 percent during the same month last year. Both food and non-food groups of WPI contributed in this significant downtrend, however, the contribution of non-food group was more significant. WPI non-food group registered negative YoY growth for the third consecutive month and was recorded at (-) 5.4 percent during July 2009 compared to 35.1 percent in July 2008. Similarly, the food group of WPI also decelerated and recorded single digit inflation (8.7 percent) for the first time since April 2007 (see **Figure 3.1**).

An item-wise analysis of WPI food group shows that the major items recording substantial YoY price increase during the month under review included tomatoes, gur, onions, vegetables, sugar, pulse mash and condiments. In particular tomatoes and gur registered more than 100 percent YoY price increase for the second consecutive month during July 2009. On the contrary, nine wholesale food items, including bajra, gram split,

Figure 3.1: Wholesale Price Inflation (YoY)

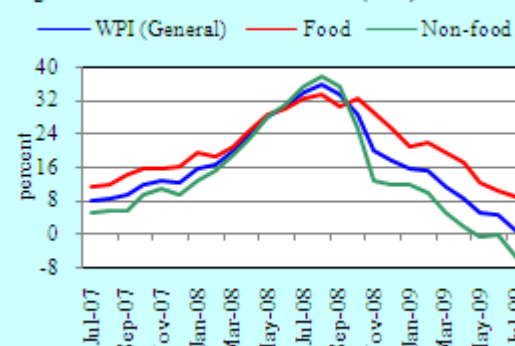
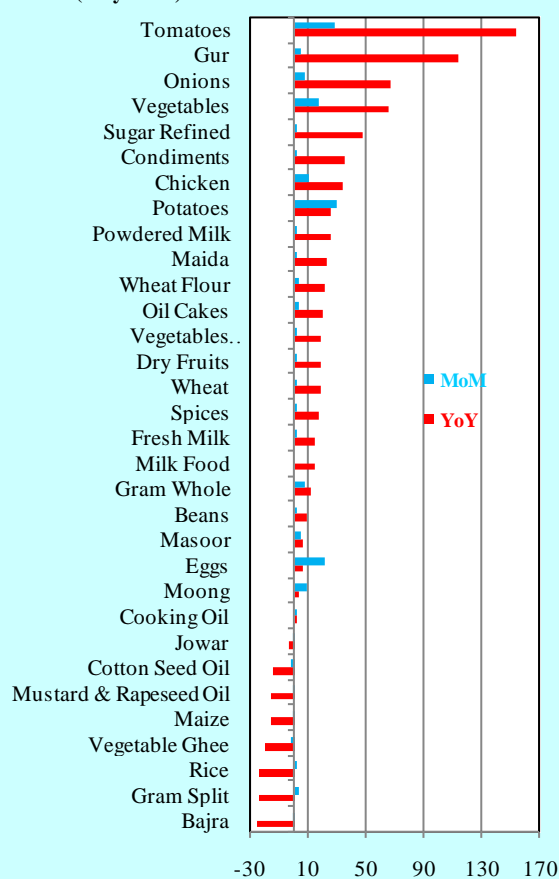


Figure 3.2: Changes in Wholesale Prices of Selected Food Items (July 2009)



rice, vegetable ghee, besan, maize, mustard & rapeseed oil, cotton seed oil and jowar showed YoY price decline during the month under review (see **Table A7** & **Figure 3.2**).

Within WPI non-food group items like sugarcane, glass products and nylon yarn registered more than 40 percent YoY price rise during July 2009 (see **Table A7** and **Figure 3.3**). Fourteen non-food items, including furnace oil, chemicals, and iron bars & sheets showed negative price growth (YoY) during the month under review.

Within WPI non-food group sub-indices, all sub-indices recorded lower inflation (YoY) during July 2009 compared to the same month last year and also the previous month (see **Figure 3.4**). In particular *fuel, lighting & lubricants* and *building material* sub-groups recorded negative YoY growth during the month under review.

A detailed analysis of YoY price changes of WPI non-food items is presented in **Table A7**.

Figure 3.3: Changes in Wholesale Prices of Selected Non-food Items (July 2009)

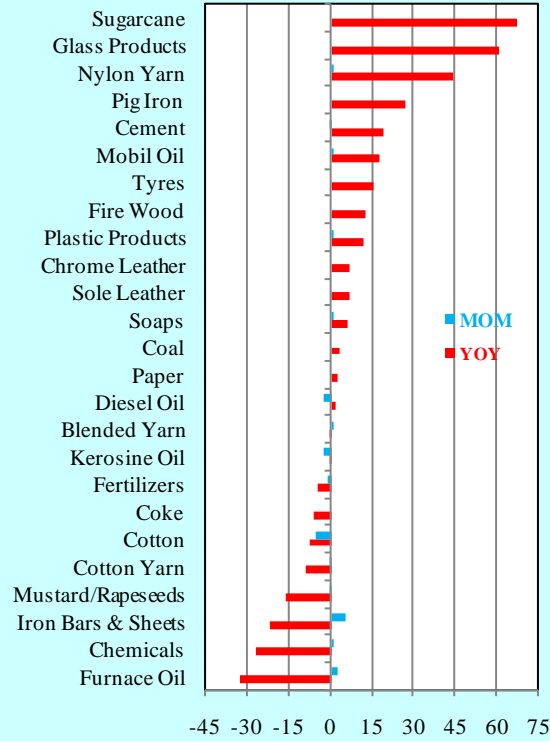
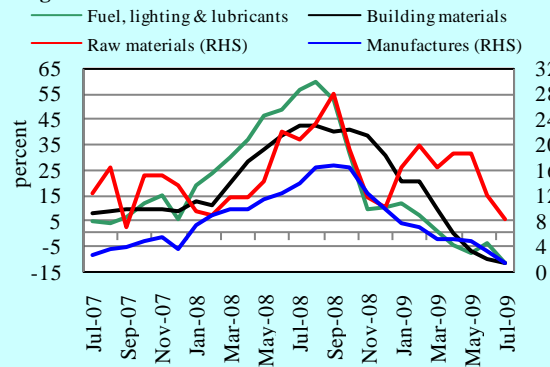


Figure 3.4: WPI Non-food Inflation - YoY



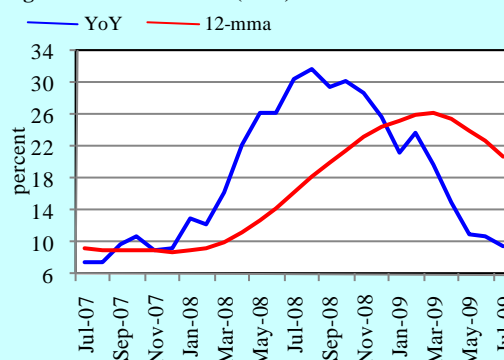
4. Sensitive Price Indicator

In line with CPI and WPI, inflation measured by sensitive price indicator (SPI) registered a decline in inflation during July 2009. On YoY basis SPI inflation dropped to 9.4 percent during the month under review (first single figure level since Jan 2008), as against 30.6 percent during July 2008.

Similarly, the long run trend in SPI inflation measured by 12 month moving average

(12mma) also decelerated during July 2009 and reached 20.8 percent compared to 22.7 percent in the previous month (see **Figure 4.1**).

Figure 4.1: SPI Inflation (YoY)



An analysis of the items included in SPI basket shows that gur (95.5 percent), garlic (74.4 percent), and sugar (48.4 percent) showed significant YoY price increase during the month under review. However, 12 items including red chillies, rice, petrol, vegetable ghee, pulse gram, mustard oil and cooking oil witnessed decline in their prices on YoY basis during July 2009 (see **Table A8** in Annexure A).

In contrast to YoY inflation, MoM SPI inflation registered a surge during July 2009 reaching 3.2 percent compared to 1.2 percent in the previous month. However, the MoM inflation level during July 2009 is still lower as compared to the same month last year. Major items recording double digit MoM price increase during the month under review

Figure 4.2: Weekly SPI Inflation



included garlic, potatoes, tomatoes, poultry items, diesel and petrol (see **Table A8** in Annexure A). On the other hand, more than 35 percent of the items included in the SPI basket either declined or showed no change in price on MoM basis during July 2009.

Weekly SPI inflation (YoY) generally depicted a declining trend during July 2009, and decelerated from 10.8 percent recorded during the last week of June 2009 to 8.3 percent during the last week of July 2009 (see **Figure 4.2**).

	percent			
	Jul-08	Dec-08	Jun-09	Jul-09
Up to Rs. 3000	33.0	25.8	10.8	9.7
Rs. 3001-5000	32.1	26.3	11.3	10.4
Rs. 5000-12000	30.9	26.9	12.8	11.1
Above Rs. 12000	29.4	25.0	11.2	8.8
All income groups	30.6	25.7	10.8	9.4

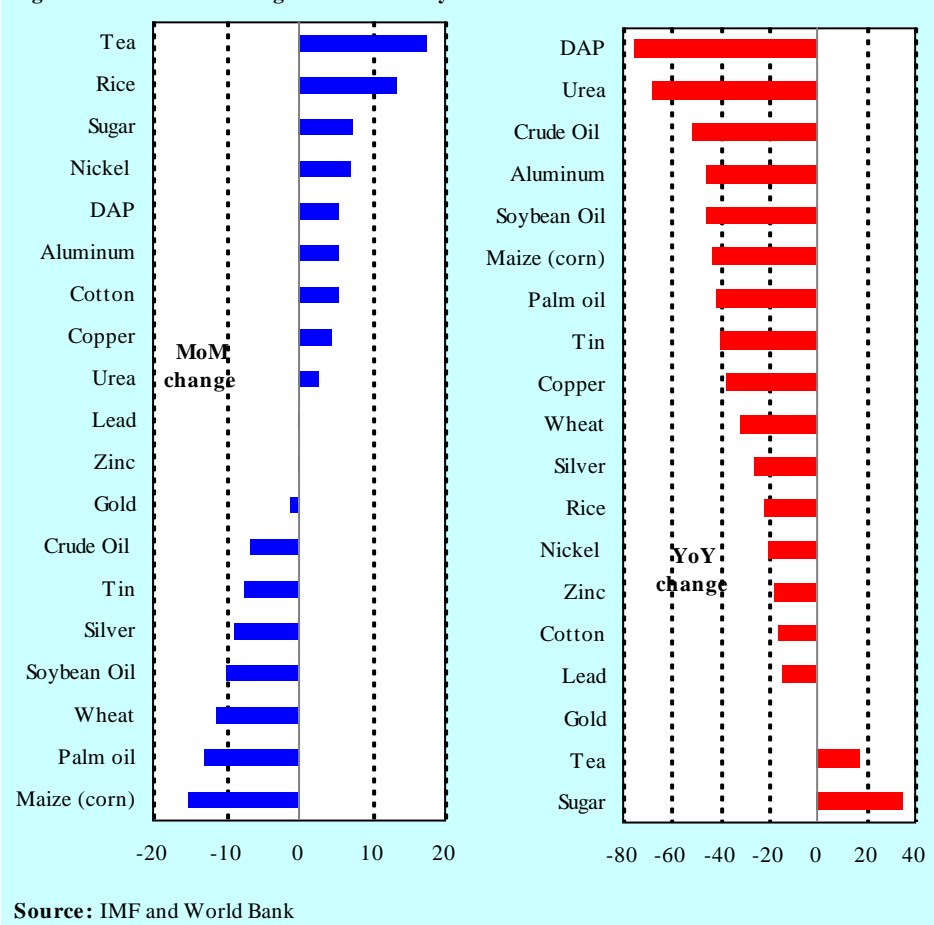
Income group-wise analysis of SPI inflation (YoY) showed that the incidence of inflation (YoY) remained the highest for the income group having monthly income of Rs 5000 to 12000 during July 2009 (see **Table 4.1**). It can be further established from the income group-wise data that all income groups, except the highest income group, recorded higher inflation as compared to overall SPI inflation during the review month.

5. Global Commodity Prices

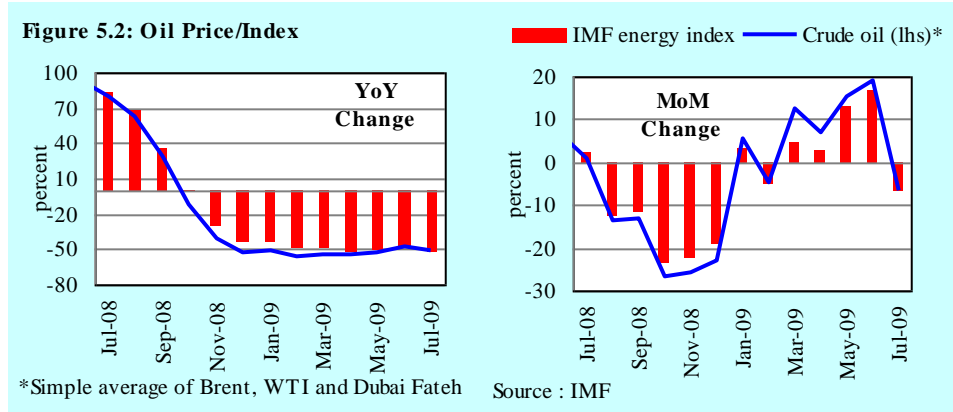
Most of the commodity prices fell during July 2009 on (YoY) basis except Sugar and Tea registering increase during the month. Prices declined in July 2009 as food inflation eased and energy prices dropped. The declining trend in metal prices is associated with adverse economic data developments.

Commodity prices showed mixed trend on MoM basis during July 2009, as prices of crude oil, gold, wheat, corn and edible oils dropped while prices of tea, sugar, cotton and fertilizers increased along with the industrial metals during July 2009 (see **Figure 5.1**). During the first half of the month, most of the commodity prices experienced a decline, however, prices recovered strongly during the second half of the month.

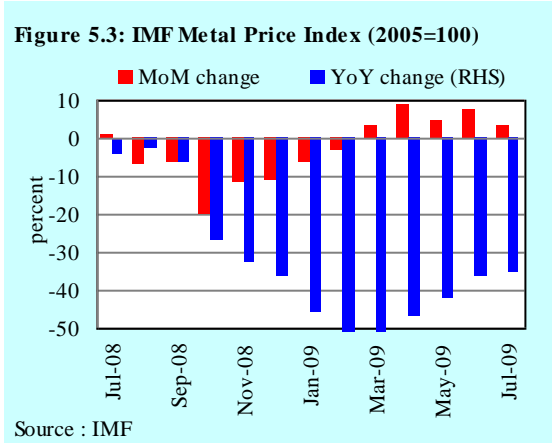
Figure 5.1: Percent Change in Price - July 2009



Looking at the detailed picture, crude oil prices remained under pressure during July 2009. In the first half of the month, crude oil prices fell below US\$ 60 per barrel, before revering a little.. As a result, crude oil prices recorded a decline of 6.5 percent on MoM basis during July 2009 (see **Figure 5.2**).



Industrial metal prices declined 35 percent in July 2009 on (YoY) basis, however on MoM basis these increased by 3.1 percent during the month. Prices of industrial metal declined as compared to the previous year due to slackening growth in auto industry worldwide while upward movement in prices as compared to June 2009 was accredited primarily to US housing sales data released in the 2nd half of July 2009. The data showed that US housing rose 3.6 percent in June 2009, the highest level since November 2008. Moreover, prices advanced following higher than expected growth in Chinese GDP in the second quarter compared to the first quarter of the current year (see **Figure 5.3**).

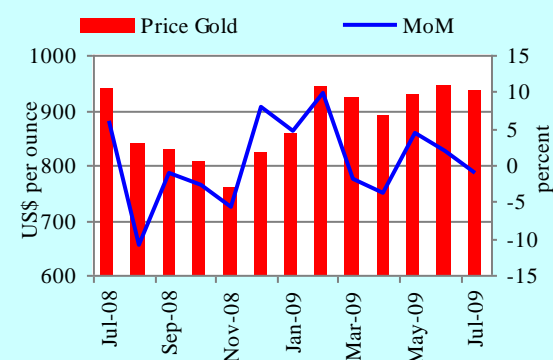


Gold prices decreased during July 2009. Gold prices decreased by 1.21 percent on MoM basis and 0.59 percent on YoY basis. Gold prices closed at a level of US\$ 934.23 per troy ounce in July 2009 (see **Figure 5.4**). Strengthening dollar was the main driver of lower gold prices during the month as dollar value shares an inverse relationship with gold prices. However, according to the experts, physical demand for the yellow metal has traditionally been weak over the summer months.

Cotton outlook 'A' index fell by 16.2 percent on YoY basis, however, it rose by 5.6 percent on MoM basis in July 2009 due to (a) strong demand from China the largest cotton user (b) on news that India, the world's largest cotton producer and second-biggest consumer, may not have a better monsoon season this year and hence lower yields of the fiber. Analysts are of the view that if the weather does not improve, India may not be able to achieve 25 million bales target set for this year (see **Figure 5.5**).

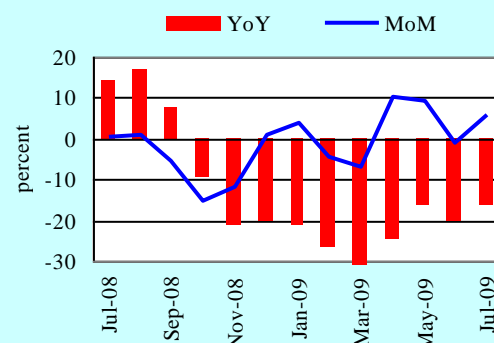
Sugar prices rose by 37.8 percent (YoY) in July 2009 and are backed by 7.4 percent increase in sugar price on MoM basis (see **Figure 5.6**).

Figure 5.4: Gold



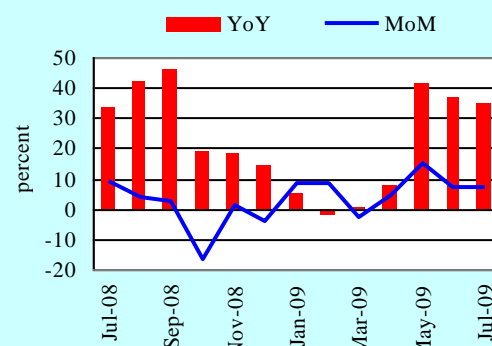
Source : IMF

Figure 5.5: Cotton Outlook 'A' Index



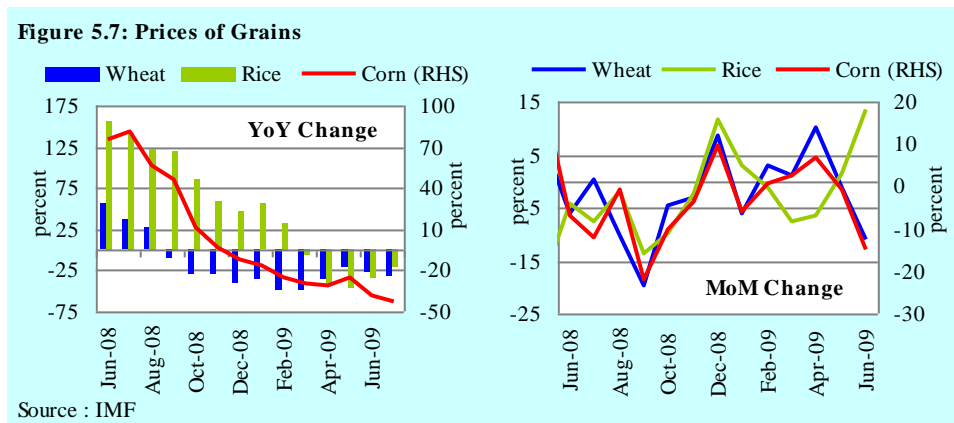
Source : IMF

Figure 5.6: Sugar Prices



Source : IMF

Sugar prices reached the highest level since April 1981 on forecasts for a global production deficit. Heavy rains in Brazil, the biggest producer, have delayed the harvest of sugarcane in the country which was likely to fill the global deficit. Moreover, Indian Sugar Mills Association (ISMA) has revised its output estimates. According to the association, sugar output in India is likely to drop by 44 percent to a level of 14.7 million tons from last year production of 26.4 million tons.



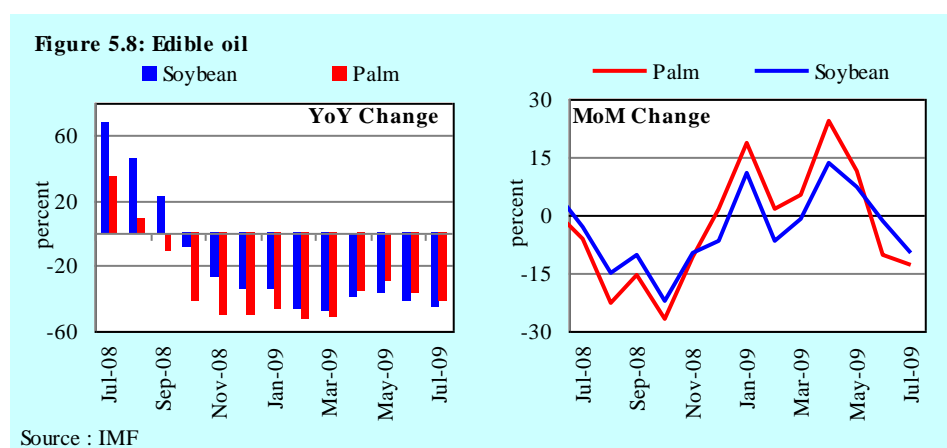
Grain prices declined during the month under review. Wheat prices declined by 31.4 percent on YoY basis while 11.2 percent decline in the wheat prices was recorded on MoM basis (see **Figure 5.7**). Wheat prices decreased mainly because of rising global supplies and slowing demand for the grain from US, the world’s biggest exporter. Favorable weather in major exporting countries was another factor for the slide in prices as rains in Canada and cold temperatures in northern plains of US boosted crop conditions, while Australia will also produce more wheat than estimated earlier.

Corn prices decreased during July 2009 to the lowest level since August 2008. Prices declined by 15.1 percent on MoM basis while on YoY basis 43.1 percent drop in prices was witnessed in July 2009. Corn prices decreased due to the favorable weather conditions, increased planting acreage and estimates of higher per acre yield in US, the world’s leading producer of corn. Moreover, favorable weather conditions will boost corn output in China, the world’s largest corn consumer.

Rice prices fell 22 percent during July 2009 on YoY basis; however rice prices rose sharply during the month on MoM basis. A rise of 13.6 percent in rice prices was the highest price increase in a month since April 2008. Rice prices increased as a result of; (a) lower production in India, the third largest rice exporter due to

less monsoon rains this year. In addition, India still has not removed ban on rice exports; (b) due to increasing demand from Nigeria, the world's third-largest rice importer, it has suspended all rice import tariffs to boost imports and curb spiraling domestic rice prices; (c) unfavorable weather conditions in US and Japan also affected the world rice production.

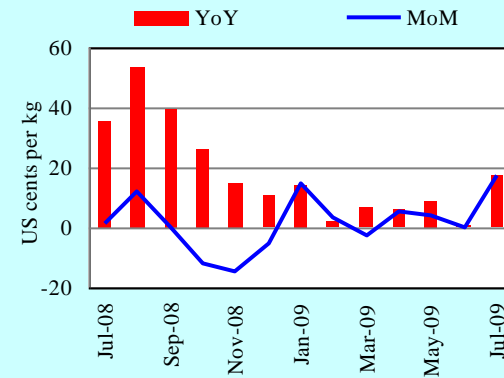
Edible oil prices in July 2009 continued with declining trend started in June 2009. Palm oil price declined by 12.9 percent and soybean prices dropped 9.7 percent on MoM basis during the month under review. Prices of palm oil and soybean declined by 41.3 percent and 45.3 percent on YoY basis (see **Figure 5.8**).



The current decline in edible oil prices was due to seasonal increase in production in the second half that would swell stockpiles and damp prices. US soybean production forecast was at a record high level of 3.2 billion bushels, up 8 percent from last year. Soybean yields were expected to average 41.7 bushels per acre, up 2.1 bushels from 2008. According to the US department of Agriculture (USDA) if realised, this year's crop would be the fourth highest yield on record. Meanwhile, data from Malaysian Palm Oil Board, the industry regulator, showed that palm oil stocks in June 2009 rose 2.5 percent to 1,405,500 tons from a revised 1,371,238 tonnes in May 2009.

Kenya tea rose sharply during July 2009. Prices rose 17.5 percent on YoY and 17.6 on MoM basis during the month as unfavorable weather conditions in Kenya's tea growing areas were expected to lower production. Strong demand from Yemen, Sudan, Russia, Pakistan, and Kazakhstan also boosted the prices (see **Figure 5.9**).

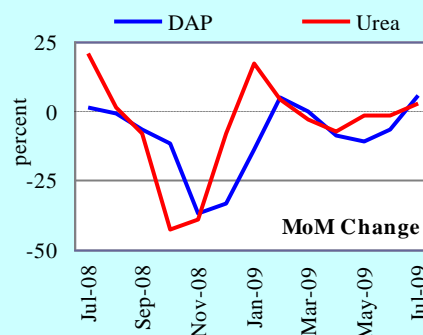
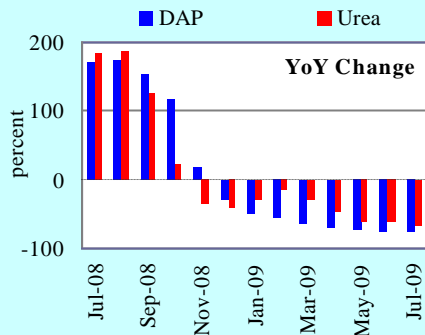
Figure 5.9: Kenya Tea



Source : IMF

Fertilizer prices fell during July 2009 on YoY basis. Urea and DAP (Di-Ammonium Phosphate) prices fell by 68 and 75.3 percent as compared to the same month last year. However, after declining for four consecutive months since February 2009, Urea and DAP prices increased during July 2009 by 2.6 and 5.6 percent on MoM basis (see **Figure 5.10**). Upward trend in Urea and DAP prices is mainly due to increased demand.

Figure 5.10 : Fertilizer prices



Source : World Bank

Annexure A

Table A1: CPI Inflation by Groups

	Weights	MoM change			YoY change		
		Jul-08	Jun-09	Jul-09	Jul-08	Jun-09	Jul-09
I. Food Group	40.3	2.8	1.0	3.0	33.8	10.5	10.7
II. Non-Food Group	59.7	3.8	1.0	0.3	17.3	15.4	11.6
Apparel, textile, etc.	6.1	4.1	0.3	0.3	13.8	10.9	6.9
House rent	23.4	1.5	1.1	1.2	13.3	18.6	18.3
Fuel & lighting	7.3	8.3	0.2	-0.7	20.5	23.8	13.5
Household furniture & equipment	3.3	1.6	0.2	0.0	11.1	10.8	9.1
Transport & communication	7.3	10.3	3.1	-0.7	37.2	5.0	-5.5
Recreation & entertainment	0.8	1.4	0.1	0.0	11.5	4.5	3.1
Education	3.5	1.2	0.2	0.0	10.0	19.2	17.8
Cleaning, laundry, etc.	5.9	1.3	0.6	0.1	18.2	14.3	12.9
Medicare	2.1	0.1	0.0	0.0	9.8	6.3	6.1
Headline	100	3.3	1.0	1.5	24.3	13.1	11.2

Table A2: Distribution of Price Changes of CPI Basket (YoY)

Groups	% Changes		Total Number of Items	No. of Items in each Inflation Range							
				Decrease or no change (0 % or less)		Subdued increase (0 to 5%)		Moderate increase (5 to 10%)		Double digit increase (over 10%)	
	Jul-08	Jul-09	Jul-09	Jul-08	Jul-09	Jul-08	Jul-09	Jul-08	Jul-09	Jul-08	Jul-09
I. Food Group	33.8	10.7	111	5	18	5	9	11	9	90	75
II. Non-Food Group	17.3	11.6	250	32	11	31	65	52	70	135	92
Apparel, textile, etc.	13.8	6.9	42	1	0	5		13	28	23	6
House rent	13.3	18.3	1	0		0		0		1	1
Fuel & lighting	20.5	13.5	15	1	4	0		6	1	8	6
Household furniture & equipt	11.1	9.1	44	0		1	4	10	18	33	22
Transport & communication	37.2	-5.5	43	6	2	1	21	2	8	34	12
Recreation & entertainment	11.5	3.1	16	2	0	5	13	2	1	7	2
Education	10.0	17.8	24	5	2	8	4	4	2	7	16
Cleaning, laundry, etc.	18.2	12.9	36	1	1	6	5	12	11	17	19
Medicines	9.8	6.1	29	16	2	5	18	3	1	5	8
Overall	24.3	11.2	361								

Note: Prices of 13 seasonal items were not reported during the month.

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

Items	Weights	YoY change		Weighted Contribution	
		Jul-08	Jul-09		
A. Ranked by Weighted Contribution					
1	House Rent Index	23.43	13.27	18.25	34.91
2	Milk Fresh	6.66	22.08	15.91	10.4
3	Wheat Flour	5.11	70.35	12.64	7.93
4	Electricity	4.37	6.44	25.58	6.98
5	Meat	2.70	10.47	15.30	4.92
6	Sugar	1.95	7.61	44.04	4.86
7	Vegetables	1.84	14.39	26.46	4.13
8	Readymade Food	1.68	24.08	18.06	2.95
9	Tomatoes	0.48	17.45	69.51	2.42
10	Transport Fare/Charges	2.12	35.10	9.02	2.19
Total		50.35			81.70
B. Ranked by Percentage Change					
1	Gur	0.07	-6.73	92.78	0.42
2	Tomatoes	0.48	17.45	69.51	2.42
3	Text Books	0.69	7.99	44.64	2.05
4	Sugar	1.95	7.61	44.04	4.86
5	Onions	0.62	27.26	40.29	2.14
6	Pulse Mash	0.20	4.10	33.51	0.54
7	Honey	0.04	10.49	31.98	0.08
8	Bulb & Tube	0.13	7.83	26.75	0.16
9	Condiments	0.34	60.03	26.67	0.85
10	Potatoes	0.58	37.56	26.63	1.87
Total		5.11			15.40
C. Ranked by Weights					
1	House Rent Index	23.43	13.27	18.25	34.91
2	Milk Fresh	6.66	22.08	15.91	10.42
3	Wheat Flour	5.11	70.35	12.64	7.93
4	Electricity	4.37	6.44	25.58	6.98
5	Bakery & Confectionary	2.98	14.16	6.96	1.39
6	Meat	2.70	10.47	15.30	4.92
7	Vegetable Ghee	2.67	55.44	-16.58	-6.07
8	Tuition Fees	2.36	9.60	11.24	2.06
9	Transport Fare/Charges	2.12	35.10	9.02	2.19
10	Natural Gas	2.05	29.97	3.15	0.84
Total		54.45			65.56

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 11.2 percent in July 2009.

Groups	Decrease or no change	Subdued increase (up to 5%)	Moderate increase (5 to 10%)	Increase of over 10%
Food Group	Vegetable Ghee (Loose), Vegetable Ghee Tin, Toffee (Hilal), Cooking Oil (Dalda), Apple, Rice, basmati Broken Av.Qlty, Pulse Gram, Bananas,Rice Basmati 385/386	Chowkelate Candy (Small Size), Eggs Farm, Pulse Masoor (Washed), Chillies Green, Biscuits- Packed, Milk Powder Loose/Packed, Cardamom Large Loose Av.Qlty, Cinamon Loose Av. Qlty	Cigarettes Gold Leaf 20'S, Betel Leaves, Rooh Afza, Pepper Black National, Cloves Loose Av.Qlty, Groundnuts (With Shell), Lactogen 400 Grams, Betel Nuts, Milo 200 Gm.	Milk Fresh (Unboiled), Wheat Flour Bag, Sugar Refined, Beef With Bone v.Qlty,Wheat Flour., Mutton Av.Qlty. Chicken Farm Broiler (Live), Onion,Potatoes
Apparel & Textile	Gents Shoes Paul Bata, Gents Sandal Bata, Gents Spoung Chappal Bata		Lawn Av.Qlty. Long Cloth Av.Qlty. Shirting Av.Qlty.	Tailoring Shirt, Tailoring Awami- Suit , ale),Tailoring Suit Female
House Rent Index				House Rent Index
Fuel & Lighting	Gas Chrg10.1157 - 13.4876Mmb, Elect.Charges 101 - 300 Unit, Firewood Whole		Gas Chrg 6.7438 - 10.1157Mmb, Gas Chrg 3.3719 - 6.7438 Mmb, Bulb Philips 100-Watts	Elect.Charges Above 1000 Units, Elect.Charges 301 - 1000 Units, Tube Light Philips 40 Watts,Elect.Charges Upto 50 Units
Household Furniture & Equipment		Blanket (90" X 54"), Aircooler Super Asia, Carpet Plain Av. Qlty	Household Servant Female P/T, Quilt (Lihaf) 3 Kg. Cotton, Pedestal Fan 22" Super Qlty	Tea Set Pak. Chinaware 21 Pc, Bedsheet Single, Bed Sup.Qlty, Bucket(Balti) Plastic
Transport & Communication.	Petrol Super, High Speed Diesel, Car Tax For 800CC To 1300CC, Air Fare Economy Class.	Telephone Charges Local Call.	Tel Charges Out Side City, A/C Bus Fare Outside City, Car Service Charges Auto Rickshaw Fares	Bus Fare Outside City, Tyre Car With Tube General, Car Suzuki 800 Cc , Bus Fare (Within City)
Recreation & Entertainment	Tv.Licence Fee domestic, Daily "Jang", Daily "Nawa-E- Waq"	Video Game Sega 16 Byte,Cinema A/C. Highest Class,Radio With C.Player National.	T.V. 20" Colored With R/Control	Dry Cell 1.5 Volt(Local), Monthly "Naunehal Digest"
Education	Govt. College Fee Ist. Year Govt. College Fee 4Th. Year, Govt. University Fee MSc.	Govt. Engg. Coll. Fee I Year, Computer With Printer & Speaker,	Fountin Pen Youth China, Ball Pen (Local)	School Fee secondry Eng.Med, School Fee Primary Eng.Med, Exercise.Book Lined 80/100 P
Cleaning & Laundry	Toothpaste Macleans 70 Grm, Lipstick S.Miss/Medora, Toothpowder Dentonic 90 Grm, Silver Tezabi 24 Ct	Talc Powder Vice Roy, Blade Treet Ordinary 10'S	Haircut Charges For Men, Washing Soap , Dry Cleaning Suit Coat Pant,Nail Polish S.Miss/Medora	Toilet Soap Lux 95 Grams, Shampoo Plain Medora 200 ML, Surf (Medium) 160 Grm, Washing Powder 1000 Grm
Medicare	Gripe-Water Woodwards, Dettol (Medium), Jouhar Joshanda	O.R.S. (Nimcol), Daonil Tab. 5 mg., Septran Tablets	Doctor (MBBS) Clinic Fee	Cotton Bandage 2" - 4",Cac. 1000 Tab, Galxos-D (450 Grms).

Table A5: City-wise Inflation by Income Groups, July 2009

	Upto Rs:3000						Rs 3001-5000					
	General		Food		Non-Food		General		Food		Non-Food	
	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY
1 Lahore	1.8	11.3	3.2	12.5	0.6	10.3	1.9	11.9	3.7	11.9	0.5	11.8
2 Faisalabad	2.4	13.8	4.5	15.2	0.7	12.6	2.6	14.0	4.7	14.7	0.9	13.5
3 Rawalpindi	2.2	14.0	4.1	17.1	0.6	11.6	2.4	14.4	4.8	16.3	0.5	12.8
4 Multan	2.6	13.1	4.3	14.1	1.2	12.4	2.6	13.2	4.4	13.6	1.1	12.9
5 Gujranwala	3.1	10.1	5.1	10.0	1.5	10.2	2.9	10.8	4.9	10.0	1.4	11.5
6 Islamabad	1.9	12.3	4.0	12.6	0.4	12.0	2.0	12.8	4.2	13.3	0.3	12.5
7 Sargodha	1.6	13.0	2.4	11.9	0.9	13.9	1.6	13.1	2.5	12.0	0.9	14.0
8 Sialkot	1.8	11.2	2.9	11.7	0.8	10.8	2.0	12.9	3.6	12.6	0.7	13.1
9 Bahawalpur	3.0	11.7	4.9	12.9	1.4	10.7	2.5	11.8	4.2	12.3	1.1	11.5
10 Karachi	1.6	9.7	2.6	7.6	0.8	11.4	1.7	10.0	2.9	6.5	0.8	12.9
11 Hyderabad	1.5	10.1	2.1	6.8	0.9	12.9	1.4	10.1	2.2	6.8	0.8	12.9
12 Sukkur	0.8	11.4	0.6	7.7	1.0	14.7	0.9	9.7	1.0	5.6	0.8	13.2
13 Larkana	2.2	10.9	3.2	9.1	1.3	12.5	2.0	10.1	3.0	7.6	1.2	12.2
14 Peshawar	1.5	11.0	2.0	10.4	1.0	11.5	1.6	11.2	2.4	9.7	1.1	12.4
15 Bannu	1.0	8.0	1.0	6.5	1.0	9.1	1.2	8.1	1.4	5.9	1.0	9.9
16 Quetta	1.3	14.6	1.7	16.8	0.9	12.7	1.3	10.8	1.9	9.2	0.7	12.3
17 Khuzdar	1.4	10.0	1.8	9.8	1.2	10.2	1.7	10.4	2.1	9.1	1.4	11.5
	Rs 5001-12000						above Rs 12000					
	General		Food		Non-Food		General		Food		Non-Food	
	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY
1 Lahore	1.8	12.0	3.7	12.1	0.2	11.9	1.3	10.0	3.4	12.6	-0.6	7.7
2 Faisalabad	2.2	13.7	4.1	14.4	0.6	13.2	1.4	12.4	3.2	14.5	-0.1	10.5
3 Rawalpindi	2.0	14.1	4.5	15.6	0.1	12.9	1.4	11.2	4.2	14.8	-0.9	8.3
4 Multan	2.3	12.9	4.3	13.8	0.6	12.1	1.7	11.0	4.4	14.3	-0.5	8.3
5 Gujranwala	2.5	10.9	4.4	10.1	1.0	11.6	1.9	10.4	3.8	11.0	0.4	10.0
6 Islamabad	1.7	12.8	4.2	13.3	-0.2	12.5	0.9	9.7	3.7	12.4	-1.1	7.6
7 Sargodha	1.7	12.5	2.8	12.0	0.8	13.0	1.7	9.3	3.3	10.0	0.3	8.8
8 Sialkot	1.8	12.5	3.4	12.5	0.5	12.5	1.4	11.4	3.0	12.6	0.0	10.3
9 Bahawalpur	2.2	10.8	4.1	10.4	0.6	11.3	1.7	8.5	4.5	8.8	-0.7	8.2
10 Karachi	1.7	10.5	3.1	7.3	0.7	13.2	1.2	9.8	3.0	8.0	-0.2	11.2
11 Hyderabad	1.4	10.5	2.3	6.7	0.7	13.8	1.5	10.4	2.9	8.0	0.4	12.4
12 Sukkur	0.8	9.9	0.9	5.6	0.8	13.5	0.7	9.2	0.9	5.5	0.6	12.3
13 Larkana	2.1	10.1	3.3	7.8	1.1	12.1	1.6	8.3	2.8	5.8	0.7	10.4
14 Peshawar	1.6	11.5	2.7	9.7	0.7	13.1	1.3	10.1	3.0	9.9	0.0	10.3
15 Bannu	1.2	7.8	1.6	5.5	0.8	9.8	1.2	7.6	1.8	4.7	0.8	10.1
16 Quetta	1.0	11.1	1.7	9.3	0.4	12.6	1.0	10.3	1.9	10.7	0.2	10.0
17 Khuzdar	1.7	11.4	2.3	8.9	1.3	13.5	1.2	13.1	1.8	12.3	0.8	13.8

Table A6 : Income Group-wise Inflation							percent
	MoM			YoY			
	Jul-08	Jun-09	Jul-09	Jul-08	Jun-09	Jul-09	
<u>Up to Rs. 3000</u>							
General	2.9	0.9	1.9	27.2	12.8	11.7	
Food	3.2	1.1	2.9	36.4	11.6	11.3	
Non-food	2.7	0.8	1.0	20.6	13.9	12.0	
<u>Rs. 3001-5000</u>							
General	2.9	0.9	1.8	26.9	13.0	11.8	
Food	3.2	1.0	3.0	36.6	10.7	10.5	
Non-food	2.7	0.7	0.9	19.8	14.8	12.8	
<u>Rs. 5000-12000</u>							
General	3.3	0.9	1.7	25.3	13.6	11.8	
Food	3.0	1.1	3.0	34.8	10.5	10.5	
Non-food	3.6	0.7	0.7	18.2	16.2	12.9	
<u>Above Rs. 12000</u>							
General	3.4	1.1	1.3	22.8	12.6	10.3	
Food	2.4	0.9	3.0	31.4	10.3	10.9	
Non-food	4.3	1.3	-0.1	16.5	14.6	9.8	
<u>All income groups</u>							
General	3.3	1.0	1.5	24.3	13.1	11.2	
Food	2.8	1.0	3.0	33.8	10.5	10.7	
Non-food	3.8	1.0	0.3	17.3	15.4	11.6	

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

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

S.No	Items	Unit	Price Jul 09	Percentage change	
				YoY	Monthly
1	Wheat	Kg.	24.3	14.5	2.3
2	Wheat flour average qlt.	Kg.	27.7	15.7	3.4
3	Rice basmti.broken	Kg.	43.9	-18.7	1.6
4	Rice irri-6	Kg.	35	-27.4	1.3
5	Masur pulse washed	Kg.	120.4	2.5	3.4
6	Moong pulse washed	Kg.	53.9	-2.7	9.5
7	Mash pulse washed	Kg.	101.4	38	14.8
8	Gram pulse washed	Kg.	50.3	-17.7	2.6
9	Beef	Kg.	158.6	19.1	1.8
10	Mutton	Kg.	285.5	14.8	1.2
11	Egg hen (farm)	Doz.	56.8	0.5	14.5
12	Bread plain	Each	25.6	15.7	0.2
13	Sugar	Kg.	46.7	48.4	3.1
14	Gur	Kg.	64.6	95.5	7.7
15	Milk fresh	Litr	40.9	18.1	1.5
16	Milk powdered nido	400g	180	12.5	0
17	Curd	Kg.	47.7	17.1	1.3
18	Veg.ghee tin	2.5k	348	-11.9	-0.1
19	Veg.ghee loose	Kg.	107.6	-20.3	-2.6
20	Mustard oil	Kg.	130.9	-12	-0.3
21	Cooking oil	2.5l	361	-9.3	0.1
22	Potatoes	Kg.	28.7	22.3	30.2
23	Onions	Kg.	23.4	34	9.5
24	Tomatoes	Kg.	32.1	24	29.2
25	Bananas	Doz.	42.6	-8.9	-1.8
26	Salt powdered	Kg.	6.6	17.8	0
27	Red chillies(powd)	Kg.	126.4	-32	-2.1
28	Garlic	Kg.	64.1	74.4	47.6
29	Tea packet	250g	104.7	26.2	4.1
30	Tea (prepared)	Cup	9	16.2	1.2
31	Cooked beef plate	Each	41.6	12.9	-0.5
32	Cooked dal plate	Each	26.6	10.9	0
33	Cigarettes k-2	10's	10	15.3	4.3
34	Coarse latha	Mtr.	45.1	4.8	0.6
35	Lawn (avg.+s.qlty)	Mtr.	95	4.4	0.6
36	Voil printed	Mtr.	48.2	6.8	1.2
37	Shirting	Mtr.	79.6	6.8	0
38	Sandel gents bata	Pair	499	0	0
39	Sandel ladies bata	Pair	379	26.8	0
40	Chappal spng. Bata	Pair	129	18.3	0
41	Kerosene	Litr	68.9	4.3	9.5
42	Firewood	40kg	278.6	13.9	0.9
43	Elec. Bulb 60-wats	Each	17.8	34.9	1.5
44	Match box	Each	1	0	0
45	Washing soap	Cake	12.5	6.3	-1
46	Bath soap lifebuoy	Cake	22	10	0
47	Chicken (farm)	Kg.	115.8	23.7	12.3
48	Gas chrg. All clb. Comb	D.mmbt	290.9	11.9	-0.4
49	L.P.G.(cylinder 11kg.)	Each	765.3	-0.7	7.4
50	Elec.chrg.all slabs comb	Bd. Unit	6.8	23.1	0
51	Petrol	Litr	62.8	-21.8	10.3
52	Diesel	Litr	63.3	6.9	12.3
53	Telephone local	Call	2.4	4.8	0
Maximum				95.5	47.6
Median				11.9	1.2
Minimum				-32	-2.6

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

Item and Specification	Weights	Index		
		Jul-08	Jun-09	Jul-09
GENERAL	100.0008	182.39	199.69	202.77
FOOD & BEVERAGES.	40.3414	206.85	222.23	228.93
1 WHEAT	0.4830	251.08	279.65	282.69
2 WHEAT FLOUR	5.1122	250.03	277.08	281.63
3 MAIDA	0.1059	238.43	271.20	273.75
4 BESAN	0.1320	213.11	187.88	189.55
5 RICE	1.3369	359.23	275.04	278.31
6 PULSE MASOOR	0.2214	318.93	320.96	329.58
7 PULSE MOONG	0.2230	185.07	164.71	180.22
8 PULSE MASH	0.2017	162.47	189.59	216.91
9 PULSE GRAM	0.4272	210.32	170.74	175.91
10 GRAM WHOLE	0.1491	161.57	176.93	185.98
11 MUSTARD OIL	0.0456	269.96	240.79	240.35
12 COOKING OIL	0.6858	250.00	226.76	226.76
13 VEGETABLE GHEE	2.6672	279.78	235.57	233.39
14 SUGAR	1.9467	115.60	164.65	166.51
15 GUR	0.0735	126.26	232.11	243.40
16 TEA	1.2559	135.15	162.82	166.02
17 MILK FRESH	6.6615	200.26	230.80	232.13
18 MILK POWDER	0.1105	192.85	208.42	208.14
19 MILK PRODUCTS	0.5607	181.27	212.52	215.23
20 HONEY	0.0358	144.13	190.22	190.22
21 CEREALS	0.0878	192.94	233.14	235.76
22 JAM,TOMATO,PICKLES & VINEGAR	0.2472	149.31	171.20	171.72
23 BEVERAGES	0.7286	166.55	174.46	178.58
24 CONDIMENTS	0.3392	191.27	241.98	242.28
25 SPICES	0.6008	199.32	201.45	199.55
26 DRY FRUIT	0.2760	260.51	320.29	319.89
27 BAKERY & CONFECTIONARY	2.9837	136.01	145.18	145.48
28 CIGARETTES	0.9527	169.84	187.41	197.92
29 BETEL LEAVES & NUTS	0.1851	159.16	170.77	170.72
30 READYMADE FOOD	1.6833	197.56	231.31	233.23
31 SWEETMEAT & NIMCO	0.3846	205.38	231.33	233.57
32 FISH	0.2703	154.64	179.99	179.50
33 MEAT	2.6981	242.93	276.36	280.09
34 CHICKEN FARM	0.9158	173.97	197.43	215.13
35 EGGS	0.4119	216.65	179.78	217.55
36 POTATOES	0.6032	245.95	237.51	311.44
37 ONIONS	0.6463	173.74	208.00	243.74
38 TOMATOES	0.5059	146.84	178.77	248.91
39 VEGETABLES	1.7695	172.85	205.93	218.59
40 FRESH FRUITS	1.6158	204.74	209.69	229.54
APPAREL, TEXTILE & FOOTWEAR.	6.0977	146.84	156.49	156.96
41 COTTON CLOTH	1.6197	150.51	159.41	159.73
42 SILK,LINEN,WOLEN/CLOTH	0.5766	144.19	154.53	155.13
43 TAILORING CHARGES	0.8636	145.69	164.32	165.74
44 HOSIERY	0.1528	151.90	169.44	169.24
45 READYMADE GARMENTS	1.2038	132.55	143.10	143.70
46 WOOLEN READYMADE GARMENTS	0.1485	158.18	177.78	178.25
47 FOOTWEAR	1.5327	154.22	156.89	156.92
HOUSE RENT.	23.4298	166.34	194.38	196.70
48 HOUSE RENT INDEX (Combined)	23.4298	166.34	194.38	196.70

(continued)

(continued)

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

Item and Specification	Weights	Index		
		Jul-08	Jun-09	Jul-09
FUEL AND LIGHTING.	7.2912	182.14	208.26	206.77
49 KEROSENE	0.1366	437.92	432.14	411.20
50 FIREWOOD	0.4778	269.99	310.46	313.12
51 MATCH BOX	0.1301	200.00	200.00	200.00
52 BULB & TUBE	0.1311	93.52	118.54	118.54
53 ELECTRICITY	4.3698	127.23	159.77	159.77
54 NATURAL GAS	2.0458	266.38	280.12	274.78
H.HOLD.FURNITURE & EQUIPMENT ETC.	3.2862	151.13	164.82	164.83
55 UTENSILS	0.3690	134.74	152.44	152.66
56 PLASTIC PRODUCTS	0.1055	168.72	193.93	195.55
57 SUITCASE	0.0470	138.94	157.45	157.66
58 HOUSE HOLD EQUIPMENTS	0.0953	138.51	150.79	152.47
59 FURNITURE (Ready Made)	0.3054	161.33	176.36	177.31
60 FURNISHING	0.6362	143.93	157.07	157.37
61 ELECT. IRON FANS & WASHING MACHINE	0.1889	144.89	166.17	160.03
62 SEWING MACHINE, CLOCK AND NEEDLES	0.1270	128.74	142.60	142.60
63 REFRIGERATOR & AIRCONDITIONER	0.1756	114.75	131.72	132.23
64 MARRIAGE HALL	0.0445	173.71	193.03	193.71
65 HOUSE HOLD SERVANT	1.1918	165.25	174.64	174.79
TRANSPORT & COMMUNICATION.	7.3222	200.61	190.98	189.66
66 PETROL	1.7253	283.74	204.79	199.02
67 DIESEL	0.2070	408.36	397.92	390.53
68 CNG. FILLING CHARGES	0.1649	200.49	205.28	205.28
69 SERVICE CHARGES	0.3835	154.92	168.21	168.97
70 VEHICLES	0.2596	112.90	134.78	132.59
71 TYRE & TUBE	0.2831	134.58	159.41	159.63
72 TRANSPORT FARE/CHARGES	2.1236	232.49	252.77	253.47
73 TRAIN FARE	0.1514	253.24	253.24	253.24
74 AIR FARE	0.0983	342.93	342.93	342.93
75 COMMUNICATION	1.9255	87.87	91.37	91.36
RECREATION & ENTERTAINMENT.	0.8259	117.96	121.62	121.62
76 RECREATION	0.3399	128.36	131.89	131.89
77 ENTERTAINMENT	0.4860	110.68	114.44	114.44
EDUCATION.	3.4548	151.59	178.50	178.57
78 TUTION FEES	2.3629	158.06	175.82	175.82
79 STATIONERY	0.3500	149.63	176.29	176.40
80 TEXT BOOKS	0.6894	135.71	196.01	196.29
81 COMPUTER & ALLIED PRODUCTS	0.0525	82.10	84.38	84.57
CLEANING LAUNDRY & PER.APPEARANCE.	5.8788	151.98	171.41	171.56
82 WASHING SOAP & DETERGENT	1.5535	142.13	163.80	164.30
83 TOILET SOAP	0.7436	169.54	186.50	186.50
84 TOOTH PASTE	0.4036	111.12	113.97	114.15
85 SHAVING ARTICLES	0.3480	132.99	149.43	150.20
86 COSMETICS	1.4272	134.13	157.25	157.30
87 WATCHES	0.0552	130.62	138.95	138.77
88 JEWELLERY	0.3936	296.01	336.28	335.16
89 LAUNDRY CHARGES	0.2207	166.15	179.47	180.02
90 HAIR CUT & BEAUTY PARLOUR CHARGES	0.7334	141.36	153.31	153.38
MEDICARE.	2.0728	141.93	150.63	150.64
91 DRUGS & MEDICARES	1.0752	112.52	118.71	118.73
92 DOCTOR'S FEE	0.9976	173.63	185.03	185.03

Table A10: Price Indices - Base 2000-01=100

Period	CPI			WPI			SPI *
	Overall	Food	Non-food	Overall	Food	Non-food	
2004-05	121.98	125.69	119.47	124.14	125.03	123.50	126.52
2005-06	131.64	134.39	129.78	136.68	133.78	138.78	136.43
2006-07	141.87	148.21	137.59	146.18	145.67	146.53	149.29
2007-08	158.90	174.36	148.44	170.15	173.27	167.88	170.55
2008-09	191.90	215.69	175.82	201.10	213.54	192.04	209.29
2007 Jun.	145.23	152.31	140.44	151.52	153.17	150.32	153.70
Jul.	146.70	154.58	141.37	154.10	155.72	152.92	155.42
Aug.	148.64	158.26	142.13	155.90	158.78	153.80	158.45
Sep.	151.80	164.83	142.99	158.42	163.56	154.68	161.67
Oct.	153.66	168.18	143.84	161.30	165.61	158.16	163.71
Nov.	153.87	167.22	144.84	163.93	167.14	161.59	163.89
Dec.	154.77	167.85	145.93	163.83	168.26	160.61	165.41
2008 Jan.	157.73	172.96	147.43	166.75	172.50	162.57	168.24
Feb.	158.50	172.16	149.26	168.81	172.40	166.20	166.94
Mar.	163.38	180.52	151.79	175.55	177.57	174.08	173.96
Apr.	168.34	188.37	154.80	183.09	184.07	182.38	183.29
May.	172.87	196.28	157.04	192.19	194.26	190.68	191.49
Jun.	176.50	201.12	159.85	197.92	199.39	196.85	194.10
Jul.	182.39	206.85	165.85	206.53	206.37	206.65	202.94
Aug.	186.29	212.21	168.76	211.60	211.91	211.37	208.85
Sep.	188.10	214.13	170.50	211.02	213.63	209.12	209.52
Oct.	192.08	221.44	172.23	207.08	219.58	197.98	213.37
Nov.	191.85	218.12	174.09	196.50	215.97	182.33	211.03
Dec.	190.90	214.71	174.80	192.62	210.77	179.41	207.99
2009 Jan.	190.09	210.33	176.40	192.91	208.80	181.35	204.02
Feb.	191.90	211.58	178.59	194.19	210.31	182.46	206.78
Mar.	194.53	216.13	179.92	195.00	212.16	182.51	208.40
Apr.	197.28	220.46	181.61	198.28	215.69	185.61	210.85
May.	197.74	220.04	182.66	201.29	217.50	189.49	212.62
Jun.	199.69	222.23	184.45	206.13	219.81	196.17	215.09
Jul.	202.77	228.93	185.08	207.57	224.31	195.39	222.00

*: all groups combined

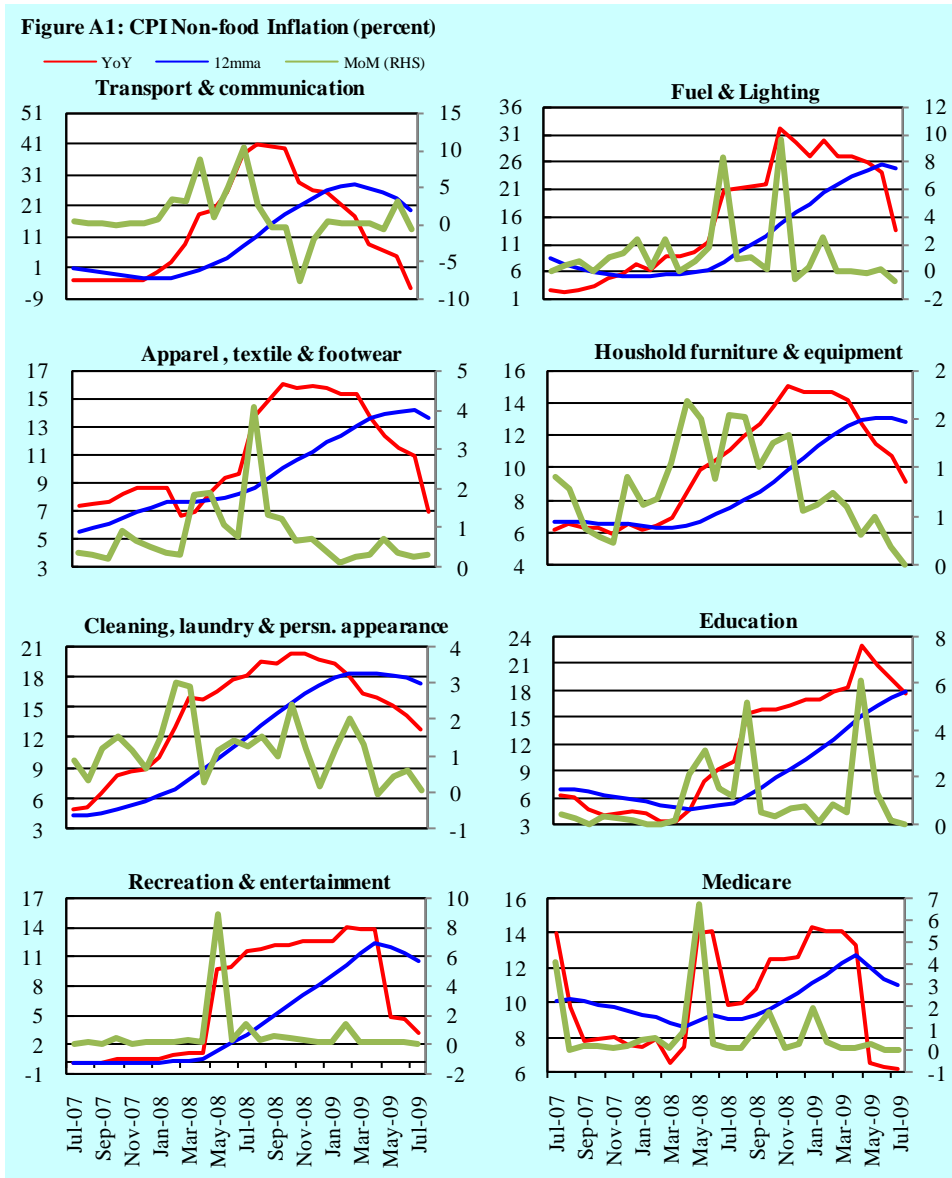


Figure A2: Frequency Distribution of Price Changes of CPI Items, July 2009

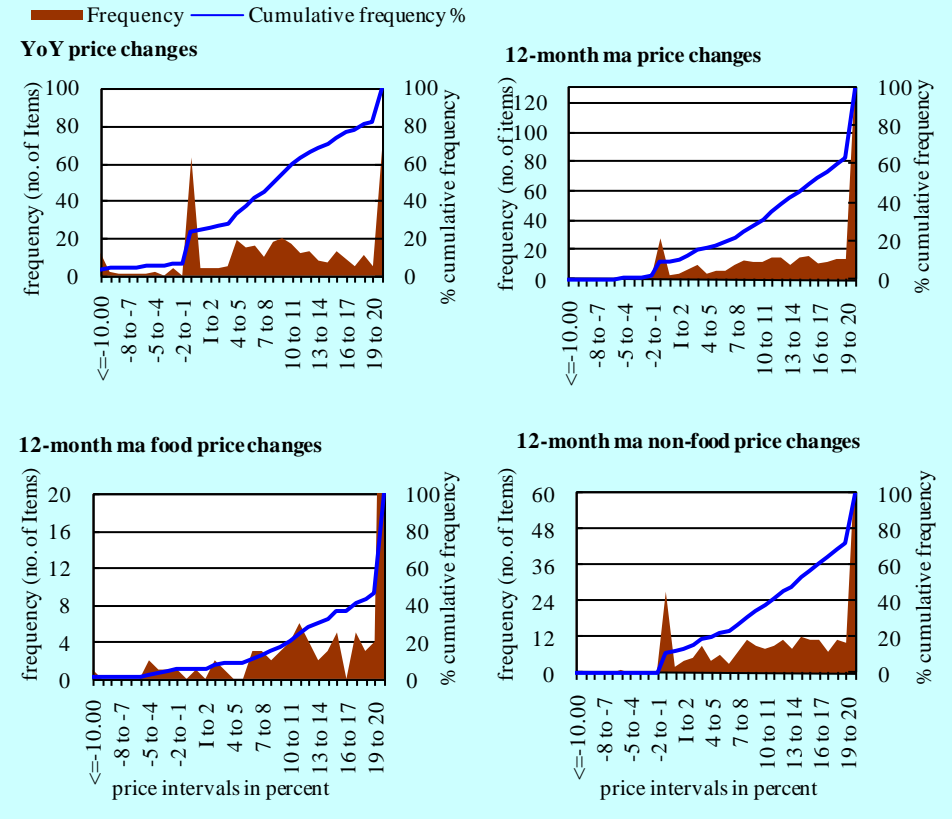
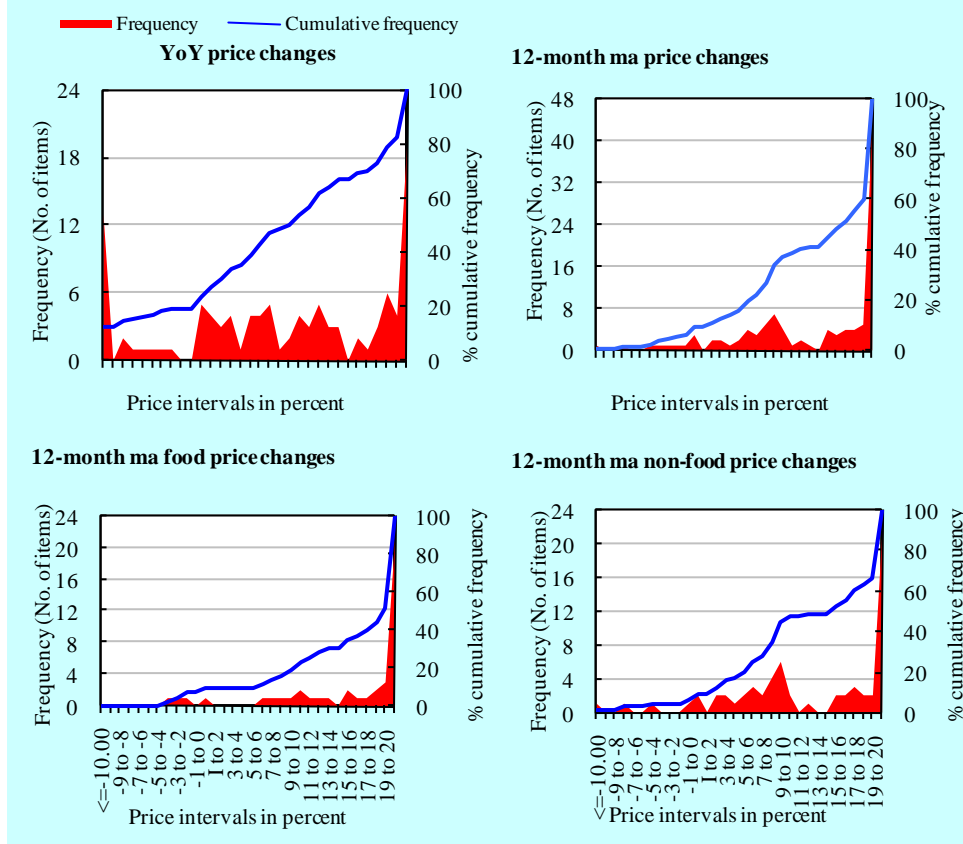


Figure A3: Frequency Distribution of Price Changes of WPI Items, July 2009



Annexure B

Technical Notes

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

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

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

the reference month

w_i : Weights of i^{th} item

π_{it} : Inflation of i^{th} item

π_t : Overall inflation