

Inflation Monitor

May 2010



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Overview

Although inflation measured by all price indices moderated a little in May 2010 compared to the previous month, inflationary pressures remained persistent in the economy. Headline CPI inflation has been hovering around 13 percent, WPI around 21 percent, and SPI around 17 percent in recent months (see **Figure 1.1**). The relative decline in May 2010 in inflation was principally driven by downward adjustment in administered fuel prices following significant fall in international oil prices.

Specifically, CPI inflation (YoY) declined to 13.1 percent during May 2010 from 13.3 percent in April 2010. WPI inflation (YoY) also declined to 21.2 percent during May 2010 from 22.0 percent in the previous month. SPI inflation (YoY) remained at the previous month's level of 17.4 percent during May 2010 (see **Table 1.1 & Figure 1.1**).

Figure 1.1: Inflation trends (YoY)

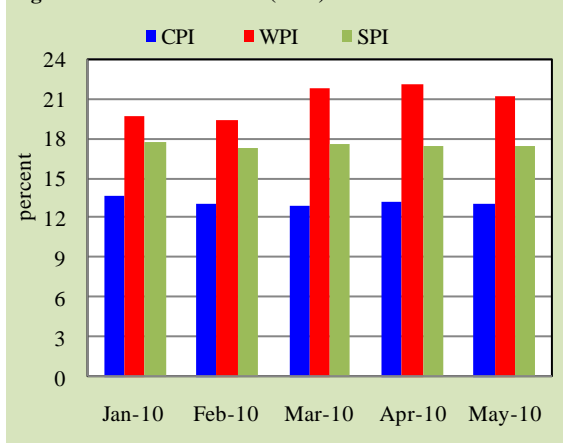
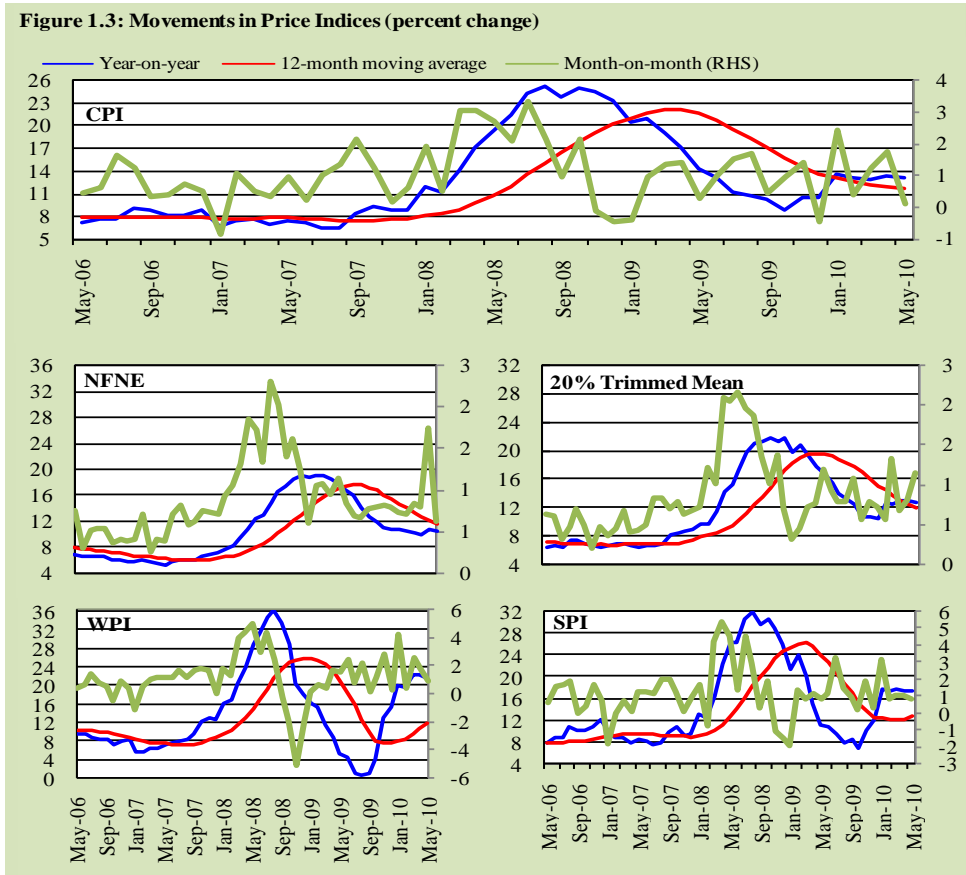
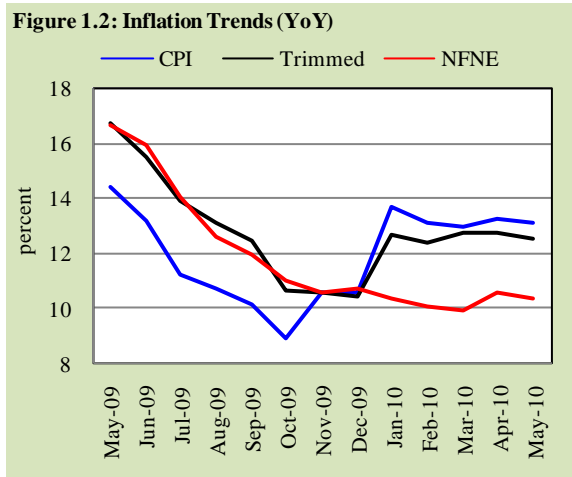


Table 1.1: Inflation Trends

	percent													
	CPI						Core Inflation				WPI		SPI**	
	General		Food		Non-food		NFNE*		Trimmed		YoY	MoM	YoY	MoM
	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM	YoY	MoM
May-09	14.4	0.2	12.1	-0.2	16.3	0.6	16.6	0.8	16.7	0.9	4.7	1.5	11.0	0.8
Jun-09	13.1	1.0	10.5	1.0	15.4	1.0	15.9	0.7	15.5	0.8	4.1	2.4	10.8	1.2
Jul-09	11.2	1.5	10.7	3.0	11.6	0.3	14.0	0.7	13.9	0.8	0.5	0.7	9.4	3.2
Aug-09	10.7	1.7	10.6	2.5	10.8	1.0	12.6	0.8	13.1	1.1	0.3	2.2	7.8	1.4
Sep-09	10.1	0.5	10.0	0.4	10.2	0.5	11.9	0.8	12.4	0.6	0.7	0.2	8.5	1.0
Oct-09	8.9	1.0	7.5	1.1	10.0	0.8	11.0	0.8	10.6	0.8	3.8	1.2	6.7	0.2
Nov-09	10.5	1.4	11.1	1.8	10.0	1.0	10.6	0.8	10.5	0.7	12.5	2.8	10.0	1.9
Dec-09	10.5	-0.5	10.9	-1.7	10.2	0.6	10.7	0.7	10.4	0.6	15.0	0.2	11.9	0.3
Jan-10	13.7	2.4	15.5	2.0	12.2	2.8	10.3	0.7	12.7	1.3	19.6	4.2	17.8	3.2
Feb-10	13.0	0.4	14.9	0.1	11.5	0.6	10.1	0.8	12.4	0.7	19.3	0.4	17.2	0.9
Mar-10	12.9	1.3	14.5	1.8	11.6	0.8	9.9	0.8	12.7	0.8	21.8	2.5	17.6	1.1
Apr-10	13.3	1.7	14.5	2.0	12.2	1.5	10.6	1.7	12.7	1.1	22.0	1.8	17.4	1.0
May-10	13.1	0.1	14.8	0.0	11.7	0.1	10.3	0.6	12.5	0.4	21.2	0.9	17.4	0.8

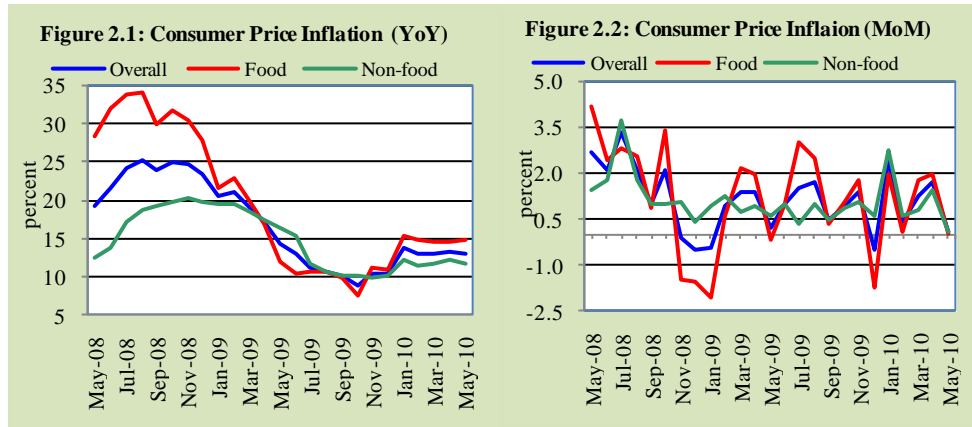
* NFNE is Non-food non-energy inflation; ** SPI for all income groups combined.

Persistence in inflationary pressures is also evident from resilience in both measures of core inflation during recent months. In addition, a lower non-food non-energy (NFNE) inflation (YoY) relative to core inflation measured by 20% trimmed mean shows that the present inflationary pressures are stemming from food and energy components. Since both food and energy inflation have strong second-round effects, inflationary pressures are likely to persist months ahead (see **Figure 1.2**).

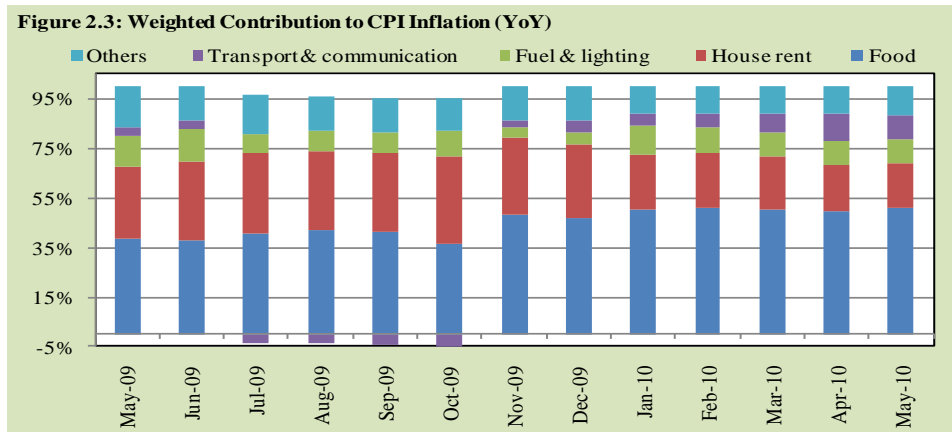


2. Consumer Price Index

Headline CPI inflation declined slightly from 13.3 percent in April 2010 to 13.1 percent YoY in May 2010. The same was 14.4 percent in the same month last year. Decline in CPI inflation (YoY) was mainly contributed by CPI non-food inflation as CPI food inflation increased during the month.

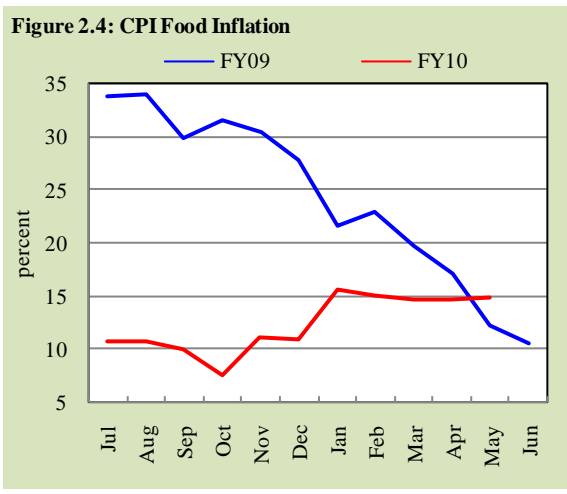


The impact of increase in CPI food inflation (YoY) and decline in non-food inflation (YoY) during May 2010 also reflected in the weighted contribution of both food and non-food groups in overall CPI inflation (YoY). The weighted contribution of food inflation to overall CPI inflation increased to 50.9 percent during May 2010 compared with 49.5 percent in the previous month. Weighted contribution of non-food group dropped to 49.1 percent during May 2010 from 50.5 percent in April 2010. A disproportionately higher share of food component in inflation indicates that the incidence of inflation was higher on low income groups (see **Figure 2.3**).



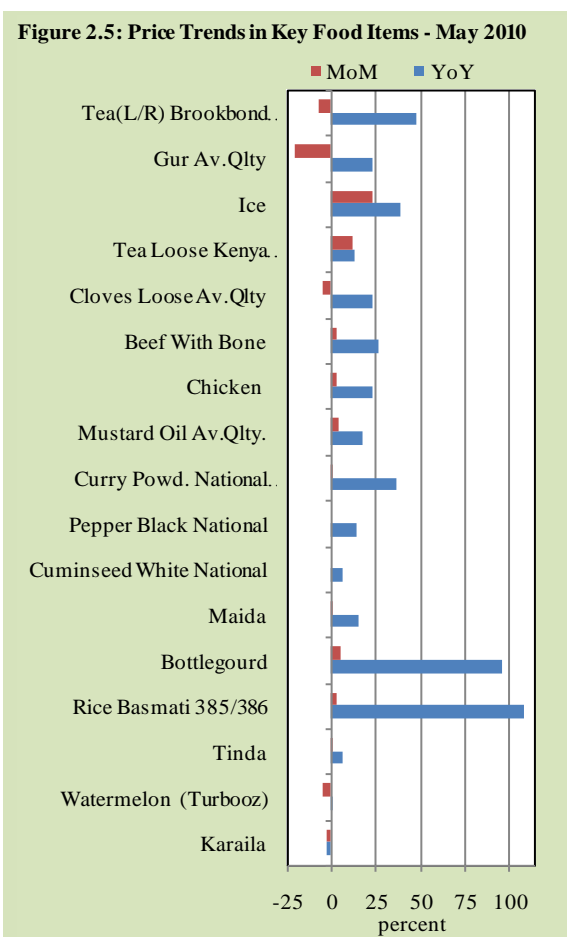
2.1 Food Inflation

Unlike overall CPI inflation, CPI food inflation (YoY) increased during May 2010 compared to the preceding month. It is also notable that while CPI food inflation (YoY) was declining throughout FY09, it is quite resilient in FY10. As a result, CPI food inflation surpassed the high level seen in FY09 for the first time during the month under review (see **Figure 2.4**).



Inflationary pressures are concentrated in few items within the food group. For example, fresh milk, sugar, meat, and vegetables contributed 50.7 percent to YoY food inflation (see **Table A3** in **Annexure A**). The rise in the prices of these items is mainly attributed to: (a) increased transportation cost due to rise in fuel prices in earlier months; (b) relatively higher cost of imported sugar as well as higher cost of domestically produced sugar; and (c) strong external demand for meat and vegetables.

Analysis of price movement in CPI food basket showed that out of the reported 110 commodities, 59 commodities including pulse mash, cardamom large, turmeric powder, aloo bukhara, and ginger exhibited price changes

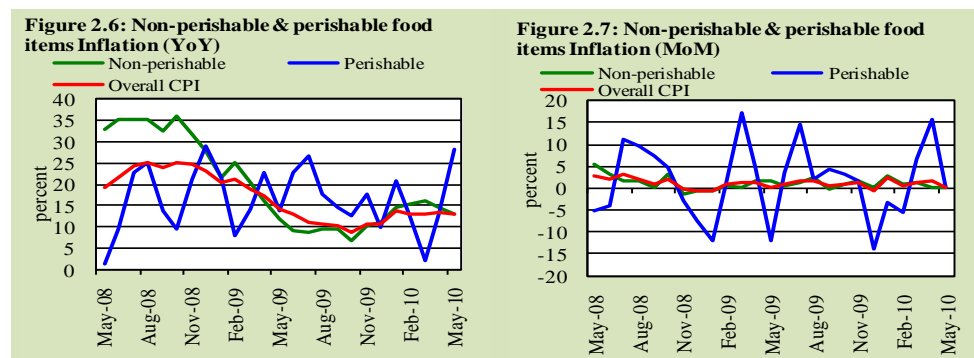


(YoY) in the range of 10 to 100 percent during May 2010. Three commodities of food group witnessed above 100 percent price change (YoY) including garlic (349.0 percent), cardamom small (113.5 percent), and pulse moong (108.7 percent). On the other hand, prices of 15 commodities, rice basmati, wheat, wheat flour, some vegetables, etc. declined; whereas 6 items showed no change in prices during May 2010. Remaining 32 commodities showed price change (YoY) between 0 to 10 percent (see **Figure 2.5 & Table A2**).

Food inflation on month-on-month basis showed a decline of 2.0 percentage points during May 2010 compared to the previous month. Commodity-wise analysis of price changes on MoM basis in the CPI food basket revealed that 5 commodities, i.e., eggs, kinnow, potatoes, squash, and jam, recorded a double digit price change during May 2010, whereas prices of 33 commodities including green chilies, onions, tomatoes, sugar, gur, wheat flour, pulse masoor, and different types of rice declined.

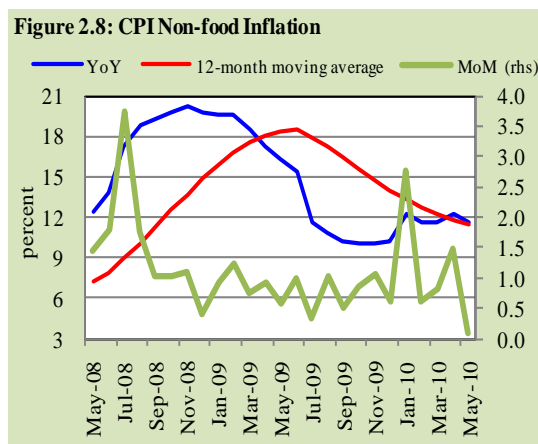
As in the previous month, inflation (YoY) in perishable group increased significantly, offsetting the impact of ease in inflation in the non-perishable group during the month, and consequently CPI food inflation increased by 0.3 percentage points. Prices of perishable commodities are highly volatile and this was clearly seen in both YoY and MoM inflation numbers. Inflation (YoY) in perishable group was 26.2 percent during May 2010; higher than both the previous month (13.1 percent) and the same month last year (14.0 percent). On MoM basis, perishable commodities registered a deflation of 1.7 percent during May 2010 as against inflation of 15.9 percent in April 2010.

Inflation (YoY) in non-perishable commodities declined from 14.8 percent in the previous month to 13.3 percent in May 2010. But it was still higher than 11.9 percent in the corresponding month last year. In contrast, inflation (MoM) in this group increased to 0.3 percent during May 2010 compared to 0.2 percent in the previous month (see **Figure 2.6 & 2.7**).



2.2 Non-food Inflation

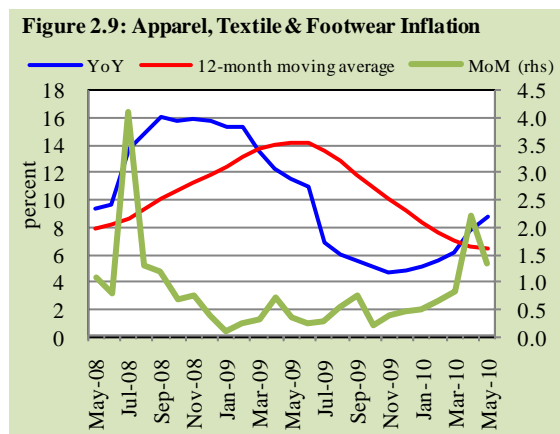
CPI non-food inflation (YoY) declined from 12.2 percent in the previous month to 11.7 percent during May 2010. It was 16.3 percent in May 2009. CPI non-food inflation (MoM) declined significantly from 1.5 percent in April 2010 to 0.1 percent during May 2010 (see **Figure 2.8**). Out of the nine sub-groups of non-food group, inflation (YoY) in five sub-groups declined during May 2010 relative to the preceding month.



House rent index (HRI) inflation (YoY) declined to 10.5 percent during May 2010 compared with the 11.2 percent in April 2010 and 18.9 percent in the same month last year. Inflation on month-on-month basis also declined to 0.5 percent during May 2010 compared to 0.6 percent in April 2010.

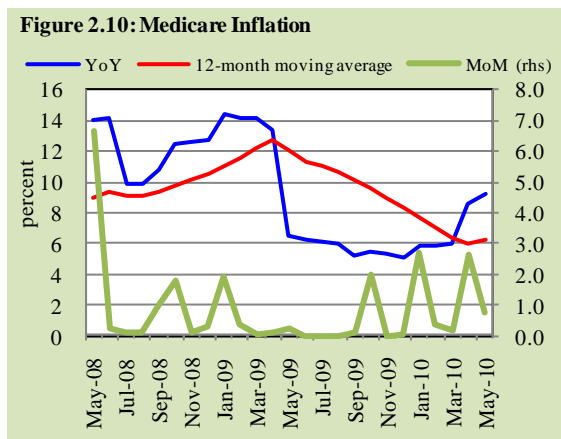
Inflation in *fuel & lighting* and *transport & communication* sub-groups of CPI non-food declined during May 2010 compared to the previous month on both YoY and MoM basis. The decline in inflation in these sub-groups was mainly due to the downward adjustment in the prices of key fuel commodities (see **Figure A1** in **Annexure A**).

In contrast, inflation (YoY) in *apparel, textile & footwear* sub-group continued on its increasing trend evident since November 2009. Inflation (YoY) in this sub-group was 8.8 percent during May 2010 compared to 7.7 percent in April 2010. However, inflation (MoM) in this sub-group decreased reaching 1.3 percent during May 2010 compared with 2.2 percent in the previous month. The increase



in inflation on YoY basis was mainly due to increase in prices of cloth as well as tailoring charges. Rise in cloth prices was mainly driven by increase in cotton prices in both international and domestic markets amid supply shortages (see **Figure 2.9**).

Inflation (YoY) in *medicare* sub-group of non-food group continued its rising trend from start of 2010. Inflation (YoY) in this sub-group reached 9.2 percent during May 2010 from 8.6 percent in the previous month and 6.5 percent in the corresponding month last year. However, inflation (MoM) in this sub-group decreased to 0.7 percent during May 2010 compared with 2.6 percent in the previous month (see **Figure 2.10**).



Inflation (YoY) in *household furniture & equipment* and *cleaning, laundry & personal appearance* sub-groups also showed acceleration during May 2010 compared to April 2010. However, inflation in both sub-groups declined on month-on-month basis during May 2010 compared to April 2010.

Segregated analysis of 250 commodities included in CPI non-food basket showed that prices of only 7 commodities declined, 49 showed no change in their prices, 49 commodities showed price change between 0 to 5 percent, 66 moved between 5 to 10 percent and 79 commodities showed price change of more than 10 percent. The commodities which showed significant YoY price change included dettol, silver, telephone charges outside and local, TV license fee, polyfax ointment, gripe water, petrol, diesel, and gold (see **Table A2 & A4** in the Annexure).

2.3 City-wise Inflation

City-wise data of the five major cities reveals that inflation (YoY) in the four major cities was lower than the overall CPI YoY inflation

	May-09		Apr-10		May-10	
	MoM	YoY	MoM	YoY	MoM	YoY
Over all CPI	1.4	17.2	1.7	13.3	0.1	13.1
Islamabad	0.3	12.8	2.1	11.9	-0.2	11.4
Lahore	0.6	13.2	1.5	13.0	0.5	12.8
Karachi	-0.5	12.9	0.8	12.5	0.6	13.7
Quetta	-0.2	12.5	2.2	12.9	-0.8	12.2
Peshawar	0.3	14.1	1.5	12.5	0.1	12.3

during May 2010 except Karachi where inflation (YoY) was higher than overall inflation compared to April 2010; probably a reflection of a surge in the prices of perishable food commodities. On month-on-month basis inflation in two (Karachi & Lahore) out of the five major cities was higher than the overall CPI inflation (MoM) and the other three showed lower inflation during May 2010 (see **Table 2.1**).

The inflation data collected from 35 cities revealed that 17 cities recorded higher inflation than the overall inflation (YoY), while 18 cities registered lower than average inflation during May 2010. The highest inflation (YoY) was recorded in Nawabshah, while Loralai registered the lowest inflation (YoY). The highest food inflation was recorded in Mianwali and the lowest inflation was shared by D. I. Khan and Loralai during May 2010. While the highest non-food inflation (YoY) was recorded in Bahawalnagar, the lowest non-food inflation (in single digit) was observed in Islamabad (see **Table 2.2**).

Table 2.2: City-wise Inflation in CPI (YoY) May 2010

	High inflation cities				Low inflation cities		
	General	Food	Non-food		General	Food	Non-food
Nawabshah	15.4	18.1	13.3	Lahore	12.8	14.8	11.1
Shahdadpur	15.1	17.2	13.4	Hyderabad	12.8	13.9	11.9
Sialkot	15.0	18.0	12.4	Faisalabad	12.5	15.1	10.4
Mianwali	14.6	20.0	10.2	Sukkur	12.5	12.6	12.5
Bahawalpur	14.4	16.5	12.6	Rawalpindi	12.5	13.9	11.3
Abbotabad	14.0	15.8	12.5	Okara	12.4	13.0	12.0
Gujranwala	14.0	17.9	11.0	Peshawar	12.3	12.4	12.3
Multan	13.9	15.8	12.4	Quetta	12.2	12.4	12.1
Vehari	13.8	16.9	11.3	Bannu	12.2	13.2	11.5
Turbat	13.7	14.8	12.9	Jhang	12.1	13.9	10.8
Karachi	13.7	17.6	10.8	Khuzdar	11.9	13.6	10.5
Mirpur Khas	13.7	15.7	12.1	Jhelum	11.7	13.2	10.6
Kunri	13.6	17.4	10.7	Samundari	11.4	10.7	12.0
Attock	13.6	16.5	11.4	Islamabad	11.4	14.9	8.7
Sargodha	13.5	15.3	12.0	Mardan	11.1	11.7	10.6
D.G. Khan	13.3	14.2	12.6	Larkana	10.8	11.3	10.5
Bahawalnagar	13.1	11.9	14.0	D.I.Khan	10.4	9.3	11.3
				Loralai	10.3	9.3	11.2

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) indicates that incidence of overall CPI inflation, food inflation and non-food inflation was higher on the highest income group during May 2010 (see **Table 2.3**).

	Table 2.3: Income Group-wise CPI Inflation							
	Upto 3000		Rs. 3001-5000		Rs. 5001-12000		Above Rs. 12000	
	May-09	May-10	May-09	May-10	May-09	May-10	May-09	May-10
	percent							
	Year on Year (May over May)							
General	14.4	12.7	14.5	12.7	15.0	12.9	13.6	13.4
CPI Food	13.5	14.3	12.7	14.3	12.3	14.7	11.5	15.2
CPI Non-food	15.5	10.7	16.7	10.9	17.8	11.1	15.0	12.3
	Month on Month (May over April)							
General	0.6	-0.2	0.5	-0.1	0.3	0.1	0.0	0.1
CPI Food	0.6	-0.4	0.4	-0.4	0.0	-0.1	-0.8	0.4
CPI Non-food	0.6	0.2	0.6	0.2	0.6	0.2	0.5	-0.1

City and income group-wise data, collected from 17 cities, showed that the highest overall CPI inflation (YoY) was recorded in Gujranwala for income group up to Rs 3000, followed by Saikot for income groups of Rs 3001-5000 & Rs 5001 to 12000 and Bahawalpur for income group above Rs 12000 during May 2010. Khuzdar recorded the lowest overall CPI inflation (YoY) for all income groups except the highest income group.. Larkana recorded lowest inflation for the highest income group during May 2010.

The highest CPI food inflation (YoY) was recorded in Gujranwala for income group up to Rs 3000, followed by Karachi for income groups of Rs 3001-5000 & Rs 5001 to 12000 and Bahawalpur for income group above Rs 12000 during May 2010. Khuzdar recorded the lowest CPI food inflation (YoY) for all income groups during May 2010.

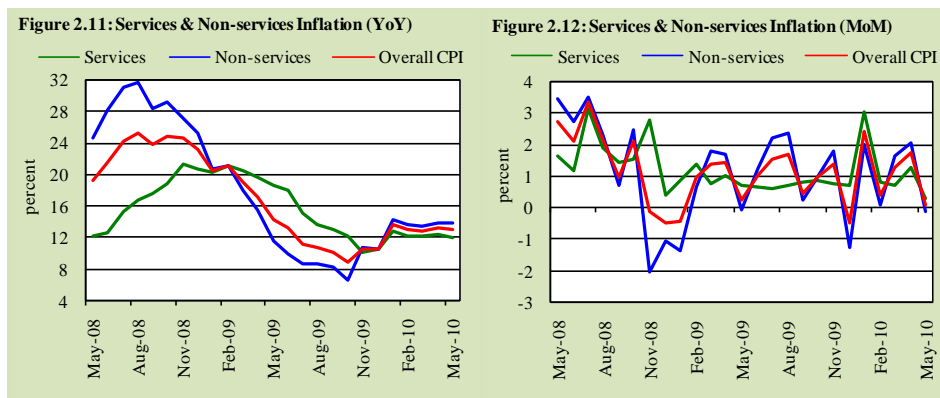
The highest CPI non-food inflation (YoY) was recorded in Sukkur for all income groups except the highest income group where Multan witnessed the highest inflation during May 2010. Islamabad recorded the lowest CPI non-food inflation (YoY) for all income groups during May 2010 (see **Table A5** in **Annexure A**).

2.5 Services and Non-services Inflation

Inflation on both YoY and MoM in services declined during May 2010 compared to the previous month. Inflation (YoY) in non-services sector remained at the previous month's level. However, inflation in this group on MoM basis declined during May 2010 compared with the previous month.

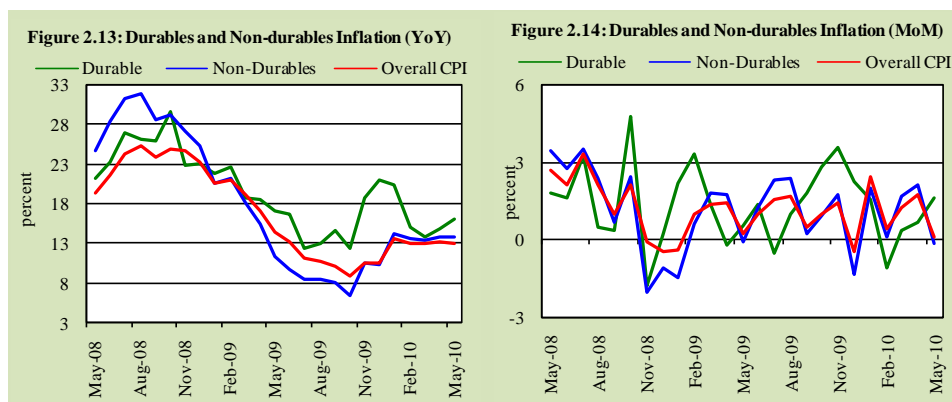
Inflation (YoY) in services sector was 12.0 percent during May 2010 compared to 12.5 percent in April 2010 and 18.5 percent in the corresponding month last year. Inflation (YoY) in non-services sector was 13.8 percent, compared to 11.6 percent in the same month last year. Inflation (MoM) in services sector dropped to 0.3 percent during May 2010 compared to 1.3 percent in April 2010.

Inflation (MoM) in non-services sector reached (-) 0.1 percent during May 2010 compared to 2.0 percent in April 2010 (see **Figure 2.12 & 2.13**).



Further disaggregation of the non-services sector data into durable and non-durable commodities revealed that inflation (YoY) in durable commodities increased during May 2010 compared with the previous month but was still lower than in the same month last year. Inflation (YoY) in durable commodities was 16.2 percent during May 2010 compared to 14.9 percent in April 2010 and 17.1 percent in May 2009. Inflation (YoY) in non-durable commodities remained unchanged at 13.8 percent during May 2010. It was 11.4 percent in the same month last year.

Inflation (MoM) in durable commodities also increased to 1.6 percent during May 2010 compared to 0.7 percent in the previous month. Inflation (MoM) in non-durable commodities declined to (-) 0.2 percent during the month under review compared to 2.1 percent in April 2010 (see **Figure 2.15 & 2.16**).



3. Wholesale Price Index

Inflation measured by wholesale price index (WPI), dropped to 21.2 percent YoY during May 2010 compared to 22.0 percent in April 2010, however, it was substantially higher than 4.7 percent registered in the same month last year. Similarly, on month on month basis, WPI inflation dropped to 0.9 percent during May 2010 compared with 1.8 percent seen in the previous month (see **Figure 3.1**).

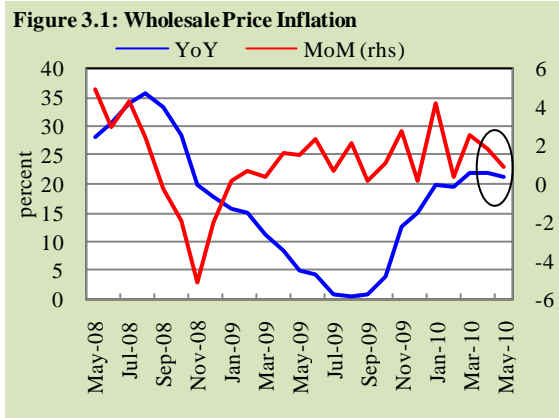
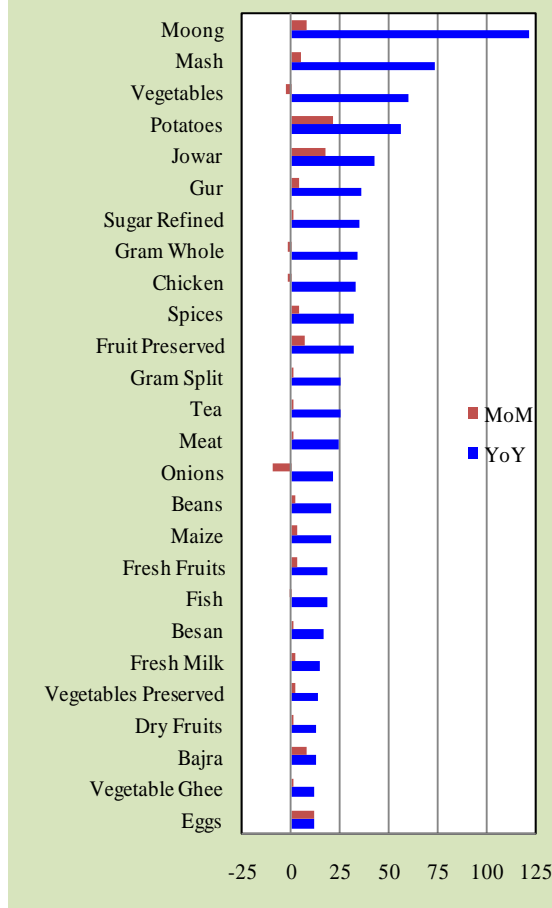


Figure 3.2: Change in Selected WPI Food Items (YoY)



Out of 106 composite items included in WPI basket, price of 39 items showed deceleration during the month compared to April 2010. Moreover, it may be interesting to note that despite a sharp rise in inflation, price changes in 64 items during May 2010 showed deceleration relative to May 2009. This shows that WPI inflation (YoY) is concentrated in few items, probably with heavy weights (see **Annexure**).

Food Group

In contrast to a rise in CPI food inflation, WPI food inflation (YoY) dropped to 14.4 percent during May 2010 compared to 15.2 percent during April 2010. However, it was higher than May 2009 inflation (12.0 percent). On MoM basis food inflation has declined to 0.1 percent from 0.7 percent in the previous month.

Despite a slight moderation, food inflation remained strong during May 2010 due to a rise in the prices of some important items such as fresh milk, chicken, meat, sugar and fresh fruits (see **Figure 3.2**).

Non-food Group

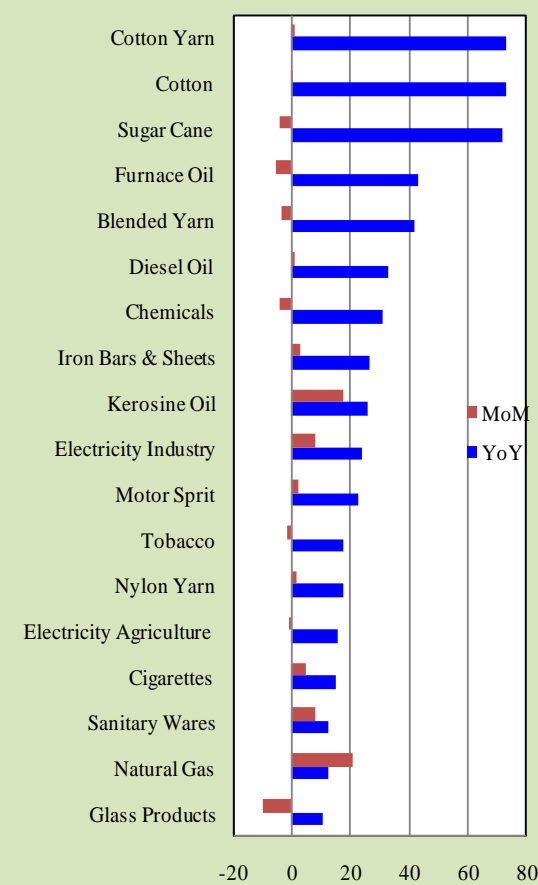
Inflation in WPI non-food group also declined during May 2010 on YoY basis and was 26.9 percent compared to 27.7 percent in April 2010. On MoM basis, WPI inflation has declined to 1.4 percent from 2.7 percent registered in the last month (see **Figure 3.3**).

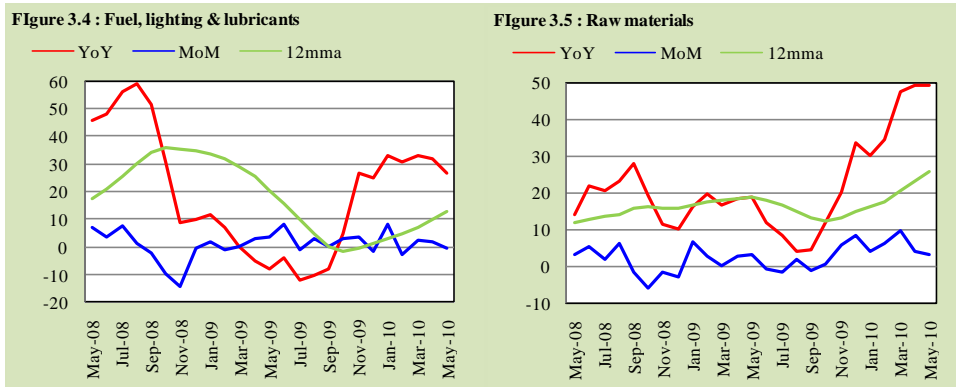
Out of four sub-groups of non-food group, inflation in *raw materials* and *fuel lightening & lubricants* declined during May 2010 compared to April 2010 on both YoY and MoM basis. Inflation in *manufacturers* and *building materials* sub-groups registered a rise during the month compared to the previous month.

Fuel lightening & lubricants sub-group recorded inflation of 26.9 percent (YoY) during May 2010 compared to 32.4 percent in April 2010 and a deflation of 7.9 percent in the same month last year. On MoM basis, the group registered deflation of 0.6

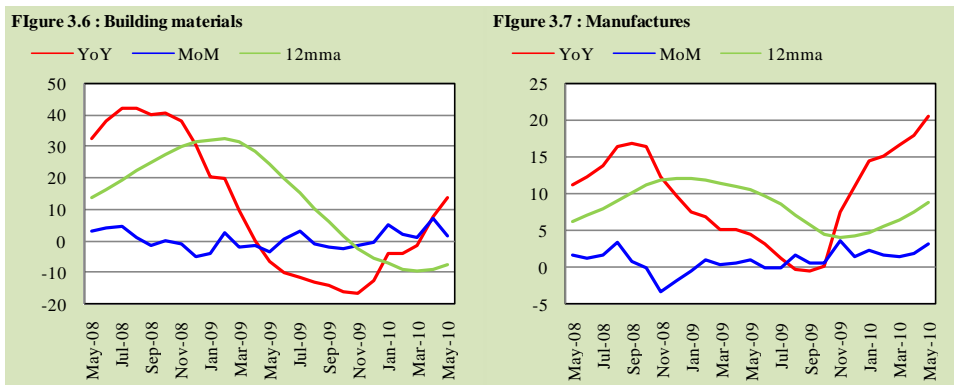
percent during May 2010 compared to 2.1 percent inflation in April 2010. The moderation in *fuel lightening & lubricants* was explained by a significant decline in petroleum prices, e.g. diesel oil, motor sprit, furnace oil, kerosene oil compared to April 2010. Whereas, sugarcane was the only item that declined during May 2010, dragging the *raw materials* sub-group inflation (YoY) to 49.2 percent from 49.3 percent in April 2010 and 18.7 percent in May 2009. On MoM basis, *raw material* inflation declined to 3.3 percent from 4.1 percent last month (see **Figure 3.4 & 3.5**).

Figure 3.3: Change in Selected WPI Non-food Items (YoY)





On the other side, a rise in *building materials* sub-group came due to a sharp rise in the prices of iron bars & sheets. Strong rise in prices of sanitary wares, bricks and glass sheets also contributed towards pushing inflation in building materials sub-group to 13.9 percent YoY during May 2010 from 7.8 percent in April 2010 and a deflation of 6.6 percent in May 2009. In the *manufacturers'* sub-group, sharp jump in prices of cotton products such as cotton yarn, blended yarn, and nylon yarn along with higher inflation in chemicals, glass products and cigarettes have pulled the group inflation (YoY) to 20.5 percent – the highest level since January 1995. Month-on-month inflation in *manufacturers* increased to 3.3 percent in May 2010 from 1.8 percent in April 2010 (see **Figure 3.6&3.7**).

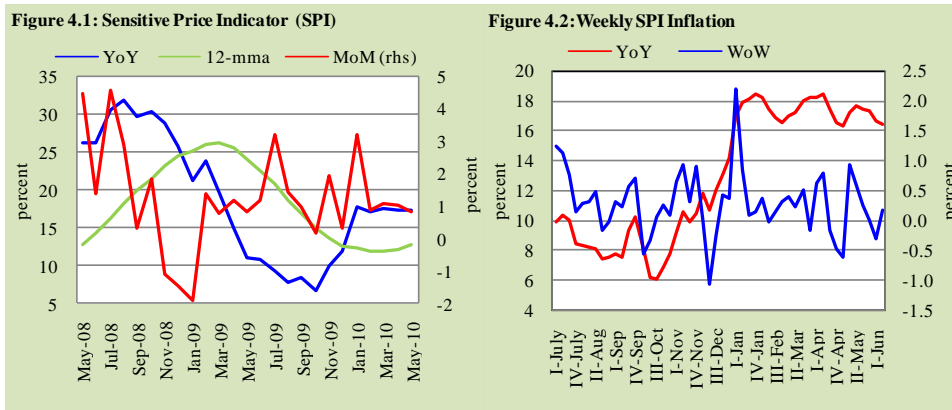


WPI inflation (YoY) is likely to ease in coming months due to decline in the prices of furnace oil and arrival of new cotton crop in the market. However, new fiscal measures announced in the budget may offset some of the gains.

4. Sensitive Price Indicator

Similar to other measures of inflation, SPI remained strong during May 2010. SPI inflation (YoY) was 17.4 percent during May 2010; same as in the previous month (see **Figure 4.1**).

Weekly SPI inflation (YoY) was 17.3 percent in the last week of May 2010. During the second week of May 2010, it rose to 17.6 percent, however since then SPI inflation started to decline and reached 16.4 percent by the second week of June 2010 (see **Figure 4.2**).



5 Global Commodity Prices

Overview

Most commodity prices declined in the international market during May 2010. The decline was shared both by food and non-food commodities, but the decline in non-food commodities was more pronounced. Concerns regarding the Euro zone debt crises,¹ fiscal tightening measures in China, slowed pace of manufacturing activity in US² and the resultant lower demand created bearish sentiments in international commodity markets. According to analysts, investor confidence in commodities was also shaken due to stronger dollar during the month.³

IMF global commodity prices index fell by 7.5 percent, on month-on-month basis, compared to a rise of 6.2 percent last month. Similarly, YoY growth in global commodity price index was also 24.5 percent in May 2010 from 48.3 percent during the previous month. It was, however, significantly higher than decline of 44.2 percent registered during the corresponding month last year (see **Table 5.1**).

Table 5.1: Commodity Price Indices Movements in May 2010

	YoY				MoM			
	May-09	Mar-10	Apr-10	May-10	May-09	Mar-10	Apr-10	May-10
Overall	-44.2	45.3	48.3	24.5	10.2	4.0	6.2	-7.5
Food & Beverages	-17.1	12.0	10.2	-0.2	7.1	-0.4	2.9	-3.0
Food	-18.1	11.2	9.0	-1.8	7.6	-0.2	2.8	-3.1
Non-Food	-27.0	29.8	31.3	17.5	6.0	2.4	6.4	-5.1
Fuels	-51.5	55.8	60.0	29.0	13.1	5.0	6.0	-8.8
Industrial Metals	-42.2	62.0	67.5	44.5	4.6	7.1	12.8	-9.8

Source: IMF

Food Group

IMF food index witnessed significant deflation of 3.1 percent as against last month's inflation of 2.8 percent. This fall mainly came from decline in the prices of most grains and edible oils in the international market (see **Figure 5.1**).

Among grains, rice prices declined in international markets due to prospects of larger crop this year compared to the previous year. India, the Philippines, and

¹ The European Commission reported that an index of consumer and executive sentiment in the region declined during May 2010 to 98.4 from 100.6 during April 2010. Source: Bloomberg news, May 31, 2010.

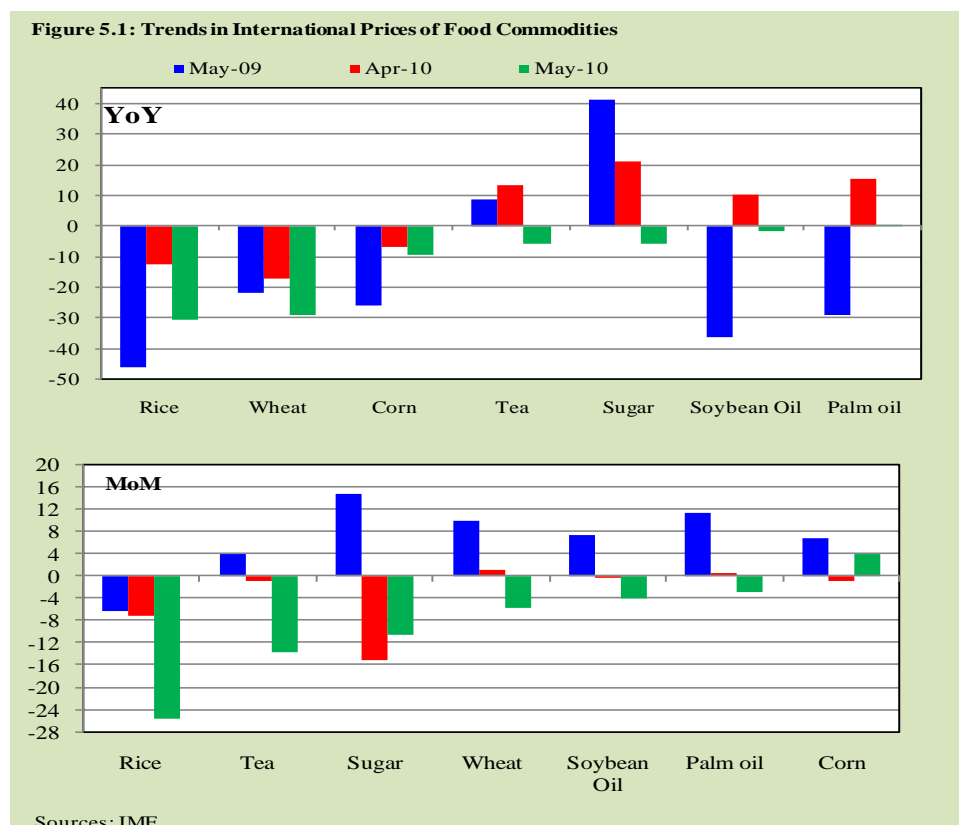
² The Institute for Supply Management said its U.S. factory index dropped to 59.7 in May from 60.4 in April. (Source: Bloomberg news June 01, 2010).

³ Dollar index increased by 5.2 percent from 82.3 to 86.6 during May 2010. Source: Bloomberg (<http://www.bloomberg.com/apps/cbuilder?ticker1=DXY%3AIND>)

Thailand projected that their crop this year would be better than last year on expectations of improved weather conditions in the region. India's farm ministry revised upward its earlier forecasts of the crop from 87.6 million tons to 89.3 million tons this year. Similarly, wheat prices decreased during the week on report by USDA on World Agricultural Supply & Demand Estimates (WASDE) that ending stocks of the wheat in 2010-11 would be higher than the last year. According to the report, global wheat ending stocks in 2010-11 would be 198.1 million metric tons which would be higher than 192.9 million metric tons during 2009-10 seasons.

Sugar and tea prices in international market also declined on prospects of better crops this year than the last year. Sugar production in major cane producing countries is expected to outpace the last year's crop. Tea prices decreased due to increased supplies from major producing countries during the month.

Prices of edible oils also declined due to lower demand from China and

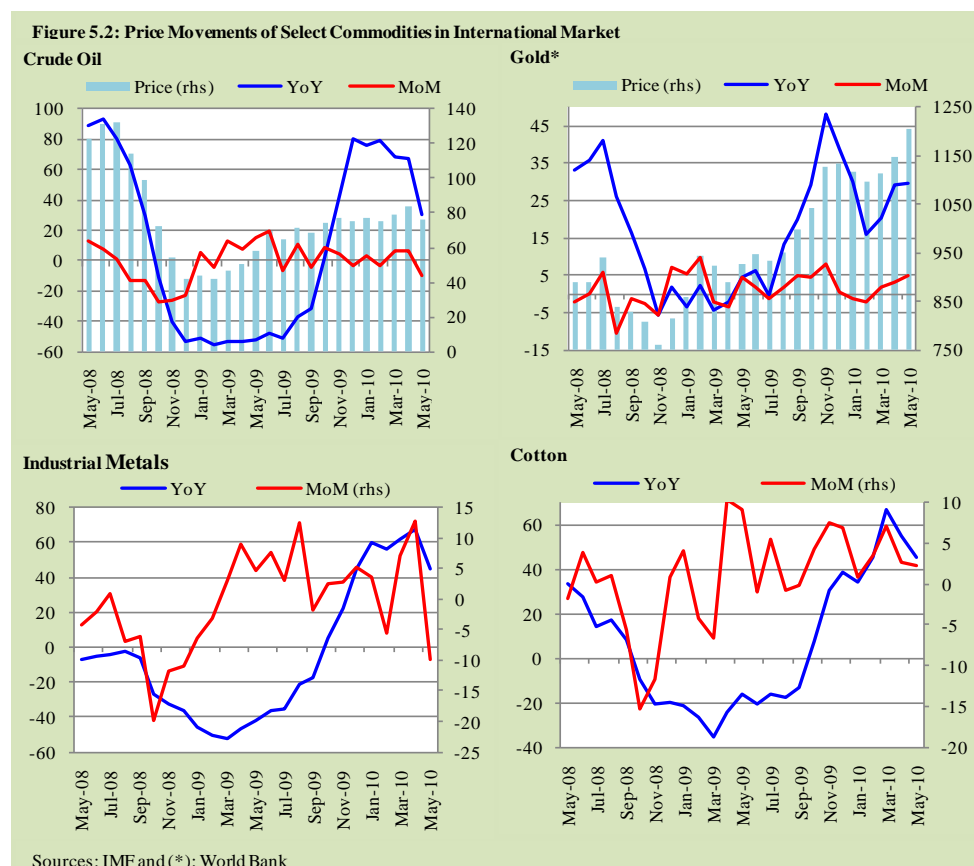


expectations of better crop this year as US farmers planted most of the crop during the month under favorable weather conditions.

Non-food group

Non-food commodities in international market witnessed sharper decline in prices (MoM) during May 2010 compared to the last month's increases. Metals were the biggest losers of the month followed by crude oil. IMF industrial metals index declined as all industrial metals, except iron ore which showed no price change, recorded declines (MoM) during May 2010 compared to a rise in April 2010 (see **Figure 5.2**).

Crude oil prices fell in May 2010 to US\$ 75.8 per barrel, which was lower than US\$ 84.2 per barrel recorded in April 2010, however significantly higher than US\$ 58.1 per barrel registered during the same month last year. Crude oil prices declined during May 2010 as European debt concerns and lower industrial activity in China and Europe reduced demand for crude oil in international market. In



addition to this, crude oil prices decreased on account of higher month-end inventories in US. Inventories of crude oil in US were 362.9 at the end of May 2010 compared to 360.9 million barrels in April 2010.⁴

International cotton prices rose by 2.3 percent (MoM) during May 2010, on top of an increase of 2.7 percent seen in the preceding month. Cotton prices increased during May 2010 due to recovery in demand as well as concerns over weaker harvest in China in the current season.

Industrial metals prices witnessed biggest decline during May 2010 among the non-food items as prices of all industrial metals declined due to slowed industrial growth in China,⁵ the world's biggest consumer of metals, and stronger dollar.

Unlike prices of most of the commodities, gold prices registered increase during May 2010 compared to the previous month. According to the World Bank, gold prices stood at US\$ 1,205.0 in May 2010 against US\$ 1,149.0 per troy ounce in April 2010. Concerns that Europe's debt crisis created bullish sentiments for bullion as a safe haven in international market.

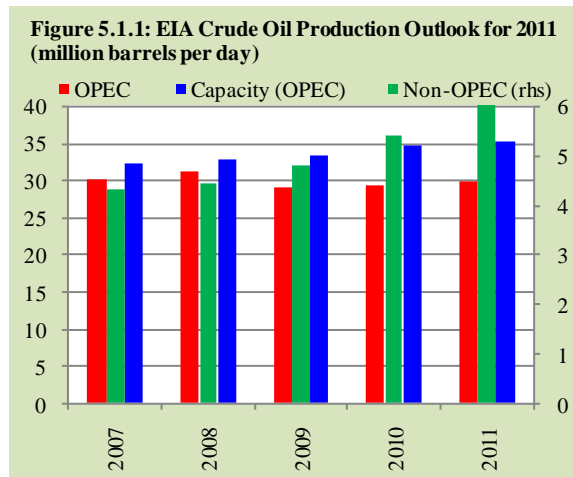
⁴ Source: US Energy Information Administration

⁵ The Purchasing Managers' Index fell to 53.9 in May 2010 from 55.7 in April 2010 as reported in Bloomberg news on May 31, 2010.

Box: 5.1: Commodity Production Outlook for 2010-11

Crude Oil. According to US Energy Information Administration (EIA), crude oil prices in 2010-11 are expected to decline compared to 2009-10. Crude oil price projections by EIA have been revised downwards because of uncertainty regarding economic recovery in China and the Euro zone. Moreover, crude oil production from both OPEC and non-OPEC is estimated to increase in the coming year. OPEC supply growth for 2011 is expected to rise by 0.5 million barrels per day (mb/d) from 2010 levels. Similarly, non-OPEC crude oil supplies have been projected to increase by 0.5 mb/d from earlier estimates of rise by 0.2 mb/d (see **Figure 5.1.1**).

EIA has also reported that crude oil supplies in US may be reduced keeping in mind closure of oil refineries as a consequence of current hurricane season in the Atlantic and the Mexican Gulf. Production outages are projected to be in the range of 17-20 percent. This may result in short term reduction in supplies which in turn may put upward pressure on prices.



However, considering that major OPEC members have been adhering to their production quotas and the cartel members have not adjusted their production in recent months despite reduction in crude oil prices in international market, crude oil prices in coming months are likely to remain in range of US\$ 75-85 per barrel.

Cotton. According to USDA, global cotton production is likely to expand considerably in 2010-11 season as cotton farmers around the world are expected to yield the largest crop in three years. Expected rise in global cotton production has been attributed to higher international prices of the fiber amid lower supplies during 2009-10. While global cotton production is expected to rise, world consumption during 2010-11 of the crop is still projected to be higher than the production (see **Table 5.1.1**). Keeping this in view, cotton prices are expected to remain firm in coming months.

Table 5.1.1: USDA Foreign Agricultural Services World Crops Forecast for 2010-11

	(in million metric tons)				Change over 2009-10	
	2008-09	2009-10	2010-11 (May)	2010-11 (June)	May-10	Jun-10
Sugar*	143.5	152.2	163.8	-	7.7	-
Oilseeds	397.2	440.9	440.0	440.2	-0.2	-0.2
Cotton	107.5	102.9	113.9	114.3	10.7	11.1

*For sugar year, i.e. October-September

Source: USDA FSA

Grains. USDA has projected rise in production of corn and rice in 2010-11 compared to 2009-10. However, wheat production in the world is projected to decline in the coming season compared to this year. Nevertheless ending stocks of wheat are estimated to be highest in three years. In rice, adverse weather conditions that harmed the crop this year are expected to improve in the coming season, hence rise in production of the crop. Higher prices of rice are prompting farmers in major rice producing countries of the world to plant more of the crop.

With better crop prospects of the grains in coming season and projected higher

Table 5.1.2: Grains Outlook for 2010-11 (million metric tons)

	Production			Consumption			Ending Stocks		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
Wheat	683.2	680.0	668.5	636.0	651.3	663.8	165.0	192.9	193.9
Corn	798.0	808.8	835.8	779.6	808.4	829.1	90.8	89.6	96.3
Rice (milled)	448.0	440.6	459.4	435.8	439.8	450.0	779.6	808.4	829.1

Source: USDA Foreign Agricultural Services, All Grains Summary Comparison Table

ending stocks at hand, prices of the grains in international market are likely to remain subdued.

Annexure A

Table A1: CPI Inflation by Groups

	Weights	MoM change			YoY change		
		May-09	Apr-10	May-10	May-09	Apr-10	May-10
I. Food Group	40.3	-0.2	2.0	0.0	12.1	14.5	14.8
II. Non-Food Group	59.7	0.6	1.5	0.1	16.3	12.2	11.7
Apparel, textile, etc.	6.1	0.4	2.2	1.3	11.5	7.7	8.8
House rent	23.4	1.2	0.6	0.5	18.9	11.2	10.5
Fuel & lighting	7.3	-0.1	-0.4	-0.8	25.7	16.7	15.8
Household furniture & equipment	3.3	0.5	0.9	0.8	11.5	5.9	6.2
Transport & communication	7.3	-0.6	5.8	-2.1	6.8	20.5	18.7
Recreation & entertainment	0.8	0.1	10.0	0.0	4.7	14.7	14.5
Education	3.5	1.4	2.7	1.0	20.9	8.8	8.4
Cleaning, laundry, etc.	5.9	0.5	0.4	0.6	15.2	9.1	9.2
Medicare	2.1	0.2	2.6	0.7	6.5	8.6	9.2
Headline	100	0.2	1.7	0.1	14.4	13.3	13.1

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%)	
	May-09	May-10	May-10	May-09	May-10	May-09	May-10	May-09	May-10	May-09	May-10
I. Food Group	12.1	14.8	110	17	15	11	17	14	16	68	62
II. Non-Food Group	16.3	11.7	250	9	7	44	98	45	66	152	79
Apparel, textile, etc.	11.5	8.8	42	1	0	1	10	17	18	23	14
House rent	18.9	10.5	1	0	0	0	0	0	0	1	1
Fuel & lighting	25.7	15.8	15	2	0	1	2	1	0	11	13
Household furniture & equipt	11.5	6.2	44	0	1	1	16	12	20	31	7
Transport & communication	6.8	18.7	43	1	2	5	19	3	8	34	14
Recreation & entertainment	4.7	14.5	16	0	1	12	8	1	2	3	5
Education	20.9	8.4	24	2	2	4	7	0	7	18	8
Cleaning, laundry, etc.	15.2	9.2	36	1	0	3	16	9	10	23	10
Medicines	6.5	9.2	29	2	1	17	20	2	1	8	7
Overall	14.4	13.1	360								

Note: Prices of 14 seasonal items were not reported during the month.

Table A3: Top Ten Contribution to YoY CPI Inflation in May 2010

Items	Weights	YoY change		Weighted Contribution
		May-09	May-10	
A. Ranked by Weighted Contribution				
1 House Rent Index	23.43	18.91	10.48	18.26
2 Milk Fresh	6.66	15.85	16.97	9.8
3 Meat	2.70	17.68	24.93	7.12
4 Electricity	4.37	25.58	18.63	5.03
5 Sugar	1.95	61.68	36.48	4.48
6 Vegetables	1.77	35.58	32.05	4.41
7 Natural Gas	2.05	27.97	13.96	3.11
8 Petrol	1.73	-17.58	22.63	2.80
9 Communication	1.93	5.16	39.92	2.72
10 Transport Fare/Charges	2.12	21.41	12.62	2.62
Total	48.69			60.34
B. Ranked by Percentage Change				
1 Pulse Moong	0.22	-14.09	108.67	1.50
2 Pulse Mash	0.20	14.23	95.73	1.37
3 Tomatoes	0.51	2.37	48.08	0.98
4 Communication	1.93	5.16	39.92	2.72
5 Potatoes	0.60	3.13	38.68	1.55
6 Sugar	1.95	61.68	36.48	4.48
7 Diesel	0.21	11.80	35.97	1.02
8 Jewellery	0.39	17.31	32.88	1.64
9 Vegetables	1.77	35.58	32.05	4.41
10 Tea	1.26	34.91	28.05	2.19
Total	9.03			21.86
C. Ranked by Weights				
1 House Rent Index	23.43	18.91	10.48	18.26
2 Milk Fresh	6.66	15.85	16.97	9.78
3 Wheat Flour	5.11	19.53	-0.04	-0.02
4 Electricity	4.37	25.58	18.63	5.03
5 Bakery & Confectionary	2.98	11.13	4.16	0.70
6 Meat	2.70	17.68	24.93	7.12
7 Vegetable Ghee	2.67	-14.37	8.87	2.10
8 Tution Fees	2.36	13.53	7.89	1.27
9 Transport Fare/Charges	2.12	21.41	12.62	2.62
10 Natural Gas	2.05	27.97	13.96	3.11
Total	54.45			49.97

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 13.1 percent in May 2010.

Table A4: Distribution of Price Changes (YoY)- Selected CPI Items, May 2010

Groups	Decrease or no change	Subdued increase (upto 5%)	Moderate increase (5 to 10%)	Increase of over 10%
Food Group	Wheat Flour Fine/Superior., Corriander Seed, Powd.National, Chowkelate Candy (Small Size), Wheat, Rice Basmati 385/386, Chillies Powd.National 200Gm, Cocumber (Kheera), Maida Rice Irri-6 (Sindh/Punjab)	Wheat Flour Bag, Bananas, Rice Basmati Sup. Qlty., Pulse Masoor (Washed), Biscuits-Packed, Almonds Whole Av.Qlty., Ice Cream Walls, Mustard Oil Av.Qlty., Custard Powder Rafhan 300 gm	Vegetable Ghee (Loose), Cooking Oil (Dalda), Rice Basmati Broken Av.Qlty, Bread Tandoori St. Size, Bread Plain Medium Size, Besan Av. Qlty., Milk Tetra Pack 1/2 ltr., Butter Local Packed, Tomato Ketchup Ahmed/ Mitchl	Milk Fresh (Unboiled), Sugar Refined, Beef With Bone Av.Qlty., Vegetable Ghee Tin, Mutton Av.Qlty., Chicken Farm Broiler (Live), Onion, Potatoes, Tea Loose Kenya Av.Qlty 250G
Apparel & Textile	Ladies Sandal Bata, Child Shoe Power Lite Bata, Nylon Jogger 27 Size 2-5	Shoe Repair Half Sole, Brassier Av.Qlty.	Shirting Av.Qlty., School Uniform, Kameez,Shal.Girl, Tailoring Coat-Pant Suit	Lawn Av.Qlty., Long Cloth Av.Qlty., Tailoring Suit Female
House Rent Index				House Rent Index
Fuel & Lighting	Match Box Small	Gas Cylinder Stand. Size		Elect.Charges Above 1000 units, Elect. Charges 301 - 1000 units, Gas Chrg 6.7438 - 0.1157mmb, Kerosene Oil
Household Furniture & Equipment	Washing Machine Singer	Blanket (90" X 54"), Tea-Set S.Steel 3 Pcs. M.Siz, Table Spoon S.Steel Sup.Qlty	Household Servant Female P/T, Quilt (Lihaf) 3 Kg., Cotton, Tea Set Pak. Chinaware 21 PC	Bucket(balti) Plastic Med.Si, Marriage Hall With Furniture, Chair Shesham Wood With Arms
Transport & Communication.	Car Tax For 800cc To 1300Cc, Plateform Ticket, Motorcycle Yamaha 100cc., Motorcycle Honda CD-70.	Bus Fare Outside City, A/C Bus Fare Outside City, Car Suzuki 800 cc (w/o. A/C), Internet Charges	Car Service Charges, Tyre Car With Tube General, Taxi 4 Seater Fare, Air Fare Economy Class.	Petrol Super, Telephone Charges Local Call, Tel Charges Out Side City, High Speed Diesel HSD
Recreation & Entertainment	V.C.P. Panasonic/Lg/Nat, Daily "Dawn", Monthly "Naunehal Digest"	T.V. 20" Colored With R/Cont, Video Game Sega 16 byte, Radio With C.Player National	Cinema Non-A/C High Class, Cinema A/C. Highest Class	Tv.Licence Feedomestic, Daily "Jang", Daily "Nawa-E-Waqt"
Education	Govt. College Fee Ist. Year, Govt. College Fee 4th. Year, Pen Ink Dollor 57 ml Bottle	Urdu Book Class IX/X(text book board), English Book Class V1, Comp. With Printer & Speaker	School Fee Primary Eng.Med., School Fee, 2Nd-Ry Eng.Med., Paper Foolscape (27"X17")	Exercise.Book Lined 80/100 p, Maths Book Class IX or X, Urdu Book Ist.Year/Inter
Cleaning & Laundry	Toilet Soap Lux 95 grams, Surf (Medium) 160 grams, Washing Powder 1000 gram, Toilet Soap Lifebouy 140 Grm	Talc Powder Vice Roay,B.Cat, Facecream Ponds (Medium), Cleanser Powder Vim 1000 gm, Blade 7-O-Clock Stain. 5'S	Washing Soap Nyl(135-160 gms), Perfume Med.Size Medora/Broa, Hair-Oil Amla/Chambeli, Dry Cleaning Suit Coat Pant	Haircut Charges For Men, Shampoo Plain Medora 200 ml., Gold Tezabi 24 Ct, Artificial Jewellery Set
Medicare	Jouhar Joshanda, Galxos-D (450 Grms), Entox Tab.	O.R.S. (Nimcol), Cotton Bandage 2" - 4", Daonil Tab. 5 Mg.	Doctor (MBBS) Clinic Fee	Gripe-Water Woodward's, Dettol (Medium), CAC. 1000 Tab

Table A5: City-wise Inflation by Income Groups, May 2010

		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	0.8	12.4	1.6	14.3	-0.1	9.7	0.7	12.8	1.3	14.8	0.0	10.2
2	Faisalabad	-0.8	12.4	-1.5	15.3	0.3	8.3	-0.9	12.3	-1.7	15.1	0.2	8.9
3	Rawalpindi	-0.3	12.6	-0.3	15.3	-0.3	9.0	-0.4	12.2	-0.5	14.0	-0.2	9.9
4	Multan	1.1	13.6	1.0	14.9	1.1	11.9	1.1	13.8	1.2	15.3	1.1	11.8
5	Gujranwala	-0.2	15.0	-0.5	19.1	0.2	9.7	-0.3	14.0	-0.6	17.4	0.1	10.1
6	Islamabad	-0.1	11.1	0.2	15.0	-0.4	6.5	0.0	11.7	0.0	15.3	-0.1	7.6
7	Sargodha	-1.0	13.1	-1.7	14.9	-0.1	10.9	-0.9	13.2	-1.7	14.9	0.1	11.2
8	Sialkot	-0.3	14.4	-0.6	16.3	0.1	12.0	-0.4	14.8	-0.9	17.5	0.3	11.4
9	Bahawalpur	-0.4	13.1	-1.1	14.2	0.5	11.7	-0.2	13.4	-0.6	14.5	0.4	12.0
10	Karachi	0.7	14.0	1.2	17.0	0.1	10.2	0.9	14.4	1.4	18.3	0.2	10.0
11	Hyderabad	0.1	12.6	-0.9	14.2	1.3	10.7	0.1	12.8	-0.8	14.4	1.3	10.9
12	Sukkur	2.3	13.4	4.0	13.9	0.0	12.7	1.0	12.3	1.5	12.3	0.4	12.3
13	Larkana	-0.9	11.8	-1.7	12.3	0.3	11.2	-1.0	10.8	-1.9	11.4	0.2	10.1
14	Peshawar	0.2	12.6	0.1	13.7	0.3	11.1	0.0	12.0	-0.2	12.3	0.3	11.6
15	Bannu	0.4	13.9	0.7	16.1	0.1	11.2	0.6	12.7	1.1	14.0	0.0	11.2
16	Quetta	-1.0	10.9	-1.5	12.0	-0.2	9.3	-1.3	12.1	-2.5	13.1	0.3	10.8
17	Khuzdar	-1.0	9.8	-0.5	9.9	-1.5	9.6	-1.2	10.3	-0.2	10.2	-2.5	10.3
		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	0.6	12.6	1.2	14.7	0.0	10.4	0.3	13.0	1.3	14.8	-0.3	11.7
2	Faisalabad	-0.8	12.2	-1.5	14.9	0.0	9.5	-0.5	12.8	-0.8	15.3	-0.3	11.2
3	Rawalpindi	-0.1	12.1	-0.2	13.9	-0.1	10.3	-0.1	12.8	0.5	13.9	-0.4	12.2
4	Multan	1.1	13.6	1.6	15.5	0.7	11.7	1.0	14.5	2.3	16.7	0.3	13.2
5	Gujranwala	-0.2	13.9	-0.5	17.7	0.1	10.3	-0.3	14.1	-0.6	18.7	-0.1	11.4
6	Islamabad	-0.1	11.4	0.0	15.0	-0.2	7.9	-0.2	11.4	0.4	14.9	-0.5	9.4
7	Sargodha	-0.7	13.4	-1.3	15.2	-0.1	11.6	-0.5	13.9	-0.6	15.9	-0.4	12.7
8	Sialkot	-0.2	14.9	-0.6	17.8	0.3	11.9	0.2	15.0	0.1	18.3	0.2	13.0
9	Bahawalpur	0.2	14.3	0.0	16.4	0.3	12.1	0.1	15.5	0.5	19.3	-0.1	13.1
10	Karachi	0.8	14.0	1.4	18.0	0.3	10.3	0.4	13.4	1.4	16.8	-0.2	11.4
11	Hyderabad	0.2	12.6	-0.9	13.8	1.4	11.4	0.3	13.4	-0.8	14.2	1.0	12.9
12	Sukkur	1.0	12.5	1.6	12.6	0.4	12.4	1.0	12.8	1.7	12.5	0.7	13.0
13	Larkana	-0.7	11.0	-1.4	11.5	0.1	10.6	-0.5	10.2	-0.9	10.4	-0.2	10.1
14	Peshawar	0.2	12.0	-0.1	12.3	0.4	11.8	0.1	12.7	0.2	12.5	0.1	12.8
15	Bannu	0.4	11.9	1.0	12.9	-0.2	10.8	-0.3	11.8	-0.3	11.6	-0.3	11.9
16	Quetta	-1.0	11.8	-2.2	12.3	0.3	11.2	-0.5	12.8	-1.2	12.4	0.0	13.0
17	Khuzdar	-1.1	10.0	0.0	9.7	-2.2	10.3	-0.6	11.0	-0.2	9.7	-0.9	11.7

Table A6 : Income Group-wise Inflation							percent
	MoM			YoY			
	May-09	Apr-10	May-10	May-09	Apr-10	May-10	
<u>Up to Rs. 3000</u>							
General	0.6	1.3	-0.2	14.4	13.5	12.7	
Food	0.6	1.7	-0.4	13.5	15.4	14.3	
Non-food	0.6	0.8	0.2	15.5	11.1	10.7	
<u>Rs. 3001-5000</u>							
General	0.5	1.3	-0.1	14.5	13.4	12.7	
Food	0.4	1.8	-0.4	12.7	15.2	14.3	
Non-food	0.6	0.9	0.2	16.7	11.3	10.9	
<u>Rs. 5000-12000</u>							
General	0.3	1.5	0.1	15.0	13.2	12.9	
Food	0.0	1.9	-0.1	12.3	14.8	14.7	
Non-food	0.6	1.2	0.2	17.8	11.6	11.1	
<u>Above Rs. 12000</u>							
General	0.0	2.0	0.1	13.6	13.3	13.4	
Food	-0.8	2.2	0.4	11.5	13.8	15.2	
Non-food	0.5	1.9	-0.1	15.0	12.9	12.3	
<u>All income groups</u>							
General	0.2	1.7	0.1	14.4	13.3	13.1	
Food	-0.2	2.0	0.0	12.1	14.5	14.8	
Non-food	0.6	1.5	0.1	16.3	12.2	11.7	

Table A7: Distribution of Price Change (YoY) - WPI Items: May 2010				
Groups	Decrease or no change	Subdued increase (upto 5%)	Moderate increase (5 to 10%)	More than 10% increase
Food	Wheat, Wheat Flour, Maida	Besan, Rice, Maize, Jowar, Bajra, Beans, Gram Whole, Gram Split, Masoor, Mash, Moong	Potatoes, Onions, Tomatoes	Vegetables, Fresh Fruits, Dry Fruits, Fresh Milk, Powdered Milk, Milk Food, Vegetable Ghee, Mustard & Rapeseed Oil, Cotton Seed Oil, Cooking Oil, Oil Cakes, Gur, Sugar Refined, Chicken, Eggs, Fish, Meat, Spices, Condiments, Salt, Tea, Beverages, Mineral Water, Fruit Prepared/Preserved
Raw material	Cotton, Cotton Seeds, Mustard/Rapeseeds	Tobacco, Sugar Cane		Hides, Skins, Pig Iron
Fuel & lighting	Coal	Coke	Diesel Oil	Mobil Oil, Furnace Oil, Kerosine Oil, Natural Gas, Electricity Ind. Supply Tariff-B, Elec. Agriculture Tariff-D Fire Wood
Manufactures	Sole Leather, Chrome Leather	Cotton Yarn, Blended Yarn, Nylon Yarn, Cotton Textiles, Hosiery, Silk & Reyon Textiles, Woolen Textiles, Jute Manufactures, Mattresses, Ready Made Garments	Utensils, Plastic Products, Glass Products, Chemicals, Dying Materials, Soaps, Cosmetics, Drugs & Medicines, Fertilizers, Pesticides & Insecticised	Audio-Visual Instruments, Other Electrical Goods, Cigarettes, Paper, Matches, Foot Wear
Building material	Cement	Cement Blocks, Tiles, Pipe Fittings, Timber, Paints & Varnishes, Wires And Cables	Bricks, Glass Sheets	Iron Bars & Sheets

Table A8: SPI Item-wise Price Movements					
S.No	Items	Unit	Price April 10	Percentage change	
				YoY	Monthly
1	Wheat	Kg.	24.8	-0.3	-7.7
2	Wheat flour average qlt.	Kg.	28.9	8.5	-3.9
3	Rice basmti.broken	Kg.	44.7	5.5	1.9
4	Rice irri-6	Kg.	34.6	-1.8	-0.3
5	Masur pulse washed	Kg.	122.6	6.4	-0.2
6	Moong pulse washed	Kg.	96.7	110.9	9.7
7	Mash pulse washed	Kg.	153.7	92.9	13.9
8	Gram pulse washed	Kg.	57.9	15.0	2.9
9	Beef	Kg.	186.7	23.4	3.5
10	Mutton	Kg.	348.0	26.5	4.8
11	Egg hen (farm)	Doz.	50.0	-13.2	-17.4
12	Bread plain	Each	27.3	7.0	0.0
13	Sugar	Kg.	61.4	37.9	-5.3
14	Gur	Kg.	70.7	40.8	-2.2
15	Milk fresh	Ltr	43.6	16.7	2.4
16	Milk powdered nido	400g	180.0	5.9	0.0
17	Curd	Kg.	51.3	16.5	1.8
18	Veg.ghee tin	2.5kg	369.0	12.8	4.5
19	Veg.ghee loose	Kg.	115.9	14.5	0.1
20	Mustard oil	Kg.	135.6	1.2	-0.2
21	Cooking oil	2.5ltr	369.0	5.1	4.5
22	Potatoes	Kg.	18.7	41.2	3.6
23	Onions	Kg.	33.5	20.3	31.3
24	Tomatoes	Kg.	22.8	-28.3	19.4
25	Bananas	Doz.	41.1	4.0	-0.2
26	Salt powdered	Kg.	6.8	5.3	0.7
27	Red chillies(powd)	Kg.	165.3	27.2	-0.3
28	Garlic	Kg.	156.7	319.6	4.8
29	Tea packet	250g	130.3	30.3	0.0
30	Tea (prepared)	Cup	10.7	22.9	0.6
31	Cooked beef plate	Each	47.1	12.5	3.4
32	Cooked dal plate	Each	29.4	11.5	2.0
33	Cigarettes k-2	10's	13.0	36.7	0.9
34	Coarse latha	Mtr.	50.2	12.0	2.9
35	Lawn (avg.+s.qlty)	Mtr.	103.4	11.3	6.8
36	Voil printed	Mtr.	51.4	8.9	4.8
37	Shirting	Mtr.	83.1	4.6	1.0
38	Sandel gents bata	Pair	499.0	0.0	0.0
39	Sandel ladies bata	Pair	379.0	0.0	0.0
40	Chappal spng. Bata	Pair	129.0	0.0	0.0
41	Kerosene	Litr	76.4	20.2	4.3
42	Firewood	40kg	310.4	13.7	0.9
43	Elec. Bulb 60-wats	Each	20.0	21.0	0.0
44	Match box	Each	1.0	0.0	0.0
45	Washing soap	Cake	13.2	4.5	0.1
46	Bath soap lifebuoy	Cake	22.0	0.0	0.0
47	Chicken (farm)	Kg.	140.9	27.1	-0.3
48	Gas chrg. All clb. Comb	mmbtu	337.2	15.4	0.0
49	L.P.G.(cylinder 11kg.)	Each	845.7	10.9	-13.6
50	Elec.chrg.all slabs comb	per unit	8.6	25.9	6.0
51	Petrol	Ltr	74.0	26.9	3.7
52	Diesel	Ltr	74.2	28.6	5.0
53	Telephone local	Call	2.4	0.0	0.0
Maximum				319.6	31.3
Median				12.5	0.7
Minimum				-28.3	-17.4

Table A9: Consumer Price Index Numbers by Major Groups and Selected Commodities				
Item and Specification	Weights	Index		
		May-09	Apr-10	May-10
GENERAL	100.0015	197.74	223.44	223.58
FOOD & BEVERAGES.	40.3421	220.04	252.53	252.62
1 WHEAT	0.4830	286.44	285.63	278.49
2 WHEAT FLOUR	5.1122	283.78	297.87	283.67
3 MAIDA	0.1059	275.07	280.45	272.71
4 BESAN	0.1320	188.33	206.89	205.91
5 RICE	1.3369	273.67	280.58	279.92
6 PULSE MASOOR	0.2214	322.04	339.93	338.03
7 PULSE MOONG	0.2230	159.69	323.59	333.23
8 PULSE MASH	0.2017	183.39	340.41	358.95
9 PULSE GRAM	0.4272	171.82	199.20	198.24
10 GRAM WHOLE	0.1491	173.24	213.55	207.91
11 MUSTARD OIL	0.0456	244.30	249.12	250.22
12 COOKING OIL	0.6858	220.56	234.30	234.30
13 VEGETABLE GHEE	2.6672	229.43	250.40	249.79
14 SUGAR	1.9467	163.09	224.54	222.58
15 GUR	0.0735	214.29	271.56	271.29
16 TEA	1.2559	160.38	205.69	205.37
17 MILK FRESH	6.6615	223.60	252.03	261.55
18 MILK POWDER	0.1105	204.34	216.92	224.16
19 MILK PRODUCTS	0.5607	206.15	233.05	238.01
20 HONEY	0.0358	187.71	212.85	217.88
21 CEREALS	0.0878	233.14	254.44	255.13
22 JAM,TOMATO,PICKLES & VINEGAR	0.2472	170.59	188.03	200.85
23 BEVERAGES	0.7286	170.61	189.57	199.41
24 CONDIMENTS	0.3392	242.07	247.85	247.61
25 SPICES	0.6008	204.48	235.47	236.70
26 DRY FRUIT	0.2760	319.09	343.91	347.07
27 BAKERY & CONFECTIONARY	2.9837	145.22	150.69	151.26
28 CIGARETTES	0.9527	187.28	226.38	226.25
29 BETEL LEAVES & NUTS	0.1851	172.18	202.92	202.16
30 READYMADE FOOD	1.6833	228.47	256.45	258.30
31 SWEET MEAT & NIMCO	0.3846	230.60	262.22	263.75
32 FISH	0.2703	183.54	215.06	215.80
33 MEAT	2.6981	273.61	333.07	341.81
34 CHICKEN FARM	0.9158	201.73	261.43	249.24
35 EGGS	0.4119	188.10	189.63	211.70
36 POTATOES	0.6042	171.91	193.90	238.40
37 ONIONS	0.6473	225.07	346.90	276.41
38 TOMATOES	0.5069	104.30	166.20	154.45
39 VEGETABLES	1.7671	201.27	272.13	265.77
40 FRESH FRUITS	1.6159	232.87	260.81	268.91
APPAREL, TEXTILE & FOOTWEAR.	6.0977	156.09	167.51	169.75
41 COTTON CLOTH	1.6197	158.86	174.83	179.16
42 SILK,LINEN,WOOLEN/CLOTH	0.5766	154.06	169.41	173.01
43 TAILORING CHARGES	0.8636	163.88	182.83	185.91
44 HOSIERY	0.1528	167.80	182.07	183.77
45 READYMADE GARMENTS	1.2038	142.56	152.94	154.28
46 WOOLEN READYMADE GARMENTS	0.1485	177.85	200.07	200.34
47 FOOTWEAR	1.5327	156.87	157.25	157.28
HOUSE RENT.	23.4298	192.23	211.25	212.37
48 HOUSE RENT INDEX (Combined)	23.4298	192.23	211.25	212.37

(continued)

Table A9: Consumer Price Index Numbers by Major Groups and Selected Commodities				
Item and Specification	Weights	Index		
		May-09	Apr-10	May-10
FUEL AND LIGHTING.	7.2912	207.85	242.79	240.78
49 KEROSENE	0.1366	386.75	485.36	464.64
50 FIREWOOD	0.4778	309.17	343.89	345.23
51 MATCH BOX	0.1301	200.00	200.00	200.00
52 BULB & TUBE	0.1311	118.54	131.43	132.65
53 ELECTRICITY	4.3698	159.77	189.54	189.54
54 NATURAL GAS	2.0458	281.16	326.56	320.41
H.HOLD.FURNITURE & EQUIPMENT ETC.	3.2862	164.49	173.31	174.72
55 UTENSILS	0.3690	151.79	159.81	160.35
56 PLASTIC PRODUCTS	0.1055	193.27	211.75	214.03
57 SUITCASE	0.0470	157.23	167.23	170.00
58 HOUSE HOLD EQUIPMENTS	0.0953	150.47	161.49	163.48
59 FURNITURE (Ready Made)	0.3054	175.80	188.05	189.52
60 FURNISHING	0.6362	156.85	164.60	166.38
61 ELECT. IRON FANS & WASHING MACHINE	0.1889	165.96	166.44	167.87
62 SEWING MACHINE,CLOCK AND NEEDLES	0.1270	141.89	150.79	151.50
63 REFRIGERATOR & AIRCONDITIONER	0.1756	131.26	135.36	136.28
64 MARRIAGE HALL	0.0445	192.36	209.66	211.69
65 HOUSE HOLD SERVANT	1.1918	174.49	183.86	185.27
TRANSPORT & COMMUNICATION.	7.3222	185.24	224.60	219.79
66 PETROL	1.7253	185.50	247.15	227.47
67 DIESEL	0.2070	354.40	488.79	481.88
68 CNG. FILLING CHARGES	0.1649	205.28	226.80	226.80
69 SERVICE CHARGES	0.3835	168.16	180.89	183.68
70 VEHICLES	0.2596	134.71	135.90	136.52
71 TYRE & TUBE	0.2831	159.03	171.32	173.15
72 TRANSPORT FARE/CHARGES	2.1236	252.73	285.36	284.62
73 TRAIN FARE	0.1514	253.24	253.24	253.24
74 AIR FARE	0.0983	342.93	365.51	365.51
75 COMMUNICATION	1.9255	91.36	127.83	127.83
RECREATION & ENTERTAINMENT.	0.8259	121.53	139.17	139.17
76 RECREATION	0.3399	131.89	142.98	142.98
77 ENTERTAINMENT	0.4860	114.28	136.50	136.50
EDUCATION.	3.4548	178.21	191.30	193.18
78 TUTION FEES	2.3629	175.49	186.97	189.33
79 STATIONERY	0.3500	175.60	185.57	188.17
80 TEXT BOOKS	0.6894	196.01	217.09	217.09
81 COMPUTER & ALLIED PRODUCTS	0.0525	84.38	85.71	86.10
CLEANING LAUNDRY & PER.APPEARANCE.	5.8788	170.35	185.00	186.02
82 WASHING SOAP & DETERGENT	1.5535	163.66	169.59	170.00
83 TOILET SOAP	0.7436	186.50	186.50	186.50
84 TOOTH PASTE	0.4036	113.97	118.81	119.13
85 SHAVING ARTICLES	0.3480	149.43	154.91	155.00
86 COSMETICS	1.4272	156.01	168.43	168.61
87 WATCHES	0.0552	138.95	140.04	140.04
88 JEWELLERY	0.3936	326.73	422.82	434.17
89 LAUNDRY CHARGES	0.2207	179.47	195.42	196.56
90 HAIR CUT & BEAUTY PARLOUR CHARGES	0.7334	152.74	171.69	172.02
MEDICARE.	2.0728	150.63	163.25	164.47
91 DRUGS & MEDICARES	1.0752	118.70	133.32	134.25
92 DOCTOR'S FEE	0.9976	185.03	195.50	197.04

(continued)

Table A10: Wholesale Price Index Numbers by major Groups and Selected Commodities				
Item and Specifications	Index			
	May-09	Jul-09	Apr-10	May-10
GENERAL	201.29	207.57	241.88	243.98
FOOD	217.50	224.31	248.53	248.81
1 WHEAT	282.88	283.44	288.95	277.57
2 WHEAT FLOUR	277.15	279.01	292.35	277.33
3 MAIDA	287.43	287.10	281.62	272.00
4 BESAN	160.67	161.96	186.24	188.04
5 RICE	313.08	323.02	327.54	313.62
6 MAIZE	219.31	214.54	257.27	265.08
7 JOWAR	217.62	219.78	265.54	311.66
8 BAJRA	197.53	187.99	205.70	222.73
9 BEANS	243.56	252.23	287.58	294.58
10 GRAM WHOLE	166.85	183.46	226.16	222.92
11 GRAM SPLIT	144.10	145.94	178.63	181.05
12 MASOOR	330.25	343.78	322.96	321.10
13 MASH	168.36	200.55	278.91	292.63
14 MOONG	158.34	181.22	326.34	352.10
15 POTATOES	148.67	270.20	191.91	232.22
16 ONIONS	256.38	249.14	343.94	310.49
17 TOMATOES	124.67	247.58	123.45	127.42
18 VEGETABLES	178.45	217.26	293.72	286.67
19 FRESH FRUITS	167.48	170.96	191.36	198.09
20 DRY FRUITS	227.17	227.90	256.58	256.49
21 FRESH MILK	191.11	193.35	214.21	218.78
22 POWDERED MILK	219.52	221.71	223.08	224.88
23 MILK FOOD	167.20	168.67	176.71	180.61
24 VEGETABLE GHEE	247.00	248.75	275.74	276.71
25 MUSTARD & RAPESEED OIL	268.52	262.37	277.73	277.57
26 COTTON SEED OIL	268.81	260.39	285.94	285.42
27 COOKING OIL	216.62	218.95	227.57	224.08
28 OIL CAKES	316.23	335.07	316.98	324.33
29 GUR	194.12	223.82	253.75	264.42
30 SUGAR REFINED	165.86	170.10	224.70	224.40
31 CHICKEN	197.53	213.37	267.65	261.98
32 EGGS	189.97	225.69	189.54	212.06
33 FISH	122.88	124.68	146.09	145.23
34 MEAT	259.87	266.65	319.04	322.29
35 SPICES	198.22	198.13	252.01	261.55
36 CONDIMENTS	285.53	285.60	299.80	303.08
37 SALT	163.00	166.45	169.17	170.39
38 TEA	136.85	142.99	171.16	171.50
39 BEVERAGES	139.76	140.72	144.43	145.01
40 MINERAL WATER	124.65	125.71	128.75	128.75
41 FRUIT PREPARED/PRESERVED	161.39	166.76	199.63	212.81
42 VEGETABLES PREPARED/PRESERVED	165.75	167.87	184.35	187.79
43 SUGAR CONFECTIONARY	100.44	100.48	100.51	100.57
RAW MATERIAL	197.90	193.88	285.83	295.35
44 COTTON	160.81	148.77	257.15	278.03
45 COTTON SEEDS	251.48	272.67	271.30	273.42
46 MUSTARD/RAPESEEDS	275.66	274.21	290.79	286.42
47 TOBACCO	200.44	204.91	233.16	236.12
48 SUGAR CANE	290.12	280.70	514.21	499.09
49 WOOL	137.66	139.48	140.66	144.29
50 HIDES	146.04	138.51	134.42	138.01
51 SKINS	104.74	105.26	103.35	103.92
52 PIG IRON	324.02	324.02	321.93	321.93

(continued)

(continued)

Table A10: Wholesale Price Index Numbers by major Groups and Selected Commodities

Item and Specifications	Index			
	May-09	Jul-09	Apr-10	May-10
FUEL & LIGHT	249.60	267.47	318.67	316.79
53 COAL	141.00	141.00	141.00	141.00
54 COKE	624.58	624.58	610.70	666.22
55 DIESEL OIL	348.79	385.74	479.20	463.84
56 MOTOR SPRIT	183.05	196.90	244.57	224.88
57 MOBIL OIL	197.80	199.47	202.36	204.08
58 FURNACE OIL	267.40	312.14	373.11	382.95
59 KEROSENE OIL	352.86	392.99	467.69	444.56
60 NATURAL GAS	227.25	217.12	256.00	256.00
61 ELECTRICITY IND. SUPPLY TARIFF-B	162.36	162.36	201.01	201.01
62 ELEC. AGRICULTURE TARIFF-D	177.78	177.78	205.07	205.07
63 FIRE WOOD	258.78	260.16	283.62	283.62
MANUFACTURE	141.25	141.07	164.72	170.15
64 SOLE LEATHER	131.99	131.99	134.06	134.06
65 CHROME LEATHER	194.84	194.84	212.23	212.23
66 COTTON YARN	103.21	102.08	162.69	178.55
67 BLENDED YARN	131.96	131.60	182.14	187.25
68 NYLON YARN	108.20	109.59	123.53	127.19
69 COTTON TEXTILES	145.55	146.56	152.04	155.26
70 HOSIERY	153.58	154.38	157.29	159.36
71 SILK & REYON TEXTILES	144.01	144.28	149.62	152.07
72 WOOLEN TEXTILES	134.46	137.37	143.32	143.32
73 JUTE MANUFACTURES	123.97	123.97	132.09	133.49
74 MATTRESSES	134.83	135.78	142.61	142.61
75 READY MADE GARMENTS	115.48	116.07	118.87	118.87
76 UTENSILS	146.64	146.64	148.88	149.53
77 PLASTIC PRODUCTS	137.15	138.47	141.25	144.57
78 GLASS PRODUCTS	162.39	168.15	179.81	179.81
79 CHEMICALS	161.65	162.04	206.18	211.80
80 DYING MATERIALS	88.36	88.36	92.57	92.57
81 SOAPS	180.55	180.62	183.97	184.22
82 COSMETICS	118.50	119.58	123.62	123.62
83 DRUGS & MEDICINES	109.20	110.29	118.79	119.40
84 FERTILIZERS	294.80	291.55	307.46	311.31
85 PESTICIDES & INSECTICISED	145.61	146.74	149.39	150.11
86 MACHINERY	175.23	175.23	178.80	185.14
87 TRANSPORTS	124.03	124.15	131.55	131.55
88 TYRES	207.78	208.67	219.20	219.35
89 TUBES	184.79	184.79	193.47	198.01
90 AUDIO-VISUAL INSTRUMENTS	91.97	92.25	92.31	92.59
91 OTHER ELECTRICAL GOODS	130.16	130.55	131.27	133.22
92 CIGARETTES	171.57	171.57	197.49	197.49
93 PAPER	105.98	105.98	105.98	105.98
94 MATCHES	124.26	124.26	124.26	124.26
95 FOOT WEAR	177.36	177.36	192.15	192.15
BUILDING MATERIAL	194.06	201.15	217.18	221.07
96 CEMENT	146.06	141.82	126.28	126.71
97 BRICKS	228.54	232.92	248.68	250.44
98 CEMENT BLOCKS	166.63	166.63	170.83	170.83
99 TILES	99.17	99.67	99.67	99.67
100 IRON BARS & SHEETS	232.55	248.46	287.66	294.74
101 PIPE FITTINGS	178.11	180.51	183.46	183.46
102 TIMBER	208.92	209.88	208.88	217.14
103 GLASS SHEETS	164.77	168.78	177.94	177.94
104 PAINTS & VARNISHES	144.23	146.05	149.43	149.43
105 SANITARY WARES	143.85	145.77	162.56	162.22
106 WIRES AND CABLES	259.37	259.37	270.43	272.09

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
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
Aug.	206.21	234.69	186.95	212.16	229.52	199.53	225.18
Sep.	207.14	235.59	187.90	212.53	230.34	199.57	227.34
Oct.	209.11	238.12	189.49	215.01	232.35	202.39	227.73
Nov.	212.02	242.40	191.48	220.98	236.69	209.55	232.14
Dec.	210.99	238.16	192.62	221.43	235.06	211.51	232.81
2010 Jan.	216.09	242.91	197.95	230.80	241.37	223.11	240.25
Feb.	216.93	243.17	199.19	231.64	242.67	223.61	242.37
Mar.	219.65	247.55	200.78	237.51	246.68	230.84	244.98
Apr.	223.44	252.53	203.77	241.88	248.53	237.04	247.50
May	223.58	252.62	203.94	243.98	248.81	240.47	249.51

*: all groups combined

Table A12: International Commodity Prices/Indices

	May-09	Apr-10	May-10
Energy			
Crude Oil (US\$ per barrel)*	58.1	84.2	75.8
IMF Energy Index (2005 =100)	109.5	154.8	141.1
WB Energy Index (1990=100) @	200.8	217.8	214.4
Food			
Rice (\$/MT)	540.8	504.8	375.6
Wheat (\$/MT)	256.7	192.9	181.6
Sugar (US cent / pound)	15.5	16.3	14.6
Palm Oil (\$/MT)	772.4	798.5	775.9
Soybean Oil (\$/MT)	845.2	868.0	832.7
Non-Food Non-Energy			
Cotton Outlook 'A' Index #	62.0	88.1	90.1
IMF Metal Price Index (2005=100)	110.1	176.3	159.1
Copper (\$/MT)	4,594.9	7,729.8	6,843.2
Alluminum (\$/MT)	1,464.4	2,314.3	2,044.7
Iron Ore (\$ cents/dry MT)	101.0	167.0	167.0
Tin (\$/MT)	13,871.8	18,634.6	17,565.0
Nickel (\$/MT)	12,763.4	26,028.5	21,930.0
Zinc (\$/MT)	1,491.9	2,367.5	1,969.8
Lead (\$/MT)	1,449.7	2,272.2	1,876.8
Uranium (\$/pound)	48.6	41.3	41.3
DAP (\$/MT)	297.5	466.0	460.6
Urea (\$/MT)	240.8	252.7	229.6

\$/MT = US\$ per metric tonne.

* Crude Oil (petroleum), simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

Middling 1-3/32 inch staple, Liverpool Index "A", average of the cheapest Cts/lb five of fourteen styles, CIF Liverpool (Cotton Outlook, Liverpool). From January 1968 to May 1981 strict middling 1-1/16 inch staple. Prior to 1968, Mexican 1-1/16. 2/

DAP: Diammonium Phosphate

@ World bank commodity index for low and middle income countries

Source: IMF and World Bank.

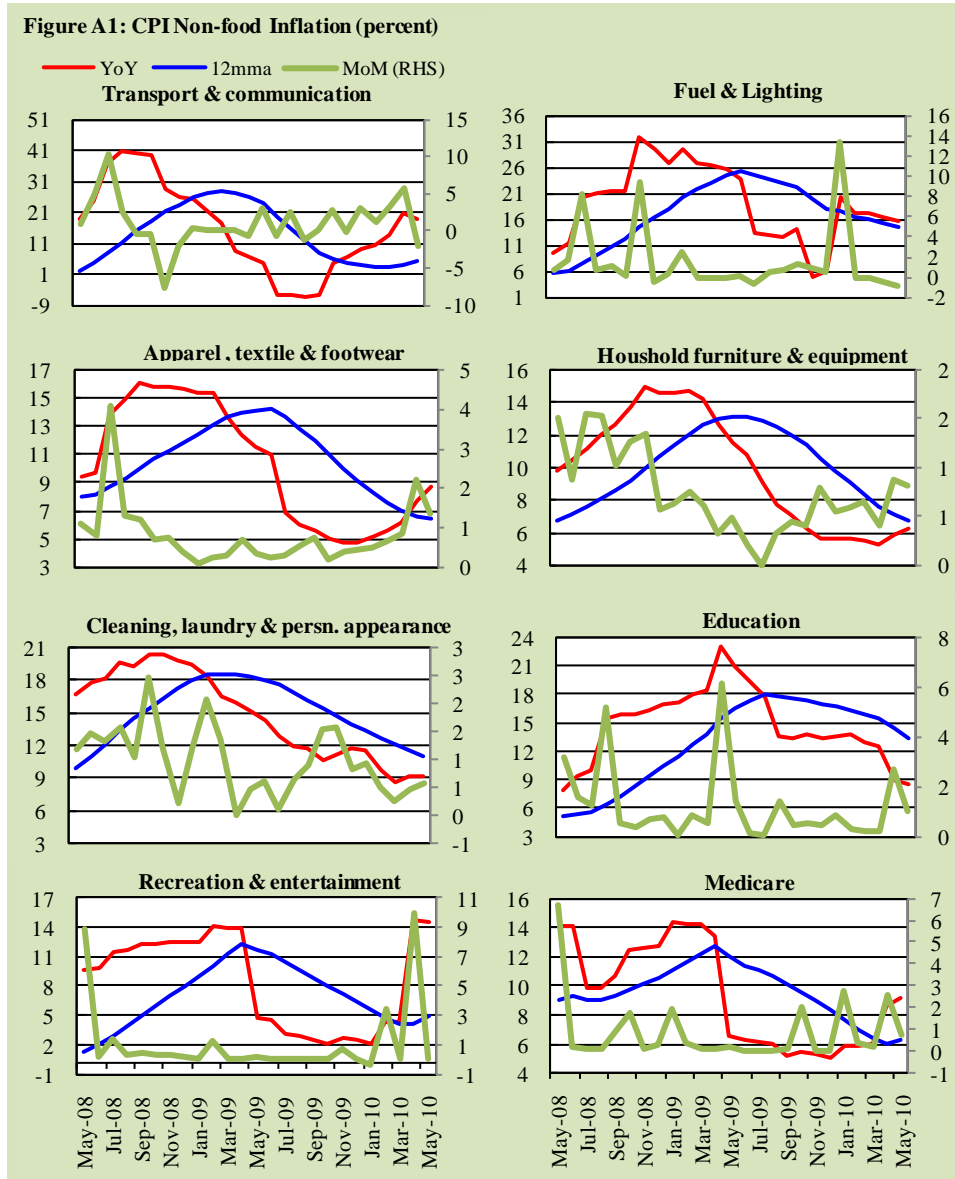
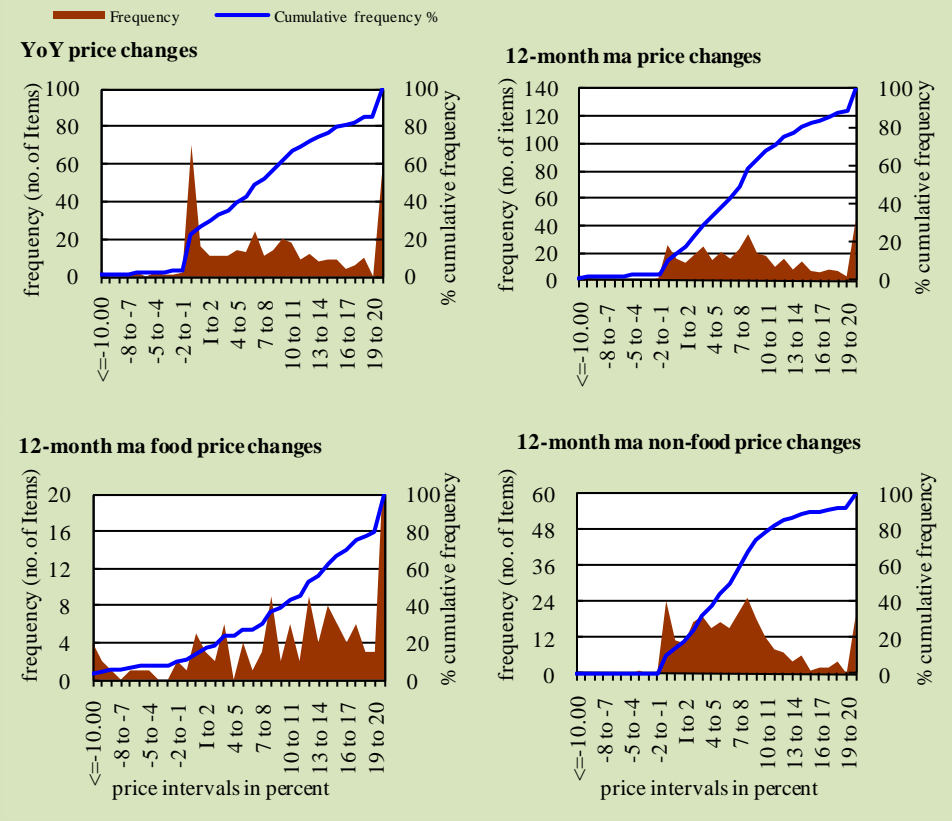
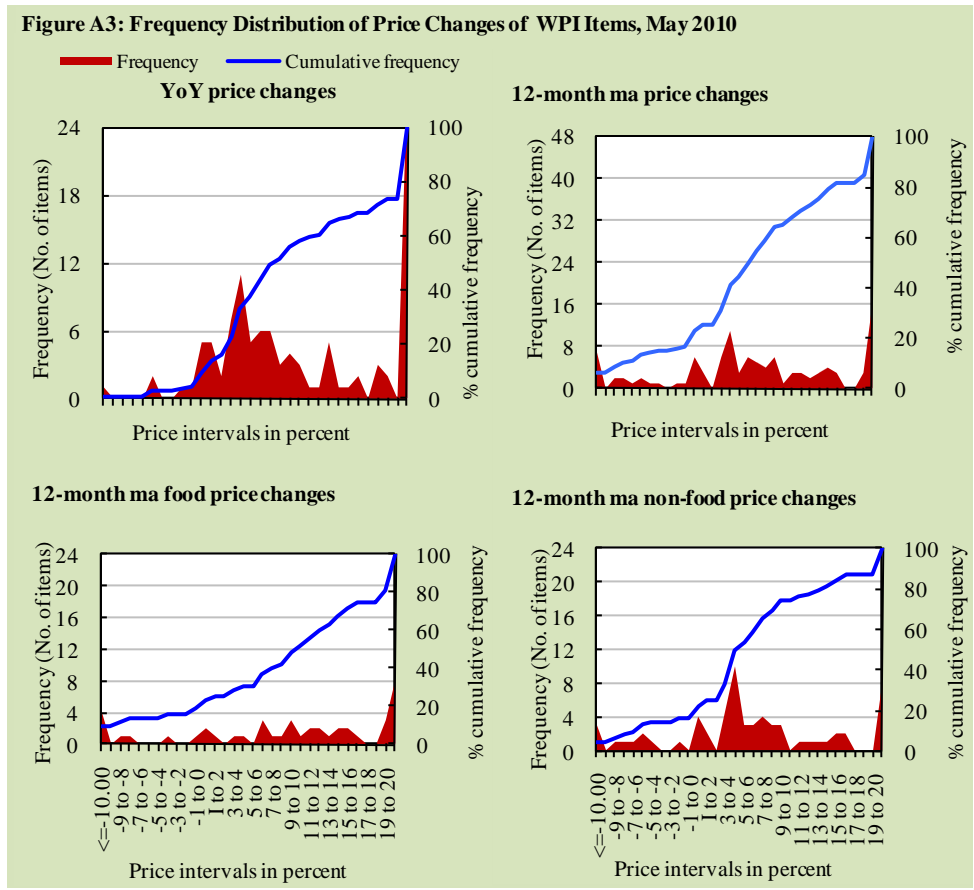


Figure A2: Frequency Distribution of Price Changes of CPI Items, May 2010





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

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

w_i : Weights of i^{th} item

π_{it} : Inflation of i^{th} item

π_t : Overall inflation