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CORE INFLATION DECLINES TO 5.6 PER CENT IN NOVEMBER, 2006

The core inflation, measured both as non-food non-energy (NFNE) and 20 percent trimmed mean, declined in November to 5.6 percent and 6.1 percent respectively compared with 7.6 percent and 6.8 percent in the corresponding month last year, according to the State Bank's monthly publication titled ' Inflation Monitor' released on its website today.

The Inflation Monitor says that the headline inflation in November 2006 persisted at its previous month rate of 8.1 percent with a slight rise in food inflation that was counterbalanced by a decline in non-food inflation. The non-food inflation continued its declining trend that has been witnessed since the end of the last fiscal year while food inflation edged up to 10.6 percent in November, 2006 from 10.5 percent in October, 2006.

Unlike CPI, the WPI and SPI inflation increased in the month under review; particularly SPI inflation increased significantly from 11.8 percent in October, 2006 to 13.4 percent in November 2006. The rise in SPI was due to sharp increase in prices of certain food items, according to the Inflation Monitor..

Within the food group, prices of 51 commodities including fresh milk, sugar, beef, fish, pulses gram, mash and moong, onion, and chillies exhibited double digit inflation in November 2006. The combined weight of such commodities (with double digit inflation) is about 48 percent of the food group. On the other hand, prices of 12 commodities declined during the month under review. The rest of items, having a weight of 43 percent in food group exhibited subdued or moderate inflation.

In the non-food group, House rent index (HRI) maintained its declining trend which started after February 2005, and recorded a moderate increase of 6.6 percent in November 2006 compared with about 10.8 percent in the corresponding month last year. Other sub-indexes of non-food group that exhibited deceleration in November, 2006 included apparel, textile & footwear, fuel & lighting, transport and communication, recreation and entertainment and medicare. Fuel and lighting inflation declined to 10.5 percent in November 2006 from 11.3 percent in October, 2006. Most notable decline was recorded in transport and communication: YoY inflation of 3.7 percent in November 2006 compared with 22.7 percent in the same month of last year. On the other hand, education sub index registered a significant increase of 7.3 percent in the month under review compared to 6.6 percent growth in the same month last year, says the Inflation Monitor.

After declining for the four consecutive months, wage inflation remained at 13.0 percent in November 2006. The wage inflation of skilled labour declined marginally whereas unskilled workers depicted a higher YoY growth of 16.6 percent in the month under review. Further breakup exhibited that the wages of carpenters, laborers, and plumbers increased with higher than previous month rate while the masons and electricians showed deceleration in their wage inflation.

(For complete text of the 'Inflation Monitor', please visit our website: www.sbp.org.pk).
