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STATE BANK RELEASES 'INFLATION MONITOR' FOR MAY 2006

The State Bank of Pakistan released its monthly publication titled 'Inflation Monitor', which gives an objective analysis of inflationary trends and reviews different aspects of price movements, for the month of May 2006 on its website today.

After declining successively during the last three months, the consumer price inflation resurged in May 2006 and posted at 7.1 percent year-on-year compared with 6.2 percent in April 2006. The resurgence has also been observed in other two measures of inflation, viz. wholesale price index and sensitive price indicator. Although both food and non-food inflation increased during the month under review, the food group remained the key contributor to overall inflation, according to the Inflation Monitor.

Food inflation (CPI) increased to 5.6 percent in May 2006, up from 3.6 percent in April 2006. The Inflation Monitor pointed out that this increase was mainly due to a weak base along with significant increase in prices of a number of important items including milk, meat, sugar, potatoes, cold drinks, and pulses. The average price of pulses recorded more than 60 percent increase over May 2005. Price of sugar, though slightly declined in May 2006 as compared with the last month (April 2006), is still 40 percent above than that of May 2005.

Non-food inflation (CPI) rose to 8.2 percent during May 2006 as compared to 8 percent inflation recorded during April 2006 as well as in the corresponding month last year. Increase in non-food inflation during the month under review was mainly contributed by higher inflation in fuel & lighting, furniture & equipments, cleaning, laundry & personal appearance and education, according to the Inflation Monitor.

Core inflation (Non-food non-energy) also witnessed an increase of 6.6 percent in May 2006 after a continuous decline for the last several months. According to the Inflation Monitor, the increase in core inflation was mainly due to second round effect of the earlier increase in oil prices which has been reflected in the rising transportation cost and consequently in general price level.

Wage inflation increased significantly during the month under review with average wages of construction workers (carpenter, mason, labourer, plumber, and electrician) rising by 16.9 percent in May 2006 as compared with 14.2 percent in April 2006. This increase in overall wage inflation was contributed by higher wages of both the skilled and unskilled workers, the Inflation Monitor added. (For complete text of the 'Inflation Monitor', please visit our website: www.sbp.org.pk)
