Inflation Monitor

February 2006

State Bank of Pakistan

Economic Policy and Research Departments

Contents

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1. Overview

Inflationary pressures, after remaining strong during December 2005 and January 2006, eased in February 2006. Headline inflation, measured by consumer price index (CPI), dropped to 8 percent year-on-year (YoY) in February 2006; wholesale price inflation continued to decelerate and was recorded at 9.9 percent during the month as against more than 11 percent during the first half of the current fiscal year. Inflation of sensitive price indicator (SPI), however, increased in February 2006 by 1 percentage point from its previous month's rate (see **Table 1.1**). The acceleration in SPI inflation was mainly due to increase in prices of items like sugar, milk, pulses and LPG. Despite the increase in the prices of some key food and fuel items the CPI inflation decelerated because the rate of increase in the prices of a number of other items, that are included in CPI but not in SPI, either declined or remained stable.[1]

Table 1.1: YoY Inflation (%)

	CPI			WPI			SPI	Core Inflation	
	General	Food	Non-Food	General	Food	Non-Food	General	By Exclusion	By Trimming
Feb-05	9.9	12.9	8.0	6.7	11.9	3.3	11.6	7.4	8.6
Mar-05	10.2	13.3	8.2	6.3	11.1	3.1	11.4	7.6	8.0
Apr-05	11.1	15.7	8.0	7.7	13.6	3.7	13.4	7.9	8.5
May-05	9.8	12.5	8.0	6	10.1	3.2	9.9	7.5	8.0
Jun-05	8.7	9.3	8.4	6.2	8.4	4.6	9.2	7.4	7.7
Jul-05	9	9.7	8.5	9.4	10.0	8.9	8.0	7.6	7.3
Aug-05	8.4	7.8	8.8	11.7	8.6	14.0	7.1	7.6	7.1
Sep-05	8.5	7.5	9.3	11.9	7.5	15.2	7.0	7.6	7.0
Oct-05	8.3	6.4	9.6	11.1	7.2	14.1	6.5	7.8	7.0
Nov-05	7.9	5.8	9.4	10.9	6.4	14.3	5.4	7.6	6.8
Dec-05	8.5	8.1	8.8	11.0	7.8	13.7	6.2	7.4	6.5
Jan-06	8.8	8.2	9.2	10.8	7.2	13.8	6.0	7.3	6.5
Feb-06	8.0	7.5	8.4	9.9	6.9	12.5	7.0	7.0	6.4

Core inflation, measured both by excluding food and energy components from CPI basket and by trimming 20 percent of CPI items showing extreme changes, also continued to decline during the month (see **Figure 1.1**). If no supply shocks occur during the subsequent months, the persistent decline in the core inflation is very likely to derive the headline inflation down by the end of this fiscal year.

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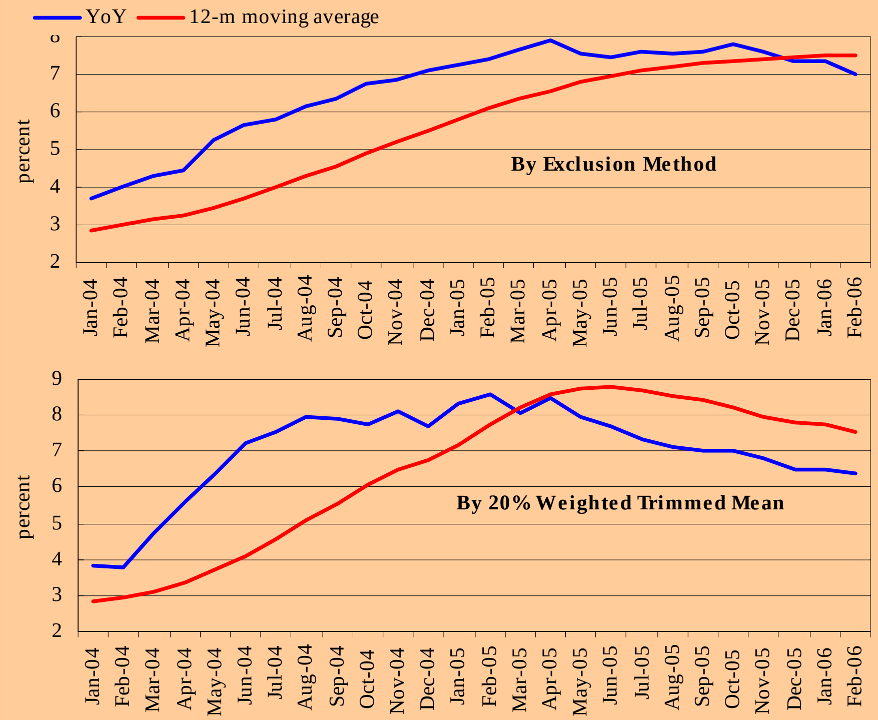
[1] SPI is a sub-basket of CPI: it includes 32 food items while CPI includes 124 items from the food group, SPI includes seven fuel items while CPI includes about 15 items relating to fuel.

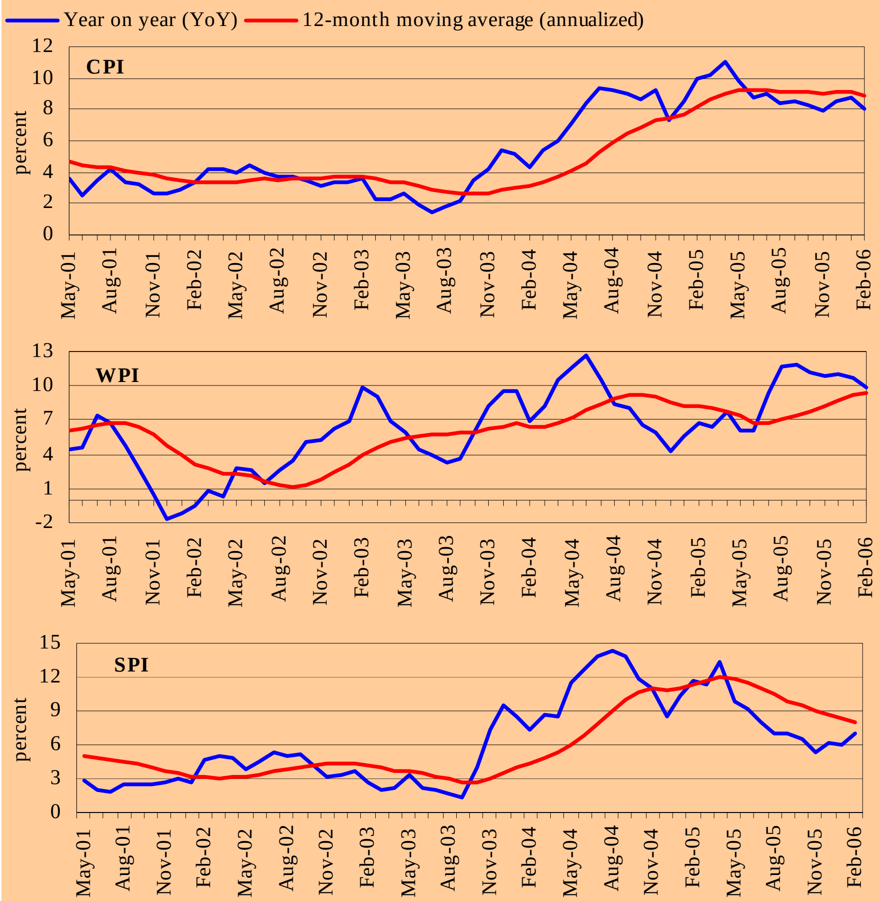
Figure 1.1: Core Inflation



The deceleration in inflation of both CPI and WPI has also been supported by the stability in domestic prices of liquid fuels since October 2005 coupled with no further change in natural gas prices after January 2006. Prices of liquid fuels have been witnessing abrupt fluctuations in the international market, as after rising to US $62.4 per barrel in January 2006, price of crude oil declined to US $59.7 in February 2006. The government has so far kept the domestic oil prices constant which has moderated the domestic inflation.

The long-run trends of CPI and SPI, measured as 12-month moving average, are also indicating a slowdown in inflation, though still very high, primarily due to the lag impact of price hike that occurred during the last couple of months of FY05. The long-run trend of WPI inflation has been rising since the beginning of the current fiscal year (see **Figure 1.2**). However, in the months ahead, the long-run WPI inflation may also start decelerating if the current rate of decrease in actual WPI inflation continues.

Figure 1.2: Monthly Movements in Price Indices



The YoY inflation measures percent change of price during a given month over the corresponding month last year; another dimension of price change is period average inflation that measures change in the average index during the period starting from the beginning of the fiscal year (i.e. July) to the given month over the average index during the corresponding period last year. **Table 1.2** gives such other dimensions of price changes and shows the similar trends in inflation as discussed above.

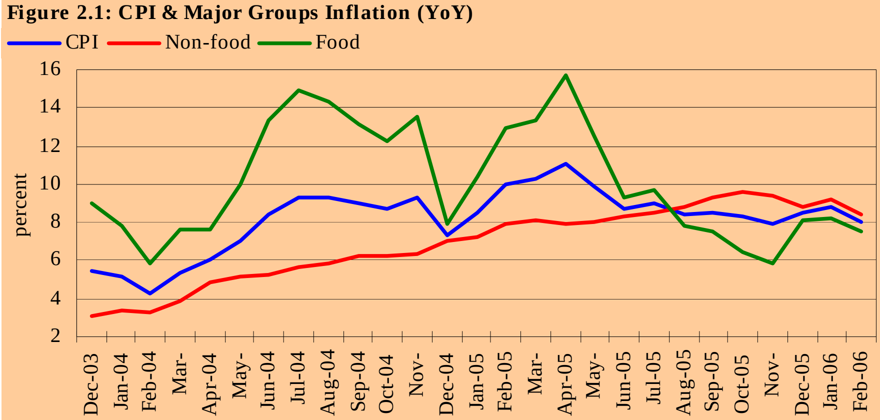
Table: 1.2: Different Dimensions of Price Changes

Index	General	Food	Non-Food	Past Five Years Average		
				General	Food	Non-Food
Annual Point to Point % Change						
CPI	8.0	7.5	8.4	5.8	6.3	8.4
WPI	9.9	6.9	12.5	6.6	6.1	7.1
SPI	7.0	-	-	6.7	-	-
Period to Period Average % Change (Jul 05–Feb 06 over Jul 04–Feb 05)						
CPI	8.4	7.6	9.0	5.5	5.9	5.3
WPI	10.8	7.7	13.3	6.3	5.8	6.8
SPI	6.6	-	-	6.1	-	-
12 Months Moving Average % Changes (Mar 05–Feb 06 over Mar 04–Feb 05)						
CPI	8.9	9.2	8.7	5.5	5.9	5.2
WPI	9.4	8.7	10.0	6.2	5.8	6.6
SPI	8.0	-	-	6.2	-	-
Monthly % Changes (Feb 06 over Jan 06)						
CPI	0.3	0.2	0.4	0.4	0.2	0.5
WPI	0.8	0.7	0.8	1.1	0.4	1.7
SPI	1.5	-	-	0.6	-	-

2. Consumer Price Inflation

Consumer price inflation witnessed a dip during February 2006, and was recorded at 8 percent (YoY) as compared to the 9.9 percent in February 2005. CPI inflation exhibited a rising trend during the previous two months of December 2005 and January 2006; however the sharp deceleration in both *food* and *non-food* inflation and the strong base of February 2005, brought CPI inflation YoY down to a rate below the average of the first eight months of FY06 (see **Figure 2.1**).

Figure 2.1: CPI & Major Groups Inflation (YoY)



2.1 Food Inflation

As mentioned earlier, CPI *food* inflation recorded a sharp deceleration in February 2006 despite the significant rise in prices of important food items like milk, meat, sugar and pulses (see **Figure 2.2**). Inflation (YoY) in this very sub-group was recorded at 7.5 percent in February 2006, as compared to 13 percent inflation recorded during the corresponding month last year; the base effect has started playing its role, and is expected to continue during the months ahead.

Figure 2.2: Food Group

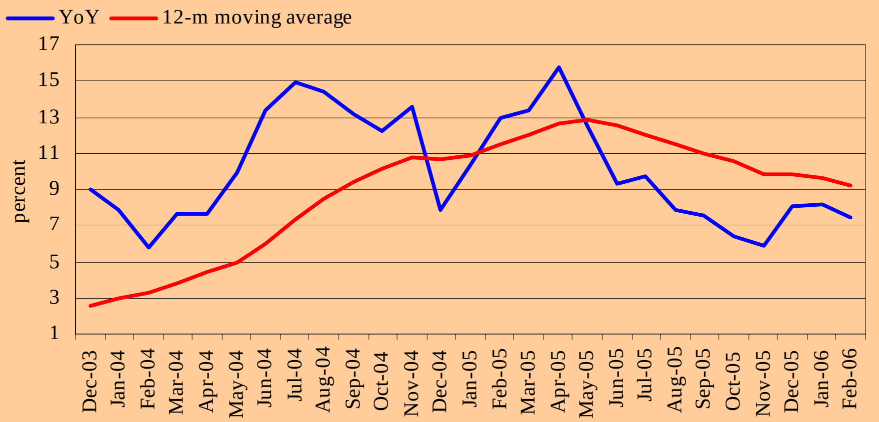
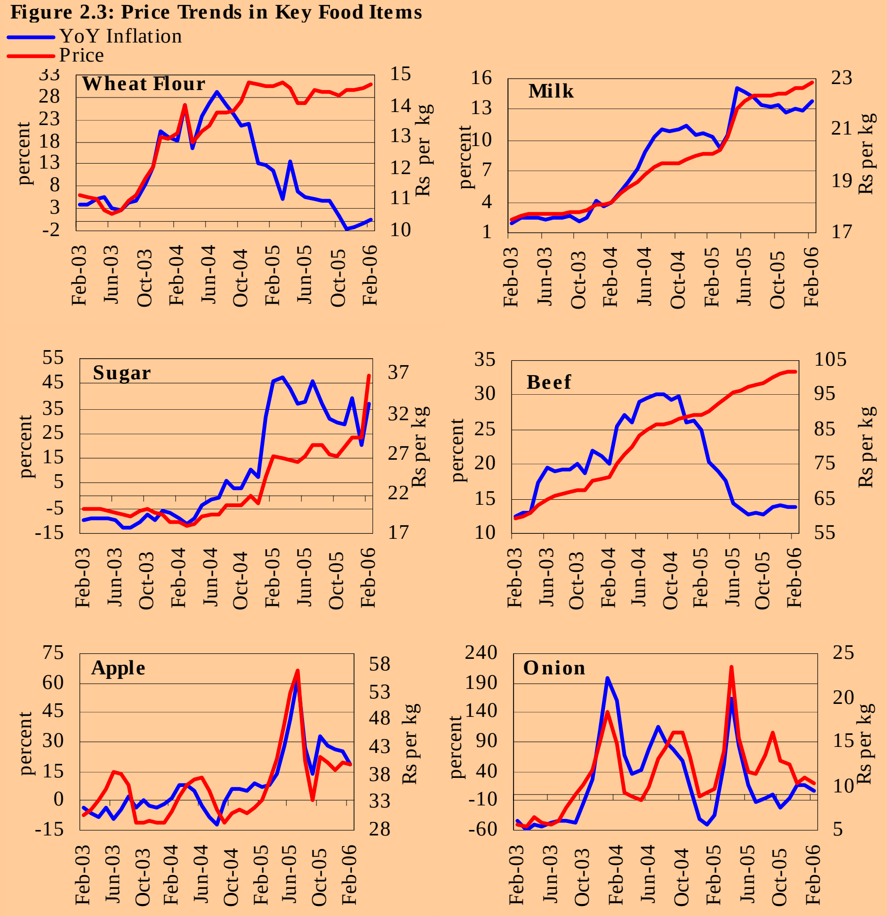


Figure 2.3 gives the price movements of some key food items: price of wheat flour increased slightly during February 2006 after showing deflation during the previous month; sugar was the main item showing sharp increase in price from Rs 29 per kg in January 2006 to Rs 37 per kg in February 2006. Rise in sugar prices was primarily due to speculative activities instigated by expected decline in domestic production of sugar and higher international prices. The government, however, attempted to control sugar prices through providing the commodity at controlled rate at Utility Stores Corporation outlets and improving supply position by allowing imports from India.

The price of milk has also placed significant pressure on CPI *food* inflation, as in February 2006 milk was the highest contributor to the CPI *food* inflation and second highest to the overall CPI inflation. The prices of farm eggs and chicken, however, declined sharply during February 2006 as a result of cautious behavior created by the evidences of bird flue in the neighbouring countries. Decline in the prices of tomatoes and some other fruits have also helped in mitigating the impact of rise in sugar and milk prices.

Figure 2.3: Price Trends in Key Food Items



2.2 Non-food Inflation

After rising to 9.2 percent YoY in January 2006, CPI *Non-food* inflation decelerated and was recorded at 8.4 percent (YoY) in February 2006. However, due to the earlier pressures from fuel prices, transport and house rent index, the 12-month moving average of non-food inflation is still rising (see **Figure 2.4**). The pressure from *house rent index* (HRI) inflation, though exists, has been easing continuously for the last 12 months (see **Figure 2.5**), and is expected to further check non-food inflation.

Figure 2.4: Non-food Inflation

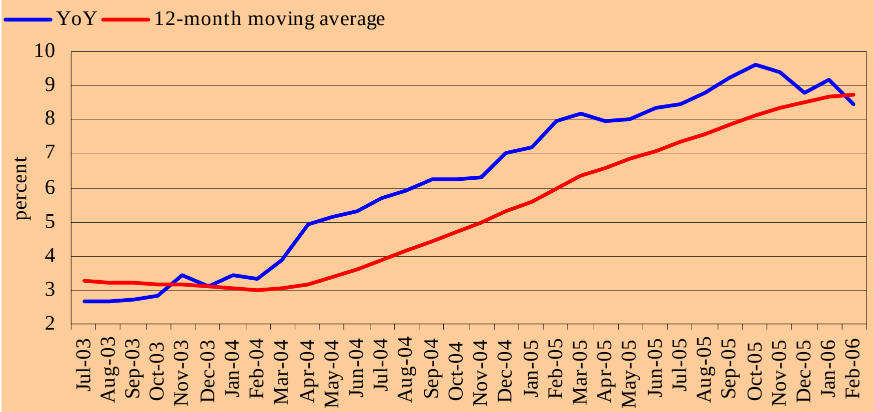
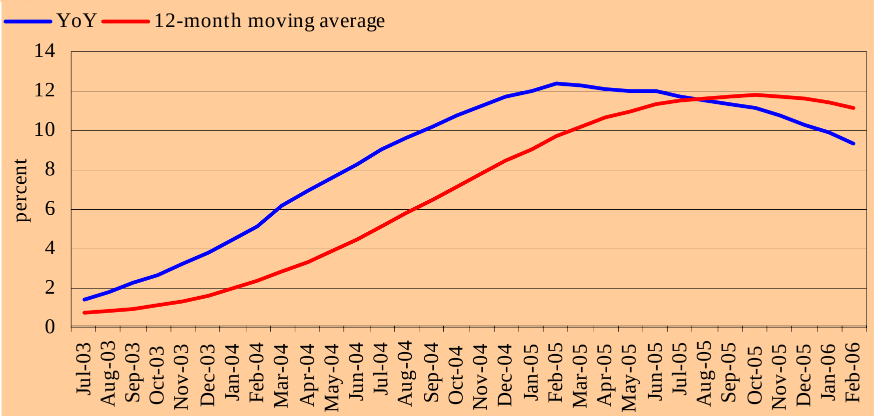
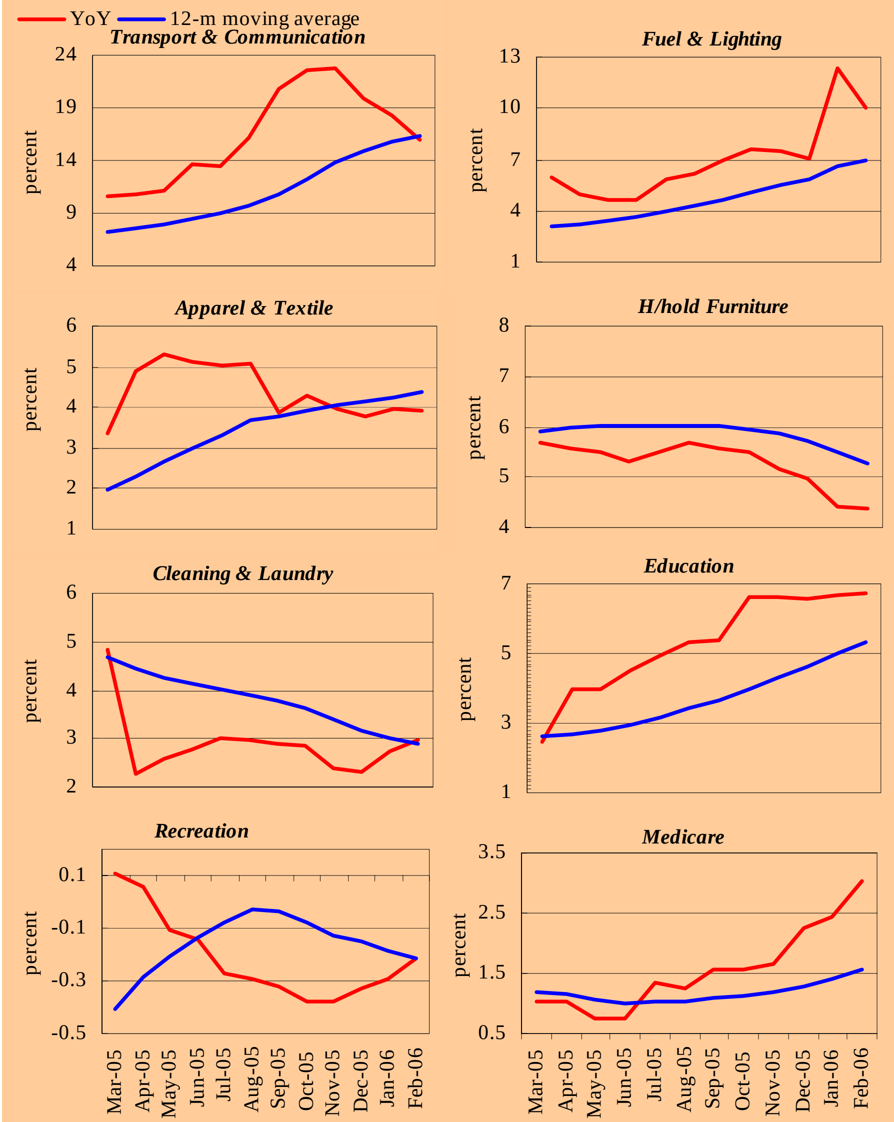


Figure 2.5: House Rent Inflation



The recent deceleration in non food inflation has been contributed by, in addition to house rent index, transport & communication, household furniture & equipment and most importantly by fuel & lighting groups (see **Figure 2.6**). There was acceleration in the rate of increase of other sub-groups including Medicare, education, and recreation, however, their weighted contribution was lower than the sub-groups showing deceleration. Therefore, the overall non-food inflation declined during February 2006.

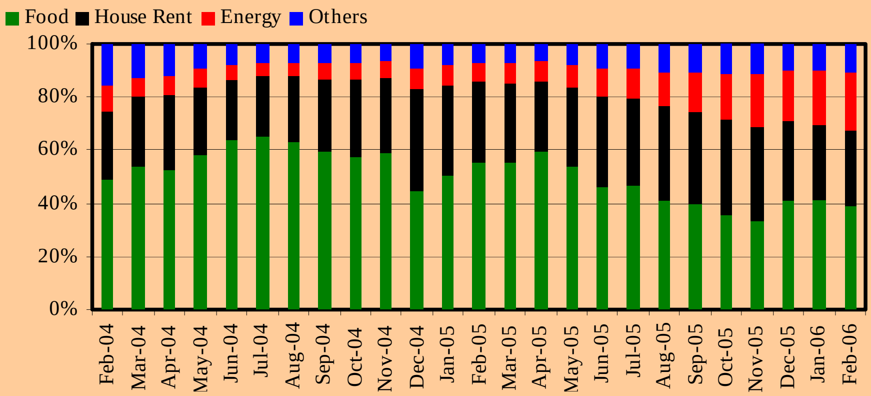
Figure 2.6: CPI Non-food Sub-Indices' Inflation



2.3. Major Contributions

Share of *food* in the overall inflation remained high at 38 percent during February 2006, yet it was low as compared to its share of above 52 percent in the same month last year. In the *non-food* group, the contribution of *energy* is high due to the rise of LPG price during February 2006 coupled with declining contribution in HRI inflation[2] (see **Figure 2.7**).

Figure 2.7: Weighted Contribution to The Headline Inflation (YoY)



Energy: *Fuel & lighting and Transport & communication;*
Others: *Apparel & textile, Household furniture & equipment, Recreation, Education, Cleaning , laundry & personal appliances, and Medicare.*

Table 2.3: Top Ten CPI Items (Ranked by Weighted Contribution)

percent				Price	Point to Point Change			Weighted
S.#	**Items**	**Unit**	**weights**	**Feb-06**	**Feb-04**	**Feb-05**	**Feb-06**	**Contribution**
1	House rent index	Index	23.43	133.7	5.2	12.3	9.4	27.2
2	Milk fresh (unboiled)	Ltr	6.53	22.8	3.9	10.3	13.8	11.2
3	Sugar refined	Kg	1.95	36.8	-8.8	45.6	37.3	9.0
4	Petrol super	Ltr	1.73	56.5	-2.6	26.4	27.8	6.0
5	Beef with bone average quality.	Kg	1.61	101.9	20.2	25.1	13.9	2.8
6	Potatoes	Kg	0.53	15.6	-1.1	69.0	41.3	2.7
7	Gas chrg10.1157 - 13.4876mmbtu	Mmbtu	0.93	352.8	2.0	15.5	22.2	2.6
8	Firewood whole	40 kg	0.48	144.8	16.4	14.0	27.7	1.6
9	Chillies green	Kg	0.14	60.5	65.3	-19.5	89.5	1.6
10	Pulse Moong (washed)	Kg	0.22	46.7	-6.7	14.0	51.0	1.4
Total			**37.6**					**66.2**

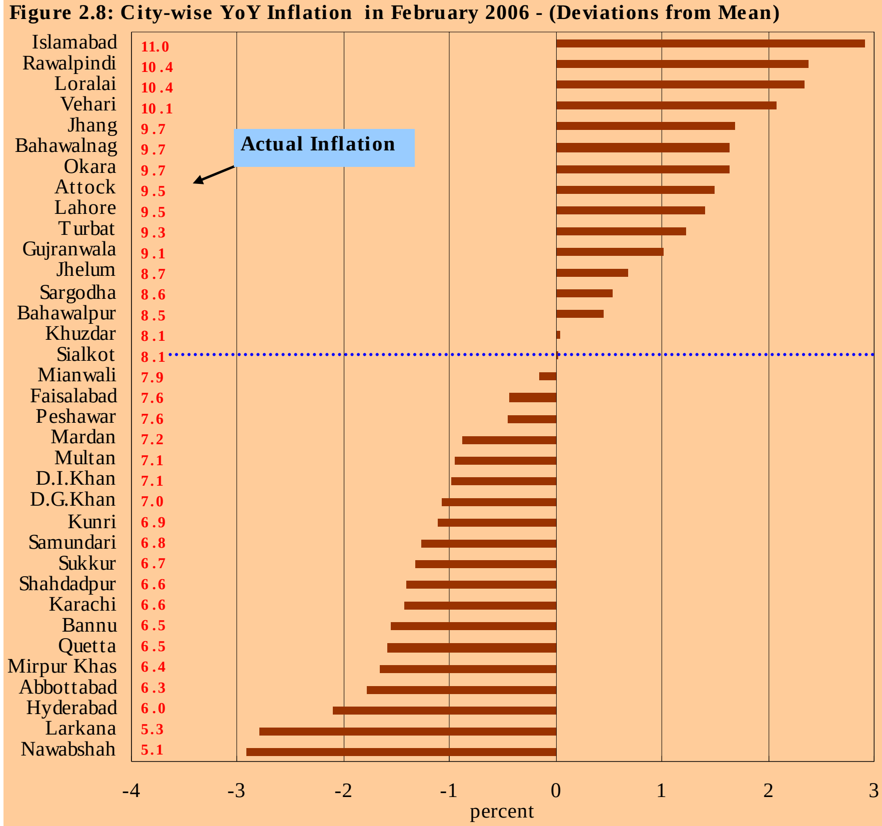
[2] The HRI contribution, though declining, is still high at 27 percent due to its heavy weight compared with the weight of any other item in the CPI basket.

During February 2006, inflation in the prices of ten items, out of the 374 items in the CPI basket, contributed to more than 66 percent of the overall inflation. With the only exception of HRI, rest of the 9 items belong to either *food* or *energy* group of CPI. Within the *food* group, milk alone contributed to 11 percent of the overall CPI inflation, which is even higher than the contribution of petrol price (see **Table 2.3**).

2.4 Regional Incidence of Inflation

With the slowdown in overall inflation most of the big cities in the sample recorded lower-than-mean inflation during February 2006. Out of 35 cities in the sample, 17 cities recorded an inflation rate of above the average rate prevailing for the whole economy. Islamabad and Nawabshah once again remained at the extremes. Among the big cities Islamabad and Lahore were the main that

Figure 2.8: City-wise YoY Inflation in February 2006 - (Deviations from Mean)

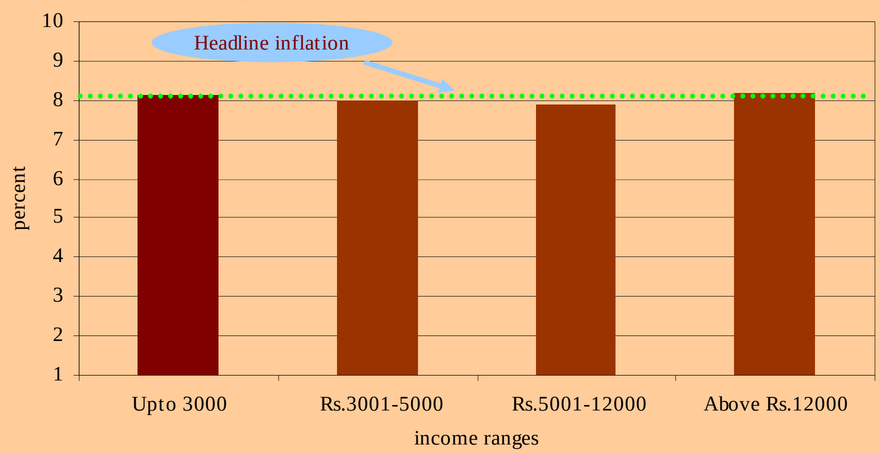


witnessed higher inflation while Peshawar, Quetta and Karachi remained in the lower bracket during February 2006 (see **Figure 2.8**).

2.5 Socio-economic Incidence of Inflation

All the income groups recorded negligible differences from the mean (headline) inflation in February 2006. The highest and the lowest income groups witnessed an inflation rate of above the average inflation recorded for the economy as a whole during February 2006 (see **Figure 2.9**).

Figure 2.9: Income Group-wise Inflation in Feb-06 (YoY)



3. Wholesale Price Inflation

The wholesale price inflation continued its decelerating trend in February 2006 and declined to 9.9 percent – a decline of almost 1 percentage point from 10.8 percent in January 2006. The deceleration in WPI inflation is mainly due to easing crude oil prices and significant decline in the prices of some of the food items and construction materials (see **Figure 3.1**). Nevertheless, inflation based on 12-month moving average continued to show a rising trend. Similarly, the average wholesale price inflation during the first eight months of FY06 remained significantly higher at 10.8 percent compared to 6.9 percent increase recorded during the same period last year (see **Table 3.1**).

Figure 3.1: Wholesale Price Inflation

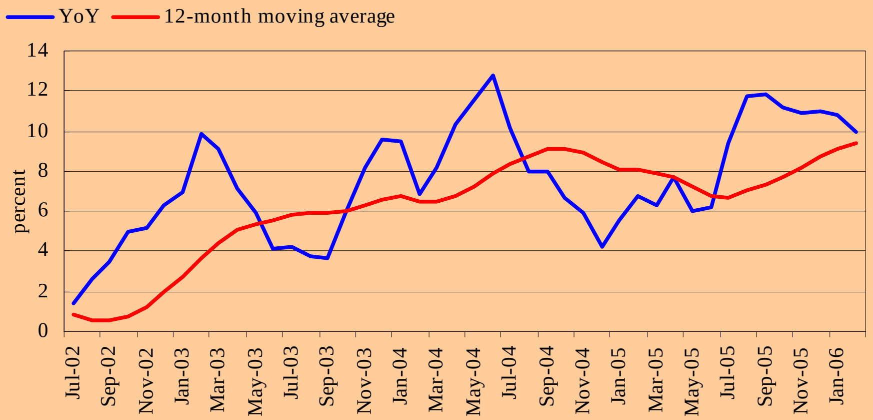


Table 3.1: Group-wise WPI Inflation

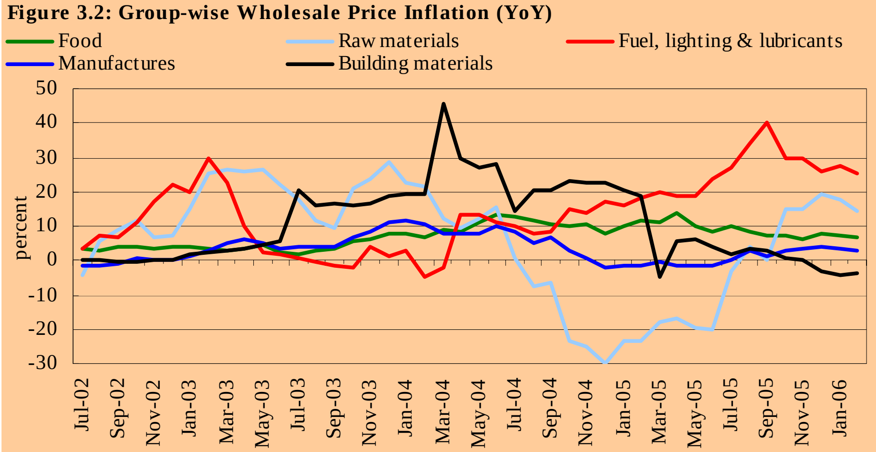
Annual percentage changes

WPI and its components	FY03	FY04	FY05	July-February FY04	July-February FY05	July-February FY06
Food	3.5	7.0	10.7	5.3	10.6	7.7
Raw materials	14.4	17.0	-18.1	19.5	-17.9	9.7
Fuel, lighting & lubricants	12.5	2.8	15.8	0.0	13.3	29.7
Manufactures	1.7	7.9	1.1	7.6	2.3	2.7
Building materials	1.7	22.9	13.7	17.8	20.3	-0.3
Overall index	**5.6**	**7.9**	**6.8**	**6.5**	**6.9**	**10.8**
Overall excl. food	***7.3***	***8.7***	***3.6***	***7.5***	***3.8***	***13.5***
Overall excl. fuel	***3.9***	***9.2***	***4.5***	***8.2***	***5.3***	***5.8***
Overall excl. food and fuel	***4.3***	***11.7***	***-1.8***	***11.5***	***-0.3***	***3.7***

Source: Based on data from FBS

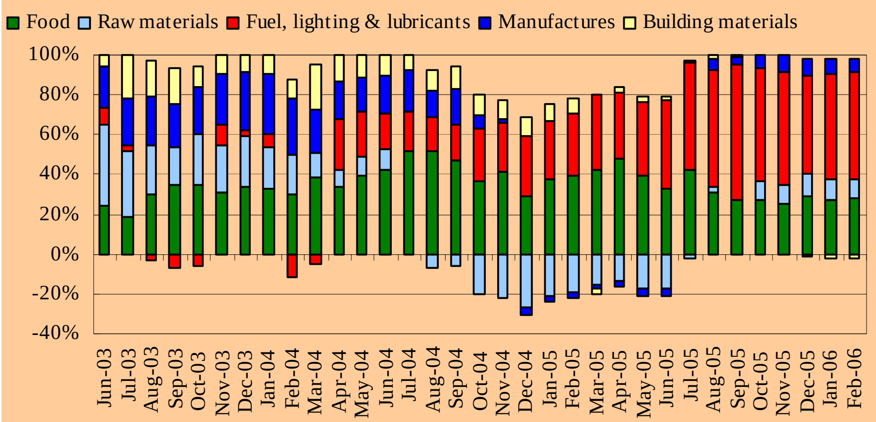
All the five WPI groups witnessed deceleration in February 2006 with the *building material* index showing deflation on account of declining steel prices. The *food* index also maintained the decelerating trend despite significant increase in the prices of sugar and pulses. The inflation in *fuel, lighting & lubricants* index decelerated slightly mainly due to high base last year. The annual rate of increase in *manufactures* index also continued to show decelerating trend during the last couple of months (see **Figure 3.2**).

Figure 3.2: Group-wise Wholesale Price Inflation (YoY)



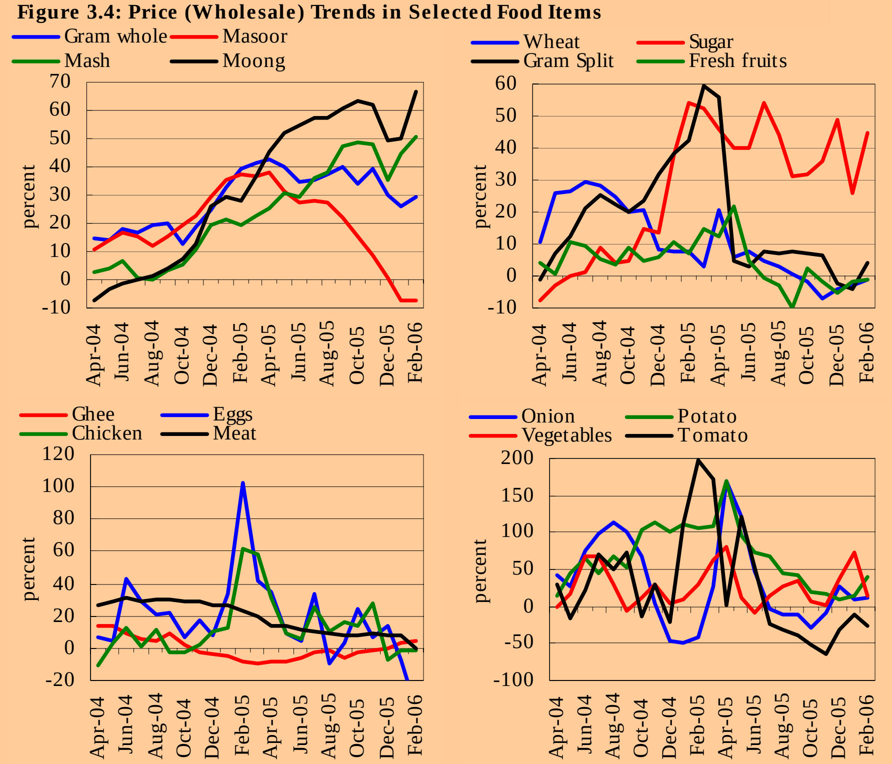
During February 2006, groups' contributions to wholesale price inflation did not change much compared to last month; however, when compared with the last year, significant changes in the relative contributions of commodity groups to overall WPI inflation can be observed (see **Figure 3.3**). The weighted share of *food* fell below 30 percent in February 2006 from more than 70 percent in the same month last year; the contributions by *raw material* and *manufactures* groups reversed from negative to positive and; the contribution of building material fell to negative.

Figure 3.3: Groups' Weighted Contribution to YoY WPI Inflation



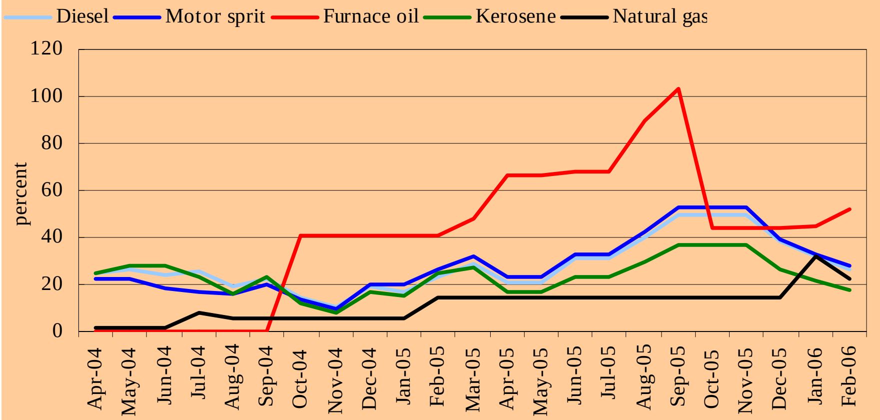
Despite jump in sugar prices (26.6 percent over January 2006), the YoY increase in *food* index fell to 6.9 percent in February 2006 from 7.2 percent in the last month. This was mainly due to decline in the prices of eggs, chicken, tomatoes and vegetables that more than offset the impact of rise in sugar and pulses prices. Moreover, wheat prices also maintained the declining trend (see **Figure 3.4**).

Figure 3.4: Price (Wholesale) Trends in Selected Food Items



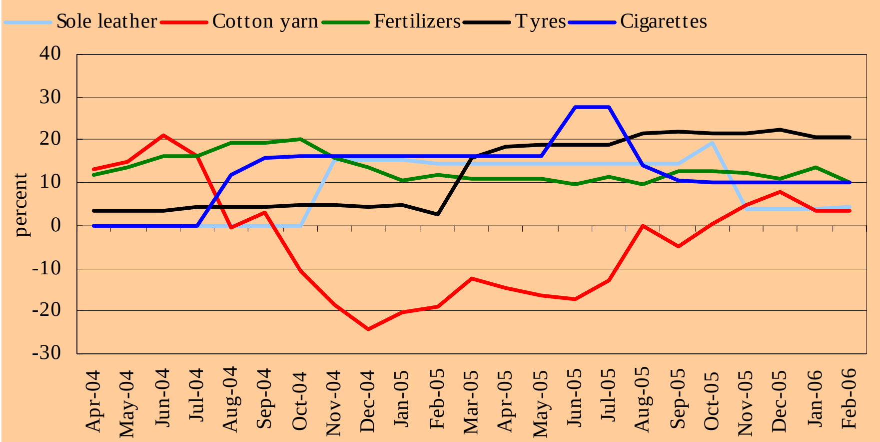
The annual increase in *fuel, lighting & lubricants* index decelerated to 25.2 percent in February 2006 after increasing to 27.4 percent in last month; the factors contributing to this deceleration were stability or decline in oil prices except furnace oil (see **Figure 3.5**), settling down of gas prices after a jump in January 2006 and high base effect. The furnace oil prices increased in the month due to increased demand from thermal power generation in the wake of water shortage. Moreover, the price of furnace oil varies with the international prices because it is mostly imported as domestic production usually fails to meet peak winter requirement.

Figure 3.5: Wholesale Price Indices of Selected Fuel Items (YoY change)



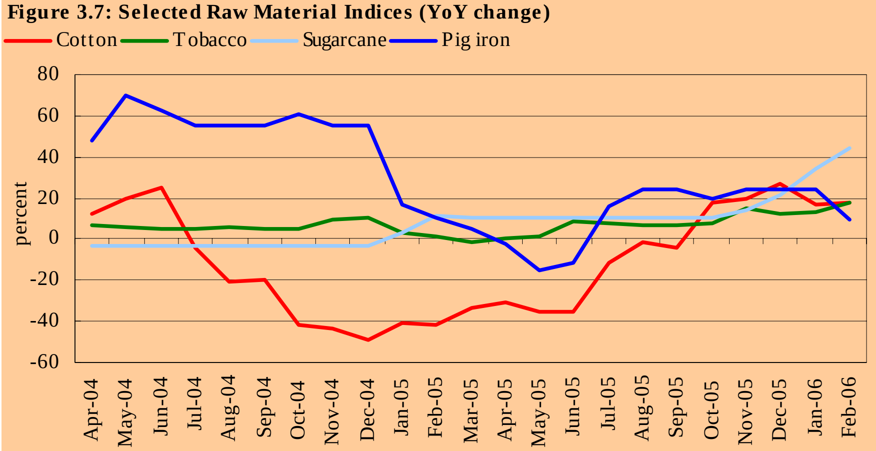
The *manufactures* index witnessed YoY growth of 3.1 percent in February 2006, down from 3.4 percent increase in last month. This slowdown is largely attributable to falling trends in the prices of fertilizer and leather products (see **Figure 3.6**). The fertilizer prices came down with the declining trend in DAP and urea prices in international market, while the prices of leather products came under pressure due to higher domestic production.

Figure 3.6: Selected Sub-indices of Manufactures (YoY change)



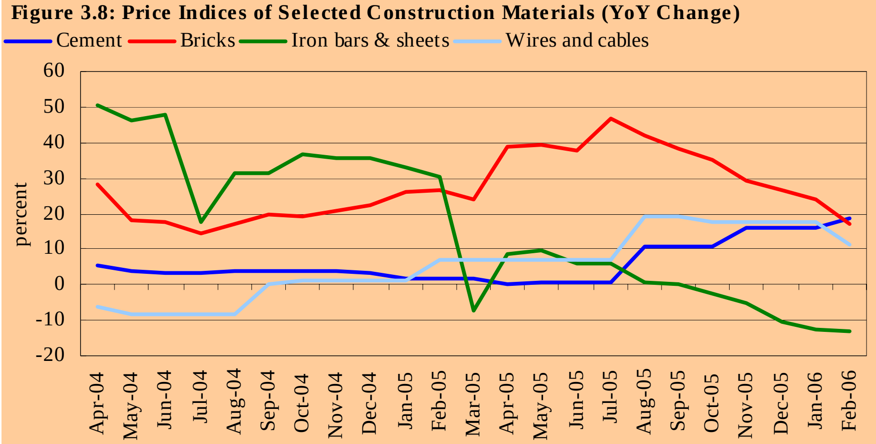
The inflation in *raw material* index fell further to 14.2 percent in February 2006 from previous month's level as a result of decline in the prices of cotton seed, skins and hides (see **Figure 3.7**).

Figure 3.7: Selected Raw Material Indices (YoY change)



The deflation in *building material index* observed since December 2005, continued in February 2006 as well: the index witnessed a decline of 3.7 percent in February 2006 compared to an increase of 18.6 percent in the corresponding month of last year. This decline was facilitated by falling trends in iron bars & sheets prices on account of reduction in import duties and cut in prices by Pakistan Steel a few months back. Steel prices in international marked also fell due to oversupply following build up of new production capacity by China. Moreover,

Figure 3.8: Price Indices of Selected Construction Materials (YoY Change)

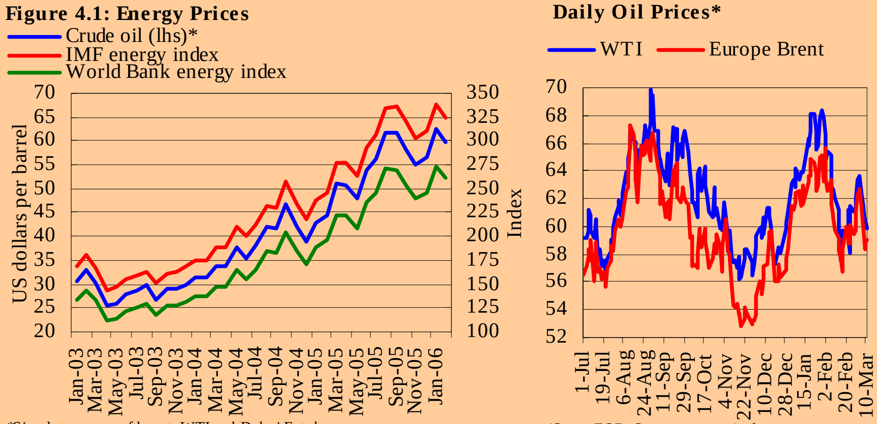


the annual increase in bricks prices witnessed slowdown in February mainly due to high base last year. However, the annual increase in cement prices continued to maintain accelerating trend in February 2006 and are likely to remain so as the manufacturers raised prices by Rs 5-7 per bag with effect from March 6, 2006 (see **Figure 3.8**).

4. Global Prices of Key Commodities

The crude oil prices in international market declined by 4.2 percent to US$ 59.7 per barrel in February 2006 from US$ 62.4 per barrel in the last month, although still 34.4 percent higher than the corresponding month of last year (see **Figure 4.1**). The oil prices started to ease with the start of February as improved US inventory position partly offset the impact of physical disruptions and market concerns over Iran and Nigeria.

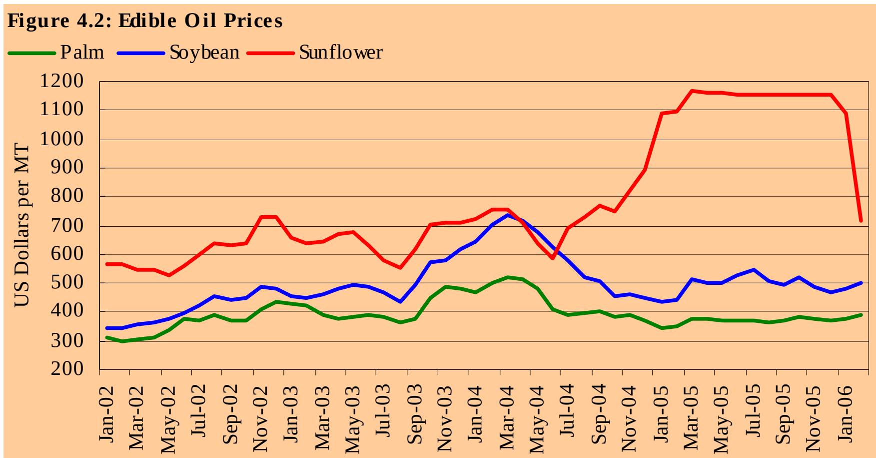
Figure 4.1: Energy Prices — **Daily Oil Prices***



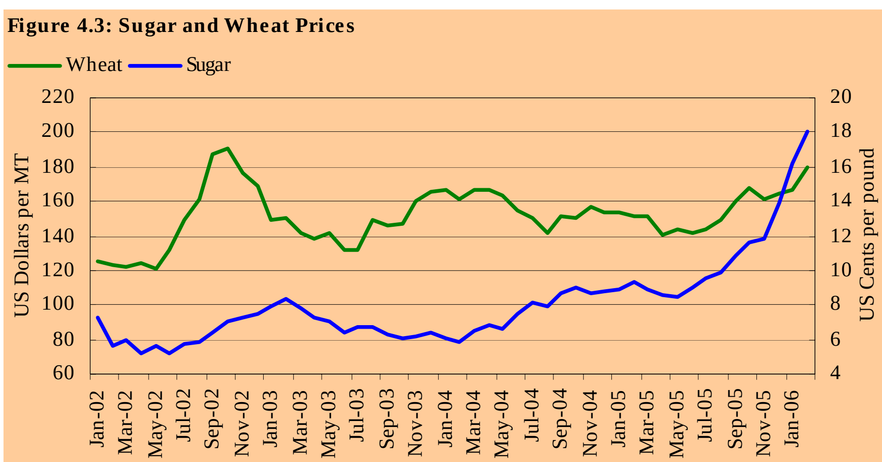
*Simple average of brent, WTI and Dubai Fateh

*Spot, FOB; Source: www.eia.doe.gov

The price of sunflower oil declined sharply during February 2006 that has been showing record increase since November 2004 on the back of lower production from South America, while the prices of palm and soybean maintained the rising trend though modestly (see **Figure 4.2**).

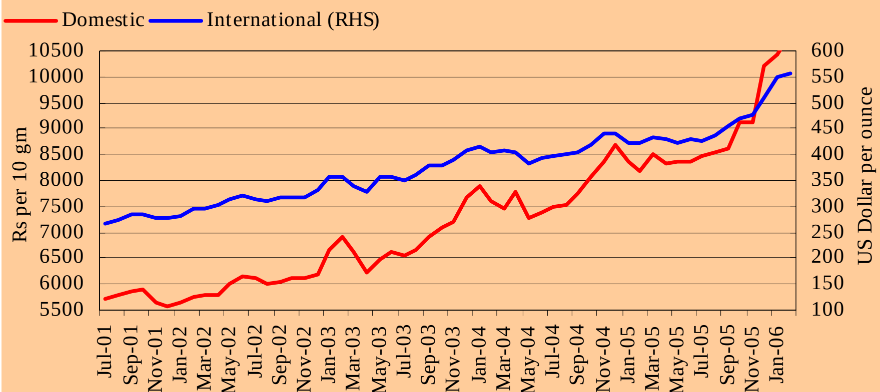


The prices of wheat and sugar also maintained the rising trend (see **Figure 4.3**). Sugar prices almost doubled from US 9.3 cents per ounce in February 2005 to US 18.1 cents per ounce this year, mainly due to expected lower production and heavy investment by hedge funds. Moreover, the growing demand for bio-fuel is also one of the factors as higher production of ethanol by South American producers is supposed to have resulted in lower sugar production.



During February 2006, gold rose by 31.1 percent to US$ 555 per ounce from US$ 423.4 per ounce in February 2005 (see **Figure 4.4**). The gold prices continued to maintain the rising trend due to factors including high demand from investors on the back of the Indian wedding season (which peaks in April and May), weakening of dollar against major currencies and volatile oil prices.[3]

Figure 4.4: Gold Prices



*Source: www.gold.org for international and FBS for Domestic prices

The steel prices in international market continued to remain stable. The World Bank index of 8 steel products[4] maintained the level of 136.8 since July 2005, showing 4.4 percent YoY increase during February 2006. However, (IMF) metal price index,[5] continued to show rising trend (see **Figure 4.5**). The rise in metal prices was lead by a sharp increase in the prices of copper, zinc, tin, lead and aluminium.

The global cotton prices continued to show rising trend in February 2006, mainly due to the expectation of lower production (see **Figure 4.6**). The global production of cotton is expected to fall by about five percent during 2005-06 due to decrease in planting in Argentina, Brazil and Australia. On the other hand, world consumption is expected to increase by 3 percent. Therefore, the prices are expected to remain strong during the coming months as well.[6]

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[3] A weak dollar makes gold cheaper for holders of other currencies, while firm oil prices results in higher demand for gold as a hedge against inflation. (source: www.gold.org)
[4] The eight products are rebar (concrete reinforcing bars), merchant bar (merchant bars), wire rod, section (H-shape), plate (medium), hot rolled coil/sheet, cold rolled coil/sheet, and galvanized iron sheet (source: http://siteresources.worldbank.org/INTPROSPECTS/Resources/Pnk_0306.xls -see footnote).
[5] The components include copper, aluminium, iron ore, tin, nickel, lead, zinc, and uranium price indices (source: http://www.imf.org/external/np/res/commod/datar.csv).
[6] Source: www.icac.org/cotton-info/publications/press

Figure 4.5: Steel Prices

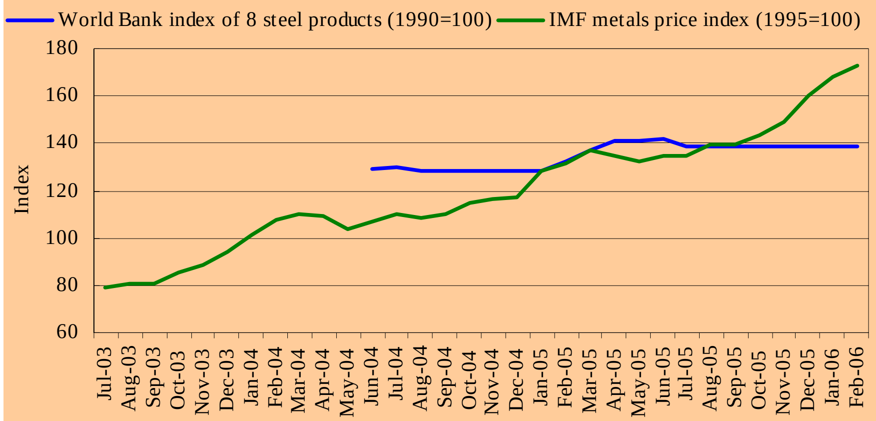
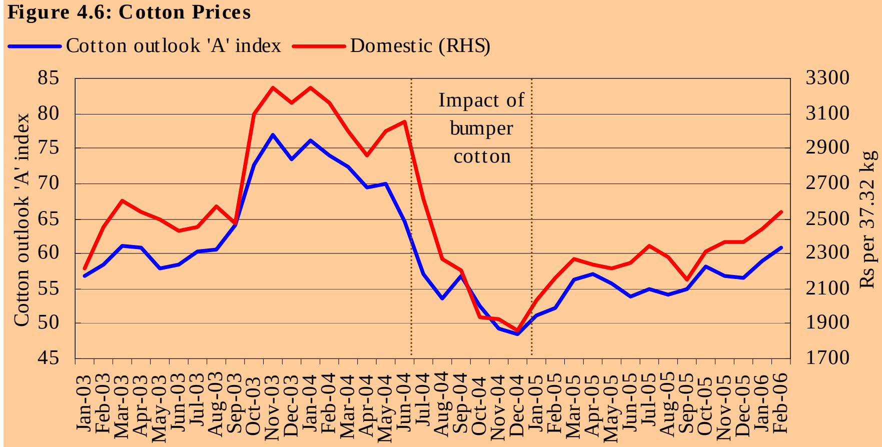
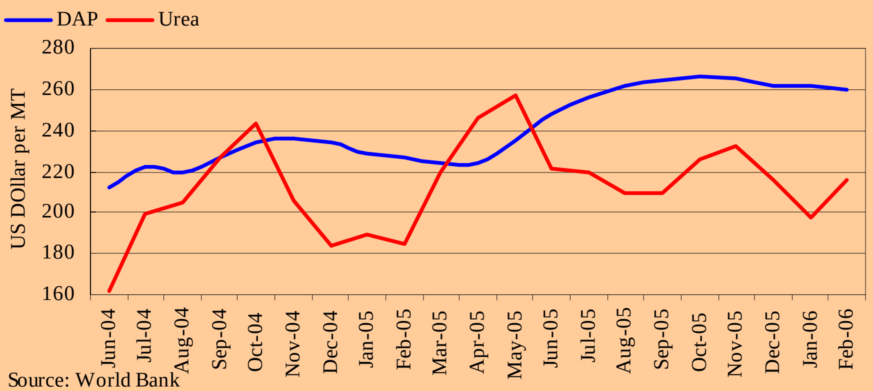


Figure 4.6: Cotton Prices



The urea price witnessed a sharp increase during February 2006 after showing the declining trend for the last couple of months, while prices of DAP maintained the declining trend. Nevertheless, the prices of both types of fertilizer remained significantly higher compared to last year (**see Figure 4.7**).

Figure 4.7: Fertilizer Prices



Source: World Bank

5. Sensitive Price Indicator (SPI)

Average weekly SPI inflation during the month of February 2006 was slightly higher than that during the month earlier primarily due to increase in prices of sugar and milk. However, by end February the weekly SPI inflation decelerated due to some correction in the prices of food and the stability in fuels prices (see **Figure 5.1**).

Figure 5.1: Weekly SPI Inflation

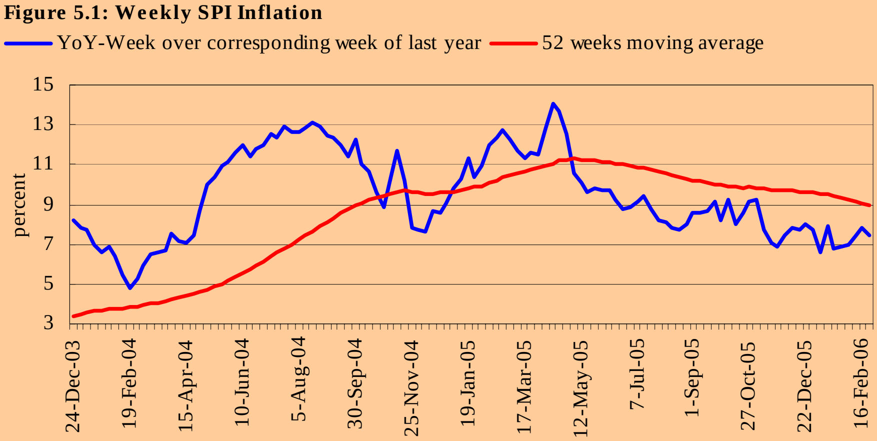
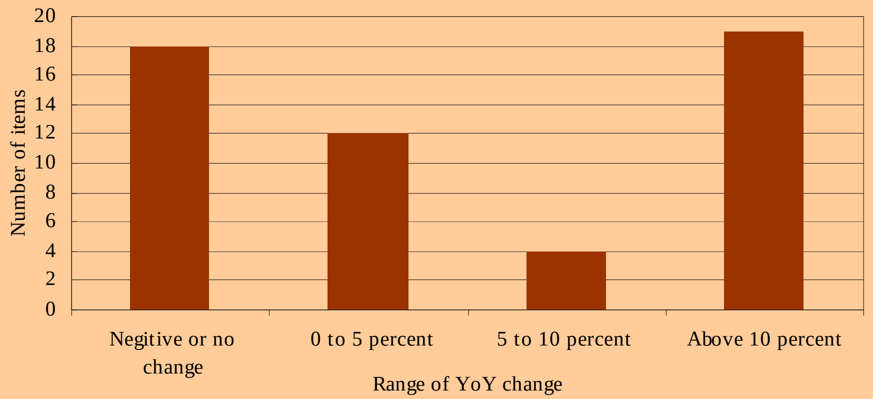


Figure 5.2 explains the distribution of items in the SPI basket falling under different ranges of price changes during February 2006. Items in the range of

double digit inflation mostly include food items along with fuels (petrol, diesel and kerosene oil, gas and firewood).

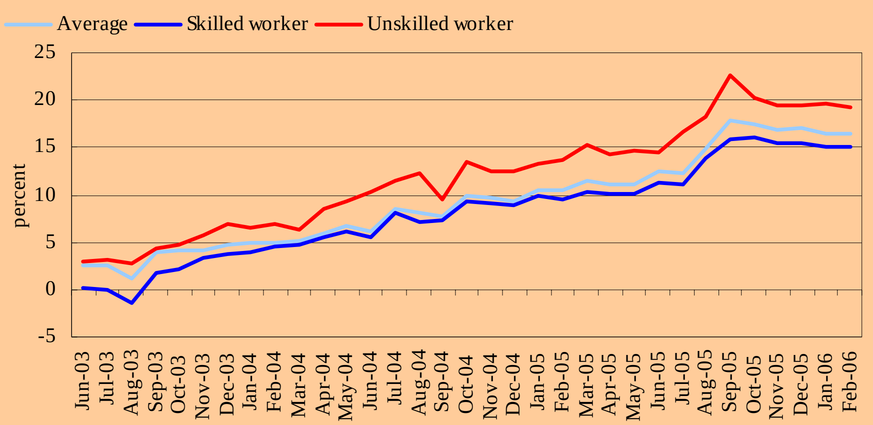
Figure 5.2: SPI Distribution of YoY Price Changes in February 2006



6. Wage Inflation

The average wages of the five construction workers rose by 16.4 percent in February 2006, at the same rate as in the last month, compared to 10.6 percent increase in the corresponding month of last year. The annual rate of growth in average wages of the skilled workers increased to 15.2 percent in February from 15.1 percent in the last month. As regards the wages of unskilled labor, the annual increase in average wage decreased to 19.3 percent from 19.6 percent in the last month (see **Figure 6.1**). Within the skilled workers, the increase in the wages of

Figure 6.1: Wage Inflation (YoY percent change in average wage)



mason and plumber were higher than carpenter and electricians (see **Figure 6.2**). **Table 6.1** compares wage inflation and food inflation by income group-wise

Figure 6.2: Increase in Skilled Labor Wages (YoY percent change in average wage in 35 cities)

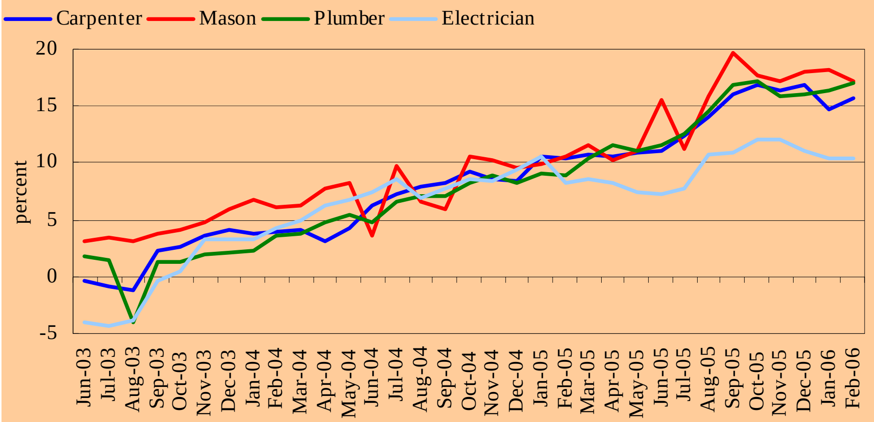


Table 6.1: Wage Inflation and Income Group-wise Inflation

		Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06
Wage Inflation		***12.4***	***14.9***	***17.8***	***17.5***	***16.8***	***17.1***	***16.4***	***16.4***
Carpenter		12.3	14.1	16.1	16.9	16.3	16.9	14.7	15.8
Mason		11.3	15.8	19.7	17.6	17.2	18.0	18.2	17.2
Laborer		16.7	18.3	22.6	20.1	19.5	19.5	19.6	19.3
Plumber		12.6	14.6	16.9	17.2	15.8	16.0	16.4	17.0
Electrician		7.8	10.8	10.8	12.1	12.0	11.0	10.4	10.4
Income Group-wise Inflation									
Up to Rs. 3000	General	8.7	8.2	7.9	7.4	7.0	8.4	8.4	8.2
	Food	9.5	8.4	7.8	6.3	5.6	8.5	8.5	8.2
	Non-food	8.1	8.0	8.0	8.2	8.0	8.3	8.4	8.1
Rs. 3001-5000	General	8.6	8.0	7.8	7.2	6.8	8.2	8.5	8.0
	Food	9.3	8.0	7.4	5.9	5.2	8.2	8.3	7.8
	Non-food	8.1	8.0	8.0	8.2	7.9	8.2	8.6	8.1
Rs. 5000-12000	General	8.7	8.0	7.9	7.6	7.2	8.2	8.5	7.9
	Food	9.5	7.8	7.5	6.2	5.6	8.1	8.2	7.6
	Non-food	8.2	8.1	8.3	8.6	8.3	8.2	8.8	8.1
Above Rs. 12000	General	9.3	8.8	9.3	9.2	8.9	8.9	9.0	8.2
	Food	10.2	7.8	7.6	6.9	6.5	8.1	8.1	7.2
	Non-food	8.7	9.6	10.4	10.8	10.6	9.5	9.6	8.8
All income groups	**General**	**9.0**	**8.4**	**8.5**	**8.3**	**7.9**	**8.5**	**8.8**	**8.0**
	Food	***9.7***	***7.8***	***7.5***	***6.4***	***5.8***	***8.1***	***8.2***	***7.5***
	Non-food	***8.5***	***8.8***	***9.3***	***9.6***	***9.4***	***8.8***	***9.2***	***8.4***

City-wise variations in average daily wages from country average are shown in **Figure 6.3**. Average daily wages by type of construction worker are given in **Table 6.2**.

Figure 6.3: City-wise Wage Inflation--Difference from Mean in February 2006

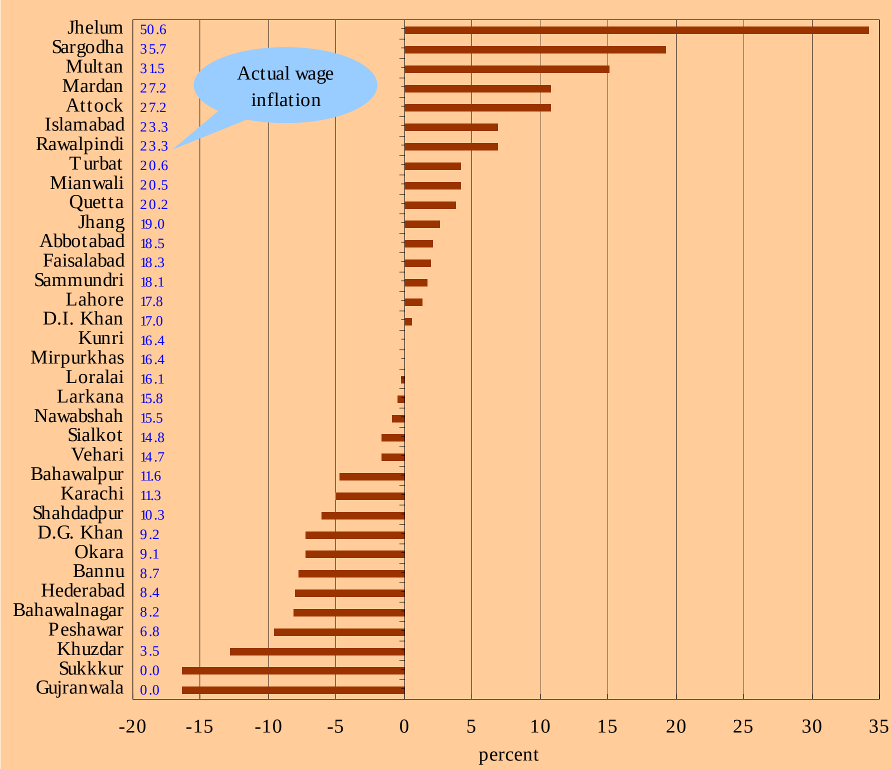


Table 6.2: Daily Labor Wages (Rs. per day)--Average in 35 Cities

	Carpenter	Mason	Laborer	Plumber	Electrician	Average
			Annual Averages			
FY03	218.0	225.4	107.7	219.8	216.4	197.4
FY04	224.5	237.4	114.5	225.0	221.9	204.6
FY05	245.8	261.4	129.5	245.5	240.3	224.5
FY06 (Jul-Feb)	278.5	299.5	151.2	278.6	262.2	253.4
			Monthly averages			
Jan-05	248.5	263.3	130.4	245.8	242.8	226.1
Feb-05	248.2	265.6	130.9	245.7	242.8	226.6
Mar-05	250.5	269.2	132.5	250.0	244.3	229.3
Apr-05	253.3	269.8	134.4	255.4	247.7	232.1
May-05	256.0	273.1	136.5	256.8	247.7	234.0
Jun-05	258.1	275.2	138.5	258.6	248.8	235.8
Jul-05	264.2	280.9	142.5	264.6	252.1	240.8
Aug-05	269.9	284.1	145.8	270.2	256.0	245.2
Sep-05	275.8	293.6	149.3	276.6	257.7	250.6
Oct-05	280.8	302.1	152.2	280.4	263.8	255.9
Nov-05	281.5	304.2	152.9	281.3	265.5	257.1
Dec-05	283.8	308.6	154.7	282.5	266.8	259.3
Jan-06	284.9	311.2	156.0	286.1	267.9	261.2
Feb-06	287.4	311.4	156.2	287.4	267.9	261.6

Source: Federal Bureau of Statistics

ANNEXURES

Table A1: Distribution of Price Changes - CPI Groups: February-06

YoY

Groups	Weights	% Changes	Total Number of Items	No. of Items in each Inflation Range			
				Decrease or no change	Subdued increase	Moderate increase	Double digit increase
				(0 % or less)	(0 to 5%)	(5 to 10%)	(over 10%)
I. Food Group	**40.34**	**7.5**	**108**	**31**	**28**	**22**	**27**
Food.	40.34	7.5	108	31	28	22	27
II. Non-Food Group	**59.66**	**8.4**	**250**	**82**	**84**	**49**	**35**
Apparel, Text.	6.1	3.9	42	5	24	11	2
House Rent	23.43	9.4	1	0	0	1	0
Fuel & Lighting	7.29	10.1	15	8	0	1	6
H/h Furn. & Equip.	3.29	4.4	44	3	27	14	0
Transport & Com.	7.32	15.9	43	13	3	7	20
Recreation, Enter.	0.83	-0.2	16	11	3	2	0
Education	3.45	6.7	24	6	8	6	4
Cleaning & Laundry	5.88	3.0	36	14	14	5	3
Medicines	2.07	3.0	29	22	5	2	0
Overall	**100**	**8.0**	**358**	**113**	**112**	**71**	**62**

12-month Moving Average

Groups	Weights	% Changes	Total Number of Items	No. of Items in each Inflation Range			
				Decrease or no change	Subdued increase	Moderate increase	Double digit increase
				(0 % or less)	(0 to 5%)	(5 to 10%)	(over 10%)
I. Food Group	**40.34**	**9.2**	**124**	**24**	**23**	**25**	**52**
Food.	40.34	9.2	124	24	23	25	52
II. Non-Food Group	**59.66**	**8.7**	**250**	**69**	**99**	**50**	**32**
Apparel, Text.	6.1	4.4	42	3	20	17	2
House Rent	23.43	11.2	1	0	0	0	1
Fuel & Lighting	7.29	7.0	15	8	2	0	5
H/h Furn. & Equip.	3.29	5.3	44	2	27	13	2
Transport & Com.	7.32	16.4	43	13	5	9	16
Recreation, Enter.	0.83	-0.2	16	11	4	1	0
Education	3.45	5.3	24	6	11	5	2
Cleaning & Laundry	5.88	2.9	36	7	21	5	3
Medicines	2.07	1.6	29	19	9	0	1
Overall	**100**	**8.9**	**374**	**93**	**122**	**75**	**84**

Table A2: Distribution of Price Changes – Selected CPI Items: February-06

Groups	Decrease or no change	Subdued increase (up to 5%)	Moderate increase (5 to 10%)	Increase of over 10%
Food Group	Eggs (farm) Tomato Wheat Wheat Flour Bag Kinnu	Tea Loose Kenya Av. Qlty Pulse Gram Rice Basmati 385/386 Rice Irri-6 (Sindh/Punjab) Wheat flour	Cold drinks Mutton Av. Qlty. Bread Tandoori Cigarettes K-2 10's Cooked Beef (Av. Hotel)	Potatoes Milk Fresh (Unboiled) Sugar refined Gur Pulse Mash (Washed)
Apparel & Textile	Ladies Sponge Chappal Bata Child Shoe Power Lite Bata Nylon Jogger 27 Size 2-5	Tailoring Aw-Suit (M) Long Cloth Av. Qlty. Lawn Av. Qlty.	Tailoring coat-pant suit Linen Av. Qlty Tailoring Suit Female	Gents Shoe, Service
House Rent Index	-	-	HRI	-
Fuel & Lighting	Bulb Philips 100-Wat Elect. Charges			Gas Charges Firewood whole Kerosene Oil
H/hold Furniture	Electric Juicer Tea-Set S. Steel	Sewing Machine(Singer) Hand Stitching Needle M. Size Water-Set S. Steel Sup. Qlty	Marriage Hall Household Servant Female Air conditioner Pell	Matress Single(4"Thick)
Transport & Comm.	Internet Charges Air Fare Econ. Class. Motorcycle Honda Local Call charges	Car Suzuki (W/O. A/C) Bicycle With Tyres & Tubes Train Fare A/C Slp. 1-100km.	Train A/C Slp.101-500km Train Fare A/C Slp > 500km. CNG Filling Charges	Auto Rickshaw Fares Bus Fare Min(Within City) Petrol Super High Speed Diesel
Recreation	Video Game Sega V.C.P. Daily "Dawn"	Dry Cell 1.5 Volt(Local) Tape Recorder	Cinema High Class	-
Education	Com. C.D. Govt. Coll. Fee Ist. Year Govt. Coll. Fee 4th.Year	Ball Pen (Local) Maths Book Class V	English Book IX or X School Fee Secondary Eng. Md. School Fee Primary Eng. Md.	English Book Class V1 Urdu Book Class IX/X
Cleaning & Laundry	Toilet Paper Roll Toothpaste 70 gm	Blade 7 o'clock Disposable Razor Gillet Lipstick S.Miss/Medora Artificial jewellery	Washing (Kamiz-Shalwar) Haircut Charges For Men Silver Tezabi 24 Ct	Washing Ch. Shirt Gold Tezabi 24 Ct
Medicare	Glaxos-D (450 gms) Entox Tab. Brufen Tabs 200-mg.	Jouhar Joshanda Septran Tablets Doctor (Mbbs) Clinic Fee	-	-

Table A3: SPI Items Price Movements

S.No	Items	Unit	Price as in Feb-2005	percentage change in Feb-06 over		
				Jun-05	Feb-05	Jan-06
1	Wheat	Kg.	12.0	5.7	-1.4	0.8
2	Wheat flour A.qlty	Kg.	13.2	1.8	-2.4	0.5
3	Rice basmti.broken	Kg.	20.1	-1.9	-1.1	-0.1
4	Rice irri-6	Kg.	16.0	-0.9	3.0	0.3
5	Masur pulse washed	Kg.	45.2	-1.7	-2.6	1.4
6	Moong pulse washed	Kg.	47.3	21.7	48.6	9.1
7	Mash pulse washed	Kg.	52.2	26.3	31.9	8.2
8	Gram pulse washed	Kg.	30.3	9.1	-1.0	6.8
9	Beef	Kg.	106.6	5.4	12.1	0.3
10	Mutton	Kg.	200.5	4.3	7.4	0.6
11	Egg hen (farm)	Doz.	28.8	-10.4	-35.0	-34.7
12	Bread plain m.s.	Each	14.3	3.6	4.4	0.2
13	Sugar	Kg.	35.6	34.4	31.7	20.6
14	Gur	Kg.	34.7	13.8	38.7	6.0
15	Milk fresh	Litr	23.6	2.3	12.1	0.0
16	Milk powdered Nido	400g	107.8	1.9	4.5	0.2
17	Curd	Kg.	28.1	1.6	10.3	0.0
18	Veg.ghee tin	2.5k	203.4	-0.3	-0.5	-0.1
19	Veg.ghee loose	Kg.	59.1	0.6	0.6	0.3
20	Mustard oil	Kg.	67.2	2.4	1.6	0.6
21	Cooking oil	2.5l	204.3	-0.3	-0.4	0.0
22	Potatoes	Kg.	15.6	-12.8	36.9	16.1
23	Onions	Kg.	10.8	-7.7	4.9	-4.1
24	Tomatoes	Kg.	23.9	27.6	-25.0	-9.0
25	Bananas	Doz.	26.9	-17.1	9.2	8.5
26	Salt powdered	Kg.	3.9	6.8	10.1	2.6
27	Red chillies(powd)	Kg.	68.8	-7.4	-9.2	-0.3
28	Garlic	Kg.	59.7	11.7	31.4	-2.9
29	Tea packet	250g	61.9	-0.1	-0.2	0.0
30	Tea (prepared)	Cup	5.9	7.7	14.3	1.9
31	Cooked beef plate	Each	25.8	2.4	5.5	0.0
32	Cooked dal plate	Each	15.4	2.7	4.1	0.7

Continued ---

S.No	Items	Unit	Price as in Feb-2005	percentage change in Feb-06 over Jun-05	Feb-05	Jan-06
33	Cigarettes k-2	10's	7.1	-0.7	3.1	0.0
34	Coarse latha	Mtr.	34.5	3.3	5.3	0.0
35	Lawn (avg.+s.qlty)	Mtr.	74.3	-2.3	3.9	-1.3
36	Voil printed	Mtr.	35.9	-2.7	1.5	-1.2
37	Shirting	Mtr.	62.5	2.2	3.5	0.5
38	Sandal gents bata	Pair	399.0	-4.8	-20.0	0.0
39	Sandal ladies bata	Pair	299.0	3.5	20.1	0.0
40	Chappal spng. Bata	Pair	89.0	0.0	0.0	0.0
41	Kerosene	Litr	36.5	16.5	19.9	0.0
42	Firewood	40kg	175.0	20.2	24.8	1.4
43	Elec. Bulb 60-wats	Each	11.4	-1.7	-2.2	-0.2
44	Match box	Each	0.6	5.1	21.6	0.0
45	Washing soap	Cake	7.8	3.0	4.7	0.0
46	Bath soap lifebuoy	Cake	13.9	-0.1	-0.4	0.0
47	Chicken (farm)	Kg.	59.5	-18.1	-1.8	-6.1
48	Gas chrg. All clb. Comb	D.mmbt	93.1	9.5	9.5	0.0
49	LPG .(cylinder 11kg.)	Each	571.3	68.0	10.8	4.5
50	Elec.chrg.all slabs com	Bd. Unit	2.4	0.0	0.0	0.0
51	Petrol	Litr	56.4	23.5	32.7	0.0
52	Diesel	Litr	37.3	27.8	36.7	0.0
53	Telephone local	Call	2.3	0.0	0.0	0.0
Max:				**68.0**	**48.6**	**20.6**
Median				**2.3**	**4.4**	**0.0**
Min:				**-18.1**	**-35.0**	**-34.7**

Table A4: City-wise Inflation by Income Groups

Table 3: Point to Point Inflation by Major Cities/Major Indices/Icome Groups. (February 2006)

	Income	**Upto Rs:3000**			**3001-5000**			**5001-12000**			**above 12000**			**combined**		
#	**Cities**	**General**	**Food**	**Non-Food**	**General**	**Food**	**Non-Food**	**General**	**Food**	**Non-Food**	**General**	**Food**	**Non-Food**	**General**	**Food**	**Non-Food**
1	Lahore	9.8	9.6	10.0	9.7	9.1	10.0	9.5	8.7	10.1	9.3	8.0	10.3	9.4	8.5	10.1
2	Faisalabad	7.1	6.5	7.5	7.3	6.5	7.9	7.5	6.7	8.0	7.8	6.1	9.1	7.6	6.4	8.5
3	Rawalpindi	10.4	10.4	10.4	9.9	9.4	10.3	10.3	9.8	10.6	10.6	9.7	11.3	10.4	9.7	10.9
4	Multan	7.0	5.5	8.1	6.7	5.2	7.7	6.8	5.0	8.1	7.7	5.6	9.1	7.1	5.2	8.4
5	Gujranwala	8.8	9.6	8.3	8.9	9.2	8.6	9.0	9.1	8.9	9.3	9.2	9.4	9.1	9.2	9.0
6	Islamabad	10.9	9.3	12.0	10.9	10.1	11.4	10.9	10.3	11.3	11.0	10.6	11.2	10.9	10.5	11.2
7	Sargodha	9.0	7.9	9.8	8.7	8.4	9.0	8.7	8.8	8.6	8.3	7.8	8.7	8.6	8.5	8.6
8	Sialkot	8.4	9.5	7.7	8.1	9.1	7.4	8.1	8.9	7.5	8.1	8.6	7.7	8.1	8.8	7.6
9	Bahawalpur	8.8	7.9	9.4	9.0	8.2	9.6	8.6	8.1	9.0	8.0	6.5	9.0	8.5	7.7	9.1
10	Karachi	6.6	5.7	7.3	6.5	4.6	7.8	6.2	3.9	7.8	7.0	3.1	9.8	6.6	3.6	8.7
11	Hyderabad	6.1	6.4	5.8	6.0	6.3	5.8	5.9	5.9	5.9	6.1	5.7	6.4	5.9	5.9	6.0
12	Sukkur	6.8	7.6	6.3	6.9	7.3	6.6	6.7	7.1	6.5	6.6	6.2	6.8	6.7	7.0	6.6
13	Larkana	5.6	5.2	5.9	5.6	5.7	5.6	5.3	5.0	5.5	4.7	3.6	5.5	5.3	4.8	5.6
14	Peshawar	6.8	7.5	6.2	7.3	7.6	7.0	7.5	7.4	7.5	7.8	6.3	8.9	7.6	7.0	8.0
15	Bannu	8.3	9.5	7.4	7.0	7.1	7.0	6.5	6.2	6.7	5.9	4.3	7.1	6.5	6.0	6.9
16	Quetta	5.9	5.0	6.6	6.1	5.0	6.9	6.2	4.7	7.3	6.8	4.6	8.4	6.5	4.6	7.7
17	Khuzdar	12.6	16.0	10.3	12.1	16.2	9.3	10.9	16.3	7.2	10.8	16.1	7.1	11.4	16.2	8.1
Average		**8.2**	**8.2**	**8.2**	**8.0**	**7.9**	**8.1**	**7.9**	**7.7**	**8.0**	**8.0**	**7.2**	**8.6**	**8.0**	**7.6**	**8.3**
Minimum		***5.6***	***5.0***	***5.8***	***5.6***	***4.6***	***5.6***	***5.3***	***3.9***	***5.5***	***4.7***	***3.1***	***5.5***	***5.3***	***3.6***	***5.6***
Median		**8.3**	**7.9**	**7.7**	**7.3**	**7.6**	**7.8**	**7.5**	**7.4**	**7.8**	**7.8**	**6.3**	**8.9**	**7.6**	**7.0**	**8.4**
Maximum		***12.6***	***16.0***	***12.0***	***12.1***	***16.2***	***11.4***	***10.9***	***16.3***	***11.3***	***11.0***	***16.1***	***11.3***	***11.4***	***16.2***	***11.2***

Table A5: Top Ten CPI Items

Table 2: Top Ten CPI Items (Ranked by Weighted Contribution)

percent

S.#	Items	Unit	weights	Price	Point to Point Change			Weighted Contribution
				Feb-06	Feb-04	Feb-05	Feb-06	
1	House rent index	Index	**23.43**	133.7	5.2	12.3	9.4	27.2
2	Milk fresh (unboiled)	Ltr	6.53	22.8	3.9	10.3	13.8	11.2
3	Sugar refined	Kg	1.95	36.8	-8.8	45.6	37.3	9.0
4	Petrol super	Ltr	1.73	56.5	-2.6	26.4	27.8	6.0
5	Beef with bone av.qlty.	Kg	1.61	101.9	20.2	25.1	13.9	2.8
6	Potatoes	Kg	0.53	15.6	-1.1	69.0	41.3	2.7
7	Gas chrg10.1157 - 13.4876mmbtu	Mmbtu	0.93	352.8	2.0	15.5	22.2	2.6
8	Firewood whole	40 kg	0.48	144.8	16.4	14.0	27.7	1.6
9	Chillies green	Kg	0.14	60.5	65.3	-19.5	89.5	1.6
10	Pulse moong (washed)	Kg	0.22	46.7	-6.7	14.0	51.0	1.4
Total			**37.6**					**66.2**

Top Ten CPI Items by Percentage Change

percent

	Items	Unit	weights	Price	Point to Point Change			Weighted Contribution
				Feb-06	Feb-04	Feb-05	Feb-06	
1	Chillies green	Kg	0.1443	60.5	65.3	-19.5	89.5	1.6
2	Peas	Kg	0.1467	35.2	-32.6	66.4	73.2	1.3
3	Pulse moong (washed)	Kg	0.2230	46.7	-6.7	14.0	51.0	1.4
4	Gram whole yellow av.qlty	Kg	0.1491	63.2	0.1	28.5	48.3	0.9
5	Potatoes	Kg	0.5345	15.6	-1.1	69.0	41.3	2.7
6	Gur av.qlty	Kg	0.0735	34.3	-6.0	35.2	40.2	0.4
7	Sugar refined	Kg	1.9467	36.8	-8.8	45.6	37.3	9.0
8	Pulse mash (washed)	Kg	0.2017	51.8	-4.5	13.0	37.0	0.9
9	Garlic	Kg	0.1363	58.3	0.1	18.0	36.4	0.6
10	Cocumber (kheera)	Kg	0.0533	38.0	-4.4	8.7	35.9	0.2
Total			**3.6**					**19.2**

Table A6: Distribution of Price Changes – WPI Items: February-06

Groups	Decrease or no change	Subdued increase (up to 5%)	Moderate increase (5 to 10%)	More than 10% increase
Food	Eggs Tomatoes Masur Cooking oil Rice Chicken Sugar confectionary Fresh fruits Wheat Tea Bajra	Spices Mustard & rapeseed oil Maize Wheat flour Condiments Maida Cotton seed oil Vegetables Prepared/preserved Fruit prepared/preserved Milk food Besan Dry fruits Gram split Vegetable ghee Beverages Mineral water	Fish Fresh milk Meat Oil cakes Powdered milk Salt	Onions Vegetables Beans Gram whole Jowar Potatoes Gur Sugar refined Mash Moong
Raw material	Skins Wool Cotton seeds Hides	Mustard/rapeseeds	Pig iron	Tobacco Cotton Sugarcane
Fuel & lighting	Coke Mobil oil Elec. ind. supply tariff-B Elec. agriculture tariff-D	-	-	Kerosene oil Coal Natural gas Fire wood Diesel oil Motor sprit Furnace oil
Manufactures	Nylon yarn Blended yarn Chemicals Dying materials Other electrical goods Utensils Soaps Glass products Plastic products Chrome leather Matches	Drugs & medicines Hosiery Silk & rayon textiles Woolen textiles Transports Cotton textiles Pesticides & insecticides Foot wear Ready made garments Cotton yarn Mattrasses Machinery Paper Sole leather	Audio-visual Instruments Cosmetics Jute manufactures Fertilizers Cigarettes	Tubes Tyres
Building material	Iron bars & sheets Paints & varnishes Cement blocks	Pipe fittings Tiles Timber Sanitary wares	Glass sheets	Wires and cables Bricks Cement

Figure A1: Frequency Distribution of Price Changes of CPI Items

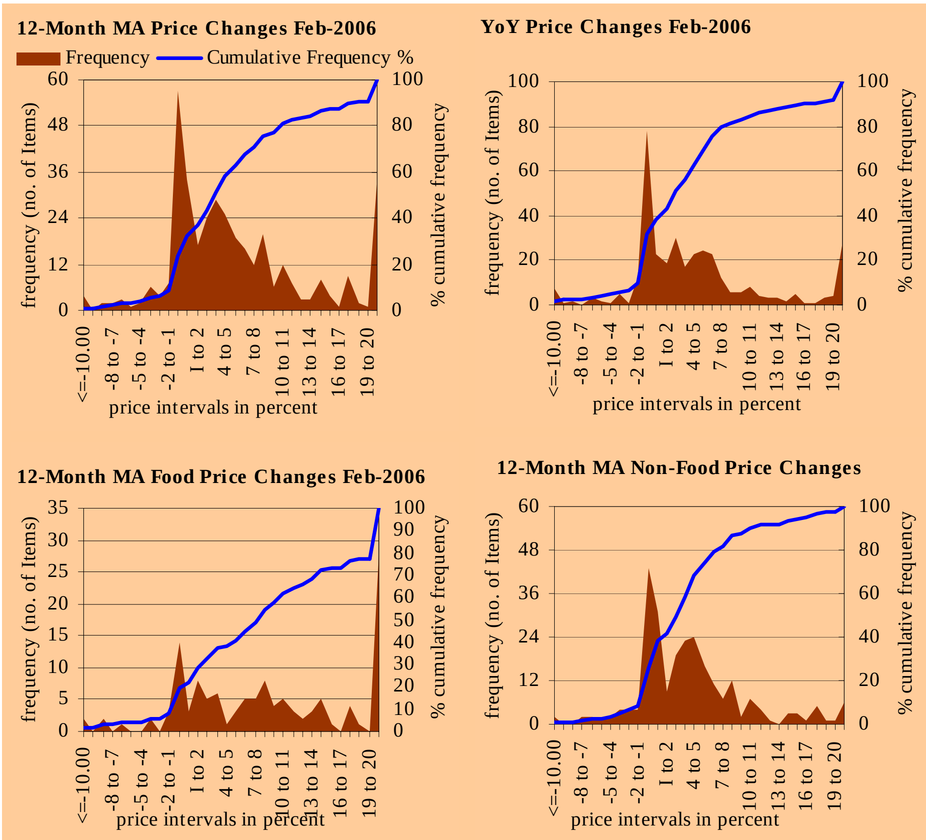


Figure A2: Frequency Distribution of Price Changes of WPI Items