

# Inflation

## 7.1 Introduction

The rate of inflation is an important macroeconomic indicator and one of the key variables most central banks around the world scrutinize when setting their main policy rate. Containing inflation to a sustainable level is imperative for economic growth; it not only protects the low and fixed income groups on the consumer side but also keeps the cost of doing business manageable on the production side. The policy objective of the Government has always been to ensure high growth while keeping inflation under control. However, given the unprecedented surge in domestic inflation during Fiscal Year 2008-09, the need for containment and stabilization has been given top priority by policymakers.

Inflation was in the limelight throughout the year as the rise of global inflation witnessed during most part of 2008 saw a dramatic reversal in trend by late August and continuing to decline further in 2009. A sequence of global shocks, beginning with the financial crisis in the international markets leading to a fall in consumer confidence and hence declining aggregate demand caused commodity prices to plunge world over. Falling inflation changed the landscape of the global economy, allowing policymakers to focus on revitalizing growth by easing key interest rates and stimulating demand. Central bankers in developed countries are convinced that inflation is no longer a threat and that a recession poses the far greater danger.

Pakistan is one of only a handful of countries that is still experiencing double-digit inflation. The surge in food and commodity prices witnessed during the start of fiscal year 2008-09 pushed the

Consumer Price Index (CPI) in Pakistan to a record level of 25.3 percent in August 2008, remaining above the 20 percent level up until February 2009. Being a developing country, Pakistan needs a low and stable inflation rate to persist over a sustained period in order to stay on a desirable growth path. With such steep and sudden increases in the domestic price level as witnessed during the latter half of fiscal year 2007-08 and throughout 2008-09, the effects on consumers, especially the low and fixed income groups in society, were severe while macroeconomic stability was also undermined.

Pakistan entered into a stabilization program with the IMF in November 2008 in a bid to revive a struggling economy as all major macroeconomic indicators, including inflation, were at precarious levels. Despite marginally decreasing in April 2009, the rigid declining nature shown by the inflation rate during the fiscal year remains a major cause for concern and can be attributed to a host of factors. While the food group was the primary source of inflation in Pakistan during the first ten months of 2008-09, the non-food component of the CPI has also been persistently high, resulting in the overall stubbornness of the inflation rate. A more detailed analysis in later sections will show that within the food group, a smaller group of items had a much higher contribution to a sharp pick up in prices.

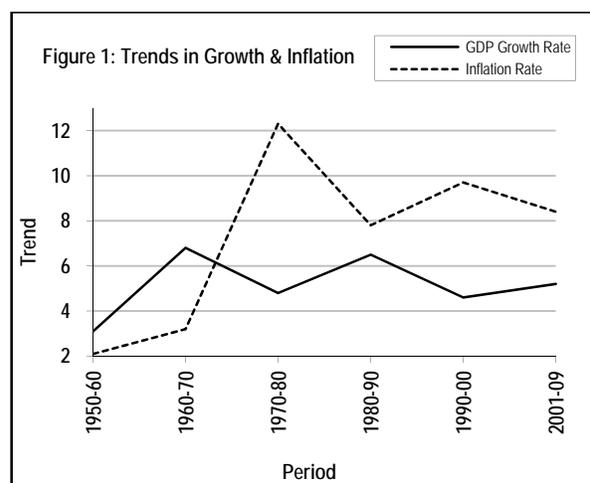
The non-food component also remained in double-digit figures throughout the course of the fiscal year owing to the transport group, fuel and lighting group and the house rent index remaining at elevated levels. The house rent index in particular, which makes up a considerable 23.4 percent of the

total CPI, has been steadily increasing over the past two years, mainly on account of the methodology used to calculate it. Other factors such as the withdrawal of petroleum and gas subsidies and the rationalization of electricity tariffs; imported inflation and exchange rate depreciation of the rupee against the dollar; excessive government borrowing from the State Bank of Pakistan to help finance the fiscal deficit; the levying of custom duty on various imports in order to curtail imports; increase in the support prices of some major crops like wheat and sugarcane; supply-side structural issues and mismanagement; speculation, smuggling and hoarding of goods; political unrest and a deteriorating law and order situation have all hampered government efforts to stabilize domestic prices through 2008-09.

Core inflation, which is measured by removing volatile items such as food and energy and makes up 51 percent of the total CPI, has also seen an upward trend during the current fiscal year. Within core inflation, the house rent index contributes a substantial amount which is why it has remained resolute for the most part of 2008-09. Core inflation also generates scrutiny from the State Bank of Pakistan, which sees it as a vital aide for setting the key benchmark interest rates of the economy. The SBP kept a tight monetary policy stance during fiscal year 2008-09, first adjusting it upwards in November 2008 while keeping it constant in January 2009. However, during the first quarter of the current fiscal year there were massive slippages on the fiscal front, owing to subsidies provided by the Government, particularly in petroleum products, at a time when international oil prices were sky-rocketing. The Government had to finance these extra expenditures by borrowing heavily from the SBP, which diluted and contradicted the central banks tight monetary stance, allowing inflationary pressures to persist in the economy. Easing demand pressures in the second half of the fiscal year allowed the SBP to reduce the policy rate in April 2009 for the first time since November 2002 in a bid to bolster the economy. It is expected that as inflation subsides going into fiscal year 2009-10, SBP is likely to further revise down the policy rate.

The perseverance of a high inflation rate over a sustained period of time can lead to second round effects as higher prices get embedded in people's inflationary expectations. Such effects could perpetuate a wage-price spiral: a situation where people demand higher wages because their purchasing power is eroded due to high inflation, in turn, leading to higher production costs for businesses that compensate their losses by increasing prices, creating a vicious cycle of rising prices in the economy. There are signs that the Pakistani economy experienced some second round effects of high food prices as inflation expectations transferred to other commodities, which is reflected in the high levels of non-food inflation. It is imperative that the Government, with the aid of the SBP, curtail these expectations before they become a permanent feature in the economy.

Given the difficult economic environment the Pakistani economy had to face during fiscal year 2008-09, the Government is committed to its policy of higher growth while keeping inflation and unemployment in check. While growth creates jobs and increases incomes, inflation on the contrary, erodes purchasing power and thus perpetuates poverty. The Government is fully aware of the economic challenges that lie ahead, and remains steadfast in stabilizing the economy as well as achieving its policy goals.



## 7.2 Historical Trends in Inflation

Historically viewed, Pakistan's experience in growth and inflation can be expressed in five

distinct phases. Starting with the fifties there was low inflation with low growth, whereas in the sixties there was low inflation with high growth. The seventies entailed high inflation with low growth; the eighties saw moderate inflation with high growth; and in the nineties witnessed high inflation with moderate growth. Over the following nine years, i.e. 2000-01 to 2008-09, inflation saw a low of 3.1 percent in 2002-03 to a high of 22.3 percent during the current year, which is also the highest level in two decades. The overall annual inflation is expected to average 21 percent while GDP growth to remain at 2.0 percent for the year 2008-09. Table 7.1 and Fig-1 show the trends.

**Table 7.1: Trends in Growth and Inflation**

Period	GDP Growth Rate	Inflation Rate
1950-60	3.1	2.1
1960-70	6.8	3.2
1970-80	4.8	12.3
1980-90	6.5	7.8
1990-00	4.6	9.7
2001-09	5.2	8.4

*Source: FBS*

### 7.3 Inflation in Fiscal Year 2008-09

This year the increase in the price level has been extraordinary in Pakistan. The inflation rate measured through the Consumer Price Index (CPI) has climbed to 22.3 percent during (July-April) 2008-09 over the corresponding increase of 10.3 percent. Inflation accelerated at a rapid pace mainly because of rising food prices; a weaker rupee/dollar exchange rate; the gradual withdrawal of subsidies on gas, electricity and petroleum; the imposition of custom duty on the imports of various items; and an upward revision in the support price of wheat and sugarcane crops.

The overall CPI-base inflation during the first ten months of the current fiscal year 2008-09 (July—April) averaged at 22.4 percent, much higher than that of the last fiscal year 2007-08 (July—April) when inflation stood at 10.2 percent. The food group also increased sharply when compared to last year figures, measuring 26.6 percent for the first ten months of fiscal year 2008-09 as compared to 15 percent during the corresponding period last year. The steep rise in food inflation was largely

due to an increase in the prices of a few essential items such as wheat, rice, edible oil, meat, pulses, tea, milk and fresh vegetables. Non-food inflation also showed a sharp increase of 19 percent during the same period as compared to 6.8 percent of last year. Most concerning, however, is the sharp increase in core inflation, measuring a substantial 17.8 percent during the first ten months of the current fiscal year as compared to 7.5 percent during the corresponding period last year. (See Table 7.2)

Based on current trends, it is expected that the average inflation for the year (2008-09) as measured by the CPI will be around 21 percent. These developments in the CPI are also reflected in other measures of inflation used in Pakistan, namely the Wholesale Price Index (WPI) as well as the Sensitive Price Index (SPI).

**Table 7.2: Main Components of CPI Inflation**

Item	2006-07	2007-08	(July-April)	
			2007-08	2008-09
CPI (General)	7.8	12.0	10.2	22.4
Food Group	10.4	17.5	15.0	26.6
Non-Food Group	6.0	7.9	6.8	19.0
Core Inflation	5.9	8.3	7.5	17.8

*Source: Federal Bureau of Statistics (FBS)*

The food group has been the most significant contributor to the pick up in inflation during 2008-09 and the food price index is at its highest point since 1980, averaging 26.6 percent over the July – April period. Within the food group, the inflation of perishable food items is estimated at 23.2 percent whereas non-perishable food items at 28.6 percent. Their contribution to this year's overall CPI trend is registered at 5.3 percent and 45.1 percent respectively indicating a larger increase in prices of such items as pulses, sugar, wheat and tea.

Given the speed at which food prices increased, high food inflation is likely to persist in the country over the next few months. The higher food prices have had a devastating effect on the Pakistani people as a major share of consumer spending is on food items. Hence, inflation has a direct impact on the poverty level as people suffer

more from the high price of food than they gain from higher income. The escalation in food inflation began right from the start of the fiscal year, i.e. July 2008 and continued to persist up until December 2008 at an average of 31.3 percent for the fiscal year. However, thereafter it started to slowdown from 29.9 percent in January 2009 to 28.0 percent in March 2009 and further to 26.6 percent in April 2009, staying in tandem with the trend seen in international food and fuel prices.

A shortfall in the production of some essential commodities in the country in relation to their demand has also driven up food prices. In fact, there are 13 food items (such as wheat and flour; sugar, poultry, mash pulse, meat, milk, tea, fresh vegetables etc) that account for almost 23 percent of the total weight in the Consumer Price Index (CPI). It is from these critical items that there has been a sharp pick up in food inflation in Pakistan. Food in general has become more expensive in Pakistan, resulting in a steep rise in the price of some basic commodities. For instance, the average price of sugar has risen above 41 percent, wheat prices by 17 percent, chicken prices by 24 percent, beef prices by 13 percent and onion prices by 64 percent since July 2008 over April 2009. With a 23 percent weight in CPI, the contribution of these few items to the overall CPI inflation is 18 percent. However, prices of certain other food items such as potatoes, rice, red chilies, edible oil and all the pulses, with the exception of maash pulse, have declined.

Non-food price inflation rose to 19.0 percent for the July-April period as against 6.8 percent during the same period last year. Both the food and non-food inflation contributed to the overall CPI inflation but in different ways as various factors influenced the two CPI components separately. The increase in food inflation was influenced mainly from a shortfall in the supply of some essential consumer food items such as wheat, meat, sugar, milk and poultry whereas the non-food

price inflation was mainly driven by the price of POL products and the resultant rise in transportation costs. In the international markets, oil prices dropped significantly from a peak of \$145 /barrel in July 2008 to around \$35 /barrel by December 2008. A similar impact was witnessed in the prices of food items with a reduction of 21 percent in the international price of wheat, 40 percent fall in the prices of rice, 38 percent reduction in palm oil prices and a 4 percent decrease in sugar prices. However, unfortunately for Pakistan, benefits of this reduction in world commodity prices could not be realized owing to a depreciation of the rupee. The impact of depreciation along with the imposition of addition duty on imports has been reflected in both the import costs of commodity and capital goods.

Based on current tendencies, the contribution of food and non-food inflation to the overall CPI is estimated at 48.0 percent and 50.7 percent respectively. When we further categorize inflation into different groups, the higher inflationary trends on an average-over-average basis were observed in the transport group (30%) and fuel group (25%), showing the impact of rising energy prices. The cleaning and laundry group increased by 19 percent while the medicine group rose 12 percent but their weights in the CPI basket are small (5.9. percent and 2.1 percent respectively), hence their contribution to inflation was also minimal. On the other hand, the house rent index, which has a 23.4 percent weight in the total CPI, has shown a higher pick in inflation of 16.8 percent (See Table 7.3 and Fig-2).

Other major factors that effected domestic prices, both in the recent past as well as those currently having an impact, include: Firstly, in order to reduce the pressure on the country's fiscal position, the Government started phasing out subsidies on petroleum products. This led

to an increase in the price of diesel, causing transportation costs to rise which in turn translated to higher prices of many other goods in the country. Secondly, the Government revised the support price of wheat in September 2008 by increasing it over 50 percent from Rs 625 /40 Kg to Rs 950 /40 Kg which in turn pushed up the retail prices of both wheat and wheat flour across the country. Thirdly, the gradual hike in power and gas tariffs during fiscal year 2008-09 also added to the domestic inflation rate. Electricity charges carry a significant weight of 4.4 percent in the overall CPI whereas natural gas has a weight of 2.1 percent, thus an increase in their prices would have a noteworthy impact on the headline inflation rate. Fourthly, the decision to increase the import duties on various items in tandem with the depreciation of the rupee

vis-à-vis the dollar caused domestic prices to rise. This caused imports to be more costly than anticipated and hence served as another creeping cause of inflation.

It is worth mentioning that appropriate policy response to tame inflation also includes monitoring the scarcity of essential items through timely imports, keeping a close vigilance on the stock and availability of essential items, the provision of incentives to the commodity producing sector, and keeping the money supply within the targeted range. Given the decelerating trend in food price inflation, the CPI headline inflation rate is likely to come down during the remaining months of the current fiscal year. Hence the current fiscal year is expected to end with average inflation rate of 21 percent.

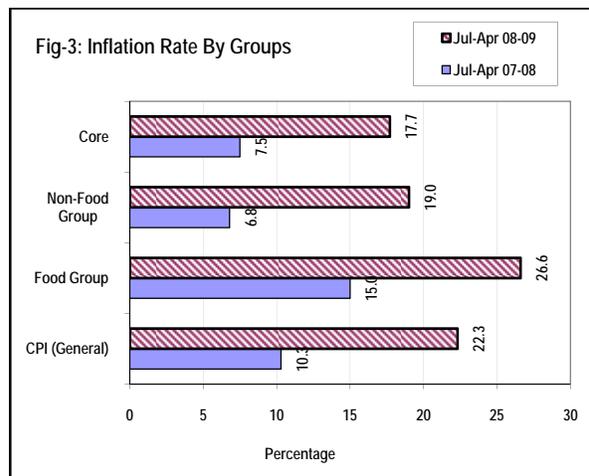
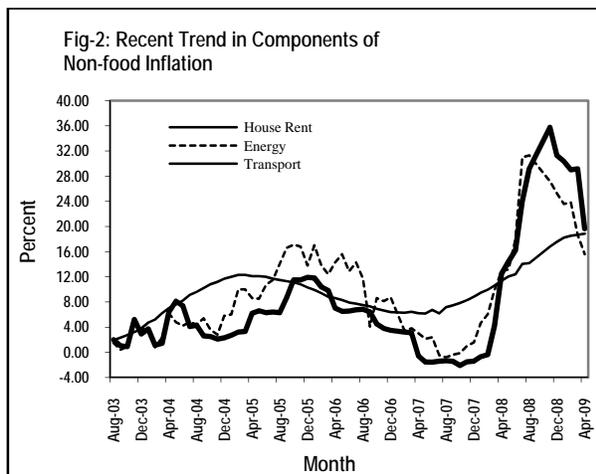
**Table 7.3 Annual Inflation by Commodity Groups**

Commodity Group	(July-April)		Point Contribution # (July-April)		
	Weight	Percent		Percent	
		2007-08	2008-09	2007-08	2008-09
CPI	100	10.27	22.35	10.27	22.35
Food	40.3	15.02	26.61	59.03	48.03
<i>i) Perishable</i>	5.14	4.46	23.24	2.23	5.34
<i>ii) Non perishable</i>	35.2	12.94	28.61	44.36	45.06
Non-Food	59.7	6.82	19.01	39.60	50.75
Core*	52.4	7.49	17.83	38.61	47.97
Apparel, Textile	6.1	7.86	14.87	4.67	4.06
House Rent	23.4	8.78	16.78	19.92	17.60
Energy*	7.3	3.42	24.98	2.88	9.73
Household	3.3	6.56	13.53	2.10	1.99
Transport*	7.3	0.66	29.53	0.34	6.91
Recreation	0.8	0.42	12.71	0.03	0.47
Education	3.5	6.89	16.74	2.32	2.58
Cleaning	5.9	9.76	18.72	5.59	4.92
Medicare	2.1	8.38	12.44	1.69	1.15

Source: Federal Bureau of Statistics

# Calculated as group specific inflation times its share divided by total inflation

\* Updated till April 2009.



### 7.3.1 Core Inflation

Core inflation is considered a useful complement to headline inflation as it captures the long term direction of consumer prices, given that it does not include volatile items such as food and energy prices. The State Bank of Pakistan uses core inflation as a point of reference when conducting its monetary policy. Thus, the effect of monetary policy on prices is reflected in core inflation with a lag of six months to a year, making it a good predictor of future CPI inflation. The exclusion method i.e. removal of specified items from the CPI is commonly used by many countries to measure the core inflation rate.

A review of monthly core inflation over the period July 2008 to April 2009 reveals a constantly increasing trend up until February 2009. However, it marginally decelerated from 18.9 percent in February to 18.5 percent in March and further to 17.7 percent in April 2009.

Core inflation can be sub-divided into house rent index and the non-house rent index. Interestingly, the house rent index is a single group that makes up 23.4 percent of overall CPI and 46 percent of core inflation. Out of the 46 items scattered in various sub-groups of core inflation, the single largest contributor to this year's core inflation rate was house rent, with a 9.2 percent-points contribution. It was followed by transport (1.3 percent) and washing soap and detergent (0.54 percent). House rent contribution to core inflation has risen persistently from 6.4 percent in July 2008

to 9.2 percent in April 2009. The non-house rent components of core inflation has shown a similar unabated rising trend from 16.1 percent in July 2008 to 20 percent in January 2009 but has since decelerated to 18 percent in March 2009 and further down to 16.6 percent in April 2009

### 7.4.1 Inflation on a Monthly Basis

The CPI inflation rate on a year-on-year (YOY) basis decelerated to 17.19 percent in April, 2009 from its peak of 25.3 percent in August 2008. Food inflation, which started escalating at the start of current fiscal year in July 2008, continued to persist with a trend of high volatility up till December 2008 as a consequence of a sharp rise in the prices of some basic consumer items. Prices of vegetables, fruits, meat and sugar etc. experienced a large increase during the course of year. However, beyond December 2008 the mounting pressures of food inflation in the economy start to dissipate from 28.0 percent in December 2008 to 22.9 percent in February 2009, 19.7 percent in March and further to 17.0 percent in April 2009. The decline seen in food inflation in recent months can be attributed to the drastic fall in world commodity prices as well as policy measures taken by the Government.

It may be noted that the phenomena of rising food prices in recent times is matter of considerable concern to the Government and general public. Rising food prices have forced the overall inflation to move up thereby adding to the socio-economic suffering of the citizens in general and the poor

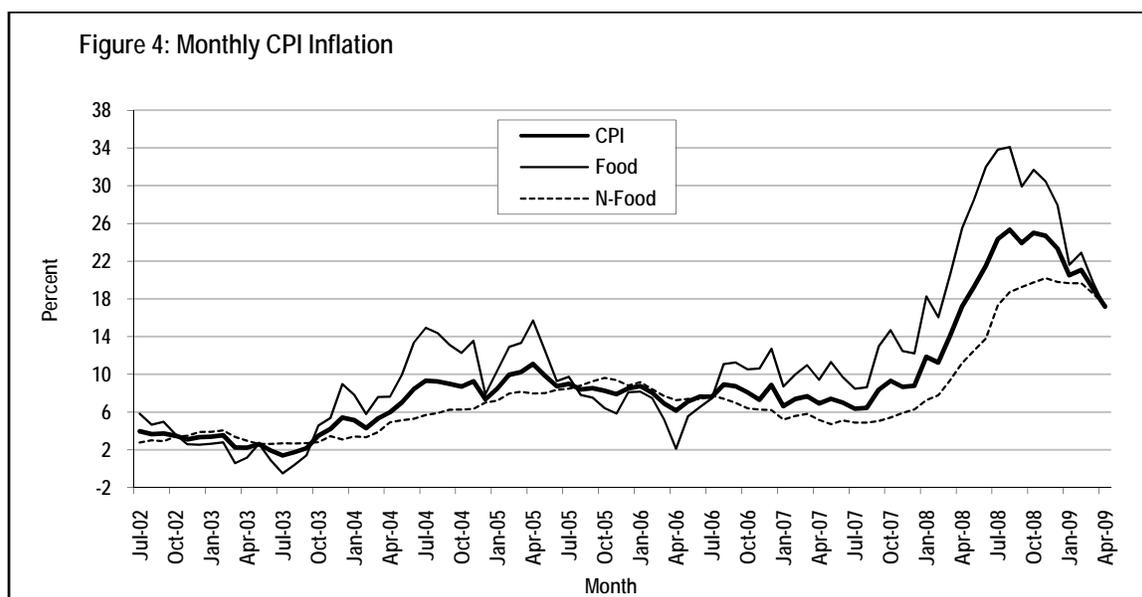
households in particular. If this trend continues to persist, the cost will be even more for both the economy and the society as a whole. The surge in prices may also be a strong destabilizing factor due

to its deep impact on major macro-economic variables such as inflation, the fiscal deficit, balance of payment position, growth, poverty and distribution of income.

**Table 7.4: Monthly Inflation Rate**

Period	2006-07			2007-08			2008-09		
	CPI	Food	Non-food	CPI	Food	Non-food	CPI	Food	Non-food
Jul	7.6	7.4	7.8	6.4	8.5	4.9	24.3	33.8	17.3
Aug	8.9	11.1	7.4	6.5	8.6	4.9	25.3	34.1	18.7
Sep	8.7	11.3	7.0	8.4	13.0	5.0	23.9	29.9	19.2
Oct	8.1	10.5	6.4	9.3	14.7	5.4	25.0	31.7	19.7
Nov	8.1	10.6	6.3	8.7	12.5	5.9	24.7	30.4	20.2
Dec	8.9	12.7	6.2	8.8	12.2	6.3	23.3	27.9	19.8
Jan	6.6	8.7	5.2	11.9	18.3	7.3	20.5	21.6	19.7
Feb	7.4	10.0	5.6	11.3	16.1	7.8	21.1	22.9	19.6
Mar	7.7	10.7	5.5	14.1	20.6	9.4	19.1	19.7	18.5
Apr	6.9	9.4	5.2	17.2	25.5	11.2	17.2	17.0	17.3
May	7.4	11.3	4.7	19.3	28.5	12.5	-	-	-
Jun	7.0	9.7	5.1	21.5	32.1	13.8	-	-	-

*Source: Federal Bureau of Statistics*



#### 7.4.2 Inflation on a Quarterly basis

A quarterly analysis of inflation for fiscal year 2008-09 reveals how inflationary pressures have come down in some areas while increasing in others. The general CPI level has come down from averaging a high of 24.5 percent in Q1 to 20.2 percent in Q3. This is mainly due to a significant reduction in food inflation, averaging at 32.6

percent during the first quarter while falling to 21.4 percent in the third quarter. Non-food inflation numbers are a concern, as the average quarterly figures have remained stagnated at around the 19 percent level as the year has progressed. Core inflation, an important indicator of the long term price level, steadily moved up mainly due to the house rent index which has shown an increasing

trend since July 2007. Inflation in the energy group has come down considerably in line with international trends as the price of oil has remained low during the second quarter and further into the third quarter.

**Table 7.5: Main Components of CPI - Quarterly Basis**

	Q1	Q2	Q3	Q4 (April)
CPI - General	24.5	24.3	20.2	17.2
I. Food	32.6	30.0	21.4	17.1
Perishable	34.3	23.1	18.7	22.7
Non-Perishable	36.9	32.3	24.0	16.2
II. Non-Food	18.4	19.9	19.3	17.3
a. Core	16.2	18.6	18.7	17.7
HRI	14.3	16.8	18.5	18.9
Non-HRI	18.0	20.4	19.0	16.5
b. Energy	30.4	26.7	22.1	15.5

Source: Federal Bureau of Statistics

### 7.5 Inflation by Income Group

The inflation rate for various income groups shown in Table 7.6 reveals that the increase in the headline CPI of 22.3 percent during July-April 2008-09 was largely borne by lower income brackets. Inflation has shown an increase of 24.4 percent for the households with the monthly income up to Rs 3,000 whereas the rate of inflation for income groups of Rs 12,000 and above stands

lower at 20.9 percent. Inflation erodes real incomes and expenditures which undermines the gains from poverty reduction policies and human development that an emerging country targets.

The analysis points to the fact that although the rise in prices has affected all segments of society, the degree of impact varies in scale and intensity, depending upon the economic status of individuals. Pakistan, being a low-income country, has very few of its citizens that fall into the category whose incomes are above Rs 12,000. The majority of the population spends more than half of their income on food and other essential items, leaving little or nothing for savings.

There should be a sense of urgency by the Government to focus on the low and fixed-income earners of society and ensure that they do not descend deeper into poverty. Higher food prices will lead to more unequal distributions of income and expenditures because food takes a greater share in total expenditure for poorer individuals as compared to the more fortunate. If the current trend is allowed to persist, the socio-economic fabric of society will be in dire straits. Therefore, action must be taken to safeguard the underprivileged by mitigating the harmful impact of rising food prices, since they feel the pinch of higher food prices the most.

**Table 7.6: Inflation Rate by Income Groups**

Period	Overall CPI	Up to Rs. 3,000	Between Rs. 3,001 - Rs. 5,000	Between Rs. 5,001-Rs. 12,000	Above Rs. 12,000
	(Percentage Change, Period Average)				
1995-96	10.8	10.6	10.7	10.8	11.3
1996-97	11.8	11.7	11.9	11.8	11.0
1997-98	7.8	7.9	7.8	7.9	8.0
1998-99	5.7	5.6	5.6	5.9	6.2
1999-00	3.6	3.2	3.4	3.8	4.5
2000-01	4.4	4.5	4.3	4.5	4.7
2001-02	3.5	3.0	4.9	3.4	3.6
2002-03	3.1	2.9	1.8	3.1	3.1
2003-04	4.6	5.3	5.1	4.7	4.3
2004-05	9.3	10.2	9.8	9.4	8.9
2005-06	7.9	7.7	7.5	7.6	8.3
2006-07	7.8	8.3	8.3	8.0	7.4
2007-08	12.0	14.2	14.0	12.8	10.7
2008-09(Jul-Apr)	22.3	24.4	24.0	23.3	20.9

Source: Federal Bureau of Statistics

## 7.6 Wholesale Price Index (WPI)

The WPI, which measures the cost of both locally produced and imported items, registered a larger increase during the current year 2008-09 as compared to last year. The index increased by 21.4 percent during the first ten months (July-April) of 2008-09 over the comparable period increase of 13.7 percent last year. The higher increase in the WPI this year was shared by all five sub-groups. Within the WPI, the building materials group had the largest overall increase, registering a 28 percent surge. The rest of the groups, such as the food group (26.1 percent), fuel and lighting group (21.6

percent) and the raw materials group (18.4 percent) all showed a high increase, whereas the manufacturers group had a comparatively small increase of 10.8 percent. The higher trend in the building materials group reflects an increase in the prices of inputs like cement, timber, bricks, paints and other related materials. The higher rate of increase in manufacturing was attributable to the increase in the cost of production on account of the rising input prices. The food sub-index of WPI increased sharply also, owing to large increase in the prices of some key food items such as wheat, sugar, meat vegetables etc.

**Table 7.7: Components of WPI (% change)**

Commodity Groups	Weight	July-April		% Point contribution	
				July-April	
		2007-08	2008-09	2007-08	2008-09
WPI	100	13.7	21.4	13.7	21.4
Food	42.12	16.7	26.0	51.4	51.2
Non-Food	57.88	11.5	17.9	48.7	48.4
Raw Material	7.99	11.6	18.4	6.8	6.8
Fuel & Lubricants	19.29	16.0	21.6	22.6	19.4
Manufacturers	25.87	6.0	10.8	11.4	13.1
Building Materials	4.73	12.9	27.9	4.4	6.1

Source: Federal Bureau of Statistics

## 7.7 Sensitive Price Indicator (SPI)

The increase in SPI during July-April 2008-09 has been estimated at 26.3 percent as against 14.1 percent in the comparable of last year. A group wise analysis of the SPI reveals the breakdown of the inflation rate. The food group, which comprises of 33 essential items that have a combined weight of 68.2 percent, contributed 19.6 percent to the overall SPI increase of 26.3 percent. The non-food group (14 items), which has a 10.3 percent weight, contributed 3.3 percent and the utility group (5 items) contributed 3.0 percent.

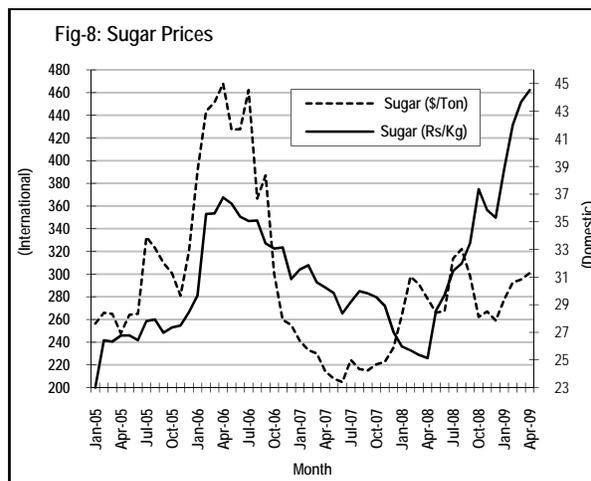
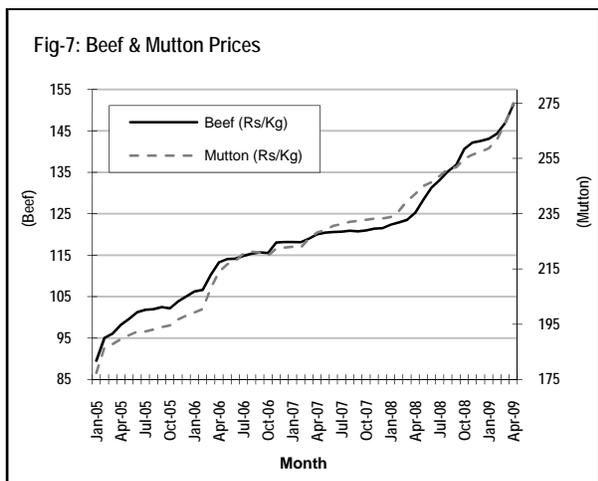
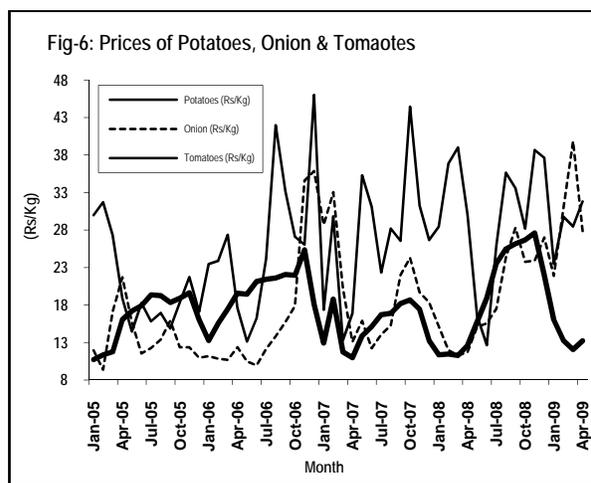
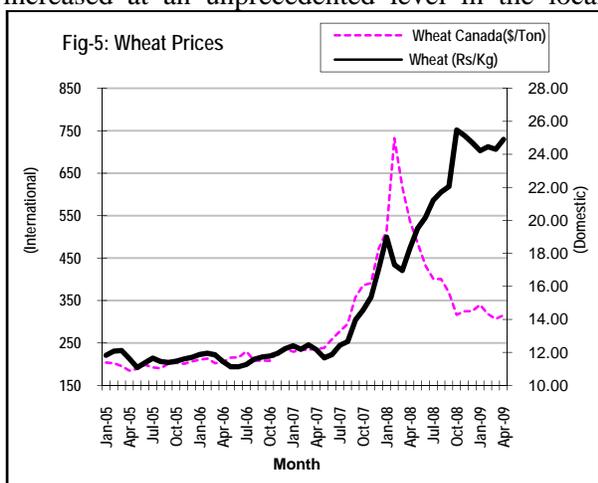
Further analysis of the food group items indicates the highest share of 7.1 percent belonged to sugar, followed by wheat flour (5.1 percent), milk fresh (4.8 percent), beef (2.1 percent), chicken (1.7 percent) and mutton (1.1 percent). The prime contributors to the overall SPI increase in the utility items group were electricity charges (2.7 percent) and gas charges (0.6 percent). A review of the overall price trend reveals that the average price of all the 53 items in the SPI, with the

exception of a few, experienced a larger increase in the month of April 2009 as compared to July 2008 revealing the impact of their domestic shortfall, costlier imports and un-fair market practices.

Amongst the most sensitive items, a significant increase of 60 percent was seen in onion prices followed by the rise in prices of sugar (42 percent), tomatoes (23 percent), chicken farm (18 percent), wheat (17 percent), beef (14 percent), mutton (11 percent), milk fresh (8 percent) and mash pulse (8 percent). These few items have approximately a 50 percent weight in the SPI, thereby heavily influencing the overall SPI trend in favour of the food group. The current increase in the prices of sugar is due to decline of sugar production in the country as well as tight global supply. Sugar production across the globe has declined this year which has resulted in the escalation in world sugar prices from \$262 per ton in October 2008 to \$293 per ton in February 2009 and further up to \$300 per ton in April 2009, which is also reflected in the local markets. The increase in the price of pulses in

the local market is due to the overall supply gap in relation to their demand. The price of wheat has increased at an unprecedented level in the local

market on account lower production and supply side mismanagement.



**Table 7.8: Prices of Essential Commodities**

Items	Unit	2006-07	2007-08	% Change Jul-Dec 2008	% Change Jul- Apr (on average basis) 2008-09	Percent Point Contribution
Wheat	Kg	11.94	16.44	16.4	17.3	0.4
Wheat Flour	Kg	13.61	18.45	10.5	11.2	5.1
Rice Basmati Broken	Kg	22.96	37.76	-14.0	-21.5	-1.1
Rice Irri-6	Kg	17.50	29.31	-22.8	-26.8	-0.2
Masur Pulse	Kg	44.22	71.39	9.4	-1.9	-0.04
Mash Pulse	Kg	70.23	71.38	2.9	8.5	0.2
Gram Pulse	Kg	41.05	44.78	-5.7	-17.7	-0.7
Beef	Kg	117.81	123.30	7.1	13.6	2.1
Mutton	Kg	223.94	236.48	3.5	10.6	1.1
Eggs (Farm)	Dozen	38.72	49.38	31.9	2.1	0.1
Chicken (Farm)	Kg	73.28	82.95	-4.2	18.4	1.7

**Table 7.8: Prices of Essential Commodities**

Items	Unit	2006-07	2007-08	% Change Jul-Dec 2008	% Change Jul- Apr (on average basis) 2008-09	Percent Point Contribution
sugar	kg	31.93	27.91	12.3	41.6	7.0
Milk Fresh	Ltr	26.72	30.44	4.6	8.0	4.8
Milk Powder	400 Gm	121.37	145.36	6.3	6.3	0.02
Vegetable Ghee	2.5 Kg	223.16	312.73	-10.1	-17.2	-1.9
Veg. Ghee (Loose)	Kg	70.54	108.42	-31.5	-25.1	-3.0
Potatoes	kg	17.82	15.20	-6.3	-43.8	-2.1
Cooking Oil	2.5Ltr	223.59	316.07	-5.8	-11.7	-0.8
Tomato	Kg	28.52	28.58	45.2	22.6	0.9
Onion	Kg	21.10	16.19	54.4	59.1	3.1

*Source :Federal Bureau Statistics*

### 7.8.1 Regional Price Developments

Prices of essential consumer items prevailing on 4<sup>th</sup> May, 2009 in Pakistan as compared with neighboring countries including India, Bangladesh and Sri Lanka indicates that prices of Moong

pulse, Gram Pulse, Mutton and Chicken (farm) were found to be lower in Pakistan than those of the other regional countries. The variations in prices of 19 items in Pakistan as against other regional countries are indicated in the table below.

**Table 7.9: Comparative Prices in Region**

Items	Unit	(Value in Pakistani Rupees)					
		Islamabad 4/5/2009	Dhaka 5/5/2009	New Delhi 30/04/2009	Colombo 4/4/2009	Tehran 28/01/09	Kabul 29/4/2009
Wheat	Kg	23.88	23.47	21.19	97.59	-	32.00
Wheat Flour	Kg	26.88	29.34	24.45	59.25	-	32.00
Rice Basmati	Kg	107.50	158.45	105.64	139.42	208.77	112.00
Masoor Pulse	Kg	124.38	122.06	100.77	153.36	128.47	144.00
Moong Pulse	Kg	51.75	99.76	78.01	153.36	112.41	88.00
Mash Pulse	Kg	91.88	100.94	84.52	153.36	-	112.00
Gram Pulse	Kg	54.63	70.42	55.42	153.36	128.47	88.00
Beef	Kg	165.00	258.21	146.28	271.86	642.37	272.00
Mutton	Kg	320.00	352.11	325.06	522.82	642.37	352.00
Chick Farm	Kg	106.13	158.45	195.04	278.84	160.59	128.00
Eggs	Dozn	53.75	110.33	48.76	83.64	192.71	72.00
Sugar	Kg	47.13	41.08	44.01	50.19	56.21	48.00
Veg. Ghee (loose)	Kg	130.00	352.11	89.65	278.84	-	104.00
Edible Oil (Dalda) loose	Ltr	140.80	86.85	177.67	345.06	176.65	112.00
Potato	Kg	23.00	23.47	17.93	50.53	24.09	19.20
Onion	Kg	34.88	46.95	21.19	55.76	24.09	40.00
Tomato	Kg	39.38	29.34	16.25	17.42	72.27	56.00
Red Chilies	Kg	142.50	140.84	227.54	136.63	96.35	240.00
Garlic	Kg	55.00	41.08	162.53	59.25	160.59	72.00

*Value in Pak Rupees*

- Not available

\* As per policy of Government of Iran, wheat and wheat flour are not sold in the open market

*Source: Ministry of Commerce*

### 7.8.2 International Inflation Comparison

Given the extraordinary rise and fall of global inflation during the July 2008 – April 2009 period, a regional comparison of domestic inflation rates reveals how Pakistan's economy has been hit by inflation rigidity mainly on account of its own domestic structural issues. A cursory look at Table 7.10 shows how all the other countries have seen a major decline in their inflation rates, some even experiencing deflation. Countries such as Sri Lanka and Vietnam were in a similar quandary as Pakistan back in July 2008; however both of them managed to pull back domestic prices with Sri Lanka in particular, doing a remarkable job. The inflation rate in Sri Lanka has been declining continuously for the past ten months from a peak at 26.6 percent in July 2008 due to high global food and oil prices. Inflation has fallen on tight monetary policy from late 2007 which allowed the country to benefit from an external deflationary environment as well as its slowing private sector credit growth. The Sri Lankan government has also reduced the prices of petrol, diesel, cooking gas and some commodities including milk powder, though not in line with sharply lower global prices.

India, who measures its headline inflation using the weekly-calculated WPI, also recovered from record high inflation in July 2008 to historic near-zero inflation by April 2009. China and Thailand have gone further by experiencing negative inflation, or deflation, in April 2009 after having record setting inflation last summer. Other countries like the Philippines, Indonesia, Turkey and South Korea have also witnessed substantial deceleration in inflation since December 2008.

**Table 7.10: Regional Comparison of Inflation (%)**

	Jul-08	Dec-08	Apr-09
Pakistan	24.3	23.3	17.2
India*	12.6	5.9	0.5
Sri Lanka	26.6	14.4	2.9
China	6.3	1.2	-1.5
Turkey	12.1	10.1	6.1
South Korea	5.9	4.1	3.6
Thailand	9.2	0.4	-0.9
Vietnam	27.0	19.9	9.2
Philippines	12.3	8.0	4.8
Indonesia	11.9	11.1	7.3
<b>*WPI</b>			

### 7.9 Step-taken to control inflation

The following steps have been taken/being taken to stabilize the commodity prices and supplies:

- The main thrust of the Stabilization Program is lowering incidence of inflation through combination of demand management policies and supply smoothening.
- The Government, as a long term measure, had increased the support price of wheat to Rs 625 /40Kg in April 2008 and further to Rs 950 /40Kg in September 2008, with a view of providing the right price to Pakistani farmers, encouraging them to grow more wheat. The higher support price of wheat will also help in discouraging smuggling and will ensure adequate supplies of this commodity in the country.
- A committee was constituted on December 12 2008 under the Chairmanship of Secretary Finance to look into the possibilities of the reduction in prices of food items; in consultation with all provincial government and stakeholders including the private sector
- In bid to check the price hike of sugar in the country, the Government has already announced the import of 200,000 tons of refined sugar through the Trading Corporation of Pakistan (TCP) in order to stabilize prices in the domestic market. TCP has also been advised to offload 100,000 tons of sugar from its own stocks through utility stores to supplement domestic market needs and to keep sugar prices at around Rs 38 per kg
- In order to improve the supply situation of meat in the country, the export of livestock has been suspended while the import of livestock and halal meat has been allowed; During July – February 2008-09, a quantity 768.7 tons of meat was imported .The private sector has been encouraged to initiate businesses dealing directly with cattle farmers there by eliminating middle men and thus reducing costs. District governments routinely check and control prices of meat and those who sell above than Government fixed price are taken to task. Provincial governments have been

requested to check the unauthorized movement of live animals across Pakistan's border with Afghanistan and Iran. Duty free import of dairy and livestock machinery / equipment has been allowed to encourage the establishment of value added industry in the livestock sector.

- f) In order to facilitate the establishment of a value chain industry, the Government has allowed the import of poultry meat processing machinery/ equipment at zero percent custom duty. This will increase the shelf life of poultry meat and limiting middle man exploitation of farmers and consumers as well as assist in stabilizing chicken prices to some extent. These measures should help in increasing poultry production in the country while stabilizing the price.

### 7.10 Outlook of Inflation

Average inflation for Fiscal year 2008-09 is expected to be around 21 percent, with the end of year inflation in June forecasted to around 14 percent. As most countries around the world are experiencing low levels of inflation, Pakistan remains unique in that its inflation remains stubborn with strong downward rigidity.

Demand side influence on the price level is likely to be limited given the mixed trend being observed, as private sector credit has plunged. Supply side or cost factors, on the other hand, are likely to remain as food prices continue to put pressure on domestic consumers. Food is the most important contributor to the overall price trend and fiscal year 2008-09 has shown how it can have a devastating effect. The food price index has been

at its highest point in decades, averaging 26.9 percent for the July–April 2009 period, and such prices likely to persist for a year.

SPI index has declined only once in the last ten weeks preceding week ended on June 06, 2009. Fluctuations in the demand and supply of some essential items, such as wheat, wheat flour, sugar, tomatoes, fruits, chicken and onions have kept prices of these items at elevated levels. In particular, the impact of wheat and sugar prices in the coming months will likely have an adverse impact on the inflation rate even if prices of tomatoes, onions and chicken dissipate, making the overall CPI sticky.

The challenge for the Government is to protect the vulnerable groups of society by stabilizing prices of essential items. Medium-to-long term efforts should envisage agricultural reforms so that there can be an increase in supply of essential items through making agricultural land and labor more productive, and having enough quantities of these items to feed the country as well as for export purposes.

The tough economic environment witnessed during Fiscal Year 2008-09 forced Pakistan to induct itself in a Stand-By Arrangement with the IMF. Inflation was at the forefront of Pakistan's economic troubles, as mounting price pressures on the economy and society as a whole took its toll. The Government is currently in the process of stabilizing the economy in the short term while remaining committed to its policy of high growth with stable prices in the long term.

TABLE 7.1 (A)

## PRICE INDICIES

A. COMBINED CONSUMER PRICE INDEX BY GROUPS											
Groups/ Fiscal Year	General	Food Beverages & Tobacco	Apparel Textile & Footwear	House Rent	*Energy	Household Fur- niture, Equip- ments etc.	*Transport & Commu- nication	Recreation Enter- tainment	Education	Cleaning, Laun- dry & Personal Appearance	Medicare
(Base: 2000-01 = 100)											
1990-91	43.20	42.14	46.42	45.15	38.95	47.82	41.72	48.68	-	43.54	42.73
1991-92	47.41	46.33	51.97	49.46	39.02	51.97	46.25	51.82	-	47.25	46.77
1992-93	52.07	51.84	56.46	54.60	40.00	5.31	50.31	53.31	-	51.55	49.75
1993-94	57.94	57.72	60.29	59.76	44.84	54.78	54.78	56.48	-	59.25	64.27
1994-95	65.48	67.24	67.64	66.19	49.20	59.17	59.17	61.37	-	65.50	69.61
1995-96	72.55	74.05	75.59	72.37	56.99	64.66	64.66	71.00	-	75.01	76.26
1996-97	81.11	82.86	82.82	79.71	64.10	73.43	73.43	80.49	-	85.38	86.10
1997-98	87.45	89.20	86.50	87.38	71.16	76.93	76.93	88.09	-	87.67	90.57
1998-99	92.46	94.46	92.27	93.21	80.95	76.98	76.98	92.20	-	92.81	92.02
1999-00	95.78	96.56	97.31	97.15	90.36	81.06	81.06	96.46	-	97.79	93.14
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	103.54	102.50	103.23	102.80	107.76	103.80	103.80	106.30	104.97	102.50	102.37
2002-03	106.75	105.40	106.75	103.80	118.39	105.29	105.29	107.21	109.72	103.37	105.59
2003-04	111.63	111.74	109.69	108.20	120.26	115.72	115.72	106.08	114.19	111.29	106.89
2004-05	121.98	125.69	112.98	120.42	128.46	117.33	120.18	105.86	117.55	115.90	107.94
2005-06	131.64	134.39	117.58	132.36	147.24	124.25	130.99	105.65	125.03	119.49	110.66
2006-07	141.87	148.21	123.70	141.21	156.65	131.64	134.63	105.76	133.82	124.55	120.91
2007-08	158.90	174.36	133.79	154.47	165.17	141.08	138.66	107.86	140.88	138.28	132.23
<u>Jul-Apr</u>											
2007-08	155.74	169.49	132.44	152.77	162.12	139.66	135.95	106.19	139.33	136.15	130.36
2008-09	190.54	214.59	152.13	178.42	202.89	158.56	176.10	119.69	162.66	161.63	146.57

Note: The CPI 1990-91 base year series have been converted into series with a base of 2000-01.

(Contd.)

- (1) The Recreation, Entertainment and Education Group has been split into two groups namely
    - (i) Recreation & Entertainment Group; (ii) Education
  - (2) The nomenclature of Medicine Group has been changed to Medicare Group.
- \* Transport & Energy Groups Index is available from July 2003 and onward while prices from 1990-91 upto June 2003 in respect of these two Groups have been converted in to index

TABLE 7.1 (B)

## HEADLINE &amp; CORE INFLATION

Year	Indices				Headline & Core Inflation			
	General	Food	Non-Food	*Core	General	Food	Non-Food	*Core
1991-92	47.41	46.33	48.52	48.84	10.58	10.64	10.52	10.52
1992-93	52.07	51.84	52.31	52.51	9.83	11.74	7.81	7.5
1993-94	57.94	57.72	58.18	58.21	11.27	11.34	11.22	10.9
1994-95	65.48	67.24	64.09	64.43	13.02	16.67	10.17	10.7
1995-96	72.55	74.05	71.36	71.46	10.79	10.13	11.34	10.9
1996-97	81.11	82.86	79.73	79.62	11.80	11.89	11.73	11.4
1997-98	87.45	89.20	86.07	85.60	7.81	7.65	7.94	7.5
1998-99	92.46	94.46	90.89	89.47	5.74	5.90	5.61	4.5
1999-00	95.78	96.56	95.16	92.59	3.58	2.23	4.69	3.5
2000-01	100.00	100.00	100.00	100.00	4.41	3.56	5.09	4.2
2001-02	103.54	102.50	104.28	103.76	3.54	2.44	4.28	2.0
2002-03	106.75	105.40	107.66	106.43	3.10	2.89	3.24	2.5
2003-04	111.63	111.74	111.55	110.43	4.57	6.01	3.62	3.8
2004-05	121.98	125.69	119.47	117.95	9.28	12.48	7.10	6.8
2005-06	131.64	134.39	129.77	126.82	7.92	6.92	8.63	7.5
2006-07	141.87	148.21	137.58	134.35	7.77	10.28	6.02	5.9
2007-08	158.90	174.36	148.45	145.60	12.00	17.65	7.90	8.4
<u>Jul-Apr</u>								
2007-08	155.74	169.49	146.44	143.78	10.27	15.03	6.82	7.5
2008-09	190.54	214.59	174.27	169.41	22.35	26.61	19.01	17.8

Note: Core Inflation is defined as overall inflation adjusted for food and energy.

TABLE 7.1 (C)

## PRICES INDICES

Groups/ Fiscal Year	B. Wholesale Price Index by Groups						3. Sensitive	4. GDP
	General	Food	Raw Materials	Fuel, Lighting & Lubricants	Manufac- tures	Building Materials	Price Indi- cator	Deflator
1991-92	44.84	45.42	43.78	34.09	52.38	56.72	46.26	224.33
1992-93	48.14	50.24	48.67	34.83	54.63	57.97	51.22	244.28
1993-94	56.03	57.23	62.55	40.81	63.67	66.47	57.26	274.73
1994-95	65.00	67.50	72.16	44.90	73.40	81.04	65.85	312.60
1995-96	72.22	75.44	75.95	52.95	79.88	87.33	72.90	338.48
1996-97	81.62	84.37	87.01	62.17	89.41	98.63	81.98	388.00
1997-98	86.99	90.45	93.81	69.65	91.62	98.62	88.01	413.39
1998-99	92.51	96.55	103.21	75.81	94.45	99.62	93.68	437.59
1999-00	94.15	97.09	92.39	83.16	98.76	97.15	95.39	100.00
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	108.02
2001-02	102.01	101.95	100.31	103.14	101.87	101.10	103.37	110.71
2002-03	107.77	105.62	115.51	115.95	103.67	102.90	107.06	115.61
2003-04	116.29	112.99	135.12	119.23	111.83	126.48	114.38	124.55
2004-05	124.14	125.03	110.44	138.01	113.05	143.79	127.59	133.30
2005-06	136.68	133.78	121.93	174.57	116.27	144.18	136.56	147.28
2006-07	146.17	145.67	138.85	184.10	119.91	151.93	151.35	158.60
2007-08	170.15	173.27	156.57	223.34	128.33	177.18	176.78	184.33
<u>Jul-Apr</u>								
2007-08	165.17	168.48	153.62	212.79	126.80	170.18	171.73	
2008-09	200.58	212.52	181.86	258.79	140.56	217.63	216.95	226.09

Source: Federal Bureau of Statistics

Note: 1) WPI and SPI 1990-91 base year series have been converted into series with a base of 2000-01  
2) GDP Deflator base year 1980-81 = 100 has been changed with 1999-2000 = 100 as new base year

TABLE 7.2

## MONTHLY PERCENT CHANGES IN CPI, WPI AND SPI

Months	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(Percent)														
<b>A. CONSUMER PRICE INDEX (C.P.I.) converted into Base year 2000-01</b>														
Jul	1.38	1.40	0.62	0.86	0.69	0.56	0.52	1.09	0.57	1.38	1.62	1.61	1.01	3.34
Aug	2.02	1.30	0.65	0.87	0.47	-0.06	0.75	0.31	0.66	0.58	0.04	1.25	1.32	2.14
Sep	0.90	1.16	0.63	0.11	0.38	0.98	0.14	0.19	0.60	0.38	0.50	0.32	2.13	0.97
Oct	0.11	1.20	0.40	0.49	0.92	0.45	0.53	0.16	1.47	1.19	0.94	0.36	1.23	2.12
Nov	1.07	1.21	0.74	0.48	0.09	0.9	0.32	0.31	0.60	1.12	0.76	0.73	0.14	-0.12
Dec	0.67	0.87	0.11	0.24	-0.11	-0.45	-0.61	-0.24	0.90	-0.85	-0.27	0.47	0.58	-0.50
Jan	0.37	2.17	-0.05	-0.18	0.2	-0.16	0.06	0.06	-0.09	0.97	1.20	-0.88	1.91	-0.42
Feb	0.70	1.09	0.36	0.38	-0.02	-0.08	0.34	0.47	-0.34	0.99	0.33	1.04	0.49	0.95
Mar	1.35	-0.45	1.77	0.35	0.88	0.48	1.36	0.04	1.02	1.29	0.23	0.49	3.08	1.37
Apr	0.81	2.39	0.45	0.27	0.56	0.34	0.33	0.33	0.96	1.74	1.02	0.31	3.04	1.41
May	0.37	-0.20	0.15	-0.07	-0.11	-0.45	-0.67	-0.29	0.69	-0.44	0.45	0.92	2.69	
Jun	0.11	-0.31	0.47	-0.16	1.05	0.01	0.48	-0.21	1.12	0.10	0.59	0.20	2.10	
<b>B. WHOLESALE PRICE INDEX (W.P.I.) with Base 1990-91</b>														
Jul	0.99	1.59	0.33	1.14	0.07	-0.08	1.78	1.51	1.31	-1.00	1.99	1.42	1.70	4.35
Aug	1.77	1.82	0.14	1.39	0.18	0.75	0.30	1.66	0.98	-1.08	1.04	0.78	1.17	2.45
Sep	0.42	-0.05	0.33	-0.13	0.52	1.55	0.21	0.59	0.34	0.40	0.54	0.44	1.62	-0.27
Oct	-0.31	0.27	0.42	0.14	-0.29	0.90	-1.15	0.54	2.72	1.42	0.77	-0.49	1.82	-1.87
Nov	0.68	2.38	0.53	0.79	-1.44	1.18	-0.97	1.66	1.10	0.39	0.18	0.89	1.63	-5.11
Dec	0.35	1.39	0.30	0.03	-0.31	1.15	-0.65	0.70	1.39	-0.25	-0.13	0.37	-0.06	-1.97
Jan	1.12	2.30	0.01	0.59	0.30	-0.84	0.17	0.38	0.21	1.53	1.28	-1.20	1.78	0.15
Feb	0.70	0.65	0.34	0.60	1.05	-0.39	0.19	2.39	0.40	1.52	0.77	0.51	1.24	0.66
Mar	1.71	-0.29	1.73	0.28	2.12	-0.16	1.28	0.15	1.77	1.39	0.07	1.02	3.99	0.42
Apr	1.65	1.48	0.50	-0.53	0.38	0.66	0.35	-1.17	0.32	1.61	1.23	1.16	4.30	1.68
May	-0.19	0.35	0.50	0.21	-0.18	-1.38	-0.12	-1.09	0.98	-0.59	0.35	1.09	4.97	
Jun	1.17	-0.41	0.08	0.02	1.01	1.18	1.07	-0.27	0.59	0.71	63.00	1.10	2.98	
<b>C. SENSITIVE PRICE INDICATOR (S.P.I.) converted into Base year 2000-01</b>														
Jul	1.30	1.72	0.15	0.91	0.33	0.77	1.25	1.48	1.34	2.43	1.35	1.36	1.46	3.77
Aug	1.73	0.98	0.14	1.36	0.49	0.70	1.23	1.09	0.70	1.18	0.26	2.18	1.67	2.34
Sep	0.02	1.42	0.48	-0.49	0.16	0.99	0.91	1.04	0.75	0.29	0.23	0.41	2.63	0.51
Oct	-0.62	0.99	0.36	0.59	-0.45	0.63	0.54	-0.24	2.34	0.53	0.05	0.56	1.47	2.70
Nov	0.66	1.46	0.94	1.63	0.13	0.39	0.34	1.09	2.64	1.94	0.88	2.34	0.85	-1.35
Dec	1.03	0.78	0.08	-0.31	-0.94	-1.16	-0.73	-0.64	1.31	-0.98	-0.24	0.76	1.45	-1.69
Jan	-0.12	1.50	-0.24	-0.78	-0.23	0.15	0.15	0.23	-0.69	0.91	0.80	-1.32	2.67	-1.42
Feb	0.65	1.38	0.30	0.55	0.30	-0.55	1.29	0.42	-0.61	0.54	1.46	0.09	-1.33	0.85
Mar	1.24	-1.36	0.51	-0.25	0.24	0.27	0.57	-0.01	1.30	1.07	0.84	-0.01	3.42	0.64
Apr	1.18	3.78	0.69	-0.45	0.77	-0.13	-0.62	-0.23	-0.51	1.29	1.33	0.09	5.48	1.68
May	0.59	0.47	0.13	0.73	0.92	-0.75	-1.69	-0.61	2.14	-1.02	0.65	1.37	5.41	
Jun	0.82	-0.19	2.01	0.57	1.59	0.70	1.37	0.24	1.31	0.70	0.45	1.48	1.56	

Source: Federal Bureau of Statistic.

Note: CPI, SPI and WPI 1990-91 base year series converted into Base Year 2000-01.

TABLE 7.3 (A)

## PRICE INDICES BY CONSUMER INCOME GROUPS

Income Group/ Fiscal Year	All Income Groups	Upto Rs 3000	Rs 3001 to 5000	Rs 5001 to 12000	Above Rs 12,000
Spliced with Base Year 2000-01 = 100					
1990-91	43.20	42.43	42.85	43.18	43.09
1991-92	47.41	47.03	47.40	47.70	47.51
1992-93	52.07	52.03	52.13	52.11	51.62
1993-94	57.94	57.80	58.00	58.05	57.61
1994-95	65.48	65.86	65.73	65.16	64.18
1995-96	72.55	72.86	72.76	72.22	71.42
1996-97	81.11	81.37	81.41	80.71	79.71
1997-98	87.45	87.81	87.43	87.07	86.05
1998-99	92.46	92.71	92.67	92.18	91.41
1999-00	95.78	95.66	95.85	95.70	95.50
2000-01	100.00	100.00	100.00	100.00	100.00
2001-02	103.54	102.97	104.88	103.44	103.64
2002-03	106.75	105.95	106.70	106.68	106.83
2003-04	111.63	111.61	112.18	111.72	111.39
2004-05	121.98	123.01	123.16	122.26	121.35
2005-06	131.64	132.47	132.44	131.51	131.45
2006-07	141.87	143.52	143.42	142.05	141.19
2007-08	158.90	163.98	163.64	160.24	156.32
<u>Jul-Apr</u>					
2007-08	155.74	159.79	160.00	156.95	153.39
2008-09	190.54	198.79	198.44	193.51	185.56

Source: Federal Bureau of Statistics.

Note: CPI 1990-91 Base Year series have been converted into Base Year 2000-01.

TABLE 7.3 (B)

## ANNUAL CHANGES IN PRICE INDICES AND GDP DEFLATOR

Fiscal Year	Consumer Price Index <sup>a</sup>	Wholesale Price Index <sup>c</sup>	Sensitive Price Indicator <sup>a</sup>	Annual GDP Deflator <sup>a</sup>
1990-91	12.66	11.73	12.59	-
1991-92	10.58	9.84	10.54	10.07
1992-93	9.83	7.36	10.71	8.89
1993-94	11.27	16.40	11.79	12.47
1994-95	13.02	16.00	15.01	13.78
1995-96	10.79	11.10	10.71	8.28
1996-97	11.80	13.01	12.45	14.63
1997-98	7.81	6.58	7.35	6.55
1998-99	5.74	6.35	6.44	5.85
1999-00	3.58	1.77	1.83	2.78
2000-01	4.41	6.21	4.84	6.72
2001-02	3.54	2.08	3.37	2.49
2002-03	3.10	5.57	3.58	4.42
2003-04	4.57	7.91	6.83	7.74
2004-05	9.28	6.75	11.55	7.02
2005-06	7.92	10.10	7.02	10.49
2006-07	7.77	6.94	10.82	7.70
2007-08	12.00	16.64	16.81	16.21
<u>Jul-Apr</u>				
2007-08	10.27	13.70	14.09	
2008-09	22.35	21.44	26.33	22.63

\* Provisional

Source: Federal Bureau of Statistics

WPI, CPI &amp; SPI Base Year = 1990-91 series have been converted into Base Year 2000-01.

3. GDP Deflator Base Year 1980-81=100 has been changed with 1999-2000 = 100 as new base year.

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

Fiscal Year	(Rs/Unit)											
	Wheat (Av.Qlty) Kg	Wheat Flour (Av.Qlty) Kg	Basmati* Rice (Broken) Kg	Moong Pulse (Washed) Kg	Gram Pulse (Av.Qlty) Kg	Beef (Cow/ Buffalo with bone) Kg	Chicken (Farm) Kg	Mutton (Goat) (Av.Qlty) Kg	Eggs Hen (Farm) Doz.	Potato (Av.Qlty) Kg	Dry Onion (Av.Qlty) Kg	Tomato (Av.Qlty) Kg
1990-91	3.07	3.66	6.10	12.64	7.85	25.51	..	50.39	13.28	5.19	7.70	12.52
1991-92	3.62	4.20	6.97	16.16	8.70	29.62	..	53.86	15.95	6.32	4.17	8.75
1992-93	3.85	4.44	8.06	17.09	11.35	32.49	..	60.09	15.96	5.77	7.16	11.64
1993-94	4.28	4.93	8.77	17.09	11.72	35.63	..	69.94	18.69	5.81	6.88	14.64
1994-95	5.07	5.78	9.09	20.24	21.77	40.68	..	81.68	20.64	6.32	7.76	18.22
1995-96	5.14	5.90	11.27	21.86	21.67	47.29	..	91.71	21.37	10.45	7.65	14.05
1996-97	6.59	7.32	12.85	21.80	15.00	54.01	..	99.42	24.90	12.08	9.22	14.35
1997-98	7.96	8.64	13.40	28.45	20.22	55.44	57.24	103.37	29.73	9.31	10.45	20.34
1998-99	7.72	8.35	14.50	32.95	22.08	55.83	54.20	106.46	25.98	8.74	15.32	19.60
1999-00	8.19	8.92	15.71	30.05	25.07	56.78	50.90	108.64	24.27	9.38	6.85	15.25
2000-01	8.67	9.80	15.35	30.30	29.52	56.01	50.65	109.38	26.35	9.74	10.72	17.24
2001-02	8.29	9.67	15.49	34.36	34.89	55.19	52.04	111.53	28.57	11.43	9.59	17.12
2002-03	8.73	10.14	18.07	30.46	31.13	61.21	54.01	124.95	30.69	9.43	8.70	13.30
2003-04	10.25	11.71	19.04	27.98	24.17	75.45	57.50	154.31	30.03	8.58	11.09	19.10
2004-05	11.68	13.28	20.19	31.66	29.35	94.83	66.43	185.19	37.45	14.94	13.82	25.03
2005-06	11.55	13.06	20.16	47.28	31.12	106.84	66.08	202.10	35.07	18.18	12.05	19.48
2006-07	11.96	13.64	23.11	56.53	41.38	117.87	74.16	224.07	38.31	17.22	20.95	27.43
2007-08	16.44	18.07	37.77	52.67	44.78	123.30	83.39	236.49	49.45	15.22	16.28	28.50
<u>Jul-Apr</u>												
2007-08	15.76	17.14	34.65	52.08	41.85	122.00	82.93	234.65	49.77	14.80	16.47	31.27
2008-09	23.85	25.39	48.03	50.46	58.83	141.59	103.00	258.36	60.67	20.59	26.53	31.31

.. Not Available

(Contd.)

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data 2001-02 onward is based on 17 centres.

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.)	(Rs/Unit)							
Fiscal Year	Mustard Oil (Mill) Kg	Vegetable Ghee (Loose) Kg	Rock Salt (Powder) Kg	Red Chillies (Av.Qlty) Kg	Sugar (Open Market) Kg	Gur (Sup. Qlty) Kg	Milk Fresh (Ltr)	Tea in Packet (Sup.Qlty) 250 Gram
1990-91	20.93	19.00	2.00	24.38	11.26	8.24	7.71	20.00
1991-92	25.85	20.53	2.17	31.05	11.62	8.67	8.82	20.04
1992-93	30.26	24.08	2.22	41.08	12.29	10.03	9.90	23.62
1993-94	33.18	29.09	2.25	39.33	12.91	10.49	11.07	27.65
1994-95	43.93	38.99	2.40	70.12	13.74	11.07	12.18	29.08
1995-96	46.50	39.38	2.79	82.32	16.76	14.54	13.67	30.33
1996-97	47.27	42.76	3.13	74.15	21.26	18.67	15.12	38.31
1997-98	49.65	45.78	3.17	62.55	19.54	18.91	16.27	49.88
1998-99	63.43	54.00	3.22	89.05	19.09	17.19	17.71	51.89
1999-00	61.13	49.14	3.35	82.72	21.11	19.81	17.91	48.95
2000-01	56.92	44.82	3.43	66.75	27.11	26.31	18.23	53.73
2001-02	59.01	49.20	3.19	78.34	22.87	23.12	17.92	57.00
2002-03	60.80	55.25	3.21	75.87	20.77	20.45	18.35	61.50
2003-04	63.51	59.84	3.22	73.80	19.01	19.79	19.21	64.68
2004-05	65.63	59.60	3.50	76.64	23.45	23.98	21.28	61.99
2005-06	66.70	58.95	3.94	70.79	31.16	35.90	23.90	62.62
2006-07	76.71	70.81	4.68	94.66	31.85	39.26	26.72	68.39
2007-08	119.71	108.43	5.12	147.84	27.92	32.87	30.45	68.28
<u>Jul-Apr</u>								
2007-08	114.73	103.62	5.06	136.81	27.67	33.16	29.82	66.82
2008-09	144.21	110.69	6.00	148.54	37.45	40.80	35.99	97.47

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for Period 2001-02 onward is based on 17 centres.

(Contd.)

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSETIAL ITEMS

(Contd.)								(Rs/unit)
Fiscal Year	Cigarettes (Pkt)	Coarse Latha (Mtr.)	Voil Printed (Mtr.)	Shoes Gents Concord (Bata)	Firewood (Kikar/ Babul) (40 Kgs.)	Match Box (40/ 50 Sticks) (Each)	Washing Soap 707/555 (Cake)	Life- buoy Soap (Cake)
1990-91	3.48	10.71	25.24	429.95	50.07	0.35	2.49	4.02
1991-92	3.56	12.08	27.65	149.95	55.68	0.44	2.72	4.10
1992-93	3.60	13.46	27.18	149.95	62.31	0.49	3.01	4.64
1993-94	3.61	14.14	28.56	185.78	67.51	0.49	3.52	6.00
1994-95	3.75	15.76	29.26	224.95	71.83	0.50	4.14	6.35
1995-96	3.69	18.31	27.90	299.95	78.54	0.50	5.03	7.29
1996-97	3.90	20.89	30.01	337.70	88.88	0.50	5.95	8.53
1997-98	3.79	22.24	31.34	339.00	95.00	0.50	6.18	8.58
1998-99	4.19	23.20	31.63	342.96	97.65	0.50	6.57	9.21
1999-00	5.04	23.76	32.20	381.29	99.93	0.50	6.81	9.50
2000-01	5.01	24.11	33.04	399.00	104.04	0.50	6.90	9.50
2001-02	5.82	26.81	33.30	399.00	99.30	0.51	7.37	10.02
2002-03	6.06	26.84	33.74	428.17	104.20	0.51	7.48	11.00
2003-04	6.08	28.80	34.52	499.00	118.40	0.51	7.48	10.82
2004-05	6.90	32.08	36.13	492.33	135.96	0.53	7.47	14.00
2005-06	7.23	34.26	36.74	399.00	166.03	0.62	7.73	13.93
2006-07	7.98	35.05	37.90	429.00	191.72	0.71	8.13	14.18
2007-08	8.38	39.04	40.29	499.00	220.74	0.92	9.78	17.38
<u>Jul-Apr</u>								
2007-08	8.38	38.44	39.51	499.00	217.40	0.90	9.49	16.91
2008-09	9.02	44.68	45.71	499.00	261.93	1.00	12.49	21.51

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

(Contd.)

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.)	(Rs/unit)								
Fiscal Year	Electric Bulb (60-W)	Cooked Beef Plate	Cooked Dal Plate	Rice Irri-6 Kg	Masoor Pulse Kg	Mash Pulse Kg	Garlic Kg	Cooking Oil Dalda 2.5 Ltr	Vegetable Ghee 2.5 Kg
1990-91	11.03	8.22	5.52	4.84	18.77	14.19	36.02	57.71	49.07
1991-92	11.98	9.35	6.08	5.66	23.70	15.75	23.15	62.83	51.74
1992-93	12.00	10.51	6.59	6.41	21.75	14.95	18.01	70.74	62.07
1993-94	12.28	11.59	7.28	6.62	19.87	14.91	27.02	87.22	77.95
1994-95	13.00	13.17	8.36	7.07	20.20	23.93	31.65	116.83	104.62
1995-96	13.29	14.48	9.43	9.09	28.01	32.79	27.14	122.50	109.82
1996-97	14.94	15.84	9.95	9.99	30.79	31.82	34.34	134.64	119.06
1997-98	14.96	16.44	10.40	10.48	34.49	28.59	36.85	148.95	131.98
1998-99	15.42	17.85	11.12	12.09	35.84	30.40	38.67	168.27	157.94
1999-00	16.00	18.30	11.35	12.51	36.03	38.38	30.16	166.93	164.95
2000-01	14.10	18.53	11.87	11.56	36.97	48.38	28.07	155.64	153.43
2001-02	14.00	18.58	12.42	11.51	38.41	44.25	39.93	170.97	169.24
2002-03	13.30	18.88	13.09	12.23	38.41	37.56	34.11	199.68	196.77
2003-04	12.69	20.95	13.86	13.06	35.40	35.57	32.82	203.98	200.28
2004-05	12.07	24.21	14.71	15.41	43.11	38.52	44.22	204.99	204.15
2005-06	11.43	26.07	15.65	16.05	45.01	52.91	58.09	204.41	203.63
2006-07	11.95	29.80	17.84	17.59	44.54	70.51	61.81	224.48	224.06
2007-08	12.68	33.26	20.46	29.32	71.41	71.36	46.18	316.32	312.97
<u>Jul-Apr</u>									
2007-08	12.60	32.66	19.87	25.49	64.08	71.07	48.17	301.92	299.41
2008-09	14.30	39.83	25.38	40.31	123.46	75.54	42.04	374.11	359.04

Note:

(Contd.)

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.)									(Rs/Unit)
Fiscal Year	Curd Kg	Tea Prepared Cup	Banana Doz.	Lawn Hussain Mtr.	Shirting Hussain Mtr.	Shoes Lady Bata	Chappal Gents Spang	Bread Plain M.Size	Milk Powder Nido 500 grams
1990-91	9.98	1.35	11.66	33.65	30.98	156.20	33.97	4.34	217.27
1991-92	11.22	1.54	14.71	37.64	35.79	174.95	36.95	5.01	74.59
1992-93	12.49	1.72	19.06	39.42	39.54	174.95	36.95	5.78	84.96
1993-94	13.86	1.99	19.28	42.38	41.90	181.68	46.31	6.55	90.40
1994-95	15.25	2.20	21.04	44.63	45.08	191.95	55.95	7.40	105.47
1995-96	17.16	2.55	21.36	46.25	50.59	211.90	63.83	7.99	79.01
1996-97	18.74	3.02	20.37	52.03	53.58	248.03	78.70	9.09	91.00
1997-98	19.91	3.30	20.18	56.02	55.25	249.00	79.00	10.31	102.40
1998-99	21.75	3.61	21.25	72.17	56.85	269.42	79.00	10.39	105.82
1999-00	21.87	3.74	20.88	76.27	58.28	319.00	79.00	10.96	110.00
2000-01	22.43	4.03	22.11	77.77	59.10	319.00	79.00	11.17	114.03
2001-02	21.90	4.18	22.14	70.79	55.17	319.00	79.00	11.14	116.00
2002-03	23.35	4.46	21.96	69.92	55.59	342.23	79.00	11.16	88.00 **
2003-04	23.33	4.72	23.01	69.96	56.78	364.00	79.00	11.77	94.75
2004-05	25.75	5.12	25.11	72.61	59.94	252.33	86.53	13.25	102.62
2005-06	28.38	5.77	28.18	76.42	62.36	299.00	89.00	14.23	108.50
2006-07	31.34	6.31	32.51	79.69	65.45	299.00	92.00	15.34	121.47
2007-08	35.76	6.91	35.43	83.45	71.01	299.00	101.50	18.43	145.93
<u>Jul-Apr</u>									
2007-08	35.00	6.80	32.36	82.15	70.49	299.00	100.00	17.93	143.95
2008-09	42.75	8.33	39.02	90.33	78.14	371.00	127.00	23.91	167.18

Note: Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres. Source : Federal Bureau of Statistics.

\*\* The unit has changed from 500 GM to 400 GM

TABLE 7.4

## AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS (Average of 12 Centers)

(Contd.)

Fiscal Year	Kerosene (per ltr.)	Gas Charges (100 cf)	Elect Charges (upto 50 units)	Petrol Super (per ltr.)	Tele Local Call Charges (per Call)
1990-91	2.57	-	-	-	-
1991-92	5.90	-	-	-	-
1992-93	5.96	-	-	-	-
1993-94	7.01	-	-	-	-
1994-95	7.36	-	-	-	-
1995-96	8.27	-	-	-	-
1996-97	10.66	-	-	-	-
1997-98	11.60	-	-	-	-
1998-99	11.72	-	-	-	-
1999-00	13.00	231.44	1.28	28.23	2.10
2000-01	16.84	248.55	1.46	29.34	2.22
2001-02	18.58	259.26	2.18	31.60	2.31
2002-03	22.48	259.35	2.45	33.08	2.31
2003-04	24.95	79.45 *	2.54	33.69	2.31
2004-05	29.11	84.6*	2.47	40.74	2.31
2005-06	36.19	88.92	2.14	55.12	2.31
2006-07	39.09	99.79	2.49	56.00	2.31
2007-08	43.44	97.17	2.76	57.83	2.31
<u>Jul-Apr</u>					
2007-08	41.71	96.49	2.69	55.59	2.31
2008-09	67.52	96.23	3.16	69.72	4.50

Note : Data for Period 1990-91 - 2000-01 is based on 12 centres  
while data for 2001-02 onward is based on 17 centres.

Source: Federal Bureau of Statistics.

- : Not Available

\* : The unit has been changed from 100 CM to 100 CF

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES (Base Year 2000-01 = 100)

Fiscal Year	Wheat	Rice	Gram (Whole)	Sugar Refined	Vegetable Ghee	Tea	Meat	Vegetables	Fresh Milk	Cotton	Motor Fuels
1991-92	116.48	110.40	116.50	103.64	105.52	100.82	110.71	96.82	110.71	106.04	102.50
1992-93	122.77	122.28	148.18	110.57	123.78	119.10	121.02	107.36	126.15	119.20	103.37
1993-94	136.04	130.94	220.32	115.96	151.04	136.40	140.28	143.43	142.92	168.20	123.39
1994-95	161.26	141.25	313.71	123.67	205.90	148.50	162.40	155.19	163.96	207.62	124.80
1995-96	163.26	167.12	303.57	152.97	208.27	157.91	162.86	173.71	190.39	210.57	139.42
1996-97	206.13	185.50	199.41	192.12	224.41	197.75	201.85	188.93	218.18	242.89	173.35
1997-98	246.80	197.08	260.78	175.98	241.78	255.96	210.00	231.40	216.25	245.84	188.14
1998-99	241.28	239.88	307.41	173.03	285.78	266.35	214.95	196.69	245.85	261.55	204.46
1999-00	258.66	245.11	370.24	191.58	249.13	254.60	218.60	195.92	252.28	213.72	239.48
2000-01	270.76	227.63	430.67	250.69	231.63	270.93	220.17	201.60	252.86	253.59	317.82
(Base Year 2000-01 = 100)											
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	96.10	109.64	84.23	82.36	114.12	99.28	102.04	107.57	99.79	91.31	102.90
2002-03	101.12	126.09	71.40	75.32	130.34	96.93	111.10	101.65	100.50	110.46	106.80
2003-04	191.89	138.50	74.17	67.72	141.44	96.94	137.55	116.00	105.41	144.44	111.03
2004-05	137.24	153.40	95.52	85.18	137.41	93.78	169.19	144.06	113.43	95.23	134.78
2005-06	135.61	154.78	127.43	120.70	136.94	93.99	185.95	160.14	122.83	103.91	181.46
2006-07	139.21	175.54	147.79	118.80	164.73	100.48	201.01	161.14	133.31	110.92	181.38
2007-08	190.75	285.63	139.22	98.78	249.36	100.92	207.99	163.85	154.42	136.71	192.88
<u>Jul-Apr</u>											
2007-08	184.30	261.29	146.14	88.79	285.66	104.30	212.64	164.42	157.80	143.57	184.39
2008-09	277.28	364.56	180.78	137.71	255.36	134.15	238.75	208.48	183.33	151.95	220.85

(Contd.)

TABLE 7.5

## INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES Base Year (2000-01 = 100)

Fiscal Year	Other Oils	Fire Wood	Cotton Yarn	Matches	Soaps	Fertilizers	Transport	Leather	Timber	Cement
1991-92	100.39	111.43	105.40	107.59	105.27	109.71	103.24	109.57	114.90	108.00
1992-93	101.23	124.16	103.44	117.63	116.70	113.37	116.55	109.58	130.28	114.13
1993-94	120.72	133.68	137.83	120.69	140.04	153.70	135.89	115.54	144.50	137.61
1994-95	122.47	142.95	173.62	120.73	146.33	178.99	167.72	124.50	161.57	169.92
1995-96	141.59	153.83	184.24	122.99	171.03	198.95	216.71	138.98	175.41	166.18
1996-97	209.46	175.15	201.58	184.13	209.33	247.69	234.60	162.65	202.36	200.32
1997-98	228.68	190.80	199.64	208.14	200.54	256.19	234.81	152.12	220.08	212.05
1998-99	229.82	199.33	203.63	208.14	212.66	277.59	236.57	128.27	227.06	216.99
1999-00	272.45	207.73	200.74	205.67	222.75	316.24	255.29	133.20	239.02	212.65
2000-01	383.08	214.21	207.98	206.29	224.58	302.96	265.68	140.07	253.52	215.14
Base Year 2000-01 = 100										
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	103.59	101.33	95.35	100.55	103.89	102.26	106.66	100.00	101.45	100.42
2002-03	128.10	103.94	98.06	100.55	109.00	113.59	106.82	95.23	101.25	102.77
2003-04	139.86	115.41	121.03	105.61	110.68	123.64	108.70	93.64	121.75	102.45
2004-05	169.56	127.94	106.36	107.66	122.81	140.95	110.39	102.77	140.93	104.82
2005-06	227.55	152.23	108.07	107.67	122.05	156.16	111.71	110.65	142.05	122.67
2006-07	237.63	176.28	112.66	107.67	127.73	147.70	114.94	111.86	162.09	127.42
2007-08	264.00	205.70	112.15	111.86	147.59	215.18	114.99	121.84	170.93	111.61
<u>Jul-Apr</u>										
2007-08	319.08	220.14	112.15	117.33	157.76	263.31	116.88	123.91	178.38	117.84
2008-09	371.99	245.42	101.60	124.26	180.91	294.32	124.01	128.74	207.85	146.06

Source: Federal Bureau of Statistics