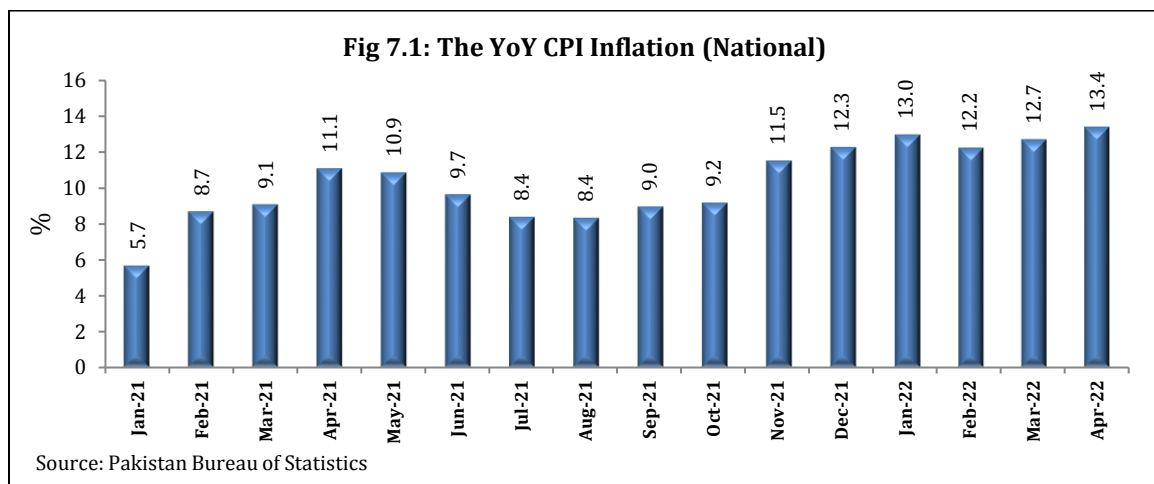


Inflation

Inflation is a key economic indicator that provides important insight on general cost of living and price movements. Price stability is essential for all kind of economic decision making that leads not only to economic growth, but also uplifts the poor and fixed income citizens who are the most vulnerable segment of the society. For a developing country like Pakistan, stable inflation environment is necessary to ensure productive investments and savings to achieve sustainable and inclusive growth.

For the outgoing fiscal year, the inflation target was set at 8.0 percent, but abnormal increase in global commodity prices especially crude oil and the edible oil has soared the domestic prices since Pakistan is net importer of these essential items. It is the 6th consecutive month when inflation rate has remained in double digit. Consumer Price Index (CPI) in April 2022 stood at 13.4 percent on a year-on-year (YoY) basis which was up from 12.7 percent in the previous month and 11.1 percent in April 2021. The pace of food inflation surged 15.6 percent in Urban and 17.7 percent in Rural during the month of April 2022. The CPI Inflation, recorded at 11.0 percent on average during July-April FY2022 as against 8.6 percent in same period last year.



The pressures on headline inflation during the period can be attributed to adjustment in prices of electricity and gas, a significant increase in the non-perishable food prices, exchange rate depreciation along with rapid increase in global fuel and commodity prices. The drivers of global price hike highlight that demand for goods was already strong but supply side limitations due to global logistics (transportation congestion)

constraints added stress to already swelling prices. It is also recorded that the Wholesale Price Index (WPI) continued its upward trajectory, indicating persistent cost push inflationary pressure in the economy.

The government made best efforts to ensure smooth supply of essential domestic goods through vigilant monitoring of prices both at provincial and federal level. A Ramazan package of Rs 8.2 billion was provided through Utility Store Corporation (USC) for providing essential items to general public at affordable prices. Government has already approved import of three million metric tonnes of wheat to ease the supply in the country. Further, continuous relief to the lower strata of the society from global inflationary pressure, the ECC granted approval to revise prices of wheat flour and sugar from Rs 950/20kg to Rs 800/20kg and Rs 85/kg to Rs 70/kg, respectively, and also directed that discount of Rs 190/kg on vegetable ghee will be continued. The government will continue to absorb the cost of subsidy for the benefit of the common man.

Box I: The Impact of War in Ukraine on Commodity Markets

The conflict between Russia and Ukraine has caused major disruptions to the supply of commodities. Both countries are major exporters of energy and agricultural products. The disruptions have exacerbated existing stresses in commodity markets following sluggish recovery from the COVID-19 pandemic, which saw rebounding global demand and constrained supplies after 2020. As a result, commodity price volatility has intensified, with food prices reaching unprecedented levels not seen since the 2007-08 price spikes. Beyond their broader impact on inflation, supply disruptions of key commodities could severely affect a wide range of industries, including food, construction, petrochemicals, and transport.

World Bank Commodities Price Forecast (nominal US \$)

Commodity	Unit	2021	2022F	2023F	2024F	% change from previous year			
						2021	2022F	2023F	2024F
Crude oil, Brent	\$/bbl	70.4	100.0	92.0	80.0	66.4	42.0	-8.0	-13.0
Natural gas, Europe	\$/mmbtu	16.1	34.0	25.0	22.3	403.1	111.0	-26.5	-10.8
Natural gas, U.S.	\$/mmbtu	3.9	5.2	4.8	4.7	95.0	35.0	-7.7	-2.1
Liquefied natural gas, Japan	\$/mmbtu	10.8	19.0	14.0	13.3	30.1	76.6	-26.3	-5.0
Palm oil	\$/mt	1131.0	1650.0	1400.0	1372.0	50.4	45.9	-15.2	-2.0
Soybean oil	\$/mt	1385.0	1800.0	1400.0	1400.0	65.3	30.0	-22.2	0.0
Maize	\$/mt	260.0	310.0	280.0	278.0	57.6	19.4	-9.7	-0.7
Rice, Thailand, 5%	\$/mt	458.0	425.0	415.0	423.0	-7.8	-7.3	-2.4	1.9
Wheat, U.S., HRW	\$/mt	315.0	450.0	380.0	370.0	35.8	42.7	-15.6	-2.6
Sugar, World	\$/kg	0.4	0.4	0.4	0.4	39.3	0.1	-2.6	0.0
DAP	\$/mt	601.0	900.0	800.0	650.0	92.6	49.8	-11.1	-18.8
Urea, E. Europe	\$/mt	483.0	850.0	750.0	600.0	110.9	76.0	-11.8	-20.0

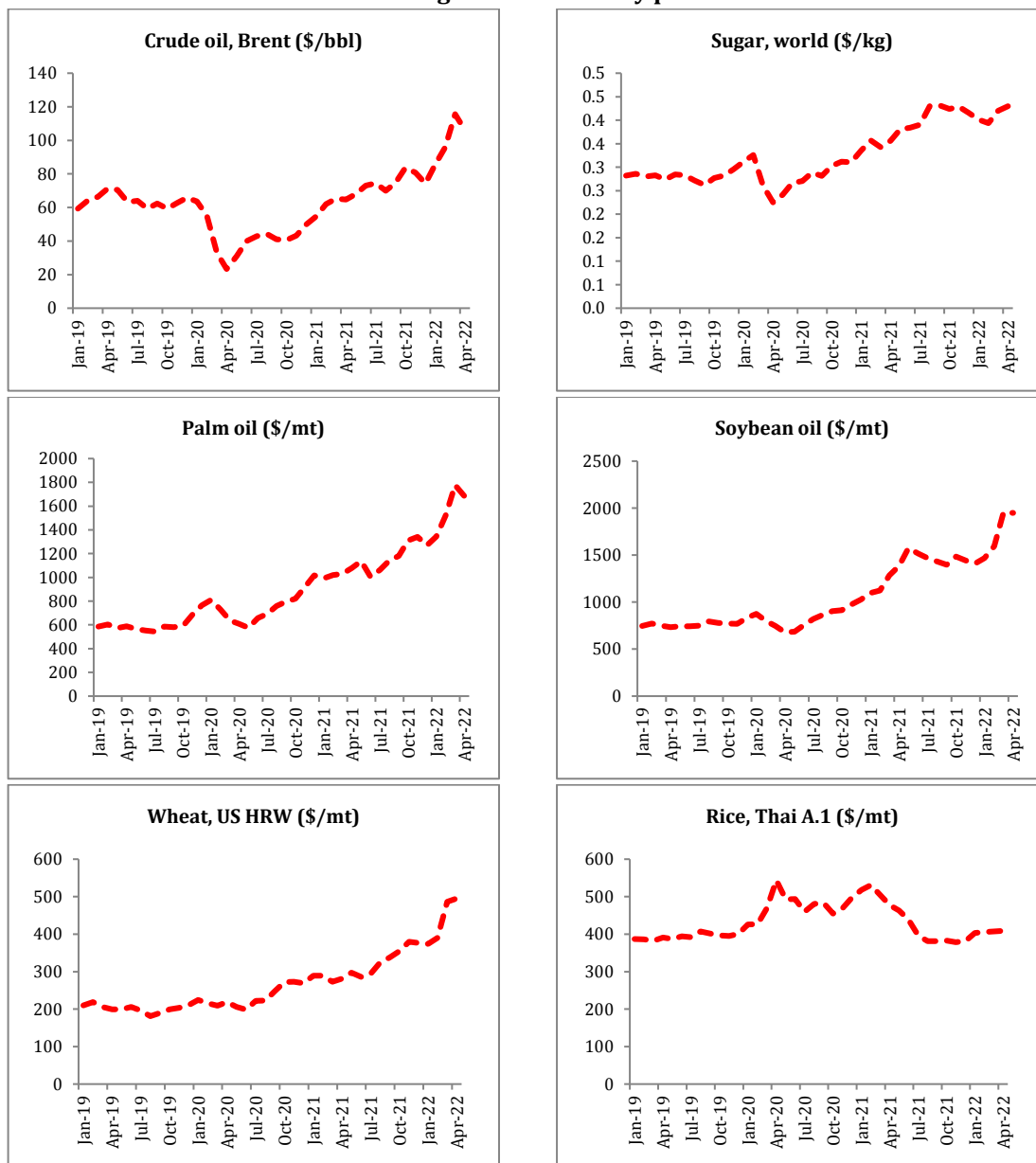
F: forecast

Source: WB, Commodity Markets Outlook (April 2022)

In response to price hikes, policymakers have often sought to provide relief to consumers via subsidies or lower taxes; however, these are ineffective remedies particularly at this point in time and may exacerbate supply shortages. Policymakers can better mitigate the impact of higher prices on low-income households through targeted measures, including cash transfers. Past commodity price shocks induced policy and market responses that led to increased sources of supply and, for oil price shocks, greater consumption efficiency and substitution away from oil. Over time, the recent spike in prices will likely once again spur more efficient energy consumption and a faster transition away from fossil fuels, particularly if supported by appropriate policy responses. Food production, at the global level, will also respond to changes in relative prices. However, the uncertainties for food supply availability stemming

from the war are high, and low-income countries may have urgent needs for international assistance for a prolonged period.

Trend of global Commodity prices



Source: World Bank, Pink sheet and Commodity market outlook, April 2022

7.2 Consumer Price Index (CPI)

The headline inflation measured by the CPI is recorded at 11.0 percent during July-April FY2022 as against 8.6 percent during the same period last year. The group-wise breakdown indicates that major contributions to headline inflation are Transport group followed by Furnishing & household equipment maintenance and Housing, water, electricity & gas group. Transport group inflation stood at 19.4 percent against the decline of 1.3 percent during July-April FY2021. Similarly, Housing, Water, Electricity,

Gas & other Fuel have recorded an increase of 11.0 percent during July-April FY2022 as against 5.7 percent during the same period last year.

Non-Perishable food items are the main contributory factor in jacking up the food inflation. Non-perishable food items recorded at 13.1 percent against the increase of 16.0 percent during the same period last year. Among non-perishable food items, the upward pressure came from Edible oil followed by Pulses and Chicken. In case of edible oil and ghee products, manufacturers have been struggling with rising international prices of palm and soyabean oil since July 2020. The high prices of poultry bird mainly attributed to low production, weather variations and more than doubled rate of soybean (main ingredient of poultry feed).

Inflation in perishable food items was increased by 4.1 percent against the slight increase of 0.1 percent during same period last year. CPI movements by major groups are given in Table 7.1.

Group	Weights	% Change	
		2020-21	2021-22
CPI National	100.0	8.6	11.0
Food & Non-alcoholic Beverages	34.6	13.4	11.8
i) Non-perishable Food Items	29.6	16.0	13.1
ii) Perishable Food Items	5.0	0.1	4.1
Alcoholic Beverages & Tobacco	1.0	5.7	2.4
Restaurant & Hotels	6.9	8.5	11.3
Clothing & Foot wear	8.6	10.0	10.0
Housing, Water, Electricity, Gas & other Fuel	23.6	5.7	11.0
Furnishing & Household Equipment maintenance	4.1	8.1	11.6
Health	2.8	8.3	9.1
Transport	5.9	-1.3	19.4
Communication	2.2	0.5	2.5
Recreation & culture	1.6	4.2	7.7
Education	3.8	1.2	3.8
Miscellaneous	4.9	11.7	9.8

Source: Pakistan Bureau of Statistics

In Q1-FY2022, CPI was brought down to 8.6 percent from 8.8 percent in corresponding quarter last year on account of lower pace of inflation in Non-perishable food items than the same quarter of last year. CPI in Q1 also remained lower due to negative growth in perishable items compared to double digit in the Q1- FY2021. Low inflation in Q1 FY2022 resulted from the timely decisions of National Price Monitoring Committee (NPMC) meetings where provincial governments were directed to look into profit margins i.e. gap between wholesale and retail prices and take proactive measures to minimize it. Furthermore, M/o National Food Security & Research and M/o Industries & Production also remained vigilant on wheat and sugar stock in the country and make arrangements for timely import of wheat & sugar as per ECC direction.

In Q2-FY2022, main drivers of CPI inflation remained Transport, Housing, water, electricity, gas & other fuel and Non-perishable items. In Q3-FY2022, CPI inflation

further increased on account of exorbitant increase in prices of perishable food items due to high transportation cost and massive increase in global commodity prices owing to conflict between Russia and Ukraine.

Table 7.2: Quarter wise CPI National (%)

Group	2020-21			2021-22		
	Q1	Q2	Q3	Q1	Q2	Q3
CPI National	8.8	8.4	7.8	8.6	11.0	12.6
Food & Non- Alcoholic Beverages	15.1	15.0	9.3	9.5	9.7	14.3
i) Non- perishable	15.2	17.2	14.8	12.2	13.3	13.1
ii) Perishable	13.7	5.3	-18.8	-5.0	-8.0	23.3
Alcoholic Beverages & Tobacco	5.6	6.0	5.8	2.4	1.9	2.0
Restaurant & Hotels	7.9	9.3	8.3	7.9	10.6	14.0
Clothing & Foot wear	9.5	9.4	10.5	9.3	10.1	10.2
Housing, Water, Electricity Gas & other Fuel	5.4	2.9	7.6	9.0	14.4	10.9
Furnishing & Household Equipment Maintenance	7.7	7.8	8.3	9.6	10.6	13.4
Health	7.9	7.8	8.8	8.3	8.6	9.8
Transport	-3.1	-3.0	-0.3	9.2	20.9	24.8
Communication	0.3	0.5	0.6	2.8	2.6	2.6
Recreation & culture	3.8	4.2	4.7	6.4	7.6	8.4
Education	1.0	1.3	1.2	2.5	2.5	5.0
Miscellaneous	12.5	11.8	11.5	7.5	9.7	10.9

Source: Pakistan Bureau of Statistics

Box II: Inflationary Pressure and Role of the SBP

- The role of the State Bank of Pakistan (SBP) as defined in the SBP Act 1956 has undergone several changes over the years. The recent amendments in the SBP Act 2022 mainly address the objectives of the SBP, along with operational and financial autonomy, accountability and transparency.
- Over the last two decades, price stability emanating from low and stable inflation, has become one of the most important objectives of monetary policy across the globe. One of the key factors to achieve this objective is central bank's ability to anchor inflation expectations effectively. In this backdrop, greater independence helps the central bank to build credibility and anchor inflation expectations to the medium term inflation target. With the given perspective, amendments in SBP Act 2022 will have effects on the inflation in the following ways:
- **Clarity in Objective:** International experience has shown that price stability is a necessary condition for sustained growth and development. Countries where price stability is a primary objective of a central bank, they tend to have lower inflation as well as less volatility in both inflation and growth.
 - The clear specification of objectives (price stability) will make the SBP more accountable for achieving them. In addition, it would help the SBP to prioritize its policy actions appropriately to ensure sustainable economic growth in Pakistan.
 - Clear specification of the objective will also lead to credibility of a Central Bank (CB); as more credible a CB is, more effective will be its monetary policy in achieving goal of low and stable inflation.
- **Exclusion of provisions related to Government borrowing:** It is generally argued that government borrowing from the central bank can lead to inflation and balance of payments

difficulties.¹ To curb these harmful tendencies, some countries have included legal provisions to limit government borrowing from the central bank.²

A similar restriction would be beneficial for Pakistan, as this clause will restrict money printing to finance budget deficit.

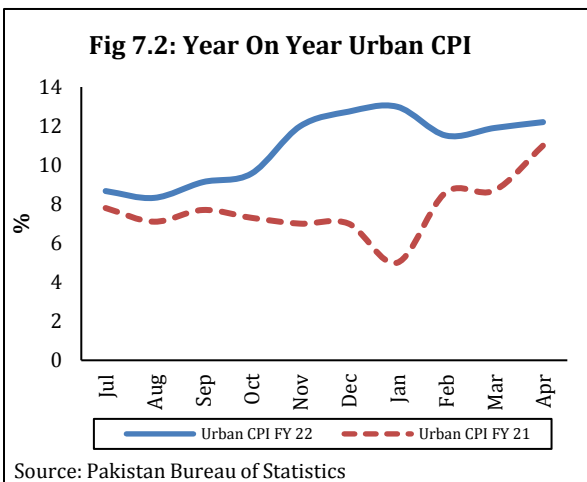
- ⊙ **Enhanced Accountability:** SBP will remain accountable for its actions. First, by defining its objectives more clearly so that its performance can be better assessed. Second, by requiring that the Governor submit an annual report to Parliament on the extent to which these objectives were met and a separate report on financial stability, as well as explicitly giving the right to Parliament to ask for senior officials to appear before it as many times as needed. Enhanced accountability clauses will lead to more vigilant policy actions by the SBP.
- ⊙ **Scope of SBP Functions:** Under the amended Act, formulation and implementation of the exchange rate policy will be covered under SBP functions. Under the new system, the exchange rate is determined by market forces, with intervention only when exchange conditions become disorderly. A market-based exchange rate system also means that the exchange rate is not kept artificially high as this eventually leads to balance of payments crises, and owing to sharp depreciation, results in higher inflation. Going forward, two-way exchange rate movement will prevent economy from high and sudden currency depreciation and allied inflationary impacts.

Source: State Bank of Pakistan

CPI inflation-Urban increased by 12.2 percent on YoY basis in April 2022 as compared to 11.0 percent in April 2021. The Urban Food and Non-Food inflation recorded at 15.6 percent and 10.2 percent, respectively, as compared to 15.7 percent and 8.2 percent in the same month last year. During the period July-April FY2022, CPI-Urban recorded at 10.9 percent as against 7.7 percent during the same period last year.

On YoY basis, the food commodities that contributed to urban food inflation during April 2022 over the same month of last year include Tomatoes (124.68 percent) followed by Mustard oil (61.72 percent), Onion (61.64 percent), Cooking oil (60.07 percent), Vegetable ghee (58.71 percent), Masoor pulse (40.29 percent), Gram whole (30.85 percent), Fruits (30.64 percent), Meat (25.64 percent), Vegetables (19.15 percent), Wheat flour (18.34 percent) and Wheat (14.69 percent), respectively. The food commodities that witnessed decline in prices include Moong pulse (25.94 percent), Potatoes (20.73 percent), Eggs (19.42 percent), condiments and spices (16.31 percent) and Sugar (9.67 percent).

The non-food commodities that witnessed increase in prices include Liquefied hydrocarbons (78.96 percent), Motor fuel (39.23 percent), Cleaning and laundering



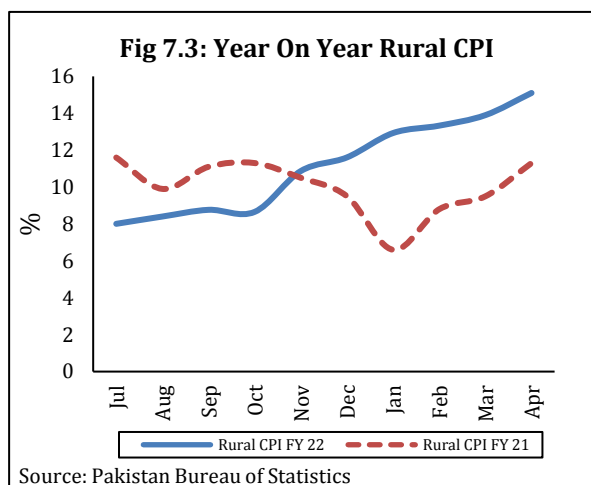
¹ When the government borrows from the central bank, it is equivalent to printing money. Simply printing money does not create more real resources in the economy rather will induce inflation.

² Alagidede, P. (2016), "Central bank deficit financing in a constrained fiscal space", Working Paper, International Growth Center (IGC): S-33306-GHA-1

(23.65 percent), Washing soap/detergents/match box (17.22 percent), Motor vehicle accessories (15.95 percent) and Household equipment (15.06 percent).

CPI inflation-Rural increased by 15.1 percent on a YoY basis in April 2022 as compared to 11.3 percent in April 2021.

Food and Non-Food inflation recorded at 17.7 percent and 12.8 percent as compared to 14.1 percent and 8.9 percent, respectively, in the same month last year. During the period July-April FY2022, CPI-Rural recorded at 11.2 percent as against 10.0 percent during the same period last year. The inflation differential in Rural and Urban may be attributed to relatively loose price checks in rural areas. The high food (other than fruits and vegetables) and non-food inflation in rural areas can be attributed to the transportation cost.



In rural YoY inflation, the food commodities that contributed to upward growth of CPI include Tomatoes (169.87 percent), Onions (77.72 percent), Cooking oil (63.94 percent), Vegetable ghee (62.22 percent), Mustard oil (59.23 percent), Masoor pulse (45.30 percent), Gram whole (39.49 percent), Fruits (39.20 percent), Vegetables (27.14 percent), Meat (26.19 percent), Beans (21.49 percent), Wheat flour (18.82 percent), Besan (16.30 percent) and Wheat (14.10 percent). The food commodities that witnessed decrease in prices included Moong pulse (26.93 percent), Eggs (19.50 percent), Potatoes (18.97 percent), Condiments and spices (14.82 percent) and Sugar (8.09 percent).

The non-food commodities that contributed to rural inflation include Liquefied hydrocarbons (64.64 percent), Motor fuels (38.47 percent), Washing soaps/detergents/match box (20.15 percent), Cleaning and laundering (19.86 percent), Motor vehicles accessories (17.28 percent), Hosiery (17.04 percent), Solid fuel (15.74 percent) and Woolen readymade garments (15.03 percent).

7.3: Core Inflation

Core inflation is defined as Non Food and Non Energy (NFNE) inflation which is calculated by excluding the food group and energy items (Kerosene oil, petrol, diesel, CNG, electricity, and natural gas) from the CPI basket. Core inflation continued to follow moderate trajectory due to containment of domestic demand and muted pass-through of higher food prices into core goods and services prices.

Core inflation for Urban and Rural recorded at 7.6 percent and 8.3 percent respectively during July-April FY2022 as compared to 5.8 percent and 7.6 percent during the same period last year. The YoY core inflation remained higher in both Urban and Rural as compared to the same months last year. The spike witnessed in YoY increase in core inflation due to higher domestic demand, lagged impact of exchange rate depreciation

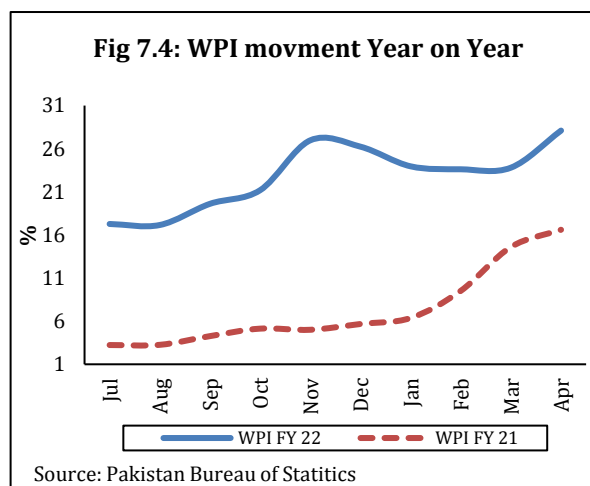
and revision of taxes (vehicles and postal services) which were kept unchanged in previous budget on account of COVID-19 related relief. Table 7.3 shows the core inflation trend YoY basis.

Months		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Jul-Apr
2020-21	Urban	5.3	5.6	5.5	5.6	5.6	5.6	5.4	6.4	6.3	7.0	5.8
	Rural	7.8	7.6	7.8	7.6	7.4	7.7	7.8	7.7	7.3	7.7	7.6
2021-22	Urban	6.9	6.3	6.4	6.7	7.6	8.3	8.2	7.8	8.9	9.1	7.6
	Rural	6.9	6.2	6.2	6.7	8.2	8.9	9.0	9.4	10.3	10.9	8.3

Source: Pakistan Bureau of Statistics

7.4: Wholesale Price Index (WPI)

Wholesale prices of 419 items included are being collected from 19 cities. During the outgoing Fiscal year, WPI is moving towards an upward trajectory since the start of FY2022. Last year it followed a same pattern but remained far below than the current year upward trajectory. The YoY WPI for April 2022 is recorded at 28.1 percent against 23.8 percent in the previous month and 16.6 percent in the same month last year. The index on period average basis during July-April FY2022 has been recorded at 22.9 percent as against 7.4 percent during the same period last year.



Further categorization of the index into 5 constituent groups reveals the highest inflationary pressure is recorded in other transportable goods i.e. 38.0 percent as against a decline of 3.1 percent during the same period FY2021. The group-wise comparison is given in table 7.4.

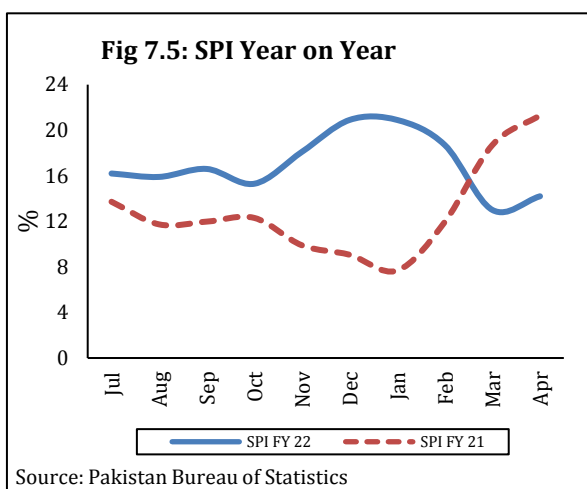
Group	Weights	Jul-Apr	
		2020-21	2021-22
General (WPI)	100.0	7.4	22.9
Agriculture Forestry & Fishery	25.8	11.9	23.8
Ores/Minerals, electricity, gas & water	12.0	2.4	9.4
Food, Beverages, Tobacco, Textiles and Leather Products	31.1	12.8	18.4
i) Food Products, Beverages & Tobacco	20.1	15.7	16.0
ii) Textiles & Apparel	10.3	7.7	24.1
iii) Leather Products	0.7	5.9	4.7
Other Transportable Goods	22.4	-3.1	38.0
Metal Products, Machinery & Equipment	8.7	14.9	18.2

Source: Pakistan Bureau of Statistics

7.5: Sensitive Price Indicator (SPI)

SPI is computed on weekly basis to assess the price movements of essential commodities at a shorter interval of time to review the price situation in the country. SPI comprises of 51 essential items and the prices are collected from 50 markets in 17 cities of the country.

The trend of this index is monitored regularly by the NPMC, and immediate measures are being taken to control fluctuation in prices. The SPI YoY basis in FY2022 remained volatile as presented in the Figure 7.5.



The annualized increase in SPI during July-April FY2022 was recorded at 16.9 percent against 12.9 percent in the same period last year. Twenty-five (25) major food items including wheat flour, rice, tomatoes, onions, pulses, chicken, sugar, red chilies, etc. having a weight of 59 percent, influenced SPI by 10.6 percent.

Items	Units	Weights (Combined)	Change Apr-22/ Apr-21	Contributions
Wheat Flour Bag	20 Kg	4.0	8.1	0.3
Rice Basmati Broken	1 Kg	1.3	13.0	0.2
Bread plain	Each	0.6	14.4	0.1
Beef with Bone	1 Kg	3.4	25.9	0.9
Mutton	1 Kg	2.4	24.2	0.6
Chicken	1 Kg	3.9	5.3	0.2
Milk fresh (Un-boiled)	1 Ltr	18.4	9.8	1.8
Curd	1 Kg	1.8	9.0	0.2
Powdered Milk	390 gm	0.4	8.3	0.0
Eggs Hen	1 Dozen	1.4	-17.0	-0.2
Cooking Oil DALDA	5 litre	3.1	58.6	1.8
Vegetable Ghee	2.5 kg	1.5	58.2	0.9
Vegetable Ghee	1kg	1.5	57.2	0.8
Bananas	1 Dozen	0.9	13.6	0.1
Pulse Masoor	1 Kg	0.5	41.8	0.2
Pulse Moong	1 Kg	0.5	-27.5	-0.1
Pulse Mash	1 Kg	0.3	3.6	0.0
Pulse Gram	1 Kg	0.5	11.1	0.1
Potatoes	1 Kg	2.1	-19.6	-0.4
Onions	1 Kg	1.7	93.2	1.6
Tomatoes	1 Kg	1.4	115.4	1.7
Sugar	1 Kg	3.2	-11.5	-0.4
Chilies Powder Packet	200 gm	0.8	-39.5	-0.3
Garlic	1 Kg	0.6	76.7	0.4
Tea Lipton Packet	190 gm	2.4	12.7	0.3
Total		58.5		10.6

Source: Pakistan Bureau of Statistics

7.6: Global Prices Trend

The Russia-Ukraine conflict has caused major disruptions to the supply of commodities. Both countries are key exporters of energy and agricultural products. The disruptions have exacerbated existing stresses in commodity markets following the recovery from the COVID-19 pandemic, which saw rebounding global demand and constrained supplies after 2020. Oil price rose to nearly US\$105.8/bbl in April 2022 and has shown an increase by 63.3 percent on YoY basis while the month on month basis showing a decline of 8.5 percent.

Table 7.6: International Prices of Major Commodities

Months	Sugar (\$/Mt)	Palm Oil (\$/Mt)	Soyabean oil (\$/Mt)	Crude oil (\$/Brl)	Wheat (\$/Mt)	Rice (\$/Mt)	Tea (\$/Mt)	DAP (\$/Mt)	Urea (\$/Mt)
Apr-21	360.0	1078.0	1401.0	64.8	281.0	477.4	2670.0	543.4	328.1
May-21	380.0	1156.0	1554.0	68.0	297.3	462.8	2710.0	574.6	331.6
Jun-21	380.0	1004.0	1518.0	73.1	285.6	438.6	2700.0	604.8	393.3
Jul-21	390.0	1063.0	1468.0	74.4	294.3	397.0	2650.0	613.0	441.5
Aug-21	430.0	1142.0	1434.0	70.0	324.5	381.0	2720.0	603.1	446.9
Sep-21	430.0	1181.0	1399.0	74.6	337.6	381.3	2730.0	643.8	418.8
Oct-21	420.0	1310.0	1484.0	83.7	354.7	382.9	2780.0	672.9	695.0
Nov-21	430.0	1341.0	1443.0	80.8	379.5	378.6	2830.0	726.7	900.5
Dec-21	420.0	1270.0	1411.0	74.3	376.8	381.0	2820.0	745.0	890.0
Jan-22	400.0	1345.0	1470.0	85.5	374.2	403.2	2860.0	699.4	846.4
Feb-22	390.0	1522.0	1596.0	95.8	390.5	406.0	2790.0	747.1	744.2
Mar-22	420.0	1777.0	1957.0	115.6	486.3	407.1	2610.0	938.1	872.5
Apr-22	430.0	1683.0	1948.0	105.8	495.3	409.1	3270.0	954.0	925.0
% Change									
Apr22/ Apr21	19.4	56.1	39.0	63.3	76.3	-14.3	22.5	75.6	181.9
Apr22/ Mar22	2.4	-5.3	-0.5	-8.5	1.9	0.5	25.3	1.7	6.0

Source: Commodities Price Pink Sheet, WB

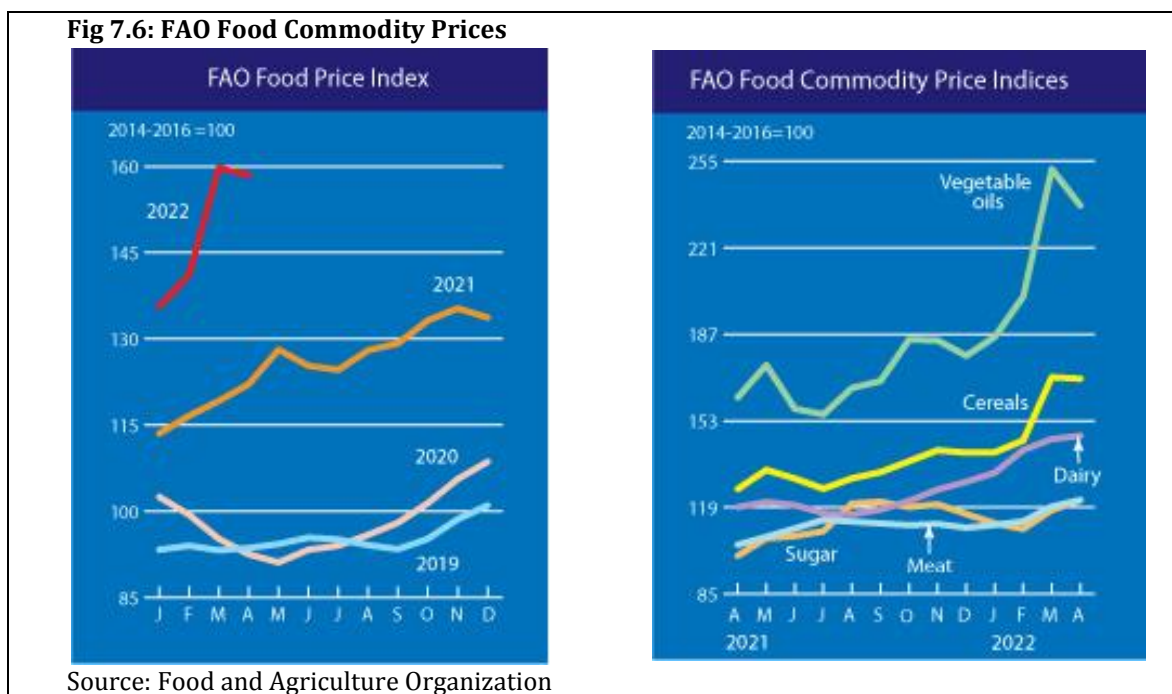
The food prices have risen globally because of shortage of the supply of commodities and high demand. Pakistan has also been affected as the country is a net importer of food items, especially wheat, sugar, pulses and edible oil. The impact of global price movement is realized on domestic prices. However, the government made best efforts to minimize the impact of global increase in prices on domestic consumers.

Table 7.7: National Average prices

Months	Sugar Refined (Rs/Kg)	Cooking Oil (Rs/5Kg)	Vegetable Ghee (Rs/Kg)	Wheat Flour (Rs/20Kg)	Petrol (Rs/Litre)	Hi-Speed Diesel (Rs/Litre)	Rice (Rs/kg)	Tea (Rs/190 gm)
Apr-21	97.1	1536.7	302.6	1011.5	110.7	113.2	92.1	230.0
Mar-22	87.6	2258.2	451.2	1167.4	150.6	144.9	103.0	257.6
Apr-22	85.9	2437.9	475.7	1092.1	150.6	144.9	104.0	259.1
% Change								
Apr-22/Apr-21	-11.6	58.6	57.2	8.0	36.1	28.0	13.0	12.7
Apr-22/Mar-22	-2.0	8.0	5.4	-6.5	0.0	0.0	1.0	0.6

Source: Pakistan Bureau of Statistics

The drop in the FAO Food Price Index (FFPI) in April, 2022 was led by a significant downturn in the vegetable oil sub-index, along with a slight decline in the cereal price sub-index, whereas sugar, meat and dairy price sub-indices are sustained and showing moderate increases.



Prices of wheat largely driven by conflict-related export disruptions from Ukraine and to a lesser extent from the Russian Federation. The expected loss of exports from the Black Sea region exacerbated the already tight global availability of wheat. Hence, the world wheat prices rose sharply in March 2022, soaring by 19.7 percent while in April it marginally increased by 0.2 percent. International rice prices in April 2022, went up 2.3 percent from their March levels, sustained by a combination of strong local demand in various Asian exporters, purchases by Chinese buyers and weather setbacks in the Americas.

International palm oil prices dropped moderately in April, mainly weighed by subdued global import purchases amid high costs as well as a weakening demand outlook in China. Nevertheless, uncertainties about export availabilities out of Indonesia, the world's leading palm oil exporter, contained further decline in international prices.

The April 2022 rebound in international sugar price quotations was mainly prompted by the sharp increase in international crude oil prices, which raised expectations of a greater use of sugarcane for ethanol production in Brazil in the upcoming season. However, the good harvest progress and favourable production prospects in India, a major sugar exporter, contributed to easing the price hike and prevented larger monthly price increases.

7.8: Way Forward

The rising input costs on the back of high utility prices and the lagged impact of exchange rate depreciation likely to maintain upward pressure on inflation in the following month of outgoing fiscal year. There is significant uncertainty around the outlook for international commodity prices as well which had been exacerbated by the Russia-Ukraine conflict. The impact will be more visible in non-food prices, while the food prices are likely to remain stable due to effective monitoring of prices and smooth supply of essential items by the federal and provincial governments. As a result of these developments, average inflation forecasts have been revised upwards and will remain 11.5-12.0 percent in FY2022.
