



# INFLATION

## 8.1 Introduction

Stable inflation is recognized as an integral component of sound macroeconomic policies. Over the last decade, with a few exceptions inflation around the world has been at a retreat. More recently, with a pick-up in growth, inflation has started to rise again. Pakistan's economy exhibited a similar trend with a low inflation environment for last several years with a sharp pick up over the last three years. There are several internal and external factors which have contributed to the recent pick up in inflation in Pakistan. These factors include: a sharp economic recovery resulting in a rise in the levels of income with the consequential surge in domestic demand; the continued pass through effect of the previous rise in international oil prices; and a sharp pick up in the international prices of essential commodities. Continuously upward adjustments in the administered prices, such as the support prices of wheat, as well as lower than expected production of essential perishable (vegetable and fruits) and non-perishable (pulses, sugar, chilies etc) commodities also contributed to inflation.

The government has been vigilant about inflation and has taken various steps to release demand pressures on the one hand and augment supplies of essential commodities on the other. To ease demand pressure the State Bank of Pakistan (SBP) has tightened monetary policy over the last two years and to augment supplies the government has liberalized import regime and allowed imports of several essential items with a view to increasing the supply of those items. In addition, the government increased its imports of item like wheat, pulses and sugar to complement the efforts of the private sector. To provide relief to the common man, the government also increased the scale of operation of the Utility Stores Corporation (USC) which supplies essential commodities such

as wheat flour, sugar, pulses and cooking oil/ ghee at less than the market prices.

A strong relationship between inflation and output (unemployment) has been posited in theory and observed in empirical studies. Inflation at very high levels as well as at very low levels is harmful for the economy. There is a wide spread recognition that inflation results in inefficient resource allocation and hence reduces potential economic growth. Inflation imposes high cost on economies and societies; disproportionately hurts the poor and fixed income groups; creates uncertainty throughout the economy and undermines macroeconomic stability. High inflation has always penalized the poor more than the rich because the poor are less able to protect themselves against its consequences and less able to hedge against the risks that high inflation poses. On the other hand, low or falling inflation can have a negative impact on growth through several factors. For example, falling assets prices can constrain collateralized lending, the negative wealth effect can slow down demand and borrowers are worse off since the real rates have turned against them.

The policy objective of the government is to ensure high growth while keeping inflation in check. Growth on one hand provides more jobs and increases incomes which directly contribute to reducing poverty. While on the other hand, the associated higher inflation tends to worsen income distribution by hitting the low income groups hardest and by further reducing their purchasing power which perpetuates poverty. Recognizing this fine balance, the government has taken several initiatives which seek to achieve high rate of economic growth, lower unemployment and reduce the rate of inflation. Along with a review of development in inflation, this chapter will discuss the various timely interventions carried out by the

government during the course of the year to keep inflation in check.

**Table 8.1: Inflation Rate**

Item	2004-05	2005-06	2005-06	2006-07
			(July-April)	
CPI (General)	9.3	7.9	8.0	7.9
Food Group	12.5	6.9	7.0	10.2
Non-Food Group	7.1	8.6	8.8	6.2
Core Inflation	7.2	7.5	7.7	6.0

Source: FBS

The overall CPI-base inflation during the first ten months of the current year 2006-07 (July—April) averaged at 7.9 percent. This is a slight improvement over last fiscal year where 2005-06 (July—April) inflation stood at 8.0 percent. Unlike previous years, the inflation in the current year was primarily driven by food prices. Food inflation in turn, was principally based on increase in prices of a few items such as rice, edible oil, meat, pulses, tea, milk, fresh vegetables and fruits. A more detailed analysis in later sections will show that amongst the food group, a smaller group of perishable items had a much higher contribution to inflation compared to its weights. On current trends and barring any adverse shocks, it is expected that the average inflation for the year (2006-07) as measured by CPI will be close to 7.5 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).

## 8.2 Historical Perspective of Inflation

### Price Indices

Four different price indices are published in Pakistan: the consumer price index (CPI), the wholesale price index (WPI), the sensitive price index (SPI) and the GDP deflator. The CPI covers the retail prices of 375 items in 35 major cities and reflects roughly the cost of living in the urban areas. The WPI is used to measure the price movement of selected items in the primary and wholesale markets. The items covered under the WPI are those which are offered in lots for sale. The WPI covers the wholesale price of 106 major items prevailing in the city of origin of the commodities. The SPI covers prices of 53 essential items consumed by those households whose monthly income ranges from Rs. 3000 to Rs. 12000 per month. In most countries, the main focus for assessing inflationary trends is placed on the CPI, because it most closely represents the cost of living. In Pakistan, the main focus is placed on the CPI as a measure of inflation as it is more representative with a wider coverage of 375 items in 71 markets of 35 cities around the country. The details are documented in Table-8.2.

**Table 8.2: Price Indices in Pakistan**

Base Year 2000-01=100			
Features	CPI	SPI	WPI
Cities covered	35	17	18
Markets covered	71	51	16
Items covered	375	53	106
Number of Commodity Groups	10	-	5
Number of Quotations	106,500	10,404	1550
Income Groups	Four*	Four*	-
Occupational Groups	All Categories combined	-	-
Reporting Frequency	Monthly	Weekly	Monthly

Source: Federal Bureau of Statistics

\* upto Rs. 3000, Rs. 3001-Rs. 5000, Rs. 5001-Rs. 12000 and Above Rs. 12000.

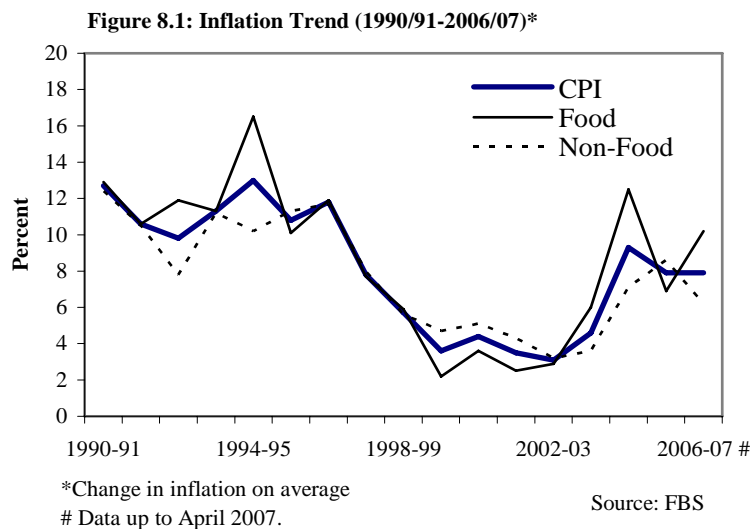
### 8.2.1 Inflation during the 1990s

Prices remained volatile during the decade of the 1990s, ranging between 5.7 percent and 13.0 percent mainly because of decelerating economic growth; expansionary monetary policies; output

set-backs; higher duties and taxes; a depreciating Pak Rupee; and frequent adjustments in the administered prices of gas, electricity and POL (petroleum oil and lubricants) products. The economic reforms introduced in the early 1990s added a major element of uncertainty to economic

relations with an inevitable pressure on prices, GDP growth and the performance of the large-scale industrial sector. The pressure on prices intensified in 1994-95 when inflation went up to 13 percent. Both the food and non-food inflation

contributed to the persistence of double digit inflation, averaging 12.2 and 10.7 percent, respectively against the overall CPI inflation of 11.4 percent during 1990-97 (See Table 8.3 & Figure 8.1).



**Table 8.3: Historical Inflationary Trends\***

Year	Overall CPI	Food	Non-Food	Core	WPI	SPI
(Annual percentage change, period average)						
1990-91	12.7	12.9	12.4	12.6	11.7	12.6
1991-92	10.6	10.6	10.5	7.5	9.8	10.5
1992-93	9.8	11.9	7.8	7.5	7.4	10.7
1993-94	11.3	11.3	11.2	10.9	16.4	11.1
1994-95	13.0	16.5	10.2	10.7	16.0	15.0
1995-96	10.8	10.1	11.3	10.9	11.1	10.7
1996-97	11.8	11.9	11.7	11.4	13.0	12.5
1997-98	7.8	7.7	8.0	7.5	6.6	7.4
1998-99	5.7	5.9	5.6	4.5	6.4	6.4
1999-00	3.6	2.2	4.7	3.5	1.8	1.8
2000-01	4.4	3.6	5.1	4.2	6.2	4.8
2001-02	3.5	2.5	4.3	2.0	2.1	3.4
2002-03	3.1	2.9	3.2	2.1	5.9	3.6
2003-04	4.6	6.0	3.6	3.0	7.9	6.8
2004-05	9.3	12.5	7.1	7.2	6.8	11.6
2005-06	7.9	6.9	8.6	7.5	10.1	7.0
2006-07(July-April)	7.9	10.2	6.2	6.0	6.9	11.1
Average of 1990s	9.7	10.1	9.3	8.9	10.0	9.9
Average of 1990-97	11.4	12.2	10.7	10.7	12.2	12.0
Average of 1998-2000	5.7	5.3	6.1	5.2	4.9	5.2
Average of 2000-2007	5.8	6.4	5.5	4.6	6.6	6.9

\* Base year = 2000-01

Source: FBS

CPI: Consumer Price Index, WPI: Wholesale Price Index and SPI: Sensitive Prices Index

However, the inflation rate started to decelerate in the late 90s because of an improved supply position, strict budgetary measures and depressed international market prices. The inflation rate which was at 5.7 percent in 1998-99, was further reduced to 3.1 percent in 2002-03 (the lowest in the last three decades). This low level of inflation was supported by strict fiscal discipline, the lower monetization of the budget deficit, an output recovery, a reduction in duties and taxes, and appreciation of exchange rate. Inflation began to pick up after the first quarter of 2003-04, reaching as high as 9.3 percent in June 2005 (i.e. at the end of fiscal year 2004-05) for a variety of reasons including a rise in the support price of wheat, shortages of wheat and a rise in international prices including the oil prices. The inflation has since climbed down to 7.9 percent at the end 2005-06 and 7.9 percent over the period Jul-Apr. 2006-07. Inflation has been contained despite tremendous growth through a combination of tight monetary policy and resolution of supply bottlenecks.

### **8.3 Inflation in the FY 2006-07**

The CPI-based inflation during July-April 2006-07 averaged 7.9 percent as against 8.0 percent in the same period last year. The single largest component of the CPI is the food group which showed an increase of 10.2 percent. This was higher than the 7 percent food inflation observed over the corresponding period of last year. On the other hand, the non-food prices grew at a slower pace compared to last year. The non-food inflation averaged 6.2 percent between July -April 2006-07 while it stood at 8.8 percent in the corresponding period of last year.

The non-food non-energy inflation (core inflation) decelerated sharply to 6.0 percent in first ten months of the fiscal year as against 7.7 percent in the same period last. The tight monetary policy pursued by the SBP has resulted in the sharp reduction in the core inflation.

A more detailed analysis of the food group shows a considerable variation in inflation rates of the

items included in the group. For example, considering the perishable and non-perishable items in the food group separately shows that non-perishable food prices rose by 9.0 percent while the perishable items prices grew by 17.6 percent. The estimated contributions to inflation for perishable and non-perishable items are 11.5 percent and 40 percent respectively when their weights are 5.14 percent and 35.2 percent respectively. Clearly, the contribution of perishable items to inflation is nearly twice its weight. An analysis of individual food items suggests that the major portion of food inflation during the current year stemmed from a limited number of items including rice, edible oil, pulses, meat, milk, tea, eggs, wheat, vegetables and fruits. These items have experienced relatively larger increase in their prices during the course of 2006-07. However, prices of other important food items like sugar, potatoes, tomatoes, moong pulse and chicken (farm) have shown a decline in their prices owing to improved availability of these items in the market (see Table 8.8).

The inflationary trend in food prices persisted through most of the fiscal year at an average rate of 10.2 percent till April 2007. The analysis above suggests that this year's inflation is largely food price driven as opposed to last year's inflation which was largely driven by the non-food components such as house rent, energy and transport. Prices of various types of pulses have increased this year because of the short supply of these pulses in the country. Since milk powder and tea are also importable items, the domestic prices were higher on the back of higher international prices.

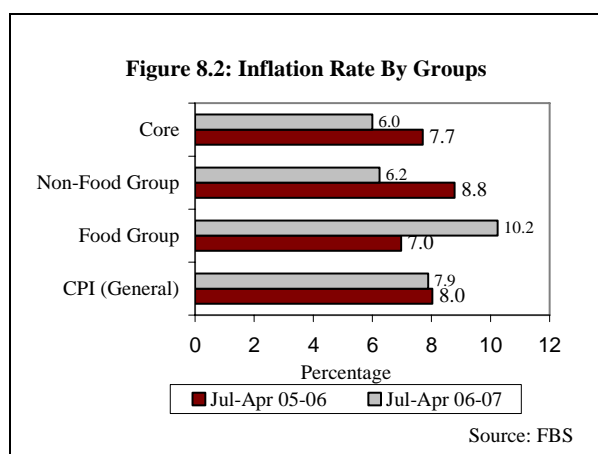
Considering the other CPI groups, the highest inflation was in the medicare group and energy with reported 10 month inflation of 9.1 percent and 7.3 percent respectively. But since their weights are small in the CPI basket (2.1 percent and 8.7 percent) their contribution to inflation was small. On the other hand, house rent which has a 23.4 percent weight in the CPI, showed a fall in inflation from 10.3 percent to 6.7 percent. (See Table 8.4 and Fig-8.2)

**Table 8.4: Annual Inflation by Commodity Groups**

Commodity Group	Weight	Percent change on average basis (July-April)		Percentage Point Contribution # (July-April)	
		2005-06	2006-07	2005-06	2006-07
		CPI	100.0	8.0	7.9
Food	40.3	7.0	10.2	35.0	52.4
Non-Perishable	35.2	--	9.0	--	40.2
Perishable	5.1	--	17.6	--	11.5
Non-Food	59.7	8.8	6.2	65.2	47.1
Core	52.9	7.7	6.0	50.7	40.5
Apparel, Textile	6.1	4.2	4.8	3.2	3.7
House Rent	23.4	10.3	6.7	30.1	20.0
Energy	8.7	14.7	7.3	15.8	8.0
Household	3.3	5.1	6.8	2.1	2.8
Transport	5.2	9.5	3.7	6.2	2.4
Recreation	0.8	-0.2	4.4	-0.02	0.46
Education	3.5	6.3	4.9	2.7	2.1
Cleaning	5.9	2.9	4.3	2.1	3.2
Medicare	2.1	2.2	9.1	0.6	2.4

Source: Federal Bureau of Statistics

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



### 8.3.1 Inflation on a Monthly Basis

On a year-on-year (Y-o-Y) basis, CPI trend reveals an upward trend in inflation during the year 2006-07 with highest YoY inflation in December 2006 of 8.9 percent and lowest at 6.6 percent in January 2007. Many factors can explain this inflationary performance, however, most of the increase appears to reflect the impact of rising food prices which increased substantially during the course of 2006-07. The main reasons for the rise in food prices during the period include widespread heavy monsoon rain causing floods in different

parts of the country and disrupting the supply of essential food items. The collapse of a major bridge as a result of heavy rains linking north of Pakistan with the southern part of the country also disrupted the normal flow of goods from one part of the country to another. Another factor contributing to the supply shortages of essential food items may have been the unexpectedly prolonged Eid Holidays when the markets remained closed for almost ten days. Price hike in food prices was observed from August 2006 where the Y-o-Y food inflation stood at 11.1. This trend persisted through most of the fiscal year reaching a high of 12.7 percent in December 2006. Data show that food inflation with exception in July 2006, January 2007 and April 2007 remained constantly at double digits during the course July-April 2006-07. However, reverse trend was observed in the non-food prices which decelerated from 7.8 percent in July 2006 to 5.2 percent in April 2007. The core inflation which represents the rate of increase of goods and services excluding food and energy prices increased little over last year decelerating from 6.5 percent in July 2006 to 5.7 in December 2006 and further to 5.5 percent in April 2007. The tight monetary policy pursued by the SBP has succeeded in reducing core inflation to

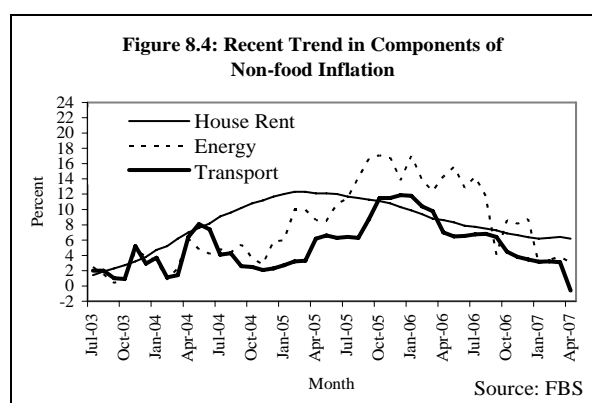
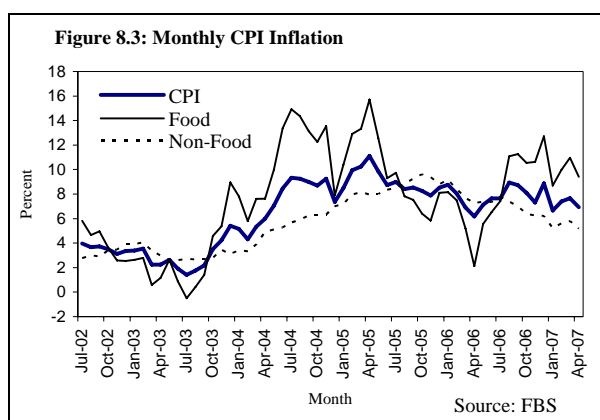
below the targeted overall inflation for the year. The other sub-indices of the CPI-based inflation such as house rent, transport and energy also

exhibit declining trends during the fiscal year 2006-07 (See Fig.8.3, Fig.8.4 and Table-8.5).

**Table 8.5: Monthly Inflation Rate**

Period	2004-05			2005-06			2006-07		
	CPI	Food	Non-food	CPI	Food	Non-food	CPI	Food	Non-food
Jul	9.3	14.9	5.7	9.0	9.7	8.5	7.6	7.4	7.8
Aug	9.2	14.4	5.9	8.4	7.8	8.8	8.9	11.1	7.4
Sep	9.0	13.1	6.3	8.5	7.5	9.2	8.7	11.3	7.0
Oct	8.7	12.3	6.3	8.3	6.4	9.6	8.1	10.5	6.4
Nov	9.3	13.6	6.3	7.9	5.8	9.4	8.1	10.6	6.3
Dec	7.4	7.9	7.0	8.5	8.1	8.8	8.9	12.7	6.2
Jan	8.5	10.4	7.2	8.8	8.2	9.2	6.6	8.7	5.2
Feb	9.9	12.9	8.0	8.1	7.5	8.4	7.4	10.0	5.6
Mar	10.2	13.3	8.2	6.9	5.4	8.0	7.7	11.0	5.8
Apr	11.1	15.7	8.0	6.2	3.6	8.0	6.9	9.4	5.2
May	9.8	12.5	8.0	7.1	5.6	8.2	-	-	-
Jun	8.7	9.3	8.4	7.7	7.8	7.5	-	-	-

Source: FBS



### 8.3.2 Inflation by Income Group

Price hike affects different sections of society differently. Rising prices reduces the purchasing power of the average consumer particularly the poor. Data pertaining to inflation rate for various incomes groups reveal that the increase of 7.9 percent in CPI during 2006-07 was largely borne by lower income brackets. Category wise increase in inflation rate in the case of lowest income group (up to Rs. 3000 per month) was 8.3 percent and lower income group (up to Rs 5000 per month)

was 8.1 percent which is larger than the increase in overall CPI. Whereas in the case of middle income and upper income brackets, average increase in inflation was at 7.8 percent and 7.3 percent respectively which indicates that inflationary incidence was highest for lowest income groups and lowest for highest income groups (See Table-8.6). The higher incidence of inflation in case of lower income groups is likely due to the fact that lower income groups spend larger shares of their income on food which has been the driving force in inflation in the current fiscal year.

**Table –8.6: Inflation Rate by Income Groups**

Period	Overall CPI	Up to	Between	Between	Above
		Rs. 3,000	Rs. 3,001 - Rs. 5,000	Rs. 5,001 - Rs. 12,000	Rs. 12,001
(Y-o-Y 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
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	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 (July-April)	7.9	8.3	8.1	7.8	7.3

Source: FBS

**8.3.3 Wholesale Price Index (WPI)**

The rate of increase in WPI at 6.9 percent during July-April 2006-07 was much lower than the last year's increase of 10.3 percent. This was largely due to the impact of various policy measures adopted during the year 2006-07 such as decision to import essential items (duty free) to maintain better stock position, streamlining the distribution system of essential items and keeping vigilance on the movement of consumer items. A further analysis reveals that the rate of increase in the non-food index at 5.8 percent against 12.6 % last year is almost 50% less than the increase of last year following the impact of decline in prices of petroleum products. The fuel and lighting group decelerated from an increase of 28 percent last year to 6.0 percent during the current year which

contributed to the substantial slow down in energy and related components. However, the increase was higher in case of raw material, manufactures and building materials prices over last year. The index of raw material increased by 13.8 percent against 9.9 percent in the same period last year mainly due to increase in price indices of cotton (6.3%) and cotton seeds (16.60%) during the year. The increase of 3.2 percent in manufactures group resulted from an increase in the prices of items such as cotton yarn (5.9%), soaps (4.2%), chemical (11.76%) and dyeing material (1.06%). The building material group increased at 5.1 percent during the year as opposed to -0.3 percent last year because of higher increase in the price indices of bricks (4.47%), cement (9.0%), timber (14.1%) and other construction related material. (See Table-8.7 for details).

**Table –8.7: Components of WPI (% change)**

Commodity Groups	Weight	Percent change		Percentage Point	
		on average basis		Contribution #	
		(July-April)		(July-April)	
		2005-06	2006-07	2005-06	2006-07
WPI	100.0	10.3	6.9	10.3	6.9
Food	42.1	7.2	8.5	29.2	51.8
Non-Food	57.9	12.6	5.8	70.9	48.5
Raw Material	8.0	9.9	13.8	7.7	15.9
Fuel and Lubricants	19.3	28.1	6	52.5	16.7
Manufacturers	25.9	2.7	3.2	6.7	11.8
Building Materials	4.7	-0.3	5.1	-0.1	3.5

Source: FBS

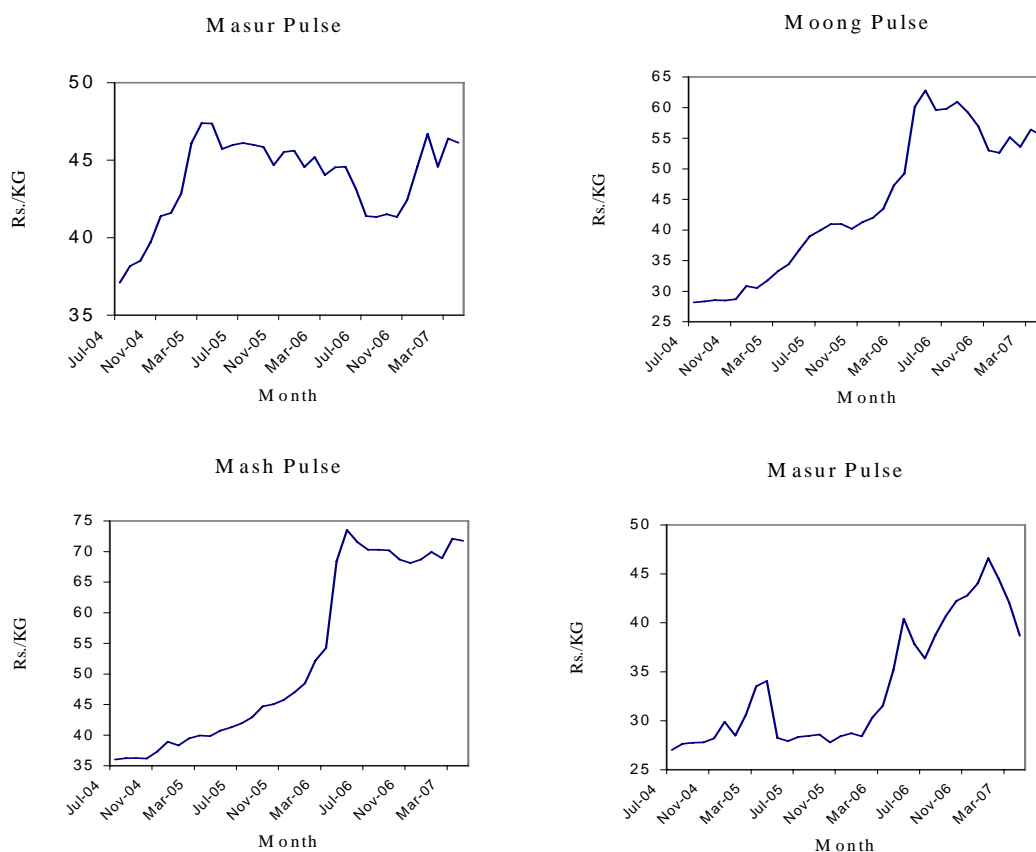
#Calculated as group specific inflation times its share divided by total inflation.

### 8.3.4 Sensitive Price Indicator (SPI)

The Sensitive Price Indicator (SPI) is used to assess the price movements of essential commodities at short intervals so as to review the price situation in the country. Sensitive Price Index (SPI) inflation averaged at 11.1 percent during July –April 2006-07 compared with an increase of 6.7 percent last year. Among the 53 items covered by SPI, prices of 44 mostly food items registered an increase from July 2006 to April 2007. The highest increase at 56.6 percent was recorded in prices of Red Chilies

followed by Vegetable Ghee (loose) (29.8 percent), Rice Basmati (28.7 percent), Milk Powder (21.5 percent), Cooking Oil (18.3 percent), Masur Pulse (11.4 percent) and Milk Fresh (7.0 percent). Whereas a substantial decrease was also observed in prices of nine items with highest decline of 48.9 percent in prices of potatoes followed by Tomatoes (30.3 percent), Sugar (13.7 percent) and Moong Pulse (7.3 percent). A variety of factors contributed to the observed price increase during 2006-07 (See Fig: 8.5 for Pulses).

Fig 8.5: Prices of Pulses (FY 05-FY 07)



Source: FBS

Low production of wheat last year influenced the prices of wheat and wheat flour. Prices of various types of pulses have increased because of the short supply of these pulses in the country. The high fluctuation in edible oil prices is due to the price hike in international market prices of palm oil and soybean oil from \$ 470/Ton in July 06 to \$ 708/Ton in April 07 or by 50% and that of soybean oil \$ 628

to \$ 760 or by 21% which exerted a high inflationary impact on local ghee price (See Table-8.8 for details). It may also be noted that the prices of essential commodities have fluctuated throughout the year. This fact can be ascertained from Table 8.8. The prices of gram pulse increased by 21 percent during July-December 2006 but with improvement in supply situation the average



increase in its price declined to 6.4 percent during July-April 2006-07. Similarly, the price of tomato increased by 90 percent during July-December 2006 but registered a sharp decline during July-April 2006-07 to 30.3 percent. Similar trend can be observed in the prices of onion, eggs, potato etc. It

is critical to note that the current rise in food prices is not only a Pakistan specific phenomenon but the global food prices are also up by 16.1 percent during the same period (See The Economist, May 26, 2007, Page 97).

**Table – 8.8: Prices of Essential Commodities**

Items	Unit	2004-05	2005-06	July 2006	Dec 2006	April 2007	% Change Jul 06 - Dec 06	% Change Jul 06 - Apr 07
Wheat	Rs / Kg	11.69	11.55	11.26	12.23	12.16	8.6	8.0
Wheat Flour	Rs / Kg	13.26	13.07	12.93	13.70	14.00	6.0	8.3
Rice Basmati	Rs / Kg	20.16	20.15	20.30	21.06	26.12	3.8	28.7
Rice-6	Rs / Kg	15.40	16.03	16.12	16.32	19.37	1.2	20.2
Masur Pulse	Rs / Kg	42.66	45.07	41.39	44.59	46.13	7.7	11.4
Moong Pulse	Rs / Kg	31.57	47.32	59.82	52.62	55.45	-12.0	-7.3
Mash Pulse	Rs / Kg	38.37	52.96	70.30	68.71	71.75	-2.3	2.1
Gram Pulse	Rs / Kg	29.26	31.17	36.37	44.01	38.70	21.0	6.4
Beef	Rs / Kg	94.37	106.8	114.81	118.16	120.04	2.9	4.5
Mutton	Rs / Kg	184.47	202.07	220.55	222.73	228.20	1.0	3.5
Sugar	Rs / Kg	23.37	31.28	35.06	30.86	30.25	-12.0	-13.7
Milk Fresh	Rs / Ltr	21.24	23.89	25.59	26.70	27.38	4.3	7.0
Milk Powder	Rs / 400 Gm	102.66	108.46	110.99	119.59	134.82	7.7	21.5
Vegetable Ghee	Rs / 2.5 Kg	204.09	203.63	203.72	216.05	240.00	6.1	17.8
Vegetable Ghee (Loose)	Rs / Kg	59.77	58.93	60.03	68.39	77.91	13.9	29.8
Cooking Oil	Rs / 2.5Ltr	205.48	204.4	203.99	216.39	241.26	6.1	18.3
Chicken (Farm)	Rs / Kg	66.45	65.54	86.43	58.06	79.84	-32.8	-7.6
Eggs (Farm)	Rs / Dozen	37.43	34.74	29.37	50.28	31.47	71.2	7.2
Red Chilies	Rs / Kg	75.41	70.75	70.09	97.62	109.76	39.3	56.6
Onion	Rs / Kg	14.12	11.88	12.12	35.86	13.08	195.9	7.9
Potatoes	Rs / Kg	14.84	18.16	21.42	18.06	10.96	-15.7	-48.9
Tomato	Rs / Kg	24.77	18.86	24.18	46.02	16.86	90.3	-30.3
Garlic	Rs / Kg	44.07	58.04	60.55	66.75	64.33	10.2	6.2

Source: Federal Bureau of Statistics

### 8.3.5 Regional Price Developments

A review of 18 essential items prevailing on 17<sup>th</sup> May, 2007 in the neighboring countries including India, Bangladesh and Sri Lanka indicates that out of these items, prices in Pakistan are lower than India and Bangladesh for 10 items and in Sri Lanka for 11 items. The difference in prices is due to

variation in cost of production and traditional use of food consumption. As can be seen in Table 8.9, the prices of wheat and wheat flour in Pakistan are the lowest in the region. In fact, the price of wheat is 53 percent of the regional average while the price of wheat flour is only 60 percent of the regional average.

**Table 8.9: Comparative Prices in Region**

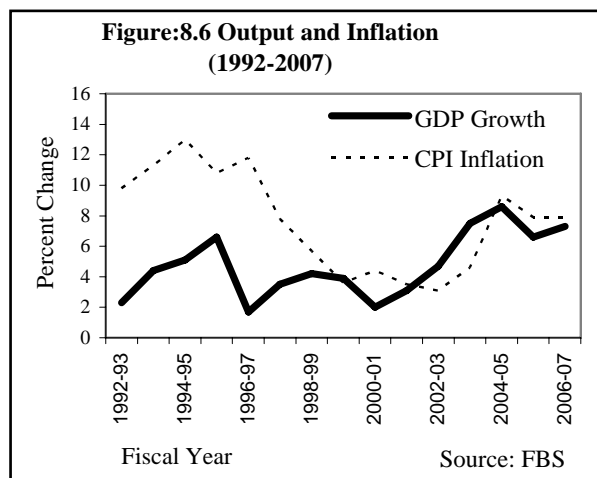
Items	Unit	(Value in Pakistani Rupees)			
		Islamabad	New Delhi	Colombo	Dhaka
Wheat	Kg	12.00	23.84	35.00	21.36
Wheat Flour	Kg	13.78	22.35	35.00	23.14
Rice Basmati	Kg	32.75	26.82	64.00	65.49
Masoor Pulse	Kg	50.75	53.64	38.00	61.95
Moong Pulse	Kg	59.5	83.44	38.00	61.95
Mash Pulse	Kg	76.88	83.44	38.00	61.95
Gram Pulse	Kg	42.75	59.60	38.00	57.53
Sugar	Kg	32.31	26.82	40.00	33.63
Edible Oil	Liter	96.8	83.44	137.00	67.26
Beef	Kg	133.75	74.50	166.00	151.30
Mutton	Kg	260.63	223.50	262.00	199.13
Eggs	Dozen	31.75	35.76	43.90	44.25
Chicken	Kg	68.00	141.55	146.00	79.65
Potatoes	Kg	19.50	14.90	39.00	17.70
Onion	Kg	22.50	14.90	24.00	17.70
Tomato	Kg	37.75	14.90	15.00	26.55
Garlic	Kg	81.25	119.20	58.00	53.10
Red Chillies	Kg	131.9	193.70	125.00	70.80

Source: Ministry of Commerce

#### 8.4 Analytical Issues in Inflation

This section will discuss some of the factors which led to inflation in the current fiscal year. As discussed earlier these factors include several domestic and international factors. First, sustained level of high economic growth over the year has increased the level of income which has resulted in a surge in domestic demand. The link between growth and inflation is well-documented phenomenon in economic statistics around the world. Figure 8.6 shows the relationship between inflation and output growth for Pakistan. This anecdotal evidence suggests that the inflation and output are positively related in Pakistan.

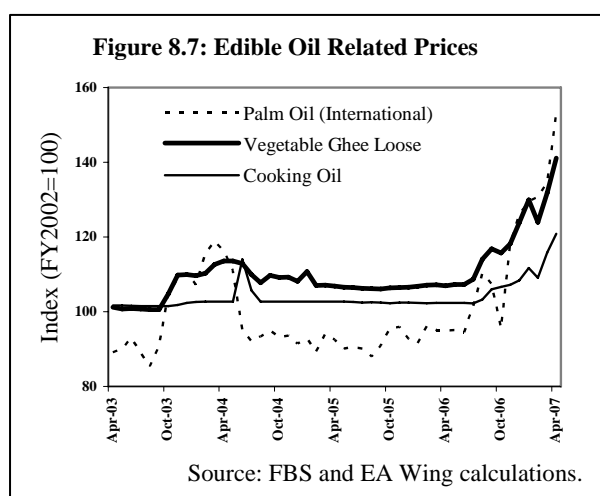
The aggregate demand may also be driven by a perceived wealth effect. As prices have risen throughout the economy there has also been a sharp increase in asset values particularly in real estate. Although borrowing against increased equity on real estate is limited in Pakistan, the high net wealth is likely to reduce incentives to save. The resultant increase in consumption will also drive up aggregate demand and thus prices. In addition, the unprecedented levels of remittances also provide an impetus to aggregate demand.



Another reason for high inflation is the pass through effect of the unprecedented increase in international price of oil over the last few years. Although the oil prices have slipped this fiscal year from the highs of over \$70 per barrel, they still remain above the \$55 per barrel. High international oil prices lead to increase in transportation charges as well as energy intensive industry products such as metal commodities. As producers pass on the increased costs to consumers, this leads to an increase in cost of Pakistani imports which drives up inflation. It is

also likely that the response of general domestic prices to oil prices is asymmetric i.e. general domestic prices rise with an oil price increase due to the “sympathy effect” but when the oil prices fall general domestic prices are not reduced.

In addition to crude oil, there has been an increase in prices of other commodities which are important for Pakistan. For example, the international prices of palm oil and soybean oil have increased by nearly 50 % since July 2006. Since these are essential inputs for edible oil industry, an increase in their prices is largely responsible for the drastic increase in edible oil prices (see Fig 8.7). Other commodity metals such as iron ore have been experiencing price increases due to high demand from countries like China and India. This has driven up prices of imports which have been passed through to consumers.



A major factor in the rise in inflation is a continuously upward adjustment in the administered prices such as the support prices of wheat. Wheat prices serves as a “trigger mechanism for other food prices as latter move in ‘sympathy’ with the former. Short production of essential perishable (vegetable and fruits) and non-perishable(pulses, sugar, chilies etc) commodities within the country in relation to their demand has also driven up prices.

### 8.5 Step-taken to control inflation

The phenomenon of rising prices of essential items in recent years has been a matter of concern to the general public. The government has been using a

wide range of price stabilization measures such as liberalizing imports, reforms for increase in agricultural products, improvement in marketing mechanism and intervention in the market through organizations like Utility Store Corporation (USC) and Trading Corporation of Pakistan (TCP) to keep inflation under control.

The specific measures taken by the government to control the price hike in daily use commodities and to provide relief to common man during the current year are discussed as below:-

The government provides sugar at reduced rates to the consumers. The TCP imported sugar which is selling it at subsidized rates to USC which sells it at government’s fixed rate to the consumers. The government picks up the price differential between the cost and sale price of sugar. In this connection, huge amount of subsidy is being paid to both TCP and USC.

The Government provided relief on sale of Atta, pulses and edible oil at reduced rate through Utility Store Corporation (USC) .The USC also provides selected food items at subsidized rates during the month of Ramadan every year. The government provided subsidy for the market price differential on the basis of sales turn-over under these packages to USC.

The government enhanced support price of sugarcane. This has resulted an increase in the production of sugar. At present sufficient stock of sugar is available with public and private sector, which could meet the requirement of consumers during the whole year.

Imports have been liberalized to improve the supply situation of essential commodities. The government has also allowed duty free imports of wheat and wheat flour, sugar and other essential consumer items with a view to augment their supplies and reduce their prices.

The Government in the budget for FY 2006-07 announced various relief measures which include provision of all the pulses at Utility Store Corporation at cheaper rate than the open market prices. The GOP has provided subsidy of Rs 270.152 million to USC/TCP in FY 2006-07.

During the month of Ramadan, the Government reduces prices of almost 1000 items by 10-20 percent to provide additional relief to the people. The difference between the pre and post Ramadan price differential is borne by the Government. The GOP provided a subsidy of Rs 141 million to USC under Ramadan package 2006.

The recent high fluctuation in edible oil prices is due to price hike in international market prices of palm oil. In order to provide relief to the common man, the prices of Ghee of USC brand at its outlets has been fixed at Rs 67/ Kg against the prevailing market price of Rs 83.5/ Kg in end May 2007.

To ensure competition and fair play in the market, the Government is in the process of converting the existing monopoly control authority (MCA) into Competition Authority by providing it effective legal powers and authority to prevent non-competitive behavior. The establishment of Competition Authority is at a fairly advanced stage.

### **8.6 Future outlook of Inflation**

The government is likely to miss the inflation target for 2006-07 of 6.5% and end the year with average inflation rate near 7.5%. The government has taken several measures this fiscal year which are likely to reduce inflation further next year. The continued monetary tightening by the SBP has already started to bear fruit with a recent fall in growth of credit to private sector. A number of measures initiated during the current year (2006-07) to contain the price hike in the country including easing of imports for commodities facing supply shortage and reforms geared towards increase in agricultural output will continue into the next fiscal year. The data on projected crop sizes on several major and minor crops such as wheat, sugarcane and pulses are very positive. The increase in supply should also lead to a further deceleration in inflation in the coming months. Keeping these considerations in mind, it is expected that the next year's inflation may average 6.5 percent.



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	55.96	50.31	57.31	-	51.55	49.75
1993-94	57.94	57.72	60.29	59.76	44.84	59.11	54.78	60.76	-	59.25	64.27
1994-95	65.48	67.24	67.64	66.19	49.20	65.25	59.17	65.54	-	65.50	69.61
1995-96	72.55	74.05	75.59	72.37	56.99	73.92	64.66	75.82	-	75.01	76.26
1996-97	81.11	82.86	82.82	79.71	64.10	84.46	73.43	85.95	-	85.38	86.10
1997-98	87.45	89.20	86.50	87.38	71.16	91.22	76.93	94.07	-	87.67	90.57
1998-99	92.46	94.46	92.27	93.21	80.95	94.57	76.98	98.46	-	92.81	92.02
1999-00	95.78	96.56	97.31	97.15	90.36	97.28	81.06	103.01	-	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	103.65	103.80	106.30	104.97	102.50	102.37
2002-03	106.75	105.40	106.75	103.80	118.39	106.90	105.29	107.21	109.72	107.37	105.59
2003-04	111.63	111.74	109.69	108.20	120.26	110.68	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
<u>Jul-Apr</u>											
2005-06	130.90	133.66	117.15	131.58	146.15	122.71	130.36	105.63	124.27	118.95	110.24
2006-07	141.23	147.34	122.78	140.45	156.75	131.06	135.15	110.30	130.35	124.04	120.25

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	91.12	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	103.00	3.54	2.44	4.28	3.0
2002-03	106.75	105.40	107.66	103.10	3.10	2.89	3.24	2.0
2003-04	111.63	111.74	111.55	106.08	4.57	6.01	3.62	3.0
2004-05	121.98	125.69	119.47	113.67	9.28	12.48	7.10	7.2
2005-06	131.64	134.39	129.77	122.22	7.92	6.92	8.63	7.5
<u>Jul-Apr</u>								
2005-06	130.90	133.66	129.04	121.56	8.03	6.97	8.78	7.7
2006-07	141.23	147.34	137.07	128.91	7.89	10.24	6.24	6.0

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 Price Indi- cator	4. GDP Deflator
	General	Food	Raw Materials	Fuel, Lighting & Lubricants	Manufac- tures	Building Materials		
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	145.59
<u>Jul-Apr</u>								
2005-06	135.86	133.07	120.97	173.02	115.90	143.58	135.45	
2006-07	145.26	144.40	137.63	183.40	119.56	150.91	150.52	156.97

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	(Percent)													
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
A. CONSUMER PRICE INDEX (C.P.I.) converted into Base year 2000-01														
Jul	1.06	1.59	1.38	1.40	0.62	0.86	0.69	0.56	0.52	1.09	0.57	1.38	1.62	1.61
Aug	1.79	0.95	2.02	1.30	0.65	0.87	0.47	-0.06	0.75	0.31	0.66	0.58	0.04	1.25
Sep	0.89	1.49	0.90	1.16	0.63	0.11	0.38	0.98	0.14	0.19	0.60	0.38	0.50	0.32
Oct	1.30	1.50	0.11	1.20	0.40	0.49	0.92	0.45	0.53	0.16	1.47	1.19	0.94	0.36
Nov	0.55	1.40	1.07	1.21	0.74	0.48	0.09	0.9	0.32	0.31	0.60	1.12	0.76	0.73
Dec	-0.28	1.00	0.67	0.87	0.11	0.24	-0.11	-0.45	-0.61	-0.24	0.90	-0.85	-0.27	0.47
Jan	0.88	1.46	0.37	2.17	-0.05	-0.18	0.2	-0.16	0.06	0.06	-0.09	0.97	1.20	-0.88
Feb	1.29	-0.06	0.70	1.09	0.36	0.38	-0.02	-0.08	0.34	0.47	-0.34	0.99	0.33	1.04
Mar	0.46	0.88	1.35	-0.45	1.77	0.35	0.88	0.48	1.36	0.04	1.02	1.29	0.23	0.49
Apr	2.38	0.12	0.81	2.39	0.45	0.27	0.56	0.34	0.33	0.33	0.96	1.74	1.02	0.31
May	-0.15	0.59	0.37	-0.20	0.15	-0.07	-0.11	-0.45	-0.67	-0.29	0.69	-0.44	0.45	-
Jun	1.03	0.55	0.11	-0.31	0.47	-0.16	1.05	0.01	0.48	-0.21	1.12	0.10	0.59	-
B. WHOLESALE PRICE INDEX (W.P.I.) with Base 1990-91														
Jul	1.39	-1.06	0.99	1.59	0.33	1.14	0.07	-0.08	1.78	1.51	1.31	-1.00	1.99	1.42
Aug	2.28	1.46	1.77	1.82	0.14	1.39	0.18	0.75	0.30	1.66	0.98	-1.08	1.04	0.78
Sep	1.52	1.15	0.42	-0.05	0.33	-0.13	0.52	1.55	0.21	0.59	0.34	0.40	0.54	0.44
Oct	0.62	0.60	-0.31	0.27	0.42	0.14	-0.29	0.90	-1.15	0.54	2.72	1.42	0.77	-0.49
Nov	0.49	2.42	0.68	2.38	0.53	0.79	-1.44	1.18	-0.97	1.66	1.10	0.39	0.18	0.89
Dec	0.35	1.68	0.35	1.39	0.30	0.03	-0.31	1.15	-0.65	0.70	1.39	-0.25	-0.13	0.37
Jan	4.23	2.02	1.12	2.30	0.01	0.59	0.30	-0.84	0.17	0.38	0.21	1.53	1.28	-1.20
Feb	3.08	-0.55	0.70	0.65	0.34	0.60	1.05	-0.39	0.19	2.39	0.40	1.52	0.77	0.51
Mar	0.78	1.18	1.71	-0.29	1.73	0.28	2.12	-0.16	1.28	0.15	1.77	1.39	0.07	1.02
Apr	4.23	-0.12	1.65	1.48	0.50	-0.53	0.38	0.66	0.35	-1.17	0.32	1.61	1.23	1.16
May	0.61	0.86	-0.19	0.35	0.50	0.21	-0.18	-1.38	-0.12	-1.09	0.98	-0.59	0.35	-
Jun	0.51	1.38	1.17	-0.41	0.08	0.02	1.01	1.18	1.07	-0.27	0.59	0.71	63.00	-
C. SENSITIVE PRICE INDICATOR (S.P.I.) converted into Base year 2000-01														
Jul	1.24	1.53	1.30	1.72	0.15	0.91	0.33	0.77	1.25	1.48	1.34	2.43	1.35	1.36
Aug	1.32	0.70	1.73	0.98	0.14	1.36	0.49	0.70	1.23	1.09	0.70	1.18	0.26	2.18
Sep	1.26	1.05	0.02	1.42	0.48	-0.49	0.16	0.99	0.91	1.04	0.75	0.29	0.23	0.41
Oct	0.93	1.70	-0.62	0.99	0.36	0.59	-0.45	0.63	0.54	-0.24	2.34	0.53	0.05	0.56
Nov	0.47	1.52	0.66	1.46	0.94	1.63	0.13	0.39	0.34	1.09	2.64	1.94	0.88	2.34
Dec	-0.14	1.14	1.03	0.78	0.08	-0.31	-0.94	-1.16	-0.73	-0.64	1.31	-0.98	-0.24	0.76
Jan	0.72	1.36	-0.12	1.50	-0.24	-0.78	-0.23	0.15	0.15	0.23	-0.69	0.91	0.80	-1.32
Feb	0.77	-0.36	0.65	1.38	0.30	0.55	0.30	-0.55	1.29	0.42	-0.61	0.54	1.46	0.09
Mar	0.73	0.86	1.24	-1.36	0.51	-0.25	0.24	0.27	0.57	-0.01	1.30	1.07	0.84	-0.01
Apr	3.23	0.72	1.18	3.78	0.69	-0.45	0.77	-0.13	-0.62	-0.23	-0.51	1.29	1.33	0.09
May	0.78	1.68	0.59	0.47	0.13	0.73	0.92	-0.75	-1.69	-0.61	2.14	-1.02	0.65	-
Jun	1.85	1.19	0.82	-0.19	2.01	0.57	1.59	0.70	1.37	0.24	1.31	0.70	0.45	-

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
<u>Jul-Apr</u>					
2005-06	130.90	131.70	131.69	130.79	130.70
2006-07	141.23	142.57	142.39	141.02	140.18

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>b</sup>	Annual GDP Deflator <sup>d</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	8.02
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	9.22
<u>Jul-Apr</u>				
2005-06	8.03	10.31	6.67	
2006-07	7.89	6.92	11.13	7.82

\* 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
<u>Jul-Apr</u>												
2005-06	11.63	13.11	20.14	44.54	29.60	105.35	66.51	199.06	37.11	17.74	12.40	19.89
2006-07	11.99	13.59	21.94	56.67	42.07	117.34	75.35	222.91	38.80	17.91	22.61	26.70

.. 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
<u>Jul-Apr</u>								
2005-06	66.57	58.89	3.86	71.02	30.26	35.00	23.63	62.09
2006-07	75.02	68.05	4.68	90.19	32.40	40.30	26.36	69.05

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
<u>Jul-Apr</u>								
2005-06	7.20	34.13	36.49	399.00	162.90	0.61	7.70	13.93
2006-07	7.96	34.95	37.72	415.00	200.00	0.70	8.08	14.02

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
<u>Jul-Apr</u>									
2005-06	11.46	25.75	15.43	16.05	45.21	49.06	57.57	204.42	203.64
2006-07	11.85	29.65	17.75	16.93	44.02	70.23	39.00	218.91	218.52

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 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
<u>Jul-Apr</u>									
2005-06	28.06	5.71	27.05	30.65	62.11	299.00	89.00	14.18	108.00
2006-07	30.95	6.27	32.00	78.93	65.35	299.00	90.68	15.32	118.67

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
<u>Jul-Apr</u>					
2005-06	35.61	78.76	2.41	54.57	2.31
2006-07	39.09	101.64	2.45	56.43	2.31

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 1990-91 = 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
<u>Jul-Apr</u>											
2005-06	137.16	155.35	123.90	116.82	137.10	92.83	182.21	168.15	121.42	103.50	179.71
2006-07	139.27	166.18	149.59	121.57	157.77	101.16	200.51	167.96	131.52	110.06	182.68

(Contd.)

TABLE 7.5

## INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES Base Year (1990-91 = 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
<u>Jul-Apr</u>										
2005-06	224.16	149.95	107.03	107.67	121.60	155.94	110.90	110.41	141.08	119.43
2006-07	237.93	173.21	112.76	107.67	127.12	145.96	115.30	111.86	161.26	130.12

Source: Federal Bureau of Statistics