

Planning Commission
Ministry of Planning, Development & Special Initiatives
Economic Policy Wing
(Money, Prices & Fiscal Policy Section)

Consumer Price Index Report, August, 2021

Consumer Price Index is considered the most common measure of general inflation. It measures changes in the cost of buying of the fixed basket of goods and services and generally indicates inflation rate in the country. In the new base year (2015-16) National CPI for 12 major commodity groups is also computed by taking weighted average of Urban CPI and Rural CPI. The basket of goods and services comprises of 12 major commodity groups. Urban CPI covers 35 cities and 356 consumer items. The Rural CPI covers 27 Rural Centres and 244 consumer items. The number of markets has been chosen keeping in view the volume of sales, assuming that majority of the consumers buy goods from these markets. The urban share in CPI is 60%, whereas the rural share in index is 40%.

1. CPI, August 2021

The table reveals that **CPI inflation General**, increased by **8.4%** on year-on-year basis in August 2021 as compared to an increase of 8.4% in the previous month and 8.2% in August 2020. On month-on-month basis, it increased by 0.6% in August 2021 as compared to increase of 1.3% in the previous month and an increase of 0.6% in August 2020. **CPI inflation Urban**, increased by **8.3%** on year-on-year basis in August 2021 as compared to an increase of 8.7% in the previous month and 7.1% in August 2020. On month-on-month basis, it increased by 0.5% in August 2021 as compared to increase of 1.29% in the previous month and an increase of 0.8% in August 2020. **CPI inflation Rural**, increased by 8.4% on year-on-year basis in August 2021 as compared to an increase of 8.0% in the previous month and 9.9% in August 2020. On month-on-month basis, it increased by 0.7% in August 2021 as compared to increase of 1.4% in the previous month and an increase of 0.4% in August 2020. **SPI inflation** on YoY increased by 15.9% in August 2021 as compared to an increase of 16.2% a month earlier and an increase of 11.7% in August 2020. On MoM basis, it increased by 0.7% in August 2021 as compared to increase of 1.8% a month earlier and an increase of 0.9% in August 2020.

Table 1. General Inflation (%) (Base 2015-16)										
PERIOD	CPI						SPI		WPI	
	General									
	National		Urban		Rural		YoY	MoM	YoY	MoM
	YoY	MoM	YoY	MoM	YoY	MoM				
21-Jul	8.4	1.3	8.7	1.29	8	1.4	16.2	1.8	17.3	2.3
21-Aug	8.4	0.6	8.3	0.5	8.4	0.7	15.9	0.7	17.1	1.2

Source: Pakistan Bureau of Statistics

WPI inflation on YoY basis increased by 17.1% in August 2021 as compared to an increase of 17.3% a month earlier and an increase of 3.3% in August 2020. WPI inflation on MoM basis increased by 1.2% in August 2021 as compared to an increase of 2.3% a month earlier and an increase of 1.3% in corresponding month i.e. August 2020. It is pertinent to mention that the Wholesale Price Index (WPI) is designed to measure the directional movement of prices for a set of selected items in the primary and wholesale markets. Items covered in the series are those which could be precisely defined and are offered in lots by producers/manufacturers. Prices used are generally those, which conform to the primary seller's realization at ex-mandi, ex-factory or at an organized Wholesale level. The wholesale prices are being collected from wholesale markets of 19 cities: The WPI covers 419 items in the base 2015-16. The items have been divided into five groups i.e. Agriculture Forestry & Fishery Products, Ores & Minerals, Electricity, Gas & Water, Food Products, Beverages & Tobacco, Textile, Apparel and Leather Products.

2. Core inflation (NFNE)

Measured by non-food non-energy Urban increased by 6.3% on (YoY) basis in August, 2021 as compared to an increase of 6.9% in the previous month and 5.6% in August, 2020. On (MoM) basis, it increased by 0.2% in August, 2021 as compared to increase of 0.8% in previous month, and an increase of 0.7% in corresponding month of last year i.e. August, 2020.

Measured by non-food non-energy Rural increased by 6.2% on (YoY) basis in August, 2021 as compared to an increase of 6.9% in the previous month and 7.6% in August, 2020. On (MoM) basis, it increased by 0.2% in August, 2021 as compared to an increase of 0.7% in previous month, and an increase of 0.8% in corresponding month of last year i.e. August, 2020.

3. National Consumer Price Index (N-CPI)

The CPI at national level increased by 0.58% for August over July 2021 and increased by 8.35% over corresponding month of the last year i.e. August 2020. The increase of 11.09% in non-perishable food group prices was witnessed as compared to last year, clothing and footwear group registered growth of 9.34% over August 2020, whereas health and transport group recorded increase of 8.47% and 8.08% respectively over corresponding month of last year.

Table2 - Consumer Price Index (National) by Group of Commodities and Services (Base 2015-16)

No	Group	Group Weight (%)	Indices			% Change August 2021 Over		Impact (In % points) August 2021 Over	
			Aug21	July 21	Aug 20	July 21	Aug 20	July 21	Aug 20
	General	100.00	147.61	146.76	136.23	0.58	8.35	0.58	8.35
1.	Food & Non-alcoholic Bev.	34.58	152.71	151.65	138.87	0.70	9.96	0.25	3.51
	<i>Non-perishable Food Items</i>	29.60	153.89	153.27	138.53	0.41	11.09	0.13	3.34
	<i>Perishable Food Items</i>	4.99	145.68	142.01	140.92	2.58	3.38	0.12	0.17
2.	Alcoholic Bev. & Tobacco	1.02	144.69	144.69	141.69	0.00	2.12	0.00	0.02
3.	Clothing & Footwear	8.60	149.80	149.60	137.01	0.13	9.34	0.01	0.81
4.	Housing, Water, Electricity, Gas & Fuels	23.63	143.03	142.08	132.48	0.67	7.96	0.15	1.83

Table 3: Import Position of Food Group (July, 2021)		July 2021		July 2020		July 2021		July 2020		YoY Change (%)
Sr. No.	Commodities	Quantity (M.T)	Value (Dollars Mn)	Quantity (M.T)	Value (Dollars Mn)	Quantity (M.T)	Value (Dollars Mn)	Quantity (M.T)	Value (Dollars Mn)	(Value in Dollars)
6.	Health	2.79	155.18	154.33	143.07	0.55	8.47	0.02	0.25	
7.	Transport	5.91	149.96	148.88	138.74	0.73	8.08	0.04	0.05	
8.	Communication	2.21	109.96	109.94	106.98	0.02	2.79	0.00	0.05	
1	Palm Oil	221,958	254,020	128,167	341,825	0.77	205,935	0.01	23.35	
9.	Recreation & Culture	1.59	129.15	128.17	121.40	0.77	6.39	0.01	0.09	
2	Pulses	128,167	89,598	81,351	45,250				98.01	
10.	Education	3.79	146.65	145.30	142.47	0.93	2.94	0.03	0.12	
11.	Restaurants & Hotels	6.92	144.32	143.85	134.45	0.33	7.34	0.02	0.50	
12.	Miscellaneous	4.87	154.76	154.26	146.11	0.32	5.92	0.02	0.31	

Source: Pakistan Bureau of Statistics

4. The Rural and Urban Consumer Price Index of August 2021

The urban consumer price index increased by 0.48% over July 2021 and increased by 8.32% over corresponding month of the last year i.e. August 2020. Similarly, the rural price index increased by 0.72% over July 2021 and increased by 8.40% over corresponding month of the last year i.e. August 2020.

5. Import Position of Food Group (July, 2021)

The table given above reveals that an increase in value and quantity of import of sugar, palm oil, soybean oil and pulses has been witnessed during July ,2021 as compared to corresponding month of last year. After the approval of Economic Coordination Committee of Cabinet for import of 100,000 tons of sugar in the month of June 2021, the sugar imports recorded growth of 4931.32 % in value. Palm oil imports in terms of value also registered growth of 23.35% over last year mainly because of rising international prices which put pressure on domestic prices. Moreover, in the month of July 2021, the import of tea declined.

Change in prices in Urban Areas

Increased: Tomatoes (17.84%), vegetables (12.52%), Beans (5.09%), Milk (1.94%), Potatoes (1.84%), Vegetable ghee (1.75%), Sugar (1.36%) and cooking oil (1.11%). Liquefied Hydrocarbons (18.23%), Motor fuel (2.80%), Construction input items (0.98%) and Drugs and medicines (0.67%).

Decreased: Chicken (11.98%), Fruits (7.75%), Pulse gram (5.18%), Condiments and Spices (2.75%), Pulse moong (2.35%) and Eggs (1.64%).

Changes in Prices in Rural Areas

Increased: Vegetables (17.35%), Tomatoes (7.40%), Onions (6.02%), cooking oil (4.99%), Vegetable ghee (4.94%), Sugar (2.68%), Mustard oil (2.63%), Potatoes (1.91%), Meat (1.57%) and Milk (1.05%) Liquefied Hydrocarbons (12.94%), Motor Fuels (2.97%), Construction Input Items (2.37%), Furniture and Furnishing (1.45%) and Motor Vehicles (1.39%).

Decreased: Chicken (14.90%), Fruits (11.14%), Pulse Moong (6.85%), Condiments and Spices (5.61%), Pulse Gram (2.45%), Gram Whole (1.81%) and Pulse Mash (1.30%)

3	Soyabean Oil	21,811	3,735	16,722	1,840	102.99
4	Sugar	33,620	18,314	631	364	4931.32
5	Tea	18,625	41,127	16,774	38,180	7.72

Source: Pakistan Bureau of Statistics

6. Global Commodity Price Trend, August, 2021

The international prices continued to show upward trend during the month of August, 2021, as MOM review of prices reveals increase in prices sugar from \$390 mt to in July 2021, to \$430 per mt in August, 2021, similarly palm oil prices continued to record higher trend as price reached to \$ 1,136 mt in August, 2021 as compared to \$ 1057 mt in July 2021.

Table 4. Global Commodity Prices							
Months	Sugar (\$/mt)	Palm Oil (\$/mt)	Soyabean oil (\$/mt)	Crude oil (\$/Brl)	Wheat (\$/mt)	Rice (\$/mt)	Tea (\$/mt)
Aug-20	290	760	867	44.3	208.9	480.9	3150
Sep-20	280	796	906	41.1	219.7	483	3080
Oct-20	300	819	915	40.5	245.2	454.5	3000
Nov-20	310	918	974	43.2	247.9	468.5	2800
Dec-20	310	1016	1026	49.9	251.2	496.6	2650
Jan-21	340	990	1101	54.6	276.4	517.8	2680
Feb-21	360	1020	1121	62	276.6	531	2560
Mar-21	340	1031	1170	65.2	272.6	504.1	2430
Apr-21	360	1078	1401	64.8	281.4	477.4	2670
May-21	380	1156	1554	68	271	462.8	2710
Jun-21	380	1004	1420	73.1	263.5	438.6	2700
Jul-21	390	1063	1468	74.4	254.7	397	2650
Aug-18	430	1136	1436	70	276.2	381	2720
% Change							
Aug-21/ Aug-20	48.3	49.5	65.6	58	32.2	-20.8	-13.7
Aug-21/ Jul-21	10.3	6.9	-2.2	-5.9	8.4	-4	2.6

Source: Commodities Price Pink Sheet, World Bank

7. Analysis and Conclusion

The Consumer Price Index (CPI) increased by 0.6 percent from July 2021 and 8.35 percent a year ago, the Pakistan Bureau of Statistics (PBS) data showed on Wednesday. In July 2021, CPI was recorded at 8.4 percent and 8.21 percent in August 2020. The government has targeted to

keep inflation under eight percent in the current fiscal year of 2021/22. The core CPI reduced for urban and rural areas after excluding the food and energy components. Food inflation was recorded at 9.96 percent, the highest increase among all the categories of the CPI basket. The increase arrived mostly from the hike in prices of tomatoes, vegetables, cooking oil, sugar, milk and beans. The sensitive price indicator (SPI) year-on-year increased by 15.9 percent during the month under review as compared to an increase of 16.2 percent a month earlier and an increase of 11.7 percent in August 2020.

It is pertinent to mention that however, the rate of CPI has eased but WPI based inflation which captures prices in the wholesale market, showed increasing trend of 17.1% during July 2021, the persistent rise in WPI is largely contributed to the rise in landed prices of imported goods due to exchange rate depreciation along with upward movement of fuel and commodity prices.

The above situation suggests that government should put efforts to build and maintain strategic reserves to control the price hike in essential commodities and mitigate the affect of supply side shocks. Further, government should take stern actions against elements involved in cartelization, hoarding and profiteering to achieve price stability.
