

Inflation hits 9.4pc, highest in five years

ISLAMABAD: Consumer prices influenced by faster rupee depreciation and rise in energy prices last month increased to their highest level in five years, the Pakistan Bureau of Statistics reported on Monday.

Inflation measured through consumer price index (CPI) surged to 9.4pc in March 2019, the period when global oil prices started rising, undermining earlier gains.

Over the past three months, prices of fresh vegetables, fruits and meat have posted persistent increase in major urban centres.

The average inflation during the July-March period rose by 6.79pc on a yearly basis.

While the government had projected 6pc annual inflation for the current financial year, the inflation had crossed the figure in February.

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The average inflation was 3.92pc in financial year 2017-18 and 4.16pc the year before.

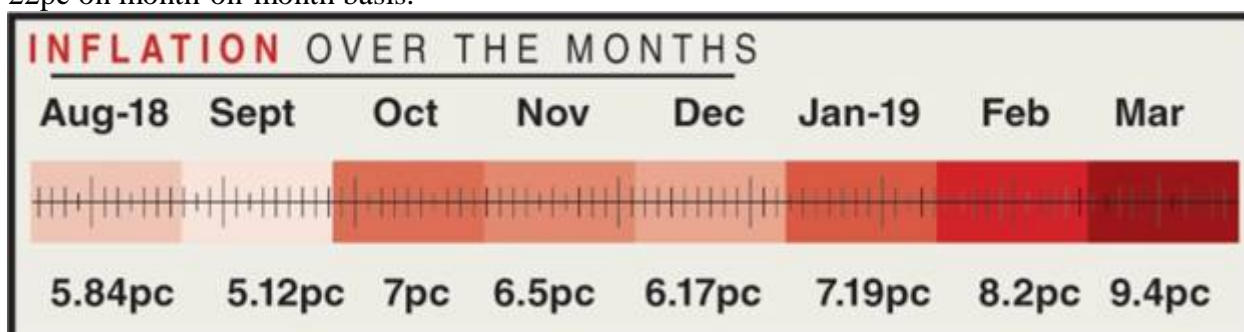
Tightening of the monetary policy by the State Bank of Pakistan (SBP) has come on the back of the rising inflation amid depreciating rupee and high global crude prices.

On Friday, the SBP increased policy rates by 50 basis points to 10.75pc, which were already at their six-year high, on the plea that the economy was under considerable strain. The central bank raised the interest rate by 4.50pc since January 2018.

The most dominating push to inflation came from non-food-non-energy (core inflation) component that typically represents the underlying demand pressures on the economy. The core inflation, measured by excluding volatile food and energy prices, was recorded at 8.5pc year-on-year. It has been steadily rising for a couple of months despite tightening of the monetary policy.

The gradual build-up of domestic demand is evident from the upswing in the core inflation. Of the 89 commodity groups of CPI (Consumer Price Index), it covers the price movement of 43 items.

In March, food inflation increased by 8.4pc on year-on-year basis and 2.9pc on month-on-month basis. Perishable product prices went up by 6.1pc while that of non-perishable products increased by highest ever 22pc on month-on-month basis.



Inflation over the months

The food items whose prices increased the most in March included onions(39.28pc), fresh vegetables (24.43pc), tomatoes (18.83pc), chicken (15.88pc), pulse Moong (12.68pc), fresh fruits (12.52pc), Gur (2.88pc), sugar (2.74pc), beans (1.23pc), fish (1.18pc), spices (0.91pc), pulse gram (0.60pc), vegetable ghee (0.58pc), rice (0.41pc), pulse Masoor (0.31pc), bakery & confectionery (0.31pc), wheat flour (0.20pc), cooking oil (0.18pc), tea(0.17pc), fresh milk (0.17pc) and wheat(0.16pc).

The food items whose prices dropped last month include eggs (6.32pc), potatoes (5pc), betel leaves and nuts (2.09pc), gram whole (0.70pc) and wheat product (0.41pc).

Furthermore, the impact of fuel prices was also felt on most food items, as retailers passed on the impact of higher transportation cost to consumers. This impact was more pronounced in case of milk, vegetables and meat.

Non-food inflation went up by 10.1pc in March on a yearly basis and 0.5pc on a monthly basis, indicating that the direct impact of fuel prices on inflation was also strong.

Textbooks topped the list of non-food products whose prices increased last month. The non-food products whose prices increased in March include textbooks (3.95pc), cotton clothes (2.30pc), medical equipment (2.24pc), motor fuel (1.54pc), kerosene oil (1.51pc), plastic products (1.32pc), stationery (1.18pc), drugs and medicines (1.16pc), construction wage rates (1.16pc), education (1.00pc), transport services (0.97pc), personal equipment (0.96pc), construction input items (0.79pc) and motor vehicle (0.67pc).

The PBS collects retail prices and computes CPI for a basket of 487 items collected from 40 cities and 76 markets.

The wholesale price index in the period from July 2018 to March 2019 reached to the highest level of 11.44pc as compared to 2.7pc over the corresponding period of last year.

The massive increase of 11.44pc in the wholesale price index shows that prices of non-perishable products will go up at the retail level.

Mubarak Zeb Khan