

Inflation drops to 8.2pc in May

ISLAMABAD: The country's inflation fell to 8.2 per cent in May, from 8.5 pc in April on back of a faster decline in oil prices for a fourth consecutive month, according to data provided by the Pakistan Bureau of Statistics (PBS) on Monday.

The twelve-month low inflation was noted in May since the calculation methodology was changed last year. In April 2019, the price levels rose by 8.3pc.

Substantial reduction in prices of petroleum products and improvement in the supply of essential food items dragged the overall inflation down to a single digit. At the same time, drop in rates of few vegetables, pulses and fruits was also seen in May.

The Ministry of Food Security has already constituted a cell to look into various options to ensure the supply of food items amid an ongoing outbreak of coronavirus in the country.

Food inflation is still in double-digit and posted an increase in May despite a drop in overall price levels. In urban areas, it rose by 10.6pc in May on a yearly basis and 1.5pc on a monthly basis, whereas the respective price level jumps in rural areas stood at 13.7pc and 1.4pc.

In urban areas, food items which saw an increase in prices included chicken, surging by 41.46pc, potatoes 31.19pc, fruits 9.72pc, milk 4.63pc, condiments and spices 3.71pc and butter 2.58pc.

The items whose prices declined in urban areas were: onions by 23.35pc, vegetables 19.62pc, eggs 18.74pc, tomatoes 7.74pc, pulse gram 7.25pc, daal masoor 4.43pc, besan 4.38pc and wheat 3.37pc.

In rural areas, food items witnessing price increase include: potatoes by 41.55pc, chicken 41.15pc, fruits 11.46pc, condiments and spices 8.60pc, daal moong 4.36pc, milk 4.23pc, gur 2.75pc and daal mash 2.13pc.

On the other hand, drag on price levels came from tomatoes, down by 21.82pc, onions 21.77pc, vegetables 21.08pc, eggs 13.82pc, wheat 7.57pc, pulse gram 2.41pc and besan 2.19pc.

The non-food inflation in urban centres was recorded at 5.4pc year-on-year, while it edged lower by 0.4pc on a monthly basis. In rural areas, it rose by 6.4pc and fell by 0.5pc, respectively.

The decline in non-food inflation is mainly driven by a drop in oil prices over the past few months. Prime Minister Imran Khan in a tweet said Pakistan has the cheapest fuel

cost compared to other states in South Asia. India is almost exactly double. Bangladesh, Sri Lanka, and Nepal are all 50-75pc more expensive than Pakistan, the premier further said.

The average inflation between July 2019 and May 2020 stood at 10.94pc, as against 6.69pc over the corresponding months last year.

In the pre-COVID-19 situation, the International Monetary Fund had estimated that the country's inflation may rise as high as 13pc with the government estimating it in the range of 11-13pc. However, projections since the pandemic put price level increases in single-digits.

The urban consumer price index covers 35 cities and 356 items, while the rural one tracks 27 centres and 244 items. The former grew by 7.3pc year-on-year in May, whereas the latter jumped by 9.7pc.

The core inflation rate in urban areas was 6.3pc in May as against 6.4pc the previous month, according to the new methodology while the corresponding values for rural areas were 8.4pc and 8.5pc, respectively.

The central bank determines the key policy rate — currently at 9pc — on the basis of the core inflation rate. The SBP has reduced the rate by a cumulative 5.25 percentage points on April 16 to combat uncertainty amid growing coronavirus outbreak.

Average inflation measured by the sensitive price index crawled up to 13.95pc during the July-May period from 4.73pc during the same period last year, while the wholesale index dipped to 11.13pc from 16.18pc.