

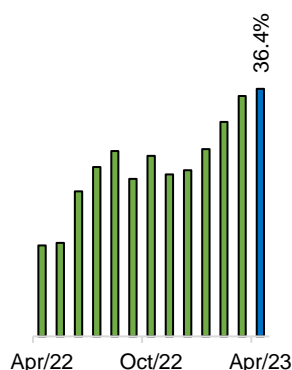
# Day Break

Wednesday, May 3, 2023

**IGI**  
Securities

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

## Economy

### Apr-23: Headline CPI Clocks in at +36.4%/y/y Breaking Decades Old Level

- For the month of Apr-23, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +36.4%y (up by 2.4%m/m) growth compared to previous month, +35.4%y (+3.7%m/m).
- Going ahead, we estimate national CPI to remain elevated during the ongoing month of May-23 before gradually declining from Jun-23 onward owing to strong base effects.

We review Apr-23 National CPI numbers published by Pakistan Bureau of Statistics (PBS).

#### Apr-23 Inflation Number Breaks Historical Record

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Apr-23, headline CPI registered a +36.4%y (up by +2.4%m) growth compared to previous month, +35.4%y (+3.7%m). This is one of the highest registered inflation in over decades. Nevertheless, this takes 10mFY23 period average to +28.2%y compared to +11.0%y last year same period.

Exhibit: Monthly National Consumer Price Index (CPI) growth

For the month of: April, 2023

	Wt.	y/y	m/m	10MFY23	10MFY22	10MFY21
National	100.0%	36.4%	2.4%	28.2%	11.0%	8.10%
Food	35%	48.1%	4.4%	37.9%	11.8%	13.4%
Transport	6%	56.8%	1.6%	52.8%	19.4%	-1.3%
Utility/Rent	24%	16.9%	-1.1%	13.6%	11.0%	5.7%
Essentials	17%	16.9%	1.6%	14.6%	7.7%	6.6%
Disc.	18%	46.4%	2.8%	31.3%	10.1%	8.8%

Source: PBS, IGI Research

#### Rural inflation continue to out-run urban inflation

Urban inflation rose during the month up by +2%m/m to +33.5%y/y, whereas rural inflation increased by +3%m/m to +40.7%y/y.

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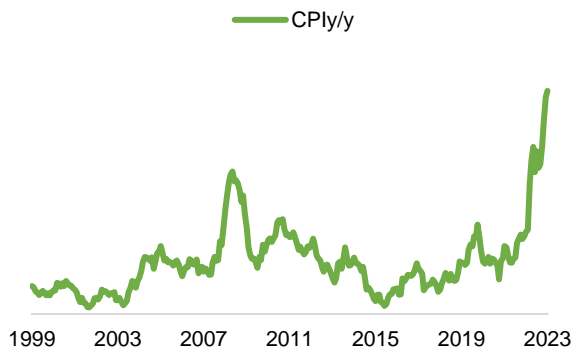
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Driven by food and rural inflation, SPI consistently averaging 40%+ in the past few months

Other indices, Wholesale Price Index (WPI) registered a +33.4%y/y and +0.09%m/m growth respectively, and Sensitive Price Index (SPI) recorded a +42.1%y/y and %2.7m/m basis during the month of Apr-23.

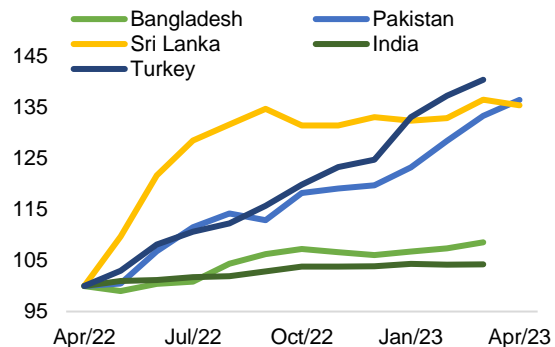
**Exhibit: Historical CPI Trend**

Headline inflation breaks decades old record



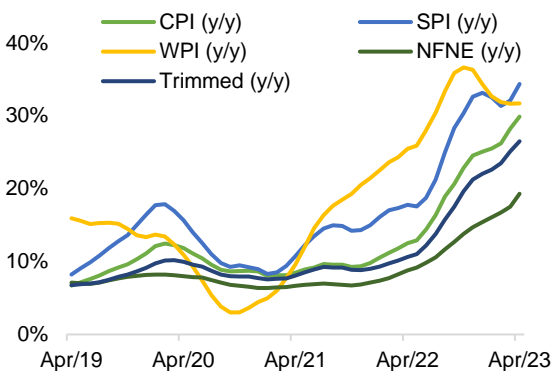
**Exhibit: CPI trend of regional countries**

Pakistan, Turkey, and Sri Lanka are among the regional countries posting high inflation numbers since the geopolitical crisis



**Exhibit: Major Price Indices**

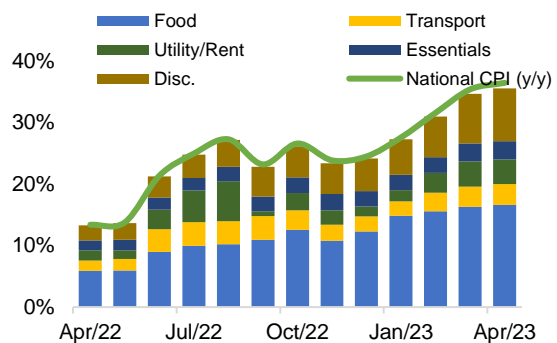
All major indices have shown fastest growth during the year. SPI, which represents food and energy prices, has been the sharpest in terms of growth



Source: PBS, Respective Central Banks, IGI Research

**Exhibit: Percentage point impact of each group on headline figure**

Food and discretionary items have been driving the overall inflation index recently



**Outlook**

Food index has been the major driver of overall headline inflation along with energy shocks and exchange rate deterioration that have pushed CPI to break its historical record since 1965.

Moreover, government has been engaged in tightening policies to diffuse circular debt concerns and reach fiscal revenue targets. Furthermore, as budget FY23-24 nears, government is keen to raise additional taxes that may push retail prices further.

As far as exchange rate concerned, recent C/a surplus is a positive development; however, debt repayments in upcoming fiscal years will put pressure on PKR if inflows not timely materialized that in our view is progressing at a very slow pace despite surprisingly positive C/a balance.

Going ahead, we estimate national CPI to remain elevated during the ongoing month of May-23 before gradually declining from Jun-23 onward owing to strong base effects.

Exhibit: National Core-inflation measures												
	Apr/23	Mar/23	Feb/23	Jan/23	Dec/22	Nov/22	Oct/22	Sep/22	Aug/22	Jul/22	Jun/22	May/22
<b>CPI</b>	<b>36.4</b>	<b>35.4</b>	<b>31.5</b>	<b>27.6</b>	<b>24.5</b>	<b>23.8</b>	<b>26.6</b>	<b>23.2</b>	<b>27.3</b>	<b>24.9</b>	<b>21.3</b>	<b>13.8</b>
SPI	42.1	40.4	33.6	30.5	29.7	29.7	28.6	35.9	40.6	34.3	26.5	16.1
WPI	33.4	37.5	36.5	28.5	27.1	27.7	32.6	38.9	41.2	38.5	38.9	29.6
NFNE	21.7	20.4	18.9	17.0	16.4	16.2	16.2	15.7	14.9	13.0	12.3	10.4
Trimmed	32.1	31.2	27.7	23.7	22.2	22.0	23.9	21.5	22.4	20.1	17.7	12.1

Source: PBS, IGI Research

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