

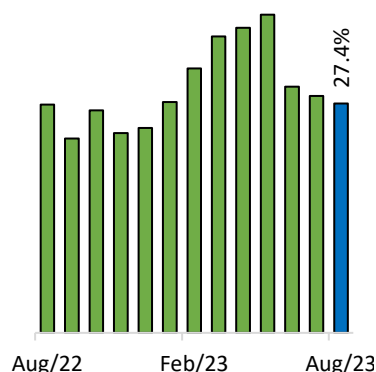
Day Break

Monday, September 4, 2023

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Securities

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Aug-23: Headline CPI Clocks in at +27.4%/y/y Amid Higher Food And Utility Prices

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Aug-23, headline CPI registered a +27.4%y (up by +1.7%m) growth compared to previous month, +28.3%y (+3.5%m).
- As far as exchange rate concerned, recent C/a deficit and substantial debt repayments in FY24 are likely to keep PKR under pressure. Furthermore, import restrictions have been removed which has further increased pressure on PKR due to higher import payments.
- Going ahead, we estimate national CPI to remain elevated during the ongoing month of Sep-23 on account of PKR depreciation, rise in petroleum and food prices.

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

Aug-23: Inflation prints 27.4%/y/y growth backed by higher food prices

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Aug-23, headline CPI registered a +27.4%y (up by +1.7%m) growth compared to previous month, +28.3%y (+3.5%m). Inflation was primarily led by food prices. Monthly increase in inflation was primarily led by food and transportation index on back of higher petroleum and liquid hydrocarbon prices. This takes 2mFY24 period average to +27.8%y compared to +26.1%y last year same period.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates

Estimated For the month of: August, 2023

	Wt.	y/y	m/m	2MFY23	2MFY22	2MFY21
National	100.0%	27.4%	1.7%	27.8%	26.1%	8.38%
Food	35%	38.5%	0.6%	39.0%	29.1%	9.1%
Transport	6%	23.0%	7.9%	18.3%	63.9%	9.3%
Utility/Rent	24%	6.2%	1.1%	8.5%	24.7%	8.6%
Essentials	17%	16.4%	1.7%	16.6%	12.5%	7.0%
Disc.	18%	43.1%	2.5%	43.3%	22.2%	7.8%

Source: PBS, IGI Research

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Rural inflation continue to out-run urban inflation

Urban inflation rose during the month up by +1.6%m/m to +25.0%/y/y, whereas rural inflation increased by +1.9%m/m to +30.9%/y/y.

SPI below 30% since July-2023

Other indices, Wholesale Price Index (WPI) registered a +24.3%y/y and +4.2%m/m growth respectively, and Sensitive Price Index (SPI) recorded a +27.9%y/y and 4.1%m/m basis during the month of Aug-23.

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record

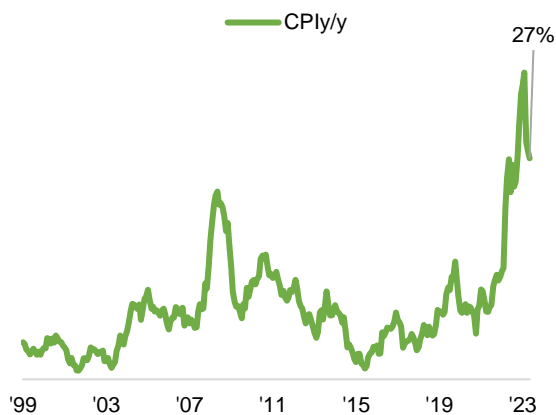


Exhibit: CPI rebased to June

CPI rebased to June shows elevated levels similar to 2023

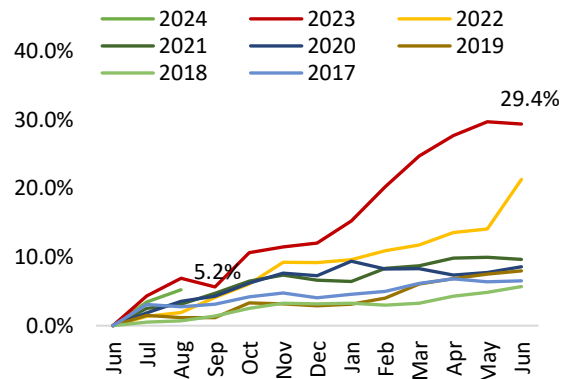
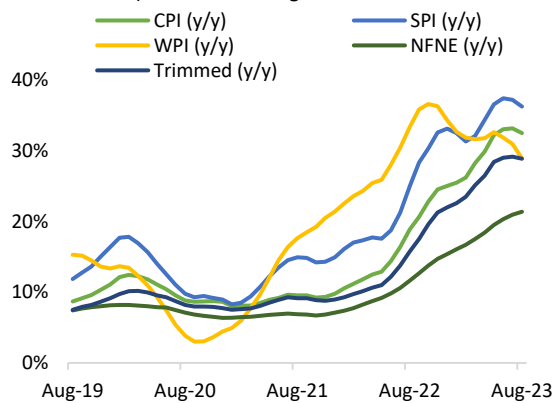


Exhibit: Major Price Indices

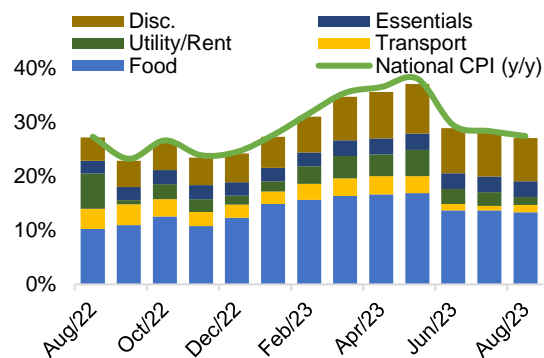
All major indices have shown fastest growth during the year. SPI, which represents food and energy prices, has been the sharpest in terms of growth



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. Food prices are likely to remain elevated in near term.

As far as exchange rate concerned, recent C/a deficit and substantial debt repayments in FY24 are likely to keep PKR under pressure. Furthermore,

import restrictions have been removed which has further increased pressure on PKR due to higher import payments.

Going ahead, we estimate national CPI to remain elevated during the ongoing month of Sep-23 on account of PKR depreciation, rise in petroleum and food prices.

Exhibit: National Core-inflation measures												
	Aug/23	Jul/23	Jun/23	May/23	Apr/23	Mar/23	Feb/23	Jan/23	Dec/22	Nov/22	Oct/22	Sep/22
CPI	27.4	28.3	29.4	38.0	36.4	35.4	31.5	27.6	24.5	23.8	26.6	23.2
SPI	27.9	29.3	34.9	43.0	42.1	40.4	33.6	30.5	29.7	29.7	28.6	35.9
WPI	24.3	23.1	22.4	32.8	33.4	37.5	36.5	28.5	27.1	27.7	32.6	38.9
NFNE	21.4	20.9	21.2	22.8	21.7	20.4	18.9	17.0	16.4	16.2	16.2	15.7
Trimmed	26.0	24.5	25.7	33.8	32.1	31.2	27.7	23.7	22.2	22.0	23.9	21.5

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