

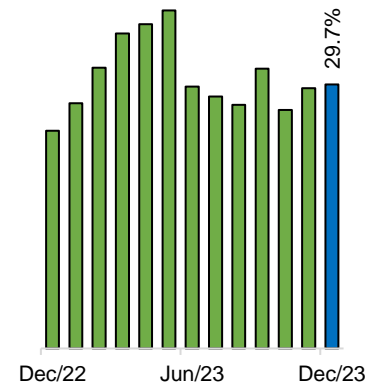
Day Break

Tuesday, January 2, 2024

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Dec-23: Higher Electricity Prices Lift Headline CPI to +29.7%/y

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Dec-23, headline CPI registered a +29.66%y (up by +0.8%m) growth compared to previous month, +29.23%y (+2.7%m).
- Monthly increase in CPI was mainly led by transport and housing index on back of higher electricity prices under housing index and transport services under transport index. This takes 6mFY24 period average to +28.8%y compared to +25.0%y last year same period.
- Going ahead, we estimate national CPI to start coming down from Jan-24 and continue its downward trajectory with further decline from Feb-23 due to base effect. However, volatility in global oil prices and PKR depreciation remain risk to inflation outlook.

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

Dec-23: Inflation prints 29.7%/y growth backed by higher electricity prices

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Dec-23, headline CPI registered a +29.66%y (up by +0.8%m) growth compared to previous month, +29.23%y (+2.7%m). Monthly increase in CPI was mainly led by transport and housing index on back of higher electricity prices under housing index and transport services under transport index. This takes 6mFY24 period average to +28.8%y compared to +25.0%y last year same period.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates						
Estimated For the month of: December, 2023						
	Wt.	y/y	m/m	6MFY24	6MFY23	6MFY22
National	100.0%	29.7%	0.8%	28.8%	25.0%	9.81%
Food	35%	27.5%	-0.5%	32.0%	32.2%	9.6%
Transport	6%	28.6%	0.8%	25.5%	54.6%	15.1%
Utility/Rent	24%	37.7%	3.6%	22.6%	13.4%	11.7%
Essentials	17%	18.6%	0.5%	17.9%	13.8%	7.2%
Disc.	18%	34.9%	0.8%	39.7%	25.6%	8.7%

Source: PBS, IGI Research

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Higher housing and transport index lifts overall CPI

Housing index increased 3.6%/y during Dec-23 primarily led by 16%/m increase in electricity prices which contributes 4.6% to CPI basket.

Electricity prices were higher due to FCA and reinstatement of PHL charges in Dec-23. Transport index increased by 0.8m/m mainly due to 12% m/m increase in transport services despite 2.4% m/m cut in motor fuel (POL) prices.

Rural inflation continue to out-run urban inflation

Urban inflation rose during the month up by +0.7% m/m to +30.93% y/y, whereas rural inflation increased by +1.0% m/m to +27.86% y/y.

SPI rebounds after slowdown in preceding month

Other indices, Wholesale Price Index (WPI) registered a +27.33% y/y growth while m/m growth remained flat. Sensitive Price Index (SPI) recorded a +35.32% y/y and +3.8% m/m growth during the month of Dec-23 compared to 30.62% y/y in the preceding month.

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

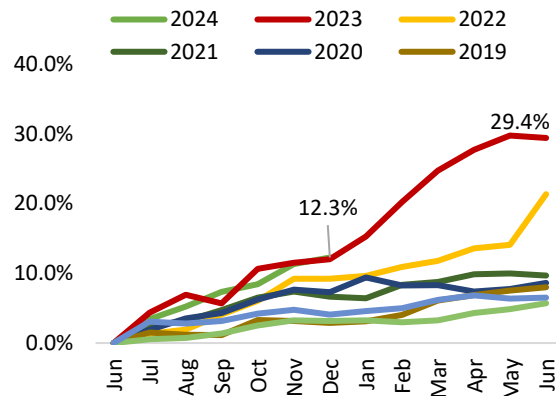
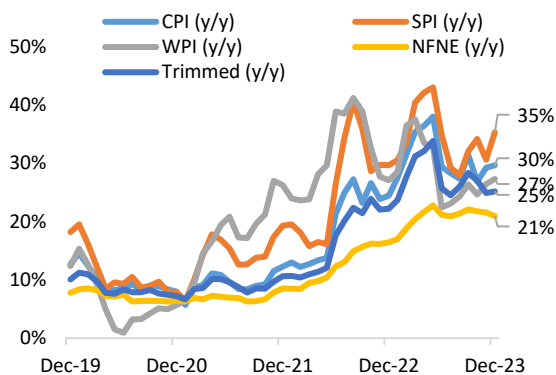


Exhibit: Major Price Indices

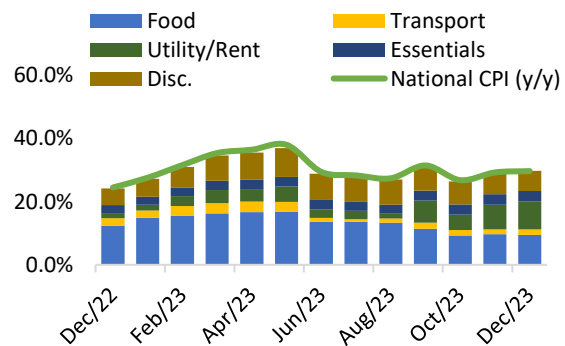
All major indices have depicted a slowdown in growth except for SPI



Source: PBS, SBP, IGI Research

Exhibit: Percentage point impact of each group on headline figure

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



Outlook

Food prices continue to slowdown as food index declined for the first time in Dec-23 since Jun-23 and well below its 12M average increase of 2.2%_{m/m}. We expect food prices to continue to witness a slowdown going forward.

Going ahead, we estimate national CPI to start coming down from Jan-24 and continue its downward trajectory with further decline from Feb-23 due to base effect. However, volatility in global oil prices and PKR depreciation remain risk to inflation outlook.

Exhibit: National Core-inflation measures												
	Dec/23	Nov/23	Oct/23	Sep/23	Aug/23	Jul/23	Jun/23	May/23	Apr/23	Mar/23	Feb/23	Jan/23
CPI	29.7	29.2	26.8	31.4	27.4	28.3	29.4	38.0	36.4	35.4	31.5	27.6
SPI	35.3	30.6	34.2	32.0	27.9	29.3	34.9	43.0	42.1	40.4	33.6	30.5
WPI	27.3	26.4	24.6	26.4	24.3	23.1	22.4	32.8	33.4	37.5	36.5	28.5
NFNE	21.0	21.5	21.8	22.1	21.4	20.9	21.2	22.8	21.7	20.4	18.9	17.0
Trimmed	25.2	24.9	27.0	28.3	26.0	24.5	25.7	33.8	32.1	31.2	27.7	23.7

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