

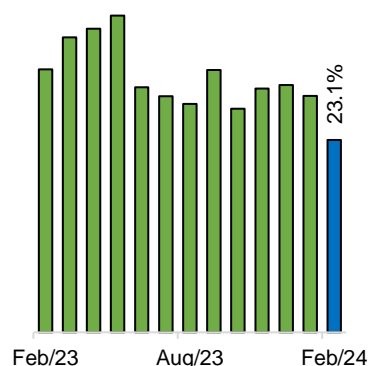
Day Break

Wednesday, March 6, 2024

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Feb-24: Headline CPI Prints +23.06%/y Growth

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Feb-24, headline CPI registered a +23.06%y (up by +0.03%m) growth compared to previous month, +28.34%y (+1.83%m).
- Monthly growth in CPI was mainly flat led by lower food prices, which was offsetted by higher transport and housing index. This takes 8mFY24 period average to +28.0%y compared to +26.2%y last year same period.
- Going ahead, we estimate national CPI to decline further from Mar-24 and continue its downward trajectory due to base effect. However, volatility in global oil prices and PKR depreciation remain risk to inflation outlook.

We review Feb-24 National CPI numbers published by Pakistan Bureau of Statistics (PBS).

Feb-24: Inflation prints 23.06%/y growth

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

Estimated For the month of: February, 2024

	Wt.	y/y	m/m	8MFY24	8MFY23	8MFY22
National	100.0%	23.1%	0.0%	28.0%	26.2%	10.52%
Food	35%	18.1%	-1.6%	29.1%	35.2%	10.6%
Transport	6%	15.0%	2.1%	24.2%	52.0%	17.4%
Utility/Rent	24%	36.1%	1.8%	26.3%	12.7%	11.8%
Essentials	17%	18.4%	0.3%	18.2%	14.0%	7.4%
Disc.	18%	26.5%	0.4%	36.9%	27.7%	9.4%

Source: PBS, IGI Research

Decline in food prices kept overall CPI growth muted

Food prices declined by 1.6%m/m which kept a lid on the overall increase in monthly inflation. Prices of food items such as Wheat, Eggs, Potatoes, Tomatoes, Onions, Sugar and Tea have decreased over the previous month whereas prices of Pulses, Chicken, Meat and Rice increased.

Analyst

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Gas and POL price increase kept transport and housing elevated

Housing and transport index increased by +1.8%/m and +2.1%/m respectively during Feb-24. Housing index was higher due to +10%/m increase in gas charges whereas transport index was higher due to hike in POL prices during Feb-24.

Rural inflation declined while urban inched up slightly

Urban inflation rose during the month up by +0.2%/m to +24.9%/y, whereas rural inflation dropped by 0.3%/m to +20.5%/y.

SPI registered a drop during Feb-24

Other indices, Wholesale Price Index (WPI) registered a +18.66%/y and +1.1%/m. Sensitive Price Index (SPI) recorded a +30.37%/y and down by 0.8%/m during the month of Feb-24 compared to 36.21%/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

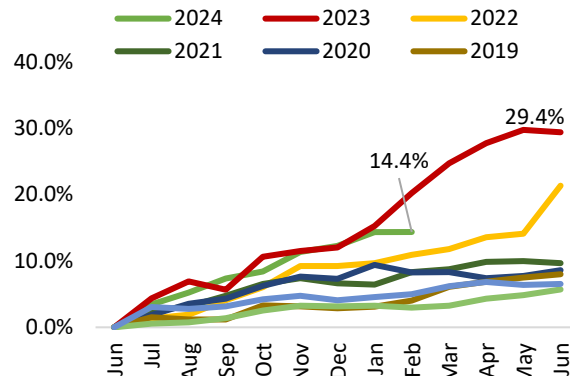
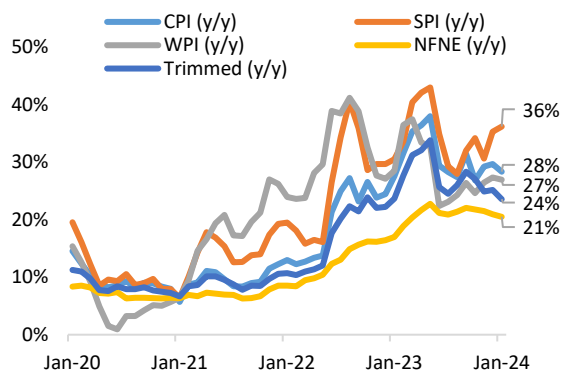


Exhibit: Major Price Indices

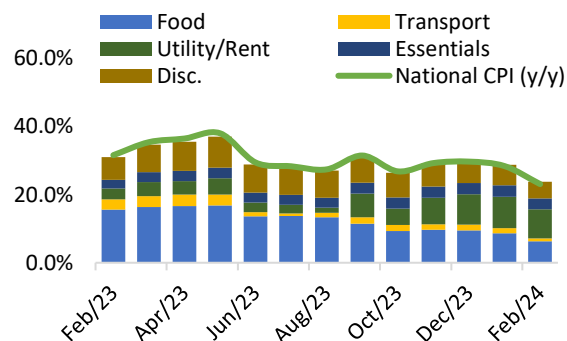
All major indices have depicted a slowdown in growth except for SPI



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

After witnessing a decline in Jan-24, food prices dropped sharply below its last 12M average of 1.4% owing to drop in prices of certain food items. Supply dynamics are likely to improve from Mar-24 which is likely to result in further ease in food prices.

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

Exhibit: National Core-inflation measures												
	Feb/24	Jan/24	Dec/23	Nov/23	Oct/23	Sep/23	Aug/23	Jul/23	Jun/23	May/23	Apr/23	Mar/23
CPI	23.1	28.3	29.7	29.2	26.8	31.4	27.4	28.3	29.4	38.0	36.4	35.4
SPI	30.4	36.2	35.3	30.6	34.2	32.0	27.9	29.3	34.9	43.0	42.1	40.4
WPI	18.7	27.0	27.3	26.4	24.6	26.4	24.3	23.1	22.4	32.8	33.4	37.5
NFNE	18.1	20.5	21.0	21.5	21.8	22.1	21.4	20.9	21.2	22.8	21.7	20.4
Trimmed	18.1	23.6	25.2	24.9	27.0	28.3	26.0	24.5	25.7	33.8	32.1	31.2

Source: PBS, IGI Research

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