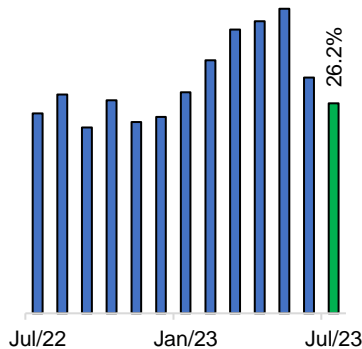


Day Break

Thursday, July 27, 2023



Exhibit: Headline inflation during the month of Jul-23 to tick further down 26.2%/y



Source: PBS, IGI Research

Inflation

Jul-23: CPI to Further Subside to 26.2%/y Amid Jump in Food and Utility Indexes

- For Jul-23, we estimate national CPI to clock in at +26.2%/y growth compared to the previous month's +29.4%/y. On a monthly scale, Jul-23 is estimated to show a +1.8%/m growth compared to -0.3%/m in Jun-23.
- For the month of Jul-23, the transport index is likely to remain muted and marginally increase by 0.2%/m. The monthly CPI is expected to increase due to a rise in the housing index and electricity prices as NEPRA issued a notification to increase the power base tariff which is applicable from 1st of July FY24.
- Going forward we believe that inflation will remain sticky on average at +26%/y for the next 6-8 months until Feb-24 with some bounce-like fluctuations in the upcoming months.

We preview Jul-23 National CPI estimates.

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

Aariz Raza Khan
Aariz.raza@igi.com.pk

Monthly Inflation to Clock in at +26.2%/y

For Jul-23, we estimate national CPI to clock in at +26.2%/y growth compared to the previous month's +29.4%/y. On a monthly scale, Jul-23 is estimated to show a +1.8%/m growth compared to -0.3%/m in Jun-23. This month's inflation is mainly driven by Food and Utility Indexes.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates						
For the month of: July 2023						
	Wt.	y/y	m/m	1MFY23	1MFY22	1MFY21
National	100.0%	26.2%	1.8%	26.2%	24.9%	8.41%
Food	35%	36.3%	1.7%	36.3%	28.8%	8.2%
Transport	6%	14.0%	0.2%	14.0%	64.7%	10.5%
Utility/Rent	24%	6.2%	3.5%	6.2%	21.8%	9.2%
Essentials	17%	16.8%	0.8%	16.8%	11.7%	6.9%
Disc.	18%	43.8%	1.5%	43.8%	20.8%	8.5%

Source: PBS, IGI Research

Food prices rise again after halting during the previous month

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggests prices are likely to rise by +1.7%/m basis. During the

month of Jul-23, key food items including tomatoes, wheat flour, sugar, onions, etc. have increased over the previous month.

Transport Index to remain muted

For the month of Jul-23, the transport index is likely to remain muted and marginally increase by 0.2%_{m/m} as prices of motor vehicles remained unchanged over the previous month, whereas fuel prices on average up by 3%_m owing to upward revisions in HSD, SKO, and LDO fuel products.

Housing rental adjustment and upward revision in power base tariff to push monthly CPI

The monthly CPI is expected to increase due to a rise in the housing index and electricity prices as NEPRA issued a notification to increase the power base tariff which is applicable from 1st of July FY24, a jump of +27% from its previous uniform base tariff.

Outlook

Going forward we believe that inflation will remain sticky on average at +26%_{y/y} for the next 6-8 months until Feb-24 with some bounce-like fluctuations in the upcoming months owing to high base effects. Inflation will likely continue to be driven by PKR depreciation against the greenback, fiscal adjustments specifically in the energy sector, and food prices.

Exhibit: Major Price Indices

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

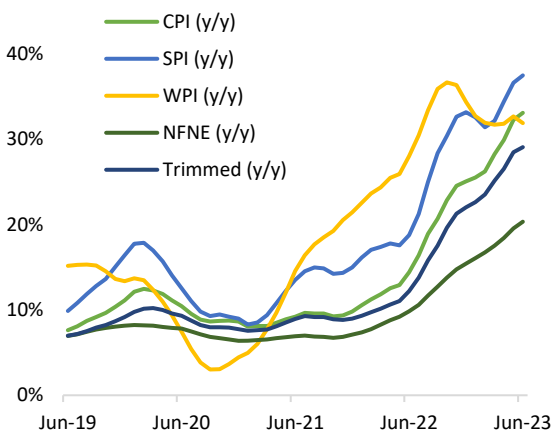
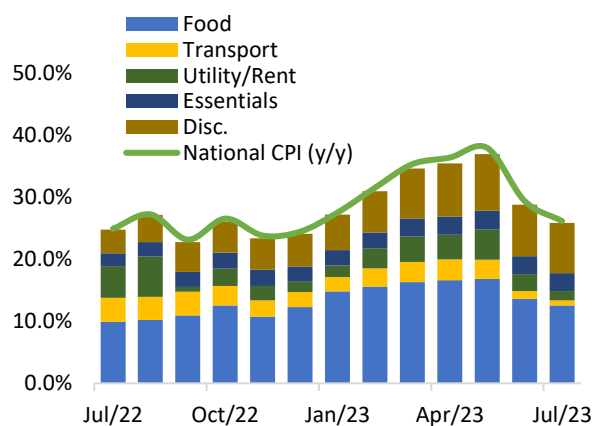


Exhibit: Percentage point impact of each group on the headline figure

Food and utility indexes to drive this month's CPI amid high base effects



Source: PBS, S&P Global, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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