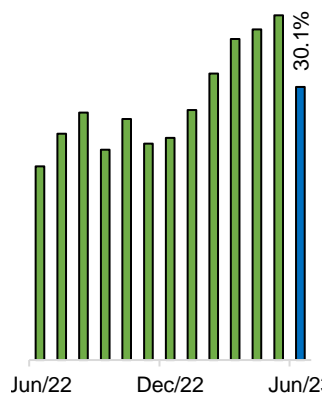


Day Break

Friday, June 30, 2023



Exhibit: Headline inflation during the month of Jun-23 to tick down 30.1%/y



Source: PBS, IGI Research

Inflation

Jun-23: CPI to Drop Big Clocking in at 30.1%/y Owing to Muted Food and Decline in Transport Indices Amid High Base Effects

- For the month of Jun-23, we estimate national CPI to clock in a historic high figure at +30.1%/y growth compared to previous month +38%/y.
- After making a historical high last month of 38%, CPI is expected to dive down to 30.1% owing to muted food and decline in transport indices amid high base effects during the ongoing month, and expected to further drop down to 24.1% by Aug-23.
- SBP on one hand has lifted all restrictions on imports that will put pressure on PKR thereby fueling inflationary expectations going forward, but on the other hand there is a strong indication from IMF on releasing an updated tranche worth US\$3bn by 3rd week of Jul-23 to shore up the reserves and aid Pakistan meet external requirements that will help offset inflationary expectations coming from PKR depreciation.

CPI to Drop Big Clocking in at 30.1%/y

Monthly Inflation to Clock in at +30.1%/y

For the month of Jun-23, we estimate national CPI to clock in a historic high figure at +30.1%/y growth compared to previous month +38%/y. On a monthly scale, Jun-23 is estimated to show a +0.28%/m growth compared to +1.58%/m in May-23 and +2.23%/m average monthly growth in FY23 so far including the Jun-23 estimate. As a result, after incorporating Jun-23 estimates, 12MFY23 average inflation comes to +29.2%/y versus +12.2%/y in the same period last year.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates						
For the month of: June, 2023						
	Wt.	y/y	m/m	12MFY23	12MFY22	12MFY21
National	100.0%	30.1%	0.3%	29.2%	12.2%	7.72%
Food	35%	41.2%	0.2%	39.1%	13.4%	11.7%
Transport	6%	22.6%	-0.3%	49.5%	24.1%	1.7%
Utility/Rent	24%	11.6%	-0.3%	14.0%	10.8%	5.7%
Essentials	17%	16.3%	0.5%	15.0%	8.2%	6.2%
Disc.	18%	44.6%	1.0%	34.1%	11.3%	8.1%

Source: PBS, IGI Research

After a long historic uptrend, food prices have taken a break in the ongoing month

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest prices likely to rise by +0.2%*m/m* basis. During the month of Jun-23, key food items including sugar, tomatoes, onions, potatoes, etc. have increased slightly over the previous month. However, some food items like wheat flour, chicken, eggs, garlic, etc. have decreased over the previous month that have neutralized monthly change in food index.

Transport Index fall slightly owing to decline in gasoline prices

For the month of Jun-23, transport index likely to drop slightly by -0.3%*m/m* as prices of motor vehicles remained unchanged over previous month, whereas fuel prices went down by -10%*m*.

Outlook

After making a historical high last month of 38%*y*, CPI is expected to dive down to 30.1% owing to muted food and decline in transport indices amid high base effects during the ongoing month, and expected to further drop down to 24.1% by Aug-23. SBP on one hand has lifted all restrictions on imports that will put pressure on PKR thereby fueling inflationary expectations going forward, but on the other hand there is a strong indication from IMF on releasing an updated tranche worth US\$3bn by 3rd week of Jul-23 to shore up the reserves and aid Pakistan meet external requirements that will help offset inflationary expectations coming from PKR depreciation. In our opinion, CPI likely to continue its downward trajectory if critical funding from IMF and bilateral partners materialize which seems to be a likely scenario.

The IMF staff and the Pakistani authorities have reached a staff-level agreement on policies to be supported by a Stand-By Arrangement (SBA). The staff-level agreement is subject to approval by the IMF Executive Board, with its consideration expected by mid-July.

[IMF, 30 Jun-23](#)

Exhibit: Yearly inflation rebased to every July

Headline inflation rebased to July-22, is estimated to surge by 30.1% during the month of Jun-23. Relative to past years growth trend, this year's CPI has been much steeper when rebased to every July.

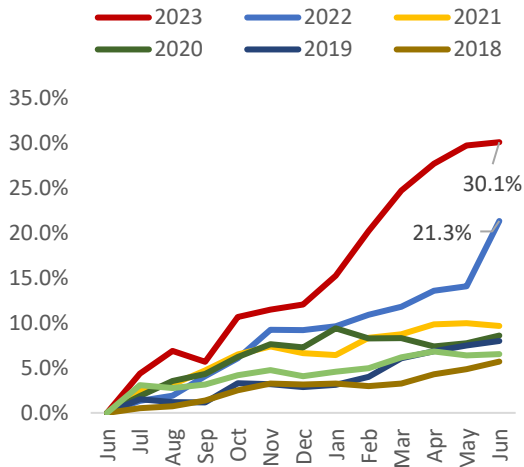


Exhibit: Percentage point impact of each group on headline figure

Muted Food and decline in transport index to pull down CPI to 30.1% amid high base effects.

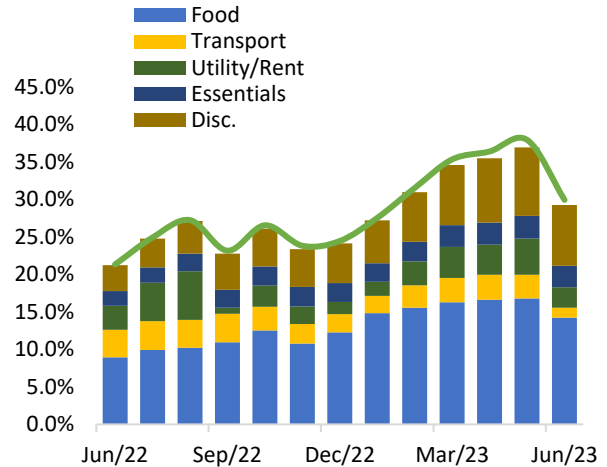
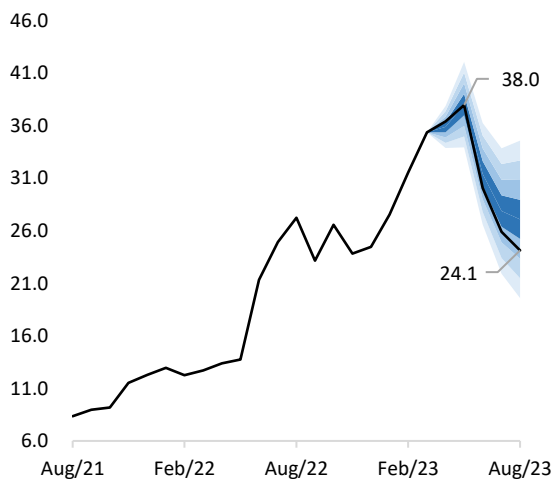


Exhibit: Fan Chart demonstrates CPI to drop down in the near term

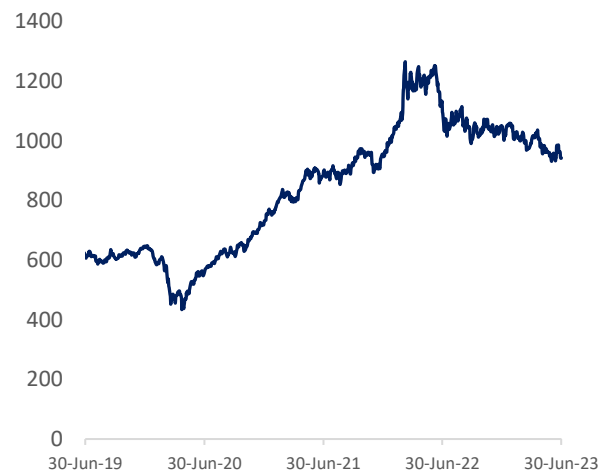
According to fan chart, the most likely scenario for CPI is to drop down to 24.1% by Aug-23



Source: PBS, S&P Global, IGI Research

Exhibit: Dow Jones Commodity Index on downward trajectory

DJCI is a broad-market commodity index comprised of liquid commodities from 3 major sectors: energy, agriculture and livestock and metals. The index has been on a downtrend since 1QCY22 during geo-political crisis.



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