

Day Break

Monday, April 3, 2023



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Exhibit: Headline inflation during the month of Mar-23 to tick up 35.4%/y

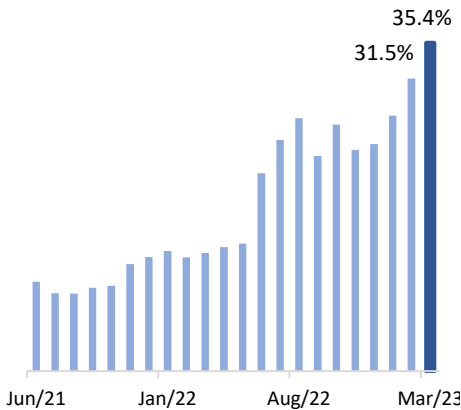
Inflation

Mar-23: Headline CPI Prints +35.4%/y as Food Prices Jump Coupled with Fiscal Tightening

For the month of Mar-23, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +35.4%y (up by 3.7%*m/m*) growth compared to previous month, +31.5%y (+4.3%*m/m*).

Going ahead, we estimate national CPI to remain elevated and may surge further close to +37%y before to gradually deaccelerate from Jun-23 onward owing to strong base effects. Global oil prices have ticked sharply toward the north due to OPEC+ announcement of major oil production cuts, and coupled with import normalization may create pressure on PKR that may hamper our view on Jun-23 onward.

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



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Mar-23 Inflation Clocks in at a +35.4%y growth

For the month of Mar-23, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +35.4%y (up by 3.7%*m/m*) growth compared to previous month, +31.5%y (+4.3%*m/m*).

This takes 9mFY23 average to +27.3% compared to +10.8% last year same period. Urban inflation rose during the month up by +3.9%*m/m* to +33%*y/y*, whereas rural inflation increased by +3.5%*m/m* to +38.9%*y/y*. Other indices, Wholesale Price Index (WPI) registered a +37.5%*y/y* and +4.7%*m/m* growth respectively, and Sensitive Price Index (SPI) recorded a +40.4%*y/y* and +5.8%*m/m* basis during the month of Mar-23.

Exhibit: Major Price Indices

All major indices have shown fastest growth during the year

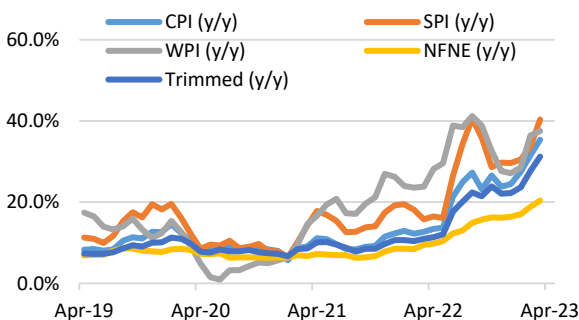
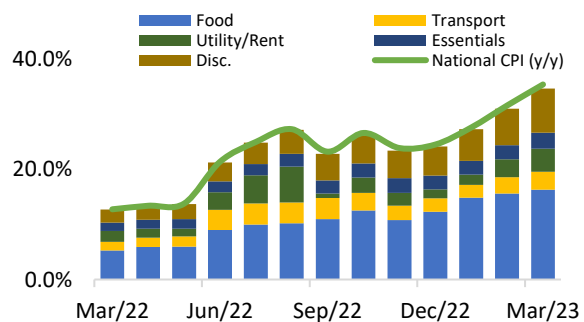


Exhibit: Percentage point impact of each group on headline figure

Food prices on a rising path in the aftermath of historic floods 2022



Outlook

Going ahead, we estimate national CPI to remain elevated and may surge further close to +37%y before to gradually deaccelerate from Jun-23 onward owing to strong base effects. Recent surge in broader prices came from fiscal steps taken by the government to diffuse gas and power circular debts concerns, and to reach fiscal revenue targets for the FY23 in addition to skyrocketing food prices that have been the major impulse behind high CPI numbers. Moreover, this stubborn high inflation likely to compel central bank to raise base rate to +21%. Furthermore, State Bank of Pakistan (SBP) notified lately to withdraw cash margin restrictions on importers, which we think may have implications on PKR. Global oil prices have ticked sharply toward the north due to OPEC+ announcement of major oil production cuts, and coupled with import normalization may create pressure on PKR that may hamper our view on Jun-23 onward

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