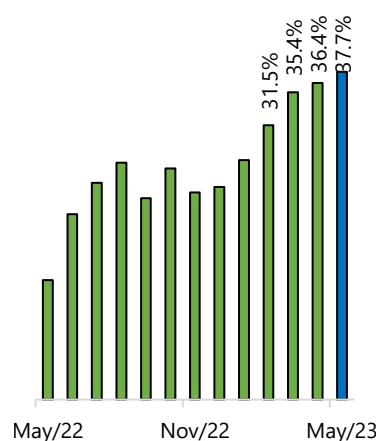


Day Break

Monday, May 29, 2023



Exhibit: Headline inflation during the month of May-23 to tick up 37.7%/y



Source: PBS, IGI Research

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Inflation

May-23: Headline Inflation Likely to Post Historic 37.7%; CPI to Fall Sharply from June Onward Owing to High Base Effects

- For the month of May-23, we estimate national CPI to clock in at historic +37.7%/y growth compared to previous month +36.4%/y. On a monthly scale, May-23 is estimated to show a +1.4%/m growth compared to +2.4%/m in Apr-23.
- Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest prices likely to rise by +1.8%/m basis.
- For the month of May-23, transport index likely to rise by negligibly +0.1%/m.
- Going forward, we estimate national CPI to sharply deaccelerate from Jun-23 onward owing to high base effects.

We preview May-23 National CPI estimates.

Monthly Inflation to Clock in at +37.7%/y

For the month of May-23, we estimate national CPI to clock in at historic +37.7%/y growth compared to previous month +36.4%/y. On a monthly scale, May-23 is estimated to show a +1.4%/m growth compared to +2.4%/m in Apr-23 and +2.4%/m average monthly growth in FY23 so far including the May-23 estimate. As a result, after incorporating May-23 estimates, 11MFY23 average inflation comes to +29.1%/y versus +11.3%/y in the same period last year.

Exhibit: Monthly National Consumer Price Index (CPI) growth

For the month of: May, 2023

	Wt.	y/y	m/m	11MFY23	11MFY22	11MFY21
National	100.0%	37.7%	1.4%	29.1%	11.3%	7.96%
Food	35%	49.4%	1.8%	39.0%	12.3%	12.6%
Transport	6%	52.7%	0.1%	52.8%	20.5%	0.0%
Utility/Rent	24%	21.2%	1.2%	14.3%	10.5%	5.7%
Essentials	17%	17.3%	1.0%	14.9%	7.9%	6.4%
Disc.	18%	45.8%	1.5%	32.7%	10.6%	8.4%

Source: PBS, IGI Research

Food Inflation to Charge Overall CPI

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest prices likely to rise by +1.8%/m/m basis. During the month of May-23, key food items including tomatoes, wheat flour bag, tea, potatoes, etc. have increased significantly over the previous month. Food group is the largest factor behind CPI to post higher this month.

Exhibit: National CPI Heat Map												
	May-23	Apr-23	Mar-23	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22
General	37.7	36.4	35.4	31.5	27.6	24.5	23.8	26.6	23.2	27.3	24.9	21.3
Food	49.4	48.1	47.2	45.1	42.9	35.5	31.2	36.3	31.7	29.5	28.8	25.9
Transport	52.7	56.8	54.9	50.4	39.1	41.2	44.2	53.4	64.5	63.1	64.7	62.2
Utility/Rent	21.2	16.9	17.5	13.6	7.8	6.9	9.9	11.9	3.4	27.6	21.8	13.5
Essentials	17.3	16.9	16.7	14.7	14.4	14.4	15.1	14.7	13.7	13.4	11.7	11.2
Disc.	45.8	46.4	43.5	35.8	31.0	28.6	27.2	27.2	26.1	23.6	20.8	18.7

Source: PBS, IGI Research

Transport Index remained muted, aiding headline CPI to be contained below 38%

For the month of May-23, transport index likely to rise by negligibly +0.1%/m/m as prices of motor vehicles remained unchanged over previous month, whereas fuel prices slightly went down by 0.1%/m.

Outlook

Going forward, we estimate national CPI to sharply deaccelerate from Jun-23 onward owing to high base effects, supported by declining commodity prices globally to be reflected domestically on retail products. However, it is to be noted that Pakistan has not got any approval from the IMF Staff pertaining to 9th review that would have opened doors for foreign exchange inflows to stabilize PKR rates on international currency exchange. So risks remain high particularly through PKR depreciation in coming months if foreign inflows do not materialize timely as Pakistan needs to repay its debts. Other than that government is planning to impose high taxation in upcoming FY24 that may push retail prices upward.

Exhibit: Yearly inflation rebased to every July

Headline inflation rebased to July-22, is estimated to surge by 29.5% during the month of May-23. Relative to past years growth trend, this year's CPI has been much steeper when rebased to every July.

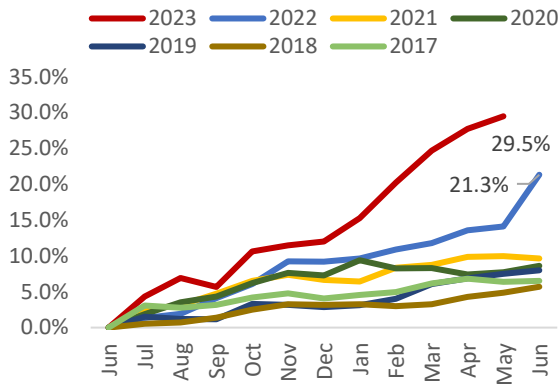


Exhibit: Percentage point impact of each group on headline figure

Food and Discretionary Groups to push headline CPI to historic high of +37.7%/y.

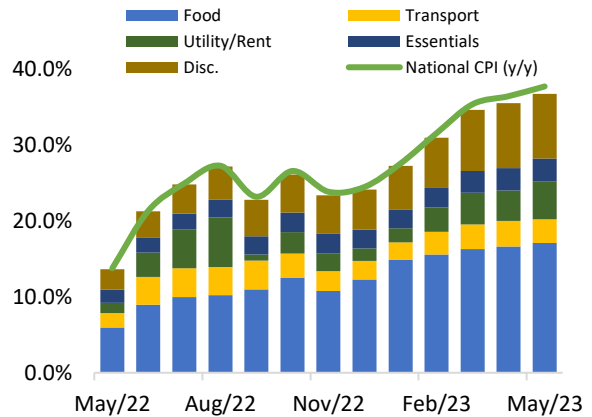


Exhibit: Fan Chart demonstrates CPI to drop down in the near term

According to fan chart, the most likely scenario for CPI is to drop down to 26% by Aug-23; however, due to uncertainty over external risks involved headline inflation may remain on the higher side but below historic high to be posted in this month

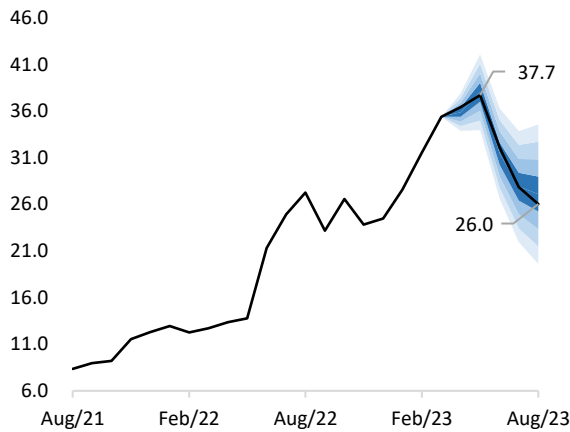


Exhibit: Dow Jones Commodity Index on downward trajectory

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.



Source: PBS, S&P Global, IGI Research

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