

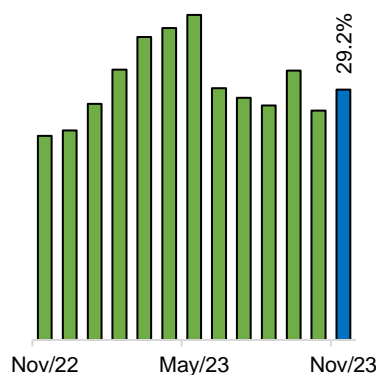
Day Break

Monday, December 4, 2023

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Securities

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Nov-23: Higher Gas Prices Lift Headline CPI to +29.2%/y

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Nov-23, headline CPI registered a +29.23% (up by +2.7%m) growth compared to previous month, +26.8%y (+1.0%m).
- Monthly increase in CPI was mainly led by food and housing index on back of higher perishable food items and gas prices under housing index. This takes 5mFY24 period average to +28.6%y compared to +25.1%y last year same period.
- Going ahead, we estimate national CPI to witness a spike in Dec-23 and then continue its downward trajectory with further decline from Mar-23 due to base effect. However, volatility in global oil prices and PKR depreciation remain risk to inflation outlook. We expect a status quo in upcoming Monetary Policy Committee Meeting (MPC) on 12-Dec-2023.

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

Nov-23: Inflation prints 29.2%/y growth backed by higher gas prices

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Nov-23, headline CPI registered a +29.23% (up by +2.7%m) growth compared to previous month, +26.8%y (+1.0%m). Monthly increase in CPI was mainly led by food and housing index on back of higher perishable food items and gas prices under housing index. This takes 5mFY24 period average to +28.6%y compared to +25.1%y last year same period.

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

Estimated For the month of: November, 2023

	Wt.	y/y	m/m	5MFY23	5MFY22	5MFY21
National	100.0%	29.2%	2.7%	28.6%	25.1%	9.31%
Food	35%	28.0%	1.0%	32.9%	31.5%	9.4%
Transport	6%	26.5%	-2.8%	24.9%	57.6%	13.3%
Utility/Rent	24%	33.0%	11.0%	19.5%	14.8%	10.7%
Essentials	17%	18.9%	1.8%	17.8%	13.7%	7.0%
Disc.	18%	37.4%	0.9%	40.7%	25.0%	8.2%

Source: PBS, IGI Research

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

Inflation reading higher on gas price increase

Increase in gas prices by nearly 280% led to a 11.0%/m/m increase in housing index. However, excluding gas price increase, CPI increased by

only 0.6%/m. CPI growth was limited by 2.8%/m decline in transport index due to lower POL and vehicle prices.

Rural inflation continue to out-run urban inflation

Urban inflation rose during the month up by +4.3%/m to +30.44%/y/y, whereas rural inflation increased by +0.4%/m to +27.5%/y/y.

SPI remain above 30%

Other indices, Wholesale Price Index (WPI) registered a +26.44%/y/y and 1.4%/m respectively, and Sensitive Price Index (SPI) recorded a +30.62%/y/y and +3.3%/m growth during the month of Nov-23.

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record

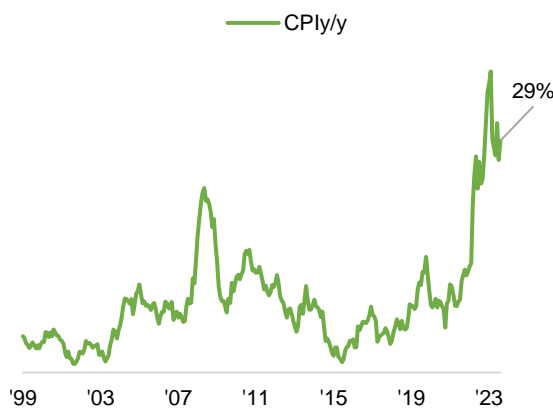


Exhibit: CPI rebased to June

CPI rebased to June shows elevated levels similar to 2023

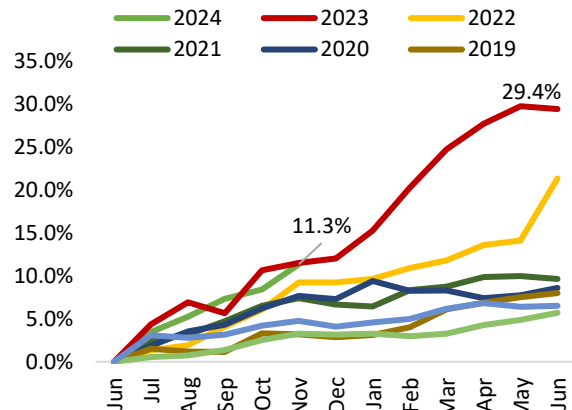
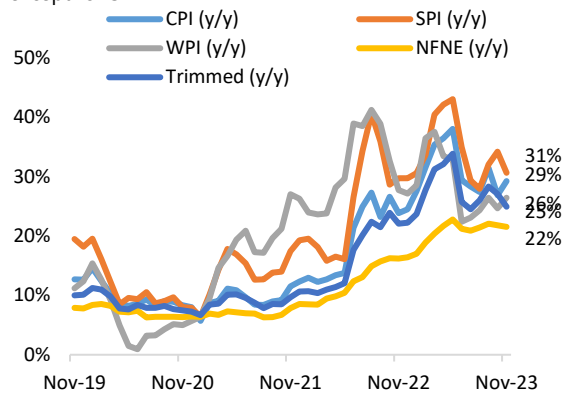


Exhibit: Major Price Indices

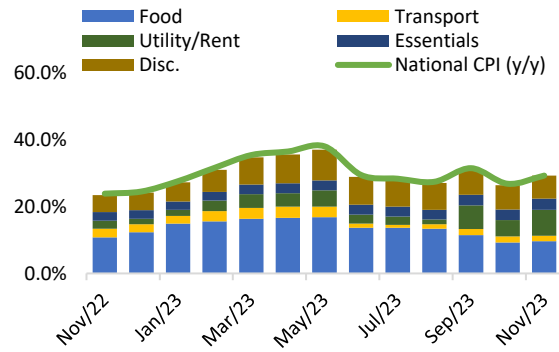
All major indices have depicted a slowdown in growth except for SPI



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

Food index has been the major driver of overall headline inflation however, a slowdown is witnessed in recent months with average m/m increase of 1% since Aug-23 compared to average 2.8% m/m in FY23.

Going ahead, we estimate national CPI to witness a spike in Dec-23 and then continue its downward trajectory with further decline from Mar-23 due to base effect. However, volatility in global oil prices and PKR depreciation remain risk to inflation outlook.

We expect a status quo in upcoming Monetary Policy Committee Meeting (MPC) on 12-Dec-2023 owing to recent hike in gas prices pushing up inflation. However, as inflation is expected to come down substantially from Feb-24, we expect monetary easing could start from 2QCY24.

Exhibit: National Core-inflation measures												
	Nov/23	Oct/23	Sep/23	Aug/23	Jul/23	Jun/23	May/23	Apr/23	Mar/23	Feb/23	Jan/23	Dec/22
CPI	29.2	26.8	31.4	27.4	28.3	29.4	38.0	36.4	35.4	31.5	27.6	24.5
SPI	30.6	34.2	32.0	27.9	29.3	34.9	43.0	42.1	40.4	33.6	30.5	29.7
WPI	26.4	24.6	26.4	24.3	23.1	22.4	32.8	33.4	37.5	36.5	28.5	27.1
NFNE	21.5	21.8	22.1	21.4	20.9	21.2	22.8	21.7	20.4	18.9	17.0	16.4
Trimmed	24.9	27.0	28.3	26.0	24.5	25.7	33.8	32.1	31.2	27.7	23.7	22.2

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	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	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
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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

Lahore Office

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

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

Faisalabad Office

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

Rahim Yar Khan Office

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

Multan Office

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

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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