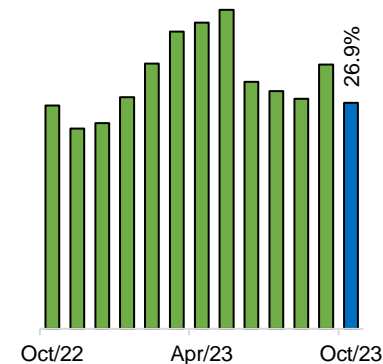


Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Oct-23: Headline CPI Clocks in at +26.9%y/y Amid Higher Food And Housing Prices

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Oct-23, headline CPI registered a +26.89%y (up by +1.08%y) growth compared to previous month, +31.44%y (+2.0%y).
- Inflation was primarily led by food, utility and transport index. Monthly increase in CPI was mainly led by food and housing index on back of higher perishable food items and house rent index. This takes 4mFY24 period average to +28.5%y compared to +25.5%y last year same period.
- Going ahead, we estimate national CPI to witness a spike in Nov-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 review Oct-23 National CPI numbers published by Pakistan Bureau of Statistics (PBS).

Oct-23: Inflation prints 26.9%y/y growth backed by higher food prices

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Oct-23, headline CPI registered a +26.89%y (up by +1.08%y) growth compared to previous month, +31.44%y (+2.0%y). Inflation was primarily led by food, utility and transport index. Monthly increase in CPI was mainly led by food and housing index on back of higher perishable food items and house rent index. This takes 4mFY24 period average to +28.5%y compared to +25.5%y last year same period.

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

Estimated For the month of: October, 2023

	Wt.	y/y	m/m	4MFY23	4MFY22	4MFY21
National	100.0%	26.9%	1.1%	28.5%	25.5%	8.74%
Food	35%	26.8%	0.6%	34.2%	31.6%	9.2%
Transport	6%	31.3%	-1.8%	24.8%	61.3%	10.5%
Utility/Rent	24%	20.5%	3.0%	16.2%	16.1%	9.7%
Essentials	17%	18.6%	1.6%	17.5%	13.4%	6.9%
Disc.	18%	39.2%	0.9%	41.6%	24.4%	7.8%

Source: PBS, IGI Research

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Rural inflation continue to out-run urban inflation

Urban inflation rose during the month up by +1.1%y to +25.48%y/y, whereas rural inflation increased by +1.1%y to +28.90%y/y.

SPI remain above 30%

Other indices, Wholesale Price Index (WPI) registered a +24.62%/y/y and down 1.9%/m/m respectively, and Sensitive Price Index (SPI) recorded a +34.17%/y/y and +0.2%/m/m growth during the month of Oct-23.

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record

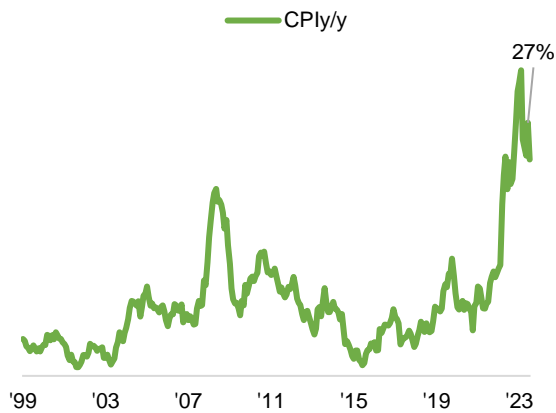


Exhibit: CPI rebased to June

CPI rebased to June shows elevated levels similar to 2023

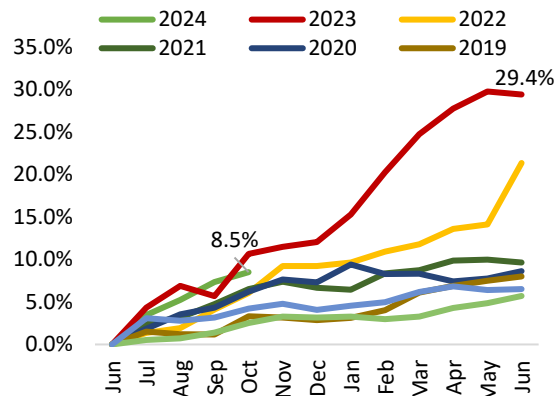
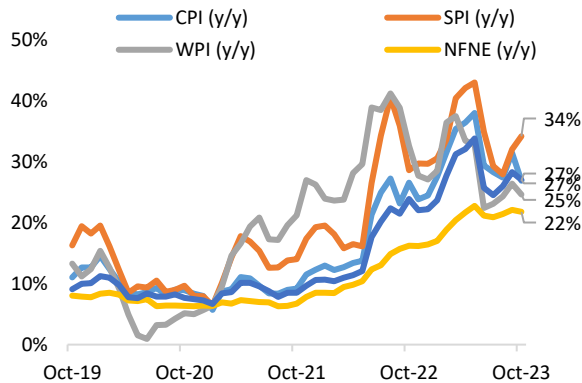


Exhibit: Major Price Indices

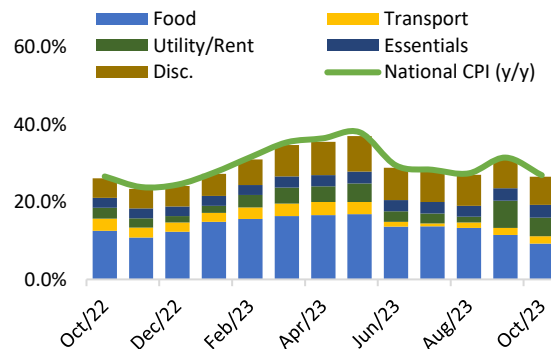
All major indices have depicted a slowdown in growth except for SPI



Source: PBS, Respective Central Banks, 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 in growth was witnessed in Oct-23 and is likely to stabilize going forward.

Exchange rate has started to weaken amid higher demand due to debt repayments, higher import bill and lack of foreign inflows. PKR is likely to remain under pressure ahead of IMF 1st review. If review remains

successful, Pakistan may receive US\$ 0.7bn by Dec-23, which may provide some support to currency, however, lack of foreign inflow committed by multilateral partners is likely to be a major risk for PKR.

Going ahead, we estimate national CPI to witness a spike in Nov-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.

Exhibit: National Core-inflation measures												
	Oct/23	Sep/23	Aug/23	Jul/23	Jun/23	May/23	Apr/23	Mar/23	Feb/23	Jan/23	Dec/22	Nov/22
CPI	26.9	31.4	27.4	28.3	29.4	38.0	36.4	35.4	31.5	27.6	24.5	23.8
SPI	34.2	32.0	27.9	29.3	34.9	43.0	42.1	40.4	33.6	30.5	29.7	29.7
WPI	24.6	26.4	24.3	23.1	22.4	32.8	33.4	37.5	36.5	28.5	27.1	27.7
NFNE	21.8	22.1	21.4	20.9	21.2	22.8	21.7	20.4	18.9	17.0	16.4	16.2
Trimmed	27.0	28.3	26.0	24.5	25.7	33.8	32.1	31.2	27.7	23.7	22.2	22.0

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