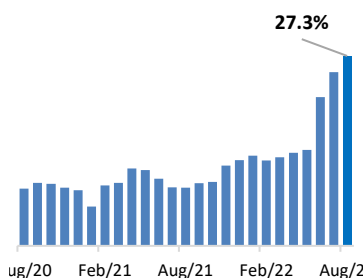
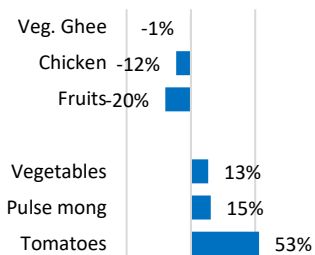


## Economy

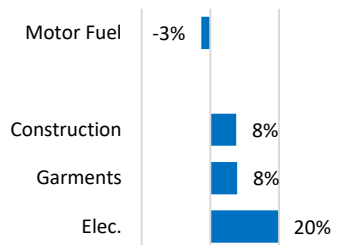
**Exhibit:** Annual trend in NCPI since Aug-20



**Exhibit:** Monthly movement in food items



**Exhibit:** Monthly movement in non-food items



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## Inflation

### Aug-22: Headline Inflation Prints +27.3%; Likely to Peak in Near Term

- For the month of Aug-22, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +27.3%y (+2.5%m) growth compared to previous month +24.9%y (+4.4%m).
- During the month, food price index (wt. +34.6%) rose by +1.3%m to print a +29.5%y growth, taking 2m average increase to 2.7%m compared to 1.2%m last year.
- For the month of Aug-22, domestic motor gasoline (MOGAS) prices have fallen by 2.6% compared to last month where prices escalated due to high international oil prices and tight fiscal related measures.
- By far the largest contributing head was Housing, Water, Electricity, Gas & Fuels (HWEG&F), adding +1.21%m/m.

We review Consumer Price Index (CPI) growth numbers for the month of Aug-22

#### Aug-22 Inflation Prints 27.3%yoy

For the month of Aug-22, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +27.3%y (+2.5%m) growth compared to previous month +24.9%y (+4.4%m). This takes 2months average inflation to +26.1%y versus last year same period average of +8.4%y. The monthly inflation came relatively higher than market and our consensus of 26.6%y and 26.8%y respectively.

Urban inflation trended at a faster pace during the month up by +2.6%m to 26.2%y compared to rural up by 2.2%m to 28.8%y. Other indices, Wholesale Price Index (WPI) registered a +41.2%y and +3.1%m growth respectively, and Sensitive Price Index (SPI) recorded a +34%y and +5.2%m basis in Aug-22.

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

	Weight	Aug/22		Period	
		y/y	m/m	2M'FY23	2M'FY22
<b>National</b>	<b>100%</b>	<b>27.3%</b>	<b>2.4%</b>	<b>26.1%</b>	<b>8.0%</b>
Food	35%	29.5%	1.3%	29.1%	9.6%
Transport	6%	63.1%	-0.3%	63.9%	7.7%
Utility/Rent	24%	27.6%	5.4%	24.7%	7.6%
Essentials	17%	13.4%	1.9%	12.5%	6.9%
Other Misc.	18%	23.6%	2.7%	22.2%	6.9%

#### Moderate increase in food prices

During the month, food price index (wt. +34.6%) rose by +1.3%m to print a +29.5%y growth, taking 2m average increase to 2.7%m compared to 1.2%m last year. In terms of category, non-perishable food items had a larger impact during the month contributing nearly +0.31%m/m increase compared to perishable food items contributing of +0.17%m/m.

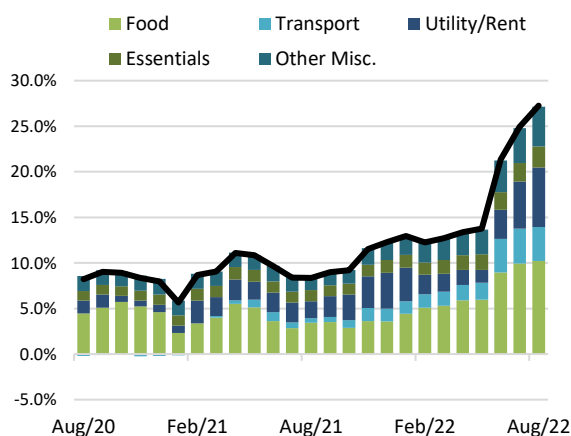
### Negligible impact from transport sector

For the month of Aug-22, domestic motor gasoline (MOGAS) prices have fallen by 2.6% compared to last month where prices escalated due to high international oil prices and tight fiscal related measures. Prices of motor vehicles have recorded an increase of +12.1% owing to ballooning exchange rates. The overall impact of transport index is -0.16% on NCPI due to higher weightage contribution of 2.9% by motor fuels compared to vehicles that carry a weightage of 0.81%.

### Electricity prices jump as both FPA and Base Tariff charge

By far the largest contributing head was Housing, Water, Electricity, Gas & Fuels (HWEG&F), adding +1.21% m/m. Under the HWEG&F, electricity prices are up by +19.73%, which carries a weight of +4.11% in overall index. Higher electricity prices is a result of jump in both base tariff and fuel price adjustment (FPA).

**Exhibit:** Category wise yearly National CPI inflation since Aug-20



### Outlook

Higher food prices have been associated with supply related shocks that include not only rising energy costs, but also decline in output as unusual heavy monsoon season struck the agriculture sector. Moreover, the floods have blocked roads and railways that have translated into logistical issues, and for this reason supply shortage may create temporary spike in retail prices of goods. Moreover, hikes in gas prices, gradual increase in electricity tariff and normalization of PDL and GST on motor fuel will keep energy index elevated in the near term.

The monthly surge in inflationary trend has begun to deaccelerate but likely to continue positively in the near term unless robust supply side measures are addressed.

Note: For indexation purposes we use individual basket indices: Food (incl.): Food and Non-alcoholic Beverages, Transport (incl.): Transport, Utility/Rent (incl.): Housing, Water, Electricity, Gas & Fuels, Essentials (incl.): Cloths/ Footwear, Health, Communication, Education, Other Misc. (incl.): Alch. Beverages & Tobacco, Household Equipment, Recreation & Culture, Restaurants & Hotels, Misc.

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