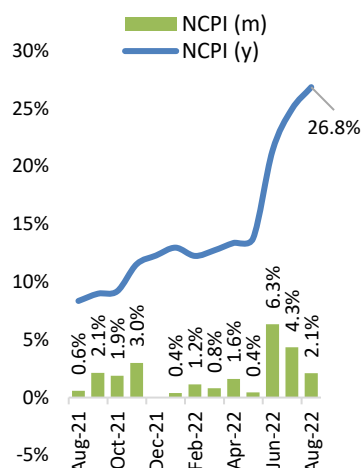


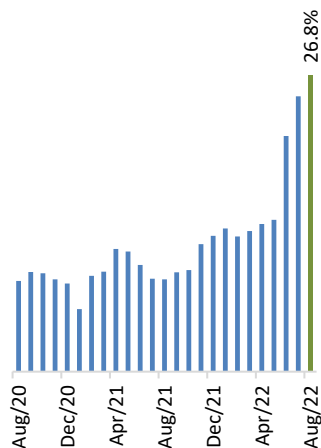
## Economy

**Exhibit:** Monthly and yearly CPI



Source: IGI Research, SBP

**Exhibit:** Yearly change in CPI



Source: IGI Research, PBS

### Analyst

Abdullah Farhan

[Abdullah.Farhan@igi.com.pk](mailto:Abdullah.Farhan@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 912

Aariz Raza

[Aariz.Raza@igi.com.pk](mailto:Aariz.Raza@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 810

## Inflation

### Aug-22: CPI Likely To hit +26.8%y; Electricity and Food Price Index Outweigh Decline in Transport

- For the month of Aug-22, we estimate headline inflation to print a +26.8%y growth compared to previous month, +24.9%y.
- For our estimates we have incorporated a) +3%m/m rise in food prices, b) Fuel price adjustments (FPA) and base tariff adjustment in electricity prices and, c) continuation inflationary trend under discretionary and other essential non-food items. However, some respite is expected on transport index.
- Inflationary trend is more or less likely to continue in the near term unless robust supply side measures are addressed.

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

#### Aug-22 inflation to print a +26.8%y growth

For the month of Aug-22, we estimate headline inflation to print a +26.8%y (2.1%m) growth compared to previous month, +24.9%y (4.35%m). This takes 2MFy23 average to 25.9% compared to 8.4% last year same period.

For our estimates we have incorporated a) +3%m/m rise in food prices, b) Fuel price adjustments (FPA) and base tariff adjustment in electricity prices and, c) continuation in inflationary trend under discretionary and other essential non-food items. However, some respite is expected on transport index.

**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>26.8%</b>	<b>2.1%</b>	<b>25.9%</b>	<b>8.0%</b>
Food	35%	31.7%	3.0%	30.2%	9.6%
Transport	6%	58.6%	-3.0%	61.7%	7.7%
Utility/Rent	24%	26.0%	4.1%	23.9%	7.6%
Essentials	17%	12.4%	1.0%	12.0%	6.9%
Other Misc.	18%	21.5%	1.0%	21.1%	6.9%

Source: PBS, IGI Research

#### Food prices continue to climb up

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest headline food prices are likely to surge by +3%m basis. During the month of Aug-22, key food items including tomatoes, chicken, onions, eggs, and pulse moong have recorded a significant rise over previous month.

#### Some respite from transport sector as motor fuel and vehicle prices ratchet down

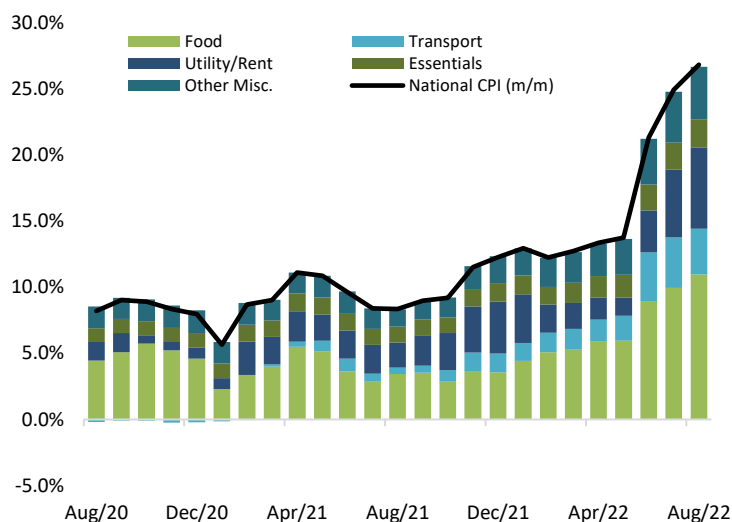
For the month of Aug-22, domestic motor gasoline (MOGAS) prices have fallen by 8.8% compared to last month where prices escalated due to high international oil prices and tight fiscal related measures. Prices of motor vehicles have fallen after recording a sharp rise last month owing to ballooning exchange rates.

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

Fuel Price Adjustment (FPA) for the month of Aug-22 came at PKR 9.9/kwh compared to last month where FPA was PKR 7.9/kwh. Higher FPA for this month reflects rise in cost of imported energy fuels.

### Exhibit: Monthly Inflation trend

Dominated by higher food and lately by transport segment



Source: PBS, IGI Research.

### Outlook: CPI likely to remain elevated in the near term

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.

The trend will likely to continue in the near term unless robust supply side measures are addressed. 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.

Though we have noticed transport index on a declining trend; however, a reversal is likely due to PKR back again on depreciation track and oil prices rising after recent Saudi Ministry hinting possible supply cuts.

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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IGI Finex Securities Limited  
Research Analyst(s)  
Research Identity Number: BRP009  
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## Contact Details

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrugh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrugh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@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

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

### IGI Finex Securities Limited

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Website: [www.igisecurities.com.pk](http://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

#### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
 Stock Exchange Road, Karachi.  
 Tel: (+92-21) 32429613-4, 32462651-2  
 Fax: (+92-21) 32429607

#### 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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