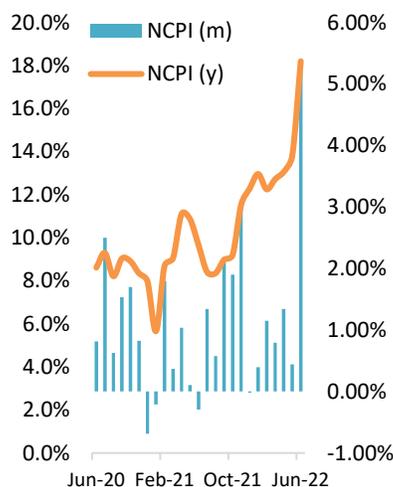
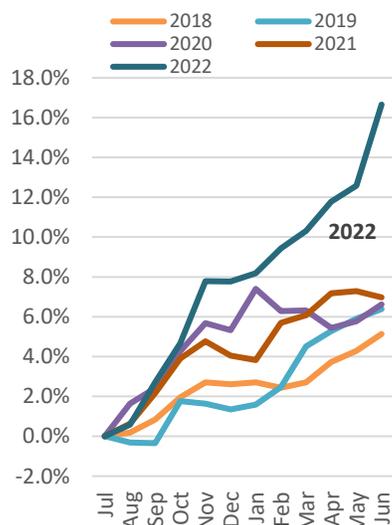


## Economy

### Monthly and Yearly CPI



### Yearly Inflation Trajectory (Re-based)



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### Inflation

## Jun-22: CPI Likely To hit 18.2%Y Amid Surge in Food and Transport Index

- For the month of Jun-22, we estimate headline inflation to print a +18.2%y growth compared to previous month, +13.8%y. This will take 12 months 2022 average inflation to +11.8%y, compared to +8.9%y last year same period.
- Monthly, Sensitive Price Index (SPI) a proxy index for volatile food prices that suggest headline food prices are likely to surge by +5.3% basis
- For the month of Jun-22, domestic motor gasoline (MOGAS) prices have escalated by 40% compared to last month where prices were unchanged due to fiscal relief package to curb the effects of rise in global oil prices.
- Fuel Price Adjustment (FPA) for the month of Jun-22 came at PKR 4.06/kwh compared to last month where FPA was -1.82 where subsidy impact dragged down overall electricity charges
- Going forward, gradual increase in electricity tariffs and normalization of the PDL and GST on fuel will charge overall CPI, as cost-push driven inflation will uplift other commodities' prices.

### Jun-22 inflation to print a +18.2%y growth

For the month of Jun-22, we estimate headline inflation to print a +18.2%y growth compared to previous month, +13.8%y. This will take 12 months 2022 average inflation to +11.8%y, compared to +8.9%y last year same period.

We base our premise on a) surge in perishable food prices items as dictated by leading SPI monthly growth, b) 40% POL prices hike to accelerate transport index, c) withdrawal of subsidy and rise in fuel price adjustments (FPA) for the month charging overall electricity charges, and d) an increasing trend to continue in under discretionary and other essential non-food items due to logistics charge.

### Higher food prices for the month of June growth continues unabated coupled with higher transportation cost

Monthly, Sensitive Price Index (SPI) a proxy index for volatile food prices that suggest headline food prices are likely to surge by +5.3% basis. During the month of Jun-22, key food items including Chicken, Potatoes, Pulse Gram and Cooked Beef have recorded a significant growth over previous month.

### Surge in POL prices to amplify overall transport index movement...

For the month of Jun-22, domestic motor gasoline (MOGAS) prices have escalated by 40% compared to last month where prices were unchanged due to fiscal relief package to curb the effects of rise in global oil prices. PM relief package was effectively withdrawn for the month of June and fiscal consolidation has started to materialize.

**...Similarly PM Relief Package subsidy on electricity withdrawn**

Fuel Price Adjustment (FPA) for the month of Jun-22 came at PKR 4.06/kwh compared to last month where FPA was -1.82 where subsidy impact dragged down overall electricity charges. As a result of subsidy withdrawn, adjusted tariff's impact for this month on NCPI will be 0.62% compared to last month of -0.64%.

**Outlook: CPI likely to surge further due to elevated commodities' prices and galloping fiscal consolidation**

As per the monetary statement announced last week of May, inflation is expected to remain elevated for the FY23 before declining sharply to the 5-7% target range during FY24, primarily driven by fiscal consolidation, moderating growth, normalization of global commodity prices and beneficial base effects.

Going forward, gradual increase in electricity tariffs and normalization of the PDL and GST on fuel will charge overall CPI, as cost-push driven inflation will uplift other commodities' prices. Moreover, this phenomenon is being observed globally and both central banks and the governments have come together to contain the flare ups in commodity prices by dampening demand. In addition to that, we do not foresee any ease in Russia-Ukraine conflict, which aggravated the commodity cycle through supply mechanism.

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