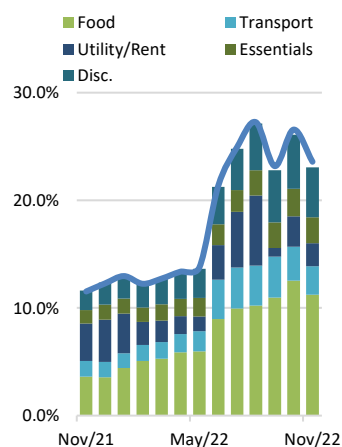


Economy

Exhibit: Historical CPI



Source: PBS, IGI Research.

Inflation

Nov-22: Monthly Inflation to Moderate; 23.6%y/y as 'Base-Effects' Frames Change over last Year

- For the month of Nov-22, we estimate national CPI inflation to print a +23.6%/y growth compared to previous month +26.6%/y. On a monthly scale, Nov-22 is estimated to show a +0.6%/m growth compared to +4.7%/m in Oct-22 and +2.6%/m average monthly growth in FY23 so far.
- More importantly lower inflation year-on-year reading for the month is due to base effect. Debasing index, 5MFY23 inflation comes to +10.9%/y slightly higher than previous month 4MFY23 10.64%/y.
- Looking at the trend, it is unlikely, that we would see core-inflation trend reversing at time sooner and will eventually seep into headline inflation albeit with a lag. Administrative energy price increase is still very much on cards. Whether the government will opt to increase it or not this is yet to be seen. Secondly, on global level, how long will the international commodity prices will take to revert back to normalization is unsure at this stage and subsequently lending stability to exchange rates. These two factors will set the stage for FY23 inflation. For our base case, we estimate average inflation to clock in at 23.3%/y in FY23.

We preview Nov-22 national CPI inflation estimates.

Monthly Inflation to Print 23.6%/y Lower Than Previous Month...

For the month of Nov-22, we estimate national CPI inflation to print a +23.6%/y growth compared to previous month +26.6%/y. On a monthly scale, Nov-22 is estimated to show a +0.6%/m growth compared to +4.7%/m in Oct-22 and +2.6%/m average monthly growth in FY23 so far. Nevertheless, incorporating Nov-22 estimates takes 5MFY23 average inflation to +25.1%/y versus +9.3%/y in FY22.

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

For the month of: November, 2022

	Wt.	y/y	m/m	5MFY23	5MFY22	5MFY21
National	100.0%	23.6%	0.6%	25.1%	9.3%	8.8%
Food	34.6%	32.5%	1.1%	31.8%	9.4%	15.4%
Transport	5.9%	44.3%	0.0%	57.6%	13.3%	-3.0%
Utility/Rent	23.6%	9.1%	-0.2%	14.6%	10.7%	4.3%
Essentials	17.4%	13.8%	0.4%	13.5%	7.0%	6.2%
Disc.	18.5%	25.1%	0.5%	24.6%	8.2%	8.8%

Source: PBS, IGI Research

...as 'Base-Effects' Frames Change over last Year

More importantly lower inflation year-on-year reading for the month is due to base effect. Debasing index, 5MFY23 inflation comes to +10.9%/y slightly higher than previous month 4MFY23 10.64%/y.

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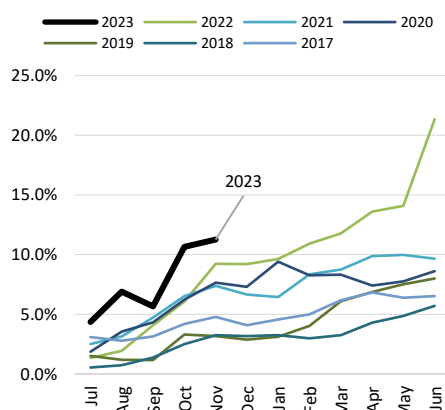
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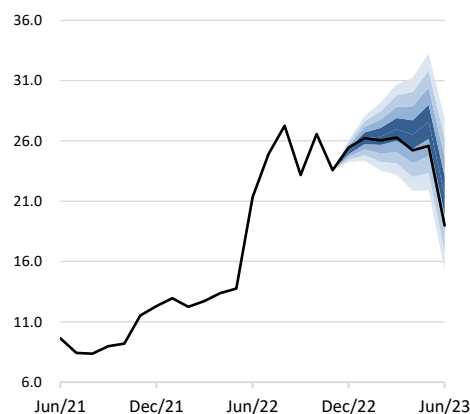
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Exhibit: Yearly inflation rebased to July

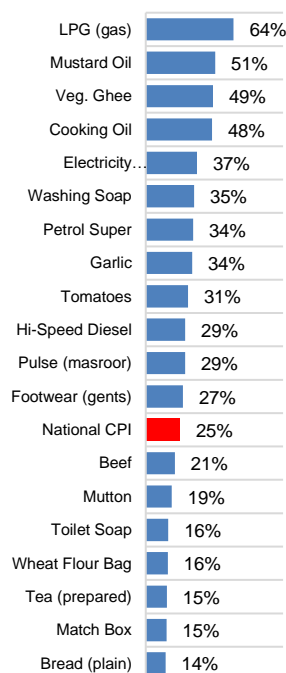
Since July-22; rebased headline has posted a 10.6% growth till Oct-22 and is expected to jump to 11.3% till Nov-22.

**Exhibit: Fan Projection**

From 23.2% (+0.5% m/m increase) to 27.9% (+2.0% m/m increase), base effect in starting May-23 will eventually flatten out double digit figures.

**Exhibit: Change in prices during 5mFY23**

Electricity and POL prices dominated national CPI change in prices

**Transport and utility prices to an extent offset rise in food prices**

Based on price data available on Pakistan Bureau of Statistics (PBS) nearly 56% of the basket items under SPI(Q4) have increased having a cumulative impact of 1.3%, key among which is 'tea'. Plugging the month end retail prices we estimate national CPI food prices could potentially growth by 1.1m/m. this will take 5mFY23 average food prices increase to nearly +32.5%y/y but on a sequential basis food prices have started to signs of cooling off – starting FY23 average food prices have increased by +4%m/m till Oct-22, compared to an estimate of 1% in Nov-22. However, 0.2m/m drop in Utility/ rent head and relatively flattish growth in transport index, will slightly alleviate food price impact.

Outlook

SBP in the latest round of monetary tightening increased its inflation projections from previous 18-20% to 20-23% for FY23, putting weight behind Oct-22 sharp month-on-month inflation growth of 4.7% and apparently pushing core NFNE inflation to +16.2%y/y growth.

Looking at the trend, it is unlikely, that we would see core-inflation trend reversing at time sooner and will eventually seep into headline inflation albeit with a lag. Administrative energy price increase is still very much on cards. Whether the government will opt to increase it or not this is yet to be seen. Secondly, on global level, how long will the international commodity prices will take to revert back to normalization is unsure at this stage and subsequently lending stability to exchange rates. These two factors will set the stage for FY23 inflation. For our base case, we estimate average inflation to clock in at 23.3%y/y in FY23.

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