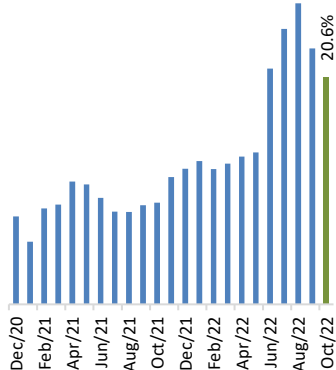


## Economy

Exhibit: Yearly change in CPI



Source: IGI Research, PBS

## Inflation

### Oct-22: Headline Inflation to Cool-Off; Expecting A +20%Y Growth as Food Prices Dampen

- For the month of Oct-22, we estimate headline inflation to print a +20.6%y (-0.2%m) growth compared to previous month, +27.3% (-1.2%m/m). This takes 4MFY23 average to 24.0% compared to 8.7% last year same period.
- Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest headline food prices are likely to drop by 5.3%m basis.
- For the month of Oct-22, domestic motor gasoline (MOGAS) prices have dropped by 6% compared to last month as prices decelerated owing to fluctuations in petroleum prices in the international market and exchange rate variation.
- We expect gradual slowdown in overall inflation going forward. In Nov-22, high base effect will finally reduce overall yearly growth in national CPI. In addition, global food prices have started to show signs of slowdown and similarly global oil index and energy have declined. However, oncoming winter season will likely pump up energy prices particularly gas and coal.

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

#### Oct-22 Inflation to print a +20.6%y growth

For the month of Oct-22, we estimate headline inflation to print a +20.6%y (-0.2%m) growth compared to previous month, +27.3% (-1.2%m/m). This takes 4MFY23 average to 24.0% compared to 8.7% last year same period.

For our estimates we have incorporated

- Reduced food prices,
- Higher Fuel price adjustments (FPA) and base tariff adjustment in electricity prices,
- Quarterly House Rent Index Adjustment,
- Continuation in inflationary trend under discretionary and other essential non-food items

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

For the month of: October, 2022

	Wt.	y/y	m/m	4MFY23	4MFY21	4MFY20
National	100.0%	20.6%	-0.2%	24.0%	8.7%	8.9%
Food	34.6%	22.2%	-5.3%	28.0%	9.2%	15.5%
Transport	5.9%	54.7%	-1.0%	61.6%	10.5%	-2.7%
Utility/Rent	23.6%	6.0%	5.0%	14.5%	9.7%	4.7%
Essentials	17.4%	16.1%	2.5%	13.7%	6.9%	6.2%
Disc.	18.5%	28.4%	3.0%	24.7%	7.8%	8.7%

Source: PBS, IGI Research

#### Sharp deceleration in food prices to drag down overall CPI

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggest headline food prices are likely to drop by 5.3%m basis. During the month of Oct-22, key food items including tomatoes, chicken, onions, eggs, potatoes have recorded a significant decrease over previous month.

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### Negligible rise in transport sector as higher vehicle prices neutralized by fall in motor fuel prices

For the month of Oct-22, domestic motor gasoline (MOGAS) prices have dropped by 6% compared to last month as prices decelerated owing to fluctuations in petroleum prices in the international market and exchange rate variation. Prices of motor vehicles increased by ~5% on average during the month of Oct-22.

### Electricity prices on the rise again

To recall, In Aug-22 PM Shehbaz Sharif announced to defer fuel adjustment charges for people consuming less than 300 units in a month, which resulted in reversal of FPA in Sep-22 charged during the month of Aug-22. Fuel Price Adjustment (FPA) for the month of Oct-22 came at PKR 0.2/kwh compared to last month where FPA was PKR 4.34/kwh, a drop by nearly 95% m/m. Moreover, FPA charge for the month of Aug-22 while now be distributed equally over the subsequent six months starting Oct-22.

Base tariff is on the rise, and collectively electricity charges likely to increase by +35%, bringing total impact on NCPI by +1.3% for the month of Oct-22.

### Quarterly adjustments in House Price index

House rent index which occupies nearly 15% of the index weight is set to adjust on a quarterly basis. Higher cement and steel bar prices will keep overall rent index increase close to 1.5-1.75% m/m.

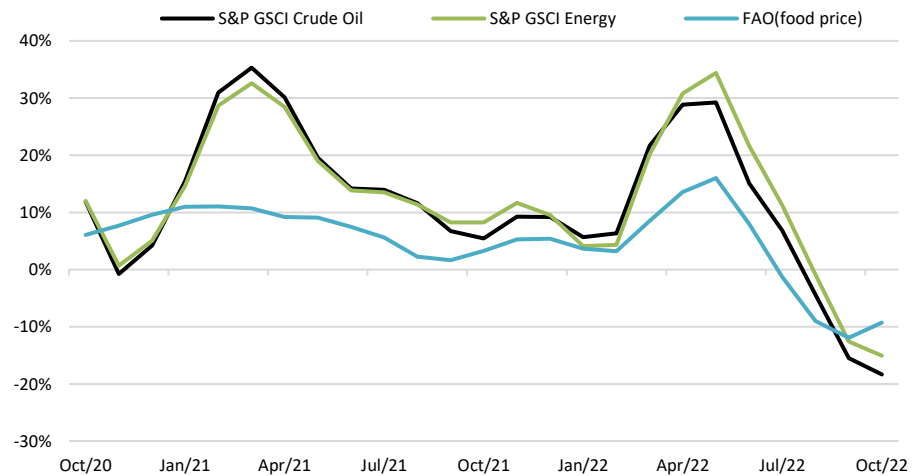
Exhibit: National CPI Heat Map													
y/y growth	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21
<b>General</b>	<b>20.6</b>	<b>23.2</b>	<b>27.3</b>	<b>24.9</b>	<b>21.3</b>	<b>13.8</b>	<b>13.4</b>	<b>12.7</b>	<b>12.2</b>	<b>13.0</b>	<b>12.3</b>	<b>11.5</b>	<b>9.2</b>
Food	22.2	31.7	29.5	28.8	25.9	17.3	17.0	15.3	14.7	12.8	10.3	10.5	8.3
Transport	54.7	64.5	63.1	64.7	62.2	31.8	28.3	26.2	25.0	23.0	24.1	24.4	14.4
Utility/Rent	6.0	3.4	27.6	21.8	13.5	5.8	7.1	8.3	9.0	15.5	16.6	14.8	12.0
Essentials	16.1	13.7	13.4	11.7	11.2	9.9	9.3	8.7	7.7	8.2	8.1	7.2	6.8
Disc.	28.4	26.1	23.6	20.8	18.7	14.7	13.2	12.7	11.8	11.2	11.0	9.8	8.2

### Outlook: Inflation likely to Peak this month before declining gradually

We expect gradual slowdown in overall inflation going forward. In Nov-22, high base effect will finally reduce overall yearly growth in national CPI. In addition, global food prices have started to show signs of slowdown and similarly global oil index and energy have declined. However, oncoming winter season will likely pump up energy prices particularly gas and coal.

**Exhibit: Global Energy, Oil and Food indices**

Trend based on 3months moving average, global energy, oil and food prices have cooled off significantly since Jun-22 onwards



Source: S&P GSCI, FAO, IGI Research

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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