

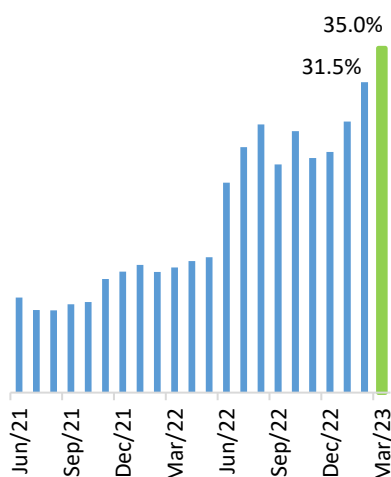
# Day Break

Tuesday, March 28, 2023

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**Exhibit:** Headline inflation during the month of Mar-23 to tick up 35%/y



## Inflation

### Mar-23: Soar in Prices of Broader Items to Compel CPI to +35%/y

- For the month of Mar-23, we estimate national CPI to clock in at +35%/y growth compared to previous month +31.5%/y.
- On a monthly scale, Mar-23 is estimated to show a +3.4%/m growth compared to +4.3%/m in Feb-23 and +2.5%/m average monthly growth in FY23 so far including the Mar-23 estimate.
- Going forward, we estimate national CPI to sharply deaccelerate from Jun-23 onward owing to base effects. However, in the near term headline CPI to remain high

We preview Mar-23 National CPI estimates.

### Monthly Inflation to Clock in at +35%/y as Food, Transport, Fiscal Tightening in Effect

For the month of Mar-23, we estimate national CPI to clock in at +35%/y growth compared to previous month +31.5%/y. On a monthly scale, Mar-23 is estimated to show a +3.4%/m growth compared to +4.3%/m in Feb-23 and +2.5%/m average monthly growth in FY23 so far including the Mar-23 estimate. As a result, after incorporating Mar-23 estimates, 9MFY23 average inflation comes to +27.1%/y versus +10.7%/y in the same period last year.

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

For the month of: March, 2023

	Wt.	y/y	m/m	9MFY23	9MFY22	9MFY21
National	100.0%	35.0%	3.4%	27.2%	10.8%	8.34%
Food	34.6%	48.4%	4.6%	36.8%	11.2%	13.1%
Transport	5.9%	55.5%	3.7%	52.4%	18.4%	-2.1%
Utility/Rent	23.6%	19.0%	2.4%	13.4%	11.4%	5.3%
Essentials	17.4%	14.6%	1.5%	14.1%	7.5%	6.5%
Disc.	18.5%	38.9%	3.5%	29.0%	9.8%	8.8%

Source: PBS, IGI Research

### Food Inflation to Charge Overall CPI

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food and energy prices, suggest prices likely to rise by 4.6%/m/m basis. During the month of Mar-23, key food items including bananas, tomatoes, sugar, potatoes, onions, vegetable ghee, etc. have jumped significantly over the previous month. Food group is the largest factor behind CPI to clock sharply higher this month. Cigarettes on the other hand, which is not part of food group but reflected in beverages and tobacco category (discretionary items), increased by +92%/m/m.

Exhibit: National CPI Food components Heat Map													
	Feb-23	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22
Food	45.1	42.9	35.5	31.2	36.3	31.7	29.5	28.8	25.9	17.3	17.0	15.3	14.7
Non-Perishable	44.7	40.3	32.5	29.3	30.6	28.8	28.9	28.1	24.4	15.9	15.0	13.3	12.1
Food Perishable	47.6	61.6	55.9	41.1	70.8	50.3	33.9	32.9	36.3	26.4	29.6	30.1	34.9

Source: PBS, IGI Research

### Transport Index to Lift as Prices of Auto and Pol Products Further Accelerate

For the month of Mar-23, transport index likely to rise by +2.4%/m/m as prices of motor vehicles and motor fuel have adjusted accordingly to exchange rate changes over the previous month where index witnessed sharp change of +12.3%/m/m during the month of Feb-23.

### Utility Prices to Charge Going Forward as Government Takes Steps to Contain Circular Debts

Electricity charges are expected to increase by +26%/m/m having an impact of +1.06%/m/m on national CPI after incorporating its weight in the basket of goods and services. In addition to that, gas prices also increased by +108%/m/m.

### Outlook

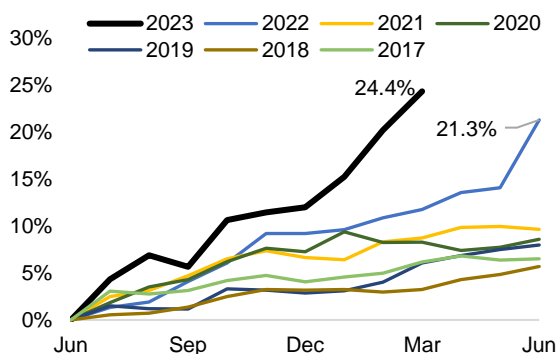
Going forward, we estimate national CPI to sharply deaccelerate from Jun-23 onward owing to base effects. However, in the near term headline CPI to remain high close to +35%/y/y. Government is also taking fiscal steps to diffuse gas and power circular debts concerns, and has incrementally increased prices and tariffs accordingly. Moreover, this stubborn high inflation likely to compel central bank to raise key rates further.

Furthermore, State Bank of Pakistan (SBP) notified lately to withdraw cash margin restrictions on importers, which we think may have implications on

PKR. Global oil prices are heading south that is good for Pakistan as there will be less stress on import bill, but import normalization may create pressure on PKR that can change the course of CPI direction toward the north.

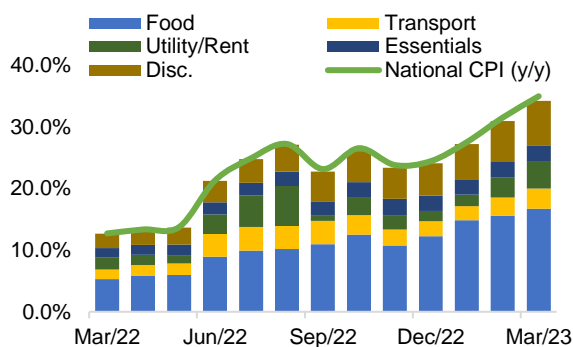
#### Exhibit: Yearly inflation

Headline inflation rebased to July-22, is estimated to surge by 24.4% during the month of Mar-23. Relative to past years growth trend, this year's CPI has been much steeper when rebased to every July.



#### Exhibit: Percentage point impact of each group on headline figure

Food and Discretionary Groups to push headline CPI to +35%/y.



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