

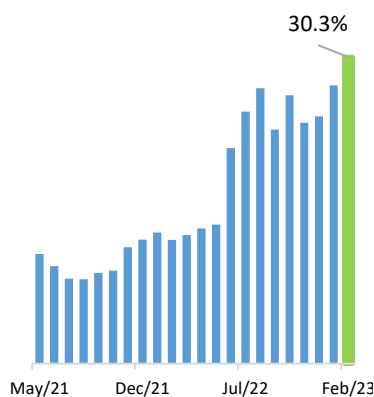
Day Break

Monday, February 27, 2023

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Securities

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Exhibit: Headline inflation during the month of Feb-23 to tick up 30.3%/y



Inflation

Feb-23: Headline CPI to Clock in at +30.3%/y as Weaker PKR Lifts Prices

For the month of Feb-23, we estimate national CPI inflation to clock in at +30.3%/y growth compared to previous month +27.6%/y. On a monthly scale, Feb-23 is estimated to show a +3.4m/m growth compared to +2.9m/m in Jan-23 and +2.2m/m average monthly growth in FY23 so far.

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food and energy prices, suggest prices likely to rise by 6%/m basis. For the month of Feb-23, transport index likely to rise by +1.3m/m as prices of auto and pol products have adjusted accordingly to PKR depreciation

CPI likely to remain high in the near term before base effect kicks by the end of this FY23.

We preview Feb-23 National CPI estimates.

Monthly Inflation to Clock in at +30.4%/y as PKR Depreciation and Further Fiscal Tightening Begin to Effect

For the month of Feb-23, we estimate national CPI inflation to clock in at +30.3%/y growth compared to previous month +27.6%/y. On a monthly scale, Feb-23 is estimated to show a +3.4m/m growth compared to +2.9m/m in Jan-23 and +2.2m/m average monthly growth in FY23 so far. As a result, after incorporating Feb-23 estimates 8MFY23 average inflation comes to +26%/y versus +10.5%/y in the same period last year.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates
For the month of: January, 2023

	Wt.	y/y	m/m	8MFY23	8MFY22	8MFY21
National	100.0%	30.3%	3.4%	26.0%	10.5%	8.25%
Food	34.6%	47.8%	6.0%	35.6%	10.6%	13.3%
Transport	5.9%	36.1%	1.3%	50.0%	17.4%	-2.7%
Utility/Rent	23.6%	10.4%	0.8%	12.3%	11.8%	4.9%
Essentials	17.4%	14.7%	1.2%	14.0%	7.4%	6.4%
Disc.	18.5%	33.2%	3.0%	27.3%	9.4%	8.9%

Source: PBS, IGI Research

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Food Inflation to Accelerate Sharply

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food and energy prices, suggest prices likely to rise by 6%/m basis. During the month of Feb-23, key food items including cooking oil, vegetable ghee, chicken, and rice have jumped significantly over the previous month. Food group is the second largest factor behind CPI to clock sharply higher this month.

Transport Index to Lift as Prices of Auto and Pol Products Jump

For the month of Feb-23, transport index likely to rise by +1.3%*m/m* as prices of auto and pol products have adjusted accordingly to PKR depreciation over the previous month where index witnessed negligible change of +0.02%*m/m* during the month of Jan-23.

Outlook

CPI likely to remain high in the near term before base effect kicks in by the end of this FY23. Ongoing PKR volatility likely to bring mixed pressure mainly on transport index and may post disinflationary figure going forward. Furthermore, major surge may likely come from utility and discretionary indexes as recently enacted mini budget will likely weigh on electricity prices and wider discretionary products as tariffs and GST increase will lift retail prices. Surge in demand to some extent is also expected as Ramadan and Festivals near.

Exhibit: Yearly inflation rebased to July

Headline inflation rebased to July-22, is estimated to surge by 19.1% during the month of Feb-23. Relative to past years growth trend, this year's CPI has been much steeper when rebased to every July.

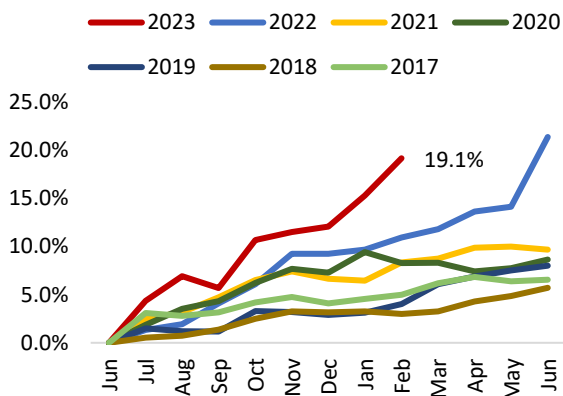
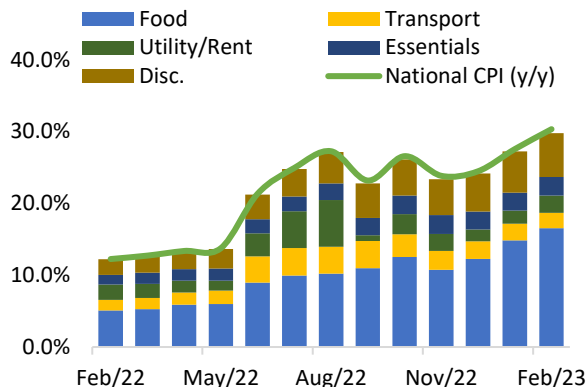


Exhibit: Percentage point impact of each group on headline figure

Food Inflation has again ticked up sharply after a brief dip during the month of Nov-22



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