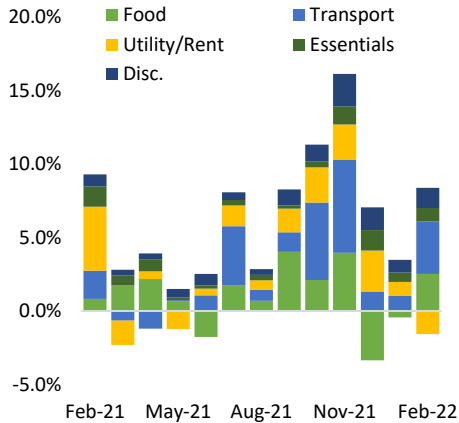
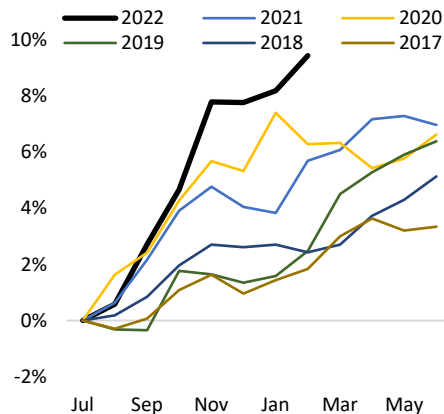


Economic Update

Monthly CPI yearly percentage point impact



FY22 inflation trajectory



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Inflation

Feb-22 Inflation Up +1.2%m to +12.2%; On Account Of Rise in Food and POL Prices

- For the month of Feb-22, national headline inflation registered a +12.2%y growth over previous month +13.0%y, slightly higher than our estimate of +12.1%y.
- Urban inflation posted a +11.5%y (+0.9%m) taking period average to +10.6%y. Whereas Rural inflation is up +13.3%y (+1.5%m) taking period average to +10.3%y.
- Current inflation remains in double digit and will likely remain so, given low base effect and upcoming increase in energy prices. Recent relief package announced by Prime Minister Imran Khan including reduction in domestic POL prices and electricity prices will have positive implication on overall inflation, but will come at a fiscal cost.

Feb-22 inflation prints a +12.2%y growth

For the month of Feb-22, inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +12.2%y growth over previous month +13.0%y, slightly higher than our estimate of +12.1%y. On a monthly basis inflation is up by +1.15%m. This brings 8mFy22 average inflation to +10.5%y versus last year same period average of +8.3%y.

Urban inflation posted a +11.5%y (+0.9%m) taking period average to +10.6%y. Whereas Rural inflation is up +13.3%y (+1.5%m) taking period average to +10.3%y.

Food prices growth continue unabated

During the month, food price index rose by +0.9%m to print a +14.7%y growth. Compared to previous months of Jan-22 and Dec-21, food prices recorded a decline of 0.4%m and 3.4%m on a monthly basis. Perishable food items which have a basket weight of 5.0% is up +14%m or +35%y. This alone added +0.7%m to headline inflation growth of +1.15%m. Amongst the key item which posted a significant growth include; Tomatoes, Chicken, Vegetables, Fruits, and Mustard oil.

Non-food prices up +0.4%m or +10.9%y on account of higher transport index

Non-food price index (wt: 65.4%) during the month is up nearly +0.4%m or +10.9%y. This as expected was led by higher transport index which is up

+3.6%m or 25%y. Major reason behind higher transport index growth was revision in domestic fuel prices whereby Motor Gasoline (MOGAS) registered a ~4.6% growth. Given transport index total weightage in headline basket of 5.9%, total monthly contribution to headline inflation was 0.2%.

Reduced electricity charges provided some support

Moreover, as expected electricity charges during the month are down by 7.7%%m for Urban and Rural indices. This pertains to reduced fuel price adjustments (FPA) and reduced quarterly tariff adjustments. However in coming months, given the rise in global energy prices FPA for month of Mar-22 will be higher.

Discretionary and essential items also recorded a significant growth

Other discretionary and essential items recorded 1.4%m and +0.9%m growth respectively. These mainly include, motor vehicle accessories, medical fees etc.

Outlook: Price moderation in coming months?

Current inflation remains in double digit and will likely remain so, given low base effect and upcoming increase in energy prices. Recent relief package announced by Prime Minister Imran Khan including reduction in domestic POL prices and electricity prices will have positive implication on overall inflation, but will come at a fiscal cost.

Having said that, taking the ongoing geopolitical tension between Russia & Ukraine, has embedded uncertainty to global markets and so to commodity prices. International Oil prices have crossed US\$ 100/bbl and early resolution to the conflict seems rather distant. While we have a medium to long-term price moderation view ([link](#)), but it cannot be said with certainty as when it will happen or even worse things further escalate.

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Day Break

Tuesday, March 1, 2022



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