

Economy

Inflation

Jan-22 Inflation Registered a +0.4%M Increase Is a Welcoming Sight

- For the month of Jan-22, headline inflation prints a +13%y growth over last month +12.3%y, slightly less than our estimate of +13.1%y. This brings 7mFy22 average inflation to +10.2%y versus last year same period average of +8.2%y.
- During the month, food price index declined by 0.5%m, for a second month in row. Under non-food prices, as expected electricity charges witnessed a m/m decline of 2.5%, but overall increase in non-food prices was led by House Rent Index adjustments and other items.
- Current inflation remains in double digit and will likely remain so, given low base effect and upcoming increase in energy prices. Nevertheless, going forward monthly price trend suggest some moderation

Jan-22 inflation prints a +13%y growth

For the month of Jan-22, headline inflation prints a +13%y growth over last month +12.3%y, slightly less than our estimate of +13.1%y. On a monthly basis inflation is up by +0.4%m. Nevertheless, this brings 7mFy22 average inflation to +10.2%y versus last year same period average of +8.2%y.

For a second month in a row, Food prices declined on monthly basis...

During the month, food price index declined by 0.5%m, for a second month in row. This month, key items which saw a decline were, tomatoes (43%), potatoes (13%), chicken (2.3%), wheat flour (1.3%), and eggs (1.1%) carrying an estimated weight of 6.1% in overall national Cpi basket.

...Whereas non-food prices are up led by house rent, and other discretionary item

Under non-food prices, as expected electricity charges witnessed a m/m decline of 2.5%, but overall increase in non-food prices was led by House Rent Index adjustments (+1.5%), solid and motor fuel prices (+7%) and other discretionary items like garments (+6.7%), detergents and matchboxes (+1.5%), etc.

Outlook: Jan-22 number corroborates 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. Nevertheless, going forward monthly price trend suggest some moderation, especially in FY23 whereby SBP's price target range is between 5-7%. Average monthly increase during Jul-Nov 2021, registered a +1.8% while Dec-21 saw a monthly drop and in Jan-22 registered a +0.4%m increase is a welcoming sight.

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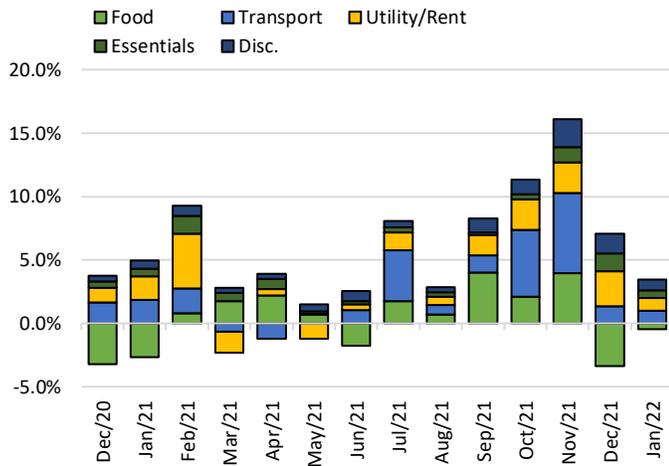
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Exhibit: Monthly price contribution in national CPI

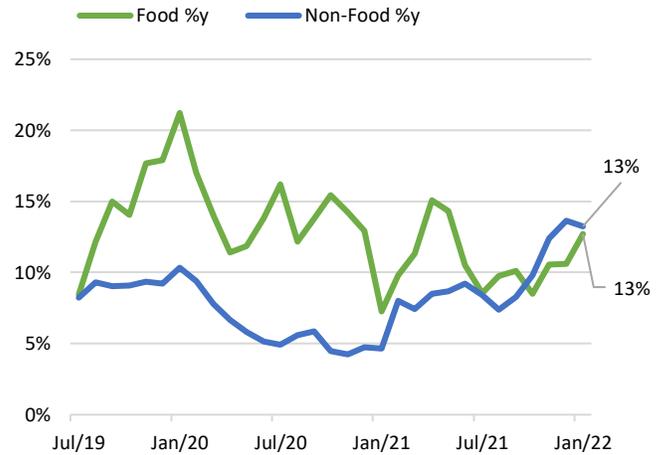
Non-food items primarily contributed national CPI for the month of January, while food item witnessed a second consecutive decline on a monthly basis.



Source: SBP, IGI Research

Exhibit: Core inflation

Base effect is likely to alter core inflation trend going forward



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