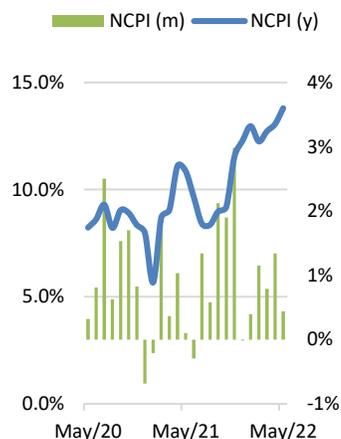
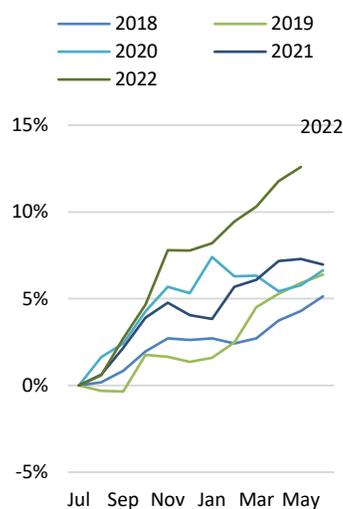


Economy

Monthly National CPI inflation



Annual Inflation trajectory
(base=June)



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Monthly Inflation Review

May-22: Inflation grew by +13.8%; withdrawal of subsidy effect yet to be reflected

- For the month of May-22, inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +13.8%y growth compared to previous month +13.4%y. On a monthly basis inflation is up by +0.44%m. This brings 11mFy22 average inflation to +11.26%y versus last year same period average of +8.8%y.
- Urban inflation stood at +12.4%y (+0.3%m) during May-22, taking 11mFy22 average to +11%y. Whereas Rural inflation is up +15.9%y (+0.65%m) during the month, taking 11mFy22 average to +11.6%y.
- Going forward, with POL prices adjustment due in the first week of Jun-22, by +20% and so is expected rise in electricity tariff, we suspect inflation is likely to surge over ~2.5% on a monthly basis, and gradually subsiding by second half of FY23. MPS issued in May-22 hiked policy rate by +150bps to 13.75% to catch up with rising inflation, and highlighted that jacked up inflationary trend to continue in FY23 before sharply declining in FY24.

May-22 inflation prints a +13.8%y growth

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Food prices maintain upward trajectory

During the month, food price index rose by +0.9%m to print a +17.3%y growth. Compared to previous months of Apr-22 and Mar-22, food prices recorded a surge of +3.7%m and +2.3%m respectively. Perishable food items that have a national basket weight of 5.0% recorded negative change on monthly basis, however, up by +26%y. Food price index contributed +0.9%m to headline inflation growth of +0.44%m. Amongst the key items that posted a significant growth include: wheat, rice, chicken, eggs, pulses and Onions.

Non-food prices recorded negligible change on monthly basis; however, y/y up by +11.9% on account of rising transport index

Non-food price index (wt: 65.4%) during the month recorded negligible change on monthly basis; however, up by +11.9%y. This is because housing, water electricity, gas & fuel (HWEFG, wt: 23.6%) index went down by -2.3%m, but counterbalanced by other non-food items like transport, clothes/footwear, household equipment, education, and Restaurants & Hotels. HWEFG index went down on monthly basis due to power subsidies being still effective that brought down FPA charges.

To recall, Fuel Price adjustment (FPA) for the month of May-22 came at PKR 3.18/kwh; however ex-PM relief package announced during Feb-22 allowed for reduced electricity charges, which entailed overall FPA to reduce down to PKR -1.8/Kwh, lower than FPA charge of PKR -0.15/kwh last month. As a result, electricity charges recorded a decline of -15% or -0.5% ppt on overall N-Cpi.

Outlook: CPI surge likely to maintain uptrend owing to withdrawal of Subsidies

Going forward, with POL prices adjustment due in the first week of Jun-22, by +20% and so is expected rise in electricity tariff, we suspect inflation is likely to surge over ~2.5% on a monthly basis, and gradually subsiding by second half of FY23 if external outlook improves. MPS issued in May-22 hiked policy rate by +150bps to 13.75% to catch up with rising inflation, and highlighted that jacked up inflationary trend to continue in FY23 before sharply declining in FY24.

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