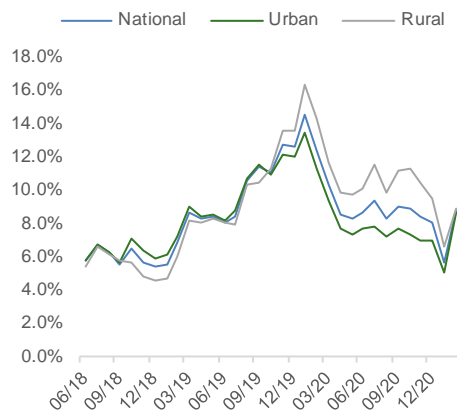


Economy

Monthly Inflation



Inflation

Feb-21, Inflation Rose To +8.7% On Account Of Higher Utility and Subdued Food Price Increase

- Monthly inflation rose to +8.7% y/y (+1.8% m/m) taking period average for 7mFY21 to +8.25% y/y compared to last year, +11.7% y/y.
- Key reason for monthly uptick in inflation is due to higher non-food prices led by rise in price of utilities (electricity charges).
- Food prices registered an increase of +0.8% m/m and +9.7% y/y largely driven by non-perishable food items.
- With the latest monetary policy maintaining interest rate at 7% and increments in energy tariffs and gas prices already being rolled out by the government, a more stable picture for inflation is evident for the upcoming months.
- Inflation is however expected to jump from single digit to a double figure in the remaining months leading up to FY21.

Monthly inflation hits an +8.7% y/y growth

Monthly inflation rose to +8.7% y/y (+1.8% m/m) taking period average for 7mFY21 to +8.25% y/y compared to last year, +11.7% y/y. Key reason for monthly uptick in inflation is due to higher non-food prices led by rise in price of utilities (electricity charges). Moreover perishable food prices on a sequential basis continue to show a declining trend since Nov-20. Urban food prices augmented by 8.60% y/y (+2.27% m/m) while rural food prices increased by 8.85% y/y (+1.12% m/m).

Exhibit: Feb-21 inflation snapshot						
Index	Wts.	Feb-21	m/m	y/y	7m/21	7m/20
National	100.0	143.1	1.8%	8.7%	8.3%	11.7%
Urban	60.0	142.6	2.3%	8.6%	7.2%	11.3%
Rural	40.0	143.8	1.1%	8.9%	9.9%	12.2%
Break-up for top 5 basket weights						
Food	34.6	145.0	0.8%	9.7%	13.3%	17.8%
Utilities*	23.6	142.9	4.4%	10.6%	4.9%	7.8%
Cloths/ Footwear	8.6	145.4	2.3%	11.3%	9.7%	9.4%
Rest. & Hotels	6.9	140.2	0.4%	8.0%	8.7%	6.5%
Transport	5.9	144.2	1.9%	-1.0%	-2.7%	17.0%

Non-food price increased by +29% m/m on higher electricity prices

During the month, non-food prices went up by 2.8% and 2.0% m/m for urban and rural index respectively. This has been one of the highest growth witnessed in non-food prices since Jul-19 for urban index. This is largely due to +~29% m/m increase in electricity charges (wt: 4.55% for urban, 3.44% for rural) – govt. increased electricity prices on average by 1.5% in Jan-21 – resulting in overall national utilities index (wt: 23.6%) by +4.35% m/m. Moreover, clothing & footwear increased by 4% under urban index and +0.1% under rural index, uptick in footwear (Bata brand) demand due to re-opening of schools and transport index went up by +1.92% on m/m due to increase in ~5-6% increase in motor fuel prices.

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Overall food price increase restricted due to a 10% decline in perishable food prices

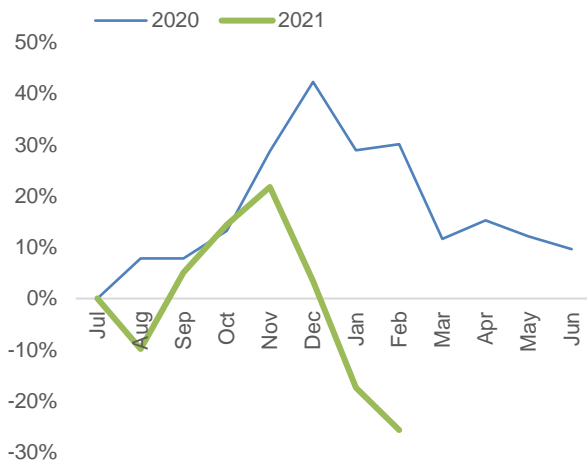
During the month of Feb-21, overall food prices recorded an increase of +0.8% m/m and +9.7% y/y. This rise in food price was largely driven by non-perishable food items, up by +0.8% m/m reflecting increase in prices of edible oils, wheat products and pulses. Moreover, perishable food posted a decline of 10% m/m (led by tomatoes, poultry products), as supply situation eased up, which to an extent restricted overall increase in general food prices. Food prices increase was much more pronounced in urban index increasing by +10.3% y/y (+1.3% m/m) compared to +9.1% y/y (0.2% m/m) under rural index.

Core prices continue to show a rising trend

Elevated inflation levels are visible across all divisions including core Inflation as measured by non-food, non-energy (NFNE) whereby Urban NFNE inflation swelled by 6.4% y/y (1.1% m/m) and rural NFNE inflation displayed a rise of 7.7% y/y (0.5% m/m).

Exhibit: Perishable food prices

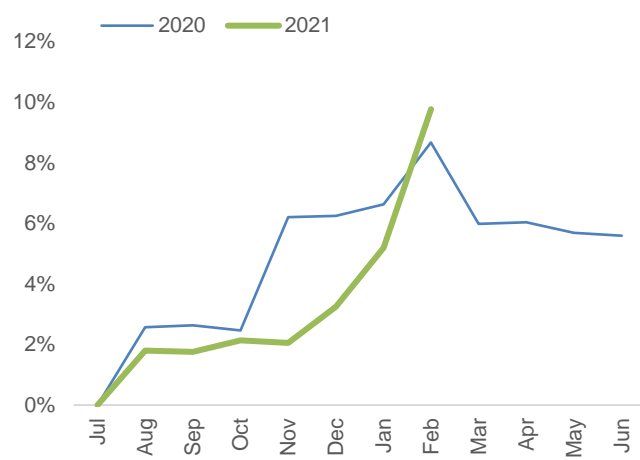
Perishable food prices showing a downward trend



Source: SBP, IGI Research

Exhibit: Utility prices

...while utility prices started to show an upward trajectory



Outlook

With the latest monetary policy maintaining interest rate at 7% and increments in energy tariffs and gas prices already being rolled out by the government, a more stable picture for inflation can be expected for the upcoming months. However despite that we see inflation to jump from single digit to a double figure in the remaining months leading up to FY21.

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