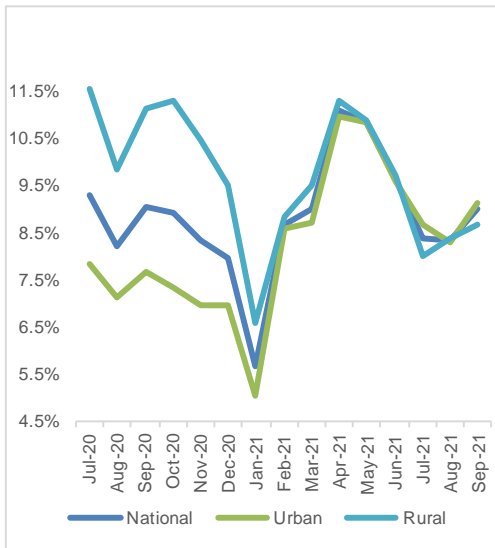
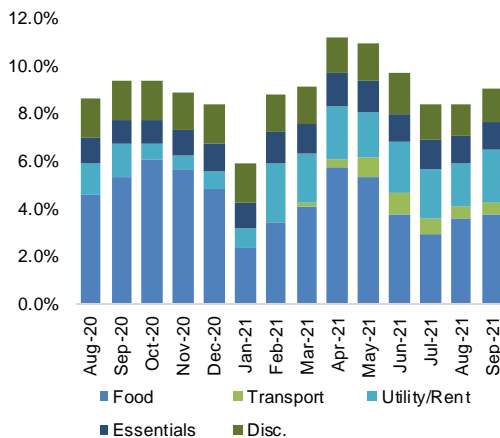


Economy

Historical National/Urban/Rural Inflation growth



Monthly contribution to headline CPI



Source: SBP, PBS, IGI Research

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Inflation

Aug-21: CPI clocks in at +9%y/y amid soaring food and energy prices

- Headline inflation for the month of September-21 clocked in at +9.0%y/y
- On an annual basis urban and rural indices inched up by +9.1%y/y and +8.8%y/y
- Food inflation index for Urban and Rural areas surged by +3.6%y/y and +3.7%y/y respectively largely driven by an uptick in prices of Wheat flour, Chicken and Onions.
- Non-food inflation posts growth of 8.3%y/y largely led by hike in POL prices, Fuel cost adjustment to electricity charges and quarterly house rent adjustment.
- Key risks to inflation remain from a) PKR Depreciation b) supply shocks owing to Covid-19 led lockdowns owing to any significant surge in active cases c) Administrative decision of further price hike in petroleum products and Gas Prices d) Surge in Global commodity Prices e) Geopolitical uncertainties.

Sep-21: Headline CPI clocks in at +9.0%y/y

Headline inflation for Sept-21 clocked in at 9.0%y/y with a similar growth rate observed in same period last year. On an annual basis urban and rural indices inched up by +9.1%y/y and +8.8%y/y while posting a significant increase of 2.0% and 2.3% respectively on a monthly basis.

Food Inflation surges by +4%y/y, +10.2%y/y

During the month, food inflation index for Urban and Rural areas surged by +3.6%y/y and +3.7%y/y respectively notable among which is a rise in prices of non-perishables (up by +4.1%y/y) and perishable food items which were up by 3.4% (weight: 4.99). On a monthly basis, uptick in food index was largely led by Chicken, Wheat flour and vegetables.

Non-food inflation posts growth of 8.3%y/y

Non-food inflation posted a growth of 1.1%y/y and 1.0%y/y in rural and urban areas respectively. This was largely driven by an increase in price of petroleum products (Urban: +54.3%y/y, Rural: +42.1%y/y) and motor fuel (Urban: +17.6%y/y, Rural: 16%y/y) which kept the transportation index up by +9.1%y/y, +1.3%y/y +1.37%y/y & +1.04%y/y in urban and rural areas respectively. Additionally fuel cost adjustment to electricity charges (weight: 4.5) which were up by +23.36%y/y also propped non-food inflation. Quarterly house rent adjustment (+6.05%y/y) also inflated the non-food index.

Outlook

In the upcoming months, we see food inflation to ease down as prices of perishable food commodities including Wheat flour and Onions witness a decline in recent SPI which was down by -0.1%w/w.

However, on the energy prices front, we expect a bleak inflation trend as administrative decision by the government of upwards revision in POL prices by up to PKR 4.0/litre (Petrol: PKR 4.00, Kerosene: PKR 7.05, LDO: PKR 8.82, HSD: PKR 2.0) in view of internationally fluctuating Oil prices and currency depreciation is expected to further fuel inflationary pressures.

Key risks to inflation remain from a) PKR Depreciation b) supply shocks owing to Covid-19 led lockdowns owing to any significant surge in active cases c) Administrative decision of further price hike in petroleum products and Gas Prices d) Surge in Global commodity Prices e) Geopolitical uncertainties

Exhibit: September-21 Inflation snapshot						
Index	Wts.	Sep-21	m/m	Aug-21	y/y	Sep-20
National	100	149.3	1.1%	147.6	7.9%	138.3
Urban	60	150.1	2.0%	147.1	9.1%	137.5
Rural	40	149.3	1.1%	147.6	7.9%	138.3
Break-up for top 5 basket weights						
Food	34.6	158.9	4.0%	152.7	10.2%	144.1
Utilities	23.6	145.3	1.6%	143.0	9.7%	132.4
Cloths/ Footwear	8.6	150.2	0.2%	149.8	9.2%	137.5
Rest.& Hotels	6.9	146.0	1.1%	144.3	7.8%	135.4
Transport	5.9	152.0	1.3%	150.0	9.1%	139.3

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