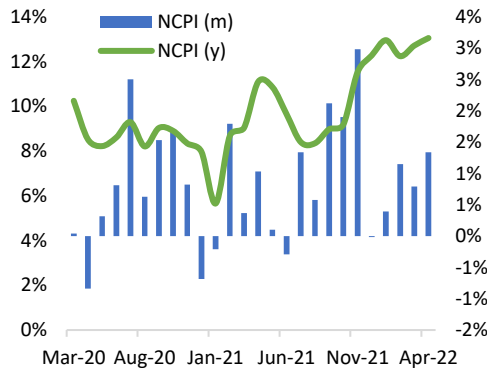
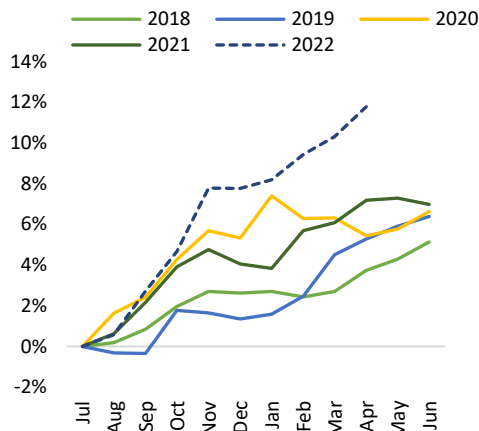


Economic Update

Monthly and Yearly CPI



Yearly Inflation trajectory (re-based)



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Inflation

Apr-22: CPI Likely to Imprint 13.1%Y Growth Amid PM Relief Package on Energy Prices

- For the month of Apr-22, we estimate headline inflation to print a +13.1%y growth compared to previous month, +12.72%y. This will take 10 months 2022 average inflation to +11%y, compared to +8.6%y last year same period.
- We base our premise on a) rise in perishable food price items due to Ramadan that are dictated by leading SPI monthly growth, b) Unchanged POL prices to neutralize transport index, c) lower fuel price adjustments (FPA) for the month dragging down overall electricity charges, and d) an increasing trend to continue in under discretionary and other essential non-food items.
- As per the monetary statement announced first week of April, inflation has been on a rise much quicker than initially anticipated. Hence, SBP has revised up its inflation forecasts. For FY22 SBP foresee inflation to remain in double-digit averaging ~<11%; before moderating in FY23.

Apr-22 inflation to print a +13.1%y growth

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Food prices growth continue unabated coupled with Ramadan effect

Monthly, Sensitive Price Index (SPI) a proxy index for volatile food prices that suggest headline food prices are likely to surge by +1.6%m basis. During the month of Apr-22, key food items including Mutton, Beef, masoor, cooking oil & vegetable ghee and onions, have recorded a significant growth over previous month. Prices of vegetables and fruits increased owing to Ramadan effect.

Neutralized POL prices to nullify overall transport index movement...

For the month of Apr-22, domestic motor gasoline (MOGAS) prices have remained unchanged compared to last month where prices were revised down by ~6.3% to adjust for fiscal relief package to curb the effects of rise in global oil prices. PM relief package is still in effect for the month of April.

...Similarly PM Relief Package to absorb FPA impact

Fuel Price Adjustment (FPA) for the month of Apr-22 came at PKR 4.85/kwh; however, PM Relief Package announced during Feb-22 allowed for reduced electricity charges, which entail overall FPA will be reduced down to PKR -0.15/Kwh lower than FPA charge of PKR 0.94/kwh last month. As a result, adjusted tariff's impact for this month on NCPI will be -0.3%.

Outlook: CPI likely to surge further due to withdrawal of PM Relief Package

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Going forward, the PM Relief Package is likely to be withdrawn before next IMF disbursement come into effect, putting pressure on domestic energy prices; IMF has concerns over deteriorated fiscal position. Moreover, geo-political turmoil doesn't seem like coming to an end in the near term, putting further pressure on commodity prices; however, rigid lockdowns in China to curb virus spread is dampening some demand on commodities.

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