

Economy

Exhibit: Annual and monthly trend in NCPI since Sep-21

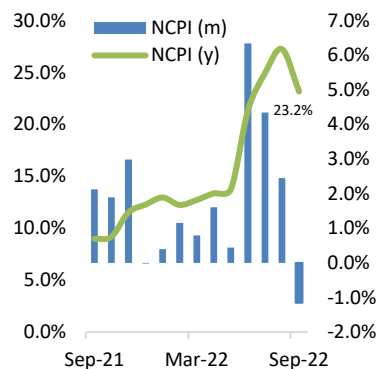
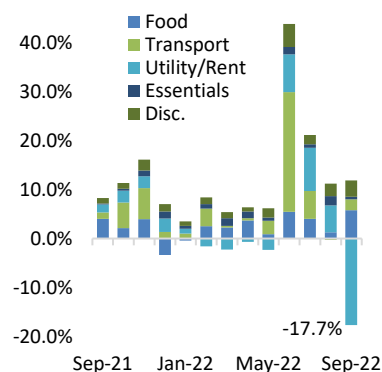


Exhibit: Category wise monthly NCPI inflation since Sep-21



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Inflation

Sep-22: Electricity Prices Dragged Down CPI to +23.2%YoY

- For the month of Sep-22, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +23.2%y (down by -1.2%m) growth compared to previous month, +27.3% (+2.5%m).
- During the month, food price index (wt. 34.6%) jumped by +5.8%m to register a +31.7%y growth, taking 3m average increase to +3.7%m compared to +2.2%m last year.
- Under the HWEG&F, electricity charges that carries a weight of 4.11% in overall NCPI index, plummeted by -65%m. This large drop in electricity prices dragged utility index down by -17.8%m, which ultimately pressured NCPI toward the south.

We review Consumer Price Index (CPI) growth numbers for the month of Sep-22

Sep-22 Inflation Prints a +23.2%y growth

For the month of Sep-22, Inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +23.2%y (down by -1.2%m) growth compared to previous month, +27.3% (+2.5%m). This takes 3mFY23 average to +25.1% compared to +8.6% last year same period.

Urban inflation sharply bent during the month down by -2.1%m to +21.2%y, whereas rural inflation remained relatively flat, a negligible increase by +0.2%m to +26.1%y. Other indices, Wholesale Price Index (WPI) registered a +38.9%y and +1.4%m growth respectively, and Sensitive Price Index (SPI) recorded a +28.6%y and -1.4%m basis in Sep-22.

Exhibit: Monthly National Consumer Price Index (CPI) Growth Figures.

	Weight	Sep/22		Period	
		y/y	m/m	3M'FY23	3M'FY22
National	100%	23.2%	-1.2%	25.1%	8.6%
Food	35%	31.7%	5.8%	27.0%	10.1%
Transport	6%	64.5%	2.2%	62.0%	8.6%
Utility/Rent	24%	3.4%	-17.7%	26.5%	8.9%
Essentials	17%	13.7%	0.5%	13.3%	6.9%
Other Misc.	18%	26.1%	3.3%	22.7%	7.3%

Source: PBS, IGI Research

Food Prices Accelerated Despite Fall in NCPI

During the month, food price index (wt. 34.6%) jumped by +5.8%m to register a +31.7%y growth, taking 3mFY23 average increase to +3.7%m compared to +2.2%m last year. Key food items including wheat, tomatoes, chicken, eggs, potatoes, and tea have recorded a significant increase over previous month.

Despite Fall in Vehicle Prices, MOGAS and Vehicle Accessories Lifted Transport Index to +2.04%m

For the month of Sep-22, domestic motor gasoline (MOGAS) prices have risen by 3.2% compared to last month as prices escalated owing to fluctuations in petroleum prices in the international market and exchange rate variation. In addition, motor vehicle accessories posted a sharp rise of +5.22%m, charging overall transport index to +2.04%m. Prices of motor vehicles dropped by -2.43%m on average during the month of Sep-22 owing to appreciation in PKR and dampened demand in the automobile market.

Utility Index Dragged Down Overall NCPI

Under the HWEG&F, electricity charges that carries a weight of 4.11% in overall NCPI index, plummeted by -65%m. This large drop in electricity prices dragged utility index down by -17.8%m, which ultimately drove NCPI toward south.

In Aug-22, PM Shehbaz Sharif announced to defer fuel adjustment charges (FPA) for people consuming less than 300 units in a month to provide relief to the lower income strata, which would be recovered over the next 6 months. As a result, in our view, FPA of PKR 9.9/unit charged in the month of Aug-22 was reversed in Sep-22, which led to a decline in overall electricity charges.

Outlook: CPI Likely to Fall Further

Most of the surge during Sep-22 is contributed by food index, which is likely to relax going ahead as government strives to fill the supply gap in domestic market through international channels.

Moreover, Motor fuel prices are expected to stay relatively unchanged in the near term as PKR appreciation and fall in international petroleum prices likely to be compensated by rise in PDL and GST if the government decides to start jacking them up. Currently PDL stands at PKR 32/L that is projected to rise up to PKR 50/L by third quarter of this FY23, and GST hasn't been applied yet, so likely government will start jacking up once crude energy prices relax.

Electricity prices likely to reflect deferred FPA for the month of Aug-22, so likely overall charges will remain flat going ahead.

In addition, PKR seems to be in appreciation trajectory in the currency market driven by improved C/a position ([link](#)) on the back of drop in international oil prices, which will likely reduce the cost of imports and thereby domestic retail prices, combined with higher base effect may pull down NCPI going forward.

Note: For indexation purposes we use individual basket indices: Food (incl.): Food and Non-alcoholic Beverages, Transport (incl.): Transport, Utility/Rent (incl.): Housing, Water, Electricity, Gas & Fuels, Essentials (incl.): Cloths/Footwear, Health, Communication, Education, Other Misc. (incl.): Alch. Beverages & Tobacco, Household Equipment, Recreation & Culture, Restaurants & Hotels, Misc.

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