

ECONOMY

Inflation Update

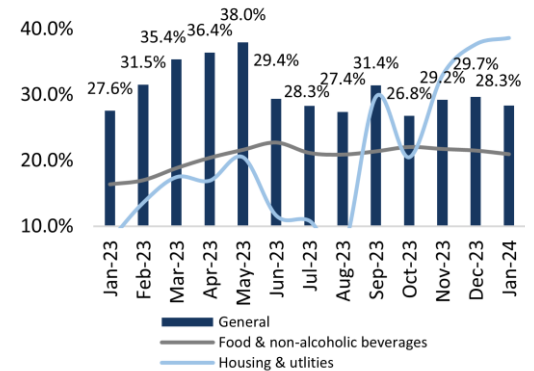
Economy: Jan-23 NCPI clocked in at 28.3% YoY

As per the latest data released by PBS, headline inflation for Jan-23 registered a slightly higher reading than our projection at 28.3% YoY from 29.7% YoY in Dec-23. The 7MFY24 average is 28.7% YoY as compared to a 25.4% YoY reading during 7MFY23.

NCPI accelerates on a MoM basis

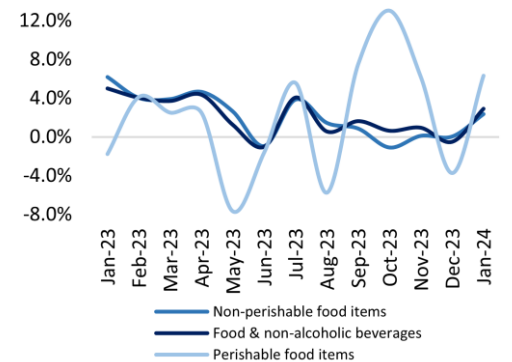
- The rise in inflationary pressures, as depicted by an elevated MoM reading of 1.8% (0.8% MoM last month), was mainly due to an acceleration in Food & Beverages and upward adjustments within Housing & Utilities.
- A 3.3% MoM rise in the Food & Beverage index contributed with an impact of 1.1% on a MoM basis. Additionally, Housing & Utility category saw a 2.1% MoM increase with an impact of 0.5% MoM.
- We highlight that the Food & Beverages segment witnessed a broad-based uptick coupled with substantial increase in prices of specific items such as Chicken (up 31.4% YoY), Onions (up 27.9% YoY), Tomatoes (up 28.3% YoY).
- Onion prices surged on account of higher export orders; tomatoes witnessed weather-related supply disruptions while chicken prices soared due to reduced supply emanating from higher input costs in operating control led sheds.
- The Housing & Utilities constituent accelerated on the back of a quarterly rental adjustment and rising electricity charges due to a higher quarterly tariff and fuel cost adjustment. Rentals and Electricity charges (NCPI) accelerated by 1.8% MoM and 6.5% MoM respectively.
- To note, the Transport segment eased by 3.1% MoM, amid softening of motor fuel prices for a 4th consecutive month. The reading incorporated the downward motor fuel adjustment on Dec-16 where Petrol & Diesel prices were slashed by PKR 14.0 each.
- Underlying (Core) inflation remained elevated due to a higher reading on a MoM basis in both urban and rural baskets. Core U/R accelerated to 1.1%/1.2% MoM in Jan-24 from 0.8%/0.9% MoM in Dec-23. This drove further stickiness in %YoY levels as NFNE continued to disinflate marginally from 21.0% YoY to 20.5% YoY.

Housing & Utilities and Food & Beverages keeps inflation elevated (%YoY)



Source: PBS, Akseer Research

Food prices accelerate on supply chain disruptions (% MoM)



Source: PBS, Akseer Research

Jan-23 MoM National CPI Inflation Breakdown

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.6%	2.9%	1.1%
-- Non - Perishable	29.6%	2.4%	0.8%
-- Perishable	5.0%	6.3%	0.3%
Housing & Utilities	23.6%	2.5%	0.5%
Clothing & Footwear	8.6%	0.7%	0.1%
Restaurants & Hotels	6.9%	1.3%	0.1%
Transport	5.9%	-2.4%	-0.2%
Others	20.4%	0.9%	0.2%
MoM change in CPI			1.8%
YoY Change in CPI			28.3%

Source: PBS, Akseer Research

Energy prices to continue to drive inflationary pressure

We expect that timely adjustments of energy prices to meet IMF requirements, along with higher spending during Ramadan will dilute the benefit of improved domestic crops and lower global commodity prices. Hence, we project a gradual ease in headline inflation with average inflation for FY24 estimated at 25.9% YoY. We highlight that supply chain bottlenecks from red sea disruptions and further currency adjustments on account of external imbalances as significant risks to the inflation outlook.

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