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## Economy: Oct-24 NCPI expected at 7.2% YoY

The headline CPI is expected to edge slightly higher than last month clocking in at 1.4% MoM primarily on the back of (i) a 1.3% MoM uptick in Food and Non-Alcoholic Beverages segment and (ii) a 4.1% MoM increase in the Utilities segment due to an upward revision in house rent and higher electricity charges. This translates to headline CPI of 7.2% YoY in Oct-24. Real interest rate is still expected to remain in double digits at 10.3% based on the current policy rate of 17.5%. The increase will partially be diluted by the Transport segment which is expected to fall by 1.9% MoM due to the recent cuts in domestic POL prices.

### Higher electricity charges to drive the Utilities segment

The Utilities segment is expected to record an increase of 4.1% MoM in Oct-24, versus -0.6% MoM in Sep-24 mainly due to a 16.9% MoM uptick in electricity charges. This increase is expected due to a withdrawal of subsidy and planned stepped increment in base tariff for consumers using upto 200 units ranging from PKR 4.08-7.12/kwh (31%-54%) for Oct-24. The impact will be partially diluted by the negative FCA of PKR 0.86/kwh.

### Wheat and chicken to lead the increase among tracked food items

The Food & Beverages segment is expected to increase by 1.3% MoM in Oct-24. Within this category, items driving the significant rise in prices include, wheat (up 6.9% MoM), chicken (up by 5.6% MoM), milk (up by 0.3% MoM) and tomatoes (up by 8% MoM) .

### Transport segment to exhibit a deflationary trend

We expect the Transport index to decline by 1.9% MoM in Oct-24 due to a drop in petrol and HSD prices by PKR 12.1 and PKR 16.5 per liter respectively. The segment is expected to contribute -0.1% to the CPI print.

### Outlook

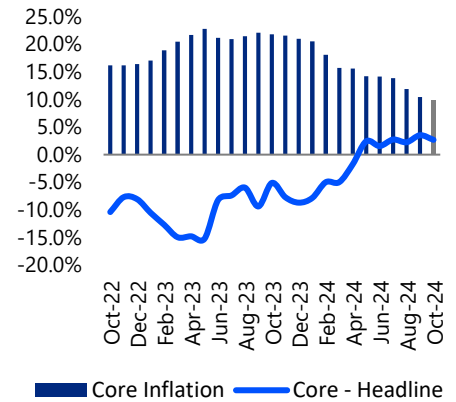
The dividends from an unprecedentedly high interest rate and contained global commodity prices have manifested stability, as evidenced through easing inflation levels. Going forward, the sustainability of the current stability would continue as reserves build up and the current account remains balanced. The silver lining has been the much needed support from higher remittances which will likely shield against an increase in the import bill following the broad based increase in consumption. This should also act as a hedge against an oil price-driven (imported) inflation in the context of the ongoing geopolitical tensions, which will help maintain exchange rate parity. Consequently, this will help keep inflation levels low over the coming months.

### Oct-24 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.58%	1.27%	0.47%
Housing, Water, Electricity, Gas & Fuel	23.63%	4.09%	0.87%
Clothing & Footwear	8.60%	0.15%	0.01%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	-1.88%	-0.13%
Others	20.36%	0.39%	0.10%
<b>MoM Change in CPI</b>			<b>1.38%</b>
<b>YoY Change in CPI</b>			<b>7.23%</b>

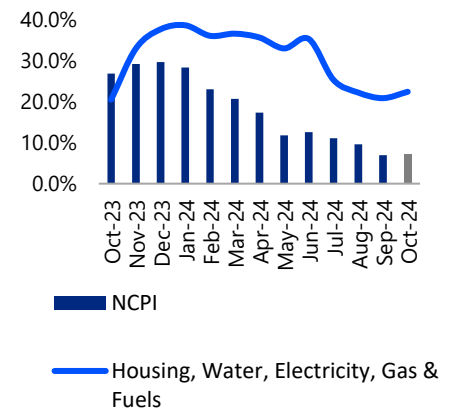
Source: PBS, Akseer Research

### Core Inflation (YoY)



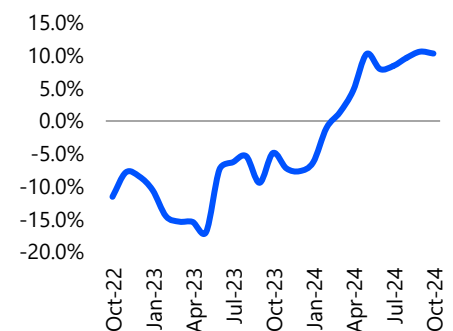
Source: PBS, SBP, Akseer Research

### Housing Index and NCPI (YoY)



Source: PBS, Akseer Research

### Real Interest Rate (%)



Source: PBS, SBP, Akseer Research

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