

Economy: Aug-24 NCPI arrives at 9.64% YoY, single-digit after 3 years

As per the latest data released by the Pakistan Bureau of Statistics (PBS), the headline inflation for Aug-24 arrived at a 34-month low at 9.6% YoY versus 11.1% YoY in Jul-24 (MoM uptick of 0.4%), translating to a real interest rate of 990bps. The pace of monthly price accretion slowed down by 170bps MoM, supporting the disinflation in this month's headline number. In addition, we note that wholesale price index (WPI) arrived at 6.3% YoY in Aug-24, marking the lowest reading since Dec-20 (5.7% YoY), versus 10.4% YoY in Jul-24. The significant drop in WPI indicates a downward trajectory of CPI inflation in the coming months.

NCPI increases 0.4% MoM in Aug-24

- The Food & Non-Alcoholic Beverages segment emerged as the highest contributor to the headline reading, exhibiting an increase of 1.5% MoM in Aug-24, declerating from 4.8% MoM in Jul-24. Within this segment, chicken and fresh vegetables primarily led the upward trend.
- The Housing, Water, Electricity, Gas & Fuels segment declined from 0.1% MoM in Jul-24 to -1.4% MoM in Aug-24 on the back of declining electricity charges (-6.5% MoM).
- Core inflation arrived in line with our projection of 11.9% YoY in Aug-24, marking a 27-month low. To note, core inflation has finally eased after remaining stable at around the 14% mark over the past two months. It continued to stay higher than the headline CPI reading for the fourth consecutive month. The gap between core and headline inflation decreased to 2.2% in Aug-24 versus 2.7% in Jul-24.

Outlook

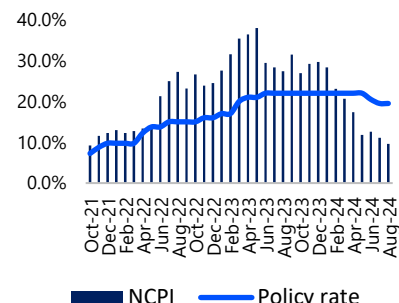
Continued discipline in the external account along with a stable USD/PKR is expected to keep inflation on a downward trajectory in the coming months. Moreover, the upgrade in Pakistan's credit rating from Caa2 to Caa3 and growing expectations of interest rate cuts on the back of falling T-bill yields indicate renewed optimism in the economy. We highlight the confluence of (i) demand-led upward pressure on general price levels post interest rate cuts and (ii) a higher-than-anticipated increase in international commodity prices as major risks to our forecasts.

Aug-24 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.6%	1.5%	0.5%
Housing, Water, Electricity, Gas & Fuel	23.6%	-1.4%	-0.3%
Clothing & Footwear	8.6%	0.4%	0.0%
Restaurants & Hotels	6.9%	0.7%	0.0%
Transport	5.9%	-0.7%	-0.1%
Others	20.4%	0.7%	0.3%
MoM Change in CPI			0.4%
YoY Change in CPI			9.6%

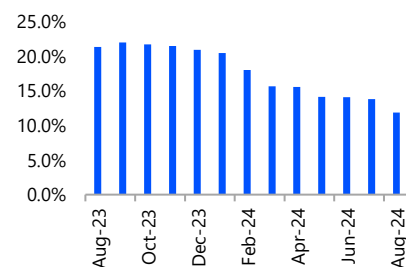
Source: PBS, Akseer Research

NCPI & Policy rate



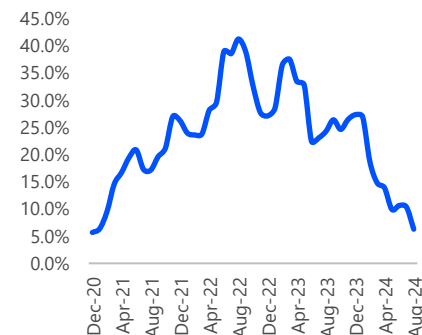
Source: PBS, SBP, Akseer Research

Core inflation arrives at a 27-month low



Source: PBS, Akseer Research

WPI arrives at 6.3% YoY in Aug-24, lowest since Dec-20



Source: PBS, Akseer Research

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