

ECONOMY

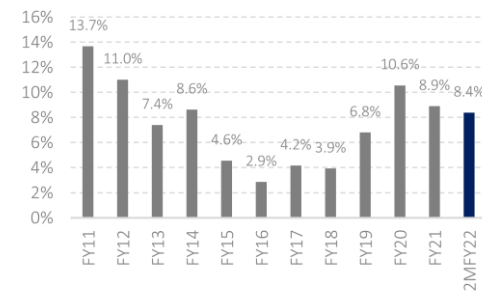
Inflation Update

Pakistan Research

Economy: August-21 CPI surged 8.35% YoY, 0.58% MoM

- **Headline inflation for August-21 grew 8.35% YoY with main contribution coming from the high food and fuel prices. CPI for 2MFY22 surged 8.4% YoY versus 8.8% hike witnessed in CPLY.**
- **MoM CPI index grew 0.58% mainly due to food basket's prices increasing by 0.70% MoM where largest surge was witnessed in perishable items prices of 2.58% MoM.**
- **Both Urban and Rural CPIs have observed the upward trend during August-21. UCPI and RCPI increased 0.48% MoM and 0.72% MoM respectively.**
- **For FY22, we expect the inflationary pressures to persist, however, expected to remain contained in 7-8% range. Food basket inflation will continue to keep the CPI in the high single digit due to surge in commodities' prices amidst supply disruptions.**

Chart-1: YoY CPI inflation



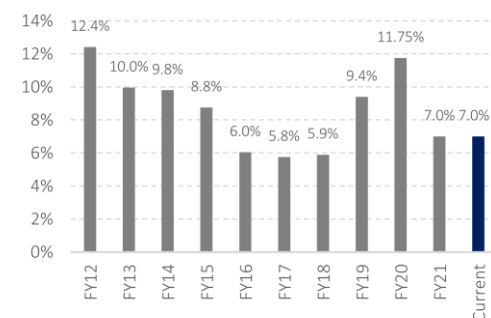
Source: PBS, Akseer Research

August-21 MoM National CPI Inflation Breakdown (base year 2015-16)

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	0.70%	0.24%
-- Non - Perishable	29.60%	0.40%	0.12%
-- Perishable	4.99%	2.58%	0.13%
Housing, Water, Electricity, Gas & Fuel	23.63%	0.67%	0.16%
Clothing & Footwear	8.60%	0.13%	0.01%
Restaurants & Hotels	6.92%	0.33%	0.02%
Transport	5.91%	0.73%	0.04%
Others	20.36%	0.50%	0.10%
MoM change in CPI			0.58%
YoY Change in CPI			8.35%

Source: PBS, Akseer Research

Chart-2: Policy Rate



Source: SBP, Akseer Research

Food index contributed most in MoM NCPI uptick of 0.58%

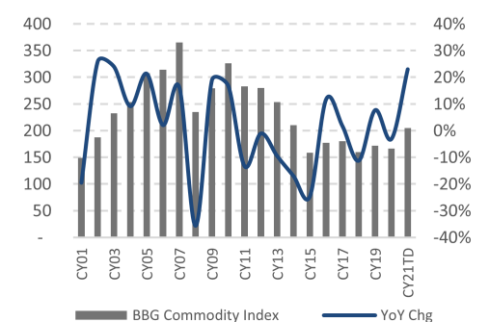
On monthly basis, the CPI inflation accelerated 0.58% during August-21, main contribution coming from the food basket which was up 0.24% MoM led by higher vegetables prices. Along with this, 'Housing, Water, Electricity, Gas and Fuel' group was also up 0.16% MoM, as liquified hydrocarbons prices rose 18.23% MoM. Hike in motor fuel prices (+2.80% MoM) led to Transport Index jump 0.73% MoM, however, its contribution to the overall NCPI remained limited to +0.04%.

CPI surged 8.4% over the corresponding period of last year, largely on the back of higher food index. On the flip side, prices of liquified hydrocarbons, footwear and motor oil declined in August-21 compared to same period last year.

Inflationary pressures to persist in FY22

We anticipate inflation to remain elevated during FY22 with an average CPI inflation expected to settle in the range of 7-8%, given the global commodities prices are continuously rising. Bloomberg Commodity Index (an indicative of global commodities price trend) has surged 23% CYTD, and is expected to remain high due to supply disruptions. Pakistan's CPI is majority imports based, which is likely to surge in tandem with international commodities. The September IMF review (earlier planned for June-21) will clear the final decision of PKR 1.25/KWH hike in the power tariff and if materialized, will result in hefty jump in the CPI.

Chart-3: Bloomberg Commodity Index



Source: Bloomberg, Akseer Research

Saqib Hussain
saqib.hussain@akseerresearch.com

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Contact Details

Akseer Research (Pvt) Limited

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: info@akseerresearch.com

Alfa Adhi Securities (Pvt) Limited

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: info@alfaadhi.net