

ECONOMY

Inflation Update

Pakistan Research

Economy: Oct-21 CPI stood at 9.19%; +1.90% MoM

- Driven by unabated rise in the Food basket and House Rent indexes, the headline inflation for the month of Oct-21 stood at 9.19%. The CPI averaged 8.74% during 4MFY22 versus 8.86% witnessed in the CPLY.
- On MoM, CPI Index grew by 1.9%, on the back of hike in the fuel prices as the Transportation Index surged 5.92% MoM, followed by House Rent Index's quarterly rebalancing (+2.39% MoM) and no respite in food prices (+2.10 MoM). The largest contribution of 73bps also came from food basket.
- NFNE inflation (both Urban and Rural), was contained below 7% during the month at 6.7%.
- We have already highlighted that food and energy prices will keep the CPI in the high single digit as international commodities' prices remain elevated amidst supply disruptions.

October-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%	2.10%	0.73%
-- Non - Perishable	29.60%	1.49%	0.44%
-- Perishable	4.99%	5.92%	0.30%
Housing, Water, Electricity, Gas & Fuel	23.63%	2.39%	0.56%
Clothing & Footwear	8.60%	0.49%	0.04%
Restaurants & Hotels	6.92%	1.30%	0.09%
Transport	5.91%	5.27%	0.31%
Others	20.36%	0.80%	0.16%
MoM change in CPI			1.90%
YoY Change in CPI			9.19%

Source: PBS, Akseer Research

Food Index remained the top contributor in MoM NCPI

On monthly basis, the CPI inflation witnessed jump of 1.90% during October-21, main contribution coming from the food basket which added 73bps led by contribution from both perishable (+44bps) and non-perishable food items (+30bps). Along with this, 'Housing, Water, Electricity, Gas and Fuel' group also added 56bps, as the govt increased the Liquified Hydrocarbons and electricity prices by 13% and 5.5% MoM respectively. The Transportation Index rose the most on MoM, +5.27% (added 31 bps to the monthly CPI) due to upward adjustment in the fuel prices by ~9% for both Urban and Rural.

The yearly CPI stood at 9.19%, on the back of higher non-perishable food items prices and transportation costs. Only perishable food inflation was down 11% YoY during Oct-21. The CPI averaged 8.74% during 4MFY22 versus 8.86% witnessed in 4MFY21.

Non-Food Non-Energy (NFNE) inflation, though came in below 7% for the consecutive 6th month (Urban NFNE), is inching up gradually on MoM basis.

Inflation to remain in high single digit

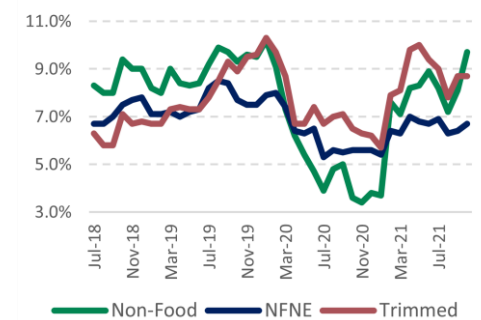
The international commodity prices (food and energy) are still near their peaks. Given Pakistan's CPI is highly correlated with international commodities we expect the headline inflation to remain in high single digit for FY22. IMF's conditions of raising the electricity and gas tariffs coupled with PKR devaluation will further add to the spiraling inflation. The CPI is expected to conclude at the higher end of the SBP's target range of 7-9%.

Chart-1: CPI inflation Trend



Source: PBS, Akseer Research

Chart-2: Core Inflation Trend



Source: SBP, Akseer Research

Disclaimer

This report has been prepared by Akseer Research and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Akseer Research and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Akseer Research accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Akseer's Research Department and do not necessarily reflect those of the company or its directors. Akseer Research as a firm may have business relationships, including investment- banking relationships, with the companies referred to in this report. Akseer Research or any of its officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the subject company, may have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company, may serve or may have served in the past as a director or officer of the subject company, may have received compensation from the subject company for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from the subject company for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the subject company.

All rights reserved by Akseer Research. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Akseer Research. Action could be taken for unauthorized reproduction, distribution or publication.

Research Dissemination Policy

The Akseer Research endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

Analyst Certification

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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