

**ECONOMY**

## Inflation Update

## Pakistan Research

**Economy: Sept-21 CPI came in above estimates at 8.98%; +2.12% MoM**

- **Headline inflation for the month of Sept-21 came in at 8.98% primarily on the back of surge in the food and fuel prices. The CPI for 1QFY22 averaged 8.58% versus 8.85% witnessed in the CPLY.**
- **MoM CPI Index grew above 2.0% for the first time since July-20, as the food basket witnessed one of the highest 4.02% MoM surge (as per new base year 2015-16). The largest contribution of 122pp came from non-perishable items prices.**
- **This is also evident from the NFNE inflation (both Urban and Rural), which remained contained below 7% during the month at 6.4%.**
- **We have already highlighted that food and energy prices to keep the CPI in the high single digit as international commodities' prices remain elevated amidst supply disruption.**

Chart-1: CPI inflation Trend



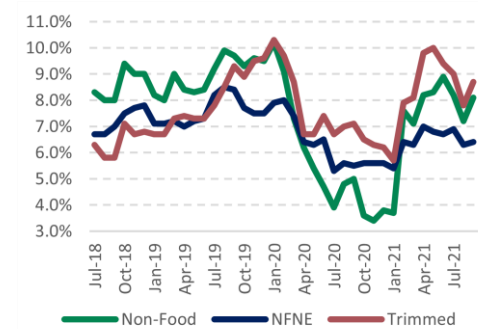
Source: PBS, Akseer Research

**September-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%	4.02%	1.39%
-- Non - Perishable	29.60%	4.13%	1.22%
-- Perishable	4.99%	3.36%	0.17%
Housing, Water, Electricity, Gas & Fuel	23.63%	1.62%	0.38%
Clothing & Footwear	8.60%	0.24%	0.02%
Restaurants & Hotels	6.92%	1.14%	0.08%
Transport	5.91%	1.33%	0.08%
Others	20.36%	0.84%	0.17%
<b>MoM change in CPI</b>			<b>2.12%</b>
<b>YoY Change in CPI</b>			<b>8.98%</b>

Source: PBS, Akseer Research

Chart-2: Core Inflation Trend



Source: SBP, Akseer Research

**Food Index contributed most in MoM NCPI uptick of 2.12%**

On monthly basis, the CPI inflation witnessed significant jump of 2.12% during September-21, main contribution coming from the food basket which added 139pp led by higher contribution from non-perishable food items (+122pp). Along with this, 'Housing, Water, Electricity, Gas and Fuel' group also added 38pp, as electricity charges adjusted upward by 7.2% for Q1.

The yearly CPI came in at 8.98%, on the back of higher non-perishable food items prices and electricity tariffs. On the flip side, there was some respite in perishable items' inflation as price of potatoes and tomatoes declined 26% YoY and 24% YoY respectively, followed by fresh vegetable prices down 14%YoY basis.

The trend was also evident from the Non-Food Non-Energy (NFNE) inflation, which came below 7% for the consecutive 5<sup>th</sup> month (Urban NFNE) at 6.4% during Sept-21.

**Inflationary pressures to persist in FY22**

We earlier highlighted that rising international commodity prices will take toll on the local inflation in the coming months. Along with this, likely upward revision in the electricity tariff under the IMF program will keep the inflation elevated. Hike in petroleum product prices due to rising global oil prices will also have a second-round impact on the CPI. Resultantly, we expect FY22 CPI to average at 8.8%.

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