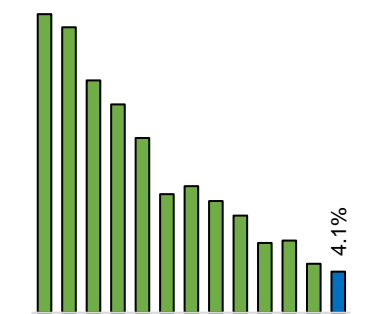


Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Dec-24: CPI Drops to 80 Month Low; Prints 4.07%/y/y Growth

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Dec-24, headline CPI registered a +4.07%y (up by +0.06%m) growth compared to previous month, +4.86%y (up +0.49%m).
- Slowdown in monthly CPI reading was mainly led by lower electricity and subdued food prices. However, higher transport prices restricted overall decline in CPI. On yearly basis, increase in inflation was limited by slowdown in food prices growth and lower transport price along with higher base effect. As a result, 1HFY25 average inflation stands at 7.3% compared to 28.8% in the similar period last year.
- We expect inflation to continue its downward trajectory amid easing food prices, lower demand, high base effect and lower commodity prices. However, inflation is expected to rise from May-25 onwards owing to low base effect. Potential adjustment in energy prices and any further indirect taxes to meet revenue requirement along with rise in oil prices remain key risk to inflation outlook.

Dec-24: Inflation prints 4.07%/y/y, up by +0.06%/m

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Dec-24, headline CPI registered a +4.07%y (up by +0.06%m) growth compared to previous month, +4.86%y (up +0.49%m). Slowdown in monthly CPI reading was mainly led by lower electricity and subdued food prices. However, higher transport prices restricted overall decline in CPI. On yearly basis, increase in inflation was limited by slowdown in food prices growth and lower transport price along with higher base effect. As a result, 1HFY25 average inflation stands at 7.3% compared to 28.8% in the similar period last year.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates

Estimated For the month of: December, 2024

	Wt.	y/y	m/m	1HFY25	1HFY24	1HFY23
National	100.0%	4.1%	0.1%	7.3%	28.8%	25.04%
Food	35%	0.3%	0.0%	0.7%	32.2%	32.2%
Transport	6%	-2.5%	1.1%	-0.6%	25.5%	55.2%
Utility/Rent	24%	3.4%	-0.8%	16.5%	23.0%	13.6%
Essentials	17%	13.2%	0.5%	14.6%	17.9%	13.8%
Disc.	18%	8.2%	0.4%	9.4%	39.8%	25.6%

Source: PBS, IGI Research

Analyst

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Stagnant food prices drag overall CPI

Food index remained flattish during the month owing to increase in prices of Tomatoes, Cooking Oil, Sugar and Potatoes which was offsetted by decline in prices of Chicken, Rice, Wheat, Pulses (Gram, Mash, Masoor), Onions, and Egg. Housing index declined by 0.77% m/m mainly owing to lower electricity charges despite increase in liquid hydrocarbon and solid fuel prices.

Transport index increased by +1.06% m/m

Transport index inclined by +1.06% m/m mainly due to increase in POL product prices and transport services. Increase in Motor fuel and transport services contributed nearly 0.06% to overall CPI.

Urban inflation continues to outpace rural

Urban inflation declined by 0.1% m/m to +4.38% y/y during the month of Dec-24, whereas rural inflation inclined by +0.29% m/m to +3.62% y/y.

SPI drops further in Dec-24

Other indices, Wholesale Price Index (WPI) registered a +1.93% y/y growth and declined by 0.40% m/m during Dec-24. Sensitive Price Index (SPI) recorded a +4.21% y/y growth while up by +0.8% m/m during the month of Dec-24 compared to +7.30% y/y in the preceding month.

Outlook

We expect inflation to continue its downward trajectory amid easing food prices, lower demand, high base effect and lower commodity prices. However, inflation is expected to rise from May-25 onwards owing to low base effect. Potential adjustment in energy prices and any further indirect taxes to meet revenue requirement along with rise in oil prices remain key risk to inflation outlook. We expect inflation to average between 7-8% for FY25, leaving room for further monetary easing.

Exhibit: National Core-inflation measures												
	Dec-24	Nov-24	Oct-24	Sep-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24	Jan-24
CPI	4.1	4.9	7.2	6.9	9.6	11.1	12.6	11.8	17.3	20.7	23.1	28.3
SPI	4.2	7.3	9.7	9.2	10.9	15.7	16.4	15.3	21.6	25.9	30.4	36.2
WPI	1.9	2.3	3.9	2.0	6.3	10.4	10.6	9.9	13.9	14.8	18.7	27.0
NFNE	9.1	9.7	9.8	10.4	11.9	13.8	14.1	14.2	15.6	15.7	18.1	20.5
Trimmed	6.3	7.6	6.7	7.2	8.6	10.7	10.6	10.8	14.0	16.2	18.1	23.6

Source: PBS, IGI Research

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record

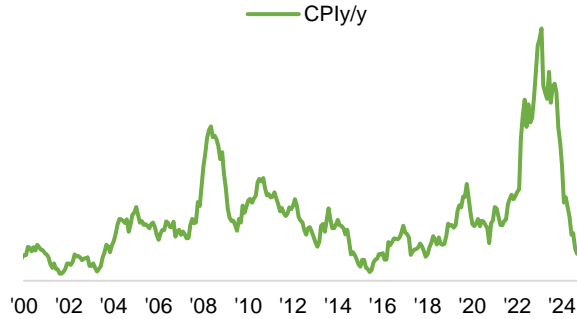


Exhibit: CPI rebased to June

CPI rebased to June shows decline in inflation

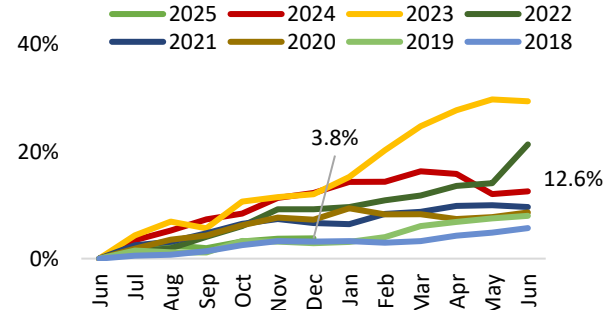
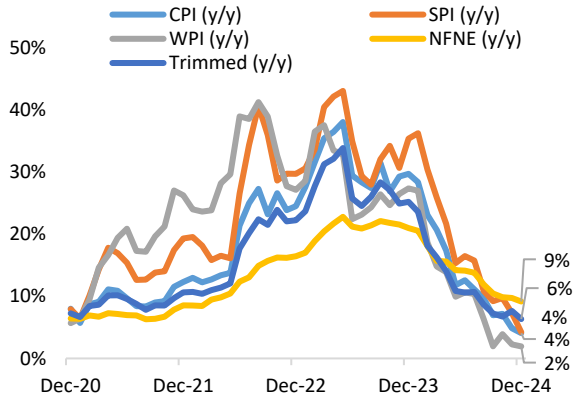


Exhibit: Major Price Indices

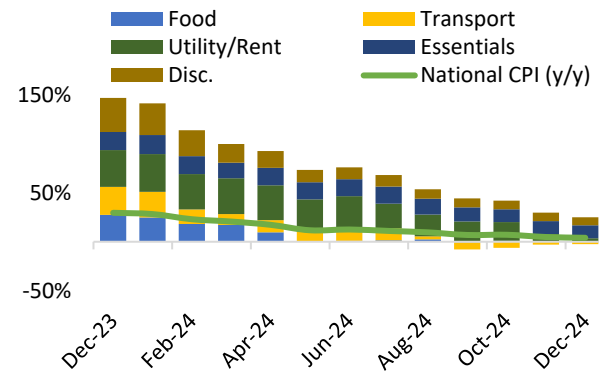
All major indices have depicted a slowdown in growth except for SPI and WPI



Source: PBS, SBP, IGI Research

Exhibit: Percentage point impact of each group on headline figure

Food items have been driving the overall decline in inflation index recently



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