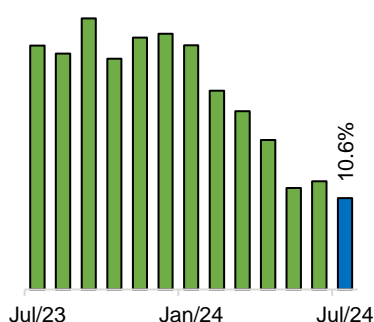


Exhibit: Headline inflation during the month of Jul-24 likely to post +10.6%/y growth



Source: PBS, IGI Research

Inflation

Jul-24: CPI Likely to Print +10.6%/y Growth

- For Jul-24, we estimate national CPI to clock in at +10.6%/y growth compared to the previous month's +12.6%/y. On a monthly scale, Jul-24 is estimated to show a +1.6m/m incline compared to 0.5m/m increase in Jun-24.
- After increasing in Jun-24, CPI is likely to decline in Jul-24 owing to high base effect. Increase in CPI on monthly basis is likely to be driven by higher food prices and house rent. CPI stood at 28.3% in Jul-23.
- Going forward, CPI is likely to continue its downward trajectory in coming months due to high base effect. New taxation measures in Budget 2025 are likely to keep food prices high. However, despite that inflation is likely to remain contained owing to high base effect before rising again by end of FY25. Based on average inflation expectation for FY25, real rates stand significantly positive allowing further room for monetary easing. Thus, we expect SBP to cut rates by 150bps in upcoming monetary policy on 29-Jul-2024.

We preview Jul-24 National CPI estimates.

Monthly Inflation to Clock in at +10.6%/y

For Jul-24, we estimate national CPI to clock in at +10.6%/y growth compared to the previous month's +12.6%/y. On a monthly scale, Jul-24 is estimated to show a +1.6m/m incline compared to 0.5m/m increase in Jun-24. CPI is expected to increase on monthly basis compared to its last 12-month average increase of +1.0m/m. After increasing in Jun-24, CPI is likely to decline in Jul-24 owing to high base effect. Increase in CPI on monthly basis is likely to be driven by higher food prices and house rent. CPI stood at 28.3% in Jul-23.

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

Estimated For the month of: Jul, 2024

	Wt.	y/y	m/m	1MFY25	1MFY24	1MFY23
National	100.0%	10.6%	1.6%	10.6%	28.3%	24.93%
Food	35%	-1.2%	1.8%	-1.2%	39.5%	28.8%
Transport	6%	13.7%	2.8%	13.7%	13.6%	64.7%
Housing	24%	27.2%	1.6%	27.2%	10.8%	21.8%
Essentials	17%	17.8%	1.0%	17.8%	16.7%	11.7%
Disc.	18%	12.2%	1.5%	12.2%	43.5%	20.8%

Source: PBS, IGI Research

Analyst

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Food prices and Housing index increased during Jun-24

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggests prices are likely to increase by +1.8%/m basis. During the month of Jul-24, key food items including Wheat Flour, Chicken, Milk, Tomatoes, Pulses, and Sugar have increased over the previous month whereas prices of Onions and Eggs have declined. Moreover, housing index is likely to increase by +1.6%/m likely owing to adjustment of quarterly house rent.

Hike in POL price to lift Transport index during Jul-24

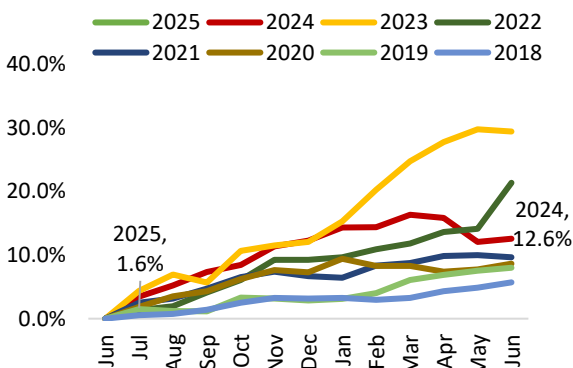
For the month of Jul-24, the transport index is likely to increase by ~+2.8%/m as fuel prices increased. Prices of certain motor vehicle manufacturers remained relatively unchanged during the month.

Outlook

Going forward, CPI is likely to continue its downward trajectory in coming months due to high base effect. New taxation measures in Budget 2025 are likely to keep food prices high. However, despite that inflation is likely to remain contained owing to high base effect before rising again by end of FY25. Based on average inflation expectation for FY25, real rates stand significantly positive allowing further room for monetary easing. Thus, we expect SBP to cut rates by 150bps in upcoming monetary policy on 29-Jul-2024.

Exhibit: Rebased CPI trend

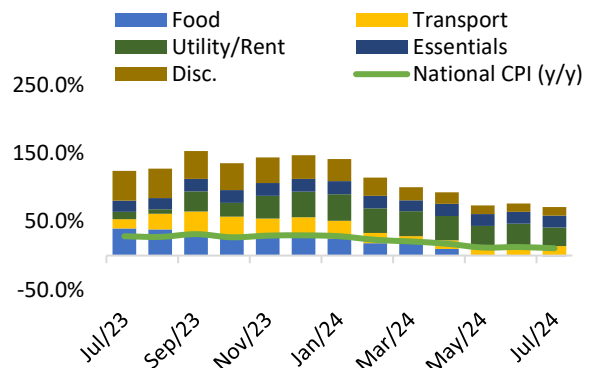
Headline inflation rebased to Jun-24, is estimated to surge by +1.6% during the month of Jul-24 compared to +3.5% recorded last year same month.



Source: PBS, S&P Global, IGI Research

Exhibit: Percentage point impact of each group on the headline figure

Food and housing indexes to drive this month's decline in CPI



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