

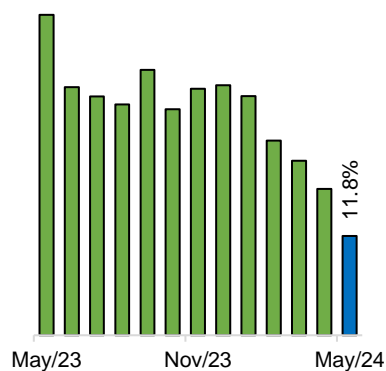
Day Break

Monday, June 3, 2024

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

May-24: CPI Prints 11.76%y/y Growth; Down by 3.24%m/m

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of May-24, headline CPI registered a +11.76%y (down by 3.24%m) growth compared to previous month, +17.34%y (-0.43%m).
- Monthly decline in CPI was mainly led by food and housing index on back of lower food prices and drop in electricity charges under housing index. This takes 11MFY24 period average to +24.9%y against +29.0%y last year same period.
- Substantial decline in inflation during May-24, led to food prices, has further pushed real rates positive. With improvement on external side as well, these indicators make a strong case for monetary easing. Although we expect a 100bps cut in upcoming Monetary Policy Committee (MPC) meeting on 10-Jun-24. However, new taxation measure under consideration in Budget 2025 along with increase in electricity prices would have inflationary impact if implemented; this may prompt SBP to delay rate cuts to next meeting in Jul-24.

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

Estimated For the month of: May, 2024

	Wt.	y/y	m/m	11MFY24	11MFY23	11MFY22
National	100.0%	11.8%	-3.2%	24.9%	29.0%	11.26%
Food	35%	-0.2%	-7.8%	23.9%	38.6%	12.2%
Transport	6%	10.4%	-1.6%	20.7%	53.2%	20.5%
Utility/Rent	24%	33.0%	-1.3%	28.9%	14.3%	10.5%
Essentials	17%	17.5%	0.8%	17.9%	14.8%	7.9%
Disc.	18%	12.6%	0.0%	31.5%	32.7%	10.5%

Source: PBS, IGI Research

Analyst

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Lower food price and electricity charges drags overall CPI

Food index declined by 7.8%m/m owing to decrease in prices of Wheat, Chicken, Fresh Fruits, Onions, Tomatoes and Fresh Vegetables cumulatively dragging overall NCPI down by 2.4%m/m. Besides drop in

food prices index, housing index declined 1.3%/m during May-24 primarily led by 4.5%/m decline in electricity charges which contributes 4.1% to overall CPI basket. As a result, both food and housing index cumulatively contributed to 3.0%/m drop in overall CPI.

Rural inflation drops sharply compared to Urban

Urban inflation dropped by -2.8%/m to +14.35%/y during the month of May-24, whereas rural inflation decreased by -3.89%/m to +8.17%/y.

SPI declines further

Other indices, Wholesale Price Index (WPI) registered a +9.93%/y and down by -2.5%/m. Sensitive Price Index (SPI) recorded a +15.32%/y growth while down by -4.0%/m during the month of May-24 compared to +21.64%/y in the preceding month.

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record



Exhibit: CPI rebased to June

CPI rebased to June shows elevated levels similar to 2023

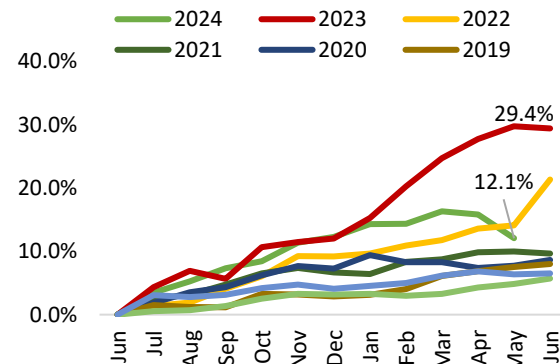
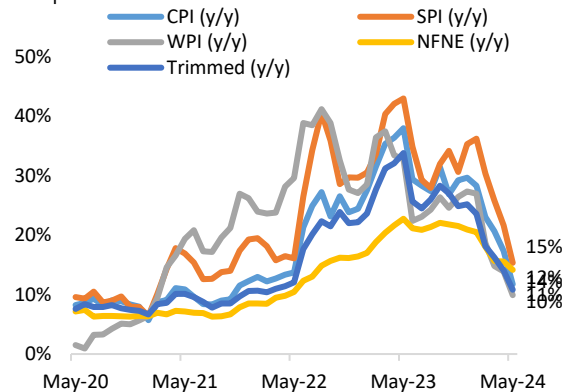


Exhibit: Major Price Indices

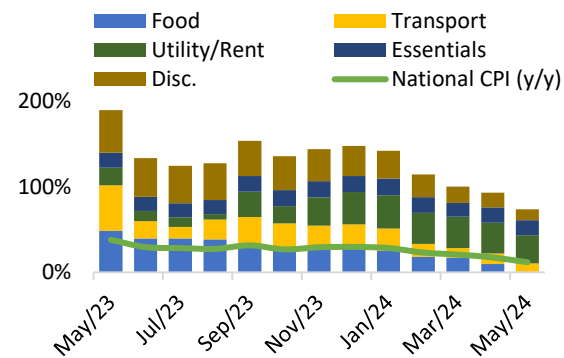
All major indices have depicted a slowdown in growth except for SPI



Source: PBS, SBP, IGI Research

Exhibit: Percentage point impact of each group on headline figure

Food, utility and discretionary items have been driving the overall inflation index recently



Outlook

Substantial decline in inflation during May-24, led to food prices, has further pushed real rates positive. With improvement on external side as well, these indicators make a strong case for monetary easing. Although we expect a 100bps cut in upcoming Monetary Policy Committee (MPC) meeting on 10-Jun-24. However, new taxation measure under consideration in Budget 2025 along with increase in electricity prices would have inflationary impact if implemented; this may prompt SBP to delay rate cuts to next meeting in Jul-24.

Exhibit: National Core-inflation measures												
	May/24	Apr/24	Mar/24	Feb/24	Jan/24	Dec/23	Nov/23	Oct/23	Sep/23	Aug/23	Jul/23	Jun/23
CPI	11.8	17.3	20.7	23.1	28.3	29.7	29.2	26.8	31.4	27.4	28.3	29.4
SPI	15.3	21.6	25.9	30.4	36.2	35.3	30.6	34.2	32.0	27.9	29.3	34.9
WPI	9.9	13.9	14.8	18.7	27.0	27.3	26.4	24.6	26.4	24.3	23.1	22.4
NFNE	14.2	15.6	15.7	18.1	20.5	21.0	21.5	21.8	22.1	21.4	20.9	21.2
Trimmed	10.8	14.0	16.2	18.1	23.6	25.2	24.9	27.0	28.3	26.0	24.5	25.7

Source: PBS, IGI Research

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