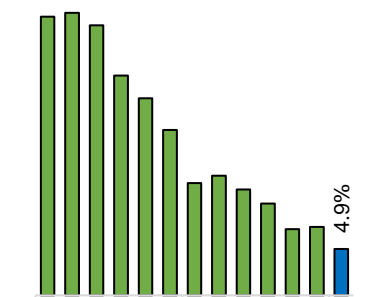


# Day Break

Monday, December 2, 2024

Exhibit: Monthly CPI trend



Source: IGI Research, PBS

## Inflation

### Nov-24: CPI Prints 4.86%/y Growth; up by +0.49%/m/m; Lowest since Apr-2018

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Nov-24, headline CPI registered a +4.86%y (up by +0.49%*m*) growth compared to previous month, +7.17%y (up +1.23%*m*).
- Slowdown in monthly CPI reading was mainly led by decline in food. However, higher transport and housing 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, 5MFY25 average inflation stands at 7.9% compared to 28.6% 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, 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 ample room for further monetary easing.

#### Nov-24: Inflation prints 4.86%/y, up by +0.49%/m/m

Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Nov-24, headline CPI registered a +4.86%y (up by +0.49%*m*) growth compared to previous month, +7.17%y (up +1.23%*m*). Slowdown in monthly CPI reading was mainly led by decline in food. However, higher transport and housing 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, 5MFY25 average inflation stands at 7.9% compared to 28.6% in the similar period last year.

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

Estimated For the month of: November, 2024

	Wt.	y/y	m/m	5MFY25	5MFY24	5MFY23
National	100.0%	4.9%	0.5%	7.9%	28.6%	25.15%
Food	35%	-0.2%	-0.2%	0.8%	33.2%	31.5%
Transport	6%	-2.8%	0.7%	-0.2%	24.9%	58.0%
Utility/Rent	24%	7.9%	0.4%	19.1%	20.1%	14.9%
Essentials	17%	13.2%	1.9%	14.9%	17.8%	13.7%
Disc.	18%	8.7%	0.7%	9.6%	40.8%	25.0%

Source: PBS, IGI Research

#### Analyst

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### Lower food prices drag overall CPI

Food index declined by 0.2%*m/m* owing to decline in prices of Rice, Chicken, Fresh Fruits, Pulse (Masoor, Mash, Gram), Onions, Fresh Vegetables, Sugar and Condiments/spices while prices of Wheat, Meat, Egg, Pulse Moong, Tomatoes, Potatoes and Cooking Oil increased. Food prices contributed 0.07%*m/m* decline in overall CPI. Housing index increased by +0.4%*m/m* mainly owing to higher LPG and Solid Fuel prices.

### Transport index increased by +0.7%*m/m*

Transport index inclined by +0.7%*m/m* mainly due to increase in POL product prices and transport services. Increase in Motor fuel and transport services contributed nearly 0.04% to overall CPI.

### Urban inflation continues to outpace rural

Urban inflation increased by +0.49%*m/m* to +5.24%*y/y* during the month of Nov-24, whereas rural inflation inclined by +0.48%*m/m* to +4.31%*y/y*.

### SPI picks up in Nov-24

Other indices, Wholesale Price Index (WPI) registered a +2.26%*y/y* growth and declined by 0.1%*m/m* during Nov-24. Sensitive Price Index (SPI) recorded a +7.30%*y/y* growth while up by +1.0%*m/m* during the month of Nov-24 compared to +9.70%*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, 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 ample room for further monetary easing. We expect MPC to cut interest rates by 200bps in its upcoming Monetary Policy on 16-Dec-2024.

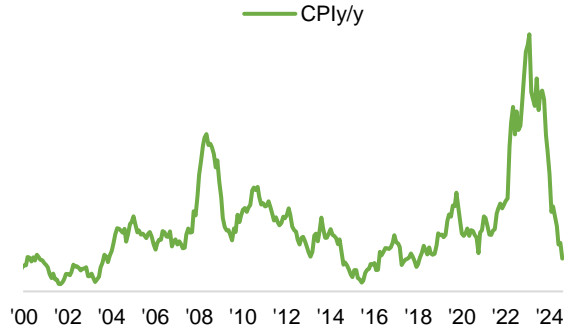
Exhibit: National Core-inflation measures

	Nov/24	Oct/24	Sep/24	Aug/24	Jul/24	Jun/24	May/24	Apr/24	Mar/24	Feb/24	Jan/24	Dec/23
<b>CPI</b>	<b>4.9</b>	<b>7.2</b>	<b>6.9</b>	<b>9.6</b>	<b>11.1</b>	<b>12.6</b>	<b>11.8</b>	<b>17.3</b>	<b>20.7</b>	<b>23.1</b>	<b>28.3</b>	<b>29.7</b>
SPI	7.3	9.7	9.2	10.9	15.7	16.4	15.3	21.6	25.9	30.4	36.2	35.3
WPI	2.3	3.9	2.0	6.3	10.4	10.6	9.9	13.9	14.8	18.7	27.0	27.3
NFNE	9.7	9.8	10.4	11.9	13.8	14.1	14.2	15.6	15.7	18.1	20.5	21.0
Trimmed	7.6	6.7	7.2	8.6	10.7	10.6	10.8	14.0	16.2	18.1	23.6	25.2

Source: PBS, IGI Research

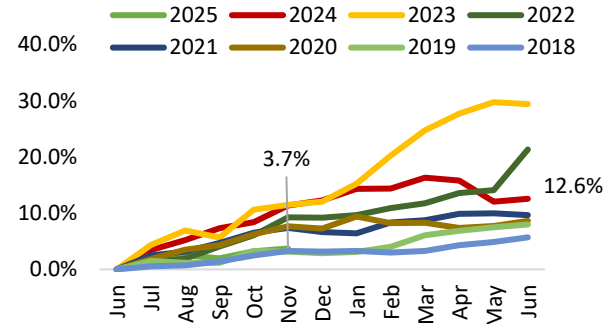
**Exhibit: Historical CPI Trend**

Headline inflation breaks decades old record



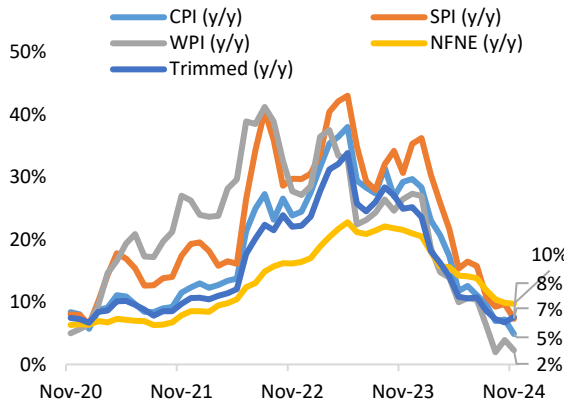
**Exhibit: CPI rebased to June**

CPI rebased to June shows decline in inflation



**Exhibit: Major Price Indices**

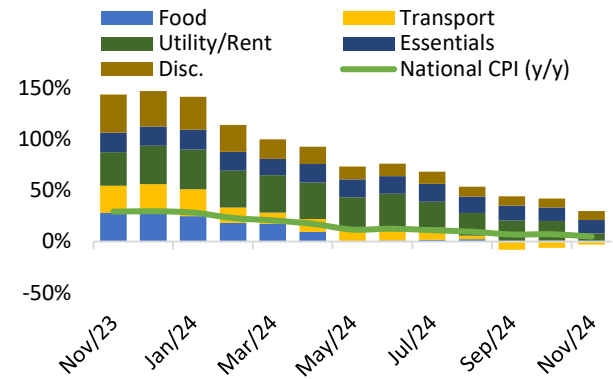
All major indices have depicted a slowdown in growth except for SPI and WPI



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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