

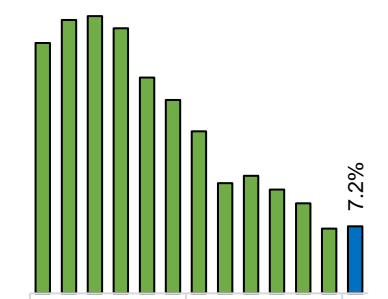
# Day Break

Friday, November 1, 2024

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Securities

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

## Inflation

### Oct-24: CPI Prints 7.17%y/y Growth; up by +1.23%m/m

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Oct-24, headline CPI registered a +7.17%y (up by +1.23%m) growth compared to previous month, +6.93%y (down 0.52%m).
- Monthly incline in CPI was mainly led by increase in food and housing index. However, lower POL 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, 4MFY25 average inflation stands at 8.7% compared to 28.5% 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 8-9% for FY25, leaving ample room for further monetary easing.

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

Estimated For the month of: October, 2024

	Wt.	y/y	m/m	4MFY25	4MFY24	4MFY23
National	100.0%	7.2%	1.2%	8.7%	28.5%	25.48%
Food	35%	0.9%	2.2%	1.1%	34.5%	31.6%
Transport	6%	-6.1%	-1.5%	0.5%	24.5%	61.4%
Utility/Rent	24%	19.2%	1.6%	21.9%	16.8%	16.2%
Essentials	17%	13.1%	0.5%	15.3%	17.5%	13.4%
Disc.	18%	8.8%	0.6%	9.8%	41.7%	24.4%

Source: PBS, IGI Research

#### Analyst

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### Higher food prices lift overall CPI

Food index increased by +2.2%*m/m* owing to incline in prices of Wheat, Chicken, Pulse Moong, Pulse Gram, Meat, Fresh Vegetables and Condiments/spices while prices of Eggs, Fresh Fruits, Rice, and Sugar declined. Food prices contributed +0.8%*m/m* increase in overall CPI. Housing index increased by +1.6%*m/m* mainly owing to adjustment of quarterly house rent.

### Transport index declined by 1.5%*m/m*

Transport index dropped by 1.5%*m/m* mainly due to decline in POL product prices. Decline in Motor fuel and transport services contributed nearly 0.1% to overall CPI.

### Urban inflation continues to remain high since Nov-23

Urban inflation increased by +1.05%*m/m* to +9.28%*y/y* during the month of Oct-24, whereas rural inflation inclined by +1.49%*m/m* to +4.23%*y/y*.

### SPI picks up in Oct-24

Other indices, Wholesale Price Index (WPI) registered a +3.89%*y/y* growth and remained flat on monthly basis during Oct-24. Sensitive Price Index (SPI) recorded a +9.70%*y/y* growth while up by +0.6%*m/m* during the month of Oct-24 compared to +9.21%*y/y* in the preceding month.

### Outlook

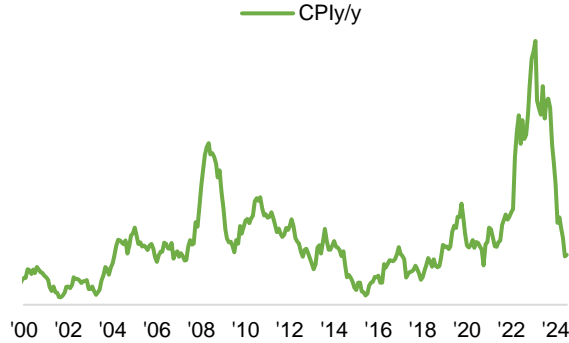
We expect inflation to continue its downward trajectory amid easing food prices, lower demand, high base effect and lower commodity prices. However, potential adjustment in energy prices and any further indirect taxes to meet revenue requirement along with rise in oil prices remain key risk to inflation outlook. We expect inflation to average between 8-9% for FY25, leaving ample room for further monetary easing. We expect MPC to cut interest rates by 200bps in its upcoming Monetary Policy on 04-Nov-2024.

Exhibit: National Core-inflation measures												
	Oct/24	Sep/24	Aug/24	Jul/24	Jun/24	May/24	Apr/24	Mar/24	Feb/24	Jan/24	Dec/23	Nov/23
CPI	7.2	6.9	9.6	11.1	12.6	11.8	17.3	20.7	23.1	28.3	29.7	29.2
SPI	9.7	9.2	10.9	15.7	16.4	15.3	21.6	25.9	30.4	36.2	35.3	30.6
WPI	3.9	2.0	6.3	10.4	10.6	9.9	13.9	14.8	18.7	27.0	27.3	26.4
NFNE	9.8	10.4	11.9	13.8	14.1	14.2	15.6	15.7	18.1	20.5	21.0	21.5
Trimmed	6.7	7.2	8.6	10.7	10.6	10.8	14.0	16.2	18.1	23.6	25.2	24.9

Source: PBS, IGI Research

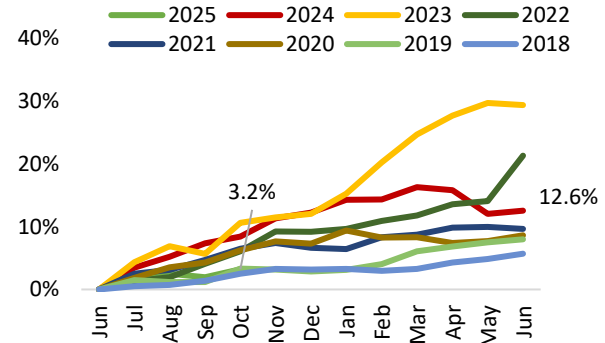
**Exhibit: Historical CPI Trend**

Headline inflation breaks decades old record



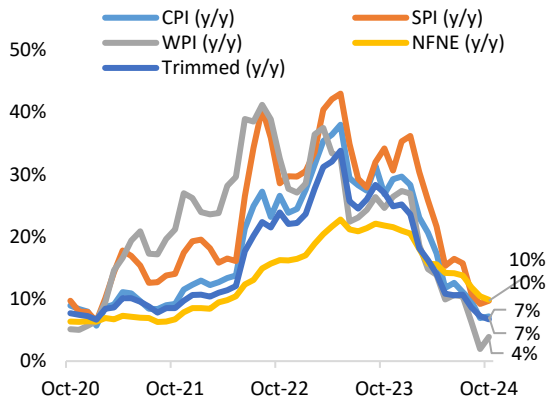
**Exhibit: CPI rebased to June**

CPI rebased to June shows decline in inflation



**Exhibit: Major Price Indices**

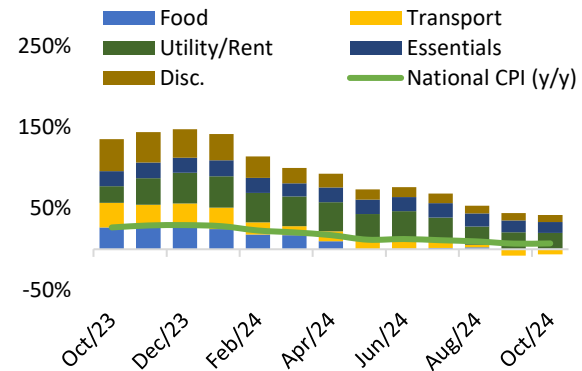
All major indices have depicted a slowdown in growth except for SPI and WPI



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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