

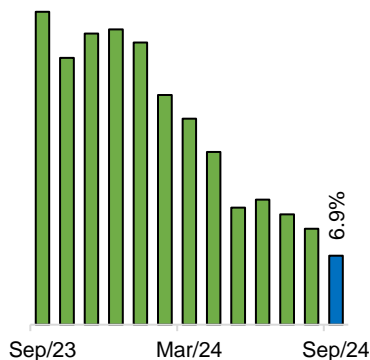
Day Break

Tuesday, October 1, 2024

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Securities

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Exhibit: Monthly CPI trend



Source: IGI Research, PBS

Inflation

Sep-24: CPI Prints 6.93%y/y Growth; down by 0.52%m/m

- Recent inflation data released by Pakistan Bureau of Statistics (PBS), shows for the month of Sep-24, headline CPI registered a +6.93%y (down by 0.52%m) growth compared to previous month, +9.64%y (+0.4%m).
- Monthly decline in CPI was mainly led by drop in food, transport and housing index. However, higher restaurants, health and education prices restricted overall decline in CPI. On yearly basis, increase in inflation was limited by slowdown in food and transport price along with higher base effect. As a result, 3MFY25 average inflation stands at 9.2% compared to 29.0% 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.

Sep-24: Inflation prints 6.93%y/y, down by 0.52%m/m

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

Estimated For the month of: September, 2024

	Wt.	y/y	m/m	3MFY25	3MFY24	3MFY23
National	100.0%	6.9%	-0.5%	9.2%	29.0%	25.12%
Food	35%	-0.6%	-1.4%	1.1%	37.0%	30.0%
Transport	6%	-7.3%	-1.9%	2.7%	22.6%	64.1%
Utility/Rent	24%	20.9%	-0.6%	22.8%	15.6%	17.6%
Essentials	17%	14.4%	0.5%	16.0%	17.1%	12.9%
Disc.	18%	9.1%	0.9%	10.1%	42.5%	23.5%

Source: PBS, IGI Research

Analyst

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Lower food prices drag overall CPI

Food index declined by 1.4%*m/m* owing to decline in prices of Wheat, Chicken, Cooking Oil, Pulses, Tomatoes and Sugar while prices of Eggs, Meat, Rice, Milk, Onions and Potatoes increased. Food prices contributed 0.48%*m/m* decline in overall CPI.

Transport index declined by 1.9%*m/m*

Transport index dropped by 1.9%*m/m* mainly due to decline in POL product prices. Decline in Motor fuel and transport services contributed nearly 0.11% to overall CPI.

Urban inflation continues to remain high since Nov-23

Urban inflation declined by 0.53%*m/m* to +9.29%*y/y* during the month of Sep-24, whereas rural inflation dropped by 0.50%*m/m* to +3.65%*y/y*.

SPI declines further in Sep-24

Other indices, Wholesale Price Index (WPI) registered a +1.95%*y/y* growth and 1.1%*m/m* decline during Sep-24. Sensitive Price Index (SPI) recorded a +9.21%*y/y* growth while up by 0.2%*m/m* during the month of Sep-24 compared to +10.85%*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.

Exhibit: National Core-inflation measures												
	Sep/24	Aug/24	Jul/24	Jun/24	May/24	Apr/24	Mar/24	Feb/24	Jan/24	Dec/23	Nov/23	Oct/23
CPI	6.9	9.6	11.1	12.6	11.8	17.3	20.7	23.1	28.3	29.7	29.2	26.8
SPI	9.2	10.9	15.7	16.4	15.3	21.6	25.9	30.4	36.2	35.3	30.6	34.2
WPI	2.0	6.3	10.4	10.6	9.9	13.9	14.8	18.7	27.0	27.3	26.4	24.6
NFNE	10.4	11.9	13.8	14.1	14.2	15.6	15.7	18.1	20.5	21.0	21.5	21.8
Trimmed	7.2	8.6	10.7	10.6	10.8	14.0	16.2	18.1	23.6	25.2	24.9	27.0

Source: PBS, IGI Research

Exhibit: Historical CPI Trend

Headline inflation breaks decades old record

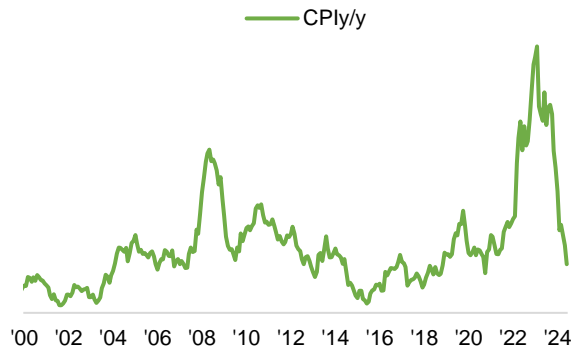


Exhibit: CPI rebased to June

CPI rebased to June shows decline in inflation

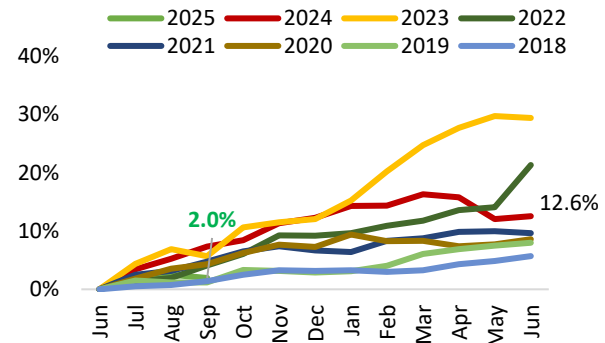
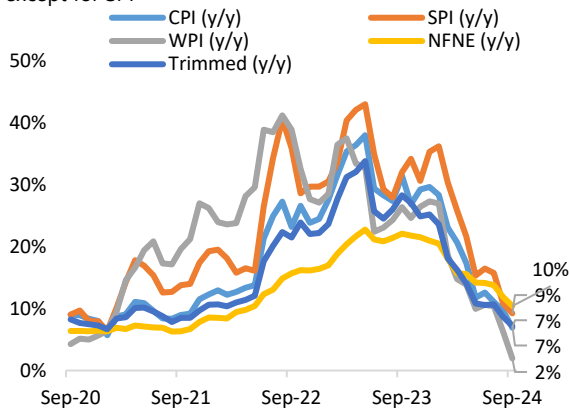


Exhibit: Major Price Indices

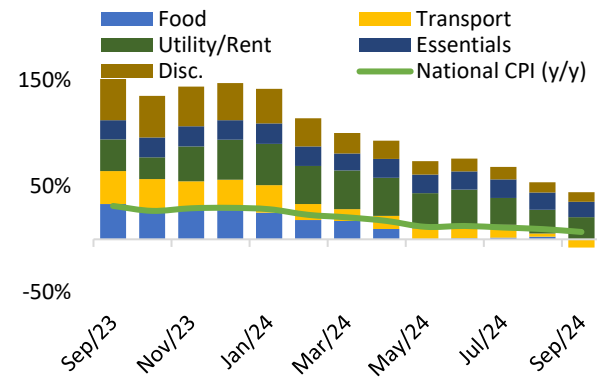
All major indices have depicted a slowdown in growth except for SPI



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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