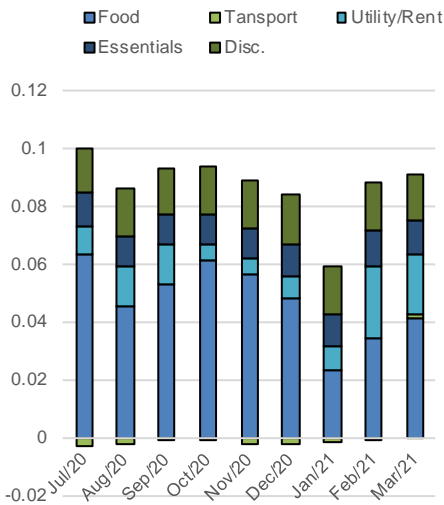
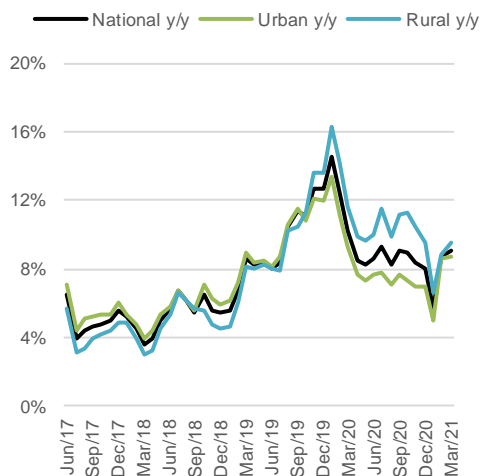


## Economy

### Monthly ppt impact by group



### Monthly Inflation trend



Source: Bloomberg, SBP, MOF, PSX  
**Analyst**

Saad Khan  
 saad.khan@igi.com.pk  
 Tel: (+92-21) 111-234-234 Ext.: 810

Areesha Ishrat  
 areesha.ishrat@igi.com.pk  
 Tel: (+92-21) 111-234-234 Ext.: 810

## Inflation

### March-21, Inflation Rose To +9.1% as Food prices continue to escalate

- Monthly inflation rose to 9.05% y/y (+0.4% m/m) compared to last month, 8.7% (+1.8% m/m) taking 9mF21 period average to 8.4% y/y compared to last year, 11.7% y/y.
- Key reason for monthly uptick in inflation is due to higher Food prices +11% y/y (+1.7% m/m) largely driven by perishable commodities.
- Absence of electricity price increase and reduction in transportation charges eased Non-food inflation by 0.4%
- The Food prices increase remained much more pronounced in urban index increasing by +10.3% y/y (+1.3% m/m) compared to +9.1% y/y (0.2% m/m) under rural index
- Ramadan-led seasonal demand and expected electricity and gas price hike would drive inflation further to a double digit figure in the remaining months leading up to FY21.

### Monthly inflation prints a +9.05% y/y growth

For the month of Mar-21, headline CPI inflation printed a growth of 9.05% y/y (+0.4% m/m) compared to last month, 8.7% (+1.8% m/m). This takes, 9mF21 period average to 8.4% y/y compared to last year, 11.7% y/y.

Likewise, on a monthly basis, urban index experienced a much slower growth +0.27% m/m to 8.75% y/y (following a +2.3% m/m growth last month) compared to rural index up by +0.5% m/m to 9.5%.

Key group adding to monthly uptick included food (+1.75%), clothing & footwear (+1.0%), Household equipment (+1.02%) on m/m basis. Whereas, utilities (housing, water, electricity, gas & fuel) group pulled down inflation by 1.65%, followed by transport (0.65%) and misc. (0.47%).

#### Exhibit: Mar-21 inflation snapshot

Index	Wts.	Mar-21	m/m	y/y	9MFY21	9MFY20
<b>National</b>	<b>100%</b>	<b>143.6</b>	<b>0.4%</b>	<b>9.0%</b>	<b>8.4%</b>	<b>11.5%</b>
Urban	60%	143.0	0.3%	8.7%	7.4%	11.1%
Rural	40%	144.5	0.5%	9.5%	9.9%	12.1%
<b>Break-up of top 5 basket weights</b>						
Food	34.6%	147.5	1.7%	11.6%	13.2%	
Utilities*	23.6%	140.5	-1.7%	8.8%	5.3%	
Cloths/ Footwear	8.6%	146.9	1.1%	10.7%	9.8%	
Rest.& Hotels	6.9%	141.3	0.7%	8.1%	8.5%	
Transport	5.9%	143.3	-0.7%	2.9%	-2.1%	

Source: PBS, IGI Research, \*housing, water, electricity, gas & fuel

### Food price surge continues largely driven by perishable commodities

During the month food prices recorded an increase of +1.7% m/m and +11% y/y. Primarily the rise in food price this month was largely driven by perishable food items (+3.3% m/m) which included poultry products namely (eggs: +12.9% m/m, chicken: +6.6% m/m), followed by potatoes: +9.5% m/m, sugar: +4.8% m/m, Wheat flour: + 1.5% m/m. Moreover, in comparison, increase in food prices was more pronounced in urban index increasing by +10.3% y/y (+1.3% m/m) compared to +9.1% y/y (0.2% m/m) under rural index.

**Non-food Inflation eases by 0.4% m/m**

Under non-food inflation eased by 0.38% m/m notable among which is a decline in electricity prices (-8.1% m/m) and transportation charges (-3% m/m).

**Core prices continue to show a rising trend**

Elevated inflation levels are visible across all divisions including core Inflation as measured by non-food, non-energy (NFNE) whereby Urban NFNE inflation swelled by +6.3% y/y (0.2% m/m) and rural NFNE inflation displayed a rise of +7.3% y/y (+0.3% m/m).

**Outlook**

With 'Ramadan' around the corner, we expect seasonal demand stemming from it to drive inflation for FY21. This pent-up demand and low base effect will push inflation in double digits, in the coming months. Moreover, on non-food prices expectation of gas and electricity price hike will potentially add further upward pressure on headline. While, respite amid recent decision to slash POL prices (by up to Rs.3 per litre) may to some extent contain inflationary pressures in Apr-21.

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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## Contact Details

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Shumail Rauf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	shumail.rauf@igi.com.pk
Areesha Ishrat	Trainee Analyst	Tel: (+92-21) 111-234-234 Ext: 810	areesha.ishrat@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of  
Pakistan Stock Exchange Limited |  
Corporate member of Pakistan Mercantile Exchange Limited

### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: www.igisecurities.com.pk

### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

<p><b>Lahore Office</b> Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559</p>	<p><b>Islamabad Office</b> Mezzanine Floor, Office 5, 6 &amp; 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861</p>
<p><b>Faisalabad Office</b> Room #: 515-516, 5th Floor, State Life Building, 2- Liaqat Road Tel: (+92-41) 2540843-45 Fax: (+92-41) 2540815</p>	<p><b>Rahim Yar Khan Office</b> Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651</p>
<p><b>Multan Office</b> Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183</p>	

IGI Finex Securities Limited

### Research Analyst(s)

Research Identity Number: BRP009

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