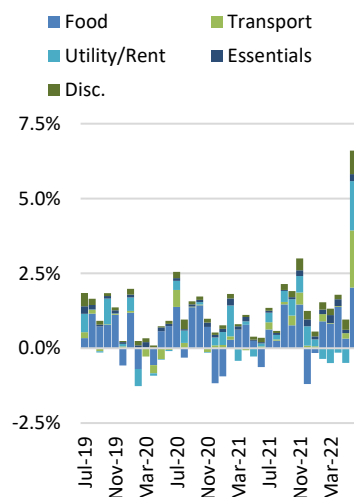
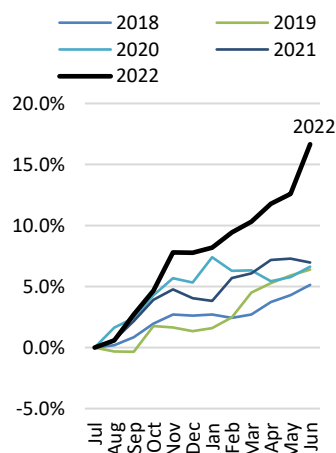


## Economy

**Exhibit:** Category wise monthly National CPI inflation



**Exhibit:** Annual Inflation trajectory Rebased to June



**Analyst**

Abdullah Farhan

[Abdullah.Farhan@igi.com.pk](mailto:Abdullah.Farhan@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 912

Aariz Raza

[Aariz.Raza@igi.com.pk](mailto:Aariz.Raza@igi.com.pk)

Tel: +92 21 111 234 234 Ext: 816

### Monthly Inflation Review

## Jun-22: Headline Inflation Crosses Teen; Up by +21.3%Y Growth

- For the month of June-22, inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +21.3%y growth compared to previous month +13.8%y. The monthly inflation came relatively higher than market and our consensus of +17.9%y and 18.2% respectively.
- The biggest change during the month came from a +24.4%m rise in transport index, led primarily by +38%m increase in Motor fuel prices. Moreover, Electricity prices have also risen by +51.8%m which carries a weight of +4.11%. This includes roll-back of PKR 5.0/kwh subsidy and Fuel Price Adjustment (FPA) of PKR 4.0/kwh.
- Going forward, for the month of Jul-22, we highlight increase in a) electricity tariffs, b) gas tariff, c) petroleum price, and d) quarterly adjustment of house rental index will further accelerate overall CPI.

We review Consumer Price Index (CPI) for the month of Jun-22.

### Jun-22 Inflation Crosses Teen; To Print A +21.3%Y Growth

For the month of June-22, inflation numbers released by Pakistan Bureau of Statistics (PBS), national headline inflation registered a +21.3%y growth compared to previous month +13.8%y. The monthly inflation came relatively higher than market and our consensus of +17.9%y and 18.2% respectively.

On a monthly basis inflation is up by +6.3%m. This takes FY22, average inflation to +12.1%y versus last year same period average of +8.9%y.

Urban inflation stood at +19.8%y (+6.2%m) during the month, taking Fy22 average to +11.8%y (+8.1%y last year). Whereas Rural inflation is up +23.6%y (+6.6%m) during the month, taking Fy22 average to +12.6%y (+10.1%y last year).

Other indices, Wholesale Price Index (WPI) registered a +38.9%y growth that brings FY22 average to +24.9% (+9.41% last year) and Sensitive Price Index (SPI) recorded a +21.7% taking FY22 average to +17.1% (+13.83 last year).

**Exhibit: Pakistan Inflation Indices for the Month of Jun-22**

%	Jun-22	m/m	FY22	FY21	FY20
CPI (National)	21.3	6.3	12.2	8.9	10.7
CPI (Urban)	19.8	6.2	11.8	8.1	10.2
CPI (Rural)	23.6	6.6	12.7	10.0	11.6
SPI	38.9	6.2	17.1	13.8	13.7
WPI	21.7	8.2	24.9	9.4	10.2

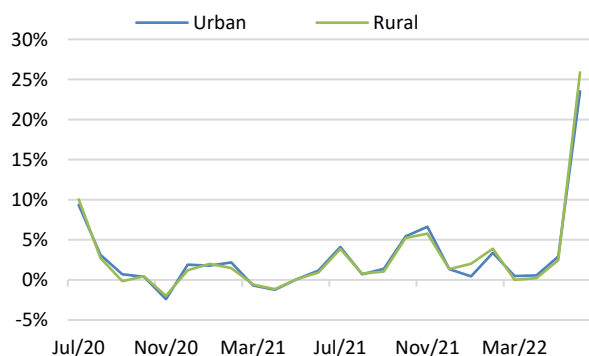
### Transport Index Up +24.4%M As Government Rolls Back Subsidy...

The biggest change during the month came from a +24.4%m rise in transport index, led primarily by +38%m increase in Motor fuel prices which carries a direct weight of 2.74%. To recall, government has scaled back petroleum subsidy and have

subsequently increased petroleum development levy (PDL) and sales tax, taking the current retail price of petrol prices to PKR 248/ltr and diesel prices to PKR 277/ltr, up from PKR 150/ltr back in 26-May 2022; that's almost +65% increase, part of which is reflected in the month of Jun-22.

#### Exhibit: Transport Index

Rollback of government subsidy on petroleum products since 26 May-22 has pushed overall index to record high level



#### ...And So Has Electricity Prices

Moreover, Electricity prices have also risen by +51.8% which carries a weight of +4.11%. This includes roll-back of PKR 5.0/kwh subsidy and Fuel Price Adjustment (FPA) of PKR 4.0/kwh. Moreover, this does not include administrative increase of PKR 7.9/kwh applicable from Jul-22 onwards, which the government has indicate will be distributed over the period of 3 months.

#### Food Prices; Not Coming Slow Either

During the month, food price index (wt. +34.6%) rose by +5.5% to print a +25.9% growth. Compared to previous months of FY22 average food inflation posted +1.1% growth on monthly basis and last year this growth was less than 1.0% at 0.89%. Key non-perishable food items including edible oil, pulses, wheat and sugar all showed double digit monthly growth.

#### Outlook: More Inflation Pain on Horizon

Going forward, for the month of Jul-22, we highlight increase in a) electricity tariffs, b) gas tariff, c) petroleum price, and d) quarterly adjustment of house rental index will further accelerate overall CPI. We estimate Jul-22 could range from 23-26% depending on quantum of increase in fuel and electricity (incl. FPA) & gas prices. This hold significance given monetary policy statement is due on 7th July, 2022. We believe 3 months forward inflation is likely to average over 22%, which in our view will tilt market consensus to a more aggressive rate increase.