

ECONOMY

Inflation Preview

Pakistan Research

Transport to ease CPI in Nov-23 to 26.0% YoY

Headline inflation is expected to moderate for a consecutive month from 26.9% YoY last month to 26.0% YoY in Nov-23 on account of (i) decline in fuel prices (ii) easing pressures from Food and (iii) lower electricity prices. The slowdown may occur in spite of the gas price hike. This takes FY24 YTD average to 28.0% YoY in Nov-23 from 28.5% YoY in Oct-23 (see fig 1). On a MoM basis, we estimate an increase of 0.1%.

Transport expected to decline

The category is projected to exhibit a softer reading from -1.8% MoM in Oct-23 to -4.8% MoM in Nov-23. The reading incorporates the downward motor fuel price adjustment last month where petrol and diesel fell by 12.3% MoM and 4.7% MoM respectively. The downward adjustment emanated from the PKR appreciation wave and lower oil prices in early Oct-23 amid weaker demand from USA.

Relief from heavyweight Food segment

Food & beverage is expected to decelerate from 0.6% MoM last month to 0.3% MoM in Nov-23 primarily on the back of spillover effects from lower motor fuel prices. In particular, easing occurred from lower pulse, wheat, rice and chicken prices. Wheat and rice prices fell mainly due to estimated improving crop harvests by 16.2% YoY and 18.0% YoY respectively. We believe favorable weather conditions and improved water availability could keep inflationary pressures from the segment in check.

Easing Housing & Utilities despite gas price hike

The constituent is anticipated to adjust downwards by -0.4% MoM as falling electricity prices offset the gas price hike. The decline in electricity prices is attributed to a lower fuel price adjustment of PKR 0.4. We estimate a substantial increase in gas prices of 71.3% MoM according to the CPI quintile-based methodology, however, its impact would likely remain minimal due to the low weightage of gas (0.4%) in the consumer basket.

Inflation to remain in check

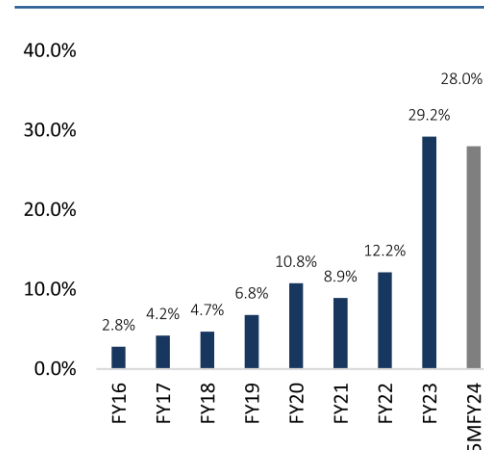
Looking ahead, we expect the inflation trajectory to continue to move towards a lower plane in upcoming months mainly due to a high base effect and easing food index (as production of rabi crops in FY24). However, we flag second round impacts of the gas price hike, PKR depreciation and higher oil prices as key risk factors to our estimates.

Nov-23 MoM National CPI Inflation Breakdown

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.58%	0.3%	0.1%
-- Non - Perishable	29.60%		
-- Perishable	4.99%		
Housing, Water, Electricity, Gas & Fuel	23.63%	-0.4%	-0.1%
Clothing & Footwear	8.60%	0.7%	0.1%
Restaurants & Hotels	6.92%	2.5%	0.2%
Transport	5.91%	-4.8%	-0.3%
Others	20.36%	0.4%	0.1%
MoM change in CPI			0.1%
YoY Change in CPI			26.0%

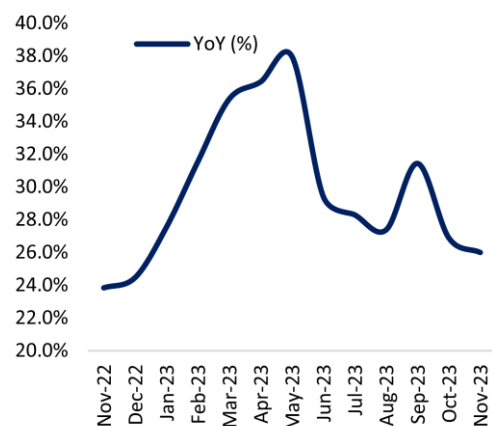
Source: PBS, Akseer Research

Fig 1: Downward adjustment in FY24 YTD average



Source: PBS, Akseer Research

Fig 2: CPI trending on a lower plane

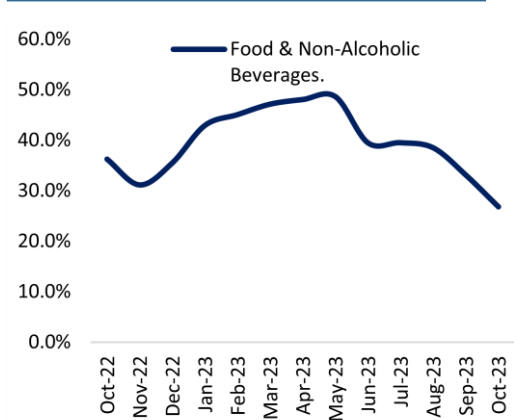


Source: PBS, Akseer Research

Shan Shaikh

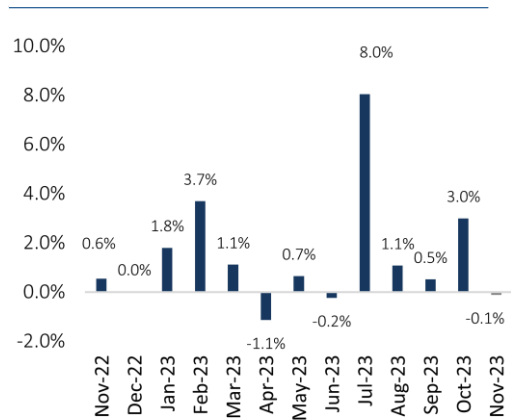
shan.shaikh@akseerresearch.com

Fig 3: Food YoY depicting downward trend



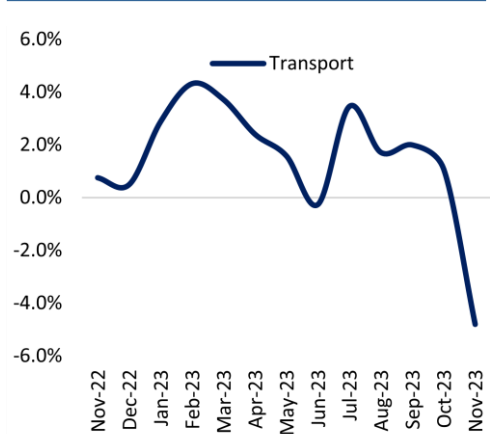
Source: PBS, Akseer Research

Fig 4: Lower FCA to offset gas price hike and ease Housing & Utilities MoM



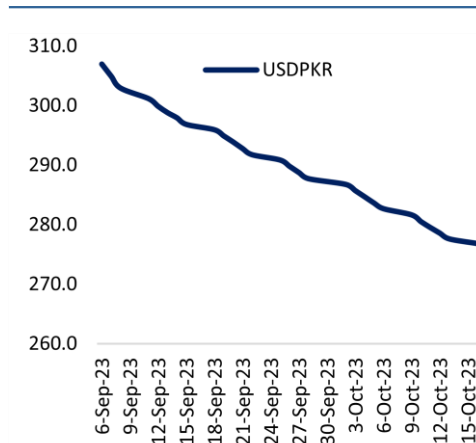
Source: PBS, Akseer Research

Fig 5: Transport MoM expected to deflate in Nov-23



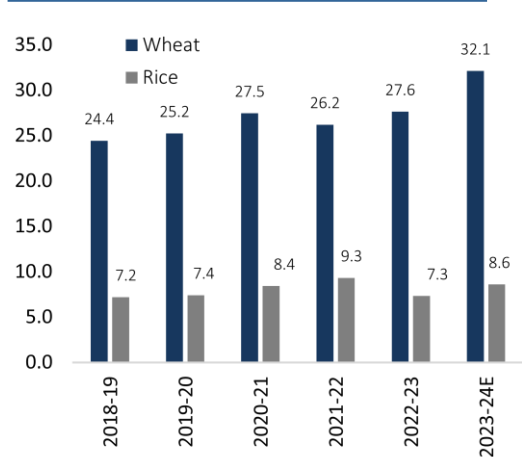
Source: PBS, Akseer Research

Fig 6: PKR appreciation drove lower motor fuel prices



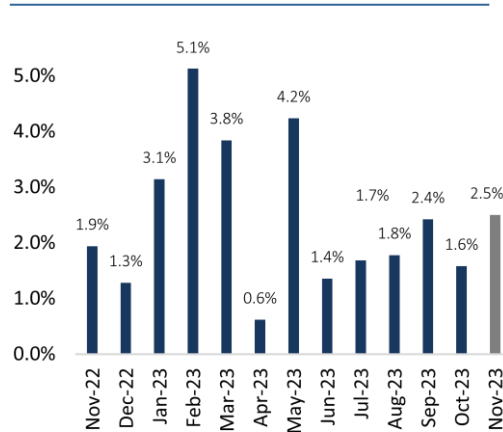
Source: PBS, Akseer Research

Fig 7: Higher Agricultural output to assist in alleviating inflationary pressures (Mn bales)



Source: MoF, Akseer Research

Fig 8: Restaurants & hotels remain sticky despite easing food & fuel prices



Source: PBS, Akseer Research

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Contact Details

Akseer Research (Pvt) Limited

1st Floor, Shaheen Chambers, KCHS block 7 & 8,
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: info@akseerresearch.com

Alpha Capital (Pvt) Limited (Formerly: Alfa Adhi Securities (Pvt) Limited)

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,
KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: info@alphacapital.com.pk