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Economy: Apr-25 NCPI expected at 0.2% YoY

The headline CPI is expected to ease further in Apr-25, clocking in at 0.2% YoY, continuing the declining inflation trend. This represents the lowest inflation reading for the past six decades, largely attributable to notable reductions in food and housing segments amid lower electricity prices and post-Ramzan factor. Moderate demand and stable PKR/USD parity have kept price levels moderate since the beginning of 2024, with a cumulative price increase of a mere 3.3% since Dec'23. Average inflation during 10MFY25 is now expected to settle at 4.8%, significantly lower than 26.2% recorded in the same period last year (10MFY24).

Food segment to drive the disinflationary trend

The food inflation is expected to decrease by 3.2% month-on-month (MoM), driven by falling prices of wheat, eggs, chicken, onions, pulses, and tomatoes. The reduction in their prices can be attributed to improved supply conditions and softer demand following the conclusion of Ramzan.

Softening trend in housing inflation with minor offsets

The housing, water, electricity, and gas segment is expected to register a decline of approximately 0.4% MoM in April 2025, primarily due to a reduction in electricity prices. The negative Quarterly Tariff Adjustment (QTA) of PKR 1.9 contributed to a reduction in electricity prices during the month. Nonetheless, the quarterly house rent adjustment is expected to partially mitigate the broader decline in the housing sub-index.

Outlook

We anticipate that the State Bank of Pakistan (SBP) may opt to reduce the policy rate by 50 basis points in its upcoming Monetary Policy Committee (MPC) meeting scheduled for May 2025. This view is supported by a combination of favorable factors like inflationary trends and a strong external account performance.

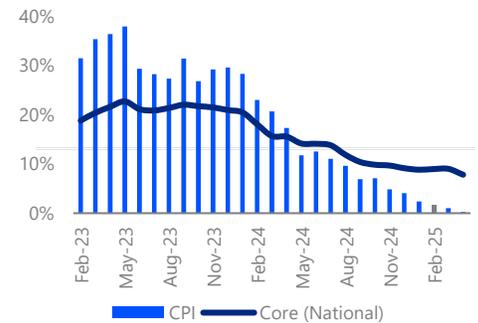
On the external front, the economy recorded a current account surplus of USD 1.2 bn in March 2025, with expectation of balanced external account for the remainder year — signaling reduced pressure on the rupee. However, escalating tensions with India may act against our case for a cut in policy rate in the upcoming monetary policy. Moreover, average inflation for FY25 seems to be within the SBP's medium-term target range of 5–7% so inflationary pressure appears to be under control.

Apr-25 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-3.2%	-1.16%
Housing, Water, Electricity, Gas & Fuel	23.63%	-0.4%	-0.09%
Clothing & Footwear	8.60%	1.15%	0.10%
Restaurants & Hotels	6.92%	0.75%	0.06%
Transport	5.91%	0.16%	0.01%
Others	20.36%	5.09%	0.14%
MoM Change in CPI			-0.93%
YoY Change in CPI			0.2%

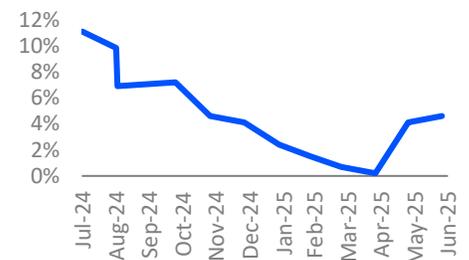
Source: PBS, Akseer Research

NCPI expected lowest in two decades



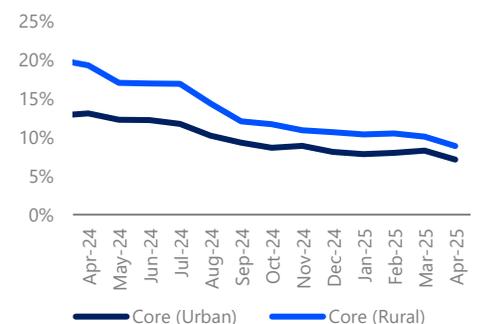
Source: PBS, Akseer Research

NCPI expectation for FY25 (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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