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27 December 2024

## Economy: Dec-24 NCPI expected at 4.3% YoY, lowest since Apr-18

The headline CPI is expected to arrive at 4.3% YoY in Dec-24, continuing the declining inflation trend, following a reading of 4.9% YoY in Nov-24. This is expected to take 1HFY25 average inflation to 7.3% YoY. MoM inflation is expected to remain flattish, up by 0.3% MoM, primarily on the back of (i) a muted trend in the Food segment, (ii) a -1.1% MoM decrease in utilities segment due to a reduction in electricity charges, and (iii) a 0.7% MoM increase in Transport segment due to a rise in POL prices.

### Food segment to stay muted in Dec-24

The Food segment is expected to stay flat with a slight increase of 0.2% MoM in Dec-24, indicating winter effect on perishable food items. Within this category, items driving the reduction in prices include: wheat flour (-2% MoM), chicken (-13% MoM), and tomatoes (-14% MoM).

### Electricity to drive the -1.1% MoM decrease in the Utilities segment

Electricity tariff for Dec-24 depicts the continuation of a downward trend due to (i) a negative FCA of PKR 1.145/kwh, (ii) an updated QTA of PKR 0.196/kwh, and (iii) the introduction of Winter Demand Initiative (WDI) offering a discount on incremental consumption to domestic consumers (using above 200 units). Cumulatively, we expect these developments to reduce electricity charges by 5.9% MoM in Dec-24 and, consequently, a 1.1% MoM fall in the Utilities segment in the NCPI print.

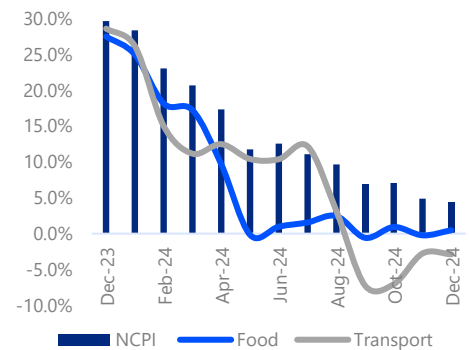
### Transport segment to exhibit an inflationary trend

We expect the Transport index to increase by 0.7% MoM in Dec-24, driven by a 1.5% increase in HSD prices to PKR 252.1 per litre and a 0.7% rise in petrol prices to PKR 256.9 per litre due to higher global oil prices. The segment is expected to contribute 0.1% MoM to the NCPI reading.

### Outlook

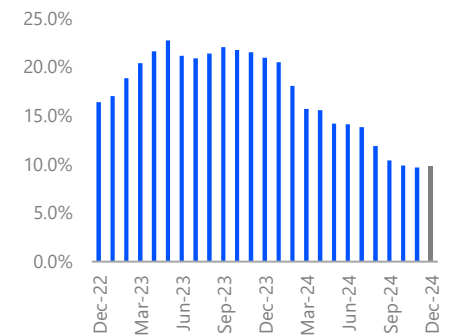
The NCPI print continues to exhibit a declining trend, settling closer to SBP's medium-term range. Despite rate cuts since Jun-24, the real interest rate (RIR) is expected to remain significantly high (~8.7% in Dec-24), aligning with the recommendations of the IMF to keep inflation in check. While we expect the SBP to continue with monetary easing, secondary market yields (PKRV) currently reflect a flattened yield curve, indicating that the economy is nearing its neutral interest rate with short- and long-term yields hovering around 12%.

### NCPI, Food and Transport (YoY)



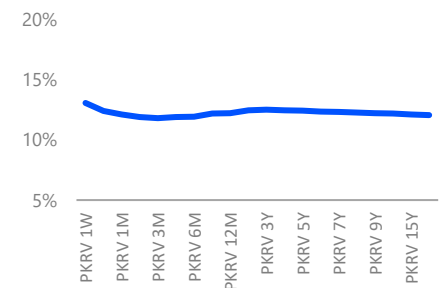
Source: PBS, Akseer Research

### Core Inflation (YoY)



Source: PBS, Akseer Research

### PKRV (%) in Dec-24



Source: PBS, SBP, Akseer Research

### Dec-24 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	0.22%	0.08%
Housing, Water, Electricity, Gas & Fuel	23.63%	-1.10%	-0.23%
Clothing & Footwear	8.60%	3.47%	0.28%
Restaurants & Hotels	6.92%	0.57%	0.04%
Transport	5.91%	0.68%	0.05%
Others	20.36%	0.44%	0.10%
<b>MoM Change in CPI</b>			<b>0.32%</b>
<b>YoY Change in CPI</b>			<b>4.33%</b>

Source: PBS, Akseer Research

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