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Economy: Nov-24 NCPI expected at 4.5% YoY

The headline CPI is expected to soften to 4.5% YoY in Nov-24, marking a 6-year low and translating to a real interest rate of ~1050bps. This is expected to take 5MFY25 average to 7.8%. MoM inflation is expected to increase by 0.2% MoM primarily on the back of (i) a 2.0% MoM rise in the Transport segment due to a 3.6% upward revision in HSD prices and (ii) a 0.6% MoM increase in Others. The increase will partially be diluted by the Food and Beverage segment, which is expected to fall by 0.6% MoM.

Utilities segment to stay muted in Nov-24

The Utilities segment is expected to stay flat with an increase of 0.1% MoM in Nov-24, mainly due to a -0.2% MoM fall in electricity charges. This change is expected on the back of a negative FCA of PKR 1.28/kwh.

Food & Beverage segment to drop 0.6% MoM

The Food & Beverage segment is expected to decrease by 0.6% MoM in Nov-24, marking the beginning of winter effect on perishable food items. Within this category, items driving the significant reduction in prices include: wheat (down 1.5% MoM), chicken (down by 18.0% MoM), fresh fruits (down by 3.5% MoM) and onions (down by 4.2% MoM).

Transport segment to exhibit an inflationary trend

We expect the Transport index to increase by 2.0% MoM in Nov-24, driven by a 3.6% increase in HSD prices to PKR 256.3 per litre due to higher global oil prices. The segment is expected to contribute 0.1% MoM to the NCPI print.

Outlook

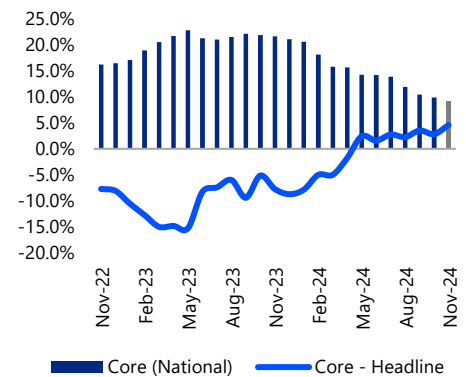
Tapering global commodity prices and an improving external account have significantly eased cost push inflation in FY25. Moreover, a fiscal surplus for the first time in 24 years has also moderated demand-pull inflationary pressures. Therefore, the softening inflationary pressures have strengthened the Monetary Policy Committee's (MPC) case for continuing the easing cycle at its upcoming meeting on December 16th. Additionally, the 3M KIBOR has dropped to 13%, which also reflects a widespread expectation of 200bps cut from the market participants. To highlight, IMF's carrot-and-stick approach for the economy has supported the SBP in achieving its medium-term inflation target.

Nov-24 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-0.55%	-0.20%
Housing, Water, Electricity, Gas & Fuel	23.63%	0.13%	0.03%
Clothing & Footwear	8.60%	0.01%	0.00%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	1.96%	0.13%
Others	20.36%	0.61%	0.14%
MoM Change in CPI			0.15%
YoY Change in CPI			4.47%

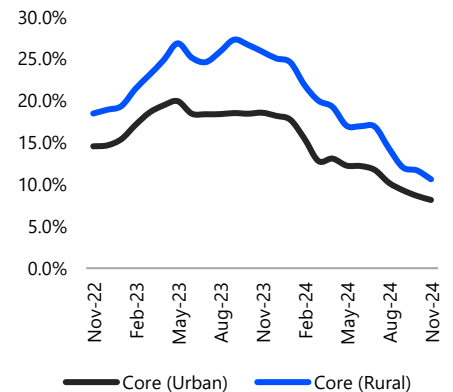
Source: PBS, Akseer Research

Core inflation expected to arrive at a 33-month low (YoY)



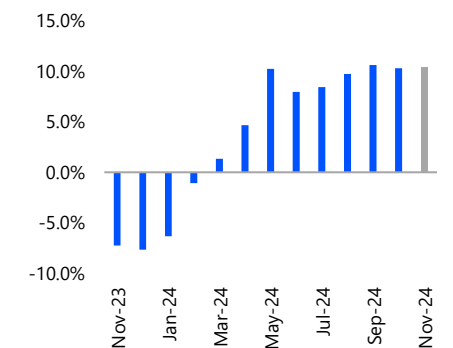
Source: PBS, SBP, Akseer Research

Rural and Urban Core (YoY)



Source: PBS, Akseer Research

Real interest rate (%) still high despite rate cuts



Source: PBS, SBP, Akseer Research

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