

## Economy: Aug-25 NCPI expected at 3.7% YoY

The National Consumer Price Index (NCPI) is expected to clock in at 3.7% YoY in Aug-25. On a monthly basis, the inflation in the month is projected to remain at 0.01% MoM. The State Bank of Pakistan (SBP) estimates an inflation outlook in the range of 5-7% for FY26. Based on the inflation outlook at 3.7% for Aug-25, the real interest rate is projected to be 7.3%.

Meanwhile, core inflation continues to persist at 7.7% YoY in Aug-25, reflecting the underlying price stickiness.

### Food Segment Expected to be Flat

The food inflation is expected to decrease by 0.3% MoM. A decline in the prices of major food items is anticipated with fresh fruits (down 9.5% MoM), sugar (down 4.7% MoM) and chicken (down 4.4% MoM) being the most affected by price drops, but this effect is expected to be partially offset by an increase in the prices of tomatoes (up 26.2% MoM), onions (up 15.2% MoM) and eggs (up 9.5% MoM).

### Downward Trend Expected in Housing index

The housing, water, electricity and gas segment is estimated to fall by 0.2% MoM. This fall is primarily driven by a decline in the liquified petroleum gas (LPG) price by 7.6% MoM. Additionally, the government has introduced a quarterly tariff adjustment of -1.881 per kWh, applicable from Aug-25 to Oct-25 alongside a fuel cost adjustment (FCA) of -0.7772 per kWh for Aug-25. On a yearly basis, however, the segment is projected to rise by 4.9% YoY.

### Future Outlook

The SBP is set to conduct its MPC meeting on 15 Sep-2025. In its previous meeting, the SBP maintained a cautious stance despite having room for a potential 50bps cut. The decision followed a prudent approach in light of volatile global commodity prices, which continues to impact Pakistan's inflation and balance of payment outlook. Moreover, with core inflation remaining sticky and slowing only gradually each month, the SBP opted for restraint.

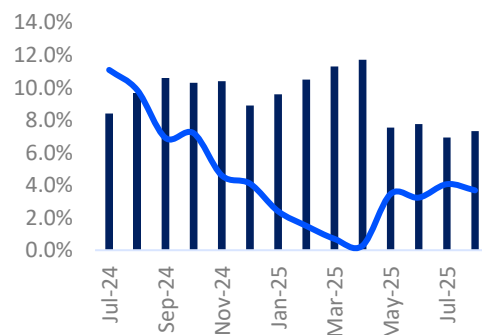
Looking ahead, we expect the policy rates to ease to 10% by the end of CY-25. While a 50bps cut in rate in the upcoming MPC meeting cannot be ruled out, the SBP may prefer to hold rates amid its expectations of a widening trade deficit.

### Aug-25 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-0.31%	-0.11%
Housing, Water, Electricity, Gas & Fuel	23.63%	-0.18%	-0.04%
Clothing & Footwear	8.60%	0.12%	0.01%
Restaurants & Hotels	6.92%	0.75%	0.06%
Transport	5.91%	-0.76%	-0.05%
Others	20.36%	5.26%	0.14%
<b>MoM Change in CPI</b>			<b>0.01%</b>
<b>YoY Change in CPI</b>			<b>3.7%</b>

Source: PBS, Akseer Research

### NCPI & Real Interest rate



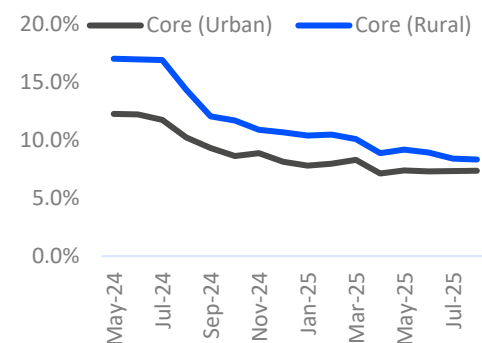
Source: PBS, Akseer Research

### NFNE (YoY)



Source: PBS, Akseer Research

### Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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