Inflation Preview | Pakistan Research

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Economy:Aug-26 Inflation Expected at 11.2% YoY

The National Consumer Price Index (NCPI) is projected to increase by 11.2% YoY in Aug-26, reflecting an acceleration in headline inflation. On a month-on-month basis, inflation is estimated to rise by 1.15%, primarily driven by higher food and fuel prices.

Uptick in Food Inflation

Food inflation is projected to increase by 1.8% MoM in Aug-26, mainly driven by an increase in the prices of key food items. Major contributors include onions with prices estimated to increase by 40% MoM followed by eggs (up by 8%) and wheat (up by 3%).

Higher Fuel Prices Drive Transport Inflation

The transport segment is projected to increase by 3.0% MoM, primarily due to a sharp increase in domestic fuel prices during the month. High Speed Diesel (HSD) and petrol prices increased by 10% and 6% MoM respectively, contributing significantly to the overall monthly increase in inflation.

Higher Fuel Prices Drive Transport Inflation

The housing segment is expected to increase by 0.35% MoM, primarily driven by a 1% MoM increase in electricity charges. Electricity prices were impacted by a positive Fuel Cost Adjustment (FCA) of PKR 0.75/kWh, partly offset by a negative Quarterly Tariff Adjustment (QTA) of PKR1.986/kWh. The increase in the housing segment is expected to be largely offset by a reduction in LPG prices during the month.

Future Outlook

In its latest Monetary Policy Committee (MPC) meeting, the State Bank of Pakistan (SBP) maintained the policy rate at 11.5%, a decision that we believe was appropriate given the prevailing macroeconomic environment.

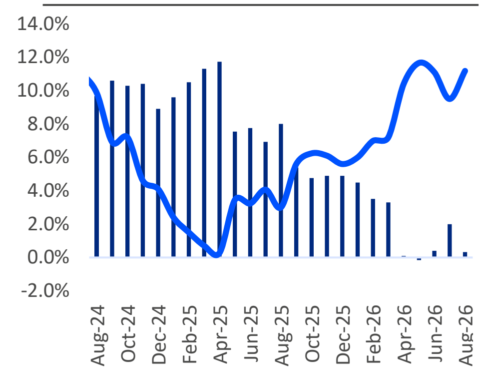
With headline inflation projected at 11.2% YoY, real interest rates are expected to narrow significantly to around 30bps. Going forward, the inflation trajectory will remain closely linked to the evolution of domestic energy prices, food supply conditions, and global commodity prices. The State Bank of Pakistan's (SBP) future policy decisions are likely to remain data dependent, with particular focus on the inflation outlook, external account developments and global energy market dynamics.

Aug-26 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	1.80%	0.65%
Housing, Water, Electricity, Gas & Fuel	23.63%	0.35%	0.08%
Clothing & Footwear	8.60%	0.13%	0.01%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	3.00%	0.22%
Others	20.36%	4.50%	0.14%
MoM Change in CPI			**1.15%**
YoY Change in CPI			**11.18%**

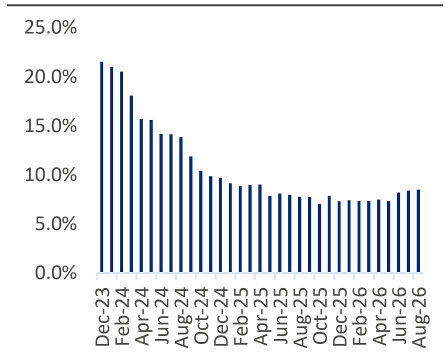
Source: PBS, Akseer Research

NCPI & Real Interest Rate



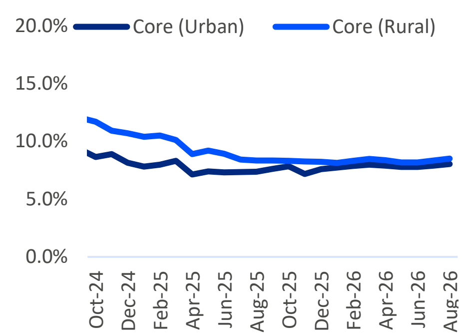
Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



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Disclaimer

Valuation Methodology

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

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JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

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Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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