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## Economy: Dec-25 NCPI Expected at 5.8% YoY

The National Consumer Price Index (NCPI) is expected to ease to 5.8% YoY in Dec-25. On a monthly basis, inflation is projected at -0.29% MoM. The sequential decline is to be driven mainly by lower food prices. Based on the projected Dec-25 inflation level and the surprise rate cut of 50bps by SBP, the real interest rate is estimated at 4.7%.

For CY25, average inflation is expected to settle at 3.5%, marking the lowest annual inflation in nearly a decade, compared to an average of 13.1% in CY24. Looking ahead, inflation is projected to rise in the second half of FY26, with the Jun-26 reading expected to peak at around 9-10%, largely due to base effects. As these effects fade, inflation is expected to converge towards the SBP's medium-term target range of 5-7%.

### Food Prices Drives MoM disinflation

Food inflation is expected to decline by 2.4% MoM in Dec-25, primarily reflecting sharp price corrections in key food items. Notable declines are anticipated in onions and tomatoes (both down 34% MoM), followed by potatoes (down 18% MoM), chicken (down 7% MoM), and sugar (down 6% MoM).

### Upward Trend Expected in Housing Segment

During Dec-25, some upward pressure on inflation is anticipated, driven by 1.7% MoM increase in the housing segment, primarily due to a 9% hike in LPG prices. Meanwhile, the transport segment is expected to be flat, with petrol and HSD prices declining by 1% and 3% MoM, respectively.

### Future Outlook

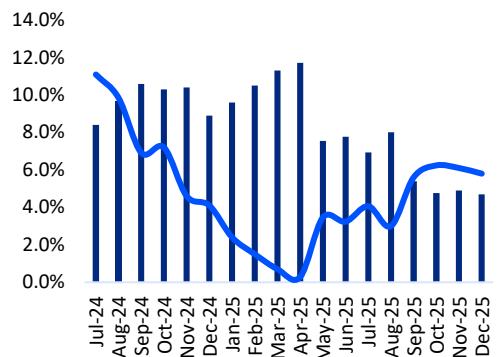
In its latest MPC meeting, the SBP delivered an unexpected 50bps cut in the policy rate, bringing it down to 10.5%, while noting that the inflation outlook remains broadly unchanged. This assessment was supported by low global commodity prices and well-anchored inflation expectations. Looking ahead, we expect policy rates to remain unchanged for the rest of the fiscal year, as inflation is likely to move above the upper bound of the SBP's target range of 5-7% in the coming months.

### Dec-25 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-2.48%	-0.91%
Housing, Water, Electricity, Gas & Fuel	23.63%	1.72%	0.37%
Clothing & Footwear	8.60%	0.14%	0.01%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	0.52%	0.03%
Others	20.36%	5.01%	0.15%
<b>MoM Change in CPI</b>		<b>-0.29%</b>	
<b>YoY Change in CPI</b>			<b>5.8%</b>

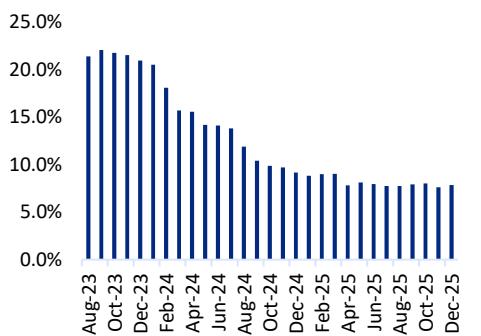
Source: PBS, Akseer Research

### NCPI & Real Interest Rate



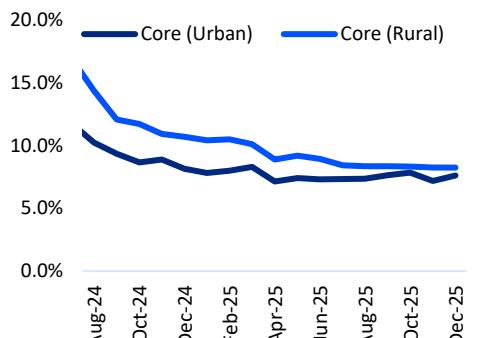
Source: PBS, Akseer Research

### NFNE (YoY)



Source: PBS, Akseer Research

### Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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