Inflation Preview | Pakistan Research

Rida Asif
rida.asif@akseerresearch.com
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Economy: Jun-26 Inflation Expected at 11.7% YoY

The National Consumer Price Index (NCPI) is projected to increase by 11.7% YoY in Jun-26, marking the highest monthly inflation reading of the fiscal year. On a monthly basis, inflation is estimated to rise by 0.2% MoM primarily driven by an uptick in the food segment.

The higher YoY reading is also attributable to the base effect as inflation in Jun-25 had eased to 3.2%. On a cumulative basis, average inflation for FY27 is expected to settle in at 7.0%.

Uptick in Food Inflation

Food inflation is projected to increase by 1.2% MoM in Jun-26 mainly driven by higher prices of perishable food items. Key contributors include potatoes (up by 24.7%), tomatoes (up by 59%) and onions (29.7%), which are expected to witness notable price increases during the month. Moreover, lower chicken and egg prices are expected to partially offset the upward pressure from higher prices of other food items.

Dip in Transport and Housing Segments

The transport segment is expected to decline by 5.1% MoM reflecting the recent easing in international oil prices. Within the segment, High Speed Diesel (HSD) prices are expected to decline by 12.0% MoM, while Petrol prices are projected to decrease by 10.8% MoM.

Meanwhile, the housing segment is expected to decline by 0.35% MoM mainly due to lower LPG prices and a reduction in electricity charges. Electricity tariffs are expected to ease owing to a negative Quarterly Tariff Adjustment (QTA) of PKR 1.9857/kWh along with a positive Fuel Cost Adjustment (FCA) of PKR 1.1907/kWh.

Future Outlook

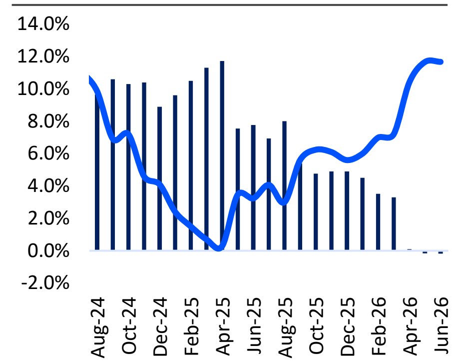
In its latest MPC meeting, the State Bank of Pakistan (SBP) maintained the policy rate at 11.5%, a decision that seemed appropriate given the prevailing macroeconomic conditions. External account pressures remain contained while secondary market yields have eased significantly indicating improving market expectations. We expect the policy rate to remain unchanged in the near term with any future monetary easing likely to be gradual. However, the timing and pace of rate cuts will depend on the evolution of the external account and broader macroeconomic environment.

Jun-26 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	1.19%	0.41%
Housing, Water, Electricity, Gas & Fuel	23.63%	-0.31%	-0.07%
Clothing & Footwear	8.60%	1.55%	0.13%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	-5.17%	-0.44%
Others	20.36%	5.41%	0.16%
MoM Change in CPI			**0.24%**
YoY Change in CPI			**11.7%**

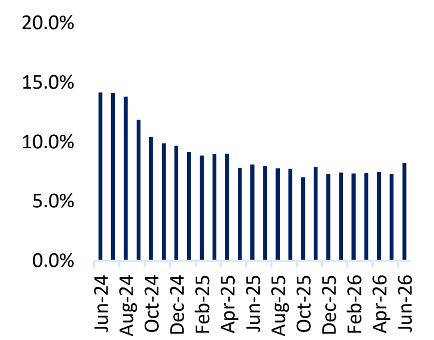
Source: PBS, Akseer Research

NCPI & Real Interest Rate



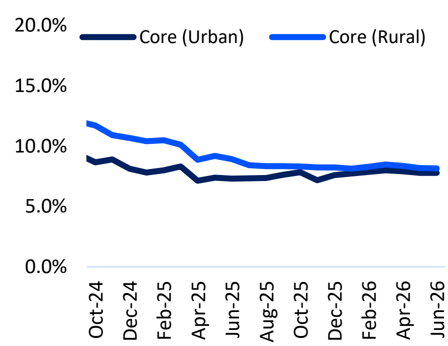
Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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Sell	Less than or equal to -5%

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Contact Details

Akseer Research (Pvt) Limited
1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal
T: +92-21-34320359 -60
E: info@akseerresearch.com

Alpha Capital (Pvt) Limited
3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH Society, Block 7 & 8, Near Virtual University, Karachi
T: +92-21-38694242
E: info@alphacapital.com.pk

www.jamapunji.pk