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Economy: Mar-26 Inflation Expected at 7.2% YoY

The National Consumer Price Index (NCPI) is projected to increase by 7.2% YoY in Mar-26. On a monthly basis, inflation is estimated to rise by 1.08% MoM, primarily driven by sharp pressures in the transport segment amid escalating geopolitical tensions in the Middle East.

Given the prevailing policy rate of 10.5%, the real interest rate is estimated at approximately 3.3pts. Inflationary pressures are projected to intensify in the coming months, driven by a combination of persistent geopolitical risks particularly through the energy channel and low base effects.

Unexpected Decline in Food Segment

Food inflation is projected to decline by 0.41% MoM in Mar-26, defying historical Ramadan trends where food prices typically witnessed an uptick. Despite the overall decline, some selected items are expected to post notable increases with chicken prices rising by 6.7% MoM, meat by 2.2% MoM and fresh fruits by 27.8% MoM.

Upward Pressure in Transport and Housing Segment

The transport segment is projected to increase sharply by approximately 11% MoM, primarily driven by a surge in international oil prices amid heightened geopolitical tensions in the Middle East. Within this segment, petrol prices are expected to rise by 22% MoM while High-Speed Diesel (HSD) prices are projected to increase by 24% MoM. The housing, water, electricity, and gas segment is also expected to record an increase of 1.3% MoM, reflecting higher utility costs. This includes an increase in electricity charges due to the Quarterly Tariff Adjustment (QTA) of PKR 0.3504/kWh and Fuel Cost Adjustment (FCA) of PKR 1.6274/kWh. Additionally, LPG prices are expected to rise by 5.6% MoM further contributing to inflationary pressure in the housing segment.

Future Outlook

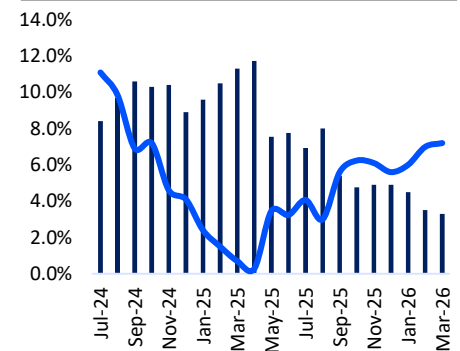
In its latest MPC meeting, the State Bank of Pakistan kept the policy rate unchanged at 10.5% reflecting a cautious stance amid volatile global commodity prices and ongoing geopolitical tensions. Looking ahead, we expect a 100bps rate hike in the next meeting driven by rising inflation expectations due to rising energy and food prices in the international markets.

Mar-26 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-0.41%	-0.15%
Housing, Water, Electricity, Gas & Fuel	23.63%	1.28%	0.28%
Clothing & Footwear	8.60%	0.74%	0.06%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	10.47%	0.68%
Others	20.36%	4.74%	0.14%
MoM Change in CPI			1.08%
YoY Change in CPI			7.2%

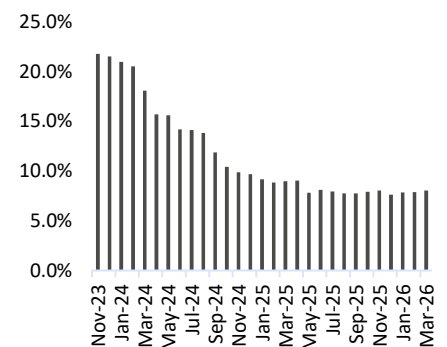
Source: PBS, Akseer Research

NCPI & Real Interest Rate



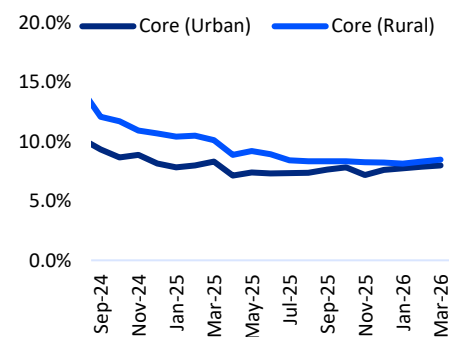
Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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