

Economy: Oct-25 NCPI Expected at 5% YoY

The National Consumer Price Index (NCPI) is expected to remain slightly elevated at 5% YoY in Oct-25. On a monthly basis, the inflation is projected to clock in at 0.6% MoM. The State Bank of Pakistan (SBP) estimates an inflation outlook in the range of 5-7% for FY26, though inflation is expected to fall above the upper limit of the target range for a few months of this fiscal year. Based on this inflation outlook of 5% for Oct-25, the real interest rate is projected to be 6%. Meanwhile, core inflation is expected to persist at 8.0% YoY in Oct-25, reflecting the underlying price stickiness.

Food Inflation Expected to Continue

The food inflation is expected to increase by 0.5% MoM. A rise in the prices of major food items is anticipated with tomatoes (up 45% MoM), onions (up 15% MoM) and wheat (up 5% MoM). The food inflation is not as severe as was seen in the previous month owing to the recent floods, though it continues to persist amid supply chain disruptions and border closures.

Upward Trend Expected in Housing and Transport Segment

The housing, water, electricity and gas segment is estimated to increase by 0.8% MoM. This rise is driven by the upward quarterly adjustment of 1.25% MoM in the house rent, along with an increase of PKR 0.08 per unit in electricity prices under the fuel cost adjustment (FCA). Additionally, the transport segment is also expected to increase by 0.44% MoM in Oct-25. The increase is due to the rise in the prices of petrol and high speed diesel by 0.5% and 1.7%, respectively.

Future Outlook

The SBP conducted its Monetary Policy Committee meeting on 27-Oct-25, during which it decided to keep the benchmark policy rate unchanged at 11% for the fourth consecutive time. The Bank is continuing to follow a prudent approach due to a challenging export environment, food supply disruptions in the wake of recent floods, and volatility in global commodity prices. These factors are being closely monitored by the SBP, as they continue to impact Pakistan's inflation and balance of payment outlook.

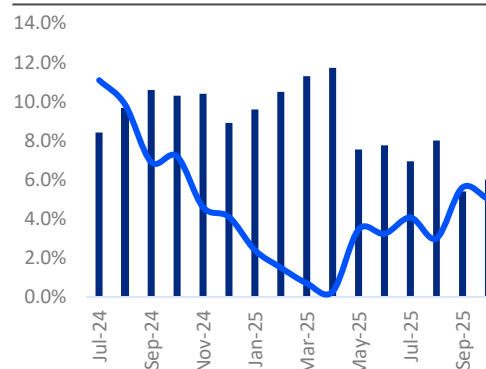
Looking ahead, we expect the SBP to keep the policy rate unchanged as inflation is expected to rise in the second half of FY26, meanwhile sticky core inflation continues to persist. Additionally, the trade deficit may widen, driven by higher import demand amid a rebound in economic activity.

Oct-25 MoM National CPI Breakdown

Segments	Weight in CPI	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	0.53%	0.19%
Housing, Water, Electricity, Gas & Fuel	23.63%	0.84%	0.18%
Clothing & Footwear	8.60%	0.19%	0.02%
Restaurants & Hotels	6.92%	0.75%	0.06%
Transport	5.91%	0.44%	0.03%
Others	20.36%	4.57%	0.14%
MoM Change in CPI			0.61%
YoY Change in CPI			5.0%

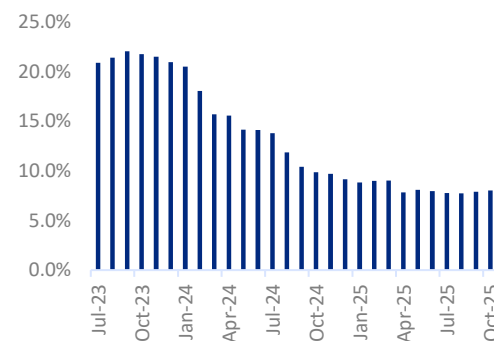
Source: PBS, Akseer Research

NCPI & Real Interest Rate



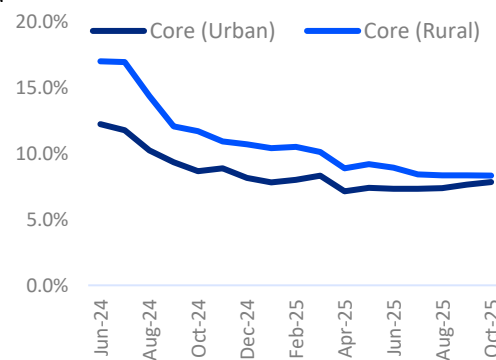
Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



Source: PBS, Akseer Research

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