

Inflation Preview | Pakistan Research

Akseer Research

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Economy: Oct-26 Inflation Expected at 9.1% YoY

The National Consumer Price Index (NCPI) is projected to increase by 9.1% YoY in Oct-26, lower from 10.26% in Sep-26. On a MoM basis, inflation is estimated at 0.64%, down from 1.27% increase in Sep-26. NCPI is projected to fall to single-digit for the first time since Jul-26, albeit price pressures remain elevated. Transport segment is expected to drive inflation with a 3.0% MoM increase due to higher fuel prices. Housing segment is expected to provide a marginal relief to these pressures amid lower FCA charges, with segment likely to expand just by 0.31% MoM (compared to 3.16% MoM increase in Sept-26).

Transport Segment to Drive MoM Inflation

The transport segment is projected to increase 3.03% MoM, driven by a 7.9%/0.6%/6.7% MoM increase in MS, HSD and LPG prices respectively amid surging fuel prices due to re-escalation in the Middle East conflict. This is expected to result in a 4.7% MoM increase in weighted price of fuels. The increase is to likely contribute 0.24% to the monthly CPI. On a YoY basis, the transport segment is projected to increase by 30.2%, reflecting elevated fuel prices with brent oil averaging USD 108/bbl in Oct-26 (up ~70% YoY from USD 64/bbl SPLY).

Lower FCA Charge To Ease Housing Segment Inflation

The housing segment is expected to soften and increase marginally by 0.31% MoM (Sept-26: increase of 3.16% MoM), amid falling electricity charges likely by 4.33% MoM (Sept-26: increase of 15.3% MoM). Electricity prices are likely to have eased due to a much lower positive Fuel Cost Adjustment (FCA) of PKR 1.11/kWh (Sept-26: + PKR 2.06/kWh). The segment increase is likely to contribute 0.07% to the monthly inflation.

Diverging Price Movements to Contain Food Segment MoM Inflation

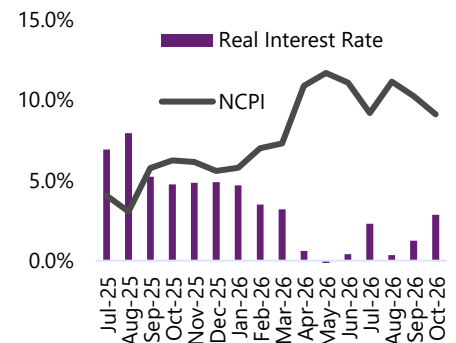
The food and non-alcoholic beverages segment is projected to record a 0.38% MoM increase, reflecting divergent price movements within the segment. Significant price increases are expected for meat (+17% MoM), gram pulse (+11% MoM) and wheat (+10% MoM). However, these pressures are expected to be partly offset by declines in prices of tomatoes (-32% MoM), fresh vegetables (-16% MoM) and fresh fruits (-12% MoM). The opposing price movements are to likely contain the segment's overall increase to 0.38% MoM (Sept-26: increase of 0.18% MoM rise). The segment increase is likely to contribute 0.14% to the monthly inflation.

Future Outlook

The State Bank of Pakistan (SBP) increased the policy rate by 50bps to 12.0% at its latest MPC meeting on 26th October. The committee noted that the evolving Middle East situation and elevated oil prices have worsened the inflation outlook. Thus, the increase in policy rate was considered appropriate to guide inflation towards 5-7% target range. Our projected 9.1% YoY CPI for Oct-26 implies a real interest rate of 290bps, higher from 124bps recorded in Sep-26.

The inflation outlook remains vulnerable to developments in global energy prices amid regional disruptions caused by US-Iran conflict. With Pakistan sourcing ~90% of its petroleum from Gulf, it remains susceptible to disruption around Strait of Hormuz and elevated Arab Gulf prices. Sustained elevated pressure on energy prices can feed into domestic fuel prices, with second-round effect on transportation, electricity and broader food items. Against this vulnerability, we expect SBP to continue maintain an appropriately tight monetary policy stance.

NCPI & Real Interest Rate



Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Oct-26 MoM National CPI Breakdown				
Segments	Weight in CPI	YoY	MoM	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	5.76%	0.38%	0.14%
Housing, Water, Electricity, Gas & Fuel	23.63%	11.09%	0.31%	0.07%
Clothing & Footwear	8.60%	8.74%	0.11%	0.01%
Restaurants & Hotels	6.92%	6.43%	0.75%	0.05%
Transport	5.91%	30.18%	3.03%	0.24%
Others	20.36%	7.82%	0.13%	0.13%
MoM Change in CPI				0.64%
YoY Change in CPI				9.13%

Source: PBS, Akseer Research

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