Inflation Preview | Pakistan Research

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Economy: Sep-26 Inflation Expected at 10.3% YoY

The National Consumer Price Index (NCPI) is projected to increase by 10.25% YoY in Sep-26, marginally lower from 11.22% in Aug-26. On MoM basis, inflation is estimated at 1.12%, flattish from 1.19% increase in Aug-26. Price pressures are likely to remain elevated, driven by a 4.63% and 3.98% MoM increase in transport and housing segment respectively. Food segment is projected to provide a marginal relief, with prices likely to contract by 0.73% MoM.

Surging Fuel Prices To Keep Transport Segment Elevated

The transport segment is projected to increase 4.63% MoM, driven by a 12.4%/6.3%/1.8% MoM increase in MS, HSD and LPG prices respectively. This is expected to result in a 7.8% MoM increase in weighted price of fuels. The increase is to likely contribute 0.27% to the monthly CPI. On a YoY basis, the transport segment is projected to increase by 26.1%, reflecting an estimated 40% YoY increase in weighted average fuel prices.

Higher FCA and QTA Charge To Drive Housing Segment Inflation

The housing segment is expected to increase by 3.98% MoM, driven by a sharp 21.06% MoM increase in electricity charges. Electricity prices are impacted by a higher positive Fuel Cost Adjustment (FCA) of PKR 2.06/kWh (compared with PKR 0.75/kwh in Aug-26). The impact is further compounded by a positive Quarterly Tariff Adjustment (QTA) of PKR 0.52/kWh (compared with a negative PKR 1.99/kwh in Aug-26). The segment increase is likely to contribute 0.94% to the monthly inflation.

Softer Food Segment To Provide Some Relief

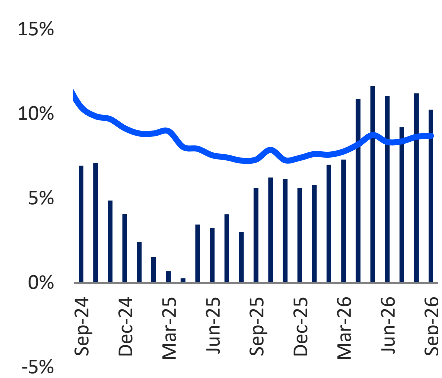
In contrast, the food and non-alcoholic beverages segment is projected to contract by 0.73% MoM, providing some offset to the increase in energy prices. The decline is attributable to tomatoes (-29.1%), bananas (-18.7%), chicken (-6.8%), and eggs (-4.6%). However, onions rose 28.7% MoM, partly offsetting the contraction.

Future Outlook

The State Bank of Pakistan (SBP) kept the policy rate unchanged at 11.5% at its latest MPC meeting on 14th September. The committee considered the current stance appropriate to guide inflation towards 5-7% target range. However, it also noted that uncertainty around the outlook had increased amid the geopolitical tensions. Our projected 10.3% YoY CPI for Sep-26 implies a real interest rate of ~120bps, higher from 28bps recorded in Aug-26.

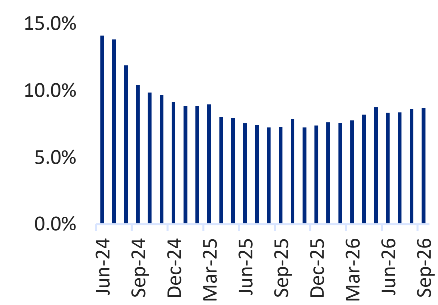
The inflation outlook remains vulnerable to developments in global energy prices amid regional disruptions caused by US-Iran conflict. With Pakistan sourcing ~90% of its petroleum from Gulf, it remains susceptible to disruption around Strait of Hormuz and elevated Arab Gulf prices. Sustained elevated pressure on global energy prices feed into domestic fuel prices, with second-round effect on transportation, electricity and broader food items. Against this vulnerability, we expect SBP to maintain the cautious stance with the risk of a 25-50bps rate hike by end CY26 if oil prices sustain elevated levels.

NCPI & Real Interest Rate



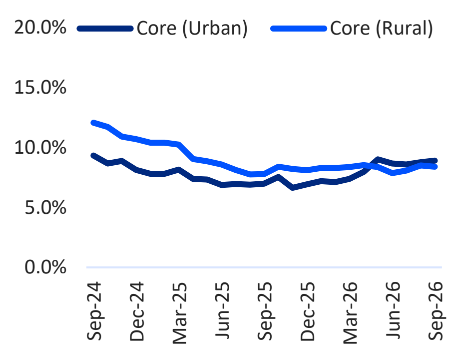
Source: PBS, Akseer Research

NFNE (YoY)



Source: PBS, Akseer Research

Urban and Rural Core (YoY)



Source: PBS, Akseer Research

Sep-26 MoM National CPI Breakdown			
Segments	**Weight in CPI**	**MoM**	**Cont. to MoM CPI**
Food & Non-Alcoholic Beverages	34.58%	-0.73%	-0.25%
Housing, Water, Electricity, Gas & Fuel	23.63%	3.98%	0.94%
Clothing & Footwear	8.60%	0.01%	0.00%
Restaurants & Hotels	6.92%	0.75%	0.05%
Transport	5.91%	4.63%	0.27%
Others	20.36%	0.52%	0.11%
MoM Change in CPI			**1.12%**
YoY Change in CPI			**10.25%**

Source: PBS, Akseer Research

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