

ECONOMY
Inflation Forecast

Pakistan Research

Economy: Oct-21 CPI expected to clock in at 8.73%

- We expect Pakistan headline CPI inflation for Oct-21 to clock in at **8.73%**, major contributors being higher food prices and transportation costs. CPI for 4MFY22 likely to average 8.62% versus 8.86% witnessed in the CPLY.
- MoM CPI Index is likely to surge by **1.5%** mainly due to food basket's prices increasing by 1.0%, and Transportation Index hike of ~8% during the month.
- For the full year FY22, we expect the inflation expectation to remain in high single digit on the back of unabated rise in the international commodity prices, likely hike in the electricity/ gas tariff, and PKR devaluation. The CPI is expected to conclude at the higher end of the SBP's target range of 7-9%.

October-21 MoM National CPI Inflation forecast Breakdown (base year 2015-16)

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	1.0%	0.35%
Housing, Water, Electricity, Gas & Fuel	23.63%	1.6%	0.31%
Clothing & Footwear	8.60%	0.7%	0.06%
Restaurants & Hotels	6.92%	0.6%	0.04%
Transportation	5.91%	7.6%	0.45%
Others	24.92%	1.0%	0.25%
MoM change in CPI			1.5%
YoY change in CPI			8.73%

Source: PBS, Akseer Research

Food Index and fuel prices to contribute the most in MoM CPI

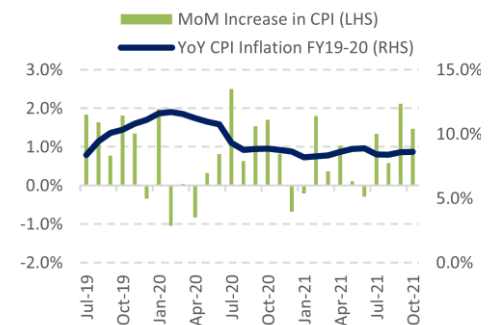
We expect CPI to grow 1.5% MoM during Oct-21, driven by the surge in the food basket prices (expected to rise 1.0% MoM led by higher poultry, potatoes and tomatoes prices). 12.0% jump in the LNG prices coupled with 3.2% hike in the petroleum prices will also likely to fuel the monthly CPI, overall Transportation Index contributing 0.45pp.

The CPI Inflation for Oct-21 to clock in at 8.73% compared to 8.98%/8.91% during Sept-21/Oct-20. This will take cumulative 4MFY22 average CPI to 8.62% versus 8.86% in the same period last year.

Inflation to remain in high single digit

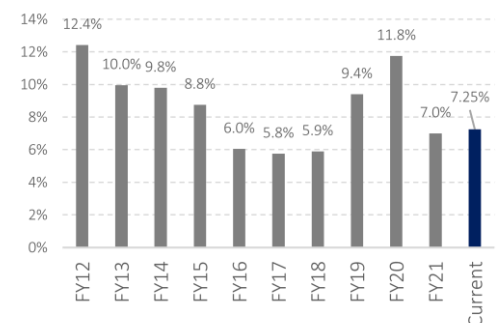
The international commodity prices (food and energy) are not witnessing any respite and given Pakistan's CPI is highly correlated with international commodities we expect the headline inflation to remain in high single digit for FY22. IMF's conditions of electricity/ gas tariff hike coupled with PKR devaluation will also add to the spiralling inflation. The CPI is expected to conclude at the higher end of the SBP's target range of 7-9%.

Chart-1: CPI Inflation trend & Forecast



Source: PBS, Akseer Research

Chart-2: Policy Rate



Source: SBP, Akseer Research

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