

ECONOMY

Inflation Update

Pakistan Research

Economy: Dec-21 CPI recorded at 12.28% YoY; -0.01% MoM

- In line with the market expectations, Pakistan headline inflation for the month of Dec-21 came in at 12.28%, highest in the last 22 months. The average CPI for 1HFY22 stood at 9.81% versus 8.63% witnessed in the CPLY.
- Surge in the Housing and Transportation Indexes added to the inflation on the back of 10% MoM upward adjustment of electricity tariffs and higher transportation charges by 5-7% MoM.
- This led to muted CPI Index decline of 0.01% MoM despite 3.4% MoM decrease in the food basket prices. The MoM food inflation was down on the back of significant reduction in perishable food items prices (-20.92% MoM).
- NFNE inflation for Rural reported an increase of 8.9% while Urban NFNE inflation increased by 8.3%.
- Our CPI estimates for full year FY22 are at 10.2% as the inflationary pressures are likely to persist in the 2H which will keep the CPI in double digits, despite some cool off in commodity super cycle.

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

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non-Alcoholic Beverages	34.58%	-3.35%	-1.16%
-- Non - Perishable	29.60%	-0.08%	-0.02%
-- Perishable	4.99%	-20.92%	-1.04%
Housing, Water, Electricity, Gas & Fuel	23.63%	2.78%	0.66%
Clothing & Footwear	8.60%	1.99%	0.17%
Restaurants & Hotels	6.92%	2.08%	0.14%
Transport	5.91%	1.33%	0.08%
Others	20.36%	0.47%	0.10%
MoM change in CPI			-0.01%
YoY Change in CPI			12.28%

Source: PBS, Akseer Research

Some respite from Food inflation but higher electricity tariff restricted the benefit

On MoM basis, the CPI inflation witnessed decline of 0.01% during Dec-21 after a period of five months, main contribution coming from the food basket which declined by 3.4% MoM majorly led by contribution from perishable food items (down 20.92% MoM). Prices of Tomatoes, Potatoes, fresh Vegetables and sugar declined by 9-50% MoM. However, 'Housing, Water, Electricity, Gas and Fuel' group added 66bps, as the govt revised upward electricity prices by 10% MoM. Moreover, rise in the transportation services charges muted the declining petroleum products' prices impact and it surged 1.3% MoM.

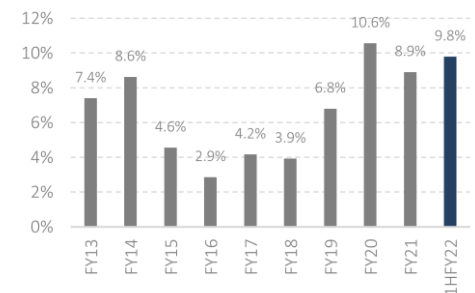
The yearly CPI made a 22-month high of 12.28% in Dec-21 after 12.4% inflation recorded in Feb-20 which resulted in average CPI of 9.81% during 1HFY22 versus 8.63% witnessed in CPLY.

Non-Food Non-Energy (NFNE) inflation is also on the rise since last month, after remaining below 7%, and stood at 8.3% (Urban NFNE) and 8.9% (Rural).

Inflation to settle at 10.2% in FY22

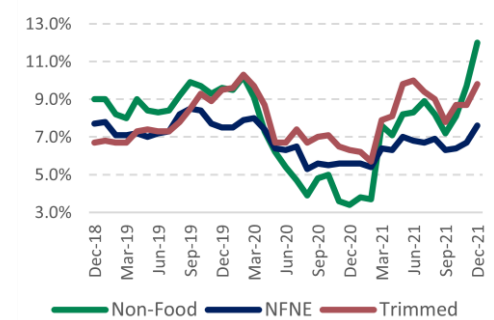
We expect the inflation for full year 2022 to clock in at 10.2% likely due to expected upward adjustment in electricity base tariffs and higher transportation costs despite some cool off in commodity super cycle.

Chart-1: CPI inflation Trend



Source: PBS, Akseer Research

Chart-2: Core Inflation Trend



Source: PBS, Akseer Research

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