

**ECONOMY**

## Inflation Update

Pakistan Research

**Economy: Gas Price Hike Elevates CPI reading**

- As per the latest data released by PBS, headline inflation for Nov-23 registered an uptick to 29.2% YoY in Nov-23 from 26.8% YoY last month. The 5MFY24 average amounted to 28.6% as compared to a 25.1% in the same period of FY-23.
- The acceleration emanated mainly from higher pressures from the gas tariff hike and perishable foods.
- In our previous note "Inflation Preview Nov-23", we highlighted the prospect of lower fuel & electricity price hikes offsetting the gas tariff hikes. However, PBS changed its methodology incorporating fixed charges into its quintile-based calculations (not accounted for), following which the hike clocked in at 280.6% MoM.
- On a MoM basis, the CPI increased by 2.7%, primarily driven by a 11.0% MoM rise in the Housing & Utilities index with an impact of 2.1% MoM. Additionally, Overall food category saw a 1.0% MoM increase with an impact of 0.4% MoM.
- The perishable food index experienced a notable 6.2% MoM increase (impact of 0.3% MoM) possibly due to seasonal fluctuations, while the Clothing & Footwear category saw a 2.4% MoM rise (impact of 0.2% MoM).
- Core inflation decelerated in rural areas wherein the gap between rural-urban NFNE in Oct reached 7.3% YoY, down from 8.2% YoY last month.
- We have previously highlighted that inflation will continue to ease going forward. However, second round impact of higher gas prices and implementation of the axle load regime could pressurize the CPI next month.

**Nov-23 MoM National CPI Inflation Breakdown**

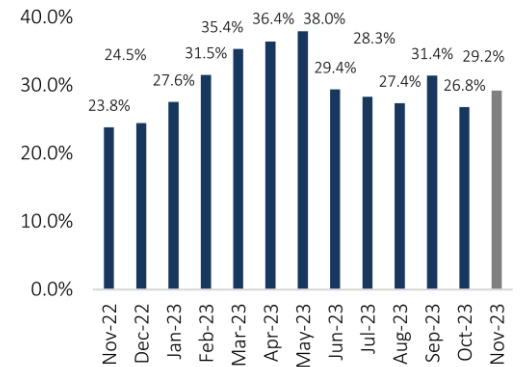
	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.58%	0.96%	0.38%
-- Non - Perishable	29.60%	0.12%	0.04%
-- Perishable	4.99%	6.19%	0.33%
Housing, Water, Electricity, Gas & Fuel	23.63%	10.96%	2.11%
Clothing & Footwear	8.60%	2.35%	0.18%
Restaurants & Hotels	6.92%	0.70%	0.05%
Transport	5.91%	-2.78%	-0.21%
Others	20.36%	0.99%	0.20%
<b>MoM change in CPI</b>			<b>2.70%</b>
<b>YoY Change in CPI</b>			<b>29.23%</b>

Source: PBS, Akseer Research

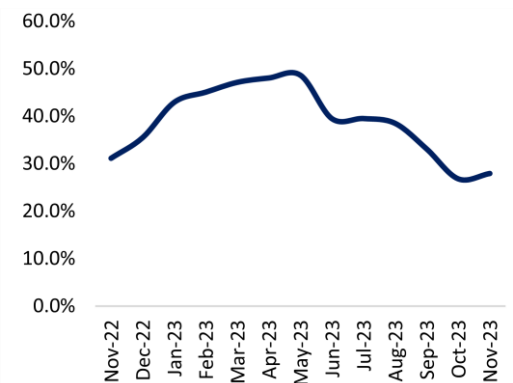
**Outlook | Food segment & high base effect to alleviate pressure**

The primary contributor to the 2.7% MoM increase was the Housing & Utilities category, which made a substantial addition of 211bps MoM. This occurred in spite of a 5.9% MoM fall in motor fuel and 10.7% MoM ease in electricity prices.

We project an easing in upcoming months assuming a stable PKR and global oil prices. Furthermore, the recent estimates for Kharif crop harvests could facilitate further easing in the heavyweight food segment. Fiscal consolidation coupled with improved supply of commodities are likely to supplement SBP's efforts in moderating inflation.

**Headline Inflation uptick (%YoY)**

Source: PBS, Akseer Research

**Food prices trending on a lower plane (%YoY)**

Source: PBS, Akseer Research

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Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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