

## Foundation Alert

### Economy: June Inflation at 9.7% YoY

#### Event

- Pakistan Bureau of Statistics (PBS) released June 2021 National CPI which came in at -0.2%/9.7% on MoM/YoY basis. This takes FY21 average inflation to 8.9% YoY.

#### Impact

- National CPI came in at -0.2%/9.7% on MoM/YoY in June 2021 as compared to 0.1%/10.9% on MoM/YoY in May 2021. Average inflation during FY21 was 8.9% YoY (versus 10.7% in FY20).
- Urban CPI changed by -0.4/9.7% on MoM/YoY and Rural CPI changed by -0.1/9.7% on MoM/YoY during June 2021.
- Food and Non-alcoholic Beverages Index (weight in CPI 34.6%) contributed most to inflation with decrease of 1.8% MoM (impact of -0.6% MoM) due to fall in both perishable and non-perishable food items.
- Non-Perishable food items fell by 1.7% MoM with impact of -0.5% on MoM basis due to decrease in prices of pulse moong. Whereas, Perishable food items were down by 2.3% MoM, having an impact of -0.1% on MoM basis mostly due to decline in prices of chicken and fruit.
- Among other heads, notable incline of 0.5% MoM was witnessed in head of Housing, Water, Electricity, Gas and Fuel (impact of 0.1% MoM) given fuel charges adjustment. Transport head also went up by 1.9% MoM (impact of 0.1% MoM) on the back of increase in petrol and diesel prices during the month.

#### Outlook

- We foresee average inflation of 8.1% in FY22 given higher forecasted YoY International oil prices in our base case of no increase in electricity tariff. In case electricity tariff is increased as per IMF requirements, it would take up average inflation to ~9.3% YoY in FY22.

**Fig 1: June 2021 - National CPI**

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	-0.24	9.70	-0.24	9.70
Food & Non-alcoholic Bev	34.58%	-1.77	10.48	-0.61	3.62
Non-perishable Food items	29.60%	-1.69	12.90	-0.50	3.82
Perishable Food items	4.99%	-2.31	-3.88	-0.12	-0.19
Alcoholic Bev. & Tobacco	1.02%	0.20	4.99	0.00	0.05
Clothing & Footwaer	8.60%	0.16	9.96	0.01	0.86
Housing, Water, Electricity, Gas & Fuels	23.63%	0.45	9.10	0.11	2.15
Furnishing & Household Equip. Maint	4.10%	0.59	9.77	0.02	0.40
Health	2.79%	0.58	9.42	0.02	0.26
Transport	5.91%	1.92	17.40	0.11	1.03
Communication	2.21%	0.03	1.58	0.00	0.03
Recreation & Culture	1.59%	1.34	6.15	0.02	0.10
Education	3.79%	0.24	1.80	0.01	0.07
Restaurant & Hotels	6.92%	0.69	8.76	0.05	0.61
Miscellaneous	4.87%	1.00	10.90	0.05	0.53

Source: PBS, Foundation Research, July 2021

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.