

Foundation Alert

Economy: September inflation at 9.0% YoY

Event

- Pakistan Bureau of Statistics (PBS) released September 2021 National CPI which came in at 2.1/9.0% on MoM/YoY basis.

Impact

- National CPI came in at 2.1/9.0% on MoM/YoY in September 2021 as compared to 0.6/8.4% on MoM/YoY in September 2021.
- Urban CPI changed by 2.0/9.1% on MoM/YoY and Rural CPI changed by 2.3/8.8% on MoM/YoY during August 2021.
- Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) contributed most to inflation with increase of 4.0% MoM (impact of 1.4% MoM) due to rise in both perishable and non-perishable food items.
- Non-Perishable/Perishable food items inclined by 4.1/3.4% MoM with impact of 1.3/0.2% on MoM basis mostly due to rise in prices of chicken, onions, pulse masroor, eggs, wheat flour, wheat, gram whole and vegetables.
- Among other heads, notable incline of 1.6% MoM was witnessed in head of Housing, Water, Electricity, Gas and Fuel (impact of 0.4% MoM) given 11.4% MoM increase in electricity charges despite decline in LPG prices of 7.2/5.6% MoM in Urban/Rural.
- Urban Core-Inflation (non-food, non-energy) clocked in at 0.4/6.4% on MoM/YoY basis. Whereas Rural Core Inflation clocked in at 0.5/6.2% on MoM/YoY basis. Food inflation was recorded at 3.6/10.8% MoM/YoY in Urban and 3.7/9.1% MoM/YoY in Rural.
- Average inflation during 3MFY22 clocked in at 8.6% YoY compared to 8.8% in 3MFY21.

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: September 2021 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	2.12	8.98	2.12	8.98
Food & Non-alcoholic Bev	34.58%	4.02	10.21	1.44	3.68
Non-perishable Food items	29.60%	4.13	13.84	1.27	4.17
Perishable Food items	4.99%	3.35	-8.30	0.16	-0.49
Alcoholic Bev. & Tobacco	1.02%	0.37	1.99	0.00	0.02
Clothing & Footwaer	8.60%	0.24	9.19	0.02	0.79
Housing, Water, Electricity, Gas & Fuels	23.63%	1.62	9.74	0.37	2.20
Furnishing & Household Equip. Maint	4.10%	0.76	9.25	0.03	0.36
Health	2.79%	0.51	7.97	0.01	0.23
Transport	5.91%	1.34	9.11	0.08	0.54
Communication	2.21%	0.01	2.77	0.00	0.05
Recreation & Culture	1.59%	1.22	6.87	0.02	0.10
Education	3.79%	0.02	2.63	0.00	0.10
Restaurant & Hotels	6.92%	1.14	7.78	0.08	0.53
Miscellaneous	4.87%	1.36	7.40	0.07	0.38

Source: PBS, Foundation Research, October 2021

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