

Foundation Alert

Economy: January inflation at 13.0% YoY

Event

- Pakistan Bureau of Statistics (PBS) released January 2022 National CPI which came in at 0.4/13.0% on MoM/YoY basis.

Impact

- National CPI came in at 0.4/13.0% on MoM/YoY in January 2022 as compared to 0.0/12.3% on MoM/YoY in December 2021.
- Urban CPI changed by 0.1/13.0% on MoM/YoY and Rural CPI changed by 0.9/12.9% on MoM/YoY during January 2022.
- Housing, Water, Electricity, Gas and Fuel (weight in CPI 23.63%) contributed most to inflation (impact of 0.2% MoM) given increase in house rent (1.5/2.1% MoM in Urban/Rural) and solid fuel (5.2/6.7% MoM in Urban/Rural).
- Among other heads, notable decline of 0.5% MoM (impact of 0.2%) was witnessed in Food and Non-alcoholic Beverages Index (weight in CPI 34.58%). This was due to decline in perishable food items with impact of -0.2% MoM mostly due to fall in prices of tomatoes, potatoes and condiments/spices. Whereas non-perishable food items inclined with impact of 0.1% MoM.
- Urban Core-Inflation (non-food, non-energy) clocked in at 0.8/8.2% on MoM/YoY basis. Whereas Rural Core Inflation clocked in at 1.2/9.0% on MoM/YoY basis.
- Average inflation during 7MFY22 clocked in at 10.3% YoY compared to 8.2% in 7MFY21.

Outlook

- We foresee avg inflation of 10.6% in FY22 given (1) higher international oil prices being passed onto domestic consumers, (2) electricity/gas tariff increase as required by IMF and (3) elevated food inflation tracking higher international food prices amid supply chain disruptions coupled with sharp Rupee depreciation over last 6 months.

Fig 1: January 2022 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	0.39	12.96	0.39	12.96
Food & Non-alcoholic Bev	34.58%	-0.45	12.82	-0.16	4.54
Non-perishable Food items	29.60%	0.25	13.77	0.08	4.24
Perishable Food items	4.99%	-5.22	6.43	-0.24	0.29
Alcoholic Bev. & Tobacco	1.02%	0.14	2.02	0.00	0.02
Clothing & Footwear	8.60%	0.78	11.18	0.07	0.97
Housing, Water, Electricity, Gas & Fuels	23.63%	0.97	15.53	0.23	3.57
Furnishing & Household Equip. Maint	4.10%	1.06	13.03	0.04	0.52
Health	2.79%	0.74	9.15	0.02	0.27
Transport	5.91%	1.01	23.05	0.07	1.37
Communication	2.21%	0.14	2.57	0.00	0.04
Recreation & Culture	1.59%	0.43	7.84	0.01	0.11
Education	3.79%	0.41	3.17	0.01	0.12
Restaurant & Hotels	6.92%	0.97	12.97	0.07	0.89
Miscellaneous	4.87%	0.82	10.34	0.04	0.53

Source: PBS, Foundation Research, February 2022

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