

Foundation Alert

Economy: March inflation at 12.7% YoY

Event

- Pakistan Bureau of Statistics (PBS) released March 2022 National CPI which came in at 0.8/12.7% on MoM/YoY basis.

Impact

- National CPI came in at 0.8/12.7% on MoM/YoY in March 2022 as compared to 1.2/12.2% on MoM/YoY in February 2022.
- Urban CPI changed by 0.7/11.9% on MoM/YoY and Rural CPI changed by 1.0/13.9% on MoM/YoY during March 2022.
- Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) contributed most to inflation due to increase in non-perishable food items with impact of 0.8% MoM mostly due to upsurge in prices of mustard oil, vegetable ghee, cooking oil, and tea. Whereas perishable food items declined MoM given lower tomatoes and eggs price.
- Among other heads, notable decrease was observed in Housing, Water, Electricity, Gas and Fuel (weight in CPI 23.63%) with impact of -0.5% MoM given 13.4% MoM fall in electricity price. Whereas Education index (weight in CPI 3.79%) inclined with impact of 0.2% MoM in March 2022.
- Urban Core-Inflation (non-food, non-energy) clocked in at 1.2/8.9% on MoM/YoY basis. Whereas Rural Core Inflation clocked in at 1.1/10.3% on MoM/YoY basis in March 2022.

Outlook

- Elevated food inflation tracking higher international food prices amid supply chain disruptions coupled with sharp Rupee depreciation over last 9 months would keep FY22 inflation on the higher side. However, Gov't decision to absorb higher international oil prices and freeze electricity tariff till end FY22 would be counterbalancing. Thus, we see average inflation of 11.1% in FY22 vs 8.9% YoY in FY21. We forecast that inflation would continue to remain in double digits till Oct'22.

Fig1: March 2022 - National CPI

Group	Weight	%MoM	%YoY	Impact %MoM	Impact %YoY
General	100.00%	0.79	12.72	0.79	12.72
Food & Non- alcoholic Bev	34.58%	2.25	15.30	0.81	5.43
Non-perishable Food items	29.60%	2.66	13.33	0.82	4.18
Perishable Food items	4.99%	(0.34)	30.13	(0.02)	1.26
Alcoholic Bev. & Tobacco	1.02%	0.04	1.83	-	0.02
Clothing & Footwear	8.60%	1.00	9.67	0.09	0.85
Housing, Water, Electricity. Gas & Fuels	23.63%	(2.25)	8.33	(0.51)	1.93
Furnishing & Household Equip. Maint	4.10%	1.36	13.81	0.05	0.55
Health	2.79%	0.57	9.99	0.02	0.29
Transport	5.91%	0.31	26.25	0.02	1.55
Communication	2.21%	0.03	2.55	-	0.04
Recreation & Culture	1.59%	1.34	9.32	0.02	0.13
Education	3.79%	4.68	8.26	0.16	0.31
Restaurant & Hotels	6.92%	0.88	14.56	0.06	0.99
Miscellaneous	4.87%	1.63	12.39	0.08	0.63

Source: PBS ,Foundation Research, April 2022

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