

## Foundation Alert

### Economy: July inflation at 24.9% YoY

#### Event

- Pakistan Bureau of Statistics released July 2022 National CPI which came in at 4.3/24.9% on MoM/YoY basis.

#### Impact

- National CPI came in at 4.3/24.9% on MoM/YoY in July 2022 as compared to 6.3/21.3% on MoM/YoY in June 2022.
- Urban CPI changed by 4.5/23.6% on MoM/YoY and Rural CPI changed by 4.2/26.9% on MoM/YoY during July 2022.
- Housing, Water, Electricity, Gas and Fuel (weight in CPI 23.63%) contributed most to inflation with impact of 1.89% MoM due to 39.35% MoM increase in electricity charges.
- Among other heads, notable increase was observed in Food and Non-alcoholic Beverages Index (weight in CPI 34.58%) with impact of 1.50% MoM due to increase in non-perishable food items with impact of 1.16% MoM mostly due to upsurge in prices of pulse gram, besan, wheat, pulses, tea and cooking oil.
- Furthermore, Transport index (weight in CPI 5.91%) inclined with impact of 0.44% MoM in July 2022 due to 7.35% MoM increase in motor fuel prices.
- Urban Core-Inflation (non-food, non-energy) clocked in at 1.2/12.0% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 1.6/14.6% on MoM/YoY basis in July 2022.

#### Outlook

- (1) Hikes in fuel and energy prices along with their 2nd round effects amid higher international petroleum prices given Ukraine war, (2) elevated food inflation tracking higher international food prices and (3) lagged effects of sharp Rupee depreciation would propel avg. FY23 inflation to ~21.0% YoY.

Fig 1: July 2022 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	4.35	24.93	4.35	24.93
Food & Non-alcoholic Bev	34.58%	4.05	28.77	1.50	10.28
Non-perishable Food items	29.60%	3.63	28.12	1.16	8.69
Perishable Food items	4.99%	6.71	32.93	0.34	1.59
Alcoholic Bev. & Tobacco	1.02%	4.08	22.48	0.04	0.23
Clothing & Footwear	8.60%	1.06	14.57	0.09	1.28
Housing, Water, Electricity, Gas & Fuels	23.63%	8.82	21.78	1.89	4.98
Furnishing & Household Equip. Maint	4.10%	1.67	19.69	0.07	0.79
Health	2.79%	0.19	11.22	0.01	0.33
Transport	5.91%	5.66	64.73	0.44	3.88
Communication	2.21%	0.40	1.16	0.01	0.02
Recreation & Culture	1.59%	1.58	15.41	0.02	0.21
Education	3.79%	0.54	9.79	0.02	0.37
Restaurant & Hotels	6.92%	2.91	24.97	0.20	1.69
Miscellaneous	4.87%	1.64	17.14	0.08	0.88

Source: PBS, Foundation Research, August 2022

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