

## Foundation Alert

### Economy: September inflation came in at 23.2% YoY

#### Event

- Pakistan Bureau of Statistics released September 2022 National CPI which came in at -1.2/23.2% on MoM/YoY basis.

#### Impact

- National CPI came in at -1.2/23.2% on MoM/YoY in September 2022 as compared to 2.4/27.3% on MoM/YoY in August 2022.
- Urban CPI changed by -2.1/21.2% on MoM/YoY and Rural CPI changed by 0.2/26.1% on MoM/YoY during September 2022.
- Housing, Water, Electricity, Gas and Fuel (weight in CPI 23.63%) contributed most to inflation with impact of -4.1% MoM driven by 65.3% MoM decrease 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 2.1% MoM due to increase in non-perishable food items with impact of 1.27% MoM and increase in perishable food items with impact of 0.83% MoM. This was driven by upsurge in prices of tomato, vegetables, pulses, potato, wheat, eggs, chicken, tea and besan.
- Urban Core-Inflation (non-food, non-energy) clocked in at 0.9/14.4% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 1.4/17.6% on MoM/YoY basis in September 2022.
- Average NCPI during 1QFY23 clocked in at 25.1% vs 8.6% in 1QFY22.

#### Outlook

- (1) Expected spike in food inflation amid recent record floods, (2) hikes in fuel and energy prices along with their 2nd round effects amid higher international petroleum prices given Ukraine war and (3) lagged effects of recent sharp Rupee depreciation would propel avg. FY23 inflation to ~23.1% YoY.

**Fig 1: September 2022 - National CPI**

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	1.15	23.18	-1.15	23.18
Food & Non-alcoholic Bev	34.58%	5.76	31.70	2.10	11.55
Non-perishable Food items	29.60%	4.06	28.76	1.27	9.05
Perishable Food items	4.99%	16.06	50.30	0.83	2.50
Alcoholic Bev. & Tobacco	1.02%	5.87	32.67	0.06	0.32
Clothing & Footwear	8.60%	0.30	17.70	0.02	1.52
Housing, Water, Electricity, Gas & Fuels	23.63%	17.66	3.37	-4.05	0.77
Furnishing & Household Equip. Maint	4.10%	3.41	25.06	0.13	0.99
Health	2.79%	2.19	13.77	0.06	0.40
Transport	5.91%	2.22	64.49	0.17	3.84
Communication	2.21%	0.07	1.29	0.00	0.02
Recreation & Culture	1.59%	2.04	22.76	0.03	0.31
Education	3.79%	0.00	9.97	0.00	0.37
Restaurant & Hotels	6.92%	2.23	28.81	0.15	1.93
Miscellaneous	4.87%	3.80	22.86	0.18	1.16

Source: PBS, Foundation Research, October 2022

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