

## Foundation Alert

### Economy: December inflation came in at 24.5% YoY

#### Event

- Pakistan Bureau of Statistics released December 2022 National CPI which came in at 0.5/24.5% on MoM/YoY basis.

#### Impact

- National CPI came in at 0.5/24.5% on MoM/YoY in December 2022 as compared to 0.8/23.8% on MoM/YoY in November 2022.
- Urban CPI changed by 0.3/21.6% on MoM/YoY and Rural CPI changed by 0.7/28.8% on MoM/YoY during December 2022.
- Recreation and Culture (weight in CPI 1.59%) and Misc (weight in CPI 4.87%) contributed most to inflation with impact of 0.15/0.15% MoM driven by increase in Textbooks and Personal Effects.
- Among other heads, notable increase was observed in Furnishing & Household Equipment Maintenance index (weight of 4.10%) with impact of 0.1% MoM.
- Urban Core-Inflation (non-food, non-energy) clocked in at 1.2/14.7% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 1.5/19.0% on MoM/YoY basis in December 2022.
- Average NCPI during 1HFY23 clocked in at 25.0% YoY vs 9.8% YoY in 1HFY22.

#### Outlook

- (1) Elevated food inflation amid disruptions caused by record floods and high global food prices, (2) high fuel and energy prices along with their 2nd round effects given IMF push to escalate prices further amid elevated international petroleum prices due to Ukraine war and (3) lagged effects of sharp Rupee depreciation would push FY23 inflation to 23.7% in FY23. Downside risks include recession in advanced economies which would moderate global commodity and oil prices. Inflation is projected to decline from Jun'23 given high base effect due to jump in electricity, petrol and diesel prices in Jun'22.

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

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	0.49	24.47	0.49	24.47
Food & Non-alcoholic Bev	34.58%	0.14	35.50	-0.06	12.65
Non-perishable Food items	29.60%	2.38	32.49	0.77	10.09
Perishable Food items	4.99%	12.58	55.93	-0.83	2.56
Alcoholic Bev. & Tobacco	1.02%	0.52	36.19	0.01	0.34
Clothing & Footwear	8.60%	0.71	17.10	0.06	1.46
Housing, Water, Electricity, Gas & Fuels	23.63%	0.02	6.95	0.00	1.63
Furnishing & Household Equip. Maint	4.10%	2.40	29.23	0.10	1.15
Health	2.79%	1.94	17.45	0.05	0.50
Transport	5.91%	0.81	41.16	-0.06	2.65
Communication	2.21%	0.06	1.68	0.00	0.03
Recreation & Culture	1.59%	10.93	38.49	0.15	0.52
Education	3.79%	0.27	10.92	0.01	0.39
Restaurant & Hotels	6.92%	1.29	27.37	0.09	1.87
Miscellaneous	4.87%	3.00	25.77	0.15	1.29

Source: PBS, Foundation Research, January 2023

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