

Foundation Alert

Economy: January inflation of 27.6% YoY is a 47-yr high

Event

- Pakistan Bureau of Statistics released January 2023 National CPI which came in at 2.9/27.6% on MoM/YoY basis.

Impact

- National CPI came in at 2.9/27.6% on MoM/YoY in January 2023 as compared to 0.5/24.5% on MoM/YoY in December 2022.
- Urban CPI changed by 2.4/24.4% on MoM/YoY and Rural CPI changed by 3.6/32.3% on MoM/YoY during January 2023.
- Food and Non-Alcoholic Beverages (weight in CPI 34.6%) contributed most to inflation with impact of 1.9% MoM due to increase in non-perishable food items with impact of 2.1% MoM despite decrease in perishable food items with impact of 0.1% MoM. This was driven by upsurge in prices of chicken, wheat, wheat flour, rice, onions, pulse moong and dry fruits.
- Among other heads, notable increase was observed in Housing, Water, Electricity. Gas & Fuels index (weight of 23.6%) with impact of 0.4% MoM due to increase in prices of liquefied hydrocarbons and solid fuels.
- Urban Core-Inflation (non-food, non-energy) clocked in at 1.4/15.4% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 1.5/19.4% on MoM/YoY basis in January 2023.
- Average NCPI during 7MFY23 clocked in at 25.4% YoY vs 10.3% YoY in 7MFY22.

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 on account of Ukraine war and (3) effects of sharp Rupee depreciation would keep FY23 inflation at multi decade high. Thus, we see avg. inflation rising to 25.5% in FY23.

Fig 1: January 2023 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	2.88	27.55	2.88	27.55
Food & Non-alcoholic Bev	34.58%	5.01	42.94	1.94	15.17
Non-perishable Food items	29.60%	6.19	40.34	2.05	12.51
Perishable Food items	4.99%	1.76	61.63	-0.10	2.66
Alcoholic Bev. & Tobacco	1.02%	0.24	36.33	0.00	0.34
Clothing & Footwear	8.60%	0.49	16.76	0.04	1.43
Housing, Water, Electricity. Gas & Fuels	23.63%	1.80	7.83	0.36	1.84
Furnishing & Household Equip. Maint	4.10%	1.59	29.90	0.06	1.19
Health	2.79%	1.84	18.73	0.05	0.54
Transport	5.91%	0.46	39.10	-0.03	2.53
Communication	2.21%	0.04	1.57	0.00	0.02
Recreation & Culture	1.59%	4.53	44.14	0.07	0.59
Education	3.79%	0.10	10.58	0.00	0.37
Restaurant & Hotels	6.92%	3.14	30.10	0.22	2.07
Miscellaneous	4.87%	3.17	28.69	0.16	1.45

Source: PBS, Foundation Research, February 2023

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