

Foundation Alert

Economy: March inflation of 35.4% YoY breaks record again

Event

- Pakistan Bureau of Statistics released March 2023 National CPI which came in at 3.7/35.4% on MoM/YoY.

Impact

- National CPI came in at 3.7/35.4% on MoM/YoY in March 2023 as compared to 4.3/31.5% on MoM/YoY in February 2023.
- Urban CPI changed by 3.9/33.0% on MoM/YoY and Rural CPI changed by 3.5/38.9% on MoM/YoY during March 2023.
- Food and Non-Alcoholic Beverages (weight in CPI 34.6%) contributed most to inflation with impact of 1.5% MoM due to increase in non-perishable food items with impact of 1.3% MoM along with increase in perishable food items with impact of 0.1% MoM. This was driven by upsurge in prices of tea, fresh fruits, tomatoes, sugar, beverages, potatoes, wheat, wheat flour, cooking oil, fresh vegetables, beans, beverages and vegetable ghee.
- Alcoholic beverages and tobacco witnessed increase of 60.9% MoM with impact of 0.7% MoM due to increase in prices of cigarettes.
- Urban Core-Inflation (non-food, non-energy) clocked in at 2.5/18.6% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 2.4/23.1% on MoM/YoY basis in March 2023.
- Average NCPI during 9MFY23 clocked in at 27.3% YoY vs 10.8% YoY in 9MFY22.

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.

Fig 1: March 2023 - National CPI

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	3.72	35.37	3.72	35.37
Food & Non-alcoholic Bev	34.58%	3.72	47.15	1.47	17.13
Non-perishable Food items	29.60%	3.92	46.44	1.33	14.64
Perishable Food items	4.99%	2.51	51.81	0.14	2.49
Alcoholic Bev. & Tobacco	1.02%	60.94	140.02	0.65	1.30
Clothing & Footwear	8.60%	5.27	21.93	0.40	1.88
Housing, Water, Electricity. Gas & Fuels	23.63%	1.11	17.49	0.22	3.88
Furnishing & Household Equip. Maint	4.10%	5.10	38.99	0.21	1.56
Health	2.79%	0.30	18.46	0.01	0.53
Transport	5.91%	3.30	54.94	0.25	3.63
Communication	2.21%	2.87	6.64	0.03	0.10
Recreation & Culture	1.59%	3.08	50.59	0.05	0.68
Education	3.79%	1.27	7.18	0.04	0.26
Restaurant & Hotels	6.92%	3.84	38.49	0.27	2.66
Miscellaneous	4.87%	2.50	34.43	0.13	1.75

Source: PBS, Foundation Research, April 2023

Analyst

Zeeshan Azhar
+92 21 3561 2290-94

zeeshan@fs.com.pk
Ext 331

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

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