

## Foundation Alert

### Economy: May inflation breaks record at 38.0% YoY

#### Event

- Pakistan Bureau of Statistics released May 2023 National CPI which came in at 1.6/38.0% on MoM/YoY.

#### Impact

- National CPI came in at 1.6/38.0% on MoM/YoY in May 2023 as compared to 2.4/36.4% on MoM/YoY in April 2023.
- Urban CPI changed by 1.5/35.1% on MoM/YoY and Rural CPI changed by 1.7/42.2% on MoM/YoY during May 2023.
- Food and Non-Alcoholic Beverages (weight in CPI 34.6%) contributed most to inflation with impact of 0.5% MoM due to increase in non-perishable food items with impact of 0.9% MoM while perishable food items declined with impact of -0.4% MoM. This was driven by upsurge in prices of potatoes, gur, chicken, eggs, milk powder and wheat flour.
- Whereas, Restaurant and Hotels (weight in CPI 6.9%) contributed with impact of 0.3% MoM driven by increase in readymade food and accommodation services.
- Urban Core-Inflation (non-food, non-energy) clocked in at 1.2/20.1% on MoM/YoY basis. Whereas, Rural Core Inflation clocked in at 2.5/26.9% on MoM/YoY basis in May 2023.
- Average NCPI during 11MFY23 clocked in at 29.2% YoY vs 11.3% YoY in 11MFY22.

#### Outlook

- Easing fuel and international commodity prices amid high base effect would push FY24 inflation downwards from FY23 highs. However, high food inflation amid import restriction driven shortages and 2<sup>nd</sup> round effects of high FY23 inflation would keep inflation above LT average. Thus, our forecast of FY24 inflation is ~18% YoY.

**Fig 1: May 2023 - National CPI**

Group	Weight	% MoM	% YoY	Impact % MoM	Impact % YoY
General	100.0%	1.58	37.97	1.58	37.97
Food & Non-alcoholic Bev	34.58%	1.26	48.65	0.51	18.12
Non-perishable Food items	29.60%	2.64	51.01	0.92	16.41
Perishable Food items	4.99%	-7.67	33.70	-0.41	1.71
Alcoholic Bev. & Tobacco	1.02%	0.63	123.96	0.01	1.22
Clothing & Footwear	8.60%	1.39	22.47	0.11	1.94
Housing, Water, Electricity, Gas & Fuels	23.63%	0.65	20.51	0.12	4.33
Furnishing & Household Equip. Maint	4.10%	3.93	43.46	0.16	1.77
Health	2.79%	0.94	19.32	0.02	0.55
Transport	5.91%	0.22	52.92	0.02	3.53
Communication	2.21%	0.40	7.01	0.00	0.10
Recreation & Culture	1.59%	4.98	72.17	0.08	0.98
Education	3.79%	0.94	8.43	0.03	0.31
Restaurant & Hotels	6.92%	4.23	42.34	0.29	2.93
Miscellaneous	4.87%	4.44	43.32	0.23	2.20

Source: PBS, Foundation Research, June 2023

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