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Inflation at 22-month high of 12.3%

Core inflation also rose by 8.3% YoY in Dec 2021

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Best Research
House 2019-20



Best Local Brokerage
House 2015-16; FY2020



Best Brokerage
House 2019-20



Best Brokerage
House 2018,19-20



Best Local Brokerage House
Brokers Poll 2011-14, 2016-20

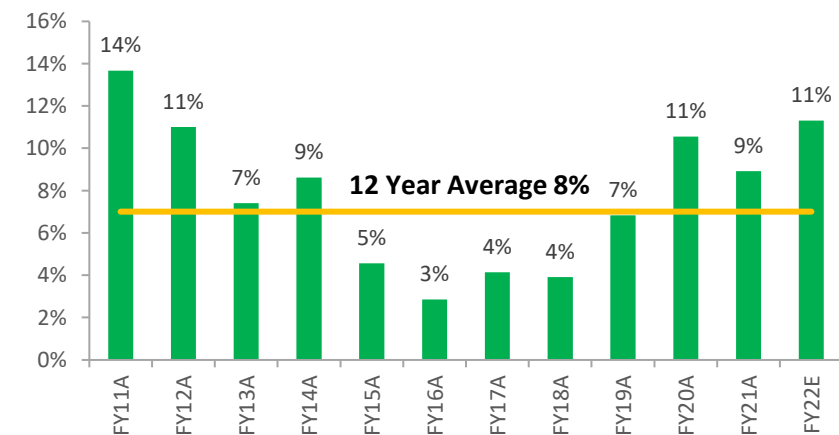
December inflation at 12.3%; FY22 average inflation to be near 11%

Consumer Price Index (CPI)

	Weight	Dec-21	YoY Inflation	MoM Inflation
Headline Inflation	100%	158.2	12.3%	0.0%
Food & Non-alcoholic Bev.	35%	163.0	10.3%	-3.4%
Non Perishable Food items		166.0	14.2%	-0.1%
Perishable Food items		145.0	-10.2%	-20.9%
Housing, Water, Electricity, Gas	24%	156.6	16.6%	2.8%
Clothing & Footwear	9%	156.8	11.2%	2.0%
Transport	6%	172.3	24.1%	1.3%

Source: PBS, Topline Research

FY22 Average CPI inflation to touch decade high of close to 11%



Source: PBS, Topline Research

- Inflation rose to a 22 months high of 12.3% in Dec 2021 driven by higher food inflation, increase in energy tariffs, and rise in prices of petroleum products. On MoM basis, inflation was marginally down 0.02% after 5-months of consecutive MoM increase.
- In 2021, inflation averaged 9.5% slightly higher than the 9.4% inflation recorded in 2020. In 1HFY22, inflationary pressures were more prominent as it increased to 9.8% versus 8.6% in same period last year.
- Food inflation in Dec 2021 rose by 10.3% YoY vs. 10.5% in Nov 2021. Supply side constraints, increasing transportation cost and surge in worldwide food prices have kept food inflation elevated in 2021. Food inflation remains the main driver of inflation in Pakistan with a weight of 35% in CPI basket.
- Housing, water & fuel segments surged by 17% YoY in Dec 2021 vs. 15% in Nov 2021. On MoM basis, it increased by 2.8%. This was primarily driven by rise in electricity charges, increase in construction input items, and higher house rent index on YoY basis.
- Transport segment also rose by 24% YoY and 1.3% MoM respectively in Dec 2021 primarily due to higher petrol/diesel prices.
- Along with the rise in food and fuel led inflation, core inflation (non food-non energy) also rose by 8.3% YoY in Dec 2021 vs. 7.6% in Nov 2021.
- Real interest rates now stands at -2.55% in Dec 21 vs. -2.75% in Nov 2021 and -1% in Dec 2020. In 1HFY22, real interest rates have now averaged at -1.97%.
- With 1HFY22 inflation average of 9.8% and expected up tick in inflation going forward in the remainder of FY22 due to expected withdrawal of tax exemptions, increase in energy tariffs & higher Petroleum levy, we expect average inflation to be close to 11% in FY22.
- In its last monetary policy statement, SBP had highlighted '*MPC felt that the end goal of mildly positive real interest rates on a forward-looking basis was now close to being achieved*'. However, looking at the inflationary outlook, a further rise in policy rate by at least 50-100bps can not be ruled out in 2HFY22, we believe.

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