

Lower electricity charges pull Sep'22 inflation down to 23.2%

- PBS reported Sep'22 NCPI inflation at -1.1%MoM/23.2%YoY, which is lower than our expectations.
- The main reason for lower inflation reading is decline of 65.3%MoM/30.5%YoY in electricity charges for both urban and rural centers. This is due to the deferment of Fuel Cost Adjustment for consumers of up to 300 units. We were expecting this deferment to be reflected in Oct'22 inflation numbers.
- If this deferment was not incorporated, Sep'22 inflation would have been 3.1%MoM/28.4%YoY, higher than our expectations.
- Electricity charges constitute 4.6%/3.4% of urban/rural baskets.
- On the other hand, food inflation reported an increase of 5.8%MoM/31.7%YoY driven primarily by 16.1%MoM/50.3%YoY increase in prices of perishable food items.
- Higher MoM food inflation was mainly led by increase in prices of wheat flour and products, rice, chicken, milk and products, eggs, pulses, vegetables, and tea. Prices of vegetable ghee and oil came down slightly.
- Increase in food group came high than expectations.
- Urban/rural NFNE inflation have increased to 14.4%/17.6%YoY compared to 13.8%/16.5%YoY of the previous month.
- On MoM basis urban/rural NFNE inflation was reported at 0.9%/1.4% compared to 1.8%/1.8% of the previous month.
- Other than food items, higher prices of LPG, household items, medicines and other health related items, POL products and vehicle accessories (where prices of motor vehicles reported 2.4%MoM decline), stationary, and readymade food items, were some of the key items leading to increase in inflationary pressures.
- Regarding the deferment of FCA on electricity charges, it is expected that FCA would be reversed in a phased manner in the coming months and hence impacting inflation outturns in the coming months.

Break-up of Sep'22 inflation numbers

	National CPI			Urban CPI			Rural CPI		
	W	MoM	YoY	W	MoM	YoY	W	MoM	YoY
General	100.0%	-1.1%	23.2%	100.0%	-2.1%	21.2%	100.0%	0.2%	26.1%
Food & Non-alcoholic Bev.	34.6%	5.8%	31.7%	30.4%	5.4%	30.7%	40.9%	6.2%	32.8%
Non-perishable Food Items	29.6%	4.1%	28.8%	26.0%	4.0%	27.9%	35.1%	4.2%	29.7%
Perishable Food Items	5.0%	16.1%	50.3%	4.5%	14.0%	48.3%	5.8%	18.4%	52.6%
Alcoholic Bev. & Tobacco	1.0%	5.9%	32.7%	0.9%	6.8%	34.0%	1.3%	4.8%	31.1%
Clothing & Footwear	8.6%	0.3%	17.7%	8.0%	0.1%	18.9%	9.5%	0.5%	16.3%
Housing, Water, and Energy	23.6%	-17.7%	3.4%	27.0%	-17.7%	1.0%	18.5%	-17.5%	8.6%
Furnishing & Household	4.1%	3.4%	25.1%	4.1%	4.1%	24.3%	4.1%	2.4%	26.2%
Health	2.8%	2.2%	13.8%	2.3%	1.0%	12.3%	3.5%	3.4%	15.2%
Transport	5.9%	2.2%	64.5%	6.1%	2.0%	63.3%	5.6%	2.5%	66.6%
Communication	2.2%	0.1%	1.3%	2.4%	0.1%	1.2%	2.0%	0.1%	1.4%
Recreation & Culture	1.6%	2.0%	22.8%	1.7%	2.0%	21.1%	1.4%	2.2%	25.6%
Education	3.8%	0.0%	10.0%	4.9%	0.0%	10.0%	2.1%	0.0%	9.7%
Restaurants & Hotels	6.9%	2.2%	28.8%	7.4%	2.8%	29.1%	6.2%	1.2%	28.2%
Miscellaneous	4.9%	3.8%	22.9%	4.8%	3.9%	23.1%	5.0%	3.7%	22.6%

Source: PBS, Next Research

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Annexure

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