

Apr'23 inflation estimated at 38.2%YoY

- Our estimates suggest Apr'23 NCPI inflation reading at 3.7%MoM/38.2%YoY compared to 3.7%MoM/35.4%YoY in Mar'23 and 1.6%MoM/13.4%YoY in Apr'22.
- With this reading average inflation for 10MFY23 would clock is at 28.3% compared to 11% of the same period last year.
- The said reading would be the highest monthly inflation from the available date.
- Higher food inflation amid supply shocks particularly in wheat, and Ramazan effect, are expected to drive food inflation as high as 7.5%MoM/52.6%YoY.
- Major commodities that have seen an increase in prices during the month include wheat, rice, meat, fresh milk and products, eggs, fresh fruits, potatoes, tomatoes, sugar, and tea. Whereas prices of chicken, cooking oils and ghee, some pulses, onions, and condiments and spices have recorded a moderate decline during the month.
- Apart from the food segment, quarterly adjustment in House Rent Index, and ripples effects of high costs of energy and weakening PKR against USD, are likely to push non-food non-energy inflation upwards on MoM basis.
- Urban/Rural Core-NFNE inflation is estimated to further rise up 18.9%/23.3% compared to 18.6%/23.1% in Mar'23 and 9.1%/10.9% in Apr'22.
- Going forward, inflation is estimated to remain at similar levels in May'23, despite some downward adjustments in food inflation post Ramazan, before coming down by around 7ppt in Jun'23 due to high base effect. Our estimate for FY23 average inflation stands at 29.6%.
- With the next MPC meeting scheduled on June 12th, 2023, we estimate real interest rates on forward-looking average inflation to be positive by then and expect the interest rates to be maintained at current levels. The downward movement of interest rates is not expected in at least CY23.

Break-up of Apr23 inflation estimates

| | National CPI | | | Urban CPI | | Rural CPI | |
|------------------------------------|--------------|------|--------|-----------|--------|-----------|--------|
| | Weight | MoM | YoY | MoM | YoY | MoM | YoY |
| General | 100.0% | 3.7% | 38.2% | 3.6% | 35.6% | 3.8% | 41.8% |
| Food & Non-alcoholic Bev. | 34.6% | 7.5% | 52.6% | 8.0% | 50.7% | 6.8% | 54.3% |
| Alcoholic Bev.& Tobacco | 1.0% | 0.2% | 133.2% | 0.2% | 133.6% | 0.0% | 132.7% |
| Clothing & Footwear | 8.6% | 2.2% | 22.1% | 2.2% | 22.8% | 2.2% | 21.2% |
| Housing, Water, Elec., Gas & Fuels | 23.6% | 0.3% | 18.6% | 0.4% | 16.2% | 0.2% | 24.0% |
| Furnishing & HH Equip. Maintenance | 4.1% | 2.5% | 40.2% | 2.4% | 40.6% | 2.6% | 39.5% |
| Health | 2.8% | 1.5% | 19.2% | 1.5% | 18.7% | 1.5% | 19.7% |
| Transport | 5.9% | 0.8% | 55.4% | 0.8% | 54.9% | 0.7% | 56.4% |
| Communication | 2.2% | 1.5% | 8.2% | 1.5% | 10.1% | 1.5% | 4.6% |
| Recreation & Culture | 1.6% | 1.9% | 52.8% | 1.9% | 54.0% | 1.9% | 50.9% |
| Education | 3.8% | 1.5% | 8.1% | 1.5% | 6.8% | 1.5% | 13.1% |
| Restaurants & Hotels | 6.9% | 2.4% | 41.5% | 2.3% | 42.7% | 2.6% | 39.2% |
| Miscellaneous | 4.9% | 1.5% | 35.4% | 1.5% | 35.4% | 1.5% | 35.3% |

Source: PBS, Next Research

Shahab Farooq

shahab.farooq@nextcapital.com.pk

+92-21-35222 203

Annexure

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