

Jul'23 inflation of 28.3% beats expectations

- Beating general expectations for Jul'23 NCPI inflation that hovered around 26%YoY, actual reading came at 3.5%MoM/28.3%YoY compared to -0.3%MoM/29.4%YoY of Jun'23 and 4.4%MoM/24.9%YoY of Jul'22.
- Key culprit for higher than expected inflation outturn is resurgence in food inflation with a surge of 4.1%MoM in Jul'23 compared to a decline of 1%MoM in Jun'23.
- Food inflation surged by 4.3%MoM/3.8%MoM in Urban/Rural centers compared to -0.2%MoM/-1.9%MoM of the previous month.
- Key contributors to high MoM food inflation are higher prices of wheat, wheat flour and products, rice, milk and milk products, pulse mash, potatoes, tomatoes, fresh vegetables, sugar, gur, condiments and spices, and beverages.
- On the other hand, prices of chicken, cooking oil and ghee, fresh fruits, other pulses, and onions came down on MoM basis.
- Other highlights include, i) 1.4%MoM/1.7%MoM increase in quarterly adjustment in house rent index in Urban/Rural centers, ii) 40% increase in electricity charges with the implementation of annual rebasing by NEPRA in Jul'23, iii) 2.2%MoM increase in health segment driven by higher prices of drugs and medicines, doctor clinic fees, and hospitals services.
- Core NFNE inflation for Urban/Rural centers came slightly down to 18.4%/24.6% from 18.5%/25.2% of the previous month. Core NFNE inflation for Urban/Rural centers for Jul'22 stood at 12%/14.6%.
- Continued high food inflation along with recent and expected adjustments in energy prices, amid resurgence in international oil prices and a weak PKR, including i) recently increased prices for petrol and diesel, ii) the potential increase in gas prices, and iii) increase in fuel cost components in the future electricity prices, with respective ripple effects, have increased risks of upward revision in average inflation estimates for FY24, which currently hovers around 22%.

Break-up of Jul'23 inflation numbers

	National CPI			Urban CPI			Rural CPI		
	W	MoM	YoY	W	MoM	YoY	W	MoM	YoY
General	100.0%	3.5%	28.3%	100.0%	3.6%	26.3%	100.0%	3.3%	31.3%
Food & Non-alcoholic Bev.	34.6%	4.1%	39.5%	30.4%	4.3%	38.7%	40.9%	3.8%	40.5%
Non-perishable Food Items	29.6%	3.9%	42.1%	26.0%	4.0%	41.1%	35.1%	3.7%	43.3%
Perishable Food Items	5.0%	5.6%	23.5%	4.5%	6.5%	24.7%	5.8%	4.5%	22.2%
Alcoholic Bev. & Tobacco	1.0%	0.4%	102.1%	0.9%	0.4%	102.6%	1.3%	0.4%	101.5%
Clothing & Footwear	8.6%	0.6%	20.4%	8.0%	0.5%	18.6%	9.5%	0.6%	22.5%
Housing, Water, and Energy	23.6%	8.0%	10.8%	27.0%	8.0%	9.6%	18.5%	8.1%	13.5%
Furnishing & Household	4.1%	1.7%	41.7%	4.1%	1.8%	41.1%	4.1%	1.6%	42.6%
Health	2.8%	2.2%	21.5%	2.3%	2.9%	21.9%	3.5%	1.5%	21.2%
Transport	5.9%	-0.2%	13.6%	6.1%	0.0%	13.6%	5.6%	-0.6%	13.6%
Communication	2.2%	0.4%	6.8%	2.4%	0.6%	9.0%	2.0%	0.1%	2.8%
Recreation & Culture	1.6%	0.3%	65.9%	1.7%	0.4%	65.8%	1.4%	0.2%	65.9%
Education	3.8%	0.0%	8.0%	4.9%	0.0%	5.6%	2.1%	0.0%	17.1%
Restaurants & Hotels	6.9%	1.7%	34.7%	7.4%	1.1%	35.7%	6.2%	2.8%	33.0%
Miscellaneous	4.9%	1.0%	39.3%	4.8%	1.1%	39.1%	5.0%	0.9%	39.5%

Source: PBS, Next Research

Shahab Farooq

shahab.farooq@nextcapital.com.pk

+92-21-111-639-825, Ext. 113

Annexure

Disclaimer

Analyst Certification: All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Disclaimer

This information and opinion contained in this report have been compiled by our research department from sources believed by it to be reliable and in good faith, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates contained in the document constitute the department's judgment as of the date of this document and are subject to change without notice and are provided in good faith but without legal responsibility.

This report is not, and should not be construed as, an offer to sell or a solicitation of an offer to buy any securities. Next Capital Limited (the company) or persons connected with it may from time to time have an investment banking or other relationship, including but not limited to, the participation or investment in commercial banking transactions (including loans) with some or all of the issuers mentioned therein, either for their own account or the account of their customers. Persons connected with the company may provide or have provided corporate finance and other services to the issuer of the securities mentioned herein, including the issuance of options on securities mentioned herein or any related investment and may make a purchase and/or sale, or offer to make a purchase and/or sale of the securities or any related investment from time to time in the open market or otherwise, in each case either as principal or agent.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. NCEL expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Exchange rate fluctuations may affect the return to investors. Neither the company or any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained therein.

Next Capital Limited, its respective affiliate companies, associates, directors and/or employees may have investments in securities or derivatives of securities of companies mentioned in this report, and may make investment decisions that are inconsistent with the views expressed in this report.