

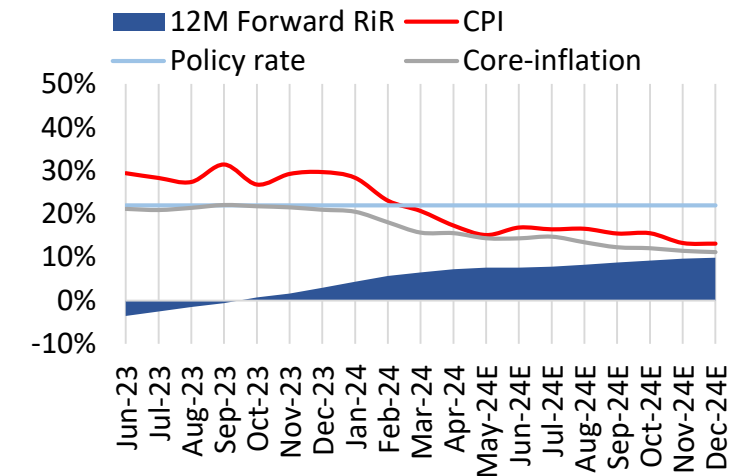
# Inflation

## Apr-24 NCPI at 17.3% Y/Y; Food Index at 30 Months Low

02 May 2024

- Apr-24 inflation eased by -0.4% M/M.** The headline came down on the back of sharp drop in food index by 2.4% M/M and housing index by 1.8% M/M. There was a seasonal rise in the clothing index by 4.5% M/M due to Eid and education index by 4.6% M/M due to likely revision in school fees. Along with these, the house rent prices (1.45% M/M) brought core index up by 2.1% M/M to 15.6% Y/Y.
- Food index came down sharply to 9.7% Y/Y, lowest since Nov-21.** The steep drop in wheat/wheat flour prices by 10.4/9.7% M/M and other perishable items including onions/fresh vegetables/tomatoes by 15.6/11.9/6.2% M/M helped bring the food index by 2.4% M/M. To highlight, the food index increase eased by 7.6 ppts in Apr-24 to 9.7% Y/Y.
- Electricity Prices dropped 9.5% Y/Y.** The conclusion of double QTA charges and lower FCA in Apr-24 helped bring the electricity index down by 9.5% M/M.
- Core inflation up by 2.0% M/M.** The core inflation jumped M/M on the back of adjustment in house rent prices, higher clothing prices due to Eid season, rise in air fares, and jump in education index on start of new session. However the Y/Y figure came down slightly to 15.6% Y/Y (-0.1 ppts M/M).
- Inflation likely to drop below 15.5%.** We expect May-24 NCPI to drop below 15.5% Y/Y on the back of further reduction by 4.3% M/M in electricity price, about 8% drop in wheat & continued fall in perishable food items till now, and minor easing in fuel prices. Thereafter, the inflation is expected to remain below 15-16% assuming normalized PKR/USD depreciation, incorporating 18% sales tax on fuel and adjustment in utility prices from Jul-24. The FY24 avg inflation is expected at around 24.1% Y/Y.

## 12M Fwd RiR at ~7.2/7.6% in Apr/May-24E



Source: PBS, Optimus Research

\*RiR is Real Interest Rates

Maaz Azam

maaz.azam@optimus.pk

+9221 3529 6888 x 2302

REN: REP-107



## 58.2% Index Weight (Food and Housing) Experienced Decline M/M

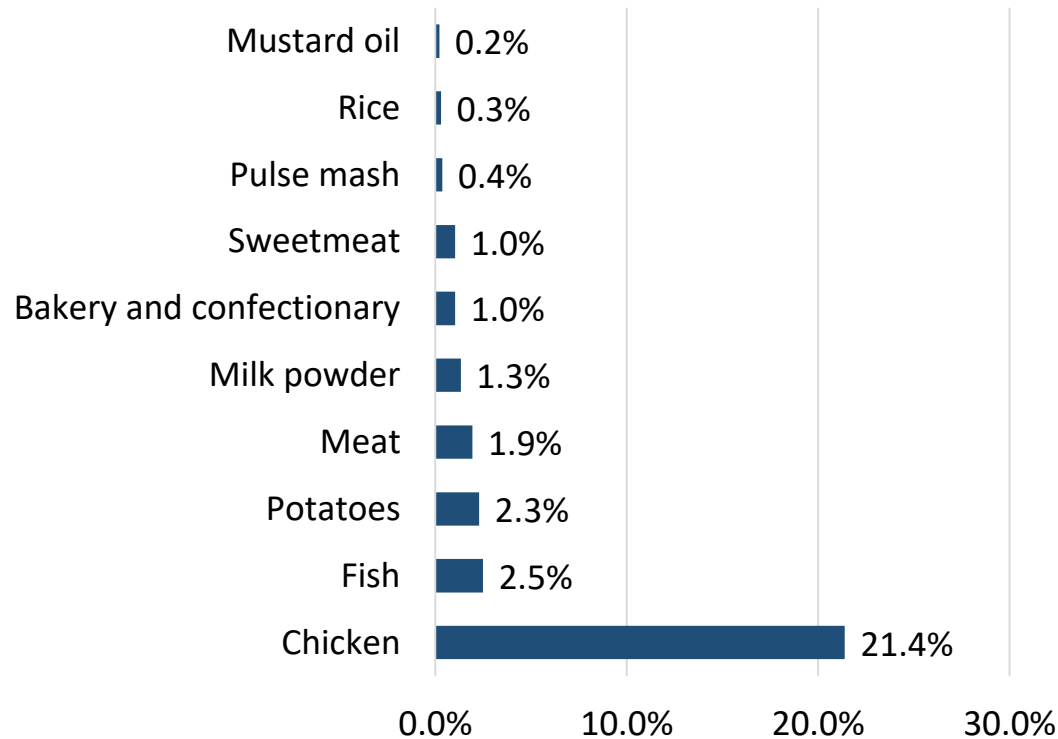
2

Inflation	Weights	Apr-24		10MFY24
	%	Y/Y	M/M	Y/Y
<b>General</b>	<b>100.0%</b>	<b>17.3%</b>	<b>-0.43%</b>	<b>26.0%</b>
Food & non-alcoholic beverages	34.6%	9.7%	-2.36%	25.5%
Alcoholic Beverages & Tobacco	1.0%	3.4%	0.07%	59.8%
Clothing & Footwear	8.6%	19.1%	4.49%	19.8%
Housing, Water, Electricity, Gas & Fuels	23.6%	35.7%	-1.81%	28.4%
Furnishing & Household Equipment	4.1%	17.8%	0.35%	31.5%
Health	2.8%	18.6%	0.26%	22.1%
Transport	5.9%	12.5%	2.83%	21.4%
Communication	2.2%	14.5%	0.01%	11.1%
Recreation & Culture	1.6%	11.8%	0.82%	40.8%
Education	3.8%	15.4%	4.64%	12.4%
Restaurants & Hotels	6.9%	19.5%	1.14%	28.3%
Miscellaneous	4.9%	19.5%	1.95%	30.6%

Source: PBS, Optimus Research

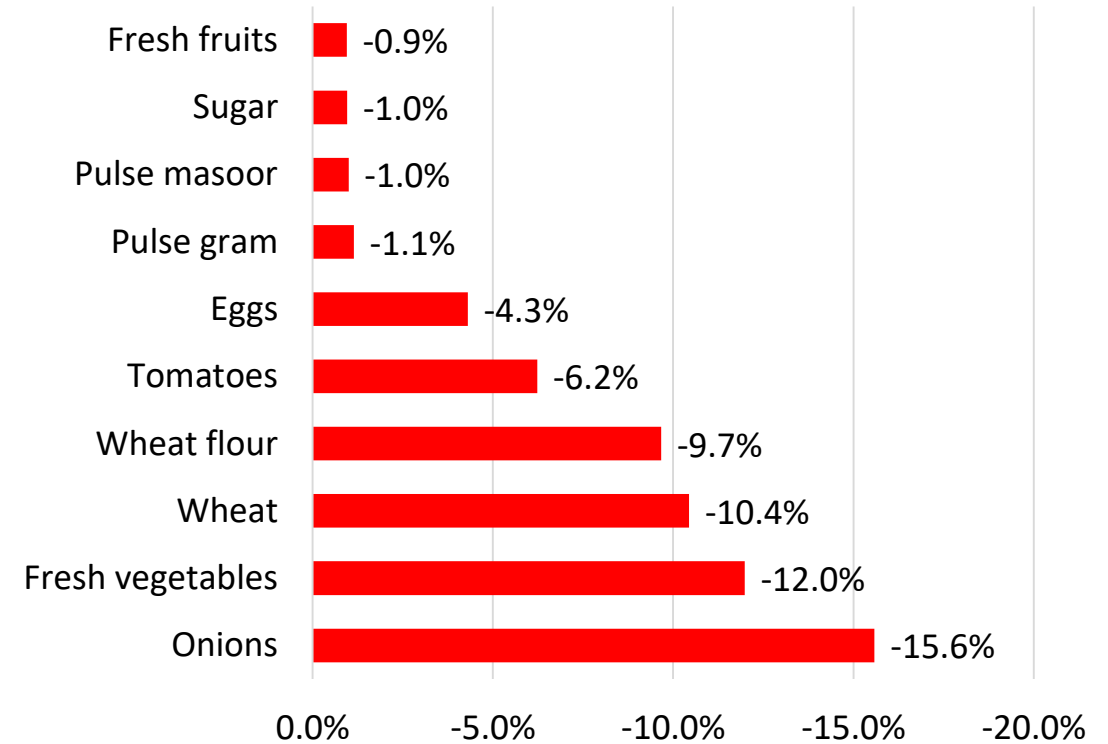
## Food Index is down to 9.7% Y/Y, lowest since Nov-21

Chart 2: Top M/M increase in food prices (U/R weights 7/7%)



Source: PBS, Optimus Research

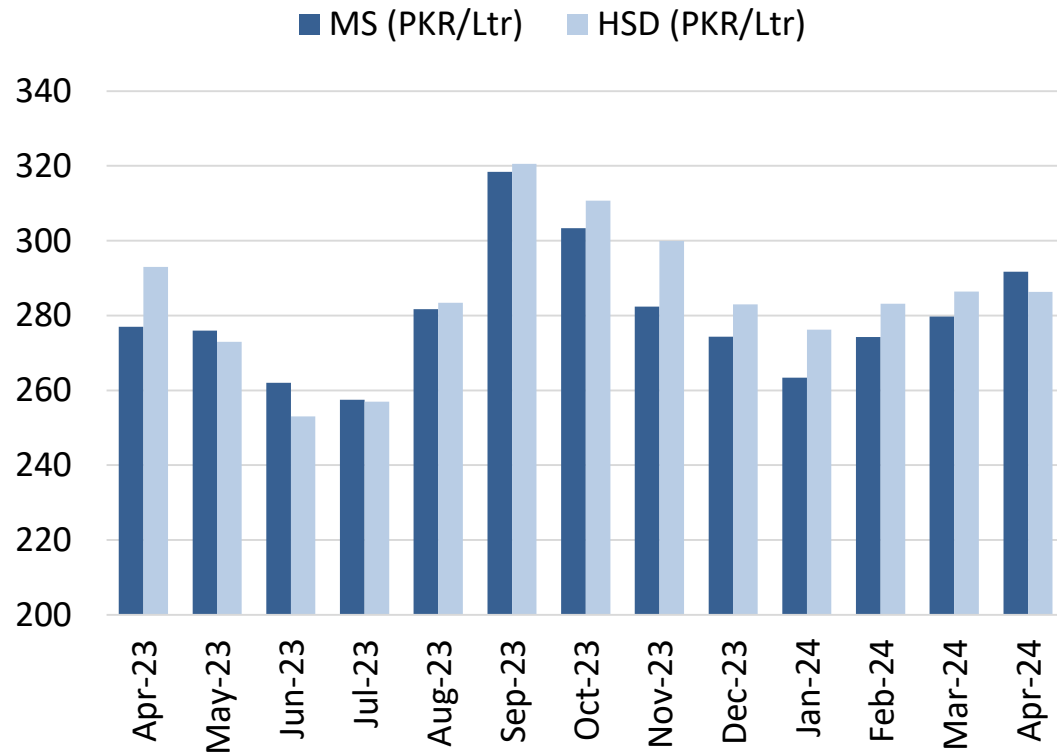
Chart 3: Top M/M decline in food prices (U/R weights 9/15%)



Source: PBS, Optimus Research

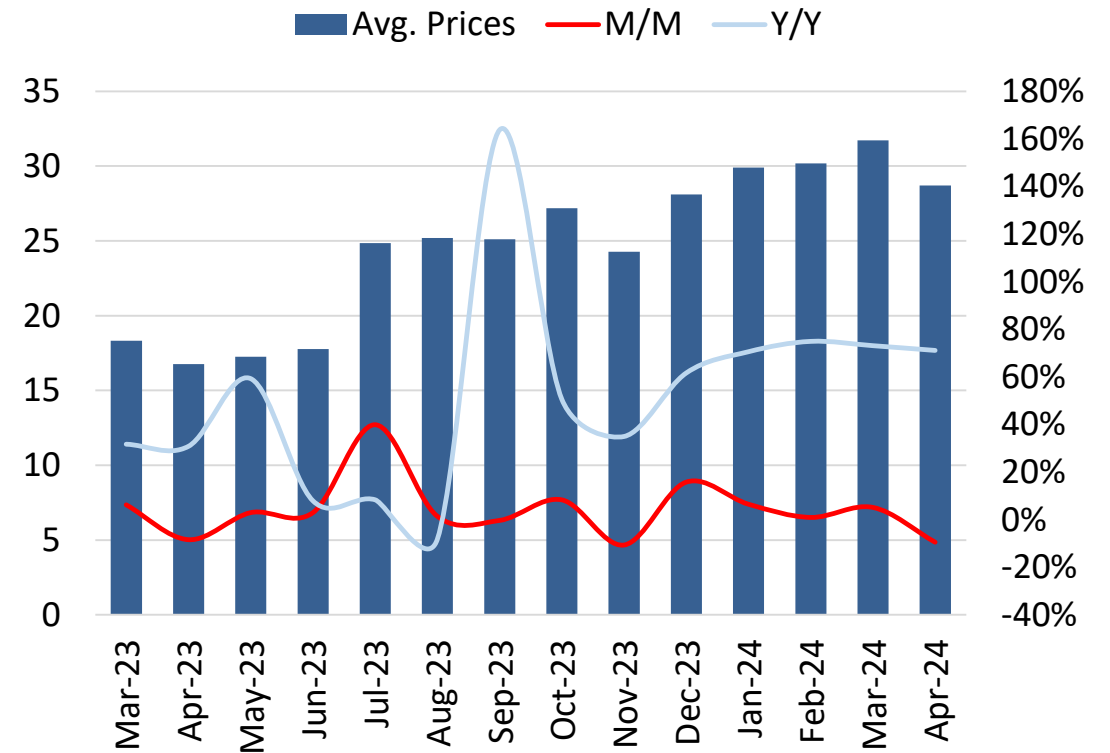
# Conclusion of Double QTA in Apr-24 & Normal FCA Brought Down Electricity Prices

**Chart 4: Transport index increased by 2.8% M/M on higher fuel prices and higher air fares in Ramadan**



Source: OGRA, PBS, Optimus Research

**Chart 5: Electricity index dropped 9.5% M/M in Apr-24 (PKR/Unit)**



Source: PBS, NEPRA, Optimus Research

## Analyst Certification

The research analyst for this report, Maaz Azam, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in this report.

## Disclaimer

This report has been prepared by Optimus Capital Management (Pvt.) Ltd. [Optimus] and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation or any offer to buy. While reasonable care has been taken to ensure that the information contained in this report is not untrue or misleading at the time of its publication, Optimus makes no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Optimus and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. Optimus as a firm may have business relationships, including investment banking relationships with the companies referred to in this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report and Optimus accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. At the same time, it should be noted that investments in capital markets are also subject to market risks. This report may not be reproduced, distributed or published by any recipient for any purpose.