

Pakistan Equity | Inflation

Nov 19, 2024

REP-057

Nov 2024 CPI expected between 4.5-5.0% YoY,
Inflation reading below 5% after 78 months



Best Brokerage House
2016, 2017, FY20 (Winner)
FY22 (Runner Up)

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2016 to 2023



Best Brokerage House
2018, 2019 & 2020



Best Research House
2019, 2020 & 2023

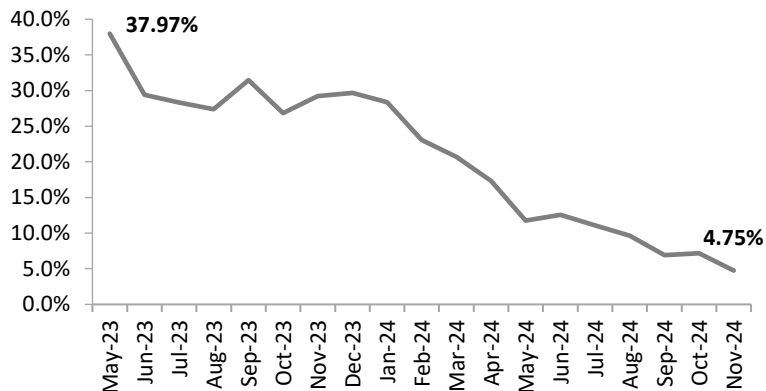


Best Brokerage House
2021

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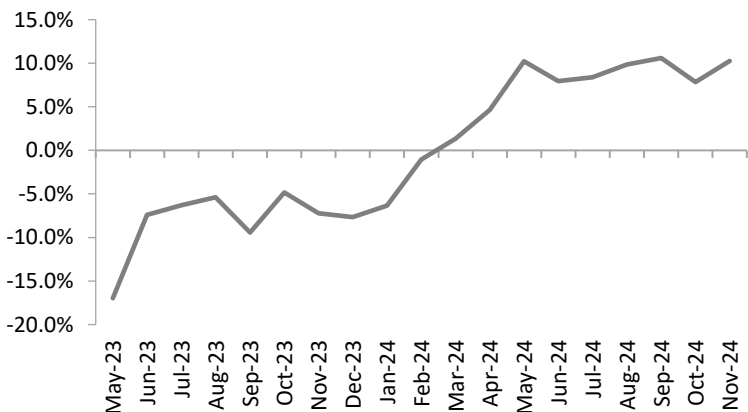
FY25 inflation is expected to average around 7-8%

Pakistan Monthly Inflation Trend (YoY)



Source: PBS, Topline Research

Real Rates are significantly positive since last few months



Source: PBS, Topline Research

- Pakistan’s Consumer Price Index (CPI) for Nov 2024 is expected to clock in at 4.5-5.0% YoY (+0.4% MoM), taking 5MFY25 average to 7.91% compared to 28.62% in 5MFY24.
- During Nov 2024, Food Inflation is expected to increase by 0.2% MoM mainly on the back of rise in Eggs price, Pulse Moong, Tomatoes, and potatoes prices in the range of 5-35%.
- Housing, water, electricity and gas segment is expected to witness approx. 0.11% MoM growth due to increase in LPG prices by 7% MoM, while electricity prices are expected to decline on the back of negative fuel cost adjustment.
- Transport segment is expected to witness increase of 1.4% MoM on the back of increase in petrol and diesel prices.
- **Real Rate:** With inflation expectations of ~4.5-5.0% for Nov 2024, real rates will surge to 1000-1050bps, significantly higher than Pakistan’s historic average of 200-300bps.
- **Interest rate outlook:** We expect interest rate to clock in at 11-12% by Dec 2025, suggesting positive real rates of 200-300bps based on FY26E inflation average of 8.8%. For FY25, we expect inflation to clock in at 7-8%.
- IMF in its recent report has revised down its inflation forecast (average) for FY25 to 9.5% from earlier 12.7% reported earlier. While, central bank in its recent monetary policy communication has noted that, FY25 average inflation will fall below the earlier forecast range of 11.5 – 13.5%.
- **Key Risks:** Any major deviation in commodity prices from current levels (i.e. oil US\$75/barrel) may result in change in inflation estimates.

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