

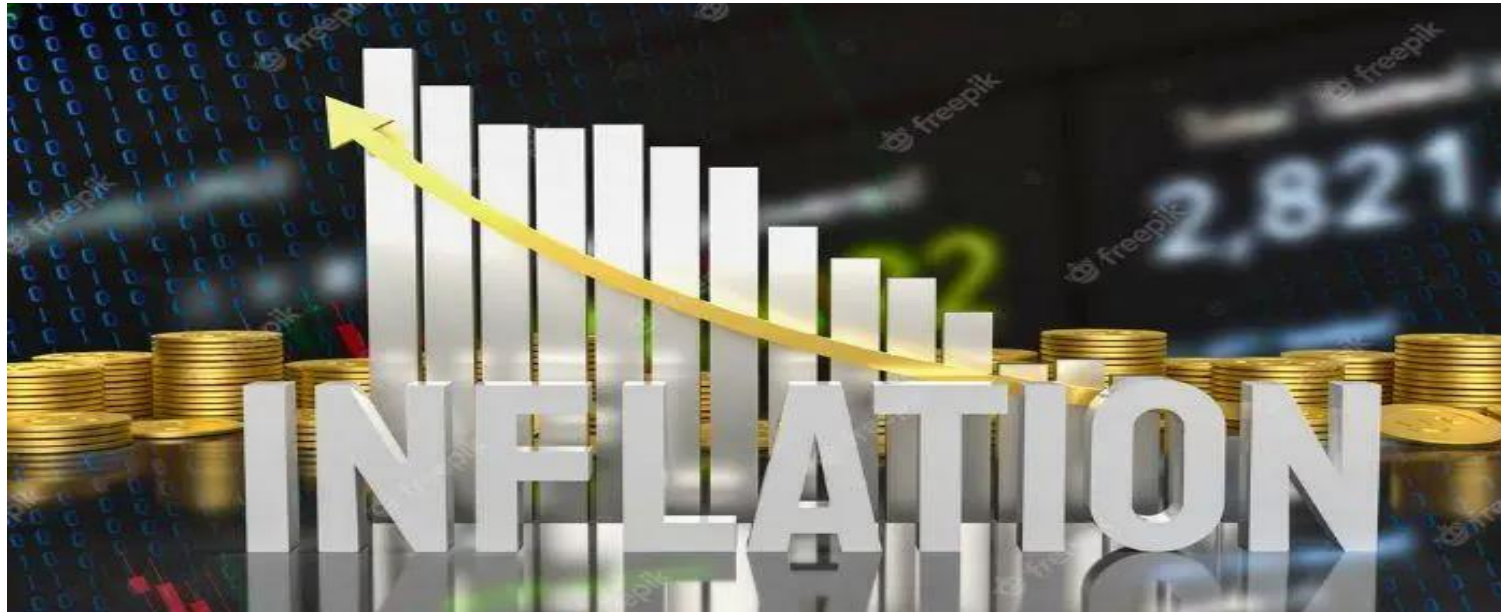


Economy | MPS | NCPI | Update



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REP # 048



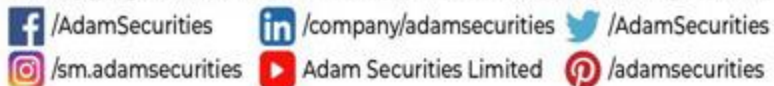
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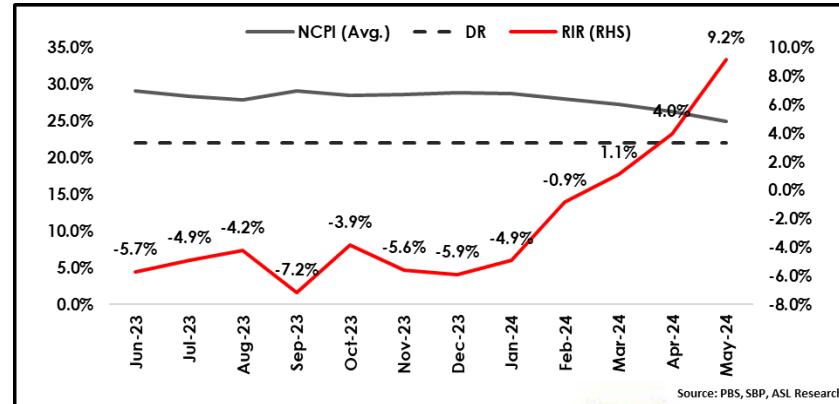
NCPI May'24- Easing Perishable food prices, pushing NCPI to multi- years low

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- National Consumer Price Index (NCPI) clocked in at c.11.77%YoY, augmented by notable easing off effect of food index which simplified by c.8%MoM during May'24. The notable MoM cooling off food index has mainly been the resultant effect of i) decline in Perishable index by c.20%MoM and ii) notable decline in Non-Perishable food index by c.5.5%MoM during May'24 compared to Apr'24. It is to note here that, the food index has been showing declining trend since Mar'24 where, we have observed the economy has ben reviving from the devastations of the floods-22. Further, it is also to note here that amongst the perishable food prices, we have noticed, Eggs, Fruits and Fresh Vegetable prices have notably improved respectively by c.4%MoM, c.13.6%MoM and c.38%MoM during May'24 when comparing the month earlier levels.
- Moreover, it is also to mention here that, even the stable Gas prices has not been declared good for the economy, the IMF authorities predicted, the stable gas prices during May'24, has enforced the Electricity,, Housing & Gas index to slide during May'24 by c.1.3%MoM, contributing to the overall NCPI, easing off during May'24. Addition to this, c.4.5%MoM decline in int'l crude oil prices to average USD86.06/bbl. along with the stability in USDPKR has induced the GoP to cut POL prices by c.4.3%MoM during May'24, which has improved the Transportation index by c.1.6%MoM during May'24.
- Core NCPI during May'24 remained at lower side, where Urban and Rural NFNE eased off to c.12.3%YoY and c.17.0%YoY respectively during May'24 mainly on the phenomenal revival of the economy from plunged turmoil.

Key NCPI Drivers	Weights	May-24	May-23	MoM	YoY
General	100%	254.8	228.0	-3.2%	11.8%
Food & Non-alcoholic Bev.	34.6%	264.0	264.5	-7.8%	-0.2%
Alcoholic Bev. & Tobacco	1.0%	366.7	356.4	0.2%	2.9%
Clothing & Footwear	8.6%	239.5	203.0	0.5%	18.0%
Housing, Elect. & Gas	23.6%	236.6	177.9	-1.3%	33.0%
Furnishing & Household	4.1%	267.4	235.1	0.4%	13.7%
Health	2.8%	241.2	201.9	1.6%	19.4%
Transport	5.9%	315.1	285.4	-1.6%	10.4%
Communication	2.2%	134.3	118.3	-0.4%	13.5%
Recreation & Culture	1.6%	262.3	242.9	1.4%	8.0%
Education	3.8%	199.0	171.6	1.4%	15.9%
Restaurants & Hotels	6.9%	267.2	235.0	-0.8%	13.7%
Miscellaneous Goods	4.9%	282.8	246.6	0.2%	14.7%

Source: PBS, ASL Research

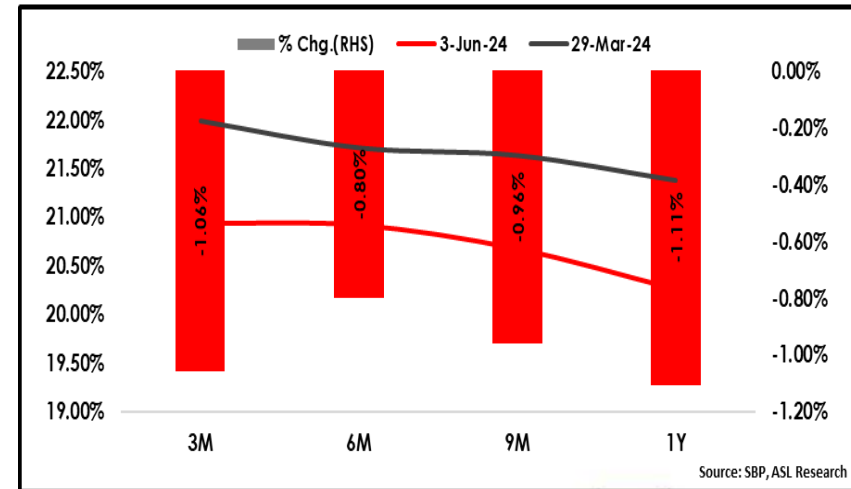
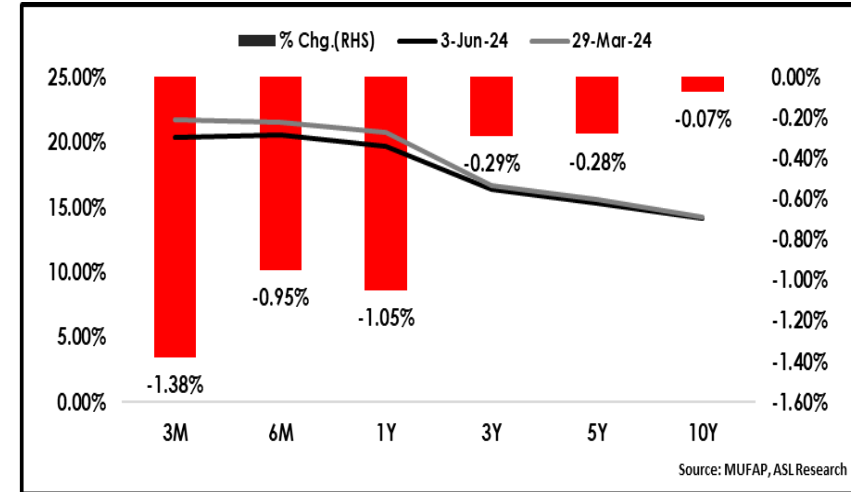


Source: PBS, SBP, ASL Research

MPS Jun'24- c.14.2% NFNE implying rate cut of 100bps-150bps

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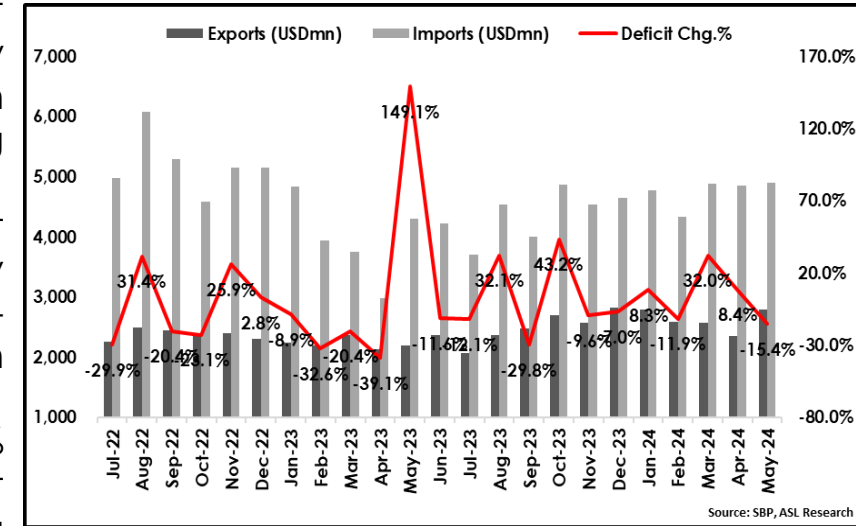
- With the turning of Real Interest Rates (RIR) to positive, since the month of Mar'24, the secondary market yields have notably declined within the range of c.95bps-138bps for Money Market instruments from the month Mar'24 PKRV yield. Further, it also to note here that KIBOR in the interbank market has also improved notably by c.80bps-111bps mainly on the improving macroeconomic situations, particularly on the FX front along with the stabilizing parity which has turned down uncertainty over default and turmoil concerns for the longer term.
- Considering the Cutoff yields, we have noticed, the yields have improved during 4QFY24 by c.66bps to c.80bps for 3M and 1Yr. tenors, while the yields for the 6M has drastically increased by c.61bps. On the CYTD basis, we have noticed the Cutoff yields have improved within the range of c.40bps-133bps mainly on the improving macroeconomic scenario along with the easing off inflationary pressures that revived the Cutoff yields in the Money and Fixed Income Market yields during the said duration.
- During CYTD, the SBP has raised Rs.4.12trn from 3M, 6M and 1Yr. tenors, respectively amounting of Rs.1.85trn, Rs.0.61trn and Rs.1.66trn against the target amounts. Further, during 4QFY24TD, we have noticed the SBP has raised Rs.664bn, Rs.558bn and Rs.976bn from different 3M, 6M and 1Yr. tenors Money Market Instruments respectively.
- **Outlook- MPS- Jun'24-** based on the analysis, the probability of cutting interest rates has emerged, since Mar'24. Apart from 1HFY24, visible signs of 100bps-150bps rate cut has appeared, with the NFNE inflation coming down to c.14.2%, boosting up the RIR to above c.9% during May'24.



Exports rising by c.27%YoY during May'24 to USD2.79bn

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- Pakistan Trade Balance numbers have recorded remarkable improvement of c.17%YoY during 11MFY24. This remarkable improvement has mainly witnessed on the c.4%YoY decline in imports along with the robust rise in exports that surged to USD25.28bn, marking a YoY rise of c.9% during 11MFY24 when comparing the year earlier levels of 11MFY23.
- Even the IMF condition to improve imports, in order to keep the market determined exchange rate, the trade balance of Pakistan has notably improved to USD19.52bn during 11MFY24 mainly on the restriction on non-essential imports along with the curtailing Oil import bill of c.20%,YoY, in the wake of reviving int'l crude oil prices to average USD84.36/bbl.
- Further, during May'24, even the imports are up by c.1.2%/c.13.9% MoM/YoY when comparing the corresponding periods, trade deficit during May'24 has notably improved by c.15.4%MoM when comparing the month earlier levels. Additionally, the trade deficit has also improved on the remarkable rise in exports to USD2.79bn during May'24, rising robustly by c.19%/c.27% MoM/YoY when comparing the corresponding periods. The notable rise in export numbers has mainly been the phenomena of stability in currency parity, averaging at Rs.278.32/USD which has kept the REER within the competitive range.
- Going forward, we believe the budgetary implications, may likely impact the export-oriented sectors as IMF has asked to impose taxes on zero and exempt rated sectors. Further, the non-incentivization may likely tumble margins of the zero and exempt rated sectors in the year FY25.



USDmn	May-24	MoM	YoY	11MFY24	YoY
Exports	2,792	18.8%	27.1%	25,280	9.1%
Imports	4,902	1.2%	13.9%	44,794	-4.1%
Trade Balance	(2,110)	-15.4%	0.1%	(19,514)	-17.1%
Arab Light (USD/bbl.)	84.03	-5.8%	12.2%	84.36	-1.4%
USDPKR	278.32	0.1%	-2.2%	283.66	14.3%
EURPKR	301.73	1.7%	-0.8%	306.42	17.4%

Source: SBP, ASL Research



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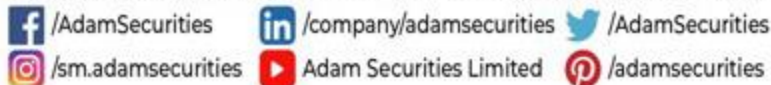
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