



# Economy | NCPI | Preview | Sept'24



Date: 23<sup>rd</sup> Sept'24

REP # 048



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- The phenomenon of 'Disinflation' has started to appear in Pakistan, where we normally see prices to rise with gradual and lower pace than a multiplier pace witnessed earlier in the previous year. It has largely been witnessed, that even the index levels which mainly contribute in calculating the National Consumer Price Index- NCPI in Pakistan, has largely depicted a significant rise on YoY basis during Sept'24, portraying a disinflation after 35-months, since Oct'21.

### If a 'disinflation' is a disguise for layman

- The disinflation in an economy, normally appears when there is a phenomenon that is called 'base effect' which has tendency to portray inflation is slowing down and on the contrary, the prices remain the center of contention, rising with a slower pace, but not declining. The scenario has appeared to be noticed, after 35-months, where we can find that out, the prices in the basket of 51-commodities has notably marked a drastic rise of c.145% since Oct'21, the NCPI has started to show downward trajectory, since we have started to witness the phenomenon of base-effect.
- Considering the index levels, we have also noticed, the General Index has drastically increased by c.71% since Oct'21, reflecting the rise in all of the indices that are mainly used in calculating the NCPI level of Pakistan Economy. Further, amongst the major contributors, we have noticed, the weighted indices, mainly Food and Housing & Electricity have drastically increased by c.73% and c.63% since Oct'21.

Key NCPI Drivers	Weights	Oct-21	Sep-24	Chg.
<b>General</b>	<b>100.0%</b>	153.60	262.84	71.1%
<b>Food &amp; Non-alcoholic Bev.</b>	<b>34.6%</b>	162.19	280.79	73.1%
Non-Perishable	<b>29.6%</b>	162.64	275.90	69.6%
Perishable	<b>5.0%</b>	159.48	310.14	94.5%
<b>Alcoholic Bev. &amp; Tobacco</b>	<b>1.0%</b>	145.74	388.76	166.8%
<b>Clothing &amp; Footwear</b>	<b>8.6%</b>	150.89	244.54	62.1%
<b>Housing, Elect. &amp; Gas</b>	<b>23.6%</b>	148.81	237.69	59.7%
<b>Furnishing &amp; Household</b>	<b>4.1%</b>	146.20	268.44	83.6%
<b>Health</b>	<b>2.8%</b>	156.99	254.36	62.0%
<b>Transport</b>	<b>5.9%</b>	159.97	299.58	87.3%
<b>Communication</b>	<b>2.2%</b>	110.10	134.38	22.0%
<b>Recreation &amp; Culture</b>	<b>1.6%</b>	132.31	278.33	110.4%
<b>Education</b>	<b>3.8%</b>	146.89	206.14	40.3%
<b>Restaurants &amp; Hotels</b>	<b>6.9%</b>	147.86	275.96	86.6%
<b>Miscellaneous Goods</b>	<b>4.9%</b>	158.96	293.91	84.9%

Source: PBS, ASL Research

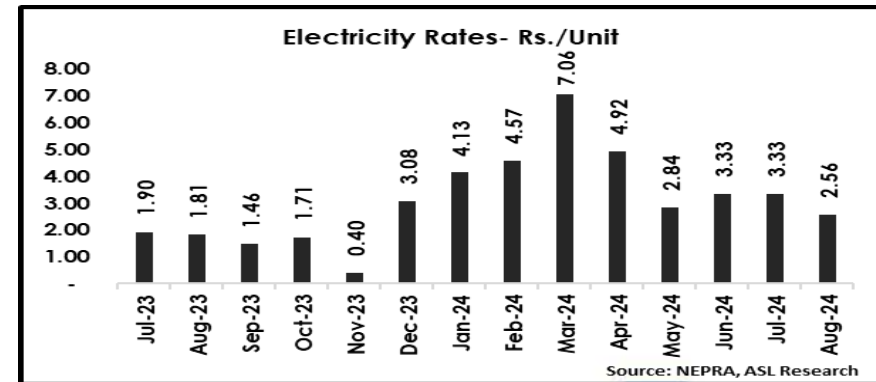
# Base-effect, a Gentle Disguise

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- The effect of prices that has mainly caused the indices level to rise during these last 35-months. It is noticed that the prices of commodities that mainly contribute to the over all Inflationary impact in the economy has mainly been increased drastically within the range of Rs.83.81- Rs.1,834.93 for Milk and Gas prices. The rise in prices during the said period has mainly witnessed on the i) Global Commodity Shocks, ii) Currency depreciation of c.62%, iii) Wider currency spreads between OM and IB, iv) Rise in WTI prices to USD127/bbl. during the beginning Russia-Ukraine war, v) Implication of imposing the IMF-Led conditions, vi) Gas charges increased by c.13x, vii) POL prices increased by c.97% and viii) LPG prices have drastically increased by Rs.839/cylinder.
- With the initiation of SBA program, the Electricity rates have notably increased by Rs.43/unit, as of Aug'24. It is further, to note here that, another Rs.5.23/unit to be hiked by K-Electric during next 3-months in order to recover Quarterly Adjustments during Sept'24-Nov'24. The implication of these QFCA, will likely enrage cost-push inflation into the economy, however, will not likely be reflected, due to the 'Base-Effect'- a scenario will likely remain un-addressed, perhaps, not likely be reflected. This will likely portray disinflation, NCPI to bottom-out at c.6.3% during Jan'25.
- We believe, the resurgence effect will likely be witnessed during 4QFY25, where the NCPI to reawake to the levels of c.14%-15%, thus, averaging the FY25 NCPI to hover around c.9%-c.10%.

Products	Oct-21	Sep-24	Chg. %	Chg.
Wheat Flour Bag	1,200.64	1,749.30	45.7%	548.66
Rice Basmati Broken	96.64	211.11	118.4%	114.47
Beef with Bone (Average Quality)	558.27	997.74	78.7%	439.47
Mutton (Average Quality)	1,131.60	1,922.72	69.9%	791.12
Cooking Oil DALDA or Other Similar	1,772.00	2,655.84	49.9%	883.84
Vegetable Ghee DALDA/HABIB 2.5 kg	894.16	1,312.02	46.7%	417.86
Vegetable Ghee DALDA/HABIB packet	352.63	512.46	45.3%	159.83
Pulse Masoor (Washed)	180.19	312.70	73.5%	132.51
Pulse Moong (Washed)	163.87	337.80	106.1%	173.93
Pulse Mash (Washed)	244.38	572.09	134.1%	327.71
Pulse Gram	146.45	388.15	165.0%	241.70
Gas Charges upto 3.3719 MMBTU	141.57	1,976.50	1296.1%	1,834.93
Petrol Super	133.38	256.94	92.6%	123.56
Hi-Speed Diesel	129.07	259.56	101.1%	130.49
LPG 11.67 kg Cylinder	2,253.00	3,091.68	37.2%	838.68

Source: PBS, ASL Research



Source: NEPRA, ASL Research

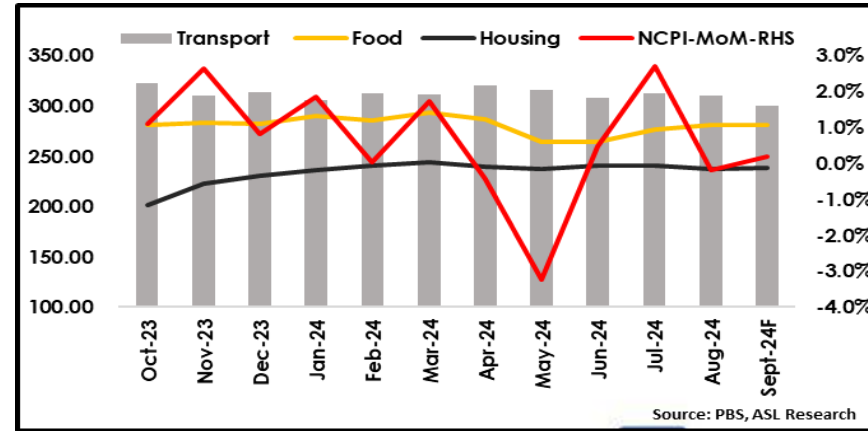
# NCPI Sept'24- Inflation to mark at c.7.7%YoY

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- With the National Consumer Price Index- NCPI projections for the month of Sept'24, the YoY NCPI to tick at c.7.7%YoY, a further disinflation compared to Aug'24, meagerly rising by c.20bpsMoM compared to c.38bpsMoM, recorded during Aug'24. This slowing-off inflation is mainly be witnessed on the higher base effect in previous year, which will tend to depict lower inflation in the outgoing-year. Addition to this, the easing off Food inflation to merely 80bpsYoY during Sept'24, will also be the reason for the cooling off inflation during 1QFY25. We will likely to witness 1QFY25 inflation to average at c.9.5%YoY, down by a notable c.19.6% compared to 1QFY24. The food inflation will likely benefit the NCPI to slowdown as, it has been the highest weighted index amongst the major contributing indices.
- Amongst the Food index, Perishable and Non-Perishable indices, will likely to notice a notable decline in Non-Perishable food index, in the wake of decline in Wheat, Sugar and Cooking Oil & Ghee prices which have respectively declined by c.38%YoY, c.14%YoY and c.8%YoY during Sept'24 comparing the year earlier levels.
- The major contributor to the decline in NCPI, is the transportation index which will likely to reflect the slumping int'l crude oil prices, for instance Arab Light prices have notably declined on average by c.23%/c.7% YoY/MoM during Sept'24. The decline in int'l crude oil prices has pushed the Govt. to reduce local POL prices by c.20%/c.3% YoY/MoM during Sept'24, which will likely to decline index by c.8.7%/3.4% YoY/MoM.

Key NCPI Drivers	Weights	Aug-24	Sept-24F	Sep-23	MoM	YoY
<b>General</b>	<b>100%</b>	<b>262.3</b>	<b>262.8</b>	<b>244.1</b>	<b>0.2%</b>	<b>7.7%</b>
Food & Non-alcoholic Bev.	34.6%	280.7	280.8	278.5	0.0%	0.8%
Alcoholic Bev. & Tobacco	1.0%	384.1	388.8	361.2	1.2%	7.6%
Clothing & Footwear	8.6%	244.8	244.5	213.1	-0.1%	14.8%
Housing, Elect. & Gas	23.6%	236.9	237.7	194.9	0.3%	22.0%
Furnishing & Household	4.1%	270.2	268.4	252.7	-0.7%	6.2%
Health	2.8%	250.6	254.4	222.3	1.5%	14.4%
Transport	5.9%	310.2	299.6	328.1	-3.4%	-8.7%
Communication	2.2%	134.7	134.4	119.7	-0.2%	12.3%
Recreation & Culture	1.6%	273.5	278.3	254.8	1.8%	9.2%
Education	3.8%	201.0	206.1	179.3	2.6%	15.0%
Restaurants & Hotels	6.9%	271.1	276.0	252.5	1.8%	9.3%
Miscellaneous Goods	4.9%	291.6	293.9	262.9	0.8%	11.8%

Source: PBS, ASL Research



Source: PBS, ASL Research



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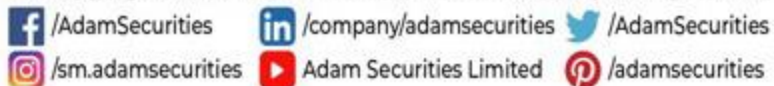
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