

# Pakistan Economy

May 2018 CPI at 4.2% YoY

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# May 2018 CPI at 4.2% YoY: Expected to rise going forward

- Consumer Price Index (CPI) inflation for May 2018 stood at 4.19% YoY as compared to 3.7% in Apr 2018, which remained slightly lower than market consensus.
- On MoM basis, inflation increased by 0.5% vs. an increase of 1.8% during the previous month.
- Core inflation (non-food & non-energy CPI) remained flat at 7% during the month indicating increased inflationary pressure.
- Food inflation clocked in at 2.1% YoY in May 2018 vs. ~1% rise in the previous month. Food inflation largely remain under control as food inflation was recorded ahead of Ramzan (Ramzan started from mid of May), we believe. Consumption of perishable food items, usually rise in Ramzan; hence we can expect food CPI reading to pick up in Jun 2018. It is to be noted that food inflation holds a major weight of 35% in CPI.
- CPI of Housing, Water & Electricity segments was up 5.5% in May 2018, in line with inflation recorded during the previous month.
- CPI Inflation has now clocked in at 3.8% during 11MFY18 and is anticipated to average below 4% in FY18. This is also significantly lower than the government full year target of 6%.
- Going forward, we expect inflation to average 7% in FY19 as rising oil prices, currency devaluation will exert pressure on CPI.

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