

Pakistan's Inflation Dips to 9.6%, Yet Currency Inflation Persists at 7-8%:

According to the Pakistan Bureau of Statistics (“PBS”), the monthly inflation rate in Aug 2024 is reported at 9.6% on a Y-o-Y basis. However, the real inflation rate is closer to 2%, with the official Government figure of 9.6% largely influenced by a 7-8% increase due to currency devaluation. Moreover, Inflation could decrease further if currency parity reflects its true value, potentially lowering inflation to 7-8%. As a result, this could potentially lead to an 8% reduction in the interest rate. **A 1% reduction in the interest rate would decrease domestic debt interest repayments by PKR 472 billion. A 8% reduction would lower debt interest servicing by PKR 3,776 billion. Moreover, if the currency appreciates, then exporters and remittance recipients need to be adjusted by PKR 378 billion, respectively, for a detailed overview please see Pakonomics Special Edition’s section IV [“RE-PROFILING OF THE ECONOMY”](#).** The SBP recently reduced the policy rate to 19.5%, yet the Central Bank remains cautious with rate cuts, despite the economic slowdown. The reduction in inflation is due to last August's high rates and lower prices for wheat, flour, and cooking oil. However, prices for clothing, footwear, perishable foods, utilities, fuel, and education saw increases, driven by heavy budgetary taxes. Furthermore, the average inflation in the Jul-Aug period of FY24 amounted to 10.36%. Additionally, the food inflation rates in urban and rural areas hike to 4.1% & 1.9%, respectively. In addition to that, the wholesale price index (“WPI”) stood at 6.3% on a Y-o-Y basis, which was recorded 10.4% in the previous month. Whereas, on a monthly basis, the National CPI has recorded a hike of 0.4%. Similarly, the Food inflation rate stood at 1.3% for both urban and rural areas, compared to July 2024. Lastly, in August 2024, the Core inflation, which is calculated by excluding energy and food items, rose by 10.2% and 14.4% in urban and rural areas on a Y-o-Y basis, respectively.

(%)	YoY	MoM	Jul-Aug FY25
CPI National	9.6	0.4	10.4
Food Inflation (Urban)	4.1	1.3	12.44
Food Inflation (Rural)	1.9	1.3	7.43
WPI	6.3	0.3	8.28
Core Inflation (Urban)	10.2	0.4	10.95
Core Inflation (Rural)	14.4	0.6	15.7

CPI OF URBAN AND RURAL AREAS BY GROUP AND ESSENTIAL COMMODITIES:

Essential Goods	Urban				Rural					
	Weightage	% Change over July 2024 (MoM)		% Change over Aug 2023 (YoY)		Weightage	% Change over July 2024 (MoM)		% Change over Aug 2023 (YoY)	
Food and Beverages	30.42	↑	1.51	↑	3.89	40.86	↑	1.40	↑	0.90
Wheat flour	3.01	↓	3.40	↓	36.62	3.43	↓	0.42	↓	33.30
Rice	1.18	↓	0.98	↑	6.10	1.55	↑	0.24	↓	2.46
Meat	2.04	↑	0.99	↑	19.04	1.71	↑	1.95	↑	21.49
Cooking oil	1.10	↑	0.38	↓	11.35	0.60	↑	0.51	↓	8.94
Fresh fruits	1.43	↓	13.10	↑	27.32	1.45	↓	17.09	↑	25.11
Fresh vegetables	1.53	↑	12.25	↑	76.35	2.09	↑	18.67	↑	57.31
Sugar	1.11	↑	0.02	↓	3.65	2.02	↑	0.44	↑	16.14
Clothing and footwear	8.00	↑	0.41	↑	16.59	9.48	↓	1.51	↑	8.56
Housing, water, Elec. Gas	27.03	↓	1.36	↑	28.95	18.48	↓	1.51	↑	8.56
Health	2.31	↑	1.00	↑	18.93	3.51	↑	0.73	↑	16.63
Transport	6.14	↓	0.57	↑	3.10	5.55	↓	1.03	↑	3.28
Education	4.88	↑	0.42	↑	9.83	2.13	↑	1.25	↑	22.95

[Source: PBS]