

Pakistan's Inflation Falls to 4.9%: Paving the Way for more Policy Rate Cut:

According to the Pakistan Bureau of Statistics (“PBS”), the monthly inflation rate in Nov 2024 is reported at 4.9% on a Y-o-Y basis. Additionally, the SBP recently reduced the policy rate to 15.0% from 17.5% on 5th November 2024, yet the Central Bank remains cautious with rate cuts, despite the economic slowdown and rapid decline in inflation. Moreover, to bring the policy rate in line with the appropriate real interest rate that matches the current inflationary environment, a reduction of 6.0% to 7.0% is recommended. Furthermore, the headline inflation could decrease to deflation if currency parity reflects its true value, potentially lowering inflation to deflation. A 10-rupee depreciation will result in a 2% increase in inflation, or vice versa.

(%)	YoY	MoM	Jul-Nov FY25	MPC Meetings	Interest rate	Inflation Rate*	Real Policy Rate
CPI National	4.9	0.5	7.9	29-Apr-24	22.00	29.06	(7.06)
Food Inflation (Urban)	1.7	(0.2)	2.7	10-Jun-24	20.50	25.28	(4.78)
Food Inflation (Rural)	-0.2	0.2	0.5	29-Jul-24	19.50	22.45	(2.95)
WPI	2.3	(0.1)	5.0	12-Sep-24	17.50	18.92	(1.42)
Core Inflation (Urban)	8.9	1.2	9.7	5-Nov-24	15.00	17.29	(2.29)
Core Inflation (Rural)	10.9	0.7	13.2	Average Policy Rate		(3.70)	
* last 12 months average.							

Additionally, food inflation in urban and rural areas increased by 1.7% and contracted by 0.2%, respectively. The wholesale price index (“WPI”) decreased to 2.3% from 26.7% Y-o-Y basis. On a monthly basis, the national CPI recorded a hike of 0.5%, while food inflation contracted by 0.2% in urban areas, while 0.2% food price hike in rural areas. Lastly, in September 2024, core inflation, which excludes energy and food items, rose by 8.9% in urban areas and 10.9% in rural areas on a Y-o-Y basis. Following October’s inflation, the real interest rate stands at 10.1%, which remains excessively high given the slow pace of economic growth.

Group	Weight (%)	% Change over	
		Oct-24	Nov-23
Food	34.58	(0.20)	(0.24)
Non-perishable	29.60	0.04	(1.54)
Perishable	4.99	(1.53)	7.47
Utility	23.63	0.40	7.89
Health	2.79	2.38	13.06
Transport	5.91	0.72	(2.75)
Education	3.79	1.51	10.55

(Source: PBS)