

## Deflation Ignored: The Missed Opportunity for Economic Revival in Pakistan:

- The monthly rate of inflation eased to 0.3% in April 2025 on a year-over-year basis in Pakistan, marking the lowest annual inflation rate in nearly 60 years.
- In the previous month (March 2025), the CPI recorded at 0.7% on Y-o-Y basis, as a result of low domestic demand and low purchasing power.
- Additionally, the food inflation rates in urban and rural areas decreased to -1.9% and -4.6%, respectively, in April 2025.
- The average inflation in Jul-April period of FY25 amounted to 4.7%.
- In addition to that, the wholesale price index ("WPI") stood at a negative of 2.2% on a Y-o-Y basis, which was recorded at -1.6% in the previous month.
- On a monthly basis, the National CPI has recorded a deflation of 0.8%. Similarly, the Food inflation rates in urban and rural areas decreased by 1.6% and 1.8%, respectively, compared to March 2025.
- Lastly, in April 2025, the Core inflation, which is calculated by excluding energy and food items, rose by 7.4% and 10.2% in urban and rural areas on a Y-o-Y basis, respectively.
- If the Pakistani Rupee were maintained at its real effective value, the inflation rate would currently stand at approximately -6.2%, indicating a deflationary environment.
- In a true deflationary setting, had the interest rate been reduced to around 3–4%, the economy could have experienced a GDP growth of approximately 4%. Unfortunately, policy inaction and distortions continue to limit this potential.

	YoY	MoM	Jul-April FY25
CPI National	0.3	(0.8)	4.7
Food Inflation (Urban)	(1.9)	(1.6)	1.1
Food Inflation (Rural)	(4.6)	(1.8)	(14.7)
WPI	(2.2)	(1.3)	2.3
Core Inflation (Urban)	7.4	1.3	8.8
Core Inflation (Rural)	9.0	0.9	11.7

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

Essential Goods	Urban				Rural			
	Weightage	% Change over March 2025 (MoM)	% Change over April 2024 (YoY)		Weightage	% Change over March 2025 (MoM)	% Change over April 2024 (YoY)	
<b>Food and Beverages</b>	30.42	↓ 2.02	↓ 3.59		40.86	↑ 2.10	↓ 6.17	
Wheat flour	3.01	↓ 12.44	↓ 36.00		3.43	↓ 5.85	↓ 30.91	
Rice	1.18	↑ 0.08	↓ 5.96		1.55	↑ 0.38	↓ 5.21	
Meat	2.04	↑ 1.50	↑ 15.36		1.71	↑ 1.98	↑ 20.26	
Milk fresh	7.10	↓ 0.01	↑ 11.08		10.38	↑ 0.39	↑ 9.36	
Cooking oil	1.10	↓ 0.11	↑ 11.10		0.60	↓ 0.56	↑ 14.35	
Fresh fruits	1.43	↓ 1.52	↑ 17.63		1.45	↑ 0.21	↑ 10.25	
Fresh vegetables	1.53	↑ 6.48	↓ 16.97		2.09	↑ 1.39	↓ 22.76	
Sugar	1.11	↓ 1.88	↑ 17.64		2.02	↓ 0.97	↑ 18.87	
<b>Clothing and footwear</b>	8.00	↑ 0.52	↑ 8.77		9.48	↑ 0.30	↑ 9.48	
<b>Housing, water, Elec. Gas</b>	27.03	↓ 1.96	↓ 2.76		18.48	↓ 2.99	↓ 2.28	
House rent	19.25	↑ 1.43	↑ 4.92		8.61	↑ 1.40	↑ 5.49	
Electricity charges	4.56	↓ 15.18	↓ 26.57		3.44	↓ 15.18	↓ 26.57	
Gas charges	1.08	↓ 0.00	↓ 0.00		-	-	-	
<b>Health</b>	2.31	↑ 0.77	↑ 15.41		3.51	↑ 0.36	↑ 12.91	
<b>Transport</b>	6.14	↓ 0.10	↓ 3.54		5.55	↑ 0.19	↓ 4.50	
<b>Education</b>	4.88	↑ 4.11	↑ 9.83		2.13	↑ 2.38	↑ 14.35	

(Source: PBS)