

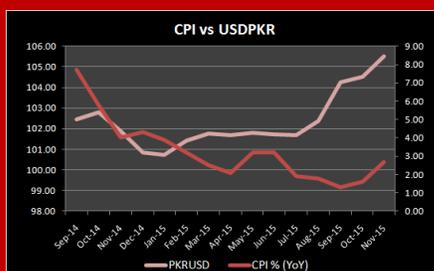
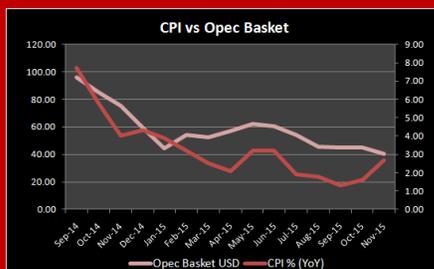
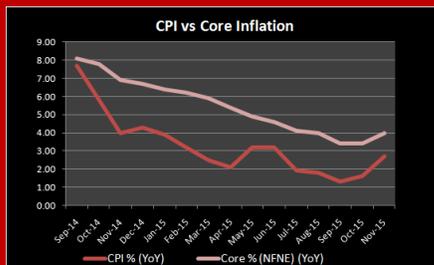
Consumer Price Index – Nov'15

A Healthy Rebound

CPI inflation for the month of November clocked in at 2.73% YoY, witnessing a consecutive increase for the second time since May'15. On MoM basis, CPI increased by 0.59%.

On a YoY basis, the increase in CPI is backed by the increase in Perishable Items by 3.71%, Housing, Water, Electricity, Gas & Fuels increased by 4.97% and Education witnessed a price increase of 8.75%. The increase is furthermore supported by the low base effect of Nov'14.

On a MoM basis, CPI increased by 0.6% primarily on the back of 3.01% increase in prices of perishable food items. Moreover, WPI inflation declined by 1.67% YoY and increased by 0.01% MoM.



Group	Weight	Nov-14	Oct-15	Nov-15	MoM	YoY
CPI	100.00%	198.8	203.0	204.22	0.59%	2.73%
Food & Non-alcoholic Beverages	34.83%	220.3	220.4	223.17	1.26%	1.33%
Non-perishable Food Items	29.84%	216.7	216.6	218.6	0.93%	0.88%
Perishable Food Items	4.99%	241.6	243.2	250.51	3.01%	3.71%
Housing, Water, Electricity, Gas & Fuels	29.41%	174.0	182.6	182.66	0.02%	4.97%
Clothing & Footwear	7.57%	213.0	221.9	222.75	0.39%	4.57%
Transport	7.20%	190.8	175.8	177.09	0.73%	-7.17%
Furnishing & Household Equipment Mair	4.21%	208.3	215.5	215.78	0.13%	3.61%
Education	3.94%	192.4	209.3	209.25	0.00%	8.75%
Communication	3.22%	130.0	130.4	130.39	0.02%	0.31%
Health	2.19%	175.4	179.7	180.59	0.51%	2.98%
Recreation and Culture	2.02%	189.5	193.6	193.66	0.06%	2.17%
Alcoholic Bev. & Tobacco	1.41%	266.7	310.0	312.26	0.74%	17.10%
Restaurants and Hotels	1.23%	242.8	253.3	254.36	0.42%	4.77%
Misc.	2.76%	220.3	225.8	255.02	12.95%	15.74%

Source: PBS

Future Outlook

The low base effect and the imposition of additional taxes are likely to move the inflation in the upward trajectory. Additionally, PKR depreciated by 3.68% against USD since Jul'15, erosion in the foreign reserves on the back of declining exports and slow privatization program is expected to have negative impact on the PKRUSD parity, which is expected to further fuel the inflationary pressures. However, we believe the inflation will stay below the target of 5% for FY16 as there is enough room to accommodate from the current levels (adjusting the tax hike and PKRUSD parity) therefore we expect the SBP to opt for a status quo till the end of FY16.

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Analyst Certification

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