

CPI at historical low, expected at 1.74%YoY

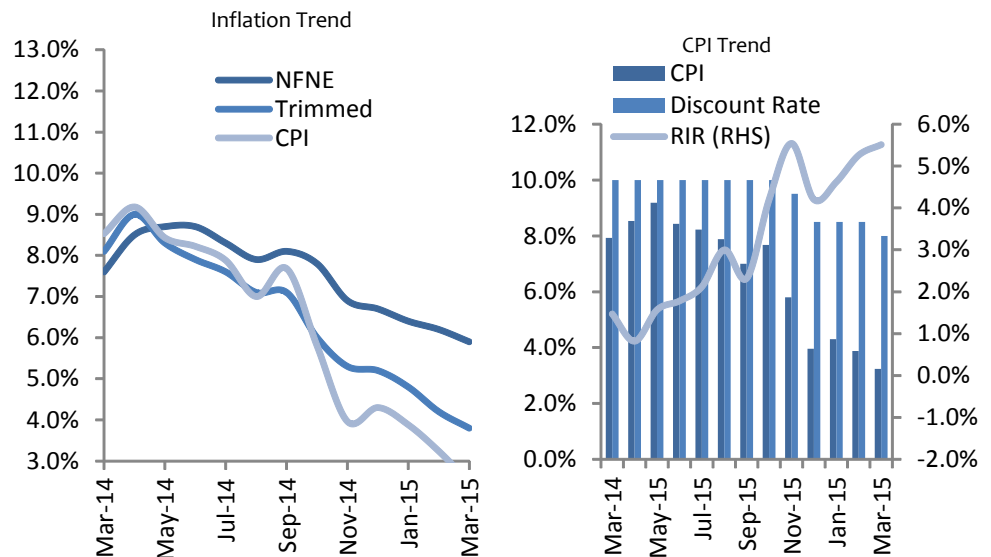
Economic Indicators

GDP Growth FY14	4.14%
Per Capita Income (USD)	1,386
Reserves in USD bn	17.49
Trade Deficit in USD bn	(16.11)
Current Account in USD bn	(1.61)
Remittances in USD bn	13.33
FDI in USD mn	710.10
CPI - YoY (Mar 15)	2.49
CPI - FY15 (Jul-Mar 15)	5.12

Pakistan Bureau of Statistics is scheduled to announce the CPI on May 04, 2015 for the month of Apr-15. The continuous decline in food and oil prices rendered CPI at historical low although the largest weightage items House Rent Index continue on rising path. We expect CPI for the month of April'15 to settle at 1.74%YoY. In today's report we present our forecast for April'15 coupled with outlook on the same.

CPI to touch 1.74%YoY in April-15

During April'15, CPI is expected to remain at lower levels estimated at 1.74%YoY. A significant decline in Food & Non-alcoholic Beverages and oil related items in CPI basket would render the inflation growth. On monthly basis, CPI Index is expected to increase by 0.95%MoM mainly due to modest rise in food, oil and House Rent items. On moving average basis CPI is anticipated to remain at 4.78% during 10MF15 as compared to 8.69% during the same period last year.



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Lower CPI suggesting cut in DR

With the persisting decline in CPI we expect further 50BPS cut in discount rate as low inflation is anticipated in remaining part of FY15 along with 1HFY16. The decline in current T-Bill Auction where the cut-off yields of different tenor decline by 0.55% compared to last auction also support our argument. Moreover, improving current account situation coupled with healthy foreign exchange reserves would also support balance of payments despite the rising trade deficit, pointing to further easing of MPS.