

Inflation hits over five-year high in March

KARACHI: Consumer inflation rose to its highest level in more than five years in March, according to an official data on Monday that could make the central bank more likely to keep its hawkish stance on monetary tightening.

Annual consumer price inflation rose to 9.41 percent year-on-year in March from 8.21 percent a month earlier and 3.2 percent in March 2018, the Pakistan Bureau of Statistics (PBS) said, beating most of the market analysts' average expectation and marking the fastest rise since December 2013.

Analysts said inflation was fueled in part by a weakening rupee, which touched an all-time low of 140.24 a US dollar last week on import and debt payments.

The bureau said rising food and fuel prices are the key reasons for the increase. Food and beverage prices, which account for more than a third of the index makeup, rose 8.22 percent in March. Housing, water, electricity gas and other fuels, which make up just under a third, rose 11.55 percent. On month-on-month basis, inflation increased by 1.4 percent in March 2019 as compared to an increase of 0.6 percent in the previous month and an increase of 0.3 percent in March 2018, the PBS data showed.

Core inflation measured by non-food non-energy CPI increased by 8.5 percent year-on-year in March 2019 as compared to an increase of 8.8 percent in the previous month and 5.8 percent in March 2018. On month-on-month basis, it increased by 0.5 percent in March 2019 as compared to an increase of 0.2 percent in the previous month, and an increase of 0.7 percent in the corresponding month of the last year.

Mohammad Sohail, head of brokerage Topline Research said inflation numbers have surprised the market.

“The above inflation number for March is higher than market expectations where average inflation expectation was around 9 percent for the outgoing month,” Sohail said. “Average inflation for 9MFY19 is now 6.8 percent. For full year FY19, we expect inflation to average 7.5 percent compared to SBP’s (State Bank of Pakistan) expectation of 6.5-7.5 percent.”

The central bank’s new forecast suggested that the headline consumer price index inflation would remain in the range of 6.5 to 7.5 percent for the current fiscal year.

The bank in its latest report, however, said a “rising input costs on the back of higher energy prices and the lagged impact of exchange rate depreciation are likely to maintain upward pressure on inflation despite a moderation in aggregate demand due to a proactive monetary management.” Last week, the central bank increased its key policy rate by 50 basis points to 10.75 percent, citing continuing inflationary pressures as well as high fiscal and current account deficits. The bureau said wholesale price index (WPI) inflation on year-on-year increased by 12.6 percent in March 2019 as compared to an increase of 11.0 percent a month earlier and an increase of 3.6 percent in March 2018.

WPI inflation on month-on-month basis increased by 1.7 percent in March 2019 as compared to an increase of 0.9 percent a month earlier and an increase of 0.2 percent in the corresponding month of last year.

Our Correspondent