

### **Inflation hits 4-year high of 7.2pc in January**

KARACHI: Consumer inflation (CPI) jumped to 7.2 percent in January, as prices increased at the fastest rate in nearly four years following a series of devaluation of rupees in last calendar year, Pakistan Bureau of Statics (PBS) data showed on Friday.

“CPI increased 7.2 percent on year-on-year basis in January 2019, as compared to an increase of 6.2 percent in the previous month and 4.4 percent in January 2018,” PBA said.

On month-on-month basis, it increased 1.0 percent in January 2019, as compared to a decrease of 0.4 percent in the previous month and no change in January 2018.

Core inflation measured by non-food non-energy CPI increased 8.7 percent year-on-year in January 2019, as compared to an increase of 8.4 percent in the previous month, and 5.2 percent in January 2018.

Analysts said inflation numbers beat their expectations and inflation would remain high due to continued effects of increase in gas prices and adjustments in house rents.

“The trend is not demand-based inflationary, it’s cost push (core) inflation and we expect the trend to continue in near-term,” said Zeeshan Afzal, director at Insight Securities.

The CPI averaged at 6.21 percent in the seven months (July-January) of the current fiscal year, compared with 3.85 percent in the same period last year.

High core inflation encouraged the central bank to tackle the rising price pressures with a hike in benchmark interest rate. The State Bank of Pakistan hiked its benchmark interest rate by 25 basis points to 10.25 percent.

The SBP expects the projected range of inflation to remain unchanged at 6.5 to 7.5 percent.

It said the second round impacts of the exchange rate movements, upward adjustments in gas and electricity tariffs, and higher government borrowings from SBP are likely to be offset by the lagged impact of the increase in policy rates and the fall in international oil prices, on inflation.

The PBS’s data showed that housing, water, electricity, gas and fuels were up 3.06 percent in January this year. Prices of perishable food items rose by 1.35 percent.

Food items whose prices increased the most in January included tomatoes up 27.56 percent, sugar 6.15 percent, fresh fruits 3.50 percent, and pulse moong 2.73 percent.

The non-food prices were also on an upward trajectory due to 8.84 percent rise in electricity, followed by 2.38 percent increase in house rent, and 1.67 percent in stationery during the period under review.

Mohammad Sohail, CEO, Toplevel Research, said the rupee devaluation and increase in gas prices were key factors behind the high inflation number.

“Going forward, we will see wave of inflationary pressure when the electricity prices will be adjusted,” he added.

Our Correspondent