

PAKISTAN ECONOMY

MARKET VISTA

Fuel prices to push inflation to 7.3%

- Annual inflation in Mar'26 is anticipated to surge to 7.3%YoY, due to surge in fuel prices.
- On a sequential basis, inflation is expected to increase in Mar'26 driven by an uptick in Transport and Housing indices.
- Both Transport and Housing indices are projected to surge on the back of increase in International oil prices due to ongoing Middle East conflict despite gov't cushioning the majority of the burden through cash subsidies.

Inflation to surge in Mar'26 on higher fuel charges: Annual inflation in Mar'26 is expected to accelerate to 7.3%YoY, due to increase in heavyweight Housing index aided by uptick in Transport on the back of surge in fuel prices. Heavyweight Housing and Transport indices are projected to increase by 11.3%YoY and 19.5%YoY, respectively. Additionally, the Miscellaneous index is anticipated to rise the most by 20.2%YoY, driven by a 53.9%YoY surge in Personal Effects. Whereas, Education, Health and Restaurants are expected to increase by 7.9%YoY, 7.1%YoY and 5.6%YoY, respectively. In contrast, the Recreation and Culture index is expected to decline by 3.0%YoY, primarily due to fall in textbook prices.

Inflation to keep momentum on sequential basis due to fuel price surge: On a sequential basis, inflation is expected to increase in Mar'26 driven by an uptick in Transport and Housing indices. Whereas, the Food index is expected to decline by 1.0%MoM despite Ramadan due to better supplies and closure of northern border. Overall inflation is projected to rise by 1.2%MoM in Mar'26, the most in last five months. Transport Index is anticipated to increase by 18.7%MoM, mainly due to surge in Motor Spirit (MS) (24.3%MoM) and High-Speed Diesel (HSD) (21.7%MoM) prices. Notably, the government maintained fuel prices unchanged following an increase of Pkr55/liter in MS and HSD each, while later cushioning consumers by offering a cash subsidy to offset the impact of rising international prices. Whereas, Beverages index is anticipated to surge by 1.1%MoM due to ending of Ramadan discounts.

Housing Index to surge on higher LPG prices: The housing segment is expected to rise for the sixth consecutive month, mainly due to surge in Liquefied Hydrocarbons prices supported by increase in electricity prices. Liquefied Hydrocarbons prices are expected to increase by 18.3%MoM in Mar'26 due to supply disruptions on closure of Strait of Hormuz during the ongoing US-Iran conflict. Electricity charges are projected to increase by 3.4%MoM primarily because of increase in Fuel Charges Adjustment (FCA) to Pkr1.63/kWh, compared to FCA of Pkr0.28/kWh previously. Moreover, Solid fuel prices are expected to increase by 0.6%MoM in Mar'26.

Food prices to ease on Northern border closure amid favorable weather: We expect the Food segment to ease by 1.0%MoM, driven by drop in Tomatoes, Potatoes and Eggs prices. Eggs prices are expected to decline by 16.7%MoM due to increase in temperature as winter season eases. Whereas, prices of perishable food items are also expected to remain lower due to northern border closure amid better supplies on favorable temperature. Among perishable items Tomatoes prices are expected to decline the most by 22.5%MoM, followed by decrease in Potatoes (-18.4%MoM). Downward adjustments are also anticipated in the prices of Onions and Wheat flour during the month.

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N-CPI for Mar'26—Estimate

Group	Weights	Mar-26E	Feb-26	MoM	Mar-25	YoY
General	100.0%	285.8	282.3	1.2%	266.3	7.3%
Food	34.5%	286.3	289.1	-1.0%	278.3	2.8%
Beverages	1.0%	405.7	401.4	1.1%	393.4	3.1%
Clothing	8.6%	272.3	271.2	0.4%	259.0	5.1%
Housing	23.7%	266.0	262.4	1.4%	239.0	11.3%
Furnishing	4.1%	283.5	284.5	-0.4%	275.4	2.9%
Health	2.8%	288.4	288.5	0.0%	269.3	7.1%
Transport	5.9%	367.6	309.6	18.7%	307.7	19.5%
Communication	2.2%	135.4	135.8	-0.2%	134.9	0.4%
Recreation	1.6%	268.1	265.2	1.1%	276.4	-3.0%
Education	3.8%	226.4	226.3	0.1%	209.9	7.9%
Restaurants	6.9%	300.7	298.3	0.8%	284.8	5.6%
Misc.	4.9%	377.4	381.2	-1.0%	313.9	20.2%

Source: PBS & AKD Research

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NEUTRAL > 0% to < 15% expected total return

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