

INFLATION PREVIEW (April-21)

NCPI inflation to clock in at 11.1% YoY as compared to 9% YoY in last month

Monday, 26 April, 2021

National		Urban		Rural	
YoY	▲ 11.1%	YoY	▲ 10.8%	YoY	▲ 11.6%
MoM	▲ 1.1%	MoM	▲ 1.2%	MoM	▲ 0.9%

We expect the national CPI inflation (NCPI) for April-21 to stand at 11.1% YoY (1.1% MoM) as compared to 9.0% YoY (0.4% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 10.8% YoY (1.2% MoM) and 11.6% YoY (0.9% MoM) respectively as compared to 8.7% YoY (0.3% MoM) and 9.5% YoY (0.5% MoM) respectively in last month.

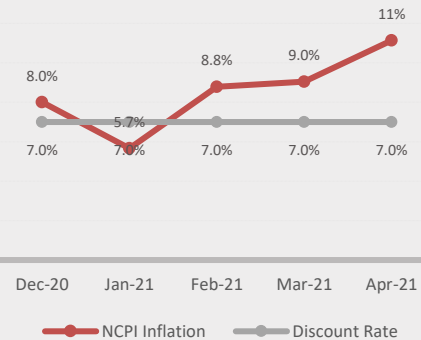
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 16.88% YoY during April-21. Particularly, increase in the prices of wheat flour (23.03% YoY), rice (7.32% YoY), meat (11.28% YoY), chicken (88.11% YoY), fresh milk (20.20% YoY), cooking oil (18.83% YoY), vegetable ghee (20.54% YoY), sugar (19.15% YoY) and condiments (30.70% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (6.06% YoY), cotton cloth (18.18% YoY), education (0.88% YoY), and readymade food (10.73% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of fresh vegetables, Onions, Pulse Gram, Gram Whole, Pulse Moong, and Pulse Masoor decreased by 29.85% YoY, 38.22% YoY, 9.54% YoY, 4.20 YoY, 17.84% YoY, and 11.67% YoY respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7%. However, the SBP believes the recent increase in inflation is from the supply-side, and also the output gap is still estimated to be negative. Given this underlying inflation trajectory, the MPC felt that the existing accommodative stance of monetary policy remained appropriate to support the recovery while keeping inflation expectations well-anchored and maintaining financial stability. As we expect the inflation to average out between 8-9% during FY21. Therefore, our expectation of a rate hike of around 50-100 bps by Jul-21 is actually in line with the SBP's policy of achieving mildly positive real interest rates.

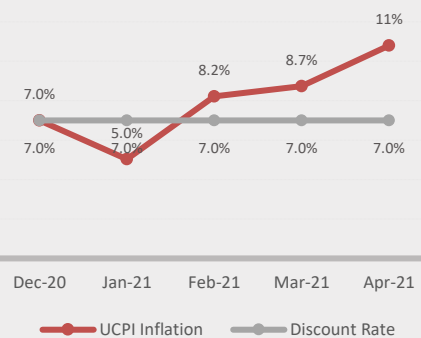
National	Weight	Apr-21	Urban	Weight	Apr-21	Rural	Weight	Apr-21
Food	35%	151	Food	30%	151	Food	41%	151
Utilities	24%	141	Utilities	27%	141	Utilities	18%	139
Clothing	9%	149	Clothing	8%	147	Clothing	9%	152
Restaurant	7%	142	Restaurant	7%	141	Restaurant	6%	143
Transport	6%	142	Transport	6%	143	Transport	6%	140
Misc.	5%	150	Education	5%	146	Misc.	5%	151
Furnishing	4%	140	Misc.	5%	150	Furnishing	4%	141
Education	4%	144	Furnishing	4%	139	Health	4%	152
Health	3%	152	Comm.	2%	113	Education	2%	135
Comm.	2%	111	Health	2%	152	Comm.	2%	108
Recreation	2%	125	Recreation	2%	122	Recreation	1%	131
Tobacco	1%	145	Tobacco	1%	153	Tobacco	1%	135
CPI		145	CPI		145	CPI		146

Key Statistics

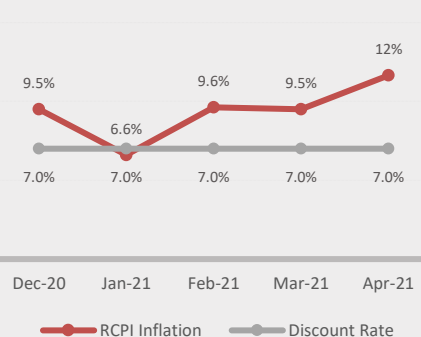
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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SELL	Less than and equal to -5%

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