

# INFLATION PREVIEW (Feb-22)

NCPI inflation to clock in at 11.28% YoY as compared to 12.96 % YoY in last month

Tuesday, 22 February, 2022

National		Urban		Rural	
YoY	▲ 11.3%	YoY	▲ 10.9%	YoY	▲ 11.9%
MoM	▲ 0.3%	MoM	▲ 0.3%	MoM	▲ 0.2%

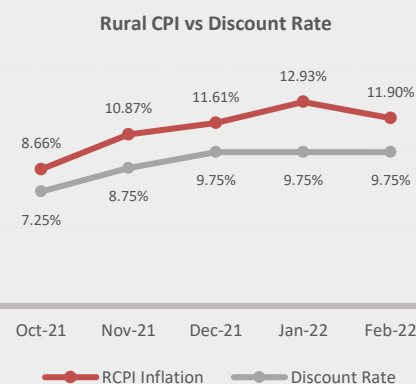
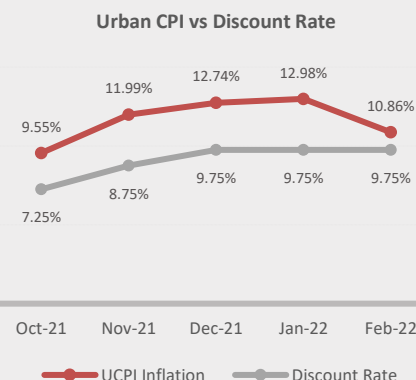
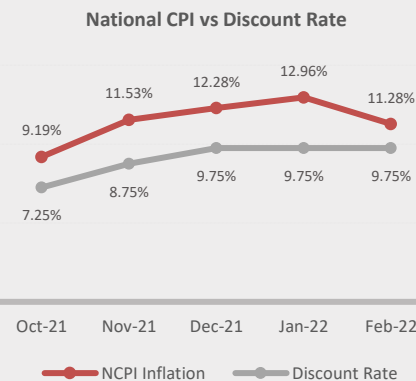
We expect the national CPI inflation (NCPI) for Feb-22 to stand at 11.28% YoY (0.3% MoM) as compared to 12.96% YoY (0.4% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 10.9% YoY (0.3% MoM) and 11.9% YoY (0.2% MoM) respectively as compared to 13.0% YoY (0.1% MoM) and 12.9% YoY (0.9% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 13.13% YoY during Feb-22. Particularly, increase in the prices of wheat flour (15.44% YoY), rice (9.95% YoY), meat (23.18% YoY), butter (8.20% YoY), fresh milk (10.84% YoY), cooking oil (37.59% YoY), vegetable ghee (35.08% YoY) and mustard oil (41.88% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (35.42% YoY), cotton cloth (7.35% YoY), education (3.03% YoY), electricity charges (19.52% YoY), house rent (6.13% YoY) and readymade food (12.94% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Chicken, Pulse Moong, Sugar, and Condiments and Spices decreased by 18.27% YoY, 25.49% YoY, 1.49% YoY, and 5.67% YoY, respectively.

The SBP had kept the policy rate constant at 9.75% as per their forward-looking guidance provided in the last meeting. Earlier SBP had taken appropriate steps to cater the surging inflation via an increase of policy rate by 275 bps and higher cash requirements by the banks. These measures have significantly improved the outlook for economy. Going forward, we expect the interest rate to be in double digits from Mar-22. However, the raise wouldn't be more than 100 bps in our view assuming that the inflation would start tapering off by the start of the next fiscal year.

National	Weight	Feb-22	Urban	Weight	Feb-22	Rural	Weight	Feb-22
Food	35%	163	Food	30%	163	Food	41%	164
Utilities	24%	158	Utilities	27%	157	Utilities	18%	161
Clothing	9%	158	Clothing	8%	155	Clothing	9%	162
Restaurant	7%	158	Restaurant	7%	157	Restaurant	6%	160
Transport	6%	175	Transport	6%	176	Transport	6%	173
Misc.	5%	164	Education	5%	151	Misc.	5%	167
Furnishing	4%	154	Misc.	5%	163	Furnishing	4%	158
Education	4%	144	Furnishing	4%	151	Health	4%	162
Health	3%	163	Comm.	2%	113	Education	2%	140
Comm.	2%	109	Health	2%	163	Comm.	2%	106
Recreation	2%	134	Recreation	2%	131	Recreation	1%	140
Tobacco	1%	147	Tobacco	1%	155	Tobacco	1%	138
CPI		159	CPI		158	CPI		161

## Key Statistics



Sources: ACPL Research, PBS

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

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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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