

INFLATION PREVIEW (Mar-22)

NCPI inflation to clock in at 12.25% YoY as compared to 12.05 % YoY in last month

Thursday, 24 March, 2022

National		Urban		Rural	
YoY	▲ 12.2%	YoY	▲ 11.8%	YoY	▲ 13.0%
MoM	▲ 0.5%	MoM	▲ 0.5%	MoM	▲ 0.6%

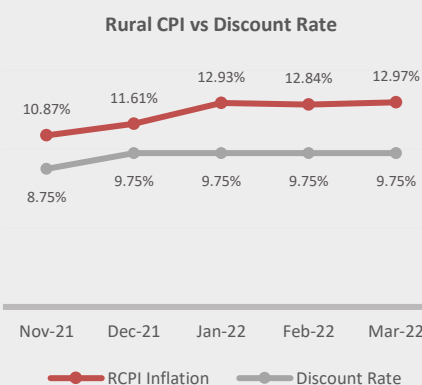
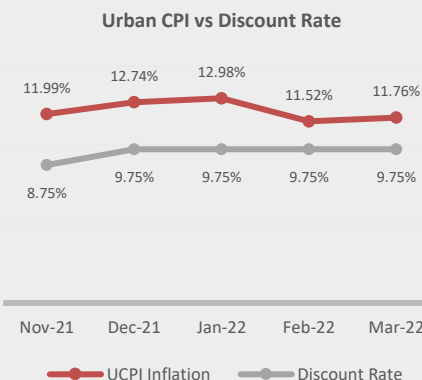
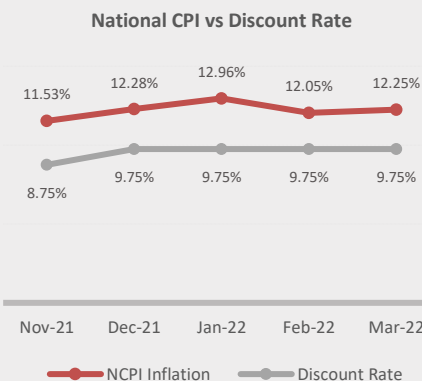
We expect the national CPI inflation (NCPI) for Mar-22 to stand at 12.25% YoY (0.5% MoM) as compared to 12.05% YoY (1% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 11.8% YoY (0.5% MoM) and 13.0% YoY (0.6% MoM) respectively as compared to 11.5% YoY (0.9% MoM) and 12.8% YoY (1% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 15.39% YoY during Mar-22. Particularly, increase in the prices of wheat flour (12.99% YoY), rice (11.04% YoY), meat (24.65% YoY), butter (8.59% YoY), fresh milk (10.77% YoY), cooking oil (51.14% YoY), vegetable ghee (53.45% YoY) and mustard oil (61.36% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (35.58% YoY), cotton cloth (12.78% YoY), education (12.78% YoY), electricity charges (6.25% YoY), house rent (6.13% YoY) and readymade food (16.60% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Eggs, Pulse Moong, Potatoes, and Condiments and Spices decreased by 17.52% YoY, 27.60% YoY, 6.93% YoY, and 15.92% 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. Further, the relief package announced by the Government which included cuts in fuel prices and electricity tariff also supported the SBP steps. These measures have significantly improved the outlook for economy. Going forward, we expect the MPC to raise the policy rate in their upcoming meeting in April -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	Mar-22	Urban	Weight	Mar-22	Rural	Weight	Mar22
Food	35%	170	Food	30%	169	Food	41%	171
Utilities	24%	152	Utilities	27%	151	Utilities	18%	155
Clothing	9%	162	Clothing	8%	160	Clothing	9%	166
Restaurant	7%	163	Restaurant	7%	163	Restaurant	6%	165
Transport	6%	177	Transport	6%	178	Transport	6%	166
Misc.	5%	166	Education	5%	151	Misc.	5%	167
Furnishing	4%	160	Misc.	5%	165	Furnishing	4%	164
Education	4%	144	Furnishing	4%	156	Health	4%	162
Health	3%	166	Comm.	2%	113	Education	2%	140
Comm.	2%	109	Health	2%	166	Comm.	2%	106
Recreation	2%	135	Recreation	2%	131	Recreation	1%	140
Tobacco	1%	147	Tobacco	1%	156	Tobacco	1%	139
CPI		161	CPI		160	CPI		163

Key Statistics



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
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