

# INFLATION PREVIEW (Jul-22)

NCPI inflation to clock in at 24.4% YoY as compared to 21.28 % YoY in the last month

Wednesday, 20 July, 2022

## National

YoY ▲ 24.4%  
MoM ▲ 3.9%

## Urban

YoY ▲ 23.2%  
MoM ▲ 4.1%

## Rural

YoY ▲ 26.4%  
MoM ▲ 3.7%

We expect the national CPI inflation (NCPI) for Jul-22 to stand at 24.4% YoY (3.9% MoM) as compared to 21.28% YoY (6.3% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 23.2% YoY (4.1% MoM) and 26.4% YoY (3.7% MoM) respectively as compared to 19.8% YoY (6.2% MoM) and 23.6% YoY (6.6% MoM) respectively in last month.

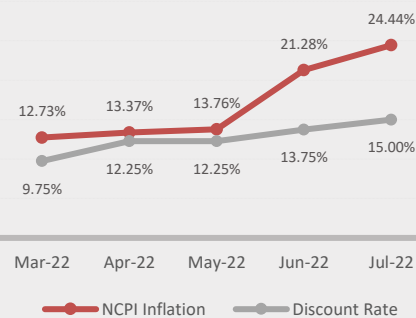
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 27.31% YoY during Jul-22. Particularly, increase in the prices of wheat flour (18.99% YoY), rice (29.13% YoY), meat (27.1% YoY), chicken (60.4% YoY), fresh milk (26.08% YoY), cooking oil (70.4% YoY), vegetable ghee (76.61% YoY) and mustard oil (80.41% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (112.55% YoY), cotton cloth (15.95% YoY), education (10.17% YoY), tea (19.08% YoY), house rent (5.66% YoY) and readymade food (27.21% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments and Spices, sugar, and Pulse Moong decreased by 22.02% YoY, 15.29% YoY, and 2.56% YoY, respectively.

The SBP had increased the policy rate by 125 bps to 15% in its last meeting as a result of the high inflationary environment. Going forward, headline inflation is likely to remain elevated around current levels and MPC might have to take further precautionary measures in the upcoming meeting on the 22<sup>nd</sup> August 2022.

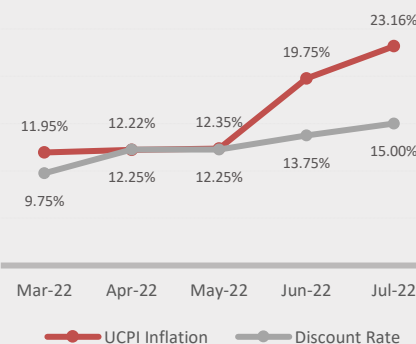
National	Weight	Jul-22	Urban	Weight	Jul-22	Rural	Weight	Jul-22
Food	35%	195	Food	30%	193	Food	41%	196
Utilities	24%	168	Utilities	27%	166	Utilities	18%	173
Clothing	9%	172	Clothing	8%	169	Clothing	9%	174
Restaurant	7%	182	Restaurant	7%	180	Restaurant	6%	184
Transport	6%	256	Transport	6%	258	Transport	6%	254
Misc.	5%	178	Education	5%	162	Misc.	5%	179
Furnishing	4%	173	Misc.	5%	177	Furnishing	4%	178
Education	4%	144	Furnishing	4%	170	Health	4%	171
Health	3%	171	Comm.	2%	113	Education	2%	147
Comm.	2%	109	Health	2%	171	Comm.	2%	107
Recreation	2%	146	Recreation	2%	141	Recreation	1%	155
Tobacco	1%	180	Tobacco	1%	191	Tobacco	1%	168
CPI		183	CPI		180	CPI		186

## Key Statistics

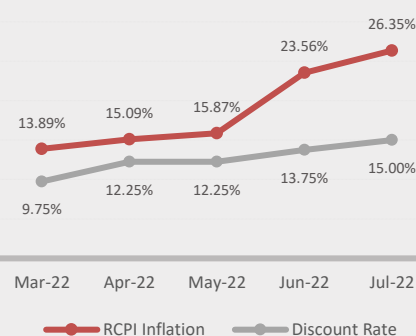
### National CPI vs Discount Rate



### Urban CPI vs Discount Rate



### Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

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<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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