

INFLATION PREVIEW (Sep-22)

NCPI inflation to clock in at 27.1% YoY as compared to 27.3 % YoY in the last month

Thursday, 22 September, 2022

National

YoY ▲ 27.1%
MoM ▲ 2.0%

Urban

YoY ▲ 26.2%
MoM ▲ 2.0%

Rural

YoY ▲ 28.5%
MoM ▲ 2.0%

We expect the national CPI inflation (NCPI) for Sep-22 to stand at 27.1% YoY (2.0% MoM) as compared to 27.3% YoY (2.4% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 26.2% YoY (2.0% MoM) and 28.5% YoY (2.0% MoM) respectively as compared to 26.2% YoY (2.6% MoM) and 28.7% YoY (2.2% MoM) respectively in last month.

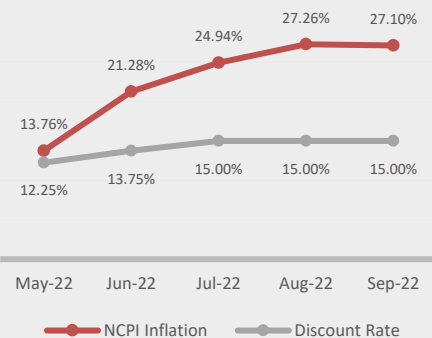
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 28.96% YoY during Sep-22. Particularly, increase in the prices of wheat flour (22.7% YoY), rice (39.56% YoY), meat (25.24% YoY), chicken (20.65% YoY), fresh milk (28.74% YoY), cooking oil (67.18% YoY), vegetable ghee (61.13% YoY) and fresh vegetables (39.8% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (84.28% YoY), cotton cloth (23.52% YoY), education (10.03% YoY), tea (33.44% YoY), house rent (5.62% YoY) and readymade food (29.63% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments & Spices and sugar decreased by 16.84% YoY, and 19.17% YoY respectively.

The SBP maintained the policy rate at 15% in the last MPC meeting with an expectation for inflation to cool down in coming months. However, inflation is still out of control due to massive depreciation of PKR against USD and food inflation amid floods in the country are likely to keep the inflation levels elevated. Therefore, in the upcoming MPC meeting on 10th of Oct, we expect an increase of 50-100 bps in policy rate.

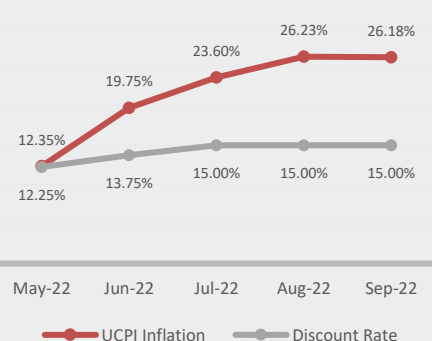
National	Weight	Sep-22	Urban	Weight	Sep-22	Rural	Weight	Sep-22
Food	35%	205	Food	30%	204	Food	41%	205
Utilities	24%	186	Utilities	27%	182	Utilities	18%	194
Clothing	9%	177	Clothing	8%	175	Clothing	9%	179
Restaurant	7%	187	Restaurant	7%	186	Restaurant	6%	189
Transport	6%	247	Transport	6%	248	Transport	6%	245
Misc.	5%	186	Education	5%	164	Misc.	5%	186
Furnishing	4%	178	Misc.	5%	185	Furnishing	4%	184
Education	4%	144	Furnishing	4%	174	Health	4%	173
Health	3%	174	Comm.	2%	114	Education	2%	153
Comm.	2%	109	Health	2%	174	Comm.	2%	107
Recreation	2%	157	Recreation	2%	152	Recreation	1%	168
Tobacco	1%	189	Tobacco	1%	201	Tobacco	1%	178
CPI		192	CPI		189	CPI		195

Key Statistics

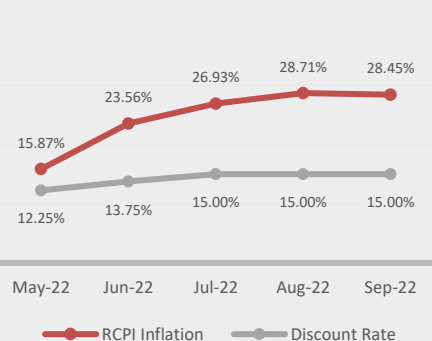
National CPI vs Discount Rate



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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Market Weight	Neutral
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