

INFLATION PREVIEW (Sep-21)

NCPI inflation to clock in at 8.42% YoY as compared to 8.35 % YoY in last month

Monday, 27 September, 2021

National		Urban		Rural	
YoY	▲ 8.4%	YoY	▲ 8.7%	YoY	▲ 8.0%
MoM	▲ 1.6%	MoM	▲ 1.6%	MoM	▲ 1.5%

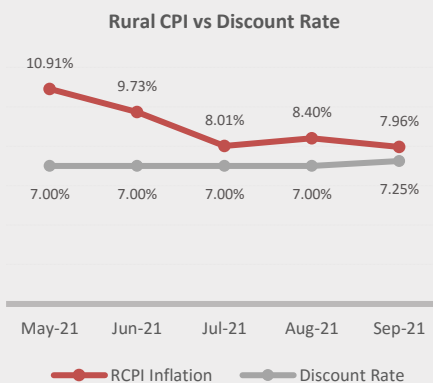
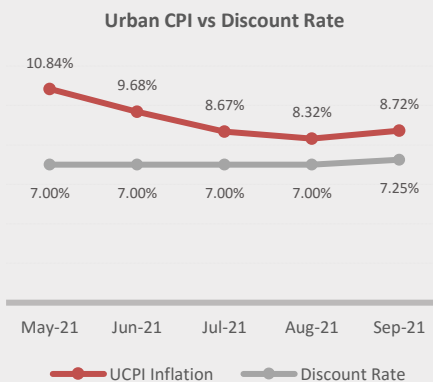
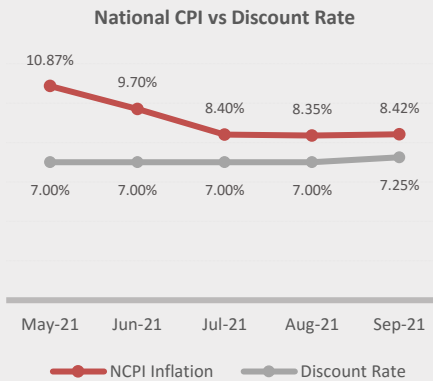
We expect the national CPI inflation (NCPI) for Sep-21 to stand at 8.42% YoY (1.6% MoM) as compared to 8.35% YoY (0.6% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 8.7% YoY (1.6% MoM) and 8.0% YoY (1.5% MoM) respectively as compared to 8.3% YoY (0.5% MoM) and 8.4% YoY (0.7% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 10.82% YoY during Sep-21. Particularly, increase in the prices of wheat flour (16.45% YoY), rice (6.49% YoY), meat (14.43% YoY), onions (5.37% YoY), fresh milk (9.85% YoY), cooking oil (38.81% YoY), vegetable ghee (39.87% YoY), sugar (15.05% YoY) and condiments (8.04% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (19.02% YoY), cotton cloth (9.76% YoY), education (2.22% YoY), and readymade food (9.07% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Wheat, Fresh Fruits, and Pulse Moong decreased by 27.50% YoY, 1.41% YoY, 9.09% YoY, and 24.92% YoY, respectively.

The SBP in its recent MPC meeting decided to increase the policy rate by 25 bps. As they noted that accommodative stance has provided enough support to the recovery of the economy since the start of FY-21. Owing to the historical cuts in the policy rate private sector grew by 11% during FY-21 supported by consumer loans. Therefore, some tightening of consumer finance may also be appropriate to moderate the growth. Going forward, we expect the SBP to gradually increase the interest rate in upcoming MPC meetings as well in order to achieve mildly positive real interest rates over time.

National	Weight	Sep-21	Urban	Weight	Sep-21	Rural	Weight	Sep-21
Food	35%	158	Food	30%	158	Food	41%	157
Utilities	24%	144	Utilities	27%	145	Utilities	18%	143
Clothing	9%	150	Clothing	8%	147	Clothing	9%	154
Restaurant	7%	145	Restaurant	7%	144	Restaurant	6%	146
Transport	6%	152	Transport	6%	154	Transport	6%	151
Misc.	5%	155	Education	5%	149	Misc.	5%	156
Furnishing	4%	146	Misc.	5%	154	Furnishing	4%	149
Education	4%	144	Furnishing	4%	145	Health	4%	154
Health	3%	155	Comm.	2%	112	Education	2%	139
Comm.	2%	109	Health	2%	156	Comm.	2%	106
Recreation	2%	129	Recreation	2%	126	Recreation	1%	134
Tobacco	1%	145	Tobacco	1%	154	Tobacco	1%	135
CPI		150	CPI		150	CPI		151

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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