

INFLATION PREVIEW (Aug-21)

NCPI inflation to clock in at 8.7% YoY as compared to 8.4 % YoY in last month

Monday, 30 August, 2021

National		Urban		Rural	
YoY	▲ 8.7%	YoY	▲ 8.7%	YoY	▲ 8.6%
MoM	▲ 0.9%	MoM	▲ 0.9%	MoM	▲ 0.9%

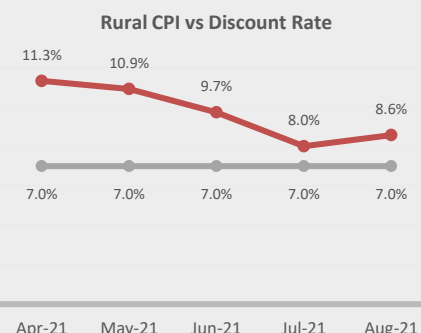
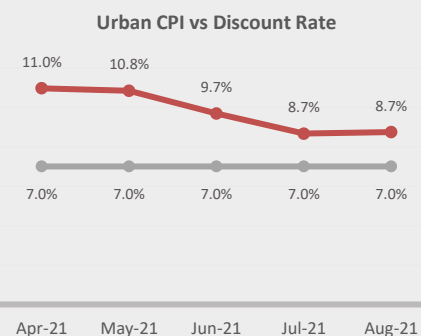
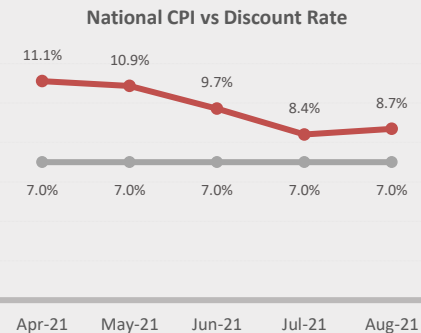
We expect the national CPI inflation (NCPI) for Aug-21 to stand at 8.7% YoY (0.9% MoM) as compared to 8.4% YoY (-1.3% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 8.7% YoY (0.9% MoM) and 8.6% YoY (0.9% MoM) respectively as compared to 8.7% YoY (1.2% MoM) and 8.0% YoY (1.4% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 12.28% YoY during Aug-21. Particularly, increase in the prices of wheat flour (9.89% YoY), rice (8.34% YoY), meat (15.52% YoY), onions (9.42% YoY), fresh milk (9.43% YoY), cooking oil (38.65% YoY), vegetable ghee (41.13% YoY), sugar (11.97% YoY) and condiments (14.42% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (16.65% YoY), cotton cloth (9.63% YoY), education (1.42% YoY), and readymade food (9.67% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Wheat, Fresh Fruits, and Pulse Moong decreased by 21.47% YoY, 1.25% YoY, 0.93% YoY, and 19.17% YoY, respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7%. As MPC was encouraged by the continued domestic recovery and improved inflation outlook following the recent decline in food and core inflation. Given this underlying inflation trajectory, the MPC felt that the existing accommodative stance of monetary policy remained appropriate to support the recovery while keeping inflation expectations well-anchored and maintaining financial stability. This will ensure that inflation does not get unshakable at a high level. Therefore, we expect the interest rate to remain unchanged in the upcoming MPC meeting.

National	Weight	Aug-21	Urban	Weight	Aug-21	Rural	Weight	Aug-21
Food	35%	154	Food	30%	155	Food	41%	154
Utilities	24%	143	Utilities	27%	143	Utilities	18%	141
Clothing	9%	150	Clothing	8%	147	Clothing	9%	153
Restaurant	7%	144	Restaurant	7%	144	Restaurant	6%	145
Transport	6%	152	Transport	6%	153	Transport	6%	149
Misc.	5%	154	Education	5%	147	Misc.	5%	156
Furnishing	4%	144	Misc.	5%	153	Furnishing	4%	145
Education	4%	144	Furnishing	4%	143	Health	4%	154
Health	3%	154	Comm.	2%	112	Education	2%	139
Comm.	2%	109	Health	2%	155	Comm.	2%	106
Recreation	2%	128	Recreation	2%	125	Recreation	1%	134
Tobacco	1%	145	Tobacco	1%	154	Tobacco	1%	135
CPI		148	CPI		148	CPI		149

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
- IV. Sum of Parts Valuation

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