

INFLATION PREVIEW (Nov-21)

NCPI inflation to clock in at 10.29% YoY as compared to 9.19 % YoY in last month

Thursday, 18 November, 2021

National		Urban		Rural	
YoY	▲ 10.3%	YoY	▲ 10.9%	YoY	▲ 9.4%
MoM	▲ 1.8%	MoM	▲ 1.8%	MoM	▲ 1.8%

We expect the national CPI inflation (NCPI) for Nov-21 to stand at 10.29% YoY (1.8% MoM) as compared to 9.19% YoY (1.9% 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 10.9% YoY (1.8% MoM) and 9.4% YoY (1.8% MoM) respectively as compared to 9.6% YoY (1.7% MoM) and 8.7% YoY (2.2% MoM) respectively in last month.

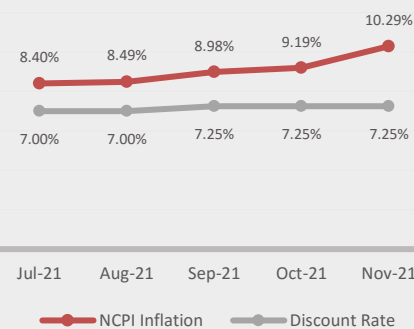
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 10.65% YoY during Nov-21. Particularly, increase in the prices of wheat flour (18.65% YoY), rice (8.67% YoY), meat (18.84% YoY), butter (10.58% YoY), fresh milk (9.74% YoY), cooking oil (49.15% YoY), vegetable ghee (51.09% YoY) and mustard oil (52.03% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor Fuel (43.70% YoY), cotton cloth (5.85% YoY), education (1.94% YoY), electricity charges (43.31% YoY) and readymade food (11.60% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Fresh Vegetables, Onions, and Pulse Moong decreased by 18.80% YoY, 2.40% YoY, 36.67% YoY, and 28.51% YoY, respectively.

The SBP has recently decided to prepone its monetary policy meeting to 19-Nov-21 rather than 26-Nov-21 in order to overcome the uncertainty in the market owing to interest rate hike. The recent surge in 6M Kibor and cash reserve requirement of banks to 6% is an indication towards monetary tightening. Further, the surge in SPI, delays in IMF program and rising current account deficit requires an interest rate hike in order to cool down the economy. We expect the SBP increase the policy rate by 75-100 bps.

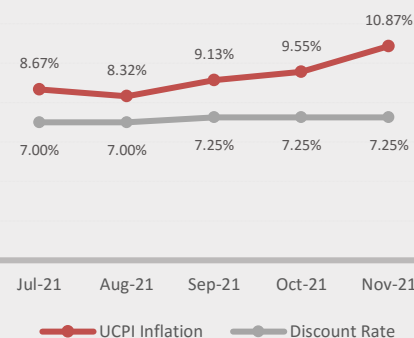
National	Weight	Nov-21	Urban	Weight	Nov-21	Rural	Weight	Nov-21
Food	35%	166	Food	30%	166	Food	41%	167
Utilities	24%	151	Utilities	27%	151	Utilities	18%	151
Clothing	9%	151	Clothing	8%	148	Clothing	9%	155
Restaurant	7%	150	Restaurant	7%	149	Restaurant	6%	151
Transport	6%	169	Transport	6%	171	Transport	6%	166
Misc.	5%	159	Education	5%	149	Misc.	5%	161
Furnishing	4%	150	Misc.	5%	158	Furnishing	4%	152
Education	4%	144	Furnishing	4%	148	Health	4%	156
Health	3%	157	Comm.	2%	112	Education	2%	140
Comm.	2%	109	Health	2%	158	Comm.	2%	106
Recreation	2%	132	Recreation	2%	129	Recreation	1%	138
Tobacco	1%	146	Tobacco	1%	155	Tobacco	1%	137
CPI		156	CPI		155	CPI		158

Key Statistics

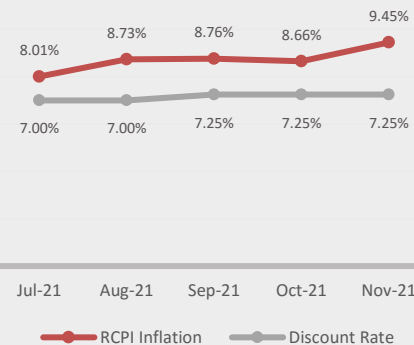
National CPI vs Discount Rate



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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