

# INFLATION PREVIEW (Jun-22)

NCPI inflation to clock in at 19.8% YoY as compared to 13.76 % YoY in last month

Thursday, 23 June, 2022

## National

YoY ▲ 19.8%  
MoM ▲ 5.0%

## Urban

YoY ▲ 18.5%  
MoM ▲ 5.1%

## Rural

YoY ▲ 21.6%  
MoM ▲ 4.9%

We expect the national CPI inflation (NCPI) for Jun-22 to stand at 19.8% YoY (5.0% MoM) as compared to 13.76% YoY (0.4% 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 18.5% YoY (5.1% MoM) and 21.6% YoY (4.9% MoM) respectively as compared to 12.4% YoY (0.3% MoM) and 15.9% YoY (0.6% MoM) respectively in last month.

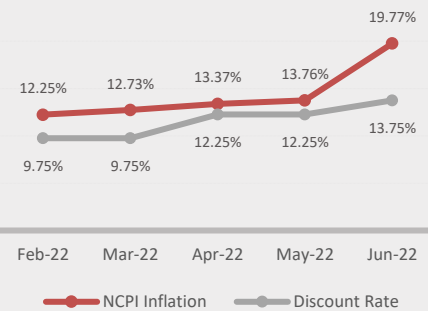
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 23.86% YoY during Jun-22. Particularly, increase in the prices of wheat flour (16.53% YoY), rice (20.69% YoY), meat (25.93% YoY), chicken (58.93% YoY), fresh milk (20.12% YoY), cooking oil (69.76% YoY), vegetable ghee (69.82% YoY) and mustard oil (78.22% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (134.67% YoY), cotton cloth (13.52% YoY), education (10.26% YoY), tea (13.02% YoY), house rent (5.58% YoY) and readymade food (23.67% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Electricity, Condiments and Spices, sugar, and Pulse Moong decreased by 8.03% YoY, 22.81% YoY, 10.66% YoY, and 17.61% YoY, respectively.

The SBP had increased the policy rate by 150 bps to 13.75% in its last meeting as a result of the high inflationary environment. Going forward, we expect the SBP to raise the policy rate by a further 100-200 bps in the upcoming MPC meeting on 7th July 2022 amid additional measures promised with IMF including an increase in discount rates, a further increase in taxation, and imposition of a petroleum levy.

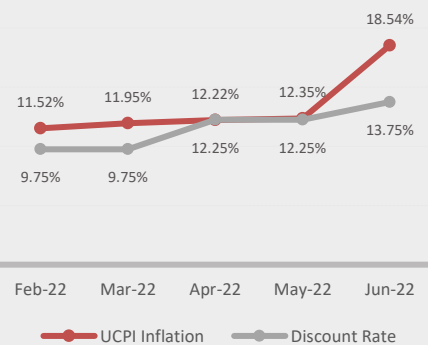
National	Weight	Jun-22	Urban	Weight	Jun-22	Rural	Weight	Jun-22
Food	35%	185	Food	30%	185	Food	41%	186
Utilities	24%	148	Utilities	27%	147	Utilities	18%	151
Clothing	9%	170	Clothing	8%	167	Clothing	9%	174
Restaurant	7%	175	Restaurant	7%	173	Restaurant	6%	180
Transport	6%	256	Transport	6%	259	Transport	6%	249
Misc.	5%	172	Education	5%	162	Misc.	5%	175
Furnishing	4%	171	Misc.	5%	170	Furnishing	4%	176
Education	4%	144	Furnishing	4%	168	Health	4%	169
Health	3%	169	Comm.	2%	113	Education	2%	146
Comm.	2%	109	Health	2%	169	Comm.	2%	106
Recreation	2%	141	Recreation	2%	137	Recreation	1%	150
Tobacco	1%	169	Tobacco	1%	178	Tobacco	1%	160
CPI		174	CPI		171	CPI		177

## Key Statistics

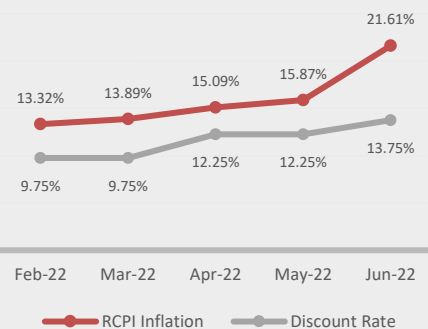
### National CPI vs Discount Rate



### 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
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