

INFLATION PREVIEW (Oct-22)

NCPI inflation to clock in at 21.25% YoY as compared to 23.2 % YoY in the last month

Monday, 24 October, 2022

National

YoY ▲ 21.25%
MoM ▲ 0.3%

Urban

YoY ▲ 19.4%
MoM ▲ 0.2%

Rural

YoY ▲ 23.9%
MoM ▲ 0.5%

We expect the national CPI inflation (NCPI) for Oct-22 to clock around 21.25% YoY (0.3% MoM) as compared to 23.18% YoY (-1.1% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 19.4% YoY (0.2% MoM) and 23.9% YoY (0.5% MoM) respectively as compared to 21.2% YoY (-2.1% MoM) and 26.1% YoY (0.2% MoM) respectively in last month.

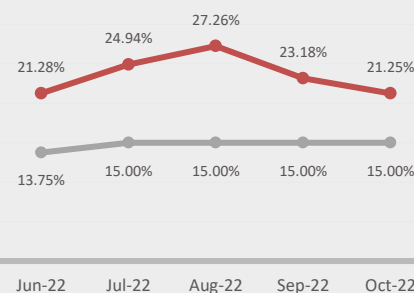
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 32.93% YoY during Oct-22. Particularly, increase in the prices of wheat flour (36.7% YoY), rice (42.48% YoY), meat (23.5% YoY), chicken (6.46% YoY), fresh milk (31.10% YoY), cooking oil (58.14% YoY), vegetable ghee (51.05% YoY) and fresh vegetables (40.77% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (63.63% YoY), cotton cloth (26.1% YoY), education (9.87% YoY), tea (44.39% YoY), house rent (5.67% YoY) and readymade food (33.19% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments & Spices and sugar decreased by 9.45% YoY, and 11.96% YoY respectively. Furthermore, a drop of 64.43% in electricity charges were witnessed.

The SBP maintained the policy rate at 15% in the last MPC meeting with the view that the existing monetary policy stance strikes an appropriate balance between managing inflation and maintaining growth in the wake of the floods. However, going forward higher food prices could raise average headline inflation in FY23 somewhat above the pre-flood projections.

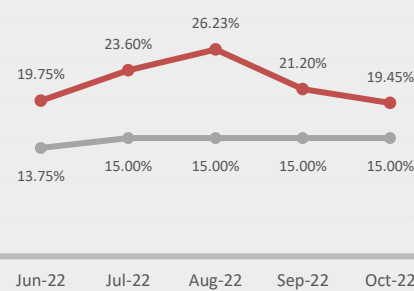
National	Weight	Oct-22	Urban	Weight	Oct-22	Rural	Weight	Oct-22
Food	35%	215	Food	30%	214	Food	41%	217
Utilities	24%	143	Utilities	27%	141	Utilities	18%	149
Clothing	9%	179	Clothing	8%	177	Clothing	9%	181
Restaurant	7%	192	Restaurant	7%	192	Restaurant	6%	192
Transport	6%	243	Transport	6%	243	Transport	6%	242
Misc.	5%	193	Education	5%	164	Misc.	5%	193
Furnishing	4%	184	Misc.	5%	192	Furnishing	4%	187
Education	4%	144	Furnishing	4%	181	Health	4%	179
Health	3%	177	Comm.	2%	114	Education	2%	153
Comm.	2%	109	Health	2%	176	Comm.	2%	107
Recreation	2%	160	Recreation	2%	155	Recreation	1%	172
Tobacco	1%	195	Tobacco	1%	209	Tobacco	1%	181
CPI		186	CPI		182	CPI		192

Key Statistics

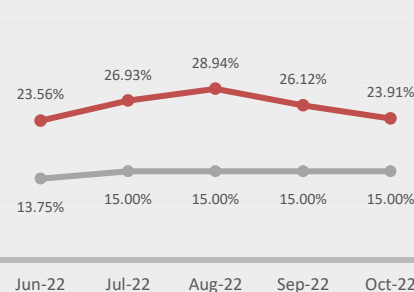
National CPI vs Discount Rate



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
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SELL	Less than and equal to -5%

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Market Weight	Neutral
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