

INFLATION PREVIEW (Aug-22)

NCPI inflation to clock in at 27.18% YoY as compared to 24.94 % YoY in the last month

Tuesday, 23 August, 2022

National

YoY ▲ 27.2%
MoM ▲ 2.3%

Urban

YoY ▲ 26.1%
MoM ▲ 2.5%

Rural

YoY ▲ 28.8%
MoM ▲ 2.1%

We expect the national CPI inflation (NCPI) for Aug-22 to stand at 27.18% YoY (2.3% MoM) as compared to 24.9% YoY (4.3% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 26.1% YoY (2.5% MoM) and 28.8% YoY (2.1% MoM) respectively as compared to 23.6% YoY (4.5% MoM) and 26.9% YoY (4.2% MoM) respectively in last month.

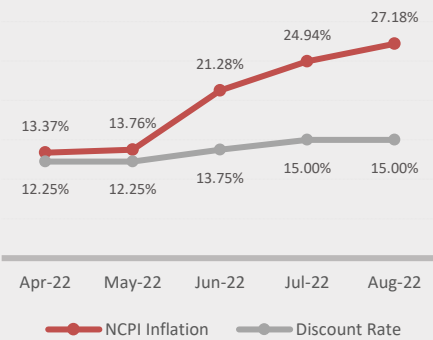
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 29.96% YoY during Aug-22. Particularly, increase in the prices of wheat flour (21.67% YoY), rice (34.21% YoY), meat (27.13% YoY), chicken (74.59% YoY), fresh milk (24.13% YoY), cooking oil (73.07% YoY), vegetable ghee (70.82% YoY) and mustard oil (78.42% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (82.94% YoY), cotton cloth (19.41% YoY), education (9.33% YoY), tea (26.32% YoY), house rent (5.62% YoY) and readymade food (27.69% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments & Spices and sugar decreased by 18.17% YoY, and 15.49% YoY respectively.

The SBP maintained the policy rate at 15% in its latest MPC meeting held on 22nd Aug 2022 due to an improved inflation outlook amid ease in international commodity prices. Going forward, we expect the recovery in PKR, declining international commodity prices, and actions like curtailing imports and fiscal consolidation are expected to work their way through the system over the coming months which will allow the SBP to consolidate the policy rate at the current level.

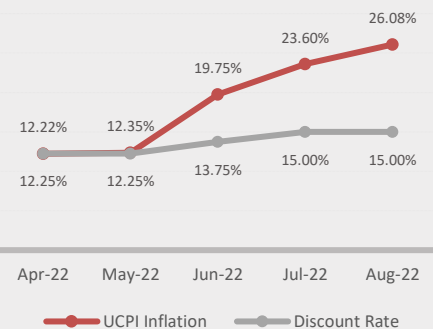
National	Weight	Aug-22	Urban	Weight	Aug-22	Rural	Weight	Aug-22
Food	35%	199	Food	30%	198	Food	41%	200
Utilities	24%	185	Utilities	27%	182	Utilities	18%	192
Clothing	9%	173	Clothing	8%	171	Clothing	9%	176
Restaurant	7%	182	Restaurant	7%	181	Restaurant	6%	184
Transport	6%	240	Transport	6%	241	Transport	6%	239
Misc.	5%	181	Education	5%	163	Misc.	5%	183
Furnishing	4%	174	Misc.	5%	179	Furnishing	4%	179
Education	4%	144	Furnishing	4%	170	Health	4%	172
Health	3%	172	Comm.	2%	114	Education	2%	149
Comm.	2%	109	Health	2%	172	Comm.	2%	107
Recreation	2%	148	Recreation	2%	143	Recreation	1%	158
Tobacco	1%	181	Tobacco	1%	191	Tobacco	1%	171
CPI		188	CPI		185	CPI		191

Key Statistics

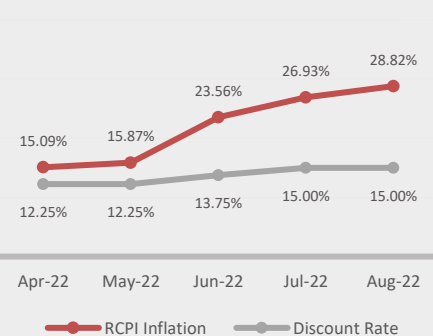
National CPI vs Discount Rate



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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Market Weight	Neutral
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