

INFLATION PREVIEW (Aug-23)

NCPI inflation to clock in at 29.7% YoY as compared to 28.3% YoY in the last month

Tuesday, 29 August, 2023

National

YoY ▲ 29.7%
MoM ▲ 3.6%

Urban

YoY ▲ 27.5%
MoM ▲ 3.7%

Rural

YoY ▲ 32.9%
MoM ▲ 3.4%

We expect the national CPI inflation (NCPI) for Aug-23 to clock around 29.7% YoY (-3.6% MoM) as compared to 28.3% YoY (3.5% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 27.5% YoY (3.7% MoM) and 32.9% YoY (3.4% MoM) respectively as compared to 26.2% YoY (3.6% MoM) and 31.3% YoY (3.3% MoM) respectively in last month.

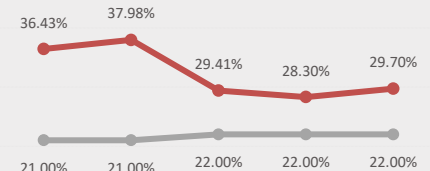
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 43.93% YoY during Aug-23. Particularly, increase in the prices of wheat flour (101.31% YoY), rice (76.04% YoY), chicken (79.53% YoY), meat (17.79% YoY), fresh milk (29.48% YoY), cooking oil (4.47% YoY), and fresh fruit (43.21% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (26.80% YoY), cotton cloth (20.89% YoY), transport (12.16%), house rent (5.25% YoY) and readymade food (37.37% YoY) also pushed the NCPI inflation towards the north.

The SBP (State Bank of Pakistan) maintained the policy rate in its recent MPC meeting due to lower inflation caused by the high base effect and international commodity price decreases. However, the situation is changing now, as the PKR (Pakistani Rupee) has reached a record high of 302 in the interbank. Countrywide protests are happening due to excessive billing linked to fuel adjustment charges and taxes. These factors are likely to raise inflation in the coming months. As a result, we anticipated that the MPC will increase the policy rate by 100-150 basis points in the upcoming meeting scheduled for September 14, 2023.

National	Weight	Aug-23	Urban	Weight	Aug-23	Rural	Weight	Aug-23
Food	35%	285	Food	30%	283	Food	41%	288
Utilities	24%	201	Utilities	27%	195	Utilities	18%	214
Clothing	9%	207	Clothing	8%	201	Clothing	9%	215
Restaurant	7%	245	Restaurant	7%	245	Restaurant	6%	244
Transport	6%	300	Transport	6%	302	Transport	6%	298
Misc.	5%	252	Education	5%	172	Misc.	5%	255
Furnishing	4%	247	Misc.	5%	249	Furnishing	4%	256
Education	4%	148	Furnishing	4%	241	Health	4%	208
Health	3%	209	Comm.	2%	124	Education	2%	174
Comm.	2%	119	Health	2%	209	Comm.	2%	110
Recreation	2%	245	Recreation	2%	236	Recreation	1%	262
Tobacco	1%	359	Tobacco	1%	381	Tobacco	1%	338
CPI		244	CPI		237	CPI		254

Key Statistics

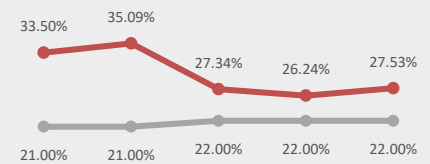
National CPI vs Discount Rate



Apr-23 May-23 Jun-23 Jul-23 Aug-23

● NCPI Inflation ● Discount Rate

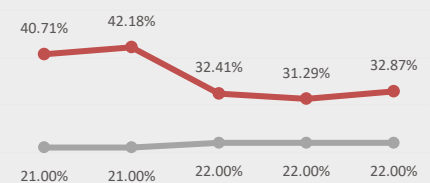
Urban CPI vs Discount Rate



Apr-23 May-23 Jun-23 Jul-23 Aug-23

● UCPI Inflation ● Discount Rate

Rural CPI vs Discount Rate



Apr-23 May-23 Jun-23 Jul-23 Aug-23

● RCPI Inflation ● 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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SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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