

# INFLATION PREVIEW (Jul-21)

NCPI inflation to clock in at 8.4% YoY as compared to 9.7% YoY in last month

Monday, 26 July, 2021

National		Urban		Rural	
YoY	▲ 8.4%	YoY	▲ 8.7%	YoY	▲ 7.9%
MoM	▲ 1.3%	MoM	▲ 1.3%	MoM	▲ 1.3%

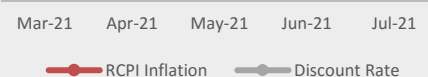
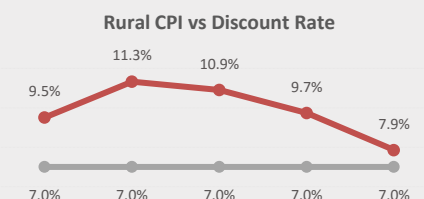
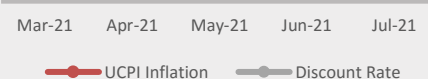
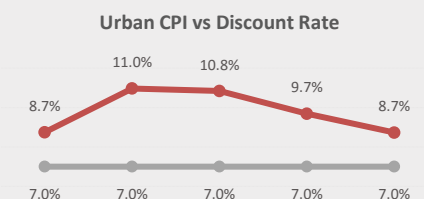
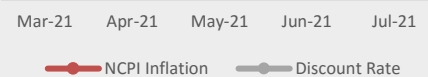
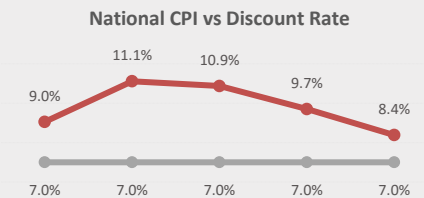
We expect the national CPI inflation (NCPI) for Jul-21 to stand at 8.4% YoY (1.3% MoM) as compared to 9.7% YoY (-0.2% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 8.7% YoY (1.3% MoM) and 7.9% YoY (1.3% MoM) respectively as compared to 9.7% YoY (-0.4% MoM) and 9.7% YoY (-0.1% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 10.12% YoY during Jul-21. Particularly, increase in the prices of wheat flour (14.37% YoY), rice (8.41% YoY), meat (13.57% YoY), onions (15.66% YoY), fresh milk (13.59% YoY), cooking oil (30.81% YoY), vegetable ghee (31.03% YoY), sugar (23.42% YoY) and condiments (14.60% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (13.23% YoY), cotton cloth (9.71% YoY), education (1.32% YoY), and readymade food (12.10% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Chicken, Fresh Fruits, Fish, Pulse Moong, and Potatoes decreased by 13.35% YoY, 15.65% YoY, 25.31% YoY, 0.41% YoY, 19.33% YoY, and 16.67% YoY respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7%. However, the recent increase in inflation is due to supply shocks to food and energy and the lingering impact of February electricity tariff hikes. Given this underlying inflation trajectory, the MPC felt that the existing accommodative stance of monetary policy remained appropriate to support the recovery while keeping inflation expectations well-anchored and maintaining financial stability. Therefore, we expect the interest rate to remain unchanged in the upcoming MPC meeting to be held on 27<sup>th</sup> July.

National	Weight	Jul-21	Urban	Weight	Jul-21	Rural	Weight	Jul-21
Food	35%	153	Food	30%	153	Food	41%	152
Utilities	24%	142	Utilities	27%	143	Utilities	18%	140
Clothing	9%	149	Clothing	8%	146	Clothing	9%	153
Restaurant	7%	144	Restaurant	7%	144	Restaurant	6%	145
Transport	6%	146	Transport	6%	148	Transport	6%	143
Misc.	5%	153	Education	5%	147	Misc.	5%	154
Furnishing	4%	142	Misc.	5%	153	Furnishing	4%	144
Education	4%	144	Furnishing	4%	141	Health	4%	153
Health	3%	154	Comm.	2%	110	Education	2%	138
Comm.	2%	109	Health	2%	155	Comm.	2%	106
Recreation	2%	127	Recreation	2%	124	Recreation	1%	133
Tobacco	1%	145	Tobacco	1%	154	Tobacco	1%	136
CPI		147	CPI		146	CPI		147

## Key Statistics



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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