

INFLATION PREVIEW (Jun-21)

NCPI inflation to clock in at 9.9% YoY as compared to 10.9% YoY in last month

Thursday, 24 June, 2021

National		Urban		Rural	
YoY	▲ 9.9%	YoY	▲ 10.0%	YoY	▲ 9.6%
MoM	▼ -0.1%	MoM	▼ -0.1%	MoM	▼ -0.1%

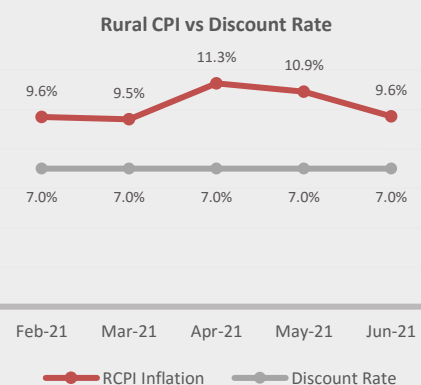
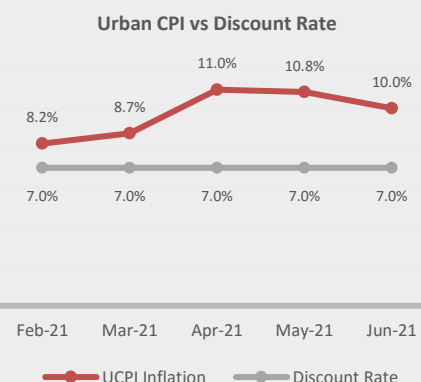
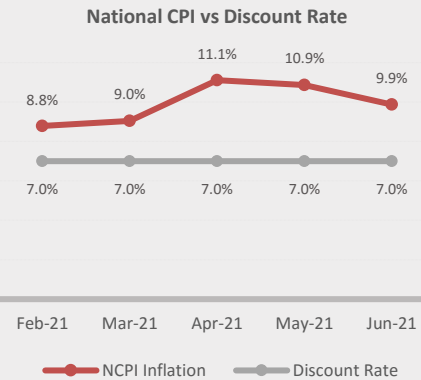
We expect the national CPI inflation (NCPI) for Jun-21 to stand at 9.9% YoY (-0.1% MoM) as compared to 10.9% YoY (0.1% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 10.0% YoY (-0.1% MoM) and 10.8% YoY (0.2% MoM) respectively as compared to 9.6% YoY (-0.1% MoM) and 10.9% YoY (-0.03% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 13.15% YoY during Jun-21. Particularly, increase in the prices of wheat flour (17.21% YoY), rice (7.14% YoY), meat (17.56% YoY), chicken (10.02% YoY), fresh milk (15.81% YoY), cooking oil (20.86% YoY), vegetable ghee (22.68% YoY), sugar (23.30% YoY) and condiments (20.17% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (37.65% YoY), cotton cloth (10.13% YoY), education (1.19% YoY), and readymade food (11.71% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Onions, Fresh Fruits, Transport Services, Pulse Moong, and Pulse Masoor decreased by 15.21% YoY, 7.97% YoY, 17.01% YoY, 2.78% YoY, 20.78% YoY, and 1.88% 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. As we expect the inflation to average out at around 9% during FY21. Therefore, our expectation of a rate hike of around 50-100 bps in Jul-21 is actually in line with the policy of achieving mildly positive real interest rates.

National	Weight	Jun-21	Urban	Weight	Jun-21	Rural	Weight	Jun-21
Food	35%	151	Food	30%	152	Food	41%	149
Utilities	24%	140	Utilities	27%	141	Utilities	18%	138
Clothing	9%	149	Clothing	8%	146	Clothing	9%	152
Restaurant	7%	144	Restaurant	7%	143	Restaurant	6%	145
Transport	6%	143	Transport	6%	144	Transport	6%	141
Misc.	5%	152	Education	5%	147	Misc.	5%	152
Furnishing	4%	142	Misc.	5%	152	Furnishing	4%	143
Education	4%	144	Furnishing	4%	141	Health	4%	153
Health	3%	153	Comm.	2%	110	Education	2%	137
Comm.	2%	109	Health	2%	153	Comm.	2%	106
Recreation	2%	126	Recreation	2%	122	Recreation	1%	132
Tobacco	1%	145	Tobacco	1%	154	Tobacco	1%	135
CPI		145	CPI		145	CPI		145

Key Statistics



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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