

INFLATION PREVIEW (May-22)

NCPI inflation to clock in at 14.3% YoY as compared to 13.37 % YoY in last month

Tuesday, 17 May, 2022

National		Urban		Rural	
YoY	▲ 14.3%	YoY	▲ 13.1%	YoY	▲ 16.3%
MoM	▲ 1.0%	MoM	▲ 0.9%	MoM	▲ 1.0%

We expect the national CPI inflation (NCPI) for May-22 to stand at 14.34% YoY (1.0% MoM) as compared to 13.37% YoY (1.6% 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 13.1% YoY (0.9% MoM) and 16.3% YoY (1.0% MoM) respectively as compared to 12.2% YoY (1.6% MoM) and 15.1% YoY (1.6% MoM) respectively in last month.

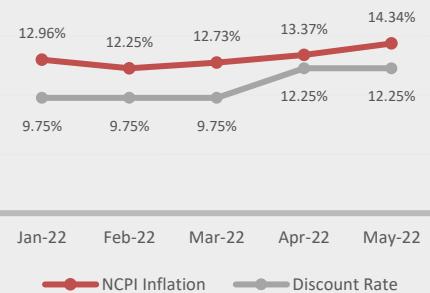
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 19.28% YoY during May-22. Particularly, increase in the prices of wheat flour (35.32% YoY), rice (11.22% YoY), meat (22.24% YoY), butter (17.16% YoY), fresh milk (12.61% YoY), cooking oil (61.44% YoY), vegetable ghee (60.10% YoY) and mustard oil (57.85% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (39.89% YoY), cotton cloth (12.62% YoY), education (9.24% YoY), tea (12.85% YoY), house rent (5.85% YoY) and readymade food (15.35% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Electricity, Pulse Moong, Potatoes, and Condiments and Spices decreased by 9.41% YoY, 23.99% YoY, 17.31% YoY, and 16.19% YoY, respectively.

The SBP had increased the policy rate by 250 bps to 12.25% in its last emergency meeting as the inflation for the month of the march was recorded at above-expected levels. Going forward, we expect the SBP to raise the policy rate by a further 100-150 bps in the upcoming MPC meeting on 23rd May 2022 amid the anticipation of a hike in inflation as a result of the probable removal of fuel subsidies.

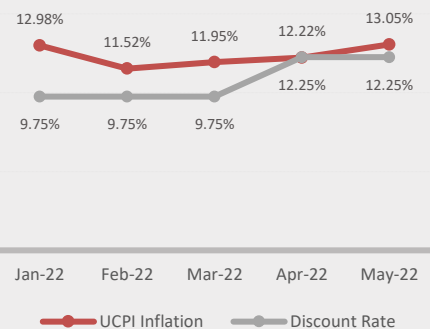
National	Weight	May 22	Urban	Weight	May 22	Rural	Weight	May22
Food	35%	183	Food	30%	182	Food	41%	183
Utilities	24%	148	Utilities	27%	147	Utilities	18%	150
Clothing	9%	165	Clothing	8%	162	Clothing	9%	169
Restaurant	7%	163	Restaurant	7%	163	Restaurant	6%	165
Transport	6%	182	Transport	6%	183	Transport	6%	179
Misc.	5%	170	Education	5%	160	Misc.	5%	172
Furnishing	4%	162	Misc.	5%	169	Furnishing	4%	166
Education	4%	144	Furnishing	4%	159	Health	4%	168
Health	3%	168	Comm.	2%	113	Education	2%	144
Comm.	2%	109	Health	2%	168	Comm.	2%	106
Recreation	2%	137	Recreation	2%	133	Recreation	1%	146
Tobacco	1%	159	Tobacco	1%	168	Tobacco	1%	150
CPI		166	CPI		164	CPI		169

Key Statistics

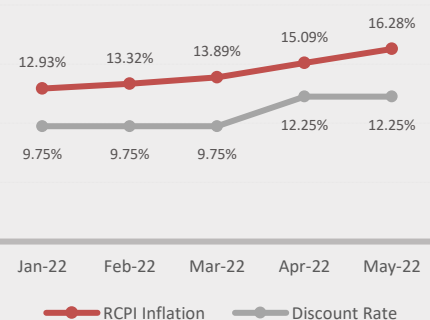
National CPI vs Discount Rate



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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