

# INFLATION PREVIEW (Oct-21)

NCPI inflation to clock in at 8.40% YoY as compared to 8.98 % YoY in last month

Friday, 29 October, 2021

National		Urban		Rural	
YoY	▲ 8.4%	YoY	▲ 9.1%	YoY	▲ 7.3%
MoM	▲ 1.2%	MoM	▲ 1.3%	MoM	▲ 1.0%

We expect the national CPI inflation (NCPI) for Oct-21 to stand at 8.40% YoY (1.2% MoM) as compared to 8.98% YoY (2.1% 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 9.1% YoY (1.3% MoM) and 7.3% YoY (1.0% MoM) respectively as compared to 9.1% YoY (1.3% MoM) and 8.8% YoY (2.2% MoM) respectively in last month.

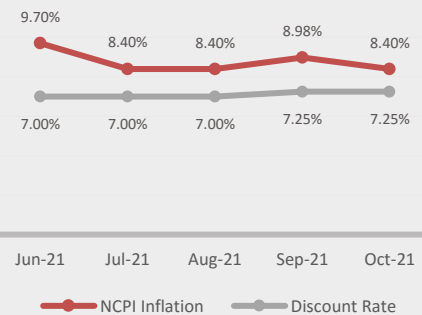
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 9.26% YoY during Oct-21. Particularly, increase in the prices of wheat flour (14.09% YoY), rice (5.74% YoY), meat (15.78% YoY), butter (12.86% YoY), fresh milk (9.19% YoY), cooking oil (40.02% YoY), vegetable ghee (42.30% YoY), sugar (2.78% YoY) and condiments (9.18% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of Motor FUEL (22.30% YoY), cotton cloth (9.77% YoY), education (1.78% YoY), and readymade food (11.47% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Wheat, Onions, and Pulse Moong decreased by 21.64% YoY, 2.40% YoY, 26.13% YoY, and 29.70% YoY, respectively.

The SBP in its recent MPC meeting decided to increase the policy rate by 25 bps as they noted that accommodative stance has provided enough support to the recovery of the economy since the start of FY21. Owing to the historical cuts in the policy rate, private sector grew by 11% during FY21 supported by consumer loans. Therefore, some tightening of consumer finance may also be appropriate to moderate the growth. Going forward, we expect the SBP to gradually increase the interest rate in upcoming MPC meetings as well in order to achieve mildly positive real interest rates over time.

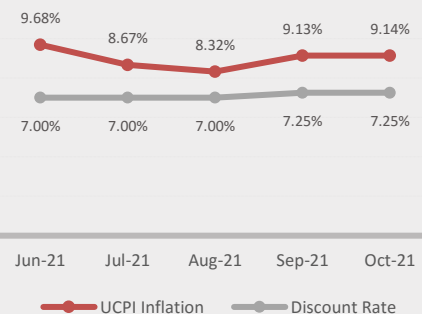
National	Weight	Oct-21	Urban	Weight	Oct-21	Rural	Weight	Oct-21
Food	35%	161	Food	30%	161	Food	41%	160
Utilities	24%	148	Utilities	27%	149	Utilities	18%	147
Clothing	9%	150	Clothing	8%	147	Clothing	9%	154
Restaurant	7%	148	Restaurant	7%	148	Restaurant	6%	149
Transport	6%	155	Transport	6%	157	Transport	6%	152
Misc.	5%	157	Education	5%	149	Misc.	5%	158
Furnishing	4%	148	Misc.	5%	156	Furnishing	4%	149
Education	4%	144	Furnishing	4%	147	Health	4%	155
Health	3%	156	Comm.	2%	112	Education	2%	140
Comm.	2%	109	Health	2%	157	Comm.	2%	106
Recreation	2%	131	Recreation	2%	128	Recreation	1%	137
Tobacco	1%	145	Tobacco	1%	154	Tobacco	1%	136
CPI		152	CPI		152	CPI		153

## Key Statistics

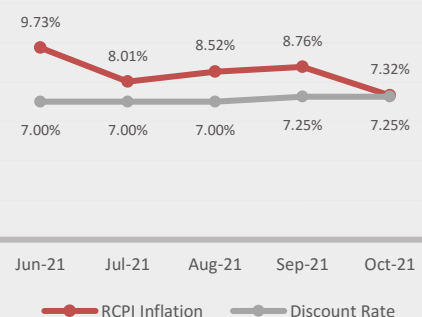
### National CPI vs Discount Rate



### Urban CPI vs Discount Rate



### Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

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<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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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