

# INFLATION PREVIEW (Jun-20)

NCPI inflation to clock in at 9.1% YoY as compared to 8.2% YoY in last month

Monday, 29 June, 2020

National		Urban		Rural	
YoY	▲ 9.1%	YoY	▲ 8.3%	YoY	▲ 10.3%
MoM	▲ 1.3%	MoM	▲ 1.3%	MoM	▲ 1.3%

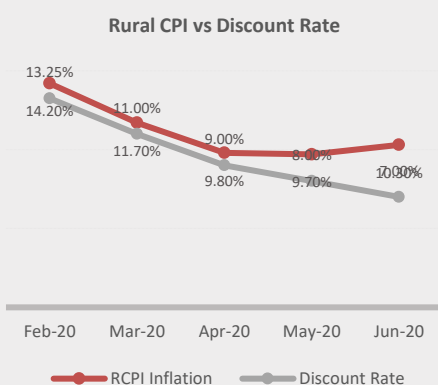
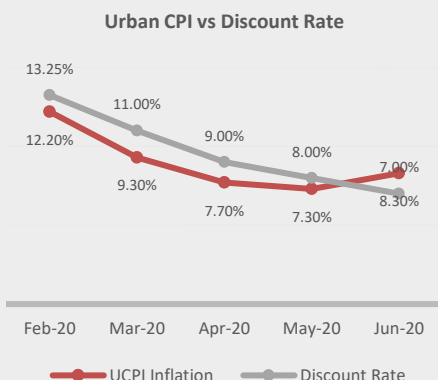
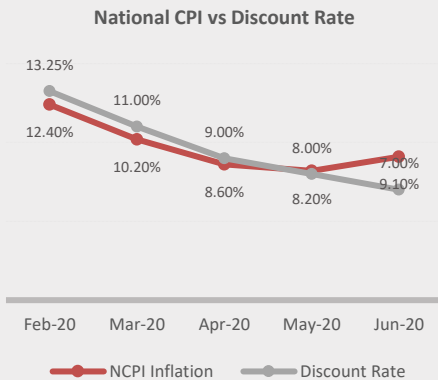
We expect the national CPI inflation (NCPI) for Jun-20 to stand at 9.1% YoY (1.3% MoM) as compared to 8.2% YoY (0.3% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 8.3% YoY (1.3% MoM) and 10.3% YoY (1.3 MoM) respectively as compared to 7.3% YoY (0.3% MoM) and 9.7% YoY (0.3% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 15.37% YoY during Jun-20. Particularly, increase in the prices of wheat flour (31.45% YoY), rice (8.18% YoY), meat (10.53% YoY), chicken (14.15% YoY), fresh milk (10.4% YoY), cooking oil (20.36% YoY), vegetable ghee (24.90% YoY), sugar (14.27% YoY) and condiments (65.22% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (4.20% YoY), cotton cloth (12.88% YoY), gas charges (54.84% YoY), education (1.87% YoY) and readymade food (7.81% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of fish, fresh fruits, onions, fresh vegetables, electricity charges, liquified hydrocarbons and motor fuel decreased by 3.58% YoY, 3.86% YoY, 35.56% YoY, 14.62% YoY, 3.54% YoY, 3.65% YoY, 10.15% YoY and 25.68% YoY respectively.

Even though the fundamentals do not support, yet the SBP has further reduced the policy rate by 100 bps to 7% in its emergency MPC meeting last week to provide stimulus to the COVID suffered economy. Going forward, in our view, the monetary easing cycle has been completed for medium-term as the hike of around 33% in fuel prices has ruled out the chances of inflation to come down to a range of 6-7% in the upcoming two quarters as forecasted by the SBP.

National	Weight	Jun-20	Urban	Weight	Jun-20	Rural	Weight	Jun-20
Food	35%	137	Food	30%	137	Food	41%	137
Utilities	24%	128	Utilities	27%	130	Utilities	18%	125
Clothing	9%	136	Clothing	8%	133	Clothing	9%	140
Restaurant	7%	132	Restaurant	7%	130	Restaurant	6%	134
Transport	6%	122	Transport	6%	122	Transport	6%	121
Misc.	5%	137	Education	5%	145	Misc.	5%	137
Furnishing	4%	130	Misc.	5%	137	Furnishing	4%	130
Education	4%	142	Furnishing	4%	130	Health	4%	141
Health	3%	140	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	140	Comm.	2%	105
Recreation	2%	120	Recreation	2%	118	Recreation	1%	123
Tobacco	1%	139	Tobacco	1%	146	Tobacco	1%	131
CPI		133	CPI		133	CPI		133

## 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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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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