

# INFLATION PREVIEW (Oct-19)

NCPI inflation to clock in at 10.5% YoY as compared to 11.4% YoY in last month

Monday, 28 October, 2019

National		Urban		Rural	
YoY	▲ 10.5%	YoY	▲ 10.7%	YoY	▲ 10.2%
MoM	▲ 1.3%	MoM	▲ 1.4%	MoM	▲ 1.2%

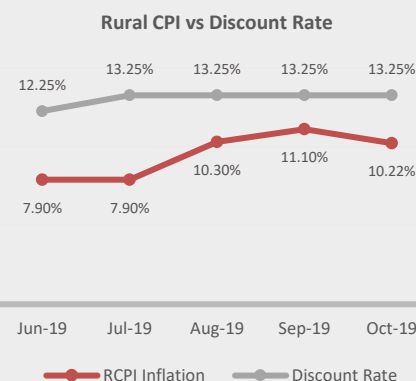
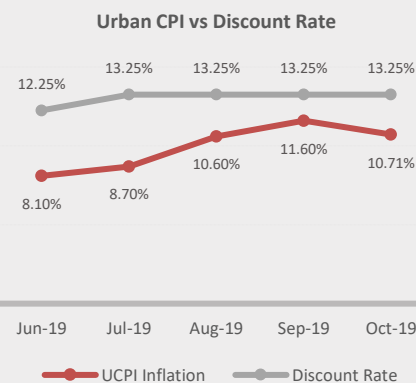
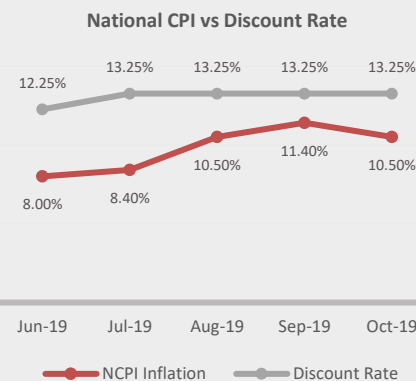
We expect the national CPI inflation (NCPI) for Oct-19 to stand at 10.5% YoY (1.3% MoM) as compared to 11.4% YoY (0.8% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 10.7% YoY (1.4% MoM) and 10.2% YoY (1.2% MoM) respectively as compared to 11.6% YoY (0.7% MoM) and 11.1% YoY (0.8% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 1.28% MoM during Oct-19. Particularly, increase in the prices of wheat flour (2.58% MoM), rice (0.77% MoM), meat (0.78% MoM), fresh milk (1.36% MoM), cooking oil (0.4% MoM), vegetable ghee (0.41% MoM) and fresh vegetables (0.6% MoM) contributed to the upsurge of food index. Other than food prices, an increase in the prices of readymade garments (0.54% MoM), house rent (1.7% MoM), electricity (14.21% MoM), washing soap & detergents (0.11% MoM) and readymade food (0.45% MoM) also pushed the NCPI inflation towards the north. On the flip side, prices of chicken, fresh fruits and sugar decreased by 20.96% MoM, 13.07% MoM, 0.89% MoM and 1.02% MoM respectively.

In view of the evolving macroeconomic situation, the SBP has kept the policy rate unchanged at 13.25% in its last MPC meeting. Going forward, the downward adjustment of CPI after rebasing it to 2015-16, decline in long-term yields, rising fiscal deficit to a historic level of 8.9% in FY19 and the reduction of current account deficit by 64% in 1QFY20 are all signaling the SBP to lower its policy rate gradually. Thus, we expect a rate cut of around 25-50 bps before Jun-20. Though, as far as the upcoming MPC meeting (scheduled in Nov-19) is concerned, we expect the status quo to be maintained in order to keep the external account imbalance in check.

National	Weight	Oct-19	Urban	Weight	Oct-19	Rural	Weight	Oct-19
Food	35%	127	Food	30%	128	Food	41%	127
Utilities	24%	129	Utilities	27%	131	Utilities	18%	125
Clothing	9%	126	Clothing	8%	124	Clothing	9%	129
Restaurant	7%	125	Restaurant	7%	124	Restaurant	6%	127
Transport	6%	141	Transport	6%	142	Transport	6%	140
Misc.	5%	130	Education	5%	144	Misc.	5%	129
Furnishing	4%	123	Misc.	5%	131	Furnishing	4%	122
Education	4%	142	Furnishing	4%	124	Health	4%	132
Health	3%	133	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	135	Comm.	2%	105
Recreation	2%	118	Recreation	2%	117	Recreation	1%	120
Tobacco	1%	135	Tobacco	1%	142	Tobacco	1%	127
CPI		129	CPI		130	CPI		127

## 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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- II. Dividend Discount Model
- III. Relative Valuation Model
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