

INFLATION PREVIEW (Sep-19)

NCPI inflation to clock in at 11.3% YoY as compared to 10.5% YoY in last month

Friday, 27 September, 2019

National		Urban		Rural	
YoY	▲ 11.3%	YoY	▲ 11.6%	YoY	▲ 11.1%
MoM	▲ 0.7%	MoM	▲ 0.7%	MoM	▲ 0.7%

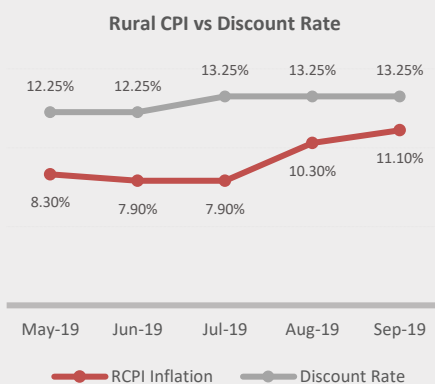
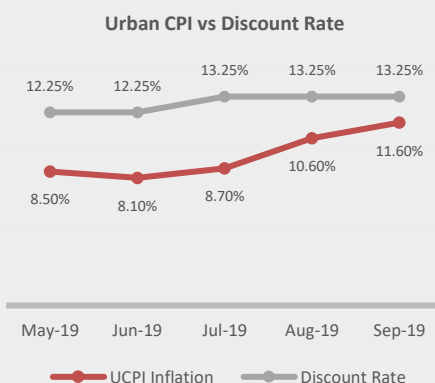
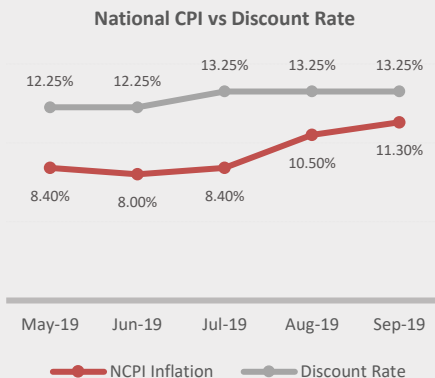
We expect the national CPI inflation (NCPI) for Sep-19 to stand at 11.3% YoY (0.7% MoM) as compared to 10.5% YoY (1.6% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 11.6% YoY (0.7% MoM) and 11.1% YoY (0.7% MoM) respectively as compared to 10.6% YoY (1.5% MoM) and 10.3% YoY (1.9% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 2.2% MoM during Sep-19. Particularly, increase in the prices of wheat flour (1.92% MoM), meat (0.38% MoM), Chicken (15.36% MoM), fresh milk (0.35% MoM), cooking oil (0.63% MoM), vegetable ghee (0.62% MoM), fresh vegetables (3.47% MoM) and condiments & spices (0.16% MoM) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (0.81% MoM), washing soap & detergents (0.58% MoM) and readymade food (1.05% MoM) also pushed the NCPI inflation towards the north. On the flip side, prices of rice, fresh fruits, tomatoes, sugar and motor fuel decreased by 0.06% MoM, 8.06% MoM, 0.89% MoM, 1.9% MoM and 4.01% 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. However, 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 55% in 2MFY20 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.

National	Weight	Sep-19	Urban	Weight	Sep-19	Rural	Weight	Sep-19
Food	35%	126	Food	30%	126	Food	41%	125
Utilities	24%	125	Utilities	27%	127	Utilities	18%	121
Clothing	9%	126	Clothing	8%	124	Clothing	9%	129
Restaurant	7%	125	Restaurant	7%	124	Restaurant	6%	128
Transport	6%	141	Transport	6%	141	Transport	6%	140
Misc.	5%	129	Education	5%	144	Misc.	5%	128
Furnishing	4%	122	Misc.	5%	129	Furnishing	4%	121
Education	4%	141	Furnishing	4%	123	Health	4%	132
Health	3%	133	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	134	Comm.	2%	105
Recreation	2%	117	Recreation	2%	116	Recreation	1%	119
Tobacco	1%	134	Tobacco	1%	142	Tobacco	1%	126
CPI		127	CPI		128	CPI		125

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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