

INFLATION PREVIEW (April-22)

NCPI inflation to clock in at 12.9% YoY as compared to 12.7 % YoY in last month

Wednesday, 27 April, 2022

National	
YoY	▲ 12.9%
MoM	▲ 1.2%

Urban	
YoY	▲ 11.9%
MoM	▲ 1.3%

Rural	
YoY	▲ 14.5%
MoM	▲ 1.1%

We expect the national CPI inflation (NCPI) for April-22 to stand at 12.93% YoY (1.2% MoM) as compared to 12.73% YoY (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 11.9% YoY (1.3% MoM) and 14.5% YoY (1.1% MoM) respectively as compared to 11.9% YoY (0.7% MoM) and 13.9% 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 14.54% YoY during April-22. Particularly, increase in the prices of wheat flour (14.54% YoY), rice (12.40% YoY), meat (26.98% YoY), butter (17.06% YoY), fresh milk (12.01% YoY), cooking oil (55.03% YoY), vegetable ghee (55.48% YoY) and mustard oil (59.97% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (39.10% YoY), cotton cloth (14.30% YoY), education (8.64% YoY), electricity charges (2.57% YoY), house rent (5.98% YoY) and readymade food (15.96% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Eggs, Pulse Moong, Potatoes, and Condiments and Spices decreased by 20.84% YoY, 25.38% YoY, 23.94% YoY, and 18.88% YoY, respectively.

The SBP had increased the policy rate by 250 bps to 12.25% amid inflation for the month of the march recorded at above-expected levels. Further core inflation in rural and urban areas has also risen significantly. The international oil prices are also expected to be elevated for a longer time. This sudden increase in the policy rate will help to stabilize external and price stability and real interest rates to be mildly positive. Going forward, we expect the MPC to keep the policy rate intact in their upcoming meeting. However, the recent rise in policy rate along with the reduction in political uncertainty and optimal fiscal measures will result in the speedy recovery of Pakistan's Economy.

National	Weight	Apr-22	Urban	Weight	Apr-22	Rural	Weight	Apr-22
Food	35%	174	Food	30%	173	Food	41%	176
Utilities	24%	153	Utilities	27%	152	Utilities	18%	155
Clothing	9%	164	Clothing	8%	161	Clothing	9%	167
Restaurant	7%	163	Restaurant	7%	162	Restaurant	6%	165
Transport	6%	181	Transport	6%	182	Transport	6%	178
Misc.	5%	169	Education	5%	159	Misc.	5%	171
Furnishing	4%	159	Misc.	5%	167	Furnishing	4%	164
Education	4%	144	Furnishing	4%	157	Health	4%	167
Health	3%	167	Comm.	2%	113	Education	2%	143
Comm.	2%	109	Health	2%	167	Comm.	2%	106
Recreation	2%	137	Recreation	2%	132	Recreation	1%	145
Tobacco	1%	154	Tobacco	1%	162	Tobacco	1%	146
CPI		164	CPI		162	CPI		166

Key Statistics

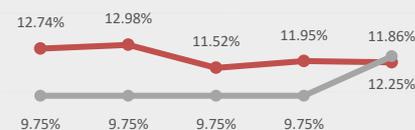
National CPI vs Discount Rate



Dec-21 Jan-22 Feb-22 Mar-22 Apr-22

● NCPI Inflation ● Discount Rate

Urban CPI vs Discount Rate



Dec-21 Jan-22 Feb-22 Mar-22 Apr-22

● UCPI Inflation ● Discount Rate

Rural CPI vs Discount Rate



Dec-21 Jan-22 Feb-22 Mar-22 Apr-22

● RCPI Inflation ● 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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