

INFLATION PREVIEW (Jan-22)

NCPI inflation to clock in at 13.31% YoY as compared to 12.28 % YoY in last month

Monday, 24 January, 2022

National		Urban		Rural	
YoY	▲ 13.3%	YoY	▲ 13.8%	YoY	▲ 12.6%
MoM	▲ 0.7%	MoM	▲ 0.8%	MoM	▲ 0.6%

We expect the national CPI inflation (NCPI) for Jan-22 to stand at 13.31% YoY (0.7% MoM) as compared to 12.28% YoY (0.7% 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 13.8% YoY (0.8% MoM) and 12.6% YoY (0.6% MoM) respectively as compared to 12.7% YoY (0.3% MoM) and 11.6% YoY (-0.5% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 14.95% YoY during Jan-22. Particularly, increase in the prices of wheat flour (16.24% YoY), rice (10.73% YoY), meat (24.22% YoY), butter (7.93% YoY), fresh milk (12.96% YoY), cooking oil (54.81% YoY), vegetable ghee (48.47% YoY) and mustard oil (49.67% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (38.42% YoY), cotton cloth (9.46% YoY), education (2.57% YoY), electricity charges (63.59% YoY), house rent (6.26% YoY) and readymade food (13.49% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Potatoes, Tomatoes, Condiments and Spices, and Pulse Moong decreased by 2.43% YoY, 20.79% YoY, 14.38% YoY, and 25.57% YoY, respectively.

The SBP has recently raised the policy rate to 9.75% (up by 100bps) in its MPC meeting scheduled at 13-Dec-21. Considering the inflation forecast of around 11% in FY22, the MPC feels that the end goal of mildly positive real interest rates on a forward-looking basis is now close to being achieved. Going forward, we expect the interest rate to be in double digits from Mar-22. However, the raise wouldn't be more than 100 bps in our view assuming that the inflation would start tapering off by the start of the next fiscal year.

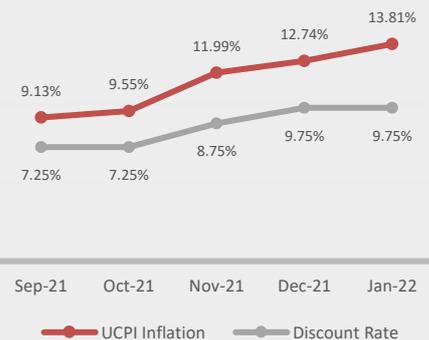
National	Weight	Jan-22	Urban	Weight	Jan-22	Rural	Weight	Jan-22
Food	35%	173	Food	30%	163	Food	41%	162
Utilities	24%	150	Utilities	27%	159	Utilities	18%	161
Clothing	9%	156	Clothing	8%	156	Clothing	9%	163
Restaurant	7%	149	Restaurant	7%	157	Restaurant	6%	158
Transport	6%	172	Transport	6%	178	Transport	6%	171
Misc.	5%	163	Education	5%	150	Misc.	5%	165
Furnishing	4%	150	Misc.	5%	161	Furnishing	4%	157
Education	4%	144	Furnishing	4%	151	Health	4%	161
Health	3%	162	Comm.	2%	112	Education	2%	140
Comm.	2%	109	Health	2%	162	Comm.	2%	106
Recreation	2%	134	Recreation	2%	131	Recreation	1%	139
Tobacco	1%	146	Tobacco	1%	155	Tobacco	1%	138
CPI		159	CPI		159	CPI		160

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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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

VALUATION METHODOLOGY

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

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