

# INFLATION PREVIEW (Feb-20)

NCPI inflation to clock in at 14.1% YoY as compared to 14.6% YoY in last month

Wednesday, 26 February, 2020

National		Urban		Rural	
YoY	▲ 14.1%	YoY	▲ 13.0%	YoY	▲ 15.8%
MoM	▲ 0.4%	MoM	▲ 0.5%	MoM	▲ 0.4%

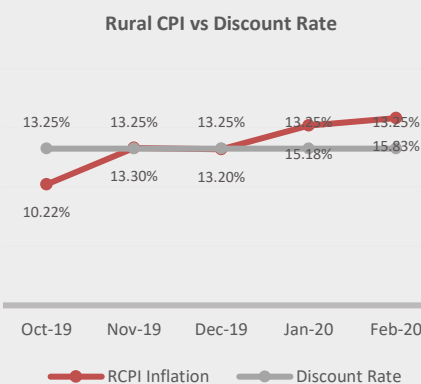
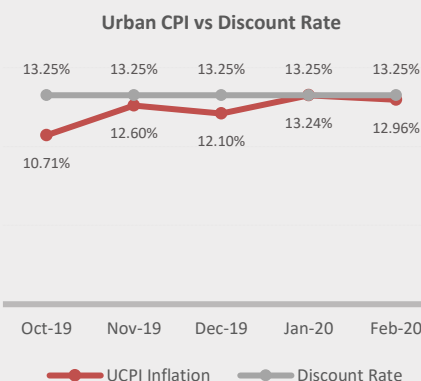
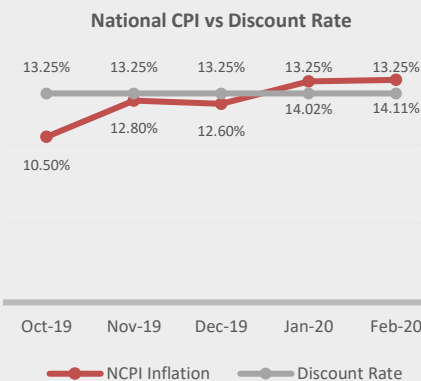
We expect the national CPI inflation (NCPI) for Feb-20 to stand at 14.1% YoY (0.4% MoM) as compared to 14.6% YoY (2% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 13% YoY (0.5% MoM) and 15.8% YoY (0.4% MoM) respectively as compared to 13.4% YoY (1.7% MoM) and 16.3% YoY (-2.4% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 20.49% YoY during Feb-20. Particularly, increase in the prices of wheat flour (16.34% YoY), rice (7.87% YoY), meat (13.27% YoY), chicken (10.38% YoY), fresh milk (8.5% YoY), cooking oil (26.48% YoY), vegetable ghee (32.64% YoY) fresh fruits (1.07% YoY), fresh vegetables (136.47% YoY), sugar (36.01% YoY) and condiments (24.92% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (5.63% YoY), cotton cloth (12.80% YoY), electricity charges (10.85% YoY), gas charges (54.84% YoY), motor fuel (26.6% YoY), education (7.49% YoY) and readymade food (7.76% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of eggs, tomatoes and dental services decreased by 5.82% YoY, 58.89% YoY and 0.95% YoY respectively.

After the period of around 6 years, the inflation rate had surpassed the discount rate in Jan-20 and expected to remain above the discount rate in Feb-20 as well. Therefore, we expect the status quo to be maintained in the next MPC meeting, scheduled in Mar-20, in order to keep the inflationary pressure in check. Furthermore, we expect the SBP to cut the rate by around 25-50 bps before the end of this calendar year.

National	Weight	Feb-20	Urban	Weight	Feb-20	Rural	Weight	Feb-20
Food	35%	136	Food	30%	135	Food	41%	138
Utilities	24%	132	Utilities	27%	133	Utilities	18%	129
Clothing	9%	130	Clothing	8%	127	Clothing	9%	133
Restaurant	7%	129	Restaurant	7%	128	Restaurant	6%	131
Transport	6%	145	Transport	6%	146	Transport	6%	143
Misc.	5%	134	Education	5%	145	Misc.	5%	133
Furnishing	4%	127	Misc.	5%	134	Furnishing	4%	127
Education	4%	142	Furnishing	4%	128	Health	4%	137
Health	3%	137	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	138	Comm.	2%	105
Recreation	2%	119	Recreation	2%	117	Recreation	1%	122
Tobacco	1%	136	Tobacco	1%	143	Tobacco	1%	129
CPI		134	CPI		133	CPI		134

## 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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