

INFLATION PREVIEW (May-23)

NCPI inflation to clock in at 37.45% YoY as compared to 36.4 % YoY in the last month



Thursday, 25 May, 2023

National		Urban		Rural	
YoY	▲ 37.5%	YoY	▲ 34.8%	YoY	▲ 41.4%
MoM	▲ 1.1%	MoM	▲ 1.3%	MoM	▲ 1.1%

We expect the national CPI inflation (NCPI) for May-23 to clock around 37.45% YoY (1.1% MoM) as compared to 36.4% YoY (1.0% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 34.8% YoY (1.3% MoM) and 41.4% YoY (1.1% MoM) respectively as compared to 33.5% YoY (0.5% MoM) and 40.7% YoY (1.8% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 47.57% YoY during May-23. Particularly, increase in the prices of wheat flour (91.23% YoY), rice (88.68% YoY), chicken (44.04% YoY), meat (18.66% YoY), fresh milk (39.89% YoY), cooking oil (34.08% YoY), vegetable ghee (25.87% YoY) and fresh fruit (53.97% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (57.54% YoY), cotton cloth (31.87% YoY), transport (44.63%), electricity charges (52.77% YoY), house rent (5.34% YoY) and readymade food (48.04% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of tomatoes and onions decreased by 34.22% YoY, and 29.12% YoY respectively.

Despite the SBP’s implementation of contractionary monetary policy to curb escalating inflation, inflationary expectations persist and the high interest rates, reaching a record 21%, have resulted in substantial fiscal costs through increased debt servicing and further inflationary pressures from borrowings. Going forward, there is a probability of further monetary tightening measures being undertaken to stabilize inflation and address vulnerabilities in the foreign exchange market.

National	Weight	Apr-23	Urban	Weight	Apr-23	Rural	Weight	Apr-23
Food	35%	267	Food	30%	261	Food	41%	273
Utilities	24%	176	Utilities	27%	171	Utilities	18%	186
Clothing	9%	212	Clothing	8%	208	Clothing	9%	218
Restaurant	7%	232	Restaurant	7%	234	Restaurant	6%	230
Transport	6%	272	Transport	6%	273	Transport	6%	271
Misc.	5%	236	Education	5%	170	Misc.	5%	239
Furnishing	4%	230	Misc.	5%	234	Furnishing	4%	236
Education	4%	158	Furnishing	4%	227	Health	4%	199
Health	3%	200	Comm.	2%	122	Education	2%	170
Comm.	2%	118	Health	2%	201	Comm.	2%	110
Recreation	2%	231	Recreation	2%	224	Recreation	1%	246
Tobacco	1%	354	Tobacco	1%	376	Tobacco	1%	332
CPI		227	CPI		220	CPI		238

Key Statistics

Month	NCPI Inflation	Discount Rate
Jan-23	27.56%	17.00%
Feb-23	31.56%	17.00%
Mar-23	35.37%	20.00%
Apr-23	36.43%	21.00%
May-23	37.45%	21.00%

Month	UCPI Inflation	Discount Rate
Jan-23	24.38%	17.00%
Feb-23	28.82%	17.00%
Mar-23	32.97%	20.00%
Apr-23	33.50%	21.00%
May-23	34.77%	21.00%

Month	RCPI Inflation	Discount Rate
Jan-23	32.25%	17.00%
Feb-23	35.56%	17.00%
Mar-23	38.88%	20.00%
Apr-23	40.71%	21.00%
May-23	41.35%	21.00%

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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