

INFLATION PREVIEW (Apr-20)

NCPI inflation to clock in at 8.4% YoY as compared to 10.2% YoY in last month

Wednesday, 29 April, 2020

National		Urban		Rural	
YoY	▲ 8.4%	YoY	▲ 7.7%	YoY	▲ 9.5%
MoM	▼ -1.0%	MoM	▼ -0.7%	MoM	▼ -1.4%

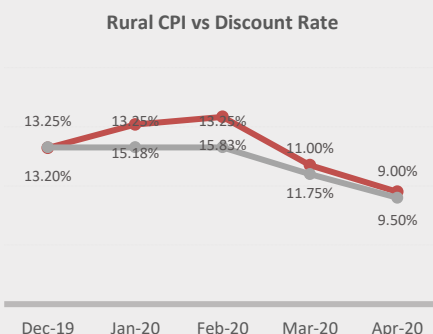
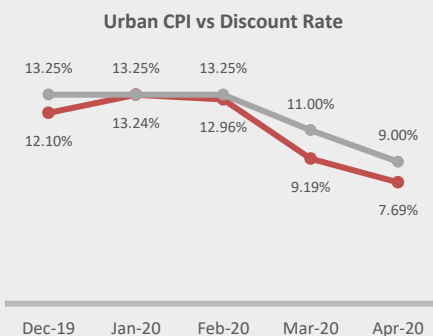
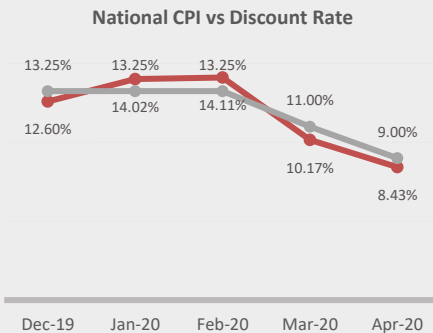
We expect the national CPI inflation (NCPI) for Apr-20 to stand at 8.4% YoY (-1% MoM) as compared to 10.2% YoY (0% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 7.7% YoY (-0.7% MoM) and 9.5% YoY (-1.4 MoM) respectively as compared to 9.3% YoY (0.1% MoM) and 11.7% YoY (-0.1% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 10.39% YoY during Apr-20. Particularly, increase in the prices of wheat flour (13.38% YoY), rice (10.63% YoY), meat (14.06% YoY), fresh milk (4.79% YoY), cooking oil (21.28% YoY), vegetable ghee (25.93% YoY), sugar (25.21% YoY) and condiments (25.77% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (5.23% YoY), cotton cloth (10.31% YoY), gas charges (54.84% YoY), education (3.42% YoY) and readymade food (7.61% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of chicken, fresh fruits, fresh vegetables, electricity charges and motor fuel decreased by 18.18% YoY, 9.11% YoY, 14.31% YoY, 5.88% YoY, and 0.51% YoY respectively.

Following the downtrend of inflation rate and considering tough conditions owing to lockdowns on the back of COVID-19 crisis, the SBP has reduced the policy rate by 425 bps from the peak of 13.25% to 9% within one month. Going forward, we expect the SBP to further cut the rate by around 100 bps in its upcoming MPC meeting scheduled in May-20 as the governor SBP Baqir Raza hinted in his interview about the readiness of SBP to take more steps on interest rate in future in order to combat excessive contraction of the economy.

National	Weight	Apr-20	Urban	Weight	Apr-20	Rural	Weight	Apr-20
Food	35%	130	Food	30%	129	Food	41%	130
Utilities	24%	130	Utilities	27%	131	Utilities	18%	126
Clothing	9%	133	Clothing	8%	130	Clothing	9%	137
Restaurant	7%	131	Restaurant	7%	130	Restaurant	6%	132
Transport	6%	132	Transport	6%	133	Transport	6%	132
Misc.	5%	136	Education	5%	145	Misc.	5%	136
Furnishing	4%	128	Misc.	5%	136	Furnishing	4%	128
Education	4%	142	Furnishing	4%	128	Health	4%	140
Health	3%	140	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	140	Comm.	2%	105
Recreation	2%	120	Recreation	2%	118	Recreation	1%	122
Tobacco	1%	136	Tobacco	1%	144	Tobacco	1%	129
CPI		130	CPI		131	CPI		130

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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