

INFLATION PREVIEW (Jul-20)

NCPI inflation to clock in at 8.9% YoY as compared to 8.6% YoY in last month

Monday, 27 July, 2020

National		Urban		Rural	
YoY	▲ 8.9%	YoY	▲ 7.9%	YoY	▲ 10.6%
MoM	▲ 2.2%	MoM	▲ 2.2%	MoM	▲ 2.1%

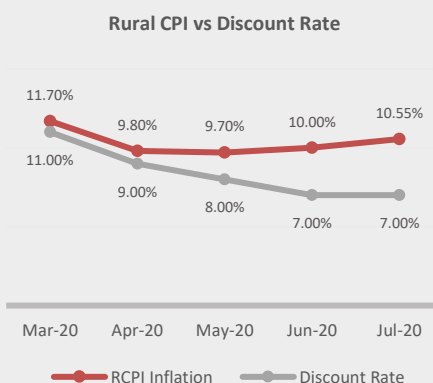
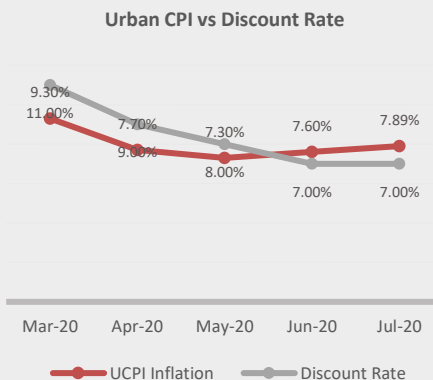
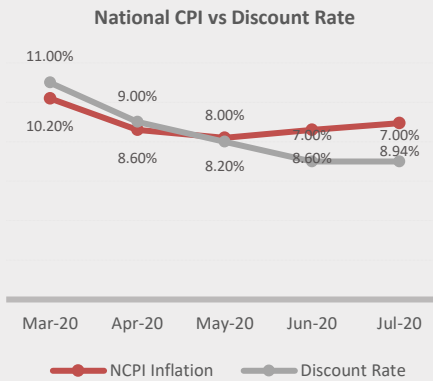
We expect the national CPI inflation (NCPI) for Jul-20 to stand at 8.9% YoY (2.2% MoM) as compared to 8.6% YoY (0.8% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 7.9% YoY (2.2% MoM) and 10.6% YoY (2.1 MoM) respectively as compared to 7.6% YoY (0.7% MoM) and 10% YoY (1% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 16.59% YoY during Jul-20. Particularly, increase in the prices of wheat flour (14.27% YoY), rice (7.92% YoY), meat (11.32% YoY), chicken (32.36% YoY), fresh milk (11.26% YoY), cooking oil (17.69% YoY), vegetable ghee (22.18% YoY), sugar (18.81% YoY) and condiments (62.62% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (3.89% YoY), cotton cloth (14.84% YoY), education (1.05% YoY) and readymade food (7.74% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of fish, fresh fruits, onions, fresh vegetables, electricity charges, liquified hydrocarbons and motor fuel decreased by 5.68% YoY, 1.1% YoY, 21.05% YoY, 7.82% YoY, 0.19% YoY, 4.83% YoY, and 7.7% YoY respectively.

After reducing the policy rate by 100 bps to 7% in its emergency MPC meeting, the SBP has cancelled the regular MPC meeting of July-20 in order to observe the impact of expansionary policy for further two months. Going forward, in our view, the monetary easing cycle has been completed for medium-term. However, the possibility of rate hike of around 50 bps couldn't be ruled out considering the rising trend in monthly inflation.

National	Weight	Jul-20	Urban	Weight	Jul-20	Rural	Weight	Jul-20
Food	35%	139	Food	30%	138	Food	41%	139
Utilities	24%	130	Utilities	27%	131	Utilities	18%	126
Clothing	9%	138	Clothing	8%	135	Clothing	9%	143
Restaurant	7%	133	Restaurant	7%	132	Restaurant	6%	135
Transport	6%	138	Transport	6%	139	Transport	6%	137
Misc.	5%	138	Education	5%	145	Misc.	5%	139
Furnishing	4%	129	Misc.	5%	138	Furnishing	4%	129
Education	4%	142	Furnishing	4%	129	Health	4%	141
Health	3%	141	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	140	Comm.	2%	105
Recreation	2%	120	Recreation	2%	118	Recreation	1%	123
Tobacco	1%	140	Tobacco	1%	147	Tobacco	1%	133
CPI		135	CPI		135	CPI		135

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
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