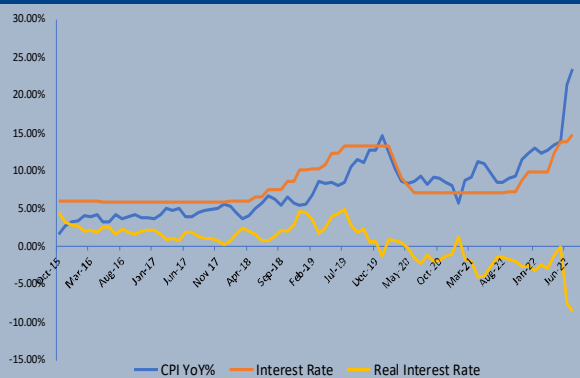


# Headline Inflation likely to clock in at 23.4% in Jul'22

July 28, 2022

## Consumer Price Index Trend



Source: PBS, SBP & WE Research

- **Headline inflation for Jul'22 is expected to clock in at 23.4% YoY versus 21.3% YoY in the preceding month and 8.4% YoY SPLY.**
- **July's CPI index mark the beginning of FY23 inflationary numbers against 12.10% in FY22.**
- **On a sequential basis, CPI is expected to accelerate by 3.06% MoM owing mainly to rise in food prices (+3.37%), Transport (+2.65%), Housing (+6.79%), Bev.& Tobacco (+5.41%) indices.**

### Food & Housing indices drive inflation at 23.4% YoY in Jul'22!

According to data published by PBS, consumer price index (CPI) for Jul'22 is expected to clock in at 23.4%YoY versus 21.3%YoY in Jun'22. On MoM basis, CPI is expected to surge 3.06% owing to surge in transport, food and housing indices.

A massive rise in housing index by 6.79% MoM to accelerate the pace of inflation owing to highest growth in energy, fertilizers, and cement prices by 27.89%, 10.57% & 6.07% respectively.

Similarly, food index would also register a growth of 3.37% MoM on the back of surge in potatoes (11.51%), eggs (+7.79%), onions (+12.84%), followed by vegetable ghee and cooking oil prices to record the growth of (+7.83%) & (+7.02%) respectively due to higher palm oil prices on the back of exports banned by Indonesia. Moreover, transport index to surge by 2.65% MoM due to monthly rise in HSD & petrol price by 5.06% YoY & 6.36% respectively.

## Key Economic Indicators

Forex Reserves (15-Jul-22)	\$15.24bn
FDI (Jul'21– Jun'22)	\$1.79 bn
Trade Balance (Jul'21-Jun'22)	\$(44.77)bn
Current A/C (Jul'21-Jun'22)	\$(17.4)bn
Remittances (Jul'21-Jun'22)	\$29.45bn

Source: SBP, WE Research

### Outlook

Going forward we believe in upcoming months CPI print to remain in double-digits on the back of higher food prices, hike in global commodity prices due to ongoing Russia-Ukraine conflict along with sharp PKR-USD depreciation of 13% during FY22TD.

## Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Jul'22	Jun'22	MoM	Jul'21	YoY
<b>General</b>	<b>100%</b>	<b>181.08</b>	<b>175.71</b>	<b>3.06%</b>	<b>146.76</b>	<b>23.39%</b>
Food	34.58%	193.99	187.67	3.37%	151.65	27.92%
Bev.& Tobacco	1.02%	179.49	170.27	5.41%	144.79	23.96%
Clothing & Footwear	8.60%	170.22	169.91	0.18%	149.6	13.78%
Housing	23.63%	169.80	159.01	6.79%	142.08	19.51%
F&H Equipment	4.10%	169.44	168.60	0.50%	143.21	18.32%
Health	2.79%	171.49	171.32	0.10%	154.33	11.12%
Transport	5.91%	238.27	232.12	2.65%	148.88	60.04%
Communication	2.21%	110.78	110.78	0.00%	109.94	0.76%
Recreation & Culture	1.59%	145.77	145.62	0.10%	128.17	13.73%
Education	3.79%	158.69	158.67	0.01%	145.30	9.21%
Restaurants & Hotels	6.92%	175.21	174.69	0.30%	143.85	21.80%
Miscellaneous	4.87%	178.38	177.79	0.33%	154.26	15.63%

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HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

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WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

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- Interest Rate Risk
- Exchange rate risk

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