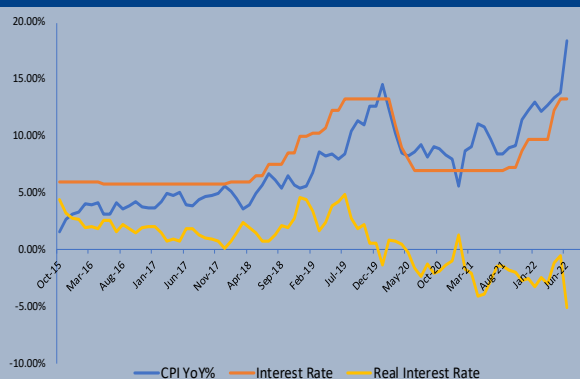


# Headline Inflation for Jun-22 to arrive 13 year high of 18.72%YoY,

Jun 24, 2022

## Consumer Price Index Trend



Source: PBS, SBP & WE Research

## Key Economic Indicators

Forex Reserves (17-Jun-22)	\$14.21bn
FDI (Jul'21– Apr'22)	\$1.46 bn
Trade Balance (Jul'21-Apr'22)	\$(32.95)bn
Current A/C (Jul'21-Apr'22)	\$(13.78)bn
Remittances (Jul'21-Apr'22)	\$26.08bn

Source: SBP, WE Research

- **Headline inflation for Jun'22 is expected to clock in at 18.72% YoY versus 13.8% YoY in the preceding month and 9.7% YoY same period last year.**
- **Average inflation for FY22 is expected to arrive at 11.89% YoY versus 8.90% YoY during FY21.**
- **On a sequential basis, CPI is expected to accelerate by 4.05% MoM owing mainly to rise in food prices (+2.45%), Transport (+32.05%), Housing (+3.03%), clothing & footwear (+2.73%)**

### Food & Energy prices drive inflation at 18.72% YoY in Jun'22!

According to data published by PBS, consumer price index (CPI) for Jun'22 is expected to clock in at 18.72%YoY versus 13.8%YoY in May'22, making the highest increase of 4.05% MoM; mainly due to surge in transport, food and housing indices.

A massive rise in transport index by 32.05% MoM to accelerate the pace of inflation owing to highest growth in petrol (+55.82%) and diesel (82.31%) prices. Similarly, food index would also register a growth of 2.45% MoM on the back of highest growth in potatoes (35.30%), eggs (+17.8%), tomatoes (+12%), followed by vegetable ghee and cooking oil prices to record the growth of (+14.86%) & (+7.15%) respectively due to seasonal impact of Eid-ul-Adha. Moreover, housing index to surge by 3.03% MoM due to monthly rise in cement & energy prices by 13.43% YoY & 6.63% YoY respectively.

### Outlook

Going forward we believe in upcoming month core Inflation to remain in double-digits on the back of further fuel price hikes, most likely to be announced by mid of July, that would further add 63bps to next month CPI. Moreover, we expect a possibility of 100bps surge in policy rate owing to sharp PKR depreciation, hike in global commodity prices due to ongoing Russia-Ukraine conflict.

## Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Jun'22	May'22	MoM	Jun'21	YoY
<b>General</b>	<b>100%</b>	<b>171.93</b>	<b>165.23</b>	<b>4.05%</b>	<b>144.82</b>	<b>18.72%</b>
Food	34.58%	182.26	177.90	2.45%	149.04	22.29%
Bev.& Tobacco	1.02%	159.13	159.13	0.00%	144.79	9.90%
Clothing & Footwear	8.60%	170.24	165.72	2.73%	149.14	14.15%
Housing	23.63%	152.11	147.64	3.03%	140.11	8.57%
F&H Equipment	4.10%	164.69	163.87	0.50%	141.97	16.00%
Health	2.79%	169.42	169.25	0.10%	153.93	10.06%
Transport	5.91%	246.42	186.61	32.05%	143.13	72.16%
Communication	2.21%	110.52	110.52	0.00%	108.65	1.72%
Recreation & Culture	1.59%	141.24	141.10	0.10%	127.35	10.91%
Education	3.79%	158.30	158.28	0.01%	144.95	9.21%
Restaurants & Hotels	6.92%	165.62	165.12	0.30%	143.36	15.52%
Miscellaneous	4.87%	172.65	172.08	0.33%	153.5	12.47%

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- 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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