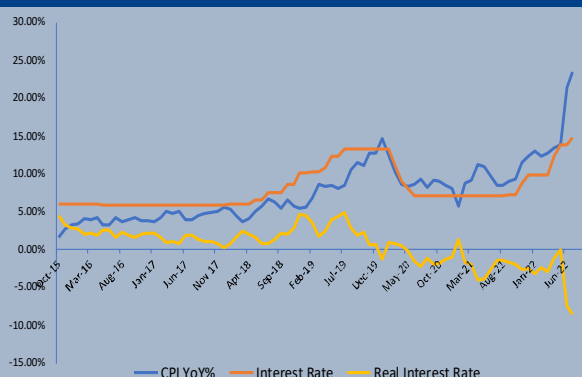


Headline Inflation likely to clock in at 26.8% in Sept'22

Sept 27, 2022

Consumer Price Index Trend



Source: PBS, SBP & WE Research

Key Economic Indicators

Forex Reserves (15-Sept-22)	\$14.07bn
FDI (2MFY23)	\$144 mn
Trade Balance (2MFY23)	\$(6.27)bn
Current A/C (2MFY23)	\$(1.92)bn
Remittances (2MFY23)	\$5.25bn

Source: SBP, WE Research

- **Headline inflation for Sept'22 is expected to clock in at 26.8%YoY (1.79% MoM) versus 27.3%YoY (2.4% MoM) in the preceding month and 9%YoY (2.1% MoM) SPLY.**
- **Average inflation for 1QFY23 is expected to arrive at 26.3% YoY versus 8.60% YoY during FY21.**
- **On a sequential basis, CPI is expected to accelerate by 1.79% MoM owing mainly to rise in food prices (+3.08%), Transport (+0.48%), Housing (+2.17%), Bev.& Tobacco (+4.02%) indices.**

Food, Bev, Tobacco & Housing indices drive inflation to 26.8% YoY in Sept'22!

According to data published by PBS, consumer price index (CPI) for Sept'22 is expected to clock in at 26.8%YoY versus 27.3%YoY SPLY. On MoM basis, CPI is expected to surge 1.79% owing to surge in transport, food and housing indices.

A massive rise in food index by 3.08% MoM (28.36% YoY) to accelerate the pace of inflation owing to highest rise in prices of wheat (18.51%), potatoes (14.50%), eggs (+14.49%), tomatoes (+34.27%), chicken (8.54%), pulses (6.42%). While some respite to food index on the back of subdued vegetable ghee, cooking oil & tea prices by 2.66%, 0.72% & 24.4% respectively.

Similarly, housing index would also register a growth of 2.17% MoM on the back rise in energy and wage rates by 5.52% and 1.42% respectively. Moreover, transport index to surge by 0.48% MoM due to monthly rise in HSD & petrol price by 0.88% YoY & 1.19% respectively.

Outlook

The SBP in its latest monetary policy (MPC) maintained the policy rate of 15% in order to restrain demand side pressure and to anchor inflation. Going forward we see inflation to remain elevated owing to massive PKR depreciation against USD and rising food inflation amid flood in the country. Hence, we believe in FY23 core Inflation to remain around 25%. Moreover, we expect a possibility of 50-100ps surge in policy rate in upcoming MPC meeting to be held on Oct 10.

Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Sept'22	Aug'22	MoM	Sept'21	YoY
General	100%	191.20	187.84	1.79%	150.74	26.84%
Food	34.58%	203.90	197.81	3.08%	158.85	28.36%
Bev.& Tobacco	1.02%	189.30	181.99	4.02%	145.23	30.35%
Clothing & Footwear	8.60%	176.65	176.21	0.25%	150.16	17.64%
Housing	23.63%	186.42	182.46	2.17%	145.23	28.36%
F&H Equipment	4.10%	176.26	175.38	0.50%	145.02	21.54%
Health	2.79%	173.81	173.64	0.10%	155.97	11.44%
Transport	5.91%	245.72	244.55	0.48%	151.96	61.70%
Communication	2.21%	111.32	111.32	0.00%	109.97	1.23%
Recreation & Culture	1.59%	157.45	157.29	0.10%	130.73	20.44%
Education	3.79%	161.33	161.31	0.01%	146.68	9.99%
Restaurants & Hotels	6.92%	184.45	183.90	0.30%	145.96	26.37%
Miscellaneous	4.87%	186.28	185.67	0.33%	156.86	18.76%

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Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

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)

Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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