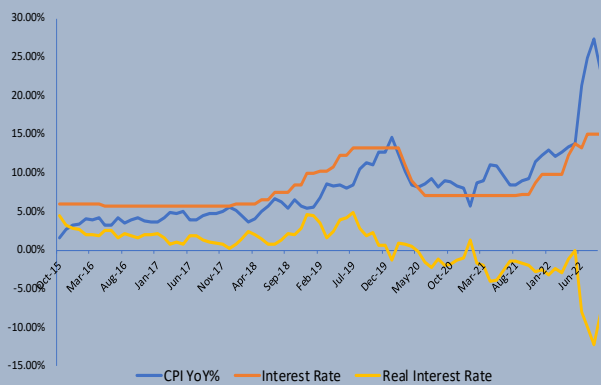


# Headline Inflation for Oct-22 clocked-in at 26.6% YoY

Nov 01, 2022

## Consumer Price Index Trend



Source: PBS, SBP & WE Research

- Oct'22 NCPI clocked in at 26.6%YoY/4.7%MoM as compared to 23.2%YoY/-1.2%MoM last month and 9.2%YoY/1.9% MoM SPLY, higher than our and market consensus of 21%YoY.
- The rise in monthly inflation is primarily attributed to higher housing index (+10.86%), food prices (+5.64%), Health (+2.87%), Beverages & Tobacco index (+1.84%) and restaurants and hotels index (+1.84%).

### Food & Housing Indices drive inflation to 26.6% YoY in Oct'22!

According to data published by PBS, consumer price index (CPI) for Oct'22 clocked in at 26.6%YoY versus 23.2%YoY in Sept'22, making the highest increase of 15%MoM mainly due to surge in food and housing indices.

The major food commodities that witnessed growth in index by 5.64% during the month include wheat bag (+11.81%), onions (+24.51%), tomatoes (+28.28%), eggs (+1.14%), rice (+4.72%), Bread (+6.85%), bananas (+1.15%) and milk fresh (+2.77%). While on the other side, pulses (-2.7%), cooking oil (-2.09%) and potatoes (-1.91%) witnessed decline in their respective prices. Similarly, housing index has surged by 10.86% MoM due to monthly rise in construction input items by 24.43% while energy prices down by 33.98%.

Among other heads, transportation index provides some respite to the monthly CPI print declined by 1.81% MoM on the back of subdued fuel and diesel prices by 4.95% & 4.87% 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 round 23-25% in FY23 owing to PKR depreciation against USD and rising food inflation amid flood in the country. However, decline in international commodity prices providing control over transport indices in near term.

## Key Economic Indicators

Forex Reserves (21-Oct-22)	\$13.16 bn
FDI-(1QFY23)	\$223 mn
Trade Balance-(1QFY23)	\$(9.22)bn
Current A/C-(1QFY23)	\$(2.03)bn
Remittances-(1QFY23)	\$7.69bn

Source: SBP, WE Research

## Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Oct'22	Sept'22	MoM	Oct'21	YoY
<b>General</b>	<b>100%</b>	<b>194.42</b>	<b>185.68</b>	<b>4.71%</b>	<b>153.6</b>	<b>26.58%</b>
Food	34.58%	221.00	209.21	5.64%	162.19	36.26%
Bev.& Tobacco	1.02%	196.21	192.67	1.84%	145.74	34.63%
Clothing & Footwear	8.60%	178.48	176.73	0.99%	150.89	18.28%
Housing	23.63%	166.56	150.24	10.86%	148.81	11.93%
F&H Equipment	4.10%	186.56	181.36	2.87%	146.20	27.61%
Health	2.79%	182.47	177.45	2.83%	156.99	16.23%
Transport	5.91%	245.44	249.96	-1.81%	159.97	53.43%
Communication	2.21%	111.84	111.39	0.40%	110.10	1.58%
Recreation & Culture	1.59%	163.30	160.49	1.75%	132.31	23.42%
Education	3.79%	162.87	161.32	0.96%	146.89	10.88%
Restaurants & Hotels	6.92%	192.77	188.01	2.53%	147.86	30.37%
Miscellaneous	4.87%	194.49	192.73	0.91%	158.96	22.35%

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

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- Interest Rate Risk
- Exchange rate risk

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