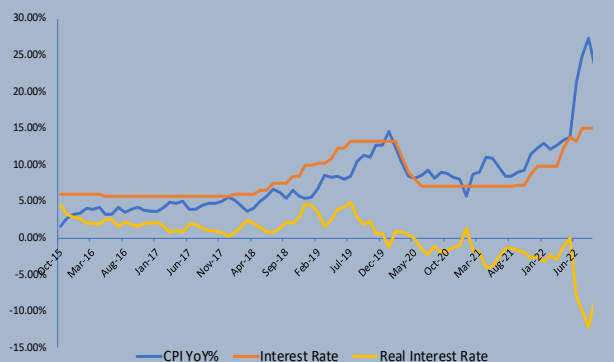


Oct 28, 2022

Consumer Price Index Trend



Source: PBS, SBP & WE Research

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

- Headline inflation for Oct'22 is expected to clock in at 21.4%YoY (0.42% MoM) as compared to 23.2%YoY (-1.2% MoM) in the preceding month and 9.2%YoY (1.9% MoM) SPLY.
- Average inflation for 4MFY23 is expected to arrive at 24.2% YoY versus 8.75% YoY SPLY.
- On a sequential basis, CPI is expected to accelerate by 0.42% MoM owing mainly to rise in food prices (+0.47%), Housing (+1.39%), Clothing & Footwear (+1.05%) & Restaurants & Hotels (+0.30%) indices.

Food & Housing indices drive inflation to 21.4% YoY in Oct'22!

According to data published by PBS, consumer price index (CPI) for Oct'22 is expected to clock in at 21.4%YoY versus 23.2%YoY SPLY. On MoM basis, CPI is expected to surge 0.42% owing to surge in food, clothing and housing indices.

A rise in food index by 0.47% MoM (29.60% YoY) to accelerate the pace of inflation owing to highest rise in prices of perishable items, such as onions (+60.42) & tomatoes (47.34). While some respite to food index is due to subdued pulses, vegetable ghee, cooking oil, potatoes & garlic prices by 5.45%, 1.03%, 2.31%, 5.11 & 2.25% respectively.

Similarly, housing index would also register a growth of 1.39% MoM on the back rise in wage rates & fertilizers price by 0.22% and 0.87% respectively. However, transport index to decline by 2.36% MoM due to monthly fall in HSD & petrol prices by 4.87% YoY & 5.29% 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 20-22% 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 and housing indices in near term.

Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Oct'22	Sept'22	MoM	Oct'21	YoY
General	100%	186.46	185.68	0.42%	153.6	21.39%
Food	34.58%	210.20	209.21	0.47%	162.19	29.60%
Bev. & Tobacco	1.02%	192.67	192.67	0.00%	145.74	32.20%
Clothing & Footwear	8.60%	178.59	176.73	1.05%	150.89	18.36%
Housing	23.63%	152.33	150.24	1.39%	148.81	2.37%
F&H Equipment	4.10%	182.27	181.36	0.50%	146.20	24.67%
Health	2.79%	177.63	177.45	0.10%	156.99	13.15%
Transport	5.91%	244.07	249.96	-2.36%	159.97	52.57%
Communication	2.21%	111.39	111.39	0.00%	110.10	1.17%
Recreation & Culture	1.59%	160.65	160.49	0.10%	132.31	21.42%
Education	3.79%	161.34	161.32	0.01%	146.89	9.83%
Restaurants & Hotels	6.92%	188.57	188.01	0.30%	147.86	27.54%
Miscellaneous	4.87%	193.37	192.73	0.33%	158.96	21.64%

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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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