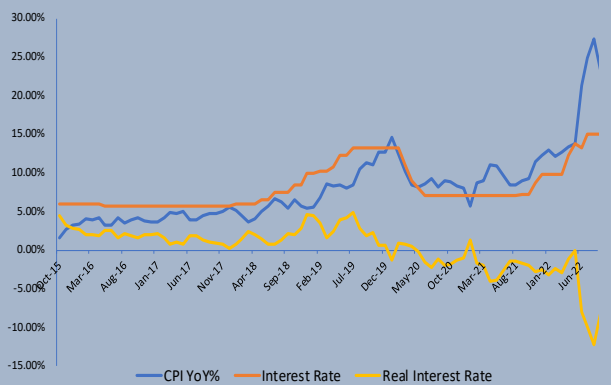


Headline Inflation for Nov-22 clocked-in at 23.8% YoY

Dec 01, 2022

Consumer Price Index Trend



Source: PBS, SBP & WE Research

Key Economic Indicators

Forex Reserves (21-Nov-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

- Nov'22 NCPI clocked in at 23.8%YoY/0.8%MoM as compared to 26.6% YoY/4.7%MoM last month and 11.5%YoY/3.0%MoM SPLY.
- The ease in monthly CPI is primarily attributed to higher base effect and dampening food inflation from 5.6% MoM to 0.07% MoM.
- However, clothing and footwear contributed major growth impact of 2.15% MoM on the back of rise in garments and household Textiles.
- Average inflation for 5MFY23 arrived at 25.16% YoY versus 9.30% YoY during.

Food & Housing Indices ease inflation to 23.8% YoY in Nov'22!

According to data published by PBS, consumer price index (CPI) for Nov'22 clocked in at 23.8%YoY versus 26.6%YoY in Oct'22 mainly due to smoothing in food (+0.07%), housing (+0.55%) and transport (-0.07%) indices.

The major food commodities that witnessed meagre growth in index by 0.07% during the month include Rice (+1.5%), onions (+31.27%), potatoes (+7.41%), eggs (+5.34%), powdered milk (+3.52%), Bread (+1.98%) and bananas (+10.50%). While on the other side, pulses (-4.35%), cooking oil (-1.27%) and Gur (-1.62%) witnessed decline in their respective prices. Similarly, housing index has surged by 0.55% MoM due to monthly rise in construction input items by 4.26% while energy prices remained flat.

Among other heads, transportation index provides some respite to the monthly CPI print declined by 0.07% MoM on the back of subdued LPG prices by 3.57%.

Outlook

Going forward, we believe in upcoming months inflation to decline owing to decline in international commodity and oil prices. However, rising energy and food inflation amid flood we see inflation to remain round 20-23% in FY23.

Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Nov'22	Oct'22	MoM	Nov'21	YoY
General	100%	195.89	194.42	0.76%	158.18	23.84%
Food	34.58%	221.14	220.99	0.07%	168.61	31.15%
Bev.& Tobacco	1.02%	198.46	196.21	1.15%	146.04	35.89%
Clothing & Footwear	8.60%	182.32	178.48	2.15%	153.75	18.58%
Housing	23.63%	167.48	166.56	0.55%	152.4	9.90%
F&H Equipment	4.10%	191.84	186.56	2.83%	148.59	29.11%
Health	2.79%	186.02	182.47	1.95%	158.85	17.10%
Transport	5.91%	245.27	245.44	-0.07%	170.07	44.22%
Communication	2.21%	111.89	111.84	0.04%	110.10	1.63%
Recreation & Culture	1.59%	166.80	163.30	2.14%	132.85	25.56%
Education	3.79%	163.45	162.87	0.36%	147.16	11.07%
Restaurants & Hotels	6.92%	196.51	192.77	1.94%	153.08	28.37%
Miscellaneous	4.87%	199.01	194.49	2.32%	161.83	22.97%

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as June 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

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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