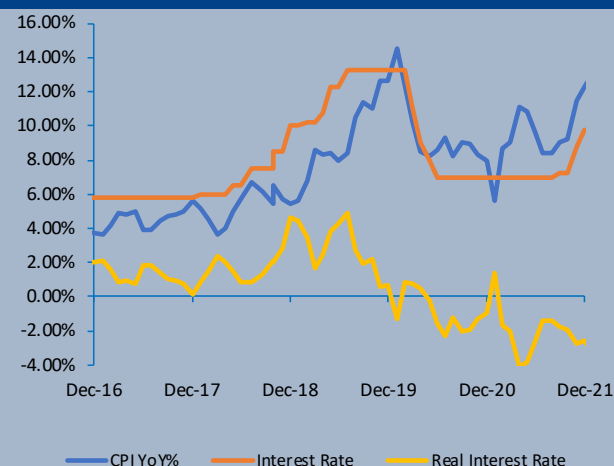


Mar 29, 2022

Consumer Price Index Trend



Source: PBS, SBP & WE Research

Key Economic Indicators

Forex Reserves (18-Mar-22)	\$21.44bn
FDI (Jul'21– Feb'22)	\$1.26 bn
Trade Balance (Jul'21-Feb'22)	\$(32.01)bn
Current A/C (Jul'21-Feb'22)	\$(12.10)bn
Remittances (Jul'21-Feb'22)	\$20.14bn

Source: SBP, WE Research

- Headline inflation for Mar'22 is expected to clock in at 12.7% YoY versus 12.2% YoY in the preceding month and 9.05% YoY same period last year.

- On a sequential basis, CPI is expected to surge 0.79% MoM as a result of 1.57% rise in food index.

Food Indices drive inflation at 12.72% YoY in Mar'22!

Headline inflation for Mar'22 is expected to clock in at 12.7% YoY versus 12.2% YoY in Feb'22. On MoM basis, CPI is expected to surge 0.79% due to surge in food index while some respite is expected in transportation group inflation (-2.94%).

The massive rise in food items prices to surge the pace of inflation on the back of highest growth in chicken prices by 26% MoM, followed by vegetable ghee and cooking oil prices to record growth of 9.44% and 6.68% respectively due to higher palm oil prices. Additionally, fresh fruits and onion to record growth of 18% & 9.73% MoM respectively due to pre-Ramadan effect. Similarly, Restaurants & Hotels would register a growth of 1.2% due to higher demand for readymade food.

On sequential basis, transportation index provides some respite to the monthly CPI print declined by 2.94% MoM on the back of subdued POL prices. Hence, HSD & petrol prices to decline 6.43% & 6.23% MoM respectively. Among other heads, the housing group is expected to surge 0.55% MoM due to cement prices rising 16.64% during the month under review.

Average inflation for 9MFY22 is expected to clock in at 10.75% YoY versus 8.35% YoY same period last year.

Outlook

We expect inflation to remain elevated due to i) higher food prices in Ramadan ii) USD-PKR devaluation iii) hike in global commodity prices due to ongoing Russia-Ukraine conflict.

Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Mar'22	Feb'22	MoM	Mar'21	YoY
General	100%	161.88	160.61	0.79%	143.61	12.72%
Food	34.58%	168.92	166.31	1.57%	147.49	14.53%
Bev. & Tobacco	1.02%	147.07	147.07	0.00%	144.48	1.79%
Clothing & Footwear	8.60%	161.20	159.56	1.03%	146.94	9.70%
Housing	23.63%	156.54	155.68	0.55%	140.48	11.43%
F&H Equipment	4.10%	158.97	156.31	1.70%	139.20	14.20%
Health	2.79%	167.22	166.06	0.70%	151.85	10.12%
Transport	5.91%	175.00	180.29	-2.94%	143.52	21.93%
Communication	2.21%	110.29	110.29	0.00%	107.57	2.53%
Recreation & Culture	1.59%	136.25	134.90	1.00%	125.06	8.95%
Education	3.79%	148.77	148.76	0.01%	143.83	3.44%
Restaurants & Hotels	6.92%	162.33	160.41	1.20%	141.25	14.93%
Miscellaneous	4.87%	166.62	166.07	0.33%	150.17	10.95%

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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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