

# CPI Review

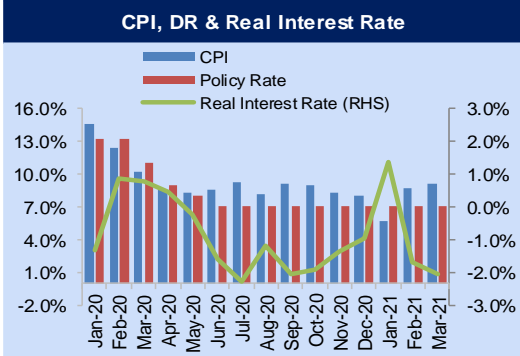
# Economy

## Headline inflation averages at 8.3% YoY during 9MFY21

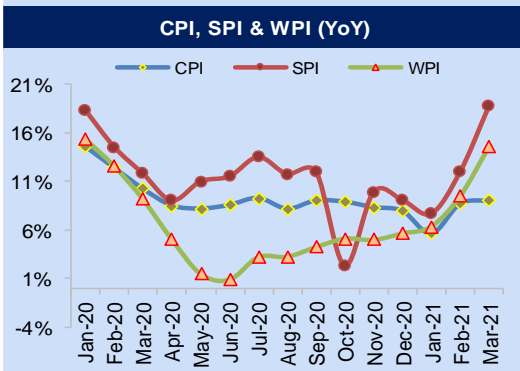
Inflation (YoY)			
Month	CPI	NFNE*	Food
Nov-19	12.7%	7.9%	17.7%
Dec-19	12.6%	7.7%	17.9%
Jan-20	14.6%	8.3%	21.2%
Feb-20	12.4%	8.6%	17.0%
Mar-20	10.2%	8.2%	14.0%
Apr-20	8.5%	7.2%	11.4%
May-20	8.2%	7.1%	11.8%
Jun-20	8.6%	7.4%	13.8%
Jul-20	9.3%	6.3%	16.2%
Aug-20	8.2%	6.4%	12.2%
Sep-20	9.0%	6.4%	14.7%
Oct-20	8.9%	6.4%	16.6%
Nov-20	8.4%	6.3%	15.1%
Dec-20	8.0%	6.4%	13.3%
Jan-21	5.7%	6.4%	6.7%
Feb-21	8.7%	6.9%	9.7%
Mar-21	9.1%	6.7%	11.6%

Source: PBS, AHL Research

\* non-food non-energy



Source: PBS, SBP, AHL Research



Source: PBS, AHL Research

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**CPI inflation recorded at 9.05% YoY in Mar'21**

For the month of Mar'21, headline inflation as measured by CPI clocked-in at 9.05% YoY, taking the 9MFY21 average inflation to 8.34% YoY compared to 11.55% in 9MFY20. On a yearly basis, the jump in index came mainly due to: i) 11.6% YoY increase in food prices - which has a ~35% weight in the CPI basket (in particular non-perishable food items – up by 17.03% YoY), ii) Housing index - up by 8.8% YoY, iii) Clothing index - up by 10.7% YoY, iv) Restaurants & Hotels index - up by 8.1% YoY, and v) Miscellaneous - up 10.6% YoY.

**Exhibit: Consumer Pricing Index Mar'21**

	Weight	Mar-21	Mar-20	YoY	Feb-21	MoM
<b>CPI</b>		<b>143.6</b>	<b>131.7</b>	<b>9.05%</b>	<b>143.1</b>	<b>0.36%</b>
Food	34.6%	147.5	132.2	11.6%	145.0	1.7%
Housing	23.6%	140.5	129.2	8.8%	142.9	-1.7%
Clothing & Footwear	8.6%	146.9	132.7	10.7%	145.5	1.0%
Restaurants & Hotels	6.9%	141.3	130.6	8.1%	140.2	0.7%
Transport	5.9%	143.3	139.2	2.9%	144.2	-0.7%
Miscellaneous	4.9%	150.2	135.8	10.6%	150.9	-0.5%
House Hold Equipment	4.1%	139.2	127.9	8.9%	137.8	1.0%
Education	3.8%	143.8	142.4	1.0%	143.8	0.0%
Health	2.8%	151.9	139.6	8.8%	150.8	0.7%
Communication	2.2%	107.6	107.0	0.6%	107.6	0.0%
Recreation & Culture	1.6%	125.1	119.5	4.6%	124.7	0.3%
Alcoholic Beverages, Tobacco	1.0%	144.5	136.4	5.9%	144.0	0.3%

Source: PBS, AHL Research

**On a MoM basis an increase of 0.36% unveiled**

Food inflation registered a 1.7% surge MoM in the month of Mar'21. Perishable food index recorded a 2.79% increase with items such as Fresh Fruits, Eggs, Chicken, Sugar and Potatoes contributing the most to the monthly food inflation increase. On the flip, the perishable items that were down during Mar'21 included: Fresh Vegetables, Onions, and Tomatoes. Moreover, the non- perishable food index posted a 1.57% MoM increase during the month. On the monthly basis, indices that receded were: i) Housing index- down by 1.81% MoM on the back of 8% MoM lower electricity charges, ii) Transport index- down by 0.7% MoM due to 3% MoM lower transport services charges and, iii) Miscellaneous- down by 0.5% MoM.

**Core inflation MoM: Urban +0.2% | Rural +0.3%, in Mar'21**

The trend in core inflation showed moderation on a YoY and MoM basis from the previous month. The urban core inflation measured by non-food, non-energy (NFNE), during Mar'21, increased by 6.3% YoY as compared to an increase of 6.4% in the previous month and 7.4% in Mar'20. Rural, on the other hand, increased by 7.3% YoY in March as compared to an increase of 7.7% in the previous month and 9.4% in Mar'20. On the monthly basis, Urban and Rural NFNE increased by 0.2% and 0.3%, respectively.

**CPI and Monetary Policy Outlook**

Headline inflation FYTD now averages at 8.3% YoY versus 11.6% YoY in the corresponding period last year. Going forward, we may witness a further rise in food prices due to the Ramadan factor (in April'21). In addition, any further electricity adjustment also is a key concern to our overall inflation expectation. For now, we expect FY21 inflation estimates to hover slightly above the upper limit of SBP's expected 7-9% range, around 9.3% YoY. Keeping in view, inflation projection and SBP's stance to support domestic demand, we expect policy rate to remain unchanged at 7% in May's MPS, hence closing this FY at the same rate.

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2021 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

\* Upside for Power Generation Companies (Ex. KEL) is upside plus dividend yield.

## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- **Discounted Cash Flow (DCF)**
- **Dividend Discount Model (DDM)**
- **Sum of the Parts (SoTP)**
- **Justified Price to Book (JPTB)**
- **Reserved Base Valuation (RBV)**

## Risks

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

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

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