

Inflation Preview

Mar-23 CPI estimated at 35.8%



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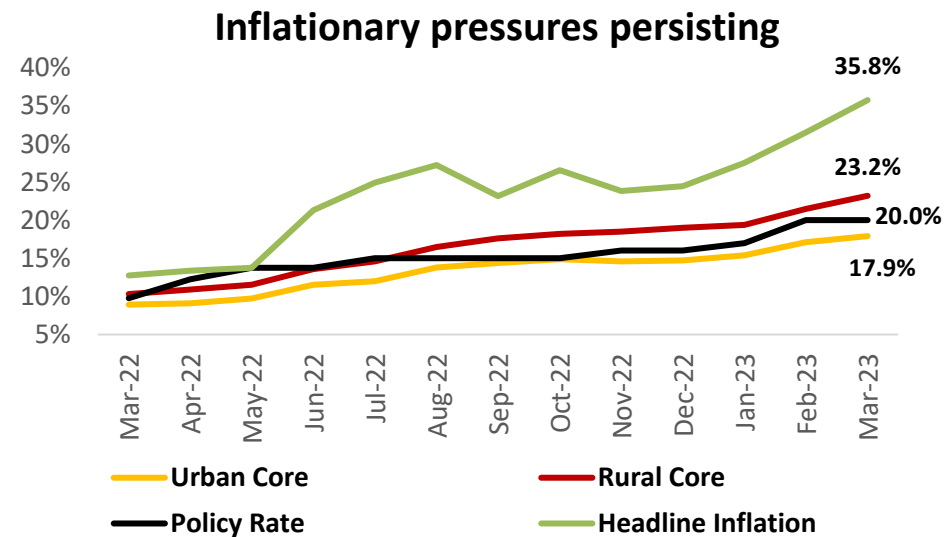
March 29, 2023

Inflation is projected to reach 35.8% YoY in Mar-23 vs 31.5% in Feb-23. On MoM basis, inflation is estimated at 4.0%, following a 4.3% increase in Feb-23. The surge on MoM basis is mainly due to higher food prices and impact of mini budget (mainly cigarette prices increase).

Core inflation is also expected to remain above 2% MoM, reflecting the impacts of PKR devaluation, import restrictions, and second round effects of increase in energy prices. We estimate Rural core at 23.2% vs 21.5% in Feb-23, and Urban at 17.9% vs 17.1% in Feb.

The inflationary pressures would persist in Apr-23 as most of the impact of Ramadan related food prices increase, and removal of wheat subsidy, is yet to reflect in the CPI data. We estimate Apr-23 inflation at 38.3%.

MPC is scheduled to meet on Apr 04, 2023, where we expect rates to increase by 200bps to a new high of 22%, considering the inflation trend and delay in IMF program.



National CPI	Weights	Mar-23	Feb-23	MoM	Contribution (MoM)	Mar-22	YoY
Consumer Price Index	100.0%	220	211	4.0%	4.0%	162	35.8%
Food & Non-alcoholic Bev.	34.6%	251	241	3.9%	1.3%	170	47.4%
Alcoholic Bev. & Tobacco	1.0%	375	219	71.0%	0.7%	147	155.0%
Clothing & Footwear	8.6%	190	187	1.5%	0.1%	161	17.6%
Housing, Water, Electricity, Gas & Fuels	23.6%	180	177	1.7%	0.4%	152	18.2%
Furnishing & Household Equipment	4.1%	218	210	4.0%	0.2%	158	37.5%
Health	2.8%	207	197	5.0%	0.1%	167	24.0%
Transport	5.9%	286	271	5.3%	0.3%	181	57.9%
Communication	2.2%	117	114	2.0%	0.0%	110	5.7%
Recreation and culture	1.6%	206	200	3.0%	0.0%	137	50.5%
Education	3.8%	167	165	1.0%	0.0%	156	6.9%
Resturant & Hotels	6.9%	224	216	4.0%	0.3%	162	38.7%
Miscellaneous	4.9%	230	221	4.0%	0.2%	169	36.4%

Source: PBS, IIS Research

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Total Return <-10%	SELL

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Relative Valuation (P/E, P/B, P/S etc.)

Equity & Asset return based methodologies (EVA, Residual Income etc.)

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