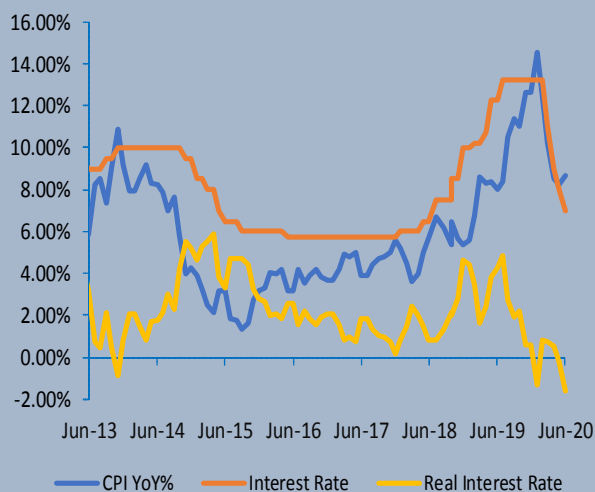


June 26, 2020

## Consumer Price Index Trend



Source: PBS, SBP &amp; WE Research

## Key Economic Indicators

Forex Reserves (12-Jun-20)	\$16.775bn
Exports (Jul'19-May'20)	\$19.80bn
Imports (Jul'19-May'20)	\$40.85bn
Trade Balance (Jul'19-May'20)	\$(21.06)bn
Current A/C (Jul'19-Apr'20)	\$(3.34)bn
Remittances (Jul'19-May'20)	\$20.65bn

Source: SBP

- The headline inflation for the month of June'20 is expected to clock in at 8.64%YoY as compared to 8.22%YoY last month and 7.92% same period last year, taking the FY20 average inflation to 10.76% as compared to 6.74% in FY19.
- On MoM basis the NCPI will likely witness a growth of 0.83% due to rising food index as well as clothing and footwear index 2.41% and 0.82%, respectively.
- Going forward the NCPI is expected to grow slightly before declining in the last quarter of CY20.

## June'20 Inflation to clock in at 8.64%YoY/+0.83%MoM

According to the data published by PBS for the month of June, the headline inflation is expected to arrive at 8.64% YoY versus 8.22%YoY in May'20 and 7.92% same period last year. On MoM basis the NCPI will likely witness a growth of 0.83%, mainly due to rise in food inflation (+2.41%) and clothing and footwear index (+0.82%), but it is also partially offset by transportation index declining (-1.96%).

Under food index the prices of tomatoes surged (+40.05%), eggs (+22.44%), 10kg wheat flour (+14.02%), and red chillies (+22%). Whereas the items that witnessed a decline in MoM prices were onions (-14.24%), chicken (-6.64%), gram pulse (-5.81%), pulse masoor (-3.70%), and pulse moong (-2.59%).

The clothing and footwear index surged 0.82% due to an increase in prices of long cloth and shirting (+2.45%) and (+1.14%), respectively.

On the other hand transportation index witnessed a decline of 1.96% in June'20 as a result of decline in oil prices. The petrol prices reduced 8.60% whereas diesel prices increased 0.15% during the period under review.

Going forward the headline inflation is expected to grow slightly in the upcoming months particularly due to food index i) rising food prices during Eid, ii) locust attacks threatening the agricultural sector. Moreover, the rise in international oil prices will cause the growth in inflation before inflation declines in the last quarter of CY20.

## Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Jun'20	May'20	MoM
<b>General</b>	<b>100%</b>	<b>132.10</b>	<b>131.01</b>	<b>0.83%</b>
Food	34.58%	135.31	132.13	2.41%
Bev.& Tobacco	1.02%	138.52	137.65	0.63%
Clothing & Footwear	8.60%	135.69	134.58	0.82%
Housing	23.63%	128.51	128.63	-0.09%
F&H Equipment	4.10%	129.15	128.74	0.32%
Health	2.79%	140.75	140.36	0.28%
Transport	5.91%	121.83	124.27	-1.96%
Communication	2.21%	106.96	106.96	0.00%
Recreation & Culture	1.59%	119.89	119.85	0.03%
Education	3.79%	142.41	142.40	0.01%
Restaurants & Hotels	6.92%	131.12	131.12	0.00%
Miscellaneous	4.87%	137.53	137.16	0.27%

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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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