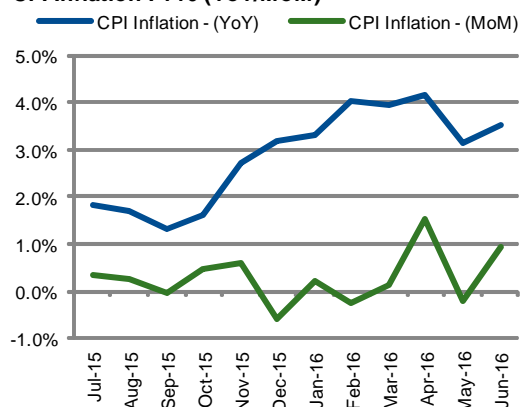


# Day Break

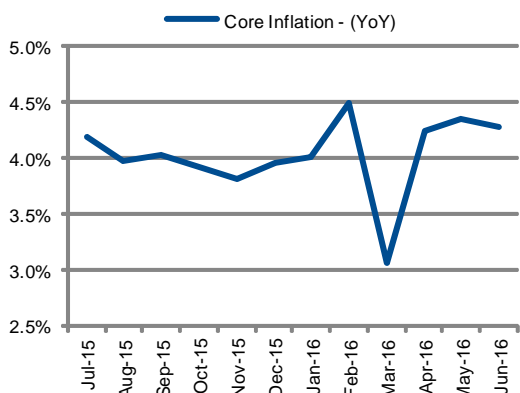
Thursday, 30 June 2016

## Economy

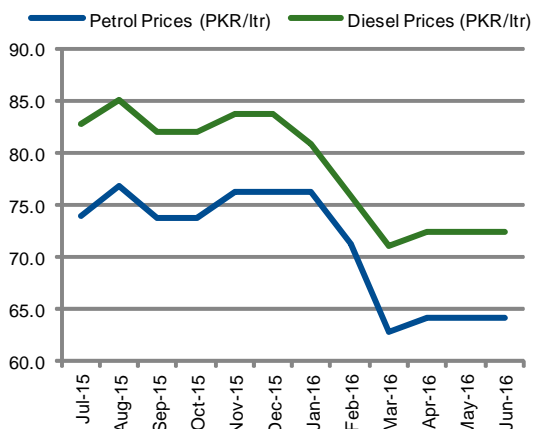
### CPI Inflation FY16 (YoY/MoM)



### Core Inflation FY16



### POL prices FY16



Source: Bloomberg, SBP, PBS & IGI Research

Analyst

Saad Khan

saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

## FY16 Average CPI Inflation to clock in at 2.87%YoY

- For the month of Jun-16, we estimate headline CPI inflation to print +3.46%YoY, up +0.9%MoM/3.51%YoY, as compared to -0.21%MoM/+3.16%YoY recorded in May-16.
- Ex-food and fuel, (NFNE) core inflation decelerated to a +4.29%YoY in Jun-16, from high of +4.5%YoY in Feb-16.
- We estimate CPI inflation to average 4.5%YoY in FY17, leading to a status quo monetary policy stance scheduled by mid Jul-16.

### Jun-16 Inflation to print 3.46%YoY to bring FY16 average under 3%YoY

For the month of Jun-16, we estimate headline CPI inflation to print +3.46%YoY, up +0.9%MoM/3.51%YoY, as compared to -0.21%MoM/+3.16%YoY recorded in May-16. This effectively brings FY16 average inflation to +2.87%YoY versus +4.56%YoY in FY15. Seasonal demand factor of Ramadan and effect of budget announcements, are also expected to weigh on prices for the month of Jun-16. In addition, unchanged POL prices despite higher international oil prices, will provide a breather.

### Core inflation to arrive at 4.29%YoY in Jun-16

Ex-food and fuel, (NFNE) core inflation decelerated to a +4.29%YoY in Jun-16, from high of +4.5%YoY in Feb-16. On a three-month trailing average basis, core inflation moderated to +4.49%YoY for the three months ending Jun-16 compared to +5.42%YoY ending Jun-15. The trend in core inflation has shown sustained moderation on a YoY basis from Jul-14 onwards. For the year FY16, core inflation is anticipated to clock in at 4.03%YoY as compared to 6.26%YoY in FY15.

### Outlook and policy implications

Domestic demand is likely to pick-up in coming months as reflected by growth in credit to private sector business which is up by +8%. Moreover, notable increase in oil prices, metal prices and building materials prices implies inflation is likely to build-up in coming months. We estimate CPI inflation to average 4.5%YoY in FY17, leading to a status quo monetary policy stance scheduled by mid Jul-16.

### Analyst Certification

The analyst<sup>^</sup> hereby certify that the views about the company/companies and the security/securities discussed in this report are accurately expressed and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

### Disclaimer

This document has been prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose.

### Rating system

IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If return on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If return on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If return on aforementioned security(ies) is more than -10%, from its last closing price(s)

## Contact Details

### Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Laiq-Ur-Rehman	Branch Manager (RY Khan)	Tel: (+92-68) 5871653-6	Laiq.queeshi@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780  
Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

#### Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

#### Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,  
Gulberg II, Lahore  
Tel: (+92-42) 35777863-70, 35876075-76  
Fax: (+92-42) 35763542

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaquat Road, Faisalabad  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area, Islamabad  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road, Rahim Yar Khan  
Tel: (+92-68) 5871653-6, 5871652  
Fax: (+92-68) 5871651