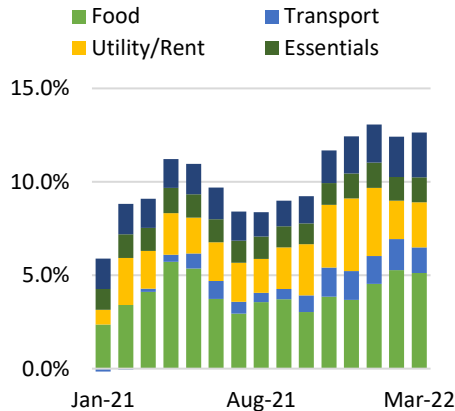
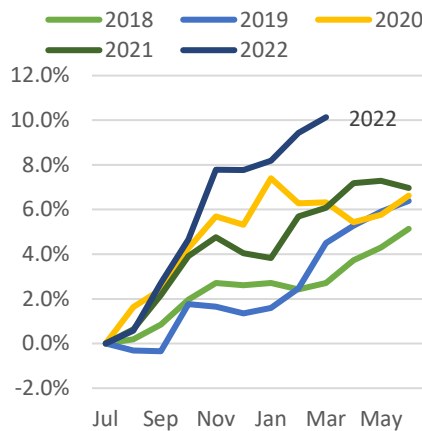


Economic Update

Monthly CPI y/y percentage point impact



Yearly Inflation trajectory (re-based)



Analyst

Abdullah Farhan

Abdullah.Farhan@igi.com.pk

Tel: +92 21 111 234 234 Ext: 912

Aariz Raza

Aariz.Raza@igi.com.pk

Tel: +92 21 111 234 234 Ext: 816

Inflation

Mar-22, CPI Likely To Moderate To 12.5%Y; PM Relief Package to Absorb Energy Prices

- For the month of Mar-22, we estimate headline inflation to print a +12.5%y growth compared to previous month, +12.2%y. This will take 9 months period average inflation to +10.7%y, compared to +8.4%y last year same period.
- We base our premise on a) rise in food price items that are dictated by leading SPI monthly growth, b) falling POL prices to drag down transport index, c) lower fuel price adjustments (FPA) for the month dragging down overall electricity charges, and d) a general increasing trend to continue in under discretionary and other essential non-food items.
- Monetary policy statement issued in Mar-22 highlighted “Improved Inflationary Outlook” following the cuts in fuel prices and electricity tariffs announced a week before MPC meeting as part of the government’s relief package; however, uncertainty still prevails on geo-political landscape, and a surge in exchange rate has opened the scope for further imported inflation.

Mar-22 inflation to print a +12.5%y growth

For the month of Mar-22, we estimate headline inflation to print a +12.5%y (+0.64%m) growth compared to previous month, +12.2%y (+1.15%m). This will take 9 months period average inflation to +10.7%y, compared to +8.4%y last year same period.

We base our premise on a) rise in food price items that are dictated by leading SPI monthly growth, b) drop in POL prices to bring down transport index, c) PM relief package to offset monthly fuel price adjustments (FPA) resulting in overall lower electricity charges, and d) a general increasing trend to continue in under discretionary and other essential non-food items.

Food prices growth continue unabated

Monthly, Sensitive Price Index (SPI) a proxy index for food prices suggests headline food prices are likely to surge by +1.3%m basis. During the month of Mar-22, key food items including chicken, fresh fruits, onion, and cooking oil have recorded a significant growth over previous month.

Reduction in POL prices to bring down overall transport index...

For the month of Mar-22, domestic motor gasoline (MOGAS) prices have been revised down by ~6.3%, to adjust for fiscal relief package to curb the

effects of rise in global oil prices. As a result this will bring down transport index.

...Similarly PM relief Package to absorb FPA impact

Fuel Price adjustment (FPA) for the month of Mar-22 came at PKR 5.94/kwh. However PM relief package announced during Feb-22 allowed for reduced electricity charges, which entail overall FPA will be reduced down to PKR 0.94/Kwh lower than FPA charge of PKR 3.1/kwh last month. As a result, adjusted tariff's impact for this month on NCPI will be -0.6%.

Outlook: CPI coming down to SBP targeted range?

Monetary policy statement issued in Mar-22 highlighted "Improved Inflationary Outlook" following the cuts in fuel prices and electricity tariffs announced a week before MPC meeting as part of the government's relief package; however, uncertainty still prevails on geo-political landscape, and a surge in exchange rate has opened the scope for further imported inflation. The MPC continues to expect inflation to moderate between 9-11 percent this fiscal year before inclining toward the medium-term target range of 5-7 percent in FY23 as global commodity prices normalize. Despite monetary policy stance, treasury yields have been on rising trajectory.

Going forward, the relief package will come at a cost of higher fiscal deficit, ultimately leading to higher taxation and withdrawal of fiscal accommodative measures. Month of Ramadan will likely put further pressure on food prices. Despite moderating domestic demand, unstable geopolitical landscape will likely keep pressure on domestic currency.

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views 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(s) 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: The information and opinions contained herein are 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. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

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 target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

Basic Definitions and Terminologies used: Target Price: A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, Last Closing: Latest closing price, Market Cap.: Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. EPS: Earnings per Share. DPS: Dividend per Share. ROE: Return on equity is the amount of net income returned as a percentage of shareholders' equity. P/E: Price earnings ratio of a company's share price to its per-share earnings. P/B: Price to Book ratio used to compare a stock's market value to its book value. DY: The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited
Research Analyst(s)
Research Identity Number: BRP009
© Copyright 2022 IGI Finex Securities Limited

Contact Details

Wednesday, March 30, 2022

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) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

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

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office

Shop # G-009, Ground Floor,
 Packages Mall
 Tel: (+92-42) 38303560-69
 Fax: (+92-42) 38303559

Faisalabad Office

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

Multan Office

Mezzanine Floor, Abdali Tower,
 Abdali Road
 Tel: (92-61) 4512003, 4571183

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area
 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
 Tel: (+92-68) 5871652-3
 Fax: (+92-68) 5871651

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2022 IGI Finex Securities Limited