

# Pakistan Economy

## Jun'23 CPI likely to clock in at 29.7%

After exceeding 30% for four consecutive months, headline inflation is estimated to fall below 30% in Jun'23, We expect CPI to clock in at ~29.7% in Jun'23, as compared to 37.9% in preceding month and 21.3% in SPLY. The decline is primarily attributable to high base effect and slight moderation in food prices. This will take FY23 inflation reading to 29.1% vs. 12.1% in FY22. The YoY increase in June CPI is primarily driven by food group (↑40.1% YoY) and housing index (↑11.9% YoY). On MoM basis, inflation is expected to remain flat, thanks to 3.9% & 0.5% decline in transport & food index, respectively. The decline is primarily attributable to reduction in fuel & wheat prices. To highlight, petrol & diesel prices have witnessed a sharp reduction ~PKR20/ltr & ~PKR40/ltr in last few revisions.

Within the SPI basket, items that recorded significant increase in prices during the period under review are as follows, Tomatoes (27.6↑%), Onions (17.2↑%), Household equipment (↑9.9%), Potatoes (↑5.5%) and Sugar (↑4.45%). On the flip side, prices of following items eased off during the month, Fresh fruits (↓17.5%), Eggs (↓13.8%), LPG (↓11.9%), Motor fuel (↓8.2%) and Wheat (↓7.5%).

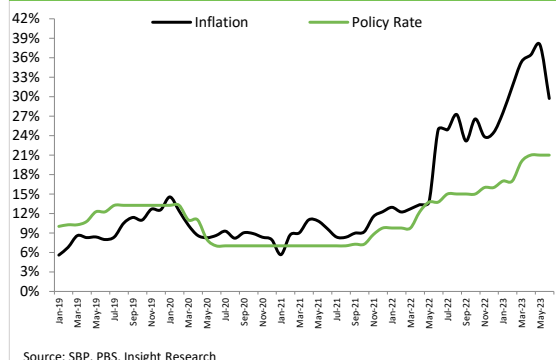
Core inflation is expected to clock in at 18.8% & 25.4% in urban & rural baskets, as compared to 20.0% & 26.9% in May'23, respectively. With inflation falling below 30% in June'23, real rate is expected to fall by ~50% to -8.7% vs. -16.9% in preceding month. We expect inflation to continue moderating in coming months and will fall below 20% in Feb'24. However, currency devaluation and increase in commodity prices, poses significant upside risk to inflation estimate.

### Inflation Jun'23

Item and Specification	Weight	Jun-23	Jun-22	YoY Δ	May-23	MoM Δ
<b>General</b>	<b>100.0%</b>	<b>227.96</b>	<b>175.73</b>	<b>29.7%</b>	<b>227.98</b>	<b>0.0%</b>
Food	34.6%	263.0	187.7	40.2%	264.5	-0.5%
Alcoholic Beverages	1.0%	355.3	170.3	108.7%	356.4	-0.3%
Clothing and footwear	8.6%	204.5	169.6	20.5%	203.0	0.7%
Housing and other	23.6%	177.9	159.0	11.9%	177.9	0.0%
Furnishing and household	4.1%	243.1	168.6	44.2%	235.1	3.4%
Health	2.8%	203.0	171.3	18.5%	201.9	0.5%
Transport	5.9%	274.3	232.1	18.2%	285.4	-3.9%
Communication	2.2%	118.3	110.8	6.8%	118.3	0.0%
Recreation and culture	1.6%	245.3	145.6	68.4%	242.9	1.0%
Education	3.8%	171.8	158.7	8.3%	171.6	0.1%
Restaurants and hotels	6.9%	241.5	174.6	38.3%	235.1	2.7%
Misc. goods and services	4.9%	249.9	177.8	40.6%	246.6	1.3%

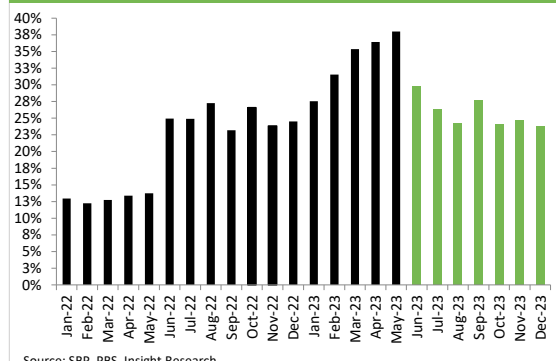
Source : PBS, Insight Research

Economy: Policy rate vs. Inflation



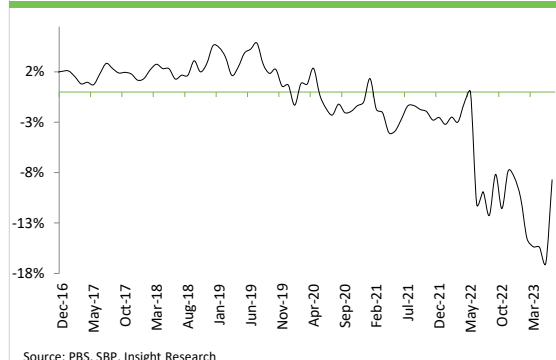
Source: SBP, PBS, Insight Research

Economy: Inflation Expectation (YoY)



Source: SBP, PBS, Insight Research

Economy: Real Interest rate (%)



Source: PBS, SBP, Insight Research

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<b>TP</b>	Target Price	<b>DCF</b>	Discounted Cash Flows	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DDM</b>	Dividend Discount Model
<b>SOTP</b>	Sum of the Parts	<b>P/E</b>	Price to Earnings ratio	<b>P/Bv</b>	Price to Book ratio
<b>P/S</b>	Price to Sales	<b>EVA</b>	Economic Valued Added	<b>BVPS</b>	Book Value per Share
<b>EPS</b>	Earnings per Share	<b>DPS</b>	Dividend per Share	<b>DY</b>	Dividend Yield
<b>ROE</b>	Return on Equity	<b>ROA</b>	Return on Assets	<b>CAGR</b>	Compounded Annual Growth Rate

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