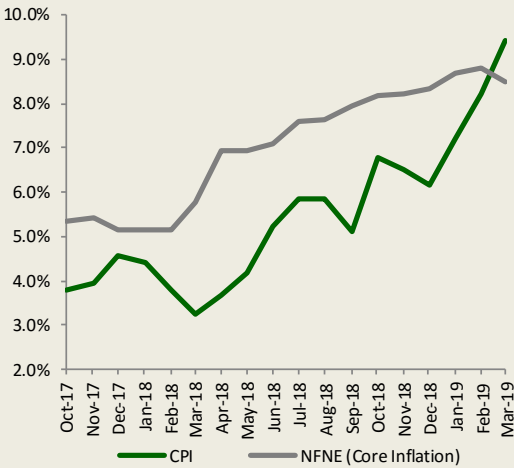
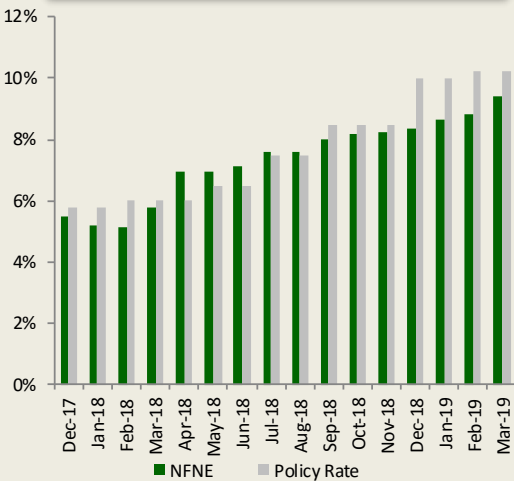


CPI vs NFNE



Source: PBS, Darson Research

Policy Rate vs NFNE



Source: PBS, SBP, Darson Research

CPI Inflation expected to arrive at 8.52% in Apr'19

- We expect Apr'19 inflation to arrive at 8.52% YoY as compared to 9.42% YoY in Mar'19. Slow down in inflation on yearly basis is due to higher base affect.
- On MoM basis we expect inflation of 0.98% as compared to 1.42% in Mar'19.
- Core inflation as measured by non food and non energy (NFNE), is likely to arrive at 7.1% YoY in Apr'19 as compared to 8.5% YoY in Mar'19.

Apr'19 Inflation likely to be around 8.52% YoY

We estimate CPI inflation for the month of Apr'19 to arrive at 8.52% YoY as compared to 9.42% in Mar'19. Slowdown in inflation as compared to Mar'19 is due to higher base affect however quarterly revision in housing index and increase in food prices is expected to take the inflation at 8.52%. Food index is likely to go up by 7.36% YoY in Apr'19. According to SPI data released by PBS major price uptick was witnessed in tomatoes, onion, sugar and pulses which accreted by 134%, 87%, 22% and 28% respectively. Quarterly revision of housing index, hike in prices of petroleum products, electricity and gas tariff are likely the major contributors in Apr'19 inflation.

On MoM basis we expect inflation of 0.98% in Apr'19 as compared to 1.42% in Mar'19 mainly due to housing, food and clothing indexes which is expected to go 1.18%, 0.73% and 2.92% respectively.

Core inflation (NFNE) expected to arrive at 7.1% YoY in Apr'19

Core inflation, as measured by non food and non energy (NFNE), is likely to arrive at 7.1% YoY in Apr'19 as compared to 8.5% YoY in Mar'19.

FY19 inflation expected to be around 7.3%

In coming months we expect food inflation to pick up due to Ramadan and Eid season. Furthermore, hike in energy prices is expected to keep the inflation on higher side. We expect FY19 inflation to come around 7.3%.

Groups	Index Weight	Apr'18	Apr'19E	YoY
		Index	Index	
General	100%	224.25	243.34	8.52%
Food	34.83%	231.90	248.98	7.4%
Beverages and Tobacco	1.41%	317.70	355.50	11.9%
Clothing & Footwear	7.57%	252.06	271.24	7.6%
Housing	29.41%	207.35	228.79	10.3%
Household Equipment	4.21%	239.29	256.78	7.3%
Health	2.19%	223.08	239.12	7.2%
Transport	7.20%	187.48	216.46	15.5%
Communication	3.22%	133.67	143.65	7.5%
Recreation and culture	2.02%	207.96	219.77	5.7%
Education	3.94%	281.57	292.02	3.7%
Restaurants and hotels	1.23%	291.05	306.48	5.3%
Misc. goods and services	2.76%	263.59	282.45	7.2%

Source: PBS, Darson Research

Research Analyst – Yousuf Saeed
yousuf.saeed@darsononline.com
 +92-21-32467224 Ext: 125



Notified Research Entity

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Rating System:

- If;
- **Expected return >15%** - Buy Call
 - **Expected Return is in between 0% to 15%** - Neutral/Hold Call
 - **Expected Return <0%** - Sell Call

Valuation Methodology

To arrive at our period end target prices, DSL uses different valuation methodologies including:

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Darson Research

research@darsononline.com
+92-21-32467224

Karachi Office:

Room # 808, Business & Finance Centre,
I.I. Chundrigar Road, Karachi
UAN: 92-21 111 900 400
Fax: 92-21 32471088

Lahore Office:

102, 1st Floor, Lahore Stock Exchange,
Aiwan-e-Iqbal Road, Lahore
Tel: 92-42 36366655, 36317111
Fax: 92-42 36314293

Email: info@darsononline.com

Website: www.darsononline.com