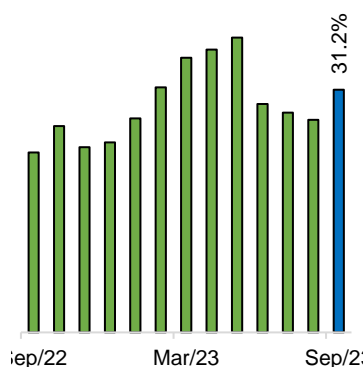


Day Break

Tuesday, September 26, 2023



Exhibit: Headline inflation during the month of Sep-23 to tick up to 31.2%/y



Source: PBS, IGI Research

Inflation

Sep-23: Low Base and Higher Energy Cost to Push CPI to 31.2%/y

- For Aug-23, we estimate national CPI to clock in at +31.2%/y growth compared to the previous month's +27.4%/y. On a monthly scale, Sep-23 is estimated to show a +1.8%/m growth compared to +1.7%/m in Aug-23.
- This month's inflation is mainly driven by Food and Transport Indices. Furthermore, low base effect from Sep-22 owing to FPA adjustment is also likely to push CPI up on yearly basis.
- Going forward, we expect headline inflation to gradually come down from Oct-23, post low base effect in Sep-23. Moreover, CPI is likely to drop further from Feb-24 onwards due to high base effect. We expect inflationary pressure to persist from food and energy side, however, recent PKR appreciation is likely to offset rise in international oil price and offer some respite in the near term.

We preview Sep-23 National CPI estimates.

Monthly Inflation to Clock in at +31.2%/y

For Aug-23, we estimate national CPI to clock in at +31.2%/y growth compared to the previous month's +27.4%/y. On a monthly scale, Sep-23 is estimated to show a +1.8%/m growth compared to +1.7%/m in Aug-23. This month's inflation is mainly driven by Food and Transport Indices. Furthermore, low base effect from Sep-22 owing to FPA adjustment is also likely to push CPI up on yearly basis.

Exhibit: Monthly National Consumer Price Index (CPI) growth estimates

Estimated For the month of: September, 2023

	Wt.	y/y	m/m	3MFY23	3MFY22	3MFY21
National	100.0%	31.2%	1.9%	29.0%	25.1%	8.58%
Food	35%	33.3%	1.8%	37.0%	30.0%	9.5%
Transport	6%	31.1%	9.0%	22.6%	64.1%	9.2%
Utility/Rent	24%	29.2%	0.1%	14.6%	17.5%	9.0%
Essentials	17%	17.0%	1.0%	16.7%	12.9%	6.9%
Disc.	18%	41.1%	1.6%	42.5%	23.5%	7.7%

Source: PBS, IGI Research

Analyst

Abdullah Farhan
Abdullah.farhan@igi.com.pk

Aariz Raza Khan
Aariz.raza@igi.com.pk

Food prices continue to rise

Monthly Sensitive Price Index (SPI), which is a proxy index for volatile food prices, suggests prices are likely to rise overwhelmingly by +1.8%/m basis. During the month of Sep-23, key food items including onion, sugar, pulses, garlic, rice etc. have increased sharply over the previous month.

Substantial hike in fuel prices to lift transport index

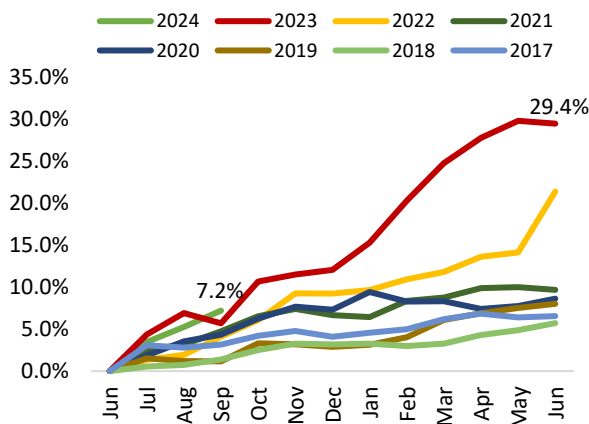
For the month of Sep-23, the transport index is likely to increase by +9%/m as fuel prices escalated on average up by +13%/m owing to PKR depreciating effects commingled with a slight increase in international crude prices, while PDL remains unchanged. However, we do not observe any significant change in the prices of transport vehicles.

Outlook

Going forward, we expect headline inflation to gradually come down from Oct-23, post low base effect in Sep-23. Moreover, CPI is likely to drop further from Feb-24 onwards due to high base effect. We expect inflationary pressure to persist from food and energy side, however, recent PKR appreciation is likely to offset rise in international oil price and offer some respite in the near term.

Exhibit: Rebased CPI trend

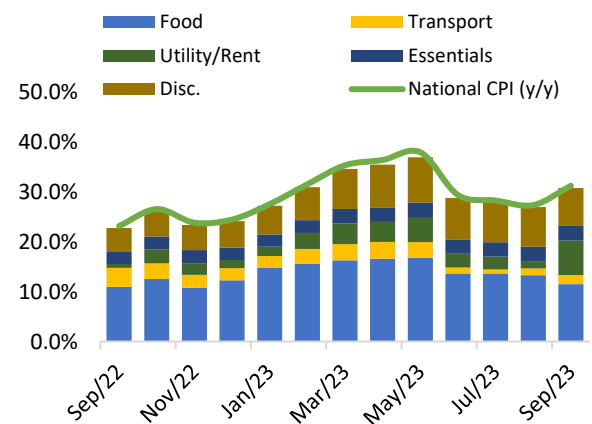
Headline inflation rebased to July-23, is estimated to surge by +7.2% during the month of Sep-23 compared to +5.7% recorded last year same month.



Source: PBS, S&P Global, IGI Research

Exhibit: Percentage point impact of each group on the headline figure

Food and transport indexes to drive this month's CPI amid low base effects



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 to 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 2023 IGI Finex Securities Limited

Contact Details

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
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

Abdullah Farhan	Deputy Head of Research	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

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

Office No. 2, 5 & 8, Ground Floor, The
 Regency International 949, The Mall
 Faisalabad
 Tel: (+92-41) 2540843-45

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 2023 IGI Finex Securities Limited