

- **We expect Oct'18 inflation to arrive at 5.7% YoY which is higher than Sep'18 Inflation of 5.1% YoY.**
- On MoM basis we expect CPI inflation of 1.33% mainly due to increase in food and housing indexes
- We expect inflation to pick up in coming months due to lag impact of PKR devaluation and increase in energy prices. We expect FY19 inflation to be around 6.5%-7%.

October Inflation Likely to clock in at 5.7% YoY

- We estimate CPI inflation for the month of Oct'18 expected to arrive at 5.7% YoY. The higher inflation of Oct'18 is expected due to increase in gas prices, quarterly revision of housing index and increase in food prices
- According to WPI weekly data released by PBS we have witnessed a decline in prices of onion, tomatoes and potatoes by 58%, 36% and 22% respectively. On the other hand chicken and meat prices up by 25% and 12% respectively

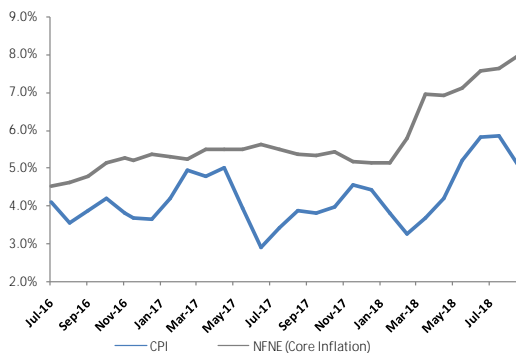
MoM inflation is expected to be around 1.33%

- On monthly basis we expect CPI to be around 1.33% mainly due to increase in food and housing indexes.
- According to weekly data of WPI major food prices increase witness in chicken (up by 32.5%) and egg (up by 20.5%). Furthermore quarterly revision of housing index also expected to contribute in higher monthly inflation
- Core inflation (NFNE) is expected to move to 8% YoY in Oct'18 as compared to 5.3% YoY in Oct'17

Groups	Index Weight	Oct'17 Index	Oct'18E Index	YoY
General	100%	219.61	232.18	5.7%
Food	34.83%	235.69	239.48	1.6%
Beverages and Tobacco	1.41%	305.32	354.24	16.0%
Clothing & Footwear	7.57%	239.94	255.67	6.6%
Housing	29.41%	200.90	215.95	7.5%
Household Equipment	4.21%	229.47	243.37	6.1%
Health	2.19%	214.27	226.78	5.8%
Transport	7.20%	177.05	205.20	15.9%
Communication	3.22%	133.10	133.78	0.5%
Recreation and culture	2.02%	196.83	210.12	6.8%
Education	3.94%	258.75	287.41	11.1%
Restaurants and hotels	1.23%	283.85	295.86	4.2%
Misc. goods and services	2.76%	249.67	267.30	7.1%

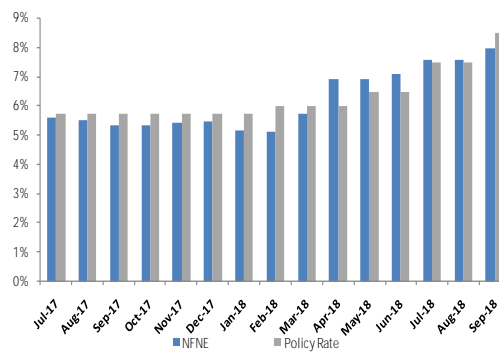
Source: PBS, ASL Research

Fig.1 CPI vs NFNE



Source: PBS, ASL Research

Fig.2 NFNE vs Policy Rate



Source: PBS, SBP

FY19 expected inflation to be around 6.5%-7%

- We expect further uptick in inflation in coming months due to lag impact of PKR devaluation and increase in gas and electricity prices.
- The announcement of financial package from Saudia Arabia and precautionary measures taken by SBP by rising interest rate, we expect these measures help to control inflation in the range of around 6.5% to 7% in FY19

Research Department  
021-111-555-275  
research@abbasisecurities.com

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#### Valuation Methodology

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method ( P/E, P/B etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

#### Rating

BUY	Total return more than 20% from last closing of market price
HOLD	Total return is in between 10% and 20% from last closing of market price
REDUCE	Total return is less than 10% from last closing market price



Contact us:  
Email: [research@abbasisecurities.com](mailto:research@abbasisecurities.com)  
Website: [www.abbasisecurities.com](http://www.abbasisecurities.com)  
Telephone: 111-555-275

