

INFLATION PREVIEW (Mar-24)



NCPI inflation to clock in at 20.9% YoY as compared to 35.4% YoY in the last month

Tuesday, 19 March, 2024

National		Urban		Rural	
YoY	▲ 20.9%	YoY	▲ 22.8%	YoY	▲ 18.2%
MoM	▲ 1.9%	MoM	▲ 2.2%	MoM	▲ 1.5%

We expect the national CPI inflation (NCPI) for Mar-24 to clock around 20.9% YoY (1.9% MoM) as compared to 23.1% YoY (0.0% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 22.8% YoY (2.2% MoM) and 18.2% YoY (1.5% MoM) respectively as compared to 24.9% YoY (0.2% MoM) and 20.5% YoY (-0.3% MoM) respectively in the last month.

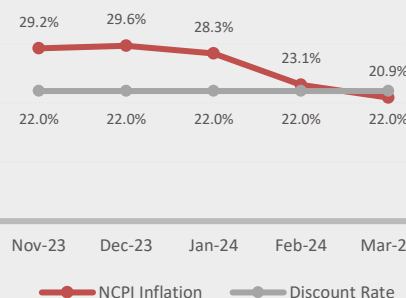
We expect the national CPI inflation (NCPI) for Oct-00 to clock around 1.9% YoY (0.0% MoM) as compared to 0.0% YoY (0.0% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 2.2% YoY (0.0% MoM) and 1.5% YoY (0.0% MoM) respectively as compared to 0.2% YoY (0.0% MoM) and -0.3% YoY (0.0% MoM) respectively in the last month.

Going forward, inflation is expected to continue its downward trajectory due to the high base effect. However, there are concerns regarding potential hikes in electricity and gas tariffs, along with an increase in the petroleum levy, as directed by the IMF, which could alter the inflation outlook. These concerns were a factor in the recent MPC decision to keep the interest rate unchanged. Despite this, the positive real interest rate suggests a potential rate cut later in the year. It's important to consider the international scenario, where US inflation has slightly exceeded expectations and the likelihood of a rate cut by the Fed in June has diminished. Therefore, we anticipate the SBP to cut the rate by around 100 basis points later this year, aligning with the US's monetary easing. The upcoming MPC meetings are scheduled for 29th April 2024 and 10th June 2024, during which we do not expect any rate cuts.

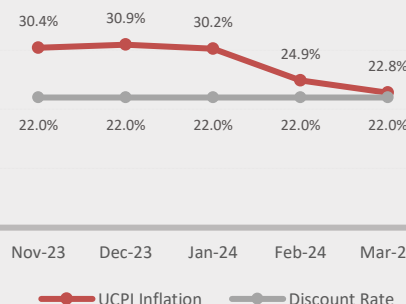
National	Weight	Mar-24	Urban	Weight	Mar-24	Rural	Weight	Mar-24
Food	35%	294	Food	30%	289	Food	41%	300
Utilities	24%	246	Utilities	27%	255	Utilities	18%	228
Clothing	9%	226	Clothing	8%	216	Clothing	9%	239
Restaurant	7%	265	Restaurant	7%	264	Restaurant	6%	266
Transport	6%	315	Transport	6%	310	Transport	6%	324
Misc.	5%	275	Education	5%	187	Misc.	5%	281
Furnishing	4%	263	Misc.	5%	270	Furnishing	4%	276
Education	4%	186	Furnishing	4%	255	Health	4%	236
Health	3%	235	Comm.	2%	139	Education	2%	182
Comm.	2%	135	Health	2%	235	Comm.	2%	128
Recreation	2%	256	Recreation	2%	246	Recreation	1%	276
Tobacco	1%	366	Tobacco	1%	386	Tobacco	1%	345
CPI		265	CPI		261	CPI		270

Key Statistics

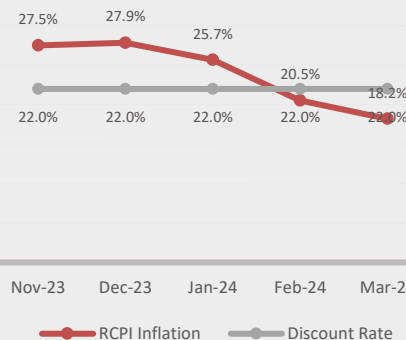
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

Haroon Abdul Razzaq
 Phone: (+92) 42 38302028; Ext: 116
 Email: haroon@abbasiandcompany.com

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com