

# INFLATION PREVIEW (Feb-25)



NCPI inflation to clock in at 2.2% YoY in Jan-25 as compared to 2.4% YoY in the last month

Friday, 28 February, 2025

National		Urban		Rural	
YoY	▲ 2.2%	YoY	▲ 2.5%	YoY	▲ 1.6%
MoM	▼ -0.2%	MoM	▲ 0.0%	MoM	▼ -0.6%

We expect the national CPI inflation (NCPI) for Feb-25 to clock around 2.2% YoY (-0.2% MoM) as compared to 2.4% YoY (0.2% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 2.5% YoY (0.0% MoM) and 1.6% YoY (-0.6% MoM) respectively as compared to 2.7% YoY (0.2% MoM) and 1.9% YoY (0.2% MoM) respectively in the last month.

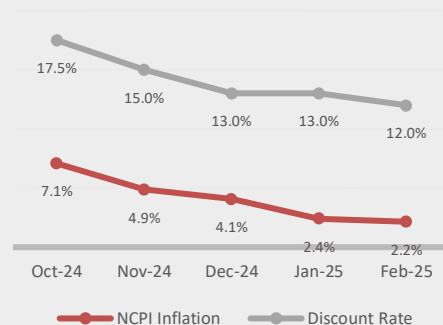
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around during Feb-25. Particularly, increase in the prices of chicken (0.32% YoY), meat (18.74% YoY), fresh milk (11.21% YoY), cooking oil (8.97% YoY), and fresh fruit (27.29% YoY) and vegetable ghee (16.34% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (13.80% YoY), house rent (4.94% YoY), readymade food (6.15% YoY), also pushed the NCPI inflation towards the north.

Looking ahead, we anticipate a cautious approach by the SBP, considering that inflation has already bottomed out. Moreover, the high base effect, which has kept inflation low, is likely to fade in the coming months. Meanwhile, the cumulative 900 bps policy rate cut since June 2024 is gradually unfolding and will continue to impact in the coming quarters. In light of these factors, we expect the SBP to reduce the policy rate by 50bps in the upcoming MPC that is scheduled on 10th of Mar 2025. However the possibility of keeping the policy rate uncanaged cannot be ruled out.

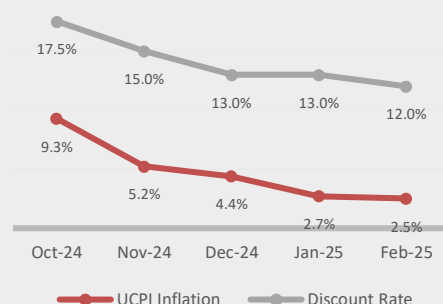
National	Weight	Feb-25	Urban	Weight	Feb-25	Rural	Weight	Feb-25
Food	35%	279	Food	30%	279	Food	41%	280
Utilities	24%	239	Utilities	27%	245	Utilities	18%	225
Clothing	9%	255	Clothing	8%	246	Clothing	9%	266
Restaurant	7%	283	Restaurant	7%	279	Restaurant	6%	291
Transport	6%	311	Transport	6%	306	Transport	6%	319
Misc.	5%	305	Education	5%	200	Misc.	5%	319
Furnishing	4%	275	Misc.	5%	295	Furnishing	4%	291
Education	4%	186	Furnishing	4%	265	Health	4%	265
Health	3%	268	Comm.	2%	138	Education	2%	224
Comm.	2%	135	Health	2%	271	Comm.	2%	129
Recreation	2%	277	Recreation	2%	261	Recreation	1%	309
Tobacco	1%	387	Tobacco	1%	407	Tobacco	1%	366
CPI		266	CPI		262	CPI		271

## Key Statistics

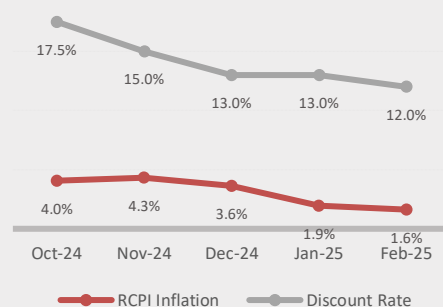
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs Discount Rate



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

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

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Market Weight	Neutral
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