

INFLATION PREVIEW (Dec-24)



NCPI inflation to clock in at 4.7% YoY in Dec-24 as compared to 4.9% YoY in the last month

Friday, 27 December, 2024

National		Urban		Rural	
YoY	▲ 4.7%	YoY	▲ 5.2%	YoY	▲ 4.0%
MoM	▲ 0.7%	MoM	▲ 0.7%	MoM	▲ 0.7%

We expect the national CPI inflation (NCPI) for Dec-24 to clock around 4.7% YoY (0.7% MoM) as compared to 4.9% YoY (0.5% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 5.2% YoY (0.7% MoM) and 4.0% YoY (0.7% MoM) respectively as compared to 5.2% YoY (0.5% MoM) and 4.3% YoY (0.5% 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 3.32% YoY during Dec-24. Particularly, increase in the prices of chicken (0.93% YoY), meat (21.13% YoY), fresh milk (10.24% YoY), cooking oil (0.72% YoY), and fresh fruit (5.56% YoY) and vegetable ghee (12.02% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (14.30% YoY), house rent (4.88% YoY), readymade food (6.49% YoY), also pushed the NCPI inflation towards the north.

Looking ahead, we anticipate a favorable inflation outlook, supported by declining international commodity prices, which account for a significant portion of our import bill and are expected to ease inflationary pressures, fostering economic stability. However, core inflation remains stubbornly high at 9.7%, and inflation expectations among consumers and businesses remain volatile. Meanwhile, the cumulative 900 bps policy rate cut since June 2024 is gradually unfolding and will continue to have an impact in the coming quarters. In light of these factors, we expect the SBP to maintain the policy rate at 13% in its upcoming meeting.

National	Weight	Dec-24	Urban	Weight	Dec-24	Rural	Weight	Dec-24
Food	35%	286	Food	30%	284	Food	41%	288
Utilities	24%	241	Utilities	27%	247	Utilities	18%	228
Clothing	9%	255	Clothing	8%	248	Clothing	9%	265
Restaurant	7%	281	Restaurant	7%	277	Restaurant	6%	287
Transport	6%	303	Transport	6%	298	Transport	6%	311
Misc.	5%	301	Education	5%	200	Misc.	5%	314
Furnishing	4%	275	Misc.	5%	292	Furnishing	4%	289
Education	4%	186	Furnishing	4%	266	Health	4%	258
Health	3%	263	Comm.	2%	138	Education	2%	224
Comm.	2%	135	Health	2%	267	Comm.	2%	129
Recreation	2%	276	Recreation	2%	260	Recreation	1%	306
Tobacco	1%	384	Tobacco	1%	404	Tobacco	1%	363
CPI		267	CPI		264	CPI		273

Key Statistics

National CPI vs Discount Rate

Month	NCPI Inflation	Discount Rate
Aug-24	9.6%	19.5%
Sep-24	6.9%	17.5%
Oct-24	7.1%	17.5%
Nov-24	4.9%	15.0%
Dec-24	4.7%	13.0%

Urban CPI vs Discount Rate

Month	UCPI Inflation	Discount Rate
Aug-24	11.7%	19.5%
Sep-24	9.3%	17.5%
Oct-24	9.3%	17.5%
Nov-24	5.2%	15.0%
Dec-24	5.2%	13.0%

Rural CPI vs Discount Rate

Month	RCPI Inflation	Discount Rate
Aug-24	6.7%	19.5%
Sep-24	3.6%	17.5%
Oct-24	4.0%	17.5%
Nov-24	4.3%	15.0%
Dec-24	4.0%	13.0%

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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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