

INFLATION PREVIEW (Dec-20)

NCPI inflation to clock in at 8.1% YoY as compared to 8.3% YoY in last month

Wednesday, 30 December, 2020

National		Urban		Rural	
YoY	▲ 8.1%	YoY	▲ 7.1%	YoY	▲ 9.6%
MoM	▼ -0.6%	MoM	▼ -0.3%	MoM	▼ -1.0%

We expect the national CPI inflation (NCPI) for Dec-20 to stand at 8.1% YoY (-0.6% MoM) as compared to 8.3% YoY (0.8% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 7.1% YoY (-0.3% MoM) and 9.6% YoY (-1.0% MoM) respectively as compared to 7.0% YoY (0.6% MoM) and 10.5% YoY (1.1% MoM) respectively in last month.

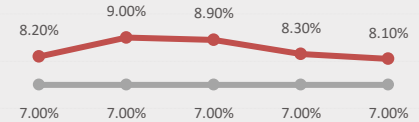
The surge in NCPI is caused mainly due to the increase in food index which inflated by around 14.12% YoY during Dec-20. Particularly, increase in the prices of wheat flour (3.94% YoY), rice (6.67% YoY), meat (10.36% YoY), chicken (72.92% YoY), fresh milk (11.28% YoY), cooking oil (9.75% YoY), vegetable ghee (16.06% YoY), fresh vegetables (19.45% YoY), sugar (16.29% YoY) and condiments (37.95% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (4.67% YoY), cotton cloth (12.44% YoY), education (1.03% YoY), and readymade food (10.85% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of electricity and motor fuel decreased by 7.36% YoY and 8.39% YoY respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7% in order to provide stimulus to the reviving economy despite higher inflation outlook for FY21. Going forward, we expect the resumption of IMF program would compel the SBP to raise the interest rate by around 100-150 bps in May-21 or Jul-21 as the inflation is expected to surge amid IMF's condition to raise the electricity and gas tariffs in order to curtail the circular debt.

National	Weight	Dec-20	Urban	Weight	Dec-20	Rural	Weight	Dec-20
Food	35%	149	Food	30%	147	Food	41%	151
Utilities	24%	134	Utilities	27%	135	Utilities	18%	132
Clothing	9%	140	Clothing	8%	137	Clothing	9%	145
Restaurant	7%	139	Restaurant	7%	138	Restaurant	6%	141
Transport	6%	137	Transport	6%	138	Transport	6%	137
Misc.	5%	147	Education	5%	146	Misc.	5%	149
Furnishing	4%	136	Misc.	5%	146	Furnishing	4%	137
Education	4%	144	Furnishing	4%	135	Health	4%	147
Health	3%	146	Comm.	2%	109	Education	2%	135
Comm.	2%	107	Health	2%	146	Comm.	2%	105
Recreation	2%	124	Recreation	2%	121	Recreation	1%	129
Tobacco	1%	143	Tobacco	1%	152	Tobacco	1%	135
CPI		141	CPI		140	CPI		143

Key Statistics

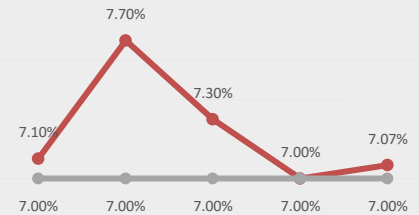
National CPI vs Discount Rate



Aug-20 Sep-20 Oct-20 Nov-20 Dec-20

NCPI Inflation Discount Rate

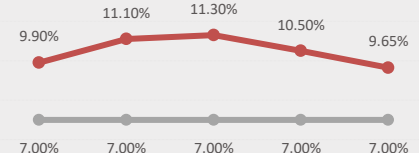
Urban CPI vs Discount Rate



Aug-20 Sep-20 Oct-20 Nov-20 Dec-20

UCPI Inflation Discount Rate

Rural CPI vs Discount Rate



Aug-20 Sep-20 Oct-20 Nov-20 Dec-20

RCPI Inflation Discount Rate

Sources: ACPL Research, PBS

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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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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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SELL	Less than and equal to -5%

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Market Weight	Neutral
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