

INFLATION PREVIEW (Nov-20)

NCPI inflation to clock in at 8.4% YoY as compared to 8.9% YoY in last month

Friday, 27 November, 2020

National

YoY ▲ 8.4%
MoM ▲ 0.9%

Urban

YoY ▲ 7.2%
MoM ▲ 0.9%

Rural

YoY ▲ 10.3%
MoM ▲ 0.9%

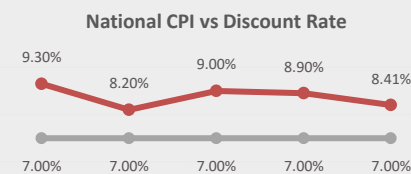
We expect the national CPI inflation (NCPI) for Nov-20 to stand at 8.4% YoY (0.9% MoM) as compared to 8.9% YoY (1.7% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 7.2% YoY (0.9% MoM) and 10.3% YoY (0.9% MoM) respectively as compared to 7.3% YoY (1.3% MoM) and 11.3% YoY (2.3% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 14.72% YoY during Nov-20. Particularly, increase in the prices of wheat flour (12.9% YoY), rice (7.03% YoY), meat (10.14% YoY), chicken (54.2% YoY), fresh milk (11.0% YoY), cooking oil (10.0% YoY), vegetable ghee (14.7% YoY), fresh vegetables (5.4% YoY), sugar (34.2% YoY) and condiments (34.11% 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 (8.42% YoY), education (1.06% YoY), and readymade food (11.06% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of electricity and motor fuel decreased by 10.2% YoY and 3.5% 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 Mar-21 or May-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.

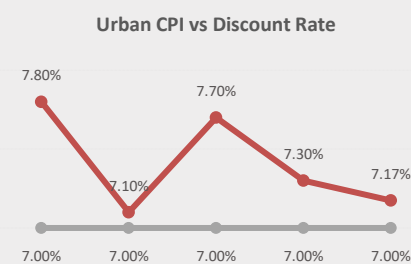
National	Weight	Nov-20	Urban	Weight	Nov-20	Rural	Weight	Nov-20
Food	35%	153	Food	30%	151	Food	41%	155
Utilities	24%	133	Utilities	27%	134	Utilities	18%	130
Clothing	9%	139	Clothing	8%	135	Clothing	9%	144
Restaurant	7%	139	Restaurant	7%	137	Restaurant	6%	141
Transport	6%	138	Transport	6%	139	Transport	6%	137
Misc.	5%	146	Education	5%	146	Misc.	5%	149
Furnishing	4%	135	Misc.	5%	144	Furnishing	4%	137
Education	4%	144	Furnishing	4%	134	Health	4%	145
Health	3%	145	Comm.	2%	108	Education	2%	135
Comm.	2%	107	Health	2%	146	Comm.	2%	105
Recreation	2%	123	Recreation	2%	120	Recreation	1%	128
Tobacco	1%	143	Tobacco	1%	151	Tobacco	1%	135
CPI		142	CPI		140	CPI		144

Key Statistics



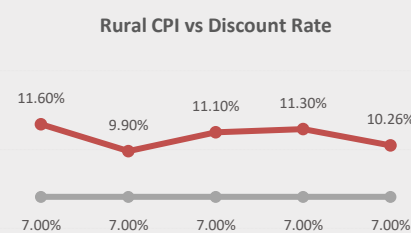
Jul-20 Aug-20 Sep-20 Oct-20 Nov-20

● NCPI Inflation ● Discount Rate



Jul-20 Aug-20 Sep-20 Oct-20 Nov-20

● UCPI Inflation ● Discount Rate



Jul-20 Aug-20 Sep-20 Oct-20 Nov-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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