

INFLATION PREVIEW (Jul-24)



NCPI inflation to clock in at 10.9% YoY as compared to 12.6% YoY in the last month

Wednesday, 24 July, 2024

National		Urban		Rural	
YoY	▲ 10.9%	YoY	▲ 13.2%	YoY	▲ 7.8%
MoM	▲ 2.0%	MoM	▲ 2.0%	MoM	▲ 1.9%

We expect the national CPI inflation (NCPI) for Jul-24 to clock around 10.9% YoY (2.0% MoM) as compared to 12.6% 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 13.2% YoY (2.0% MoM) and 7.8% YoY (1.9% MoM) respectively as compared to 14.9% YoY (0.6% MoM) and 9.3% YoY (0.3% MoM) respectively in the last month.

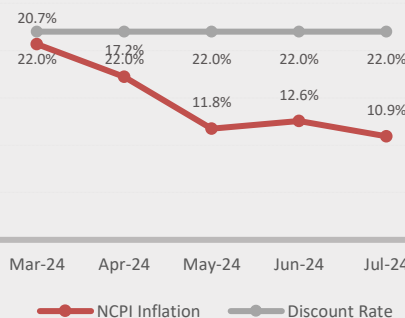
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 1.67% YoY during Jul-24. Particularly, increase in the prices of meat (19.73% YoY), fresh milk (7.15% YoY), and fresh fruit (3.22% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (7.78% YoY), cotton cloth (26.46% YoY), transport (11.55% YoY), house rent (5.85% YoY), readymade food (6.23% YoY), also pushed the NCPI inflation towards the north.

The MPC is scheduled to meet on July 29, 2024, with a 100-150 basis point rate cut expected due to a considerable decline in inflation. The previous MPC statement emphasized that the impact of budgetary measures on inflation would be crucial for future rate adjustments. FY25 budget measures have already raised the food and housing index. Core segments may also see an uptick from budgetary changes, such as removing exemptions and imposing higher rates, contributing to a MoM rise in the NCPI. Additionally, the IMF's recent SLA on a new bailout package is expected to enforce loan covenants, potentially causing further inflationary pressures.

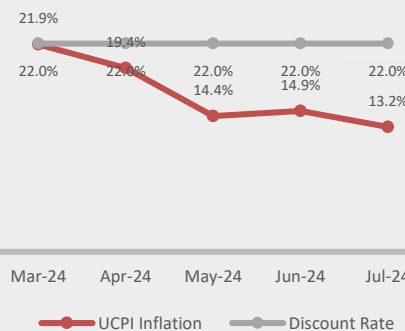
National	Weight	Jul-24	Urban	Weight	Jul-24	Rural	Weight	Jul-24
Food	35%	274	Food	30%	273	Food	41%	274
Utilities	24%	244	Utilities	27%	250	Utilities	18%	230
Clothing	9%	245	Clothing	8%	236	Clothing	9%	255
Restaurant	7%	268	Restaurant	7%	265	Restaurant	6%	273
Transport	6%	317	Transport	6%	312	Transport	6%	325
Misc.	5%	285	Education	5%	195	Misc.	5%	295
Furnishing	4%	268	Misc.	5%	278	Furnishing	4%	283
Education	4%	186	Furnishing	4%	259	Health	4%	242
Health	3%	245	Comm.	2%	138	Education	2%	217
Comm.	2%	135	Health	2%	247	Comm.	2%	128
Recreation	2%	269	Recreation	2%	255	Recreation	1%	296
Tobacco	1%	383	Tobacco	1%	408	Tobacco	1%	359
CPI		261	CPI		259	CPI		265

Key Statistics

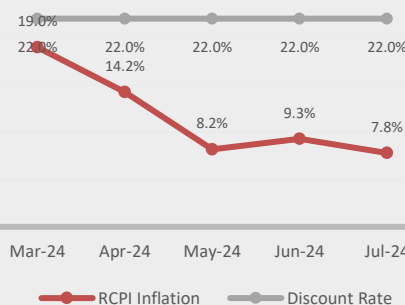
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs Discount Rate



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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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SELL	Less than and equal to -5%

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Market Weight	Neutral
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