

# INFLATION PREVIEW (Dec-19)

NCPI inflation to clock in at 12.6% YoY as compared to 12.7% YoY in last month

Friday, 27 December, 2019

National		Urban		Rural	
YoY	▲ 12.6%	YoY	▲ 12.1%	YoY	▲ 13.2%
MoM	▼ -0.4%	MoM	▼ -0.2%	MoM	▼ -0.7%

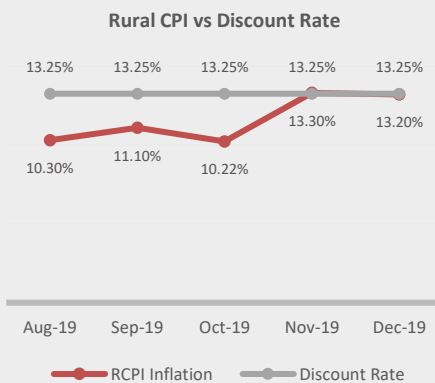
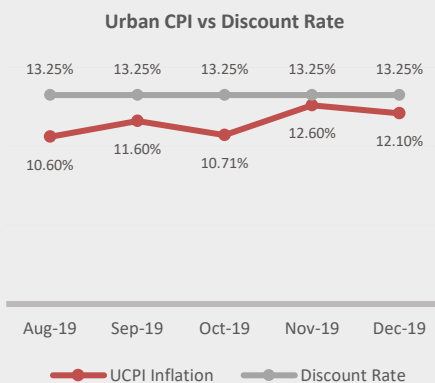
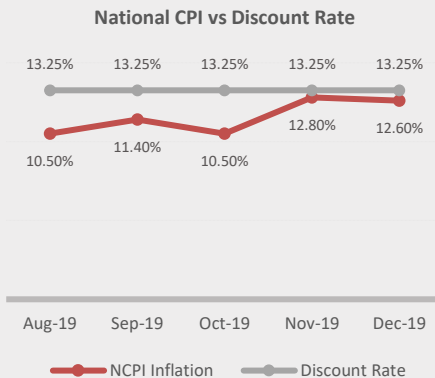
We expect the national CPI inflation (NCPI) for Dec-19 to stand at 12.6% YoY (-0.4% MoM) as compared to 12.7% YoY (1.3% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 12.1% YoY (-0.2% MoM) and 13.2% YoY (-0.7% MoM) respectively as compared to 12.1% YoY (1% MoM) and 13.6% YoY (1.9% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 20.18% YoY during Dec-19. Particularly, increase in the prices of wheat flour (14.09% YoY), rice (6.73% YoY), meat (13.80% YoY), fresh milk (8.94% YoY), cooking oil (15.77% YoY), vegetable ghee (16.62% YoY) fresh fruits (17.35% YoY), fresh vegetables (88.14% YoY), sugar (28.9% YoY) and condiments (17.93% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (12.45% YoY), house rent (5.02% YoY), electricity charges (17.17% YoY), gas charges (54.84% YoY), motor fuel (16.9% YoY), education (6.28% YoY) and readymade food (6.3% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of chicken, liquified hydrocarbons and dental services decreased by 17.08% YoY, 2.88% YoY, 1.24% YoY respectively.

In view of the evolving macroeconomic situation, the SBP had kept the policy rate unchanged at 13.25% in its last MPC meeting. Even though, the current account deficit has been reduced by 73% YoY in the first five months of the current fiscal year, the rising inflationary pressure would keep the SBP away from adopting the dovish stance in its upcoming MPC meeting expected to be held in Jan-20. Thus, we expect the status quo to be maintained in order to keep the inflation in check. However, we expect a rate cut of around 25-50 bps before Jun-20 in order to stimulate the contracting economy.

National	Weight	Dec-19	Urban	Weight	Dec-19	Rural	Weight	Dec-19
Food	35%	131	Food	30%	130	Food	41%	131
Utilities	24%	130	Utilities	27%	131	Utilities	18%	126
Clothing	9%	128	Clothing	8%	125	Clothing	9%	131
Restaurant	7%	126	Restaurant	7%	125	Restaurant	6%	128
Transport	6%	142	Transport	6%	143	Transport	6%	140
Misc.	5%	131	Education	5%	145	Misc.	5%	131
Furnishing	4%	125	Misc.	5%	132	Furnishing	4%	125
Education	4%	142	Furnishing	4%	126	Health	4%	136
Health	3%	136	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	136	Comm.	2%	105
Recreation	2%	119	Recreation	2%	117	Recreation	1%	121
Tobacco	1%	136	Tobacco	1%	143	Tobacco	1%	129
CPI		130	CPI		131	CPI		130

## Key Statistics



Sources: ACPL Research, PBS

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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
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