

INFLATION PREVIEW (Nov-19)

NCPI inflation to clock in at 12.8% YoY as compared to 11.04% YoY in last month

Thursday, 21 November, 2019

National		Urban		Rural	
YoY	▲ 12.8%	YoY	▲ 12.6%	YoY	▲ 13.3%
MoM	▲ 1.5%	MoM	▲ 1.4%	MoM	▲ 1.6%

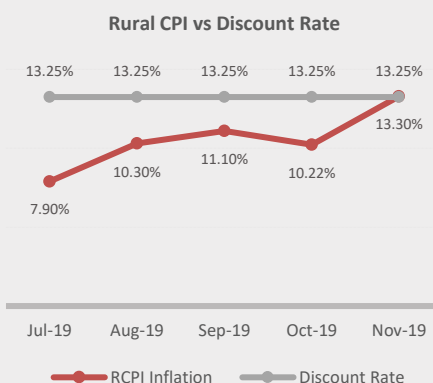
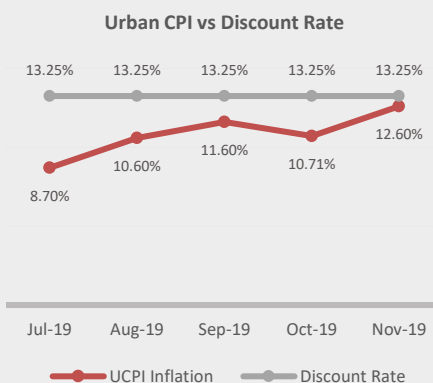
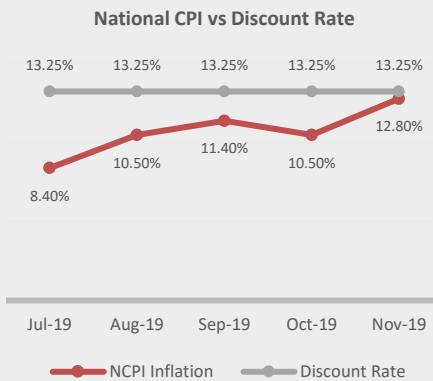
We expect the national CPI inflation (NCPI) for Nov-19 to stand at 12.8% YoY (1.5% MoM) as compared to 11.0% YoY (1.8% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 12.6% YoY (1.4% MoM) and 13.3% YoY (1.6% MoM) respectively as compared to 10.9% YoY (1.6% MoM) and 11.3% YoY (2.2% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 4.64% MoM during Nov-19. Particularly, increase in the prices of wheat flour (3.12% MoM), rice (0.13% MoM), meat (0.18% MoM), cooking oil (0.73% MoM), vegetable ghee (1.08% MoM) and fresh vegetables (12.44% MoM) contributed to the upsurge of food index. Other than food prices, an increase in the prices of readymade garments (0.92% MoM), washing soap & detergents (0.02% MoM) and readymade food (1.09% MoM) also pushed the NCPI inflation towards the north. On the flip side, prices of chicken, fresh milk, sugar and electricity decreased by 5.02% MoM, 0.21% MoM, 1.93% MoM and 0.94% MoM 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 74% YoY in the first four 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 tomorrow dated 22nd Nov 2019. 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	Nov-19	Urban	Weight	Nov-19	Rural	Weight	Nov-19
Food	35%	134	Food	30%	134	Food	41%	134
Utilities	24%	129	Utilities	27%	131	Utilities	18%	125
Clothing	9%	127	Clothing	8%	124	Clothing	9%	130
Restaurant	7%	126	Restaurant	7%	125	Restaurant	6%	128
Transport	6%	142	Transport	6%	143	Transport	6%	141
Misc.	5%	131	Education	5%	144	Misc.	5%	130
Furnishing	4%	124	Misc.	5%	132	Furnishing	4%	123
Education	4%	142	Furnishing	4%	125	Health	4%	134
Health	3%	135	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	136	Comm.	2%	105
Recreation	2%	118	Recreation	2%	117	Recreation	1%	121
Tobacco	1%	135	Tobacco	1%	143	Tobacco	1%	127
CPI		131	CPI		132	CPI		130

Key Statistics



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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