

INFLATION PREVIEW (Dec-22)

NCPI inflation to clock in at 25.04% YoY as compared to 23.85 % YoY in the last month

Friday, 23 December, 2022

National

YoY ▲ 25.0%
MoM ▲ 0.9%

Urban

YoY ▲ 22.3%
MoM ▲ 0.9%

Rural

YoY ▲ 29.1%
MoM ▲ 0.9%

We expect the national CPI inflation (NCPI) for Dec-22 to clock around 25.04% YoY (0.9% MoM) as compared to 23.85% YoY (0.8% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 22.3% YoY (0.9% MoM) and 29.1% YoY (0.9% MoM) respectively as compared to 21.6% YoY (0.4% MoM) and 27.2% YoY (1.3% MoM) respectively in last month.

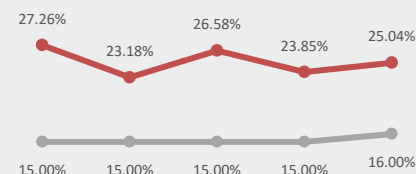
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 35.8% YoY during Dec-22. Particularly, increase in the prices of wheat flour (39.19% YoY), rice (44.11% YoY), meat (21.93% YoY), chicken (44.88% YoY), fresh milk (26.35% YoY), cooking oil (31.96% YoY), vegetable ghee (30.07% YoY) and fresh vegetables (44.95% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (52.22% YoY), cotton cloth (20.74% YoY), education (10.57% YoY), tea (72.50% YoY), house rent (5.27% YoY) and readymade food (31.92% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments & Spices, and gur decreased by 8.30% YoY, and 2.68% YoY respectively.

Going forward, a decline in global oil prices may allow the government to provide relief to the masses, however, we expect the MPC to maintain the policy rate at 16% to curb rising inflation in order to maintain financial stability. Furthermore, higher food prices are likely to keep average headline inflation elevated for FY23.

National	Weight	Dec-22	Urban	Weight	Dec-22	Rural	Weight	Dec-22
Food	35%	225	Food	30%	221	Food	41%	229
Utilities	24%	169	Utilities	27%	164	Utilities	18%	180
Clothing	9%	183	Clothing	8%	179	Clothing	9%	187
Restaurant	7%	198	Restaurant	7%	199	Restaurant	6%	197
Transport	6%	245	Transport	6%	245	Transport	6%	246
Misc.	5%	199	Education	5%	166	Misc.	5%	200
Furnishing	4%	195	Misc.	5%	199	Furnishing	4%	199
Education	4%	144	Furnishing	4%	193	Health	4%	190
Health	3%	186	Comm.	2%	114	Education	2%	155
Comm.	2%	109	Health	2%	182	Comm.	2%	107
Recreation	2%	167	Recreation	2%	159	Recreation	1%	182
Tobacco	1%	199	Tobacco	1%	213	Tobacco	1%	185
CPI		198	CPI		193	CPI		205

Key Statistics

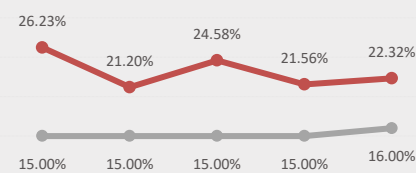
National CPI vs Discount Rate



Aug-22 Sep-22 Oct-22 Nov-22 Dec-22

NCPI Inflation Discount Rate

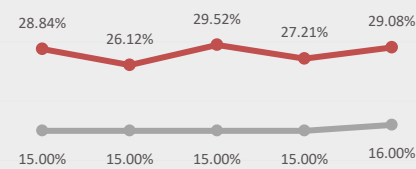
Urban CPI vs Discount Rate



Aug-22 Sep-22 Oct-22 Nov-22 Dec-22

UCPI Inflation Discount Rate

Rural CPI vs Discount Rate



Aug-22 Sep-22 Oct-22 Nov-22 Dec-22

RCPI Inflation Discount Rate

Sources: ACPL Research, PBS

Muhammad Ahmed

Phone: (+92) 42 38302028; Ext: 118

Email: mahmed@abbasiandcompany.com

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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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com