

# INFLATION PREVIEW (Jul-23)

NCPI inflation to clock in at 25.4% YoY as compared to 29.4% YoY in the last month

Monday, 24 July, 2023

## National

YoY ▲ 25.4%  
MoM ▲ 1.1%

## Urban

YoY ▲ 23.3%  
MoM ▲ 1.2%

## Rural

YoY ▲ 28.3%  
MoM ▲ 1.0%

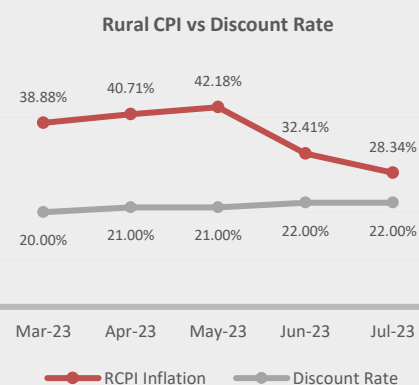
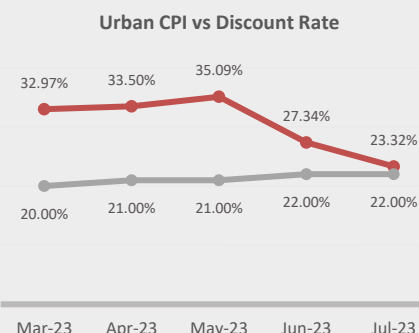
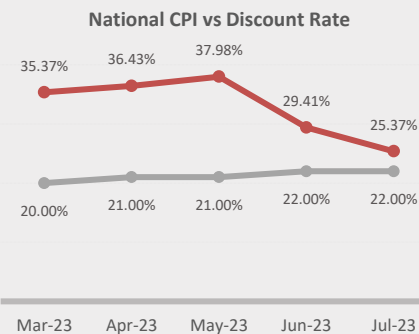
We expect the national CPI inflation (NCPI) for Jul-23 to clock around 25.4% YoY (-1.1% MoM) as compared to 29.4% YoY (-0.3% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 23.3% YoY (1.2% MoM) and 28.3% YoY (1% MoM) respectively as compared to 27.3% YoY (0.1% MoM) and 32.4% YoY (-0.8% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 36.28% YoY during Jul-23. Particularly, increase in the prices of wheat flour (101.58% YoY), rice (67.86% YoY), chicken (60.86% YoY), meat (19.05% YoY), fresh milk (30.12% YoY), cooking oil (8.76% YoY), vegetable ghee (0.79% YoY) and fresh fruit (12.32% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (12.02% YoY), cotton cloth (25.67% YoY), transport (14.58%), house rent (5.17% YoY) and readymade food (37.56% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of onions and fresh vegetables decreased by 26.12% YoY, and 5.75% YoY respectively.

In July, inflation is projected to continue its downward trend, due to the high base effect and the easing of international commodity prices. Despite these favorable factors, there are potential risks to be mindful of, namely, the increase in energy tariffs and the depreciation of the currency, both of which could exert upward pressure on inflation. Given the improving inflation outlook and the proximity of the general elections, it is anticipated that the State Bank of Pakistan (SBP) will maintain the policy rate unchanged during its forthcoming Monetary Policy Committee (MPC) meeting on 31st July 2023.

National	Weight	Jul-23	Urban	Weight	Jul-23	Rural	Weight	Jul-23
Food	35%	268	Food	30%	264	Food	41%	272
Utilities	24%	178	Utilities	27%	174	Utilities	18%	187
Clothing	9%	206	Clothing	8%	200	Clothing	9%	214
Restaurant	7%	239	Restaurant	7%	241	Restaurant	6%	235
Transport	6%	282	Transport	6%	282	Transport	6%	281
Misc.	5%	249	Education	5%	172	Misc.	5%	253
Furnishing	4%	241	Misc.	5%	246	Furnishing	4%	250
Education	4%	159	Furnishing	4%	235	Health	4%	205
Health	3%	204	Comm.	2%	123	Education	2%	174
Comm.	2%	118	Health	2%	203	Comm.	2%	110
Recreation	2%	245	Recreation	2%	236	Recreation	1%	262
Tobacco	1%	357	Tobacco	1%	378	Tobacco	1%	335
CPI		230	CPI		223	CPI		240

## 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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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
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