

INFLATION PREVIEW (Nov-22)

NCPI inflation to clock in at 26.79% YoY as compared to 26.58 % YoY in the last month

Thursday, 24 November, 2022

National

YoY ▲ 26.8%
MoM ▲ 3.2%

Urban

YoY ▲ 25.2%
MoM ▲ 3.4%

Rural

YoY ▲ 29.2%
MoM ▲ 2.9%

We expect the national CPI inflation (NCPI) for Nov-22 to clock around 26.79% YoY (3.2% MoM) as compared to 26.58% YoY (4.7% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 25.2% YoY (3.4% MoM) and 29.2% YoY (2.9% MoM) respectively as compared to 24.6% YoY (4.5% MoM) and 29.5% YoY (5% MoM) respectively in last month.

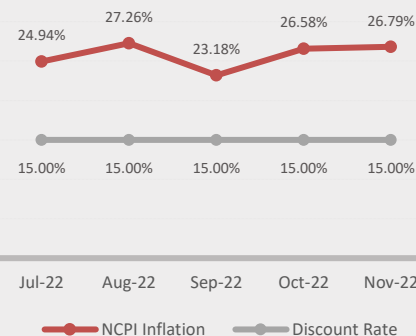
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 32.5% YoY during Nov-22. Particularly, increase in the prices of wheat flour (32.22% YoY), rice (38.96% YoY), meat (21.59% YoY), chicken (16.18% YoY), fresh milk (26.82% YoY), cooking oil (41.75% YoY), vegetable ghee (35.47% YoY) and fresh vegetables (43.52% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (52.03% YoY), cotton cloth (20.47% YoY), education (10.81% YoY), tea (59.8% YoY), house rent (5.27% YoY) and readymade food (30.60% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of Condiments & Spices, and sugar decreased by 7.77% YoY, and 9.23% YoY respectively.

Going forward, the MPC meeting is scheduled on the 25th of November where we expect the committee to maintain the policy rate at 15% with the view that the existing monetary policy stance strikes an appropriate balance between managing inflation and maintaining growth in the wake of the floods. However, going forward higher food prices are likely to keep average headline inflation elevated for FY23.

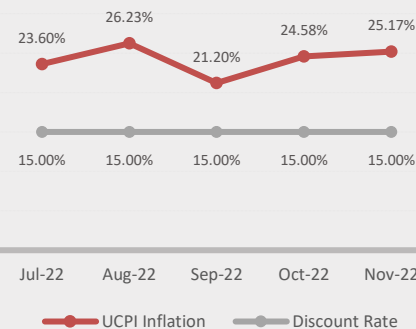
National	Weight	Oct-22	Urban	Weight	Nov-22	Rural	Weight	Nov-22
Food	35%	226	Food	30%	223	Food	41%	230
Utilities	24%	186	Utilities	27%	181	Utilities	18%	196
Clothing	9%	178	Clothing	8%	176	Clothing	9%	181
Restaurant	7%	192	Restaurant	7%	193	Restaurant	6%	191
Transport	6%	245	Transport	6%	245	Transport	6%	246
Misc.	5%	194	Education	5%	165	Misc.	5%	194
Furnishing	4%	187	Misc.	5%	195	Furnishing	4%	190
Education	4%	144	Furnishing	4%	186	Health	4%	186
Health	3%	182	Comm.	2%	114	Education	2%	154
Comm.	2%	109	Health	2%	179	Comm.	2%	107
Recreation	2%	164	Recreation	2%	157	Recreation	1%	176
Tobacco	1%	196	Tobacco	1%	209	Tobacco	1%	183
CPI		201	CPI		196	CPI		207

Key Statistics

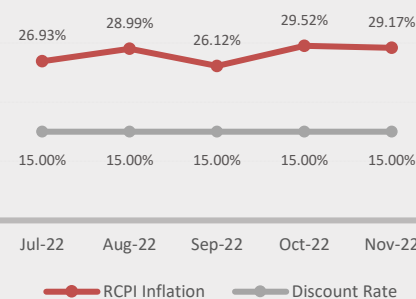
National CPI vs Discount Rate



Urban CPI vs Discount Rate



Rural CPI vs 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