

INFLATION PREVIEW (Sep-20)

NCPI inflation to clock in at 8.6% YoY as compared to 8.2% YoY in last month

Tuesday, 29 September, 2020

National		Urban		Rural	
YoY	▲ 8.6%	YoY	▲ 7.5%	YoY	▲ 10.2%
MoM	▲ 1.1%	MoM	▲ 1.1%	MoM	▲ 1.1%

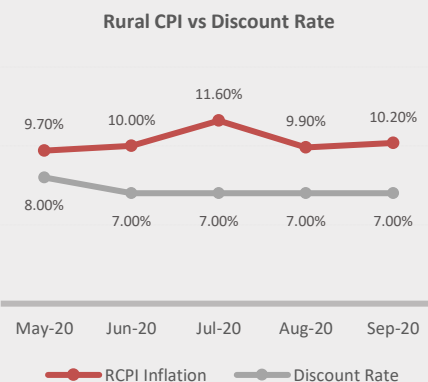
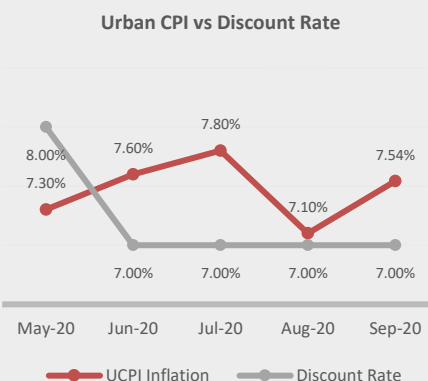
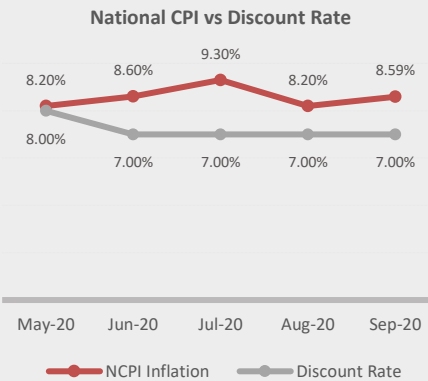
We expect the national CPI inflation (NCPI) for Sep-20 to stand at 8.6% YoY (1.1% MoM) as compared to 8.2% YoY (0.6% MoM) in last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 7.5% YoY (1.1% MoM) and 10.2% YoY (1.1% MoM) respectively as compared to 7.1% YoY (0.8% MoM) and 11.6% YoY (0.4% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in food index which inflated by around 12.38% YoY during Sep-20. Particularly, increase in the prices of wheat flour (21.22% YoY), rice (7.47% YoY), meat (12.27% YoY), fresh milk (12.59% YoY), cooking oil (10.99% YoY), vegetable ghee (14.74% YoY), sugar (27.48% YoY) and condiments (36.80% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of house rent (4.29% YoY), cotton cloth (8.92% YoY), education (0.63% YoY), and readymade food (8.8% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of chicken, fresh fruits, and motor fuel decreased by 22.76% YoY, 12.61% YoY, and 7.26% YoY respectively.

The SBP in its recent MPC meeting decided to keep the policy rate unchanged at 7% in order to provide stimulus to the reviving economy despite higher inflation outlook for FY21. Going forward, considering the negative real interest rate, we expect the SBP to increase the policy rate by at least 100 bps to 8% in the MPC meeting of Feb-21.

National	Weight	Sep-20	Urban	Weight	Sep-20	Rural	Weight	Sep-20
Food	35%	142	Food	30%	142	Food	41%	143
Utilities	24%	133	Utilities	27%	135	Utilities	18%	130
Clothing	9%	137	Clothing	8%	134	Clothing	9%	142
Restaurant	7%	135	Restaurant	7%	134	Restaurant	6%	137
Transport	6%	139	Transport	6%	139	Transport	6%	138
Misc.	5%	146	Education	5%	145	Misc.	5%	147
Furnishing	4%	133	Misc.	5%	145	Furnishing	4%	134
Education	4%	142	Furnishing	4%	132	Health	4%	143
Health	3%	143	Comm.	2%	108	Education	2%	133
Comm.	2%	107	Health	2%	143	Comm.	2%	105
Recreation	2%	121	Recreation	2%	119	Recreation	1%	125
Tobacco	1%	142	Tobacco	1%	150	Tobacco	1%	134
CPI		138	CPI		137	CPI		138

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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To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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