

INFLATION PREVIEW (Aug-24)



NCPI inflation to clock in at 9.3% YoY as compared to 11.1% YoY in the last month

Monday, 19 August, 2024

National		Urban		Rural	
YoY	▲ 9.3%	YoY	▲ 11.4%	YoY	▲ 6.3%
MoM	▲ 0.0%	MoM	▼ -0.0%	MoM	▲ 0.1%

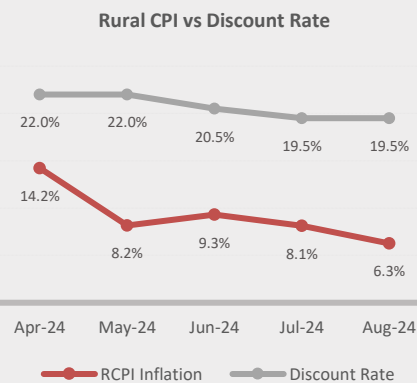
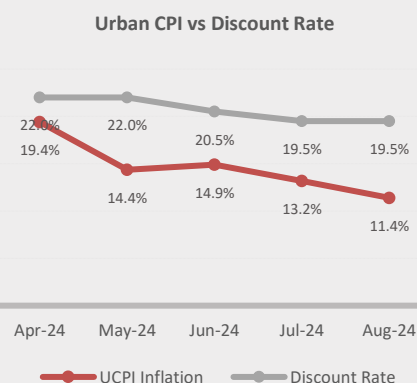
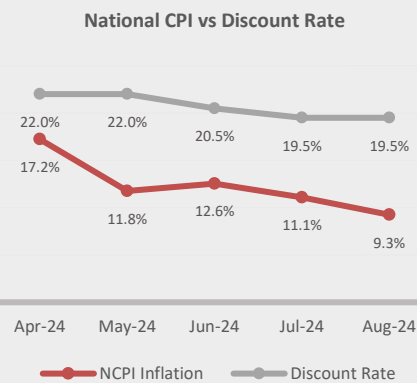
We expect the national CPI inflation (NCPI) for Aug-24 to clock around 9.3% YoY (0.0% MoM) as compared to 11.1% YoY (2.1% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 11.4% YoY (0.0% MoM) and 6.3% YoY (0.1% MoM) respectively as compared to 13.2% YoY (2.0% MoM) and 8.1% YoY (2.2% MoM) respectively in the last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 5.06% YoY during Aug-24. Particularly, increase in the prices of chicken (12.49% YoY), meat (18.90% YoY), fresh milk (9.90% YoY), and fresh fruit (32.52% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (25.16% YoY), transport (1.15% YoY), house rent (5.85% YoY), readymade food (5.04% YoY), also pushed the NCPI inflation towards the north.

Looking ahead, we expect the downward trend in inflation to persist as economic conditions continue to stabilize. In the last Monetary Policy Committee (MPC) meeting, a rate cut of 100 basis points was announced, reflecting confidence in the improving inflation outlook. As the economy progresses, we anticipate further monetary easing, with an additional rate cut of 200-300 basis points likely by the end of the current year. This proactive approach is aimed at sustaining growth while reinforcing the ongoing decline in inflation.

National	Weight	Aug-24	Urban	Weight	Aug-24	Rural	Weight	Aug-24
Food	35%	283	Food	30%	283	Food	41%	282
Utilities	24%	233	Utilities	27%	239	Utilities	18%	218
Clothing	9%	245	Clothing	8%	237	Clothing	9%	256
Restaurant	7%	271	Restaurant	7%	267	Restaurant	6%	279
Transport	6%	305	Transport	6%	300	Transport	6%	314
Misc.	5%	288	Education	5%	195	Misc.	5%	298
Furnishing	4%	270	Misc.	5%	282	Furnishing	4%	285
Education	4%	186	Furnishing	4%	260	Health	4%	246
Health	3%	248	Comm.	2%	138	Education	2%	218
Comm.	2%	135	Health	2%	251	Comm.	2%	128
Recreation	2%	270	Recreation	2%	256	Recreation	1%	297
Tobacco	1%	384	Tobacco	1%	408	Tobacco	1%	359
CPI		261	CPI		259	CPI		266

Key Statistics



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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

VALUATION METHODOLOGY

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
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
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Market Weight	Neutral
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