

INFLATION PREVIEW (Oct-23)

NCPI inflation to clock in at 25.9% YoY as compared to 31.4% YoY in the last month

Friday, 27 October, 2023

National

YoY ▲ 25.9%
MoM ▲ 0.3%

Urban

YoY ▲ 24.8%
MoM ▲ 0.5%

Rural

YoY ▲ 27.5%
MoM ▲ 0.0%

We expect the national CPI inflation (NCPI) for Oct-23 to clock around 25.9% YoY (0.3% MoM) as compared to 31.4% YoY (2.0% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 24.8% YoY (0.5% MoM) and 27.5% YoY (0.0% MoM) respectively as compared to 29.7% YoY (1.7% MoM) and 33.9% YoY (2.5% MoM) respectively in the last month.

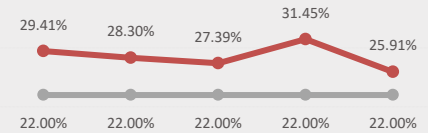
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 26.38% YoY during Oct-23. Particularly, increase in the prices of wheat flour (62.41% YoY), rice (58.13% YoY), chicken (13.31% YoY), meat (18.27% YoY), fresh milk (26.52% YoY), cooking oil (4.38% YoY), and vegetable ghee (0.28% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (25.27% YoY), cotton cloth (25.57% YoY), transport (23.68% YoY), house rent (5.47% YoY), readymade food (33.56% YoY), also pushed the NCPI inflation towards the north.

Going forward, there exists a broad consensus among analysts that interest rates have peaked out and the SBP will begin to reduce interest rates next year due to the decrease in international crude oil prices and a stable exchange rate. However, we expect that the expansionary monetary policy might commence a bit earlier, starting at the end of this year (December 12, 2023), to bolster economic growth. This proactive approach aligns with the evident signs of declining inflation. Meanwhile, it is anticipated that the Monetary Policy Committee (MPC) will maintain the current policy rate in the upcoming MPC meeting on October 30, 2023.

National	Weight	Oct-23	Urban	Weight	Oct-23	Rural	Weight	Oct-23
Food	35%	278	Food	30%	274	Food	41%	282
Utilities	24%	201	Utilities	27%	195	Utilities	18%	214
Clothing	9%	215	Clothing	8%	207	Clothing	9%	224
Restaurant	7%	257	Restaurant	7%	257	Restaurant	6%	258
Transport	6%	312	Transport	6%	303	Transport	6%	327
Misc.	5%	263	Education	5%	179	Misc.	5%	269
Furnishing	4%	254	Misc.	5%	259	Furnishing	4%	263
Education	4%	162	Furnishing	4%	247	Health	4%	221
Health	3%	222	Comm.	2%	124	Education	2%	182
Comm.	2%	120	Health	2%	224	Comm.	2%	111
Recreation	2%	255	Recreation	2%	246	Recreation	1%	272
Tobacco	1%	361	Tobacco	1%	382	Tobacco	1%	340
CPI		245	CPI		237	CPI		256

Key Statistics

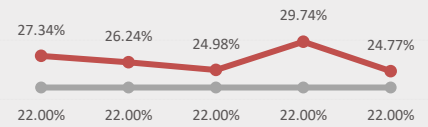
National CPI vs Discount Rate



Jun-23 Jul-23 Aug-23 Sep-23 Oct-23

● NCPI Inflation ● Discount Rate

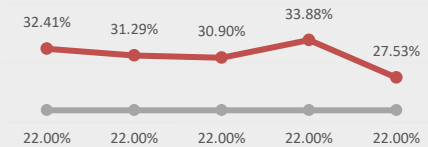
Urban CPI vs Discount Rate



Jun-23 Jul-23 Aug-23 Sep-23 Oct-23

● UCPI Inflation ● Discount Rate

Rural CPI vs Discount Rate



Jun-23 Jul-23 Aug-23 Sep-23 Oct-23

● RCPI Inflation ● Discount Rate

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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- 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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