

INFLATION PREVIEW (Feb-24)

NCPI inflation to clock in at 23% YoY as compared to 28.3% YoY in the last month



Wednesday, 28 February, 2024

National		Urban		Rural	
YoY	▲ 23.0%	YoY	▲ 24.8%	YoY	▲ 20.6%
MoM	▲ 0.0%	MoM	▲ 0.2%	MoM	▼ -0.2%

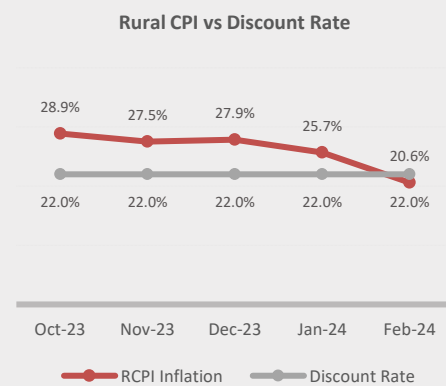
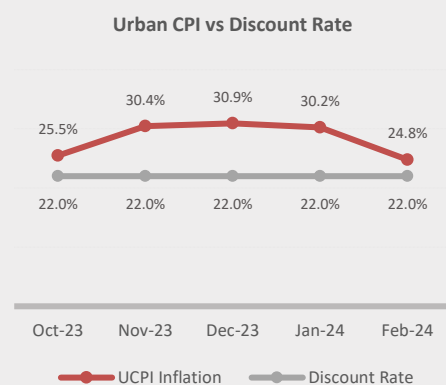
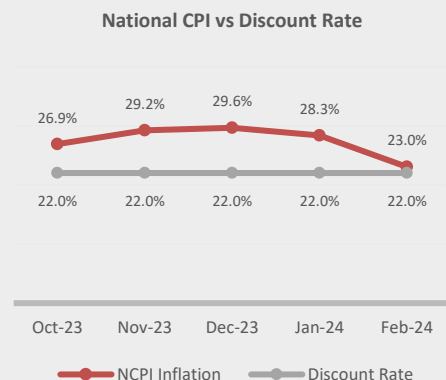
We expect the national CPI inflation (NCPI) for Feb-24 to clock around 23.0% YoY (0.0% MoM) as compared to 28.3% YoY (1.8% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 24.8% YoY (0.2% MoM) and 20.6% YoY (-0.2% MoM) respectively as compared to 30.2% YoY (1.8% MoM) and 25.7% YoY (1.9% 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 21.12% YoY during Feb-24. Particularly, increase in the prices of wheat flour (45.62% YoY), rice (18.49% YoY), chicken (5.77% YoY), meat (18.57% YoY), fresh milk (16.90% YoY), contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (4.37% YoY), cotton cloth (27.00% YoY), transport (11.84% YoY), house rent (5.26% YoY), readymade food (21.15% YoY), also pushed the NCPI inflation towards the north.

Looking ahead, we anticipate a continued decline in inflation due to the high base effect from March. This trend is expected to persist, leading to a downward trajectory in inflation rates. Additionally, we forecast a rate cut in the second half of 2024. This adjustment is likely to be influenced by the prevailing economic conditions and the need to stimulate economic growth. As we move forward, these factors will be crucial in shaping monetary policy decisions and guiding the direction of the economy.

National	Weight	Feb-24	Urban	Weight	Feb-24	Rural	Weight	Feb-24
Food	35%	288	Food	30%	284	Food	41%	294
Utilities	24%	237	Utilities	27%	242	Utilities	18%	225
Clothing	9%	224	Clothing	8%	214	Clothing	9%	236
Restaurant	7%	265	Restaurant	7%	265	Restaurant	6%	266
Transport	6%	309	Transport	6%	304	Transport	6%	318
Misc.	5%	272	Education	5%	187	Misc.	5%	279
Furnishing	4%	264	Misc.	5%	268	Furnishing	4%	278
Education	4%	163	Furnishing	4%	256	Health	4%	234
Health	3%	235	Comm.	2%	139	Education	2%	182
Comm.	2%	135	Health	2%	235	Comm.	2%	128
Recreation	2%	256	Recreation	2%	246	Recreation	1%	276
Tobacco	1%	365	Tobacco	1%	386	Tobacco	1%	344
CPI		260	CPI		256	CPI		266

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

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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Market Weight	Neutral
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