

# INFLATION PREVIEW (Jun-23)

NCPI inflation to clock in at 29.6% YoY as compared to 38% YoY in the last month

Tuesday, 27 June, 2023

## National

YoY ▲ 29.6%  
MoM ▼ -0.1%

## Urban

YoY ▲ 27.2%  
MoM ▼ -0.0%

## Rural

YoY ▲ 33.1%  
MoM ▼ -0.2%

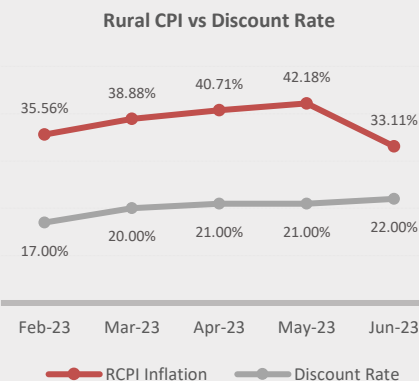
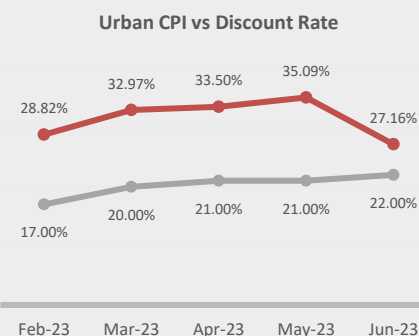
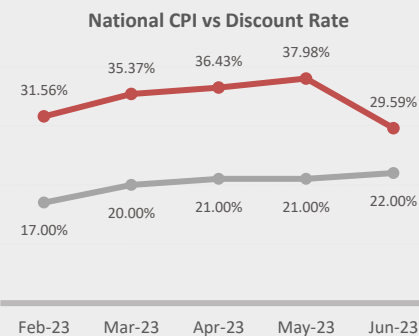
We expect the national CPI inflation (NCPI) for Jun-23 to clock around 29.6% YoY (-0.1% MoM) as compared to 38% YoY (1.6% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 27.2% YoY (-0.04% MoM) and 33.1% YoY (-0.2% MoM) respectively as compared to 35.1% YoY (1.5% MoM) and 42.2% YoY (1.7% MoM) respectively in last month.

The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 39.23% YoY during Jun-23. Particularly, increase in the prices of wheat flour (92.88% YoY), rice (71.62% YoY), chicken (54.59% YoY), meat (18.43% YoY), fresh milk (31.33% YoY), cooking oil (19.9% YoY), vegetable ghee (9.11% YoY) and fresh fruit (17.79% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (16.34% YoY), cotton cloth (28.38% YoY), transport (18.02%), electricity charges (4.93% YoY), house rent (5.34% YoY) and readymade food (44.28% YoY) also pushed the NCPI inflation towards the north. On the flip side, prices of tomatoes and onions decreased by 27.66% YoY, and 19.39% YoY respectively.

In June, it is anticipated that inflation will experience a notable decrease primarily due to the high base effect. To further bolster this development, the State Bank of Pakistan (SBP) has taken decisive action by raising the interest rate by 100 basis points to 22% during an emergency meeting. This move has enhanced the possibility of resuming the IMF program. Looking ahead, the implementation of contractionary fiscal and monetary policies is expected to dampen demand, thus mitigating inflationary pressures. However, the inflation outlook remains vulnerable due to potential risks such as increased energy tariffs and currency depreciation.

National	Weight	Jun-23	Urban	Weight	Jun-23	Rural	Weight	Jun-23
Food	35%	265	Food	30%	259	Food	41%	272
Utilities	24%	176	Utilities	27%	172	Utilities	18%	185
Clothing	9%	204	Clothing	8%	198	Clothing	9%	212
Restaurant	7%	239	Restaurant	7%	241	Restaurant	6%	235
Transport	6%	275	Transport	6%	275	Transport	6%	275
Misc.	5%	247	Education	5%	171	Misc.	5%	251
Furnishing	4%	242	Misc.	5%	244	Furnishing	4%	252
Education	4%	159	Furnishing	4%	236	Health	4%	202
Health	3%	202	Comm.	2%	123	Education	2%	173
Comm.	2%	118	Health	2%	202	Comm.	2%	110
Recreation	2%	243	Recreation	2%	234	Recreation	1%	259
Tobacco	1%	356	Tobacco	1%	378	Tobacco	1%	335
CPI		228	CPI		220	CPI		239

## Key Statistics



Sources: ACPL Research, PBS

**Muhammad Salman**

Phone: (+92) 42 38302028; Ext: 116  
Email: salman@abbasiandcompany.com

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<b>TP</b>	Target Price	<b>CAGR</b>	Compound Annual Growth Rate	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>LDCP</b>	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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#### 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