

# INFLATION PREVIEW (Sep-23)

NCPI inflation to clock in at 31.0% YoY as compared to 27.4% YoY in the last month



Thursday, 28 September, 2023

National		Urban		Rural	
YoY	▲ 31.0%	YoY	▲ 29.7%	YoY	▲ 32.8%
MoM	▲ 1.6%	MoM	▲ 1.7%	MoM	▲ 1.6%

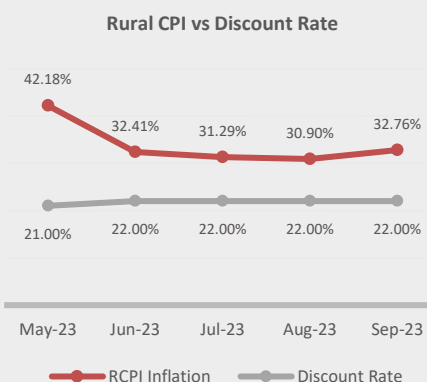
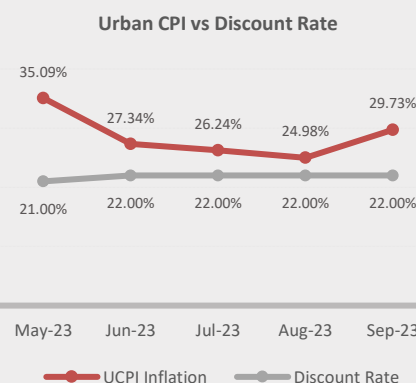
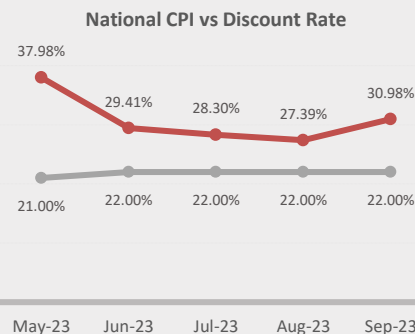
We expect the national CPI inflation (NCPI) for Sep-23 to clock around 31.0% YoY (1.6% MoM) as compared to 27.4% YoY (1.7% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 29.7% YoY (1.7% MoM) and 32.8% YoY (1.6% MoM) respectively as compared to 25.0% YoY (1.6% MoM) and 30.9% 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 33.12% YoY during Sep-23. Particularly, increase in the prices of wheat flour (82.95% YoY), rice (71.84% YoY), chicken (31.90% YoY), meat (18.75% YoY), fresh milk (27.68% YoY), cooking oil (3.46% YoY), and fresh fruit (14.30% YoY) and vegetable ghee (0.81% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (27.29% YoY), cotton cloth (26.06% YoY), transport (24.34% YoY), house rent (5.25% YoY), readymade food (36.16% YoY), also pushed the NCPI inflation towards the north.

In a surprising move, the MPC decided to keep the interest rate unchanged at 22%, contrary to expectations of a 100-200 bps increase. This decision was unexpected given the backdrop of persistently high inflation and rising global oil prices. However, the central bank expressed confidence that inflation would decrease, especially in the latter half of FY24. Furthermore, the SBP governor stated that there are no plans for further rate hikes. However, considering the surge in international crude oil prices and the expected increase in fuel and gas prices, the possibility of a 100-200 bps rate hike in the upcoming meeting on 30 Oct 2023 should not be ruled out.

National	Weight	Sep-23	Urban	Weight	Sep-23	Rural	Weight	Sep-23
Food	35%	279	Food	30%	276	Food	41%	283
Utilities	24%	195	Utilities	27%	189	Utilities	18%	207
Clothing	9%	215	Clothing	8%	209	Clothing	9%	223
Restaurant	7%	250	Restaurant	7%	251	Restaurant	6%	248
Transport	6%	316	Transport	6%	312	Transport	6%	322
Misc.	5%	261	Education	5%	178	Misc.	5%	267
Furnishing	4%	251	Misc.	5%	258	Furnishing	4%	260
Education	4%	162	Furnishing	4%	245	Health	4%	212
Health	3%	213	Comm.	2%	124	Education	2%	179
Comm.	2%	119	Health	2%	214	Comm.	2%	111
Recreation	2%	254	Recreation	2%	245	Recreation	1%	270
Tobacco	1%	360	Tobacco	1%	381	Tobacco	1%	339
CPI		243	CPI		236	CPI		254

## Key Statistics



Sources: ACPL Research, PBS

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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

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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
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