

INFLATION PREVIEW (Oct-24)

NCPI inflation to clock in at 6.6% YoY as compared to 6.9% YoY in the last month



Tuesday, 29 October, 2024

National		Urban		Rural	
YoY	▲ 6.6%	YoY	▲ 9.1%	YoY	▲ 3.2%
MoM	▲ 0.8%	MoM	▲ 0.9%	MoM	▲ 0.7%

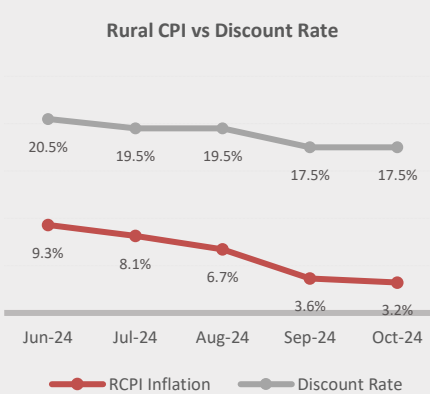
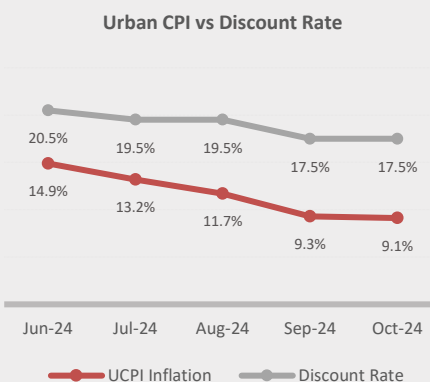
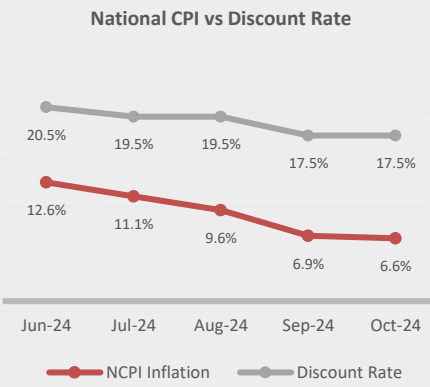
We expect the national CPI inflation (NCPI) for Oct-24 to clock around 6.6% YoY (0.8% MoM) as compared to 6.9% YoY (-0.5% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 9.1% YoY (0.9% MoM) and 3.2% YoY (0.7% MoM) respectively as compared to 9.3% YoY (-0.5% MoM) and 3.6% YoY (-0.5% 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 2.42% YoY during Oct-24. Particularly, increase in the prices of chicken (28.24% YoY), meat (20.58% YoY), fresh milk (10.34% YoY), contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (18.29% YoY), house rent (5.08% YoY), readymade food (5.84% YoY), also pushed the NCPI inflation towards the north.

Going forward, we anticipate a favorable inflation outlook as Pakistan enters in IMF program. With the external account expected to remain fully funded, this will enhance currency stability, providing support in controlling inflationary pressures. The central bank has already reduced the policy rate, and we foresee an additional rate cut of around 200 basis points in the upcoming MPC meeting scheduled for November 4, 2024. Additionally, a decline in international oil prices, which constitutes a significant portion of our import bill, will further help reduce inflation. However, the successful implementation of ongoing reforms and prudent fiscal management remains critical for ensuring long-term economic stability.

National	Weight	Oct-24	Urban	Weight	Oct-24	Rural	Weight	Oct-24
Food	35%	282	Food	30%	282	Food	41%	281
Utilities	24%	238	Utilities	27%	244	Utilities	18%	224
Clothing	9%	246	Clothing	8%	237	Clothing	9%	258
Restaurant	7%	277	Restaurant	7%	273	Restaurant	6%	283
Transport	6%	301	Transport	6%	296	Transport	6%	308
Misc.	5%	295	Education	5%	196	Misc.	5%	307
Furnishing	4%	269	Misc.	5%	287	Furnishing	4%	286
Education	4%	186	Furnishing	4%	258	Health	4%	248
Health	3%	253	Comm.	2%	138	Education	2%	223
Comm.	2%	135	Health	2%	258	Comm.	2%	129
Recreation	2%	274	Recreation	2%	259	Recreation	1%	301
Tobacco	1%	385	Tobacco	1%	408	Tobacco	1%	363
CPI		263	CPI		260	CPI		267

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

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- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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