

# INFLATION PREVIEW (Dec-23)

NCPI inflation to clock in at 33.2% YoY as compared to 29.2% YoY in the last month

Friday, 29 December, 2023

## National

YoY ▲ 33.2%  
MoM ▲ 3.6%

## Urban

YoY ▲ 37.9%  
MoM ▲ 6.1%

## Rural

YoY ▲ 26.6%  
MoM ▼ -0.0%

We expect the national CPI inflation (NCPI) for Dec-23 to clock around 33.2% YoY (3.6% MoM) as compared to 29.2% YoY (2.6% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 37.9% YoY (6.1% MoM) and 26.6% YoY (0.0% MoM) respectively as compared to 30.4% YoY (4.3% MoM) and 27.5% YoY (0.2% MoM) respectively in the last month.

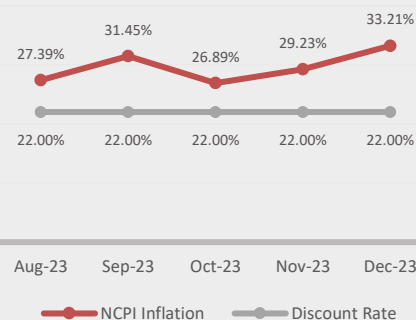
The surge in NCPI is caused mainly due to the increase in the food index which inflated by around 29.98% YoY during Dec-23. Particularly, increase in the prices of wheat flour (59.85% YoY), rice (48.48% YoY), chicken (17.20% YoY), meat (17.58% YoY), fresh milk (21.74% YoY), cooking oil (2.61% YoY), and fresh fruit (7.94% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of motor fuel (23.29% YoY), cotton cloth (28.92% YoY), transport (23.06% YoY), house rent (5.64% YoY), readymade food (29.08% YoY), also pushed the NCPI inflation towards the north.

Consistent with expectations, the Monetary Policy Committee held the key policy rate steady at its December 12th meeting. The ongoing challenges in the Red Sea remain a risk to inflation due to potential supply chain disruptions, pushing back any potential interest rate cuts. Conversely, successful containment of the Red Sea attacks and continued declines in global oil prices could pave the way for a rate cut in Q2 2024, following the completion of the IMF's Staff-Monitored Program in March.

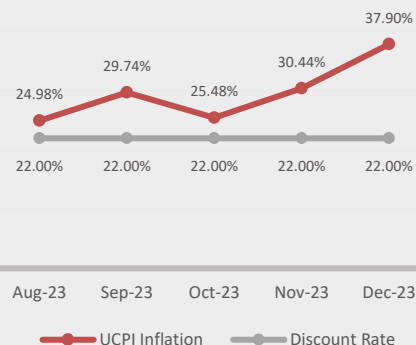
| National   | Weight | Dec-23 | Urban      | Weight | Dec-23 | Rural      | Weight | Dec-23 |
|------------|--------|--------|------------|--------|--------|------------|--------|--------|
| Food       | 35%    | 285    | Food       | 30%    | 281    | Food       | 41%    | 289    |
| Utilities  | 24%    | 259    | Utilities  | 27%    | 282    | Utilities  | 18%    | 207    |
| Clothing   | 9%     | 221    | Clothing   | 8%     | 212    | Clothing   | 9%     | 232    |
| Restaurant | 7%     | 260    | Restaurant | 7%     | 260    | Restaurant | 6%     | 260    |
| Transport  | 6%     | 307    | Transport  | 6%     | 299    | Transport  | 6%     | 320    |
| Misc.      | 5%     | 267    | Education  | 5%     | 187    | Misc.      | 5%     | 273    |
| Furnishing | 4%     | 260    | Misc.      | 5%     | 263    | Furnishing | 4%     | 272    |
| Education  | 4%     | 164    | Furnishing | 4%     | 252    | Health     | 4%     | 232    |
| Health     | 3%     | 232    | Comm.      | 2%     | 125    | Education  | 2%     | 182    |
| Comm.      | 2%     | 120    | Health     | 2%     | 232    | Comm.      | 2%     | 112    |
| Recreation | 2%     | 256    | Recreation | 2%     | 246    | Recreation | 1%     | 276    |
| Tobacco    | 1%     | 363    | Tobacco    | 1%     | 382    | Tobacco    | 1%     | 343    |
| CPI        |        | 262    | CPI        |        | 264    | CPI        |        | 260    |

## Key Statistics

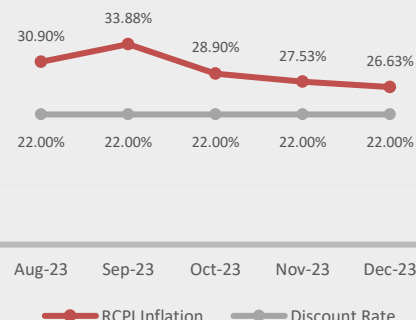
### National CPI vs Discount Rate



### Urban CPI vs Discount Rate



### Rural CPI vs Discount Rate



Sources: ACPL Research, PBS

**M. Fawad Naveed**

Phone: (+92) 42 38302028; Ext: 117  
Email: fawad@abbasiandcompany.com

This report has been prepared by Abbasi & Company (Private) Limited and is provided for information purposes only. Under no circumstances, this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Abbasi & Company (Private) Limited and or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Abbasi & Company (Private) Limited accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Abbasi & Company (Private) Limited Research Department and do not necessarily reflect those of the company or its directors. Abbasi & Company (Private) Limited as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report. Abbasi & Company (Private) Limited does not act as a market maker in the securities of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives do not have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company at the time of issuance of this report. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives are not currently serving or have served in the past three years as a director or officer of the subject company. Abbasi & Company (Private) Limited or any officers, directors, associates or close relatives have not received compensation from the subject company in the previous 12 months. The subject company currently is not, or during the 12-month period preceding the date of publication or distribution of this report, was not, a client of Abbasi & Company (Private) Limited. We have not managed or co-managed a public offering or any take-over, buyback or delisting offer of securities for the subject company in the past 12 months and/or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company in the past 12 months. Abbasi & Company (Private) Limited does not expect to receive or intend to seek compensation for corporate advisory services or underwriting services from the subject company in the next 3 months

All rights reserved by Abbasi & Company (Private) Limited. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Abbasi & Company (Private) Limited. Action could be taken for unauthorized reproduction, distribution or publication

#### VALIDITY OF THE PUBLICATION OR REPORT

The information in this publication or report is, regardless of source, given in good faith, and may only be valid as of the stated date of this publication or report. The information may be subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company, jurisdiction or financial instruments referred to in this report. The valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report and were based upon several estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by Abbasi & Company (Private) Limited and/or its other associated and affiliated companies, that:

- I. Such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- II. There is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein

#### DEFINITION OF TERMS

|             |                           |             |                             |             |                        |
|-------------|---------------------------|-------------|-----------------------------|-------------|------------------------|
| <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

#### RATINGS CRITERIA

Abbasi & Company (Private) Limited employs a three-tier ratings system to rate a stock and sector, as mentioned below, which is based upon the level of expected return for a specific stock and outlook of sector. The rating is based on the following with stated time horizon

| Stock Rating | Expected Total Return      |
|--------------|----------------------------|
| BUY          | Greater than 15%           |
| HOLD         | Between -5% to 15%         |
| SELL         | Less than and equal to -5% |

| Sector Rating | Sector Outlook |
|---------------|----------------|
| Overweight    | Positive       |
| Market Weight | Neutral        |
| Underweight   | Negative       |

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

#### RESEARCH DISSEMINATION POLICY

Abbasi & Company (Private) Limited endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time

#### OTHER DISCLOSURES

The research analyst is primarily involved in the preparation of this report, certifies that:

- I. The views expressed in this report accurately reflect his/her personal views about the subject company/stock /sector and economy
- II. No part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report

The Research Analyst is not and was not involved in issuing of a research report on any of the subject company's associated companies

#### 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