

INFLATION PREVIEW (Nov-24)



NCPI inflation to clock in at 5.1% YoY in Nov-24 as compared to 7.1% YoY in the last month

Tuesday, 26 November, 2024

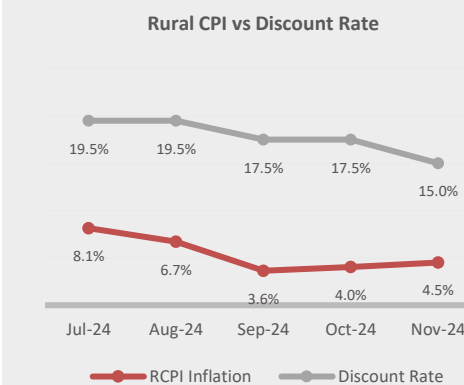
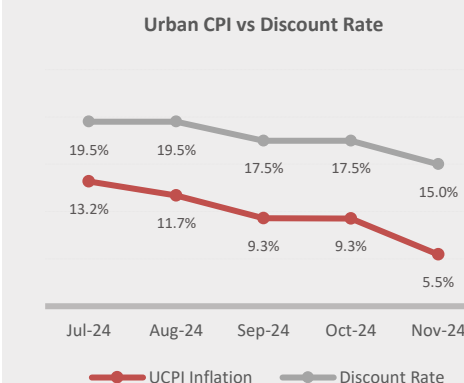
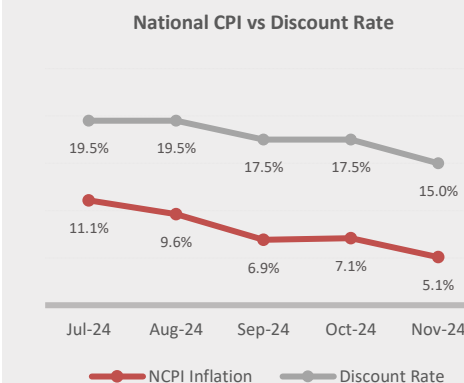
National		Urban		Rural	
YoY	▲ 5.1%	YoY	▲ 5.5%	YoY	▲ 4.5%
MoM	▲ 0.7%	MoM	▲ 0.7%	MoM	▲ 0.7%

We expect the national CPI inflation (NCPI) for Nov-24 to clock around 5.1% YoY (0.7% MoM) as compared to 7.1% YoY (1.2% MoM) last month. Furthermore, urban CPI inflation (UCPI) (60% of NCPI) and rural CPI inflation (RCPI) (40% of NCPI) are expected to increase by 5.5% YoY (0.7% MoM) and 4.5% YoY (0.7% MoM) respectively as compared to 9.3% YoY (1.1% MoM) and 4.0% YoY (1.5% 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 2.65% YoY during Nov-24. Particularly, increase in the prices of chicken (12.65% YoY), meat (20.41% YoY), fresh milk (10.16% YoY), and fresh fruit (2.46% YoY) and vegetable ghee (0.78% YoY) contributed to the upsurge of food index. Other than food prices, an increase in the prices of cotton cloth (14.33% YoY), house rent (4.88% YoY), readymade food (6.36% YoY), also pushed the NCPI inflation towards the north.

Looking ahead, we expect a favorable inflation outlook, driven by a decline in international commodity prices, which make up a significant portion of our import bill. This trend will help ease domestic inflationary pressures, supporting overall economic stability. The central bank's recent policy rate reduction signals growing confidence, and we anticipate an additional cut of around 200 basis points in the upcoming MPC meeting on December 16, 2024. These adjustments are expected to lower borrowing costs, boost investment, and stimulate consumer spending.

Key Statistics



National	Weight	Nov-24	Urban	Weight	Nov-24	Rural	Weight	Nov-24
Food	35%	286	Food	30%	285	Food	41%	287
Utilities	24%	241	Utilities	27%	246	Utilities	18%	229
Clothing	9%	247	Clothing	8%	238	Clothing	9%	259
Restaurant	7%	280	Restaurant	7%	276	Restaurant	6%	286
Transport	6%	302	Transport	6%	297	Transport	6%	310
Misc.	5%	299	Education	5%	196	Misc.	5%	312
Furnishing	4%	272	Misc.	5%	289	Furnishing	4%	286
Education	4%	186	Furnishing	4%	262	Health	4%	252
Health	3%	257	Comm.	2%	138	Education	2%	224
Comm.	2%	135	Health	2%	261	Comm.	2%	129
Recreation	2%	275	Recreation	2%	260	Recreation	1%	303
Tobacco	1%	386	Tobacco	1%	408	Tobacco	1%	363
CPI		266	CPI		262	CPI		271

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DEFINITION OF TERMS

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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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
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