

# Pakistan Market Savvy

Economy: November CPI expected at 5.2%

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## Economy: November CPI expected at 5.2%

We expect headline inflation in November'24 to be reported at 5.2%YoY compared to 7.2%YoY recorded during previous month. The average CPI is set to clock in at 8%YoY during 5MFY25. The slowdown in CPI is primarily attributed to base impact coupled with decline in the transport index. On MoM basis, CPI is expected to increase by 0.8%MoM in Nov'24.

The heavy-weighted food sector is expected to increase by 0.9%YoY in Oct'24. On a monthly basis, the food index is projected to grow by 1%MoM. This rise is primarily driven by surge in prices of perishable food items, eggs, pulses, and wheat.

The housing index is anticipated to increase by 7.2%YoY, compared to 19.2%YoY in the previous month. On the other hand, the housing index is expected to decline by 0.3%MoM in Nov'24. This decrease is primarily driven by decline in construction costs and water supply charges, while electricity rates to remain flat.

The transport index is reported to decline by 2%YoY in November. However, on monthly basis the transport index is projected to increase by 1.5%MoM owing to raise in international oil price during the month.

### 200bps rate cut expected in next MPC.

The State Bank of Pakistan (SBP) initiated rate cuts in the previous two Monetary Policy Committee (MPC) meetings when the real interest rate (RIR) reached 10%. Similarly, the RIR is expected to remain near 10% until the next MPC meeting, scheduled for December 16, 2024. Based on this, we anticipate the MPC will reduce the policy rate by 200bps.

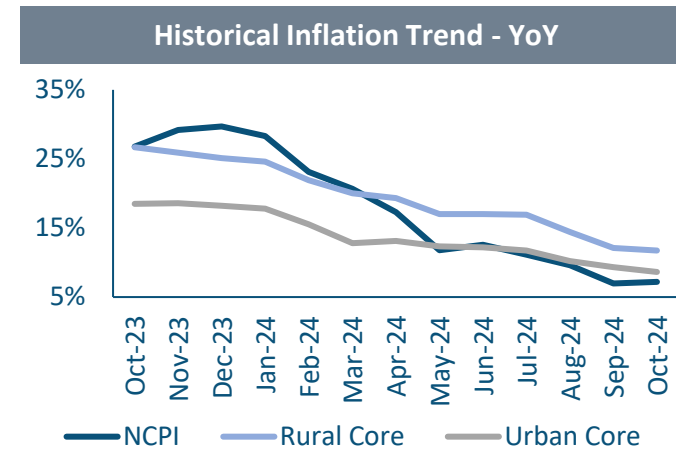
Market Data	
KSE 100 INDEX	94,574
Market Cap. (Rs bn)	10,056
Market Cap. (US\$ bn)	36.2
Volume (mn sh)	518

*Source: Pakistan Stock Exchange (PSX)*

NCPI - November 2024				
	Weight	Index	MoM	YoY
General	100%	266.3	0.8%	5.2%
Food	35%	285.6	1.0%	0.9%
Beverages, tobacco	1%	390.8	1.4%	7.7%
Clothing and footwear	9%	248.7	0.8%	12.9%
Housing	24%	238.7	-0.3%	7.2%
Household equipment	4%	273.7	1.0%	6.1%
Health	3%	261.1	1.8%	12.4%
Transport	6%	304.2	1.5%	-2.0%
Communication	2%	134.5	-0.3%	11.9%
Recreation and culture	2%	277.6	1.1%	8.4%
Education	4%	209.0	3.4%	12.6%
Restaurants and hotels	7%	278.6	0.6%	7.9%
Miscellaneous	5%	301.9	1.1%	13.0%

*Source: PBS, Sherman Research*

Additionally, we estimate that the average inflation for FY25 will be around 7.5-8%, keeping the RIR at approximately 5-5%. This aligns with the International Monetary Fund's (IMF) recommendation to maintain a positive RIR to keep inflation in check.



Source: PBS, Sherman Research

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To arrive at our period end Target Price, Sherman Securities uses different valuation methods which include : 1) Discounted Cash flow method 2) Relative Valuation method and 3) Justified Price to Book Value method.

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Hold	Between -10.0% to 24.0%