



PAKISTAN ECONOMY

**Nov'24 CPI likely to clock in at
5.25%**

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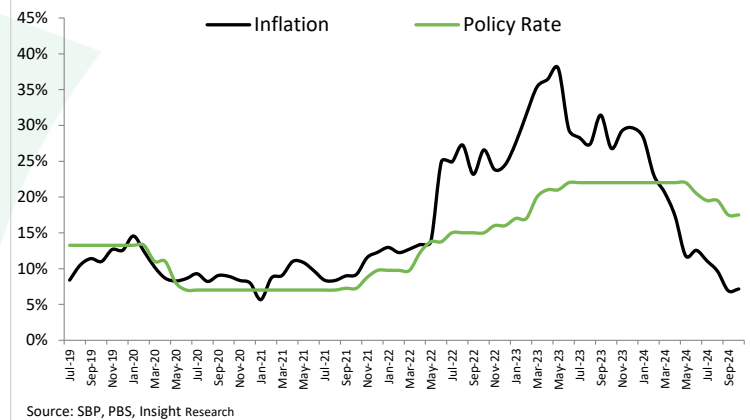
Nov'24 CPI likely to clock in at 5.25%

Headline inflation is expected to clock in at ~5.25% in Nov'24 compared to ~29.23% & 7.17% in Nov'23 & Oct'24, respectively. On MoM basis, inflation is expected to inch up by ~0.9% compared to 1.2% in preceding month. The increase is mainly attributable to higher prices in food basket, primarily driven by egg & tomato prices. The housing index is expected to rise by ~0.4% MoM, driven by an increase in LPG prices. However, this effect is likely to be offset by a decline in the monthly FCA.

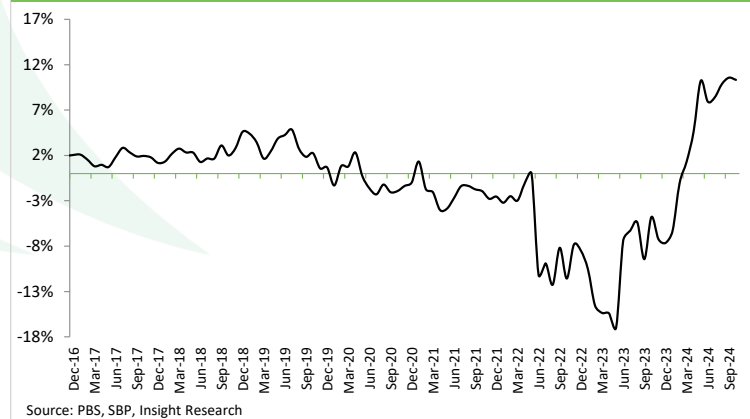
Within the SPI basket, items that recorded significant increase in prices during the period are as follows, Tomatoes (32.2%↑), Fresh vegetables (16.7%↑), Pulse moong (14.0%↑), Eggs (13.0%↑) & Mustard oil (8.1%↑). On the flip side, prices of following items eased off during the month, Chicken (13.4%↓), Fresh fruits (11.2%↓), Pulse mash (8.1%↓), Sugar (7.1%↓) & Gur (4.2%↓).

Headline inflation continues to decline, supported by a high base effect and stable exchange rate. We anticipate that inflation will continue to decline in the coming months, reaching a low of ~3%-4% between Jan'25 and Mar'25, before rising again post 1QCY25 due to low base effect. The impact of the electricity subsidy for lower slabs was not fully reflected in last month's CPI data. Any adjustment to this poses a risk to our inflation trajectory. We project headline inflation to average ~7% in FY25, inline with SBP's target, and foresee the policy rate settling at 13% by Jun'25. On economic front, while broader stability has been achieved, maintaining fiscal discipline and implementing structural reforms are crucial to placing the economy on a sustainable growth trajectory.

Economy: Policy rate vs. Inflation



Economy: Real Interest rate (%)



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Inflation Nov'24

Item and Specification	Weight	Nov-24	Nov-23	YoY Δ	Oct-24	MoM Δ
General	100.0%	266.47	253.17	5.3%	264.19	0.9%
Food	34.6%	286.1	283.0	1.1%	282.9	1.1%
Alcoholic Bev & Tobacco	1.0%	386.1	362.9	6.4%	385.4	0.2%
Clothing and footwear	8.6%	248.6	220.4	12.8%	246.8	0.8%
Housing and other	23.6%	240.2	222.7	7.9%	239.3	0.4%
Furnishing and household	4.1%	271.9	258.0	5.4%	271.0	0.3%
Health	2.8%	259.3	232.3	11.6%	256.5	1.1%
Transport	5.9%	301.1	310.3	-3.0%	299.6	0.5%
Communication	2.2%	134.9	120.2	12.3%	134.8	0.1%
Recreation and culture	1.6%	275.6	256.1	7.6%	274.5	0.4%
Education	3.8%	202.8	185.6	9.3%	202.2	0.3%
Restaurants and hotels	6.9%	282.3	258.3	9.3%	276.8	2.0%
Misc. goods and services	4.9%	301.8	267.2	13.0%	298.6	1.1%

Source : PBS, Insight Research

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- Discounted cash flow (DCF)
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Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield
ROE	Return on Equity	ROA	Return on Assets	CAGR	Compounded Annual Growth Rate

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