

**ECONOMY**

## Inflation Update

## Pakistan Research

**Economy: Dec-23 CPI clocked in at 29.7% YoY**

- As per the latest data released by PBS, headline inflation for Dec-23 arrived at 29.7% YoY in Dec-23 as compared to 29.2% YoY last month, taking the 1HFY24 average to 28.8% YoY versus 25.0% YoY last year.
- The inflation reading for the month arrived in line with our projections wherein Housing & Utilities category emerged as the primary contributor to the 0.8% MoM increase (0.7% MoM) on the back of FCA (fuel cost adjustment) led rise in electricity charges (15.8% MoM).
- We highlight that the heavyweight food segment declined by 0.5% MoM, contributing -0.2% MoM. Among notable food items, tomatoes, potatoes, tea and chicken prices recorded a decline of 42.3%, 18.6%, 8.6%, and 4.2% MoM respectively.
- The transport index accelerated by 0.8% MoM amid declining motor fuel prices (Petrol: PKR 2.0 per liter: Diesel: PKR 13.4 per liter). This is because transport services recorded an increase of 12.0% MoM.
- The Restaurant & Hotels category exhibited a 0.7% MoM increase (impact of +0.1% MoM) mainly on the back of increased demand during winter vacations.
- NFNE inflation decelerated at a faster pace in rural areas (25.1% YoY) versus urban areas (18.2% YoY) wherein the gap between rural-urban NFNE in Dec-23 reached 6.9% YoY, down from 7.3% YoY last month.

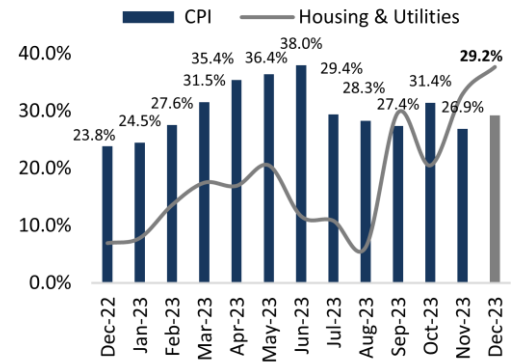
**Dec-23 MoM National CPI Inflation Breakdown**

	Weight in CPI	MoM Change (%)	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.6%	-0.5%	-0.2%
-- Non - Perishable	29.6%	0.0%	0.0%
-- Perishable	5.0%	-3.7%	-0.2%
<b>Housing &amp; Utilities</b>	<b>23.6%</b>	<b>3.6%</b>	<b>0.7%</b>
Clothing & Footwear	8.6%	0.6%	0.0%
Restaurants & Hotels	6.9%	0.7%	0.1%
Transport	5.9%	0.8%	0.1%
Others	20.4%	0.6%	0.1%
<b>MoM change in CPI</b>			<b>0.8%</b>
<b>YoY Change in CPI</b>			<b>29.7%</b>

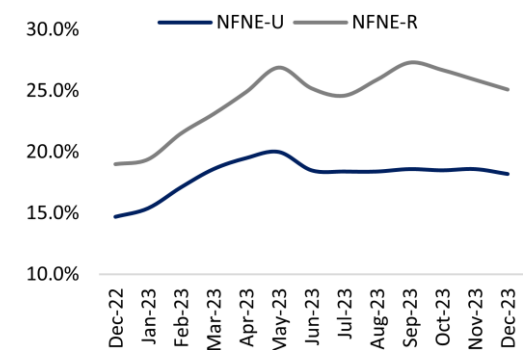
Source: PBS, Akseer Research

**Outlook | Inflation pressure to gradually subside in upcoming months**

We expect (i) high base effect, (ii) better crop output during Rabi and (iii) easing international commodity prices to facilitate gradual disinflation in the near term. In addition, given the ample flexibility to implement reforms at the outset of a new government, particularly with elections scheduled for Feb-24, we anticipate a sustained drive towards fiscal consolidation throughout the remainder of FY24, extending into FY25. However, we flag higher than anticipated (i) PKR devaluation against USD, (ii) gas/electricity price hike and (iii) commodity prices to pose key risks to our projections.

**Housing & Utilities drive inflation in Dec-23 (%YoY)**

Source: PBS, Akseer Research

**NFNE inflation remains downward sticky (%YoY)**

Source: PBS, Akseer Research

**Shan Shaikh**  
[shan.shaikh@akseerresearch.com](mailto:shan.shaikh@akseerresearch.com)

**Disclaimer**

This report has been prepared and marketed jointly by Akseer Research (Pvt) Limited and Alpha Capital (Pvt) Limited, hereinafter referred jointly as "JV" 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, the JV and/or any of their 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 professionals 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 the JV 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 particular 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 the JV's Research Department and do not necessarily reflect those of the JV or its directors. Akseer Research and Alpha Capital as firms may have business relationships, including investment--banking relationships, with the companies referred to in this report. The JV or any of their officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the companies mentioned in this report, may have a financial interest in the securities of these companies to an amount exceeding 1% of the value of the securities of these companies, may serve or may have served in the past as a director or officer of these companies, may have received compensation from these companies for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from these companies for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the companies mentioned in this report.

All rights reserved by the JV. 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 the JV. Action could be taken for unauthorized reproduction, distribution or publication.

**Valuation Methodology**

To arrive at our 12-months Price Target, the JV uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology.

**Ratings Criteria**

JV employs a three-tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Greater than or equal to +15%
Hold	Between -5% and +15%
Sell	Less than or equal to -5%

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**

The JV endeavours 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.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) 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.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8,  
off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alpha Capital (Pvt) Limited (Formerly: Alfa Adhi Securities (Pvt) Limited)**

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area,  
KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alphacapital.com.pk](mailto:info@alphacapital.com.pk)