

ECONOMY

Inflation Preview

Economy: Real Interest rate to turn positive in Mar-24

Real interest rate is likely to turn positive in Mar-24 as headline inflation is expected to ease to 20.4% YoY in Mar-24 from 23.1% YoY last month mainly driven by the high base effect and a softening in the Housing & Utility and Transport segments. The high reading in March last year emerged on the back of a devaluation bout (~23% from 26th Jan-23 to 20th Mar-23) resulting in an increase across the board. However, we expect NCPI to pick up on a MoM basis (1.4% in Mar-24 versus 0.0% last month) primarily due to (i) higher Food prices due to the Ramadan effect and (ii) stickiness in the Housing & Utilities and Transportation categories.

Food & Beverages segment expected to rise

Food & Beverages segment is expected to exhibit an increase of 2.1% MoM in Mar-24 as compared to a 1.6% MoM last month, primarily due to the Ramadan effect. Prices of perishable food items significantly spiked during the month including Tomatoes (+54.2% MoM), Bananas (+47.4% MoM), Potatoes (+25.5% MoM) and Onions (+24.4% MoM). To highlight, the Gov't has banned the exports of Onion and bananas till 15th Apr-24 to ensure smooth supply and control the price levels.

Prices of poultry related items such as chicken and eggs declined during the month due to a weather-related contraction in demand and lower poultry feed, whereas dairy product prices post a slight uptick during Ramadan.

Fuel price adjustments continue to drive Housing & Utilities Index

Housing segment is set to accelerate with MoM inflation estimated at 1.3% in Mar-24 versus 0.4% MoM last month. The increase is attributable to a notable FCA increase in Mar-24 to 7.1/kWh from 4.6/kWh last month. However, the drop in construction material and liquid hydrocarbon prices has provided some respite to the index. To note, average cement and LPG prices declined by 0.6% MoM and 0.3% MoM in Mar-23

Higher fuel prices to push Transportation reading

Transportation segment is set to increase with MoM reading projected at 2.4% MoM in Mar-24 versus 2.1% MoM last month. The acceleration mainly comes from higher motor fuel prices which increased by 7.4% MoM in Mar-24. To note, average HSD and petrol prices registered at PKR 287.3/liter and PKR 277.7/liter in Mar-24.

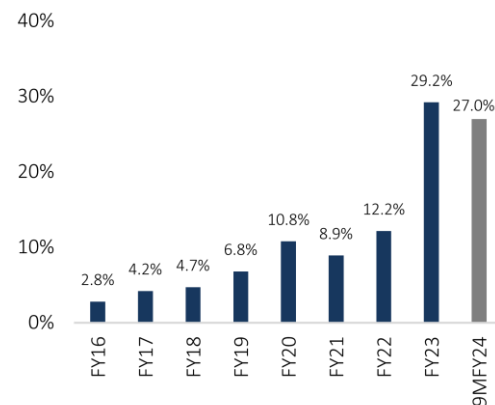
Outlook – Base effect to drive disinflationary trend in 2HFY24

Going forward, we expect the CPI trajectory to transition towards a lower plane in the upcoming months with inflation expected to average 21.9% YoY in 2HFY24 and then 17.2% YoY in 1HFY25. However, we emphasize that (i) new taxation measures to bridge the fiscal gap in-line with the IMF targets and (ii) unfunded debt repayments of USD 3.5bn (till Jun-24) exerting pressure on PKR/USD parity will likely keep the MoM readings elevated. We highlight that greater than expected PKR depreciation and higher oil prices are key upside risks to our projections.

Mar-24 MoM National CPI Inflation Breakdown			
Segment	Weight in CPI	% MoM	Cont. to MoM CPI
Food & Non -Alcoholic Beverages	34.6%	2.1%	0.7%
-- Non - Perishable	29.6%		
-- Perishable	5.0%		
Housing, Water, Electricity, Gas & Fuel	23.6%	1.4%	0.3%
Clothing & Footwear	8.6%	0.5%	0.0%
Restaurants & Hotels	5.9%	2.4%	0.2%
Transport	6.9%	2.4%	0.1%
Others	20.4%	0.5%	0.1%
MoM change in CPI			1.5%
YoY Change in CPI			20.4%

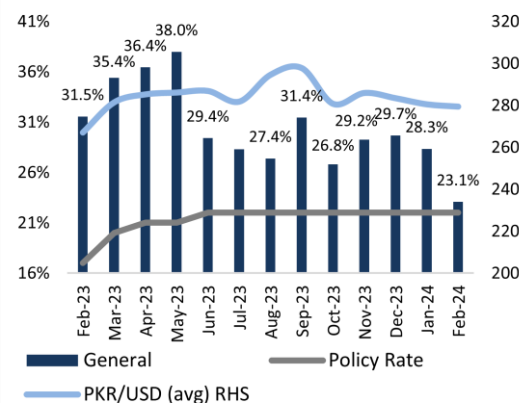
Source: PBS, Akseer Research

Inflation expected to average 27.0% during 9MFY24



Source: PBS, Akseer Research

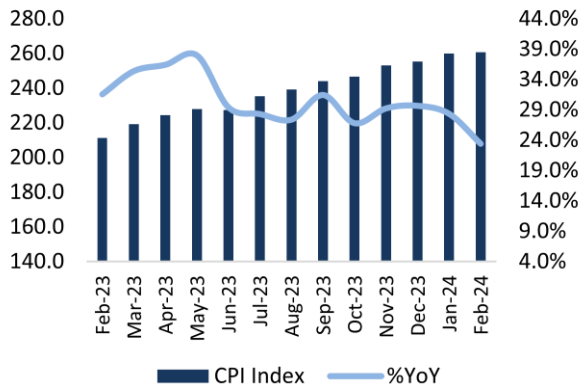
Exchange rate stability eases CPI



Source: SBP, PBS, Akseer Research

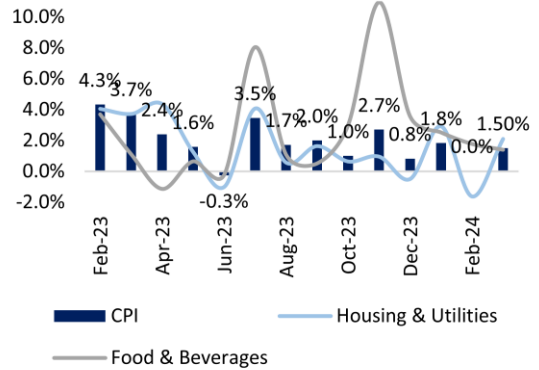
Research
research@alfa-akseer.com

High base effect till May-24 to keep CPI in check



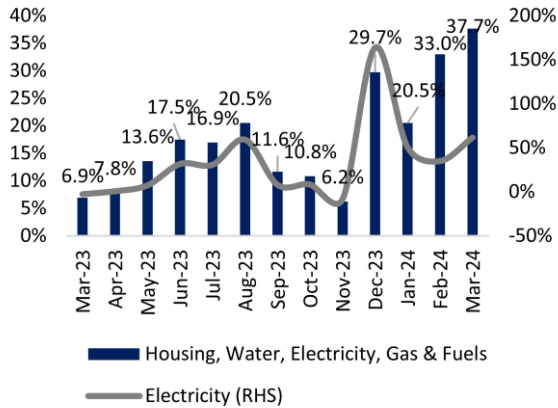
Source: PBS, Akseer Research

%MoM likely to remain elevated in Ramadan



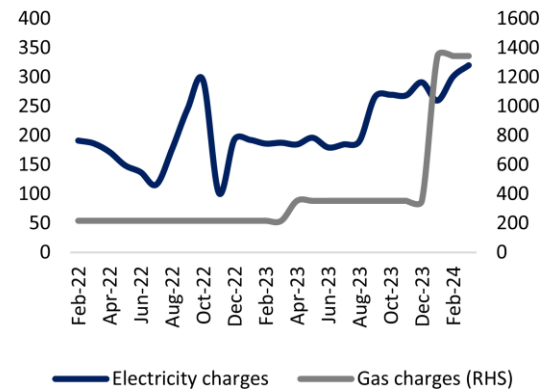
Source: PBS, Akseer Research

Electricity charges keep Housing segment elevated (%YoY)



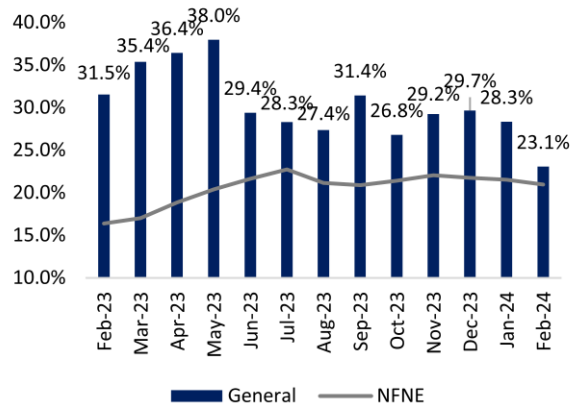
Source: PBS, Akseer Research

IMF warranted energy price adjustments to pressurise CPI



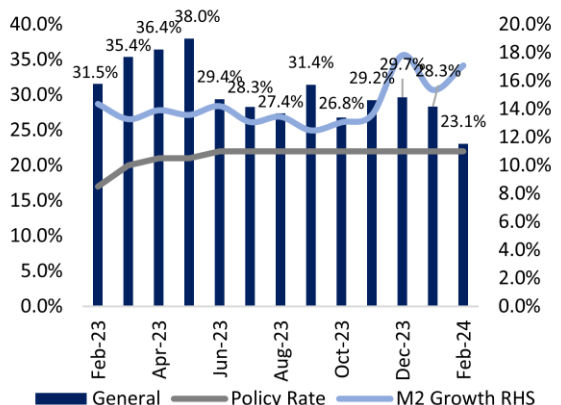
Source: PBS, Akseer Research

Core inflation represented 78.2% of headline inflation in 8MFY24



Source: PBS, Akseer Research

Persistent growth in M2 is fostering inflationary pressures



Source: SBP, PBS, Akseer Research

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

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