

Inflation Rate to Drop Further:

We expect the April 2017 inflation rate (year-on-year) to drop to 17.11% from 17.26% recorded in the month of March 2017. Although we noticed increases in the prices of food and non-food classification for the fourth consecutive month, the base effect in the CCPI in April 2016 will be responsible for the drop in the inflation rate. Based on the data release calendar on the National Bureau of Statistics (NBS) website, we expect the NBS to release the inflation rate for the month of April 2017 on May 16, 2017.

The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the Index averaged 168 points, 1.84% lower than the revised value for March 2017, but 9.93% higher than the April 2016 figure. According to the FAO, sugar prices fell the most, vegetable oils, dairy and cereal prices also declined. However, prices of meat continued to trend upward since the beginning of the year. The continued weak global import demand and improved supply conditions in the main sugar producing regions continued to weigh on the prices of sugar. Hence, the FAO Sugar Price Index fell by 9.07% in April 2017 to a 12-month low. The FAO Vegetable Oil Price Index was down by 3.92%, driven by a fall in prices of palm and soyoil, the key commodities in the Index. The FAO Dairy Price Index fell by 3.28% from March 2017 to April 2017. Milk powders and cheese were the main commodities affected. Butter prices on the other hand, rose amid reduced exports. The FAO Cereal Price Index declined by 1.2% from the previous month, due to the continued fall in the prices of wheat. Good production prospects in 2017/18 season continued to weigh on the prices of most cereals. On the flip side, the FAO Meat Price Index was up by 1.72% on the strength of higher prices for ovine and pig meat. Strong import demand particularly from China for pig meat and seasonal demand for ovine meat bolstered the prices.

Our analysis indicates that the value of the Naira appreciated at the inter-bank market, while it depreciated at the parallel market. The Naira gained by 0.16% at the inter-bank market to close at US\$/N305.85 while it lost 0.25% at the parallel market to close at US\$/N396 at the end of April. The fall in the international prices of food helped to counter the effect of the depreciation in the value of the Naira at the parallel market. The appreciation of the Naira in the inter-bank market and the drop in the prices of food at the international market led to a moderation in the prices of consumer goods in Nigeria.

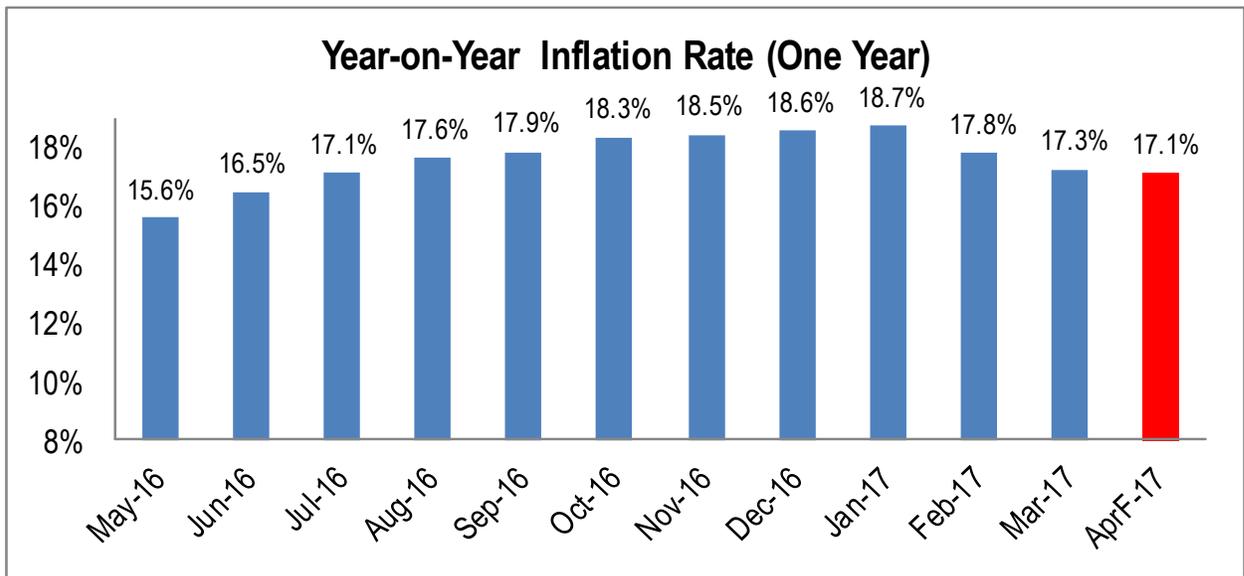
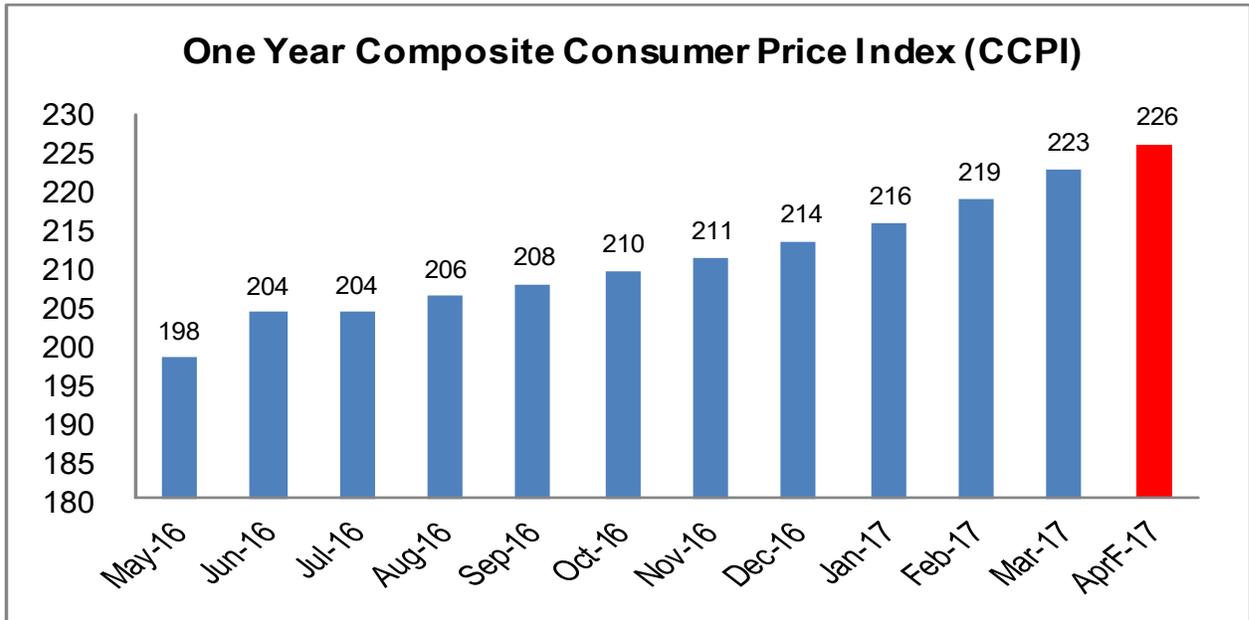
The prices of food items that FSDH Research monitored in April 2017 moved in varying directions. The prices of tomatoes, garri, sweet potatoes, beans, Irish potatoes and yam were up by 56.78%, 8.47%, 6.94%, 6.08%, 5.64% and 3.33% respectively. Meanwhile, the prices of onions, vegetable oil, palm oil, rice, meat and fish were down by 27.11%, 7.78%, 6.67%, 2.48%, 2.22% and 1.33% respectively. The movement in the prices of food items during the month resulted in 2% increase in our Food and Non-Alcoholic Index to 234.34 points. We also noticed increase in the prices of Housing, Water, Electricity, Gas & Other Fuels divisions between March 2017 and April 2017.

Our model indicates that the general price movements in the consumer goods and services in April 2017 would increase the Composite Consumer Price Index (CCPI) to 226.01 points, representing a month-on-month increase of 1.48%. We estimate that the increase in the CCPI in April will produce an inflation rate of 17.11% lower than the 17.26% recorded in March 2017.

Inflation rate: 17.11%

The FPI was down in April by 1.84% compared with the revised value for March 2017.

The CCPI would increase by 1.48% month-on-month in April.



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