

## Inflation Rate to Remain in Double Digits:

We expect the March 2016 inflation rate (year-on-year) to increase to 11.76% from 11.38% recorded in the month of February 2016. We expect the increase in the inflation rate to come from increase in transportation cost and food and beverages as a result of the shortage in fuel supply. Other factors that would drive inflation rate are: the implementation of the new electricity tariff and the impact of the weak foreign exchange rate on imported goods.

The Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the FPI was up 1% in March from February. The increase recorded in the FPI was because of a strong recovery in sugar prices and increase in vegetable oil prices. The increases in both sugar and vegetable oil were more than enough to offset the plunge in dairy prices. The Sugar Price Index increased by 17.1% in March 2016 and the highest level since November 2014. The increase was because of the expectations of low harvest. The FAO Vegetable Oil Price Index was up by 6.3% from February. The increase in the Index was primarily driven by palm oil prices as weak outlook trail production prospects in Malaysia and Indonesia. The FAO Meat Price Index was marginally up by 0.1% barely unchanged from the previous month's value. On the flip side, the Cereal Price Index was marginally down by 0.5%, due to ample supplies outlook in the new season and weak import demand. The FAO Dairy Price Index recorded its highest loss since June 2009. The Index was down 8.2% due to a build-up of stocks in major exporting countries. Butter and cheese were mostly affected.

Our analysis indicates that the value of the Naira remained stable at the inter-bank market while it appreciated at the parallel market by 5.59% to close at US\$/N322.00 from US\$/N340.00 at the end of February. The appreciation recorded at the parallel market between the two months under review moderated the impact of the imported consumer good prices in the domestic market.

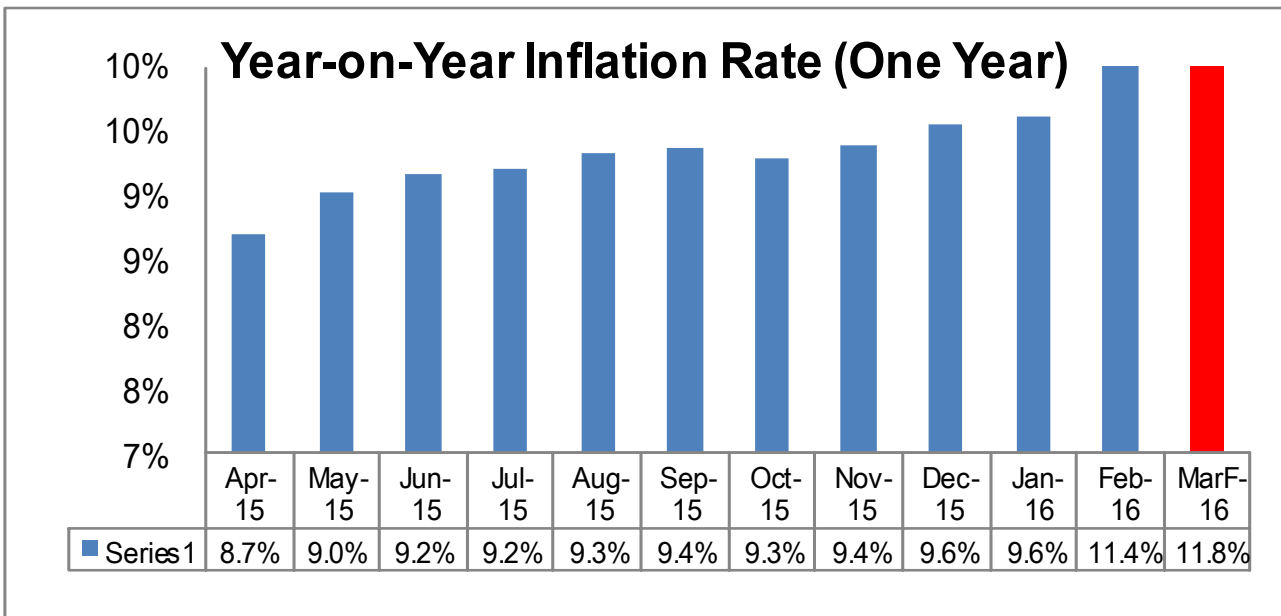
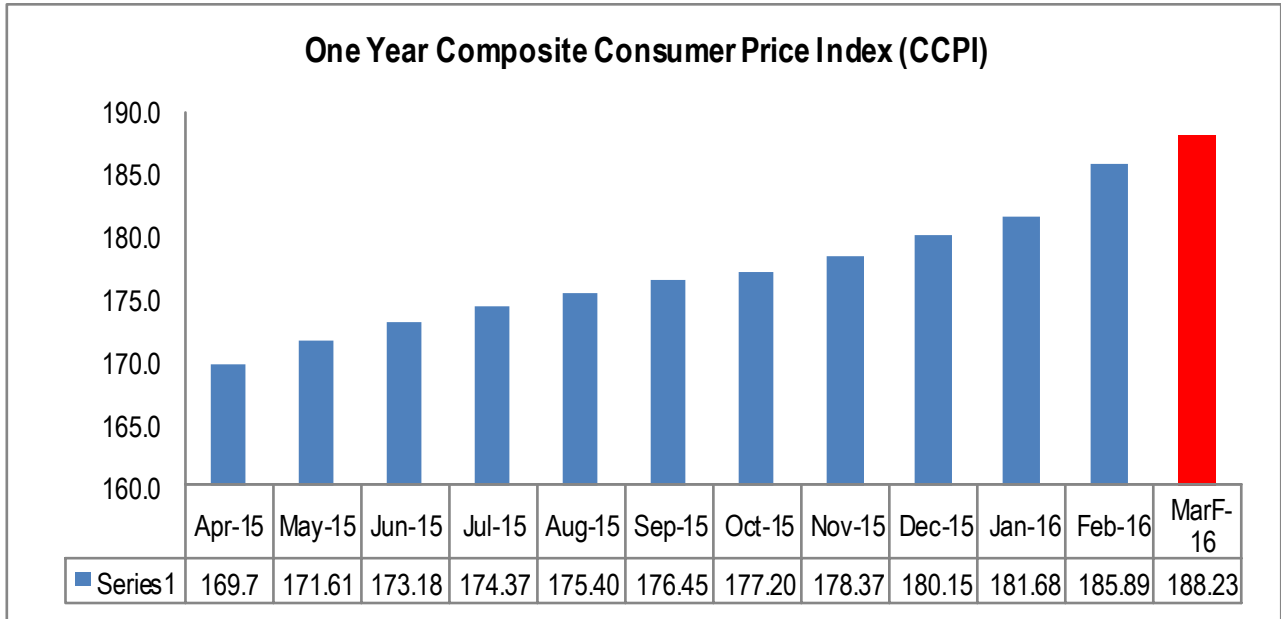
The prices of most of the food items that FSDH Research monitored in March 2016 increased. The prices of tomatoes, rice, vegetable oil, beans, yam and meat increased by 15.56%, 11.11%, 7.59%, 6.67%, 4.76%, and 1.11% respectively. However, the prices of onions, Irish potatoes, fish and garri fell by 16.19%, 5.56%, 4.71% and 3.61% respectively. Meanwhile, the prices of sweet potatoes and palm oil remained unchanged. The movement in the prices of food items during the month resulted in 0.95% increase in our Food and Non-Alcoholic Index to 191.70 points. We also noticed increases in Transport, Housing, Water, Electricity, Gas & Other Fuels Transport divisions between February and March 2016.

Our model indicates that the price movements in consumer goods and services in March 2016 would increase the CCPI to 188.23 points, representing a month-on-month increase of 1.26%. We estimate that the increase in the CCPI in March will produce an inflation rate of 11.76%.

*Inflation rate: 11.76%*

*The FPI was up in March by 1% compared with the revised value in February 2016.*

*The CCPI would increase by 1.26% month-on-month.*



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