

Inflation Rate to Drop Further:

We expect the March 2017 inflation rate (year-on-year) to drop to 16.52% from 17.78% recorded in the month of February 2017. This is premised on the slower increases in the food and non-food divisions than previous months coupled with the base effect of the higher prices in the CCPI in March 2016 than the current month. 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 March 2017 on April 15, 2017.

The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the Index averaged 171 points, 2.75% lower than the revised value for February 2017, but 13.39% higher than the March 2016 figure. According to the FAO, the drop in the value of the Index was mainly attributable to the sharp decline in the prices of sugar and vegetable oils. The FAO Sugar Price Index fell by 10.89% in March 2017 on the heels of reports on improved supply conditions in the main sugar producing region of Brazil. The FAO Vegetable Oil Price Index was also down by 6.18%. This was as a result of abundant exports of soy and palm oil in Southeast Asia, Indonesia and South America coupled with a favourable outlook for global supply in 2017/18. The FAO Dairy Index declined by 2.27% majorly due to the fall in milk powder and cheese. Butter prices on the other hand, rose amid reduced exports. The FAO Cereal Price Index decreased by 1.81% as a result of the fall in the prices of wheat, maize and rice. Good production prospects and sufficient supplies weighed on the prices. On the other side, the FAO Meat Price Index was up by 0.74% as prices of bovine and pig meat increased due to firm import demand particularly from China.

Our analysis indicates that the value of the Naira depreciated at the inter-bank market, while it appreciated at the parallel market. The Naira lost by 0.28% at the inter-bank market to close at US\$/N306.35 while it gained 13.42% at the parallel market to close at US\$/N395 at the end of March. The decision of the CBN to increase Dollar supply led to the appreciation in the value of the Naira in the parallel market. The Naira appreciation and drop in the prices of food at the international market led to a drop in the prices of consumer goods in Nigeria.

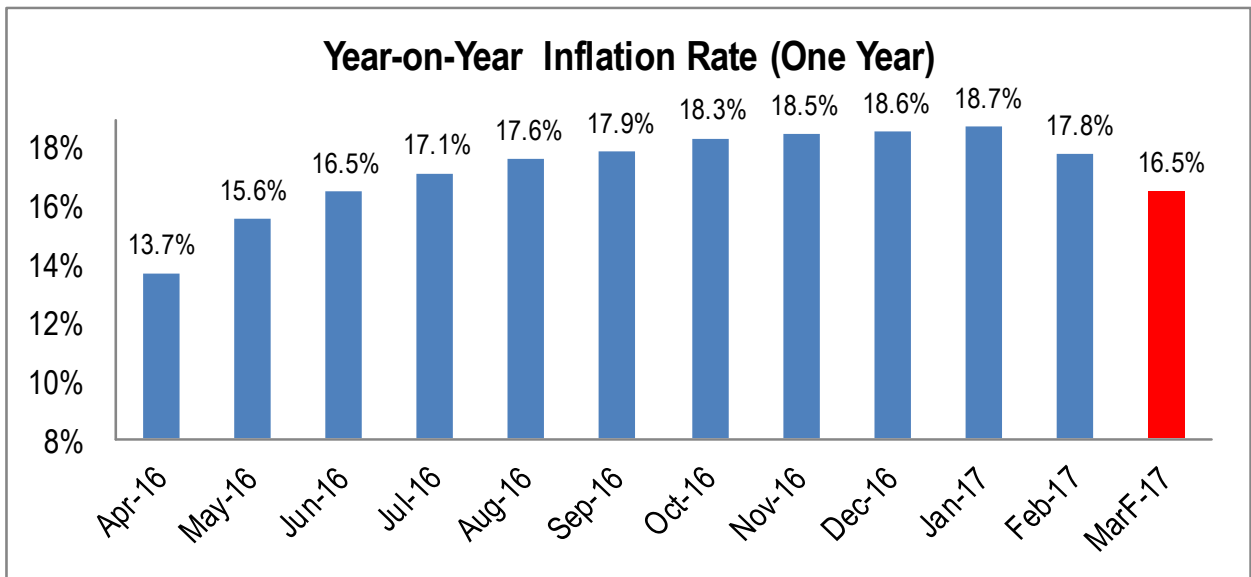
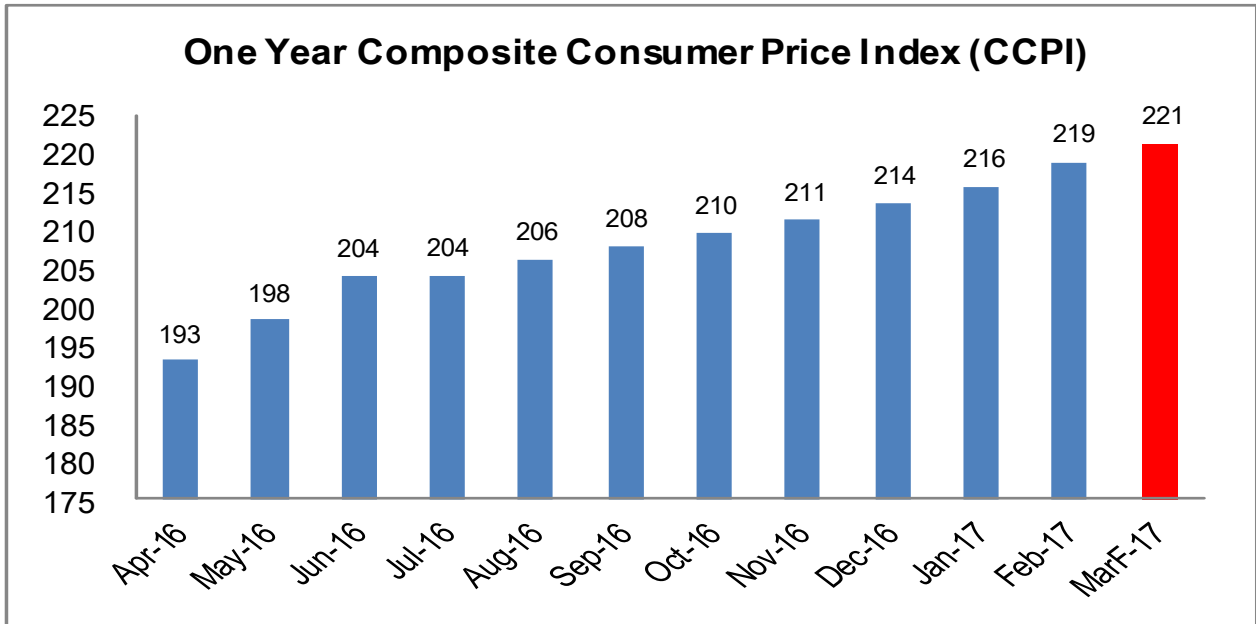
The prices of food items that FSDH Research monitored in March 2017 moved in varying directions. The prices of garri, yam, beans, tomatoes and fish were up by 13.23%, 12.04%, 6.67%, 4.76% and 0.74% respectively. Meanwhile, the prices of onions, palm oil, Irish potatoes, sweet potatoes, rice and vegetable oil were down by 17.41%, 14.12%, 9.52%, 8.33%, 4.55% and 2.78% respectively. The price of meat however, remained unchanged. The movement in the prices of food items during the month resulted in 1.20% increase in our Food and Non-Alcoholic Index to 227.50 points. We also noticed increases in the prices of Housing, Water, Electricity, Gas & Other Fuels divisions between February 2017 and March 2017.

Our model indicates that the general price movements in the consumer goods and services in March 2017 would increase the Composite Consumer Price Index (CCPI) to 221.31 points, representing a month-on-month increase of 1.08%. We estimate that the increase in the CCPI in March will produce an inflation rate of 16.52% lower than the 17.78% recorded in February 2017.

Inflation rate: 16.52%

The FPI was down in March by 2.75% compared with the revised value for February 2017.

The CCPI would increase by 1.08% month-on-month in March.



For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, P.M.B 12913 Lagos. (Tel): 234-1-2702887; 234-1-2702881-2.

Port Harcourt Office: 2nd floor, Skye Bank Building (Former Mainstreet Bank Building), 5 Trans Amadi Road, Port Harcourt, Rivers State, Nigeria. Switchboard 234-802 408 1331; E-mail: fsdh-phc@fsdhgroup.com.

Abuja Office: Leadway House (1st Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821

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