

A Spike in Inflation Rate:

We expect the May 2016 inflation rate (year-on-year) to increase to 15.58% from 13.72% recorded in the month of April 2016. We expect the increase in the inflation rate to come from increases in most of the divisions which contribute to the Index. The prices of most items were on the increase in May as a result of higher transport costs following the increase in the pump price of Premium Motor Spirit (PMS). We expect the National Bureau of Statistics (NBS) to release the inflation rate for the month of May 2016 on June 18, 2016.

The Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the FPI increased for the fourth consecutive month. The Index was up in May by 2.12% compared with the revised value in April as all the sub-indices increased except the vegetable oils. The FAO Sugar Price Index recorded a sharp rebound in May, primarily driven by deteriorating crop production prospects in India. The FAO Meat Price Index was up 2.05% as prices for all categories of meat were on the increase. The FAO Cereal Price Index was up by 1.65%, largely on account of the sharp increase in the price of maize. The price of rice was also strengthened while wheat prices were more modest. The FAO Dairy Price Index was up by 0.44%, due to sustained international import demand for whole milk powder and butter. On the flip side, the FAO Vegetable Oil Price Index fell by 1.84% due to less than expected import demand for palm oil, combined with growing export availabilities in Malaysia.

Our analysis indicates that the value of the Naira remained stable at the inter-bank market, while it depreciated at the parallel market by 8.63% to close at US\$/N351.00 from US\$/N320.70 at the end of May. The depreciation recorded at the parallel market between the two months under review further increased the prices of imported consumer good prices in the domestic market.

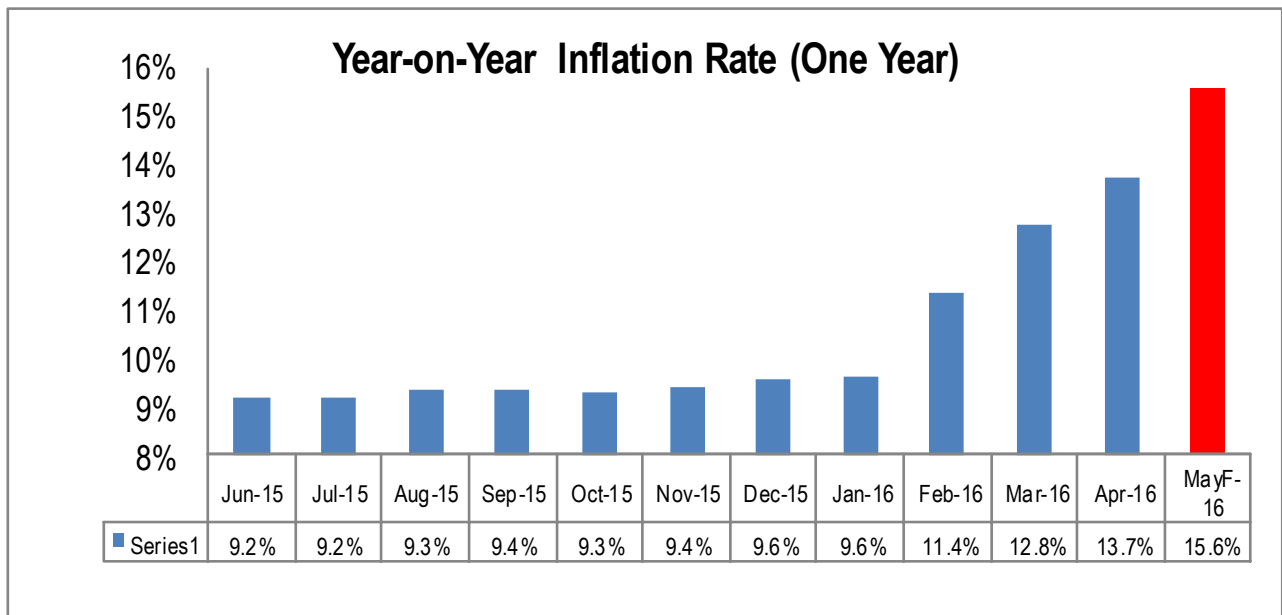
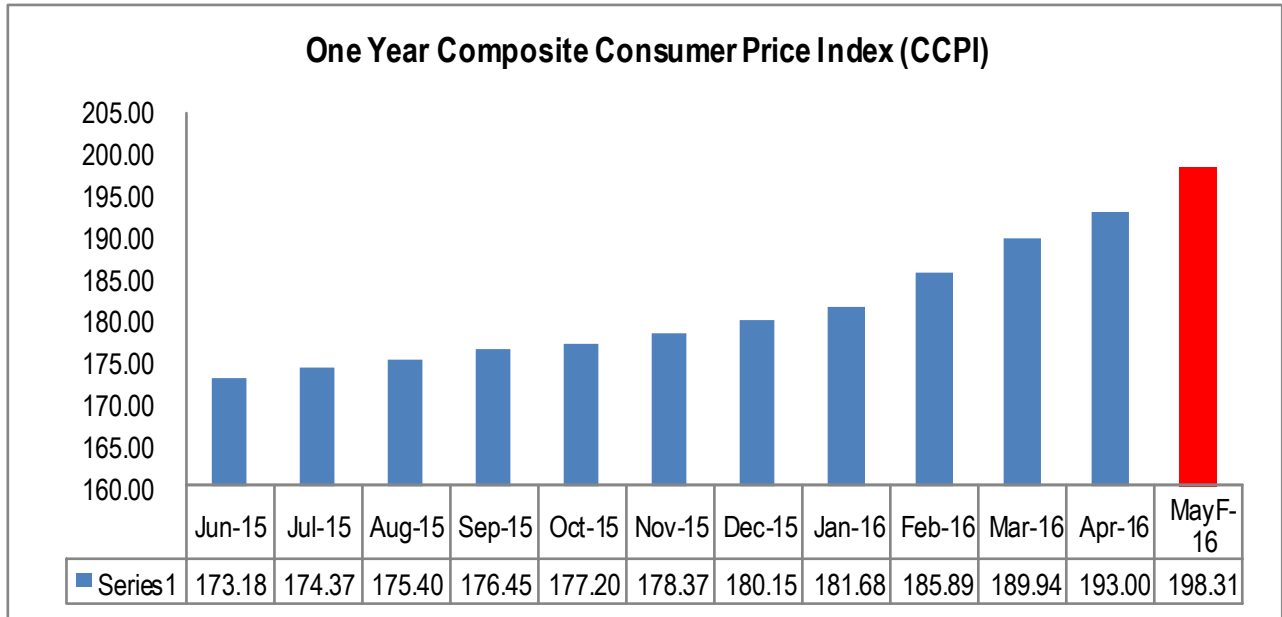
The prices of most of the food items that FSDH Research monitored in May 2016 increased. The prices of pepper, tomatoes, yam, rice, garri, onions, palm oil, sweet potatoes, meat, Irish potatoes, beans and vegetable oil increased by 140%, 77.58%, 25.60%, 17.04%, 13.33%, 13.10%, 10.71%, 10.32%, 8.33%, 7.58%, 6.48% and 0.52% respectively. Meanwhile, the price of fish remained unchanged. The movement in the prices of food items during the month resulted in a 2% increase in our Food and Non-Alcoholic Index to 200.64 points. We also noticed increases in Transport, Housing, Water, Electricity, Gas & Other Fuels divisions between April and May 2016.

Our model indicates that the price movements in the consumer goods and services in May 2016 would increase the CCPI to 198.31 points, representing a month-on-month increase of 2.75%. We estimate that the increase in the CCPI in May will produce an inflation rate of 15.58%.

Inflation rate: 15.58%

The FPI increased in May by 2.12% compared with the revised value in April 2016.

The CCPI would increase by 2.75% month-on-month.



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