

Inflation Rate to Moderate Lower in June:

FSDH Research expects the inflation rate (year-on-year) to drop to 10.94% in June 2018 from 11.61% recorded in the month of May. The drop in the inflation rate would reflect the base effect in the Composite Consumer Price Index (CCPI) from the previous year and slower rate of increase in prices. We note that consumer prices increased in June but at a lower rate than the increases recorded in May. The National Bureau of Statistics (NBS) is due to release the inflation rate for the month of June on Friday, 13 July.

The Food Price Index (FPI) published today by the Food and Agriculture Organization (FAO) for the month of June 2018 shows that the Index averaged 173.7 points, 1.3% lower than the value for May 2018, and representing the first month-on-month decline in 2018. The FAO notes that the rising tensions regarding international trade relations among large economies have weakened prices. The FAO Cereal Price Index was down by 3.7%, but 8% higher than a year ago. The drop was driven largely by relatively sharp falls in maize and wheat prices, while rice prices increased. The FAO Dairy Price Index also dropped by 0.90% between May and June; driven by the decrease in cheese prices, more than offsetting a rise in skim milk powder prices, while those of butter and whole milk powder remained unchanged. The FAO Vegetable Oil Price Index was also down by 3%, primarily driven by a decline in the prices of palm oil, soybean and sunflower oils occasioned by slow global imports demand and large inventories. However, the FAO Sugar Index increased by 1.2% from May, making it the first increase after six months of consecutive declines. The FAO Meat Index was also marginally up by 0.3% driven by the increase in the prices for ovine and pig meat.

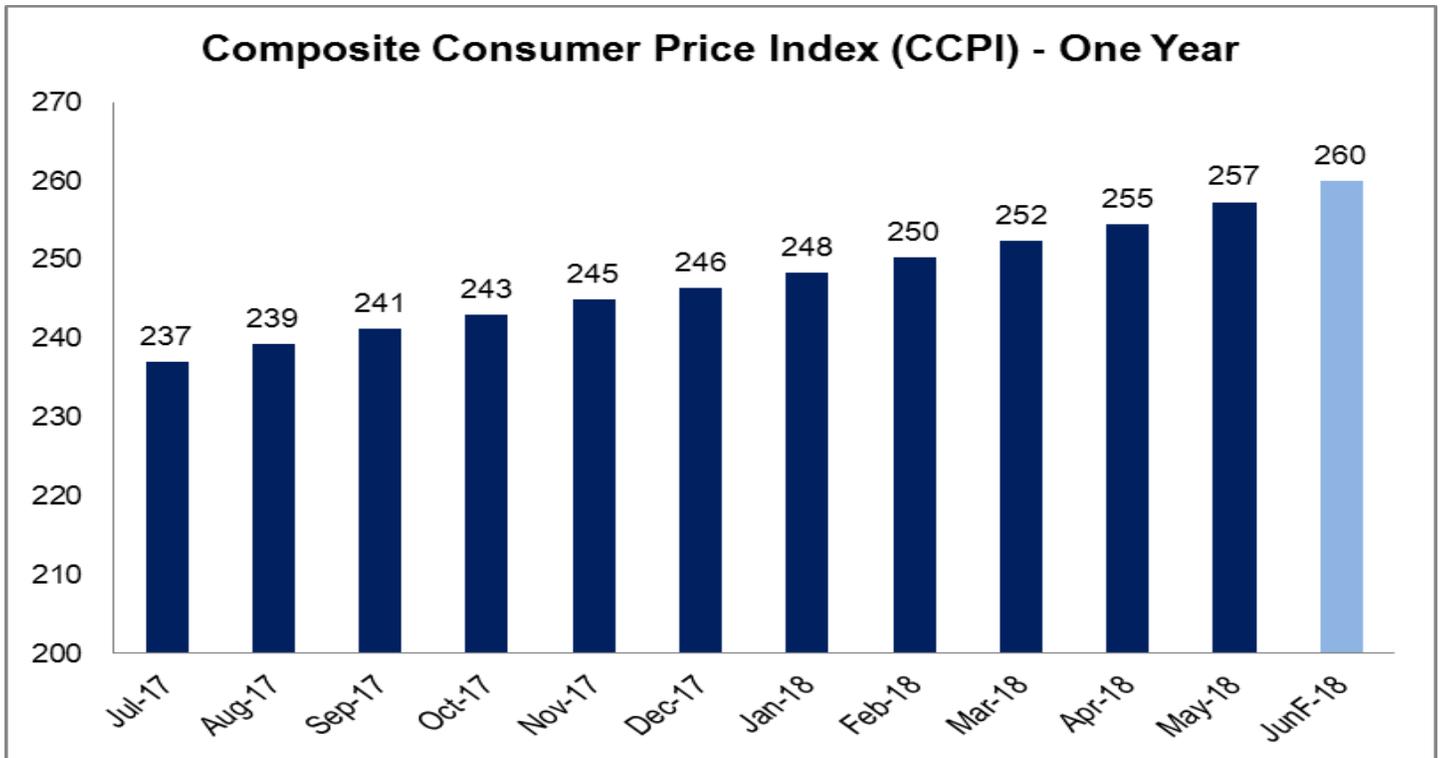
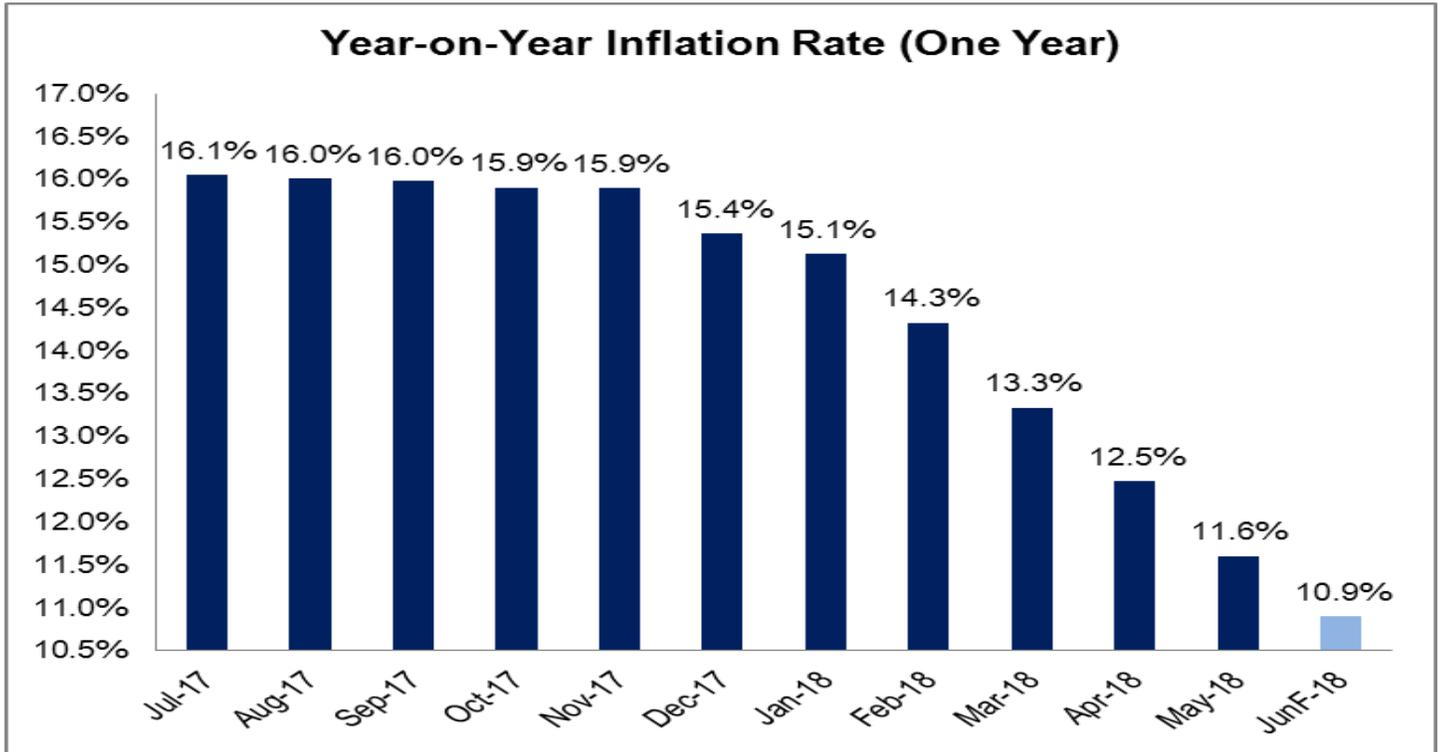
Our analysis indicates that the value of the Naira appreciated at the Nigerian Autonomous Foreign Exchange (NAFEX) market in June 2018. The value of the Naira appreciated by 0.15% to close at US\$/N361.08 at the NAFEX market at the end of June. The general decline in the international prices of food coupled with the appreciation in the value of the Naira muted the prices of imported consumer goods in Nigeria between the two months under review.

The prices of most of the food items that FSDH Research monitored in June 2018 increased, leading to a 1.10% increase in our Food and Non-Alcoholic Index. This Index increased year-on-year by 12.43%, up from 245.10 points recorded in June 2017. We also observed an increase in the prices of Transport and Housing, Water, Electricity, Gas & Other Fuels divisions between May and June 2018. We estimate that the increase in the CCPI in June would produce an inflation rate of 10.94%, lower than the 11.61% recorded in May.

Inflation Rate: 10.94%

The FPI depreciated in June 2018 by 1.3% compared with the revised May figure.

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Sources: National Bureau of Statistics (NBS) and FSDH Research

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