

Further Increase in Inflation Rate

The National Bureau of Statistics (NBS) is expected to release the inflation rate for the month of July 2015 on August 18, 2015, based on the Data Release Calendar available on the Bureau's website as at the time of this report. The latest inflation rate for the month of June 2015 stands at 9.2%, higher than 9.0% recorded in the month of May 2015. Our inflation rate forecast for the month of June released in our monthly Inflation Watch Report was 9.1%. The inflation rate has been on a consistent increase since the beginning of the year and recorded an all-year-high at 9.2% in the month of June. The inflation rate was also the highest rate recorded since February 2013. According to the NBS, the monthly Composite Consumer Price Index (CCPI) for All Items for the month of June stood at 173.2 points, an increase of 0.9% from May 2015. The CCPI 12-month average for June 2015 stands at 8.4%, higher than 8.3% recorded in May 2015. The NBS noted that irregularity in the supply of Premium Motor Spirit (PMS) continued to impact food prices. Hence, Food and Non-Alcoholic Beverages and Transportation divisions increased at a faster pace during the period under review. The Food Sub Index rose by 10%, up from 9.8% in May. In addition to limited PMS supply, the late onset of rain was also responsible for the increase in the value of the Index. The highest price increases were recorded in the vegetables, fish, bread and cereals; and potatoes, yam & other tubers groups. Vegetables in particular become less available as precipitation begins, which increases the upward pressure on the Food Sub-Index. The Core Sub-index increased by 8.4 percent (year-on-year), marginally higher from May with the highest pressures observed in the Transportation, Education and Miscellaneous Good and Services divisions. The pace of increases slowed in multiple divisions, such as Clothing and Footwear, Housing Water, Electricity, Gas and Other Fuels.

Inflation Rate: 9.4%

The FFPI dropped by 1.04% in July, compared with June 2015.

A cursory look at the movement in the food prices at the international level, as measured by the Food and Agriculture Organization (FAO) Food Price Index (FFPI) for the month of July 2015, shows that the Index averaged 164.6 points, 1.04% lower than the revised value in June 2015, and 19.4% lower than the July 2014 figure. At its current level, the Index has reached its lowest monthly value since September 2009. Last month's decline reflected sharp drops in the prices of dairy products and vegetable oils, which more than offset some increases in the prices of sugar and cereals. Prices for dairy commodities declined across the board, with milk powder being most affected, followed by cheese and butter. Subdued import demands from China, the Middle East and North Africa primarily were responsible for the dip in the value of the Index. The FAO Vegetable Oil Price Index was also down by 5.48%, this was as a result of ample export availabilities of soy and palm oil in South America and a favourable outlook for global supply in 2015/16. On the flipside, the Dairy Price Index rose by 2.05% in July 2015. The strength in the value of the Index was largely driven by strong wheat and maize quotations. The Sugar Price Index also increased by 2.5% in July 2015 on the heels of reports of less than ideal harvesting conditions in the main sugar producing region of Brazil. The FAO Meat Index appreciated by 0.3% barely unchanged from the previous month's value.

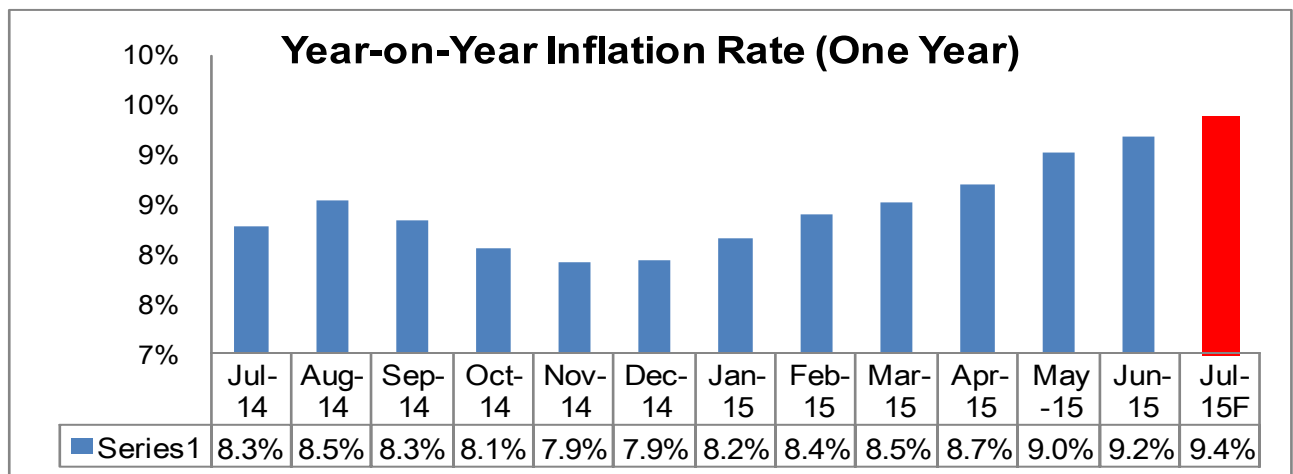
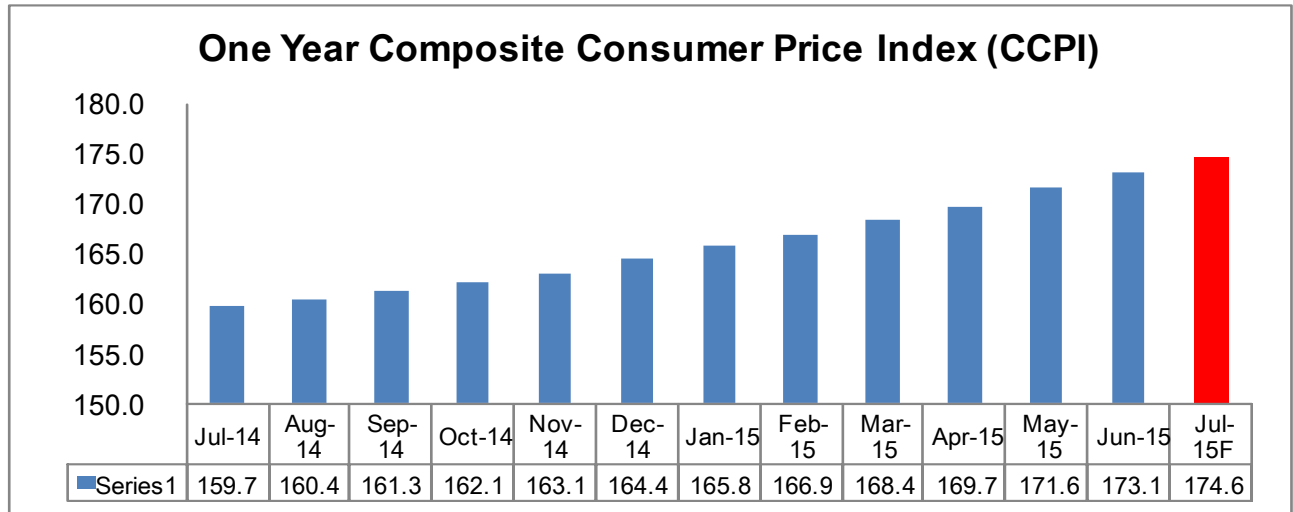
The Naira depreciated against the US Dollar by 0.19% in July 2015.

Our analysis of the foreign exchange rate of the local currency indicated that the value of the Naira depreciated against the US Dollar by 0.19% from US\$/N198.72 at the end of June to US\$/N199.10 at the end of July. The fall in the international prices of food helped to counter the effect of the depreciation in the value of the Naira.

Furthermore, an analysis of the average prices of a basket of consumer goods selected from across the country monitored by FSDH Research in July 2015 shows that there was a general decrease in the prices of essential food items during the period. Food items such as tomatoes, onions, Irish potato, yam, garri, sweet potato and fish recorded decreases of 22.36%, 18.89%, 15.71%, 5.83%, 5.56%, 4.17% and 3.92% respectively. The price of beans went up by 6.67% while, the price of rice, vegetable and palm oil and meat remained unchanged. The movement in the prices of food items during the month resulted in 0.89% increase in our Food and Non-Alcoholic Index to 179.22 points. We also noticed an increase in the prices of Transportation; Housing, Water, Electricity, Gas and Other Fuel between June and July 2015.

The inflation rate in the month of August is expected to be higher than the July figure.

Our model indicates that the price movements in the consumer goods and services in July 2015 would increase the CCPI to 174.64 points, representing a month-on-month increase of 0.84%. We estimate that the increase in the CCPI in July will produce an inflation rate (year-on-year) of 9.4%, higher than the figure recorded in the month of June. Looking ahead, the inflation rate for the month of August 2015 is expected to be higher than the July 2015 figure.



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, Mainstreet Bank Building (former Afribank 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 (Ground Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821