

HEADLINE INFLATION RATE STOOD AT 8.7% FOR THE MONTH OF APRIL, 2015

Headline inflation rate rises to 8.7%

The National Bureau of Statistics (NBS) recently released the Consumer Price Index (CPI) report for April 2015, which showed year-on-year (yoy) headline inflation rate at 8.7% in April 2015. This represents a 20 basis point increase from 8.5% in March 2015 and is the fifth consecutive monthly increase in headline inflation rate. The CPI for food inflation rose by 9.5% (March: 9.4%) while core inflation also increased by 7.7%, representing a 0.2 percentage point increase from 7.5% in March.

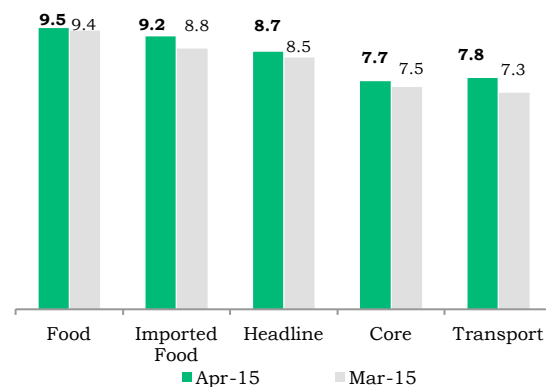
Headline inflation driven by non-food divisions

According to the NBS, core index increased at a faster pace in April, with the strongest increases recorded in the Clothing & Footwear; Furnishings & Household Equipment Maintenance; and Restaurants & Hotels Divisions. On a month-on-month (mom) basis, core inflation accelerated marginally by 0.6% (March: 0.8%), driven by increases in Fuels & Lubricants for Personal Transport Equipment, Liquid Fuels, and Passenger Transport by Road groups. Food prices increased by 0.9% (mom), a 0.1 percentage point decline from 1.0% in March.

Inflationary pressure to persist due to uncertainty in the downstream oil sector

Transport prices rose by 7.8% in April (yoy), the highest increase since February 2013 (10.9%), and this is largely as a result of the fuel scarcity that began in April. Fuel shortage is likely to continue much longer than expected following the claims of unpaid subsidy by petroleum marketers owed by the Federal Government as well as the uncertainty on how subsidy would be treated by the incoming administration. We believe this would further heighten inflationary pressure in the medium term, consequently raising concerns for tighter monetary policy stance in coming months. We expect inflation rate to trend north in May, driven by higher transport and food prices.

Figure 1: Inflation Rate (%) (Year on Year)



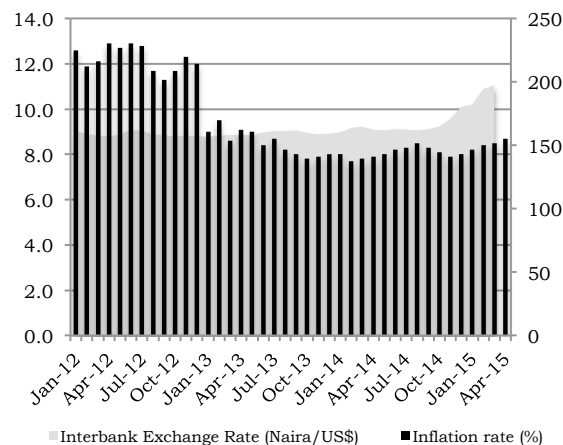
Source: NBS, NESG Research

Figure 2: Nigeria's Inflation Rate (2008-2015)



Source: NBS, NESG Research

Figure 3: Inflation Rate Vs Exchange Rate



Source: CBN, NBS, NESG Research