



Inflation

Comment on recent news – this page

Today's headlines – page twos

Recommendations and valuations – page three

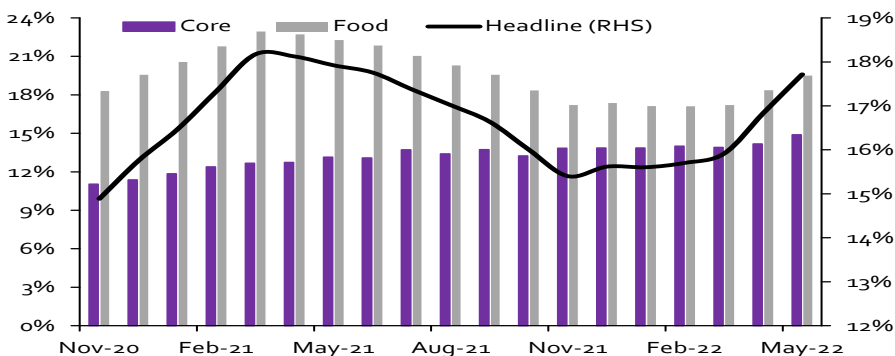
Inflation rises again in May

In May 2022, the headline inflation rate increased to 17.71% y/y, 0.89% higher than 16.82% recorded in April 2022 but 0.22ppts lower compared to 17.93% recorded in May 2021. Increases were recorded in all COICOP divisions that yielded the Headline index. Month-on-month basis, the Headline inflation rate increased to 1.78% in May 2022, also 0.02ppts higher than the 1.76% recorded in April 2022. The authorities raised the Monetary Policy Rate (MPR) from 11.5% to 13.0%, in a surprising move last month. This, according to the committee, was to moderate inflationary pressure, among other reasons.

Amidst the continued rise in food prices, the food index rose to 19.50% y/y in May 2022, 1.13% higher than 18.37% recorded in April 2022 but down 2.78% compared with 22.28 reported in May 2021. The rise in the food index according to the bureau was driven by increases in prices of bread and cereals, food products, potatoes, yam, and other tubers, wine, fish, meat, and oils. Month-on-month, the food sub-index increased to 2.01% in May 2022, up 0.01 percent points from 2.00% recorded in April 2022. We anticipate a mild respite to increasing food prices when the harvest season begins in September. However, the impact of the Russian- Ukraine war on the prices of commodities like wheat and oil will continue to pressure food inflation.

Core inflation of 14.90% y/y was reported in May 2022; 0.72% higher than 14.18% recorded in April 2022 and 1.75% higher than 13.15% recorded in May 2021. Month-on-month, the core sub-index increased to 1.87% in May 2022. This is up by 0.65% from 1.22% recorded in April 2022. The highest increases were recorded in prices of Gas, Liquid fuel, Garment, Solid fuel, Cleaning, Repair and Hire of clothing and Passenger transport by road. The growth in the core index continues to reflect the impact of the increased cost of diesel and gas, which we believe will continue to pressure core inflation. Again, election spending, which is likely to result in huge liquidity injections into the economy for the rest of the year, poses a threat to price stability.

Inflation rate (Headline, Core and Food)



Source: NBS, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,501.03	42,716.44	52,775.40
Naira/ US\$	411.75	435.00	420.00
Brent, US\$/bbl	73.99	77.78	118.51
MPR %	11.50	11.50	13.00

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index.

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

gloria.fadipe@fcbm.com

Banks: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

gloria.fadipe@fcbm.com

Industrials: Oluwasesan Adeyeye

+234 (0)1 448 5436 ext.4512

oluwasesan.adeyeye@fcbm.com

FMCGs & Brewers: Edgar Ebinum

+234 (0)1 448 5436 ext.4457

edgar.ebinum@fcbm.com

Research Team: csresearch@fcbm.com

Retail Team: cslsru@fcbm.com

Sales Team: cslrmt@fcbm.com



Today's news headlines:

Worsening Insecurity in Nigeria Worries IMF: The International Monetary Fund (IMF) has expressed concern over the deteriorating level of security conditions in Nigeria, stressing that it was contributing to the subdued Gross Domestic Product (GDP) figures in the country. It also listed other downside risks in the near-term to include the elections, low vaccination against Covid-19 and higher global interest rates. According to the IMF, despite supportive oil prices, the country's gross FX reserves fell to \$38.6 billion at end-May 2022, having reached \$41.5 billion in September 2021 boosted by SDR allocation and Eurobond issuance. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/06/16/worsening-insecurity-in-nigeria-worries-imf/>

70 airlines extinct in Nigeria, three may collapse soon – Operators: Over 70 airlines have gone into extinction in Nigeria in the past few years and three others currently in operation may collapse in the coming weeks, the Airline Operators of Nigeria said on Wednesday. AON attributed the incessant collapse of airlines in Nigeria to the excessive charges confronting operators in the sector, among other concerns. It, however, explained that the major reason capable of crumbling the operations of airlines currently was the high cost of aviation fuel, popularly called Jet A1. Source: punchng.com

<https://punchng.com/70-airlines-extinct-in-nigeria-three-may-collapse-soon-operators/>

Electricity operators commit to 5,000MW from July 1: Electricity operators in Nigeria have committed to delivering 5,000MW of power from July 1, under the pain of sanctions if they default, the regulator has said. Sanusi Garba, Chairman, Nigerian Electricity Regulatory Commission (NERC) in a press briefing on Wednesday in Lagos, said the absence of commercial contracts underpinning transactions within the sector has been a major challenge and the commission was poised to resolve this. Effectively from July 1, all electricity market participants have committed to 5,000MW. Source: [Businessdayng.com](https://businessday.ng)

<https://businessday.ng/energy/article/electricity-operators-commit-to-5000mw-from-july-1/>

With \$64bn Total Assets, NNPC Targets 2026 to Achieve Nigeria's Energy Sufficiency:

With assets in excess of \$64 billion, the Nigerian National Petroleum Company (NNPC) Limited said yesterday that it's focusing on 2026 to achieve energy sufficiency for the country. Group Managing Director, NNPC, Mallam Mele Kyari, made the disclosure when he delivered a keynote address at the Global Energy Summit themed: "Setting the global transition agenda," organised by Reuters in New York, United States. Represented at the event by the Group General Manager, National Petroleum Investment Management Services (NAPIMS), Mr Bala Wunti, Kyari stated that Nigeria was ready to rally investors for the development of the nation's gas sector. Source: [thisdaylive.com](https://www.thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/06/16/with-64bn-total-assets-nnpc-targets-2026-to-achieve-nigerias-energy-sufficiency/>



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Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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Member of the Nigerian Stock Exchange	A trading name of CSL Capital (UK) Ltd
PO Box 9117	43-44 New Bond Street
Lagos State, NIGERIA	London
	W1s 2SA
	United Kingdom