June 11, 2024

PRISM

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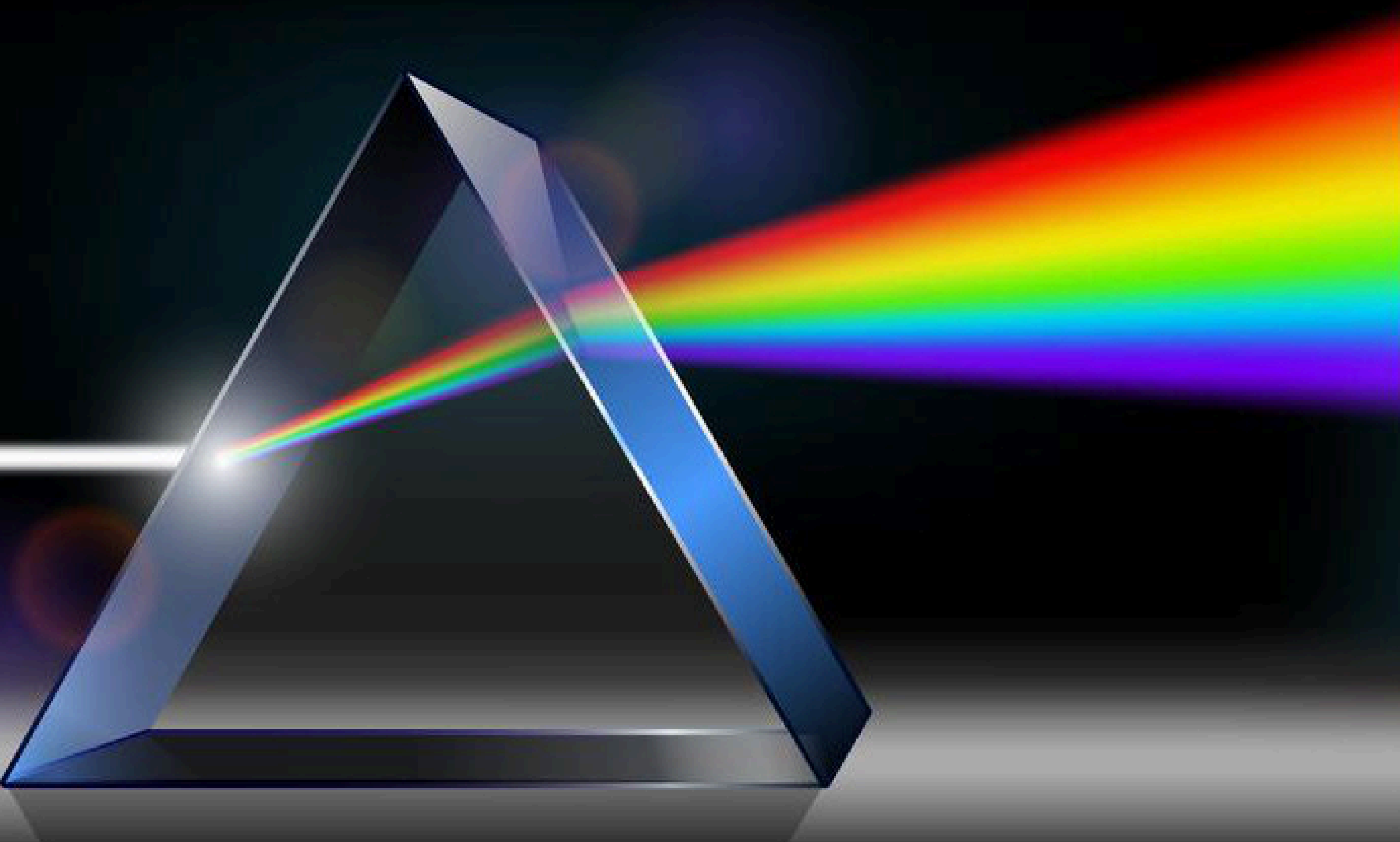

BIZNOMICS

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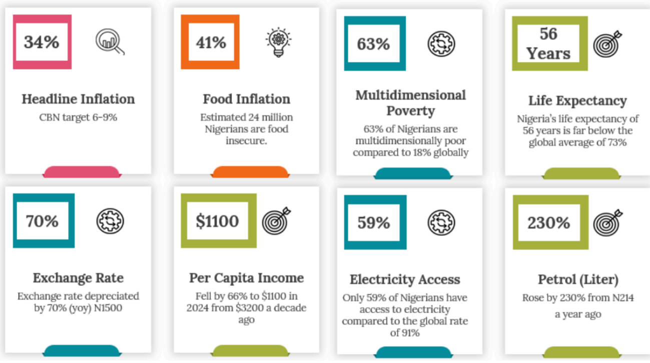
THE ROLE OF FISCAL STIMULUS IN ECONOMIC RECOVERY

In times of economic uncertainty, a targeted fiscal stabilization plan can be the anchor that prevents the ship of state from drifting into turbulent waters. The financial adrenaline shot can jumpstart an economy on the road to recovery. This is what Nigeria's fiscal authorities are attempting to do after embarking on far-reaching reforms in 2023. The government is preparing to launch a comprehensive fiscal stabilization and stimulus package estimated at N6.6 trillion.

These fiscal measures have become imminent as Nigeria's socio-economic dashboard (see Figure 1) shows that Nigerians are living on the edge. With inflation at 34%, per capita income at $1,100, multidimensional poverty at 63% of the population (compared to the global rate of 18%), there is no doubt Nigerian households and businesses need life support.

The fund will be injected into agriculture, micro, small, and medium enterprises (MSMEs), manufacturing, and vulnerable households to stimulate economic activity, create employment opportunities, and enhance overall productivity.

FIGURE 1: NIGERIA'S SOCIO-ECONOMIC



Targeted business interventions

The following stabilization funds have been proposed:

- N100 billion for Youth Owned Enterprises, aimed at supporting 7,400 micro, small, and medium enterprises (MSMEs) within the next 6–12 months, encompassing youth-owned businesses in all 36 states of the Federation.
- N200 billion fund to offer affordable short-term financing to large MSMEs in diverse sectors such as light manufacturing, food processing,

pharmaceuticals, agriculture, and wholesale and retail trade.

- N1trillion Manufacturing Stabilization Fund to provide cost-effective long-term financing (at a rate of 9.0–11.0%) to sizable large and medium-scale manufacturers engaged in producing finished goods for both domestic consumption and export markets.
- N150 billion Grow Nigeria Development Fund comprising a loan portfolio with a single-digit interest rate in partnership with the Bank of Industry (BOI) and a matching fund agreement with subnational governments aimed at fostering the growth of small and medium-sized enterprises (SMEs).

Indeed, MSMEs and other businesses are expected to benefit from the stimulus package through reduced production costs, increased access to raw materials, and improved competitiveness. The suspension of import duties, VAT exemptions, and intervention fund allocation for critical sectors will help businesses recover from the economic downturn, boost productivity, and support job creation.

Inflation reduction measures

The stabilization plan recommended the following inflation reduction measures:

- Suspension of Import Duties and Tariffs: Staple food items, raw materials, agricultural inputs, pharmaceutical products, and poultry feeds will be exempted from duties for a period of six months. This move is intended to reduce production costs, lower consumer prices, and improve accessibility to these crucial goods.
- Authorization for Miller Imports: The government plans to authorize millers to import paddy rice duty-free and exempt from Value Added Tax (VAT) for six months. This initiative aims to boost the local rice supply chain, support domestic rice production, enhance food security, and reduce the country's reliance on rice imports.
- Suspension of Value-Added Tax: As part of the stimulus package, Value-Added Tax (VAT) will be suspended on various essential goods and services for the remainder of 2024. Basic food items, semi-processed staple items, raw materials for food manufacturing, electricity, public transportation, agricultural inputs and produce, and pharmaceutical products will be exempt from VAT. This measure is intended to lower prices, increase purchasing power, and stimulate consumer spending.

If well implemented, these initiatives will alleviate the financial burden on businesses and consumers, increase the supply of essentials, moderate inflationary pressures, and enhance economic stability. Also, by reducing the cost of essential goods, enhancing purchasing power, and supporting income-generating activities, the package aims to alleviate the impact of the cost-of-living crisis on households.

Is the fiscal stimulus a silver bullet?

The overall objective of the fiscal stimulus package is to stabilize the macroeconomy and stimulate economic growth. However, fiscal stimulus often poses several challenges. First, the substantial allocation of the intervention fund and the suspension of import duties and VAT exemptions may strain the government's budgetary resources and impact other essential public services and infrastructure projects. Specifically, the planned stimulus package will increase the 2024 budget deficit by 79% to N16.4 trillion, amounting to 7% of GDP (compared to 5.5% in 2023). Given Nigeria's shrinking fiscal headroom, funding the stabilization plan may be a tall order.

Second, there could be implementation challenges. Effective implementation of the stimulus measures, including monitoring fund disbursement, preventing misuse, and ensuring transparency, may pose logistical challenges. The government will need to establish robust oversight mechanisms, engage stakeholders, and maintain accountability throughout the implementation process.

Third, the success of the planned program could be short-circuited by worsening inflation risks. The increase in liquidity in the economy resulting from the intervention fund could lead to higher demand for goods and services and increased demand for dollars. This could pressure the naira, drive up prices, and further exacerbate the record-high inflation.

Finally, there are also sustainability concerns. The temporary nature of these measures raises questions about their long-term sustainability and lasting impact on the economy. Fiscal stimulus is, truthfully, a short-term fix. Nigeria will need to focus on structural transformation to achieve a sustainable outcome, foster accelerated and inclusive growth, and build resilience against future shocks. This will be achieved through sustained increases in investments, deliberate dismantling of embedded productivity disincentives, targeted human development, ramping up of exports, and sustained investment in critical infrastructure.

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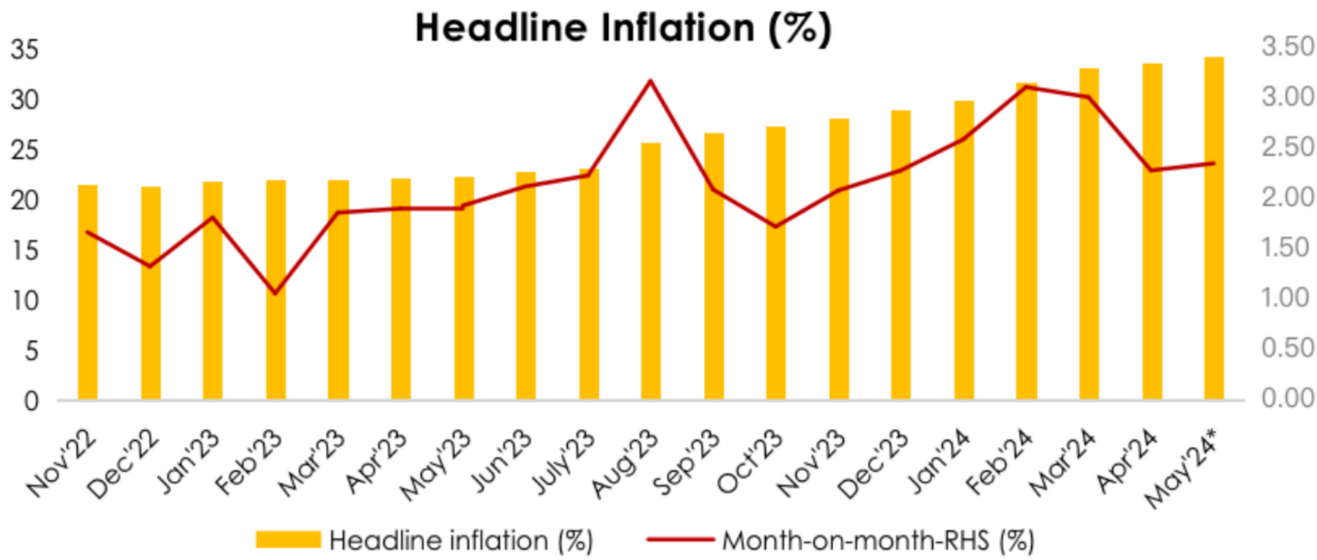
Headline inflation likely to Surge to 34.32% in May – Against expectations

34.32%

Headline inflation forecast for Nigeria

The National Bureau of Statistics will release the inflation data for May 2024 later this week. Based on our regression model from our Lagos market survey, headline inflation is expected to increase by 0.63% to 34.32% from 33.69% in April. If our forecast is accurate, it will be the fifth consecutive rise in 2024. The rate of increase in price level which was 0.49% in April is now projected to increase to 0.63%, which suggests that price will not be moderating anytime soon. This trend combined with other exogenous factors, i.e. the proposed minimum wage review and increase in the rate of money supply, shows that price inflation is still very potent.



[1]

[1] NBS, FDC Think Tank

Apart from the above, we are also projecting that food inflation will rise by 0.67% to 41.20% from 40.53%. Almost all the commodities tracked in our universe witnessed significant price increases, including rice (13.3%), beans (26.3%), garri (17.5%), yam (11%), tomatoes (120%), onions (36.4%), vegetable oil (38.9%), and Titus fish (50%). Conversely, some prices have remained relatively stable such as eggs, bread, noodles, and palm oil. Core inflation (inflation less seasonalities) is projected to rise marginally by 0.36% to 27.20% from 26.84% in April. This would be driven by the renewed currency pressures and money supply saturation.

Month-on-month inflation will also increase marginally by 0.07%

Our time series model points to a possible marginal increase in month-on-month inflation to 2.36% (32.49% annualized) from 2.29% (31.16% annualized) in April. This largely reflects an increase in aggregate demand as currency in circulation rose by 1.07% to N3.97trn from N3.92trn in April. Food inflation is to increase marginally also by 0.08% to 2.58% from 2.50% due to the supply-demand gap underpinned by low productivity and insecurity. Core inflation is also expected to tick up by 0.53% to 2.73% from 2.20%, attributed to the dancing naira in recent times.

Skyrocketing money supply growth will push inflation further to 35.19%

Money supply growth (M3), which declined in March by 10.26% to N92.34trn, has reversed itself, jumping by 3.98% to 73.02% (N96.97trn) in April, posing a major threat to the inflation trajectory. Research findings show that every

Monthly inflation

To: 2.36%

By: ▼7bps

From: 2.29%

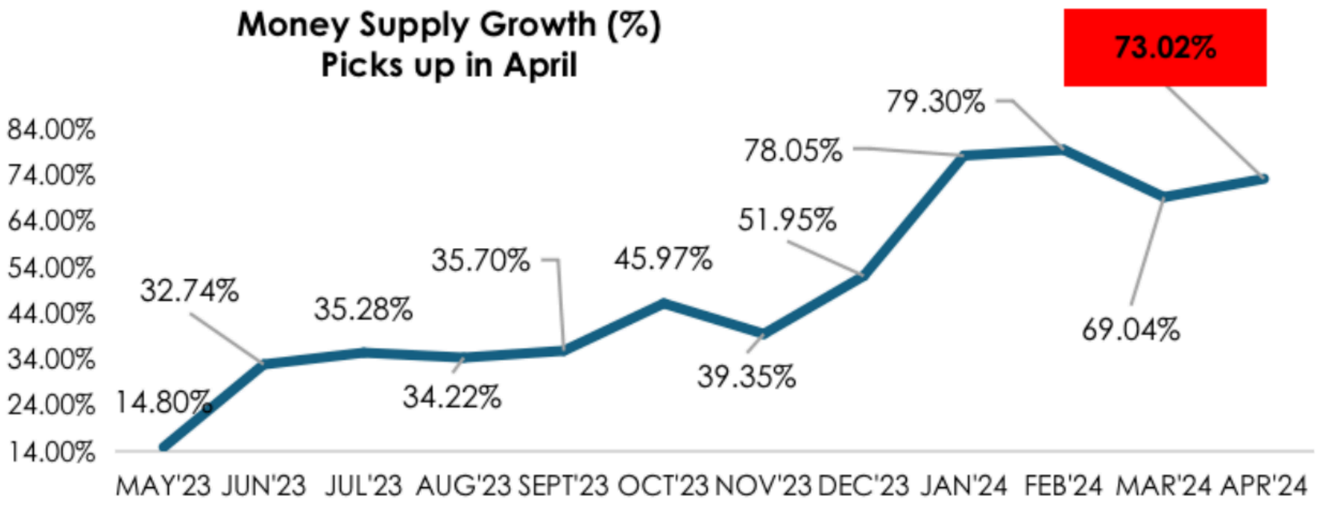
Food inflation

To: 41.20%

By: ▲67bps

From: 40.53%

1% increase in money supply will lead to a 0.22% increase in headline inflation. This implies that the impact of the money supply growth of 3.98% might result in inflation increasing further to 35.19%. Therefore, the hope that inflation might taper is misplaced at this point in time. Hence, another aggressive rate hike by the CBN is possible at the next MPC meeting on July 22nd and 23rd.



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Minimum wage increase - Impact on inflation

Nigeria grapples with the proposal to increase the minimum wage amid a spiraling inflation rate of 33.96% and a 750-basis point increase in the MPR. While crucial for uplifting low-income workers, this move could exacerbate inflationary pressures. A higher minimum wage may trigger both cost-push and demand-pull inflation. More so, expectations of future wage hikes may initiate a wage-price spiral, further intensifying inflationary trends.

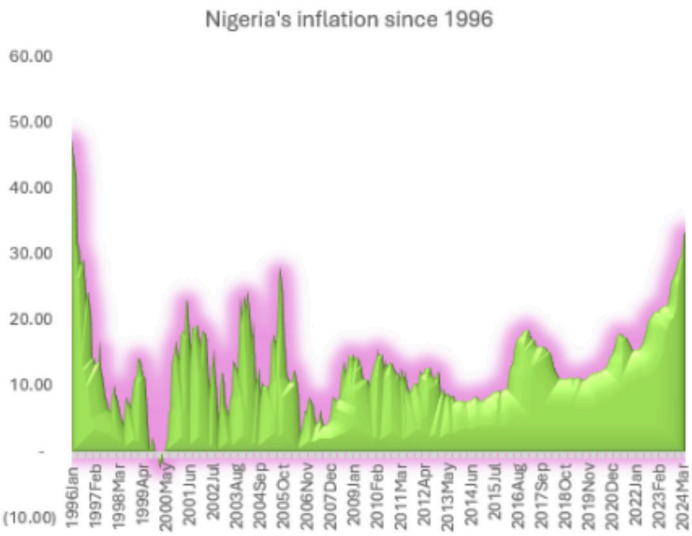
Outlook

The planting season will increase prices in the coming months, coupled with the renewed currency pressure and money supply saturation. Hence, inflation is likely to remain high in the coming month or two, and it appears that another hike is possible.

[2]CBN, FDC Think Tank

RETHINKING THE INFLATION CONTAINMENT MEASURES

The persistent inflation surge in Nigeria has raised significant concerns about the entrenched nature of this economic challenge and the seeming ineffectiveness of monetary policy interventions. In April 2024, inflation surged to a three-decade high of 33.69% from 18.12% in April 2021. 2024 marks the first time inflation has exceeded 30% since the return to democratic rule in 1999.



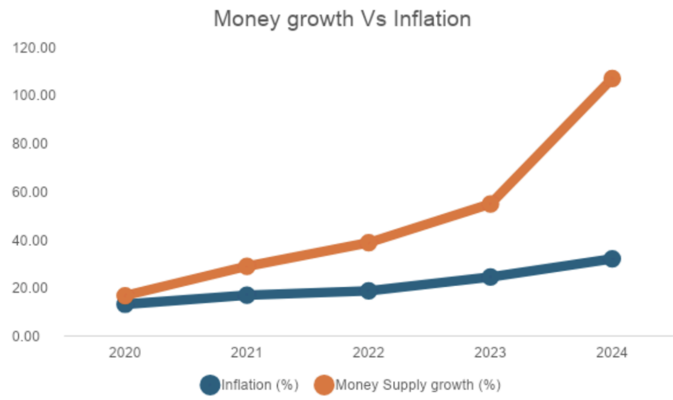
As inflation continues to exert pressure on the economy, erode purchasing power, disrupt macroeconomic stability, and mute economic growth, it has become increasingly imperative to rethink the inflation control measures employed by policymakers.

Why is Nigeria's inflation entrenched?

When inflation began to gather momentum in 2021, policymakers and analysts misread it to be transient. Transient inflation is typically short-lived and usually lasts for a brief period, ranging from a few months to a year. It can be caused by temporary shocks to the economy, or one-time events that impact prices. Today, there is an overwhelming consensus that Nigeria's inflation is not transient but entrenched. It is driven by both monetary and nonmonetary factors which are largely structural. Structural inflation is characterized by persistent price increases caused by fundamental imbalances in an economy's supply and demand dynamics. It is associated with long-term price pressures due to structural inefficiencies in production and distribution channels, persistent depreciation of the local currency, inadequate investment in key sectors, bulging fiscal deficits, and reliance on imports for essential goods. Unlike temporary or cyclical inflation, structural inflation requires comprehensive structural reforms to address underlying economic imbalances and create a more stable pricing environment.

The CBN is on track to deal with the monetary factors

On May 21, the CBN's monetary policy committee (MPC) raised the policy rate by 150 basis points to 26.25%. This is the third interest rate hike since February 2024 and a cumulative of 750 basis points since May 2022. This aggressive tightening campaign is targeted at reining in inflation by tightening monetary conditions. The money supply growth has been escalating since 2021, rising from

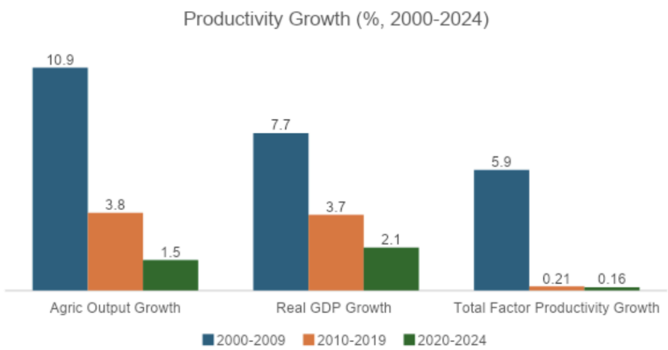


12% in 2021 to an average of 75% in the first quarter of 2024. The unchecked expansion of the money supply, often stemming from imprudent fiscal practices (such as the N30 trillion Ways and Means between 2014 and 2023) or loose monetary policies (including the CBN's intervention programs under Mr. Emefiele, CBN's former governor), created an imbalance between monetary aggregates and the real output of goods and services. This imbalance and its lagged effect fuels inflationary pressures through heightened demand exceeding the economy's productive capacity, increasing overall price levels.

Furthermore, the exchange rate depreciation stands out as a significant catalyst for inflation in Nigeria. The devaluation of the national currency against its foreign counterparts escalates the cost of imports and amplifies inflationary forces within the domestic market. The resultant surge in import prices, coupled with the subsequent pass-through effects on domestic prices, contributes to the inflationary environment gripping the economy.

Inflation is not only a monetary phenomenon.

Inflation is not solely driven by monetary factors but is also influenced by supply-side dynamics, including structural bottlenecks that hinder productivity growth. Structural inefficiencies, such as limited technological advancements, inadequate infrastructure, logistic bottlenecks, and labor market rigidities, constrain production capacity and contribute to cost-push inflation or demand-pull inflation (due to excess demand over limited supplies).



Source: CBN, FDC

In the past five years, Nigeria's annual real GDP growth has declined to an average of 2.1% from 7.7% in 2000–2009. Agricultural output growth plunged to 1.5% in the same period from 11%. Similarly, total factor productivity growth stagnated at 0.16% from 5.9% in the same period. Low productivity growth in Nigeria is driven largely by challenges in the agriculture and manufacturing sectors. In agriculture, unabating insecurity, low adoption of modern farming practices (such as the use of fertilizer, improved seedlings, etc.), limited mechanization, and infrastructure deficiencies hinder productivity. The manufacturing sector faces issues such as the energy crunch (which imposes prohibitive costs on businesses), high dependence on imported raw materials, policy inconsistencies, and regulatory bottlenecks. Additionally, a skills gap and macroeconomic instability contribute to low productivity.

To rein in inflation, these constraints will be addressed through targeted policies to enhance productivity. This includes debottlenecking the economy through ease-of-doing business regulatory reforms, accelerated and prioritized infrastructure investments, and a shift to mechanized and commercial agriculture. These challenges can enhance competitiveness, improve productivity, and tame inflationary pressures.

The cost of logistics is prohibitive.

The escalating logistics costs in Nigeria act as a compounding factor in the inflation equation. Inadequacies in transportation infrastructure, distribution channel bottlenecks, and supply chain management inefficiencies drive up operational expenses, leading to heightened price levels and contributing to the overall inflationary environment. According to the World Bank, logistics costs constitute about 35% of Nigeria's goods cost. The Bank also noted that trade costs in Nigeria are about five times higher than in the United States.

One of the sources of bottlenecks in the distribution channels is what is popularly known as "road settlements." These excessive levies imposed by state and non-state actors on truck drivers (ranging from 30 to 50 different levies for a trip from Kaduna to Lagos) are eventually passed on to consumers through higher prices. Moreover, the poor state of roads in Nigeria leads to frequent breakdowns of trucks, delays in deliveries, and increased transportation costs.

These inefficiencies in the logistics system raise the overall cost of goods and disrupt supply chains, causing shortages and price hikes. Addressing these challenges through streamlined regulations, improved infrastructure, and efficient logistics management is essential to reducing inflationary pressures and enhancing economic efficiency in Nigeria.

Overall, a holistic approach that considers both demand-side and supply-side factors is essential for achieving price stability. By recognizing and addressing these structural impediments in addition to monetary tightening, policymakers can effectively manage inflation and foster a more resilient and productive economy. In other words, to rein in the 3-decade inflation monster, policymakers must focus on liquidity management (CBN), exchange rate stability (CBN), productivity growth (Fiscal authorities), ease-of-doing business reforms (Fiscal authorities), food security (Fiscal authorities), and institutional reforms (Fiscal authorities).

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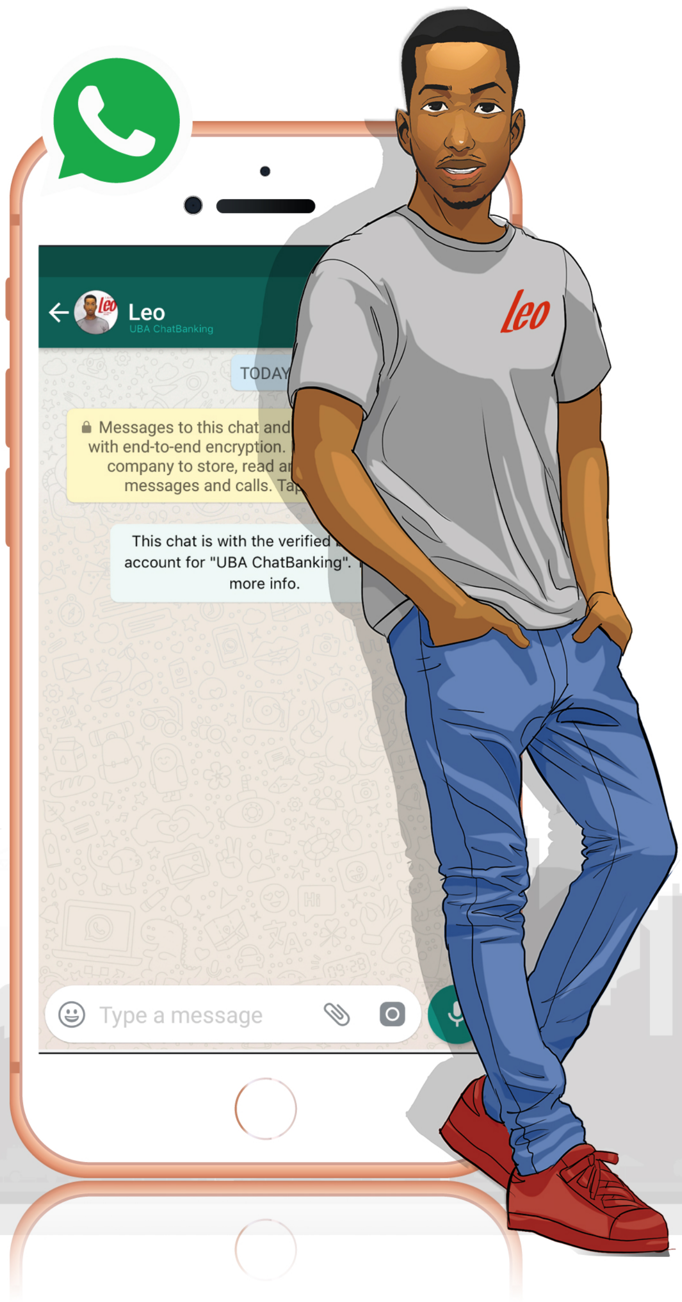

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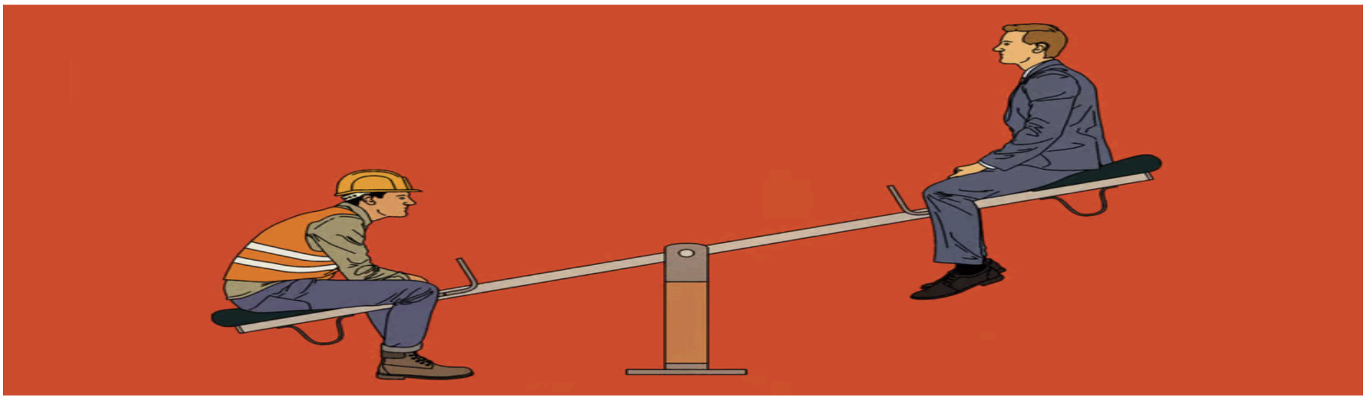
GLOBAL PERSPECTIVE
IS INFLATION MORALLY WRONG? - CULLED FROM THE ECONOMIST



Workers think so. Economists disagree

Where other historians saw a mob of hungry peasants, E.P. Thompson saw resistance to capitalism. Studying England's 18th-century food riots, the Marxist historian coined the term "moral economy". The rioters, he argued, were not motivated purely by empty bellies, but by a belief that the bakers, farmers and millers had violated paternalist customs, which suggested they should limit their profit, sell locally and not hold back grain. Gradually, Thompson argued, the moral economy was being displaced by a market economy, in which prices follow the amoral logic of supply and demand, rather than ideas of what would be a "fair price" in times of scarcity.

Americans may not be rioting over bread prices, but they are angry. President Joe Biden now faces a tight race for re-election. Swing voters are particularly annoyed about inflation, as the price level has risen by a cumulative 19% since Mr Biden's inauguration. Yet this frustrates many left-wing economists, who see the tight labour market and rising real wages in America as a great success. To them, inflation is an irritating—and now stubborn—by-product of the mixture of fiscal stimulus and industrial policy pursued by Mr Biden. It is not the main story.

A new working paper by Stefanie Stantcheva of Harvard University helps explain the divergence. Ms Stantcheva asks, "Why do we dislike inflation?", which updates a paper published in 1997 by Robert Shiller, who later won a Nobel prize in economics. Using two surveys, she posed Americans a series of closed questions, such as "How have your savings been affected by inflation?", and open-ended ones, such as "How would you define 'inflation' in your own words?". The results show that Thompson's concept of the "moral economy", which he thought had been displaced by the cold logic of the market, still has popular appeal.

Americans who responded to Ms Stantcheva's surveys were angry for a number of reasons. Most believed that inflation inevitably meant a reduction in real incomes. They said that rising prices made life more unaffordable and prompted them to worry they would not be able to afford the basics. Respondents did not see a trade-off between inflation and unemployment—referred to as the "Phillips curve" by economists—but thought that the two would rise in parallel. Some 70% did not view inflation as a sign of a booming economy, but as an indication of one in a "poor state". Around a third saw reducing inflation as a bigger priority than financial stability, reducing unemployment or increasing growth. In short, respondents really hated rising prices.

Some of their beliefs reflected what has happened during the current spell of inflation. Following the covid-19 pandemic, real incomes did indeed fall, as prices rose faster than wages. It is only over the past couple of years that wages have grown sufficiently to make up the difference. The price of basics, such as food and fuel, has risen faster than other items in the inflation basket. And even if your income is rising, it is irritating to see a greater share go on necessities. Nor does inflation always accompany a strong labour market. During the global financial crisis of 2007-09, for instance, high commodity prices produced a situation in which inflation rose at the same time as the global economy weakened. During the inflation of the 1970s, which looms large in the popular memory, unemployment rose.

Why, then, are some economists more relaxed about rising prices? Inflation does present difficulties: it can undermine central-bank credibility and causes arbitrary redistribution from creditors to debtors. The constant updating of prices also carries costs for companies. Yet if all prices are adjusting at the same rate, the change is not as consequential as many workers believe. It no more means that workers are getting poorer than measuring someone's height in feet rather than centimetres would mean that they are getting shorter. What is more, inflation is often the consequence of a hot labour market, as is the case in America at the moment. It should, therefore, be accompanied by low unemployment and rising wages, which help compensate for the irritation of prices changing more frequently.

Thin gruel

Much like rioters in 18th-century England, Americans believe that price rises are fundamentally unfair. Respondents to Ms Stantcheva's surveys suggested that inflation widened the gap between rich and poor, while businesses allowed prices to rise because of corporate greed. They also "tend to believe that employers have a lot of power and discretion in setting wages", notes Ms Stantcheva. In their view, inflation is not a phenomenon that emerges from hundreds of millions of people taking trillions of decisions. It is something inflicted on them by people at the top of totem pole.

Yet workers still gave little credit to businesses or the government for an astonishingly strong labour market. Wage rises were generally seen as the responsibility of the individual: a well-deserved reward for hard work. Those survey respondents who had received a pay rise were twice as likely to attribute it to their on-the-job performance as to inflation. However persuasive left wing-economists may be, Americans will not thank the Biden administration for what they see as their own success.

Riots are often counter-productive. In 18th-century England, according to Thompson, terrified farmers decided not to bring their crops to market. Shortages worsened in other parts of England as speculators were intimidated into keeping purchases in storage, rather than shipping them across the country. In a moral economy concerns about what is right and wrong outweigh efficiency, imposing a cost on those assigning blame as well as those being blamed. That does not make it any more comfortable for those being judged, as Mr Biden is now all too aware

CORPORATE FOCUS

Transcorp

Market Capitalization	N447bn
Current Price	N10.75
Industry	Conglomerates

ANALYST NOTE

Transnational Corporation Plc (Transcorp) is Nigeria's largest listed conglomerate with investments in hospitality, power and energy, agro-allied, and corporate centers. Notably, Transcorp boasts ownership and management of establishments such as the Transcorp Hilton Abuja in the hospitality segment. Transcorp power plc plays a vital role in power generation and distribution, significantly contributing to the development of Nigeria's energy sector. Additionally, Transcorp Plc agribusiness arm focuses on agro-processing, farming, and food production.

The company's mission extends beyond profit, aiming to create wealth for shareholders while providing employment and empowering communities. In its recently released financials for Q1'24, Transcorp showcased impressive growth, with a revenue increase of 173.39% to N88.55bn from N32.39bn in Q1'23. Also, its profit after tax surged by 1,841.62%, highlighting the group''s commitment to delivering value to shareholders despite prevailing macroeconomic headwinds.

Transcorp demonstrated strong operational efficiency in Q1'24, particularly in inventory management and asset utilization. The company achieved an inventory turnover ratio of 9.51, highlighting its ability to sell and restock goods efficiently. Furthermore, the asset turnover ratio of 0.16 indicates that for every ₦1 in average total assets, the company can generate ₦0.16 in net revenue.

Despite its successes, Transcorp faced challenges in meeting short-term obligations, as reflected in its liquidity ratios. The company cash encountered liquidity constraints with a current ratio of 0.92 times, a quick ratio of 0.90 times, and a cash ratio of 0.12 times, all highlighting the impact of the harsh business environment in Nigeria.

With the recent listing of its subsidiary, Transcorp Power Plc, on the Nigerian Stock Exchange (NGX), Transcorp strengthens its position in the power and energy sector. This move enhances visibility, access to capital, and growth opportunities. It reflects a commitment to transparency and value creation for shareholders.

Financial Analysis

Power business segment boosts top-line performance

Transcorp, ranked as the fourth-best-performing stock in Nigeria last year (2023), reported an impressive top-line performance in its just-released financial statement. Revenue increased by 2.7 between Q1'23 and Q1'24.

This significant growth can be attributed to increased sales across all business segments, particularly in the power segment, which accounted for 84% of total revenue. Further analysis reveals that the power segment revenue grew by 209% to N74.71bn owing to the progress in the group's implementation of its integrated power strategy. Additionally, the hospitality sector, contributing 16% to total revenue, achieved a robust growth of 68% to N13.90bn in Q1'24 due to a rise in occupancy rate from 75.0% to 82.0% in the hotel business.

Operating profit surge despite an uptick in the cost of sales

In the first quarter of 2024, the cost of sales rose by 133.02% to N42.34bn from N18.17bn in the prior period in 2023. This rise was largely driven by elevated natural gas and fuel costs and higher repairs and maintenance expenses. However, gross profit grew impressively by 224.96% to N46.21bn from N14.22bn in Q1'23. This increase, coupled with operational efficiency, led to a growth in operating profit by 478.79% to N49.15bn in Q1'24

Robust bottom-line performance even with high finance costs

Despite exchange rate fluctuations leading to a rise in finance costs by 14.35% to N3.68bn in Q1'24, profit-before-tax jumped by 1,501.42% to N45.68bn in Q1'24 from N2.85bn in the corresponding period in 2023. Also, profit-after-tax accelerated by 1,841.62% to N35.92bn in Q1'24 from N1.85bn in Q1'23.

Risk and outlook

The harsh economic climate in Nigeria, marked by exchange rate depreciation, high inflation, and increased interest rates, poses significant threats to business sustainability and profitability. In response to these challenges, Transcorp has implemented cost-saving strategies. Specifically, the company ensures that all maintenance contracts in the power segment are denominated in naira, mitigating exchange rate risks. Additionally, Transcorp utilizes alternative financing sources like corporate bonds to minimize the impact of high interest rates

In response to these challenges, BUA Foods Plc has engaged in expansion projects, local market penetration strategies, aggressive sales strategies, and price adjustments.

BULLS SAY

- Diversified revenue streams across multiple sectors, providing resilience against sector-specific downturns.
- A strong market position is contributing to its competitive advantage and growth prospects.
- Expansion initiatives to boost turnover
- Commitment to Sustainability and Corporate Social Responsibility (CSR)

BEARS SAY

- Rising operating costs due to heightened inflationary pressures.
- Limited forex availability resulting in the naira's depreciation and increased finance costs
- Inadequate gas supply leading to a decline in generating capacity in the power segment of the business
- High-interest rate environment, making credit difficult to access.

A PRISM OUTLOOK

Global

- Global oil prices are anticipated to trend upward in the near term following the US Energy Information Administration's (EIA) upward revision of the global oil demand forecast in 2024.
- Higher oil prices are unfavorable for reduced inflationary pressures in the US, a top global oil consumer. The country's headline inflation eased to 3.4% in April from 3.5% the previous month. However, the inflation rate is still above the Fed's target rate of 2%.
- The US Fed is expected to keep interest rates at their current high level of 5.5%p.a., in its next policy meeting on June 12. This could make the US dollar stronger, implying renewed pressures on emerging and developing market currencies like the naira, rand and cedi. This points to lingering inflationary pressures in these markets.

Domestic

- Nigeria's domestic oil production is expected to maintain its growth in Q2'24, following its 4.07% increase to 1.28mbpd in April from 1.21mbpd in March. Increased domestic oil production, alongside higher oil prices, is favourable for Nigeria's foreign earnings and external reserves.
- This would bolster the ability of the CBN to defend the naira. The naira in the month of May depreciated by 8.75% to N1,485/$ and has remained flat so far in June. We expect the naira to remain pressured in the near term, although projected increased forex liquidity following the MPC's rate hike in May could ease the pressures.
- Stability in the forex market is favorable to easing inflationary pressures in Nigeria. However, the minimum wage being reviewed and the recent upswing in commodity prices like tomato prices (up 100% in one month to N150,000 per basket) could renew the inflationary pressures. Headline inflation is projected to surge further in May and June.
- This could prompt the MPC to maintain its hawkish stance at its next meeting in July.

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