

## **Inflation Rate to Decelerate Marginally in August:**

**We expect the inflation rate (year-on-year) to drop marginally to 15.99% in August 2017 from 16.05% reported in the month of July 2017.** The expected decrease in the inflation rate is largely attributed to the downward movement in some categories of non-food items in the Consumer Price Index (CPI) basket, as well as decrease in some food prices. Based on the data release calendar on the website of the National Bureau of Statistics (NBS), we expect the NBS to release the inflation rate for the month of August 2017 on September 15, 2017.

**The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today indicates that the Index averaged 176.6 points in August 2017, 1.30% lower than the July 2017 value. According to the FAO, the decline in the FPI for August 2017 reflected generally lower values for cereals, sugar and meat than prior month and more than compensated for the increase in the vegetable oil and dairy prices.** The FAO Sugar Price Index decreased by 1.7% in August, from July 2017 and has been on downward trend since the beginning of 2017. The decline in the FAO Sugar Index was mainly driven by favourable prospects for cane harvests in major producing countries. The FAO Cereal Price Index was also down by 5.40% in August 2017. Cereal prices was driven downwards by large global supplies. The FAO Meat Index was also down by 1.2% in August, compared with July figure. On the flip side, The FAO Vegetable Oil Price Index was up by 2.50%, driven by rising quotations for palm oil and soy oil. The FAO Dairy Price Index also appreciated by 1.4% in August 2017.

**Our analysis indicates that the value of the Naira depreciated marginally at both the inter-bank and parallel markets. The value of Naira lost by 0.07% to close at N305.85/US\$ at the inter-bank market and lost by 0.27% to close at N368/US\$ at the parallel market at the end of August 2017, compared with July 2017.** The marginal depreciation in the value of the Naira is not expected to have a significant negative pass-through effect on local prices because of the fall in price of major imported food items in the international food market.

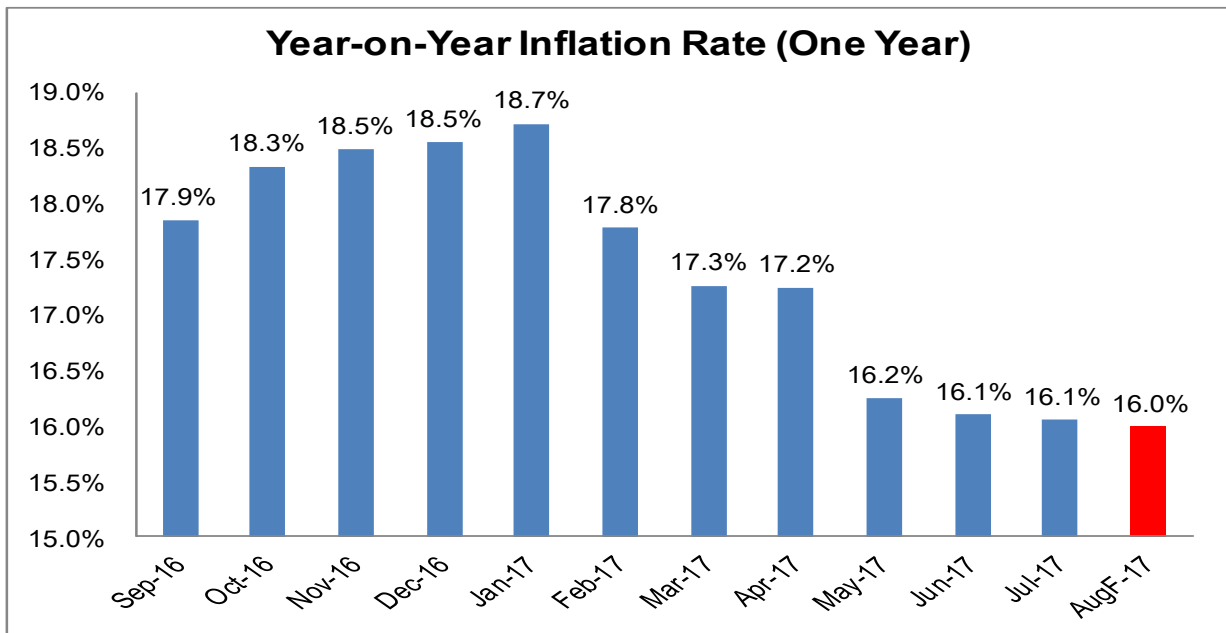
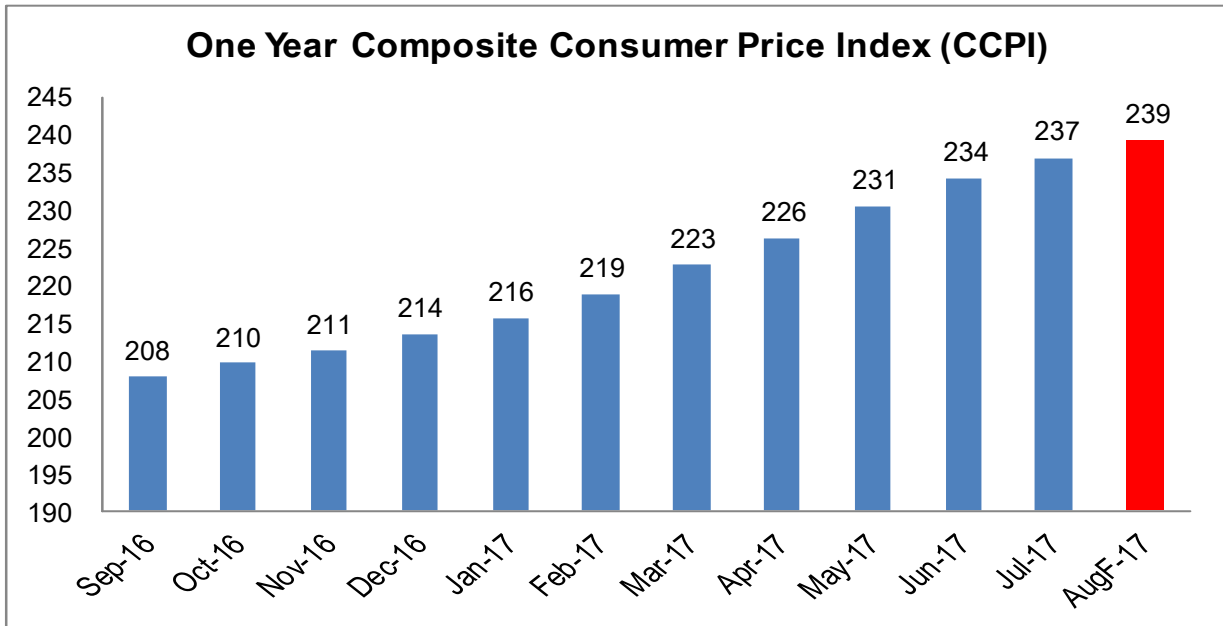
**The prices of some of the food items we monitored in August 2017 moderated downwards, while a few major items recorded price appreciation. The movement in the prices of food items during the month resulted in 1.19% increase in our Food and Non-Alcoholic Index to 251.83 points.** Our Food and Non-Alcoholic Index increased by 20.23% to 251.83 in August 2017, compared with 209.45 in August 2016. Housing, Water, Electricity, Gas and Other Fuels; Transport; and Furniture and Household Equipment Maintenance Indices increased at various magnitude during the period.

**Our model indicates that the general price movement in the consumer goods and services in August 2017 increased the Composite Consumer Price Index (CCPI) to 239.27 points, representing a month-on-month increase of 0.95%. We estimate that the increase in the CCPI in August 2017 would produce an inflation rate of 15.99% marginally lower than the 16.05% recorded in July 2017.**

***Inflation Rate: 15.99%***

***The FPI depreciated in August 2017 by 1.30% compared with the July 2017 figure.***

***Our CCPI increased by 0.95% month-on-month in August 2017.***



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