

## **Inflation Rate to Drop Further in October:**

**FSDH Research expects the inflation rate (year-on-year) to drop marginally to 15.91% in October 2017 from 15.98% reported in the month of September 2017.** The expected marginal decline in the inflation rate is premised on slower increase in the food and non-food divisions, compared with the previous month. 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 October 2017 on November 18, 2017.

**The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the Index averaged 176.4 points, 1.26% lower than the revised value for September 2017, but 2.45% higher than the October 2016 figure.** According to the FAO, all categories of commodities used in the calculation of the Index dropped in value with the exception of cereal. The FAO Dairy Index fell by 4.19% from September 2017 as the prices of butter, skim milk powder (SMP) and whole milk powder (WMP) eased in October. The FAO Vegetable Oil Price Index was down by 1.06%. This was as a result of abundant inventory levels of soy and palm oil in Malaysia, Southeast Asia and the United States of America coupled with a favourable outlook for global supply in 2017/18. The FAO Meat Price Index was down by 0.9% as prices of ovine and pig meat declined due to reduced import demand. The FAO Sugar Price Index was down by 0.67% in October 2017 on the heels of reports on improved supply conditions in 2017/2018 in the main sugar producing region of Brazil. Also, a weaker Brazilian Real and the slowdown in demand from China weighed down on the value of the Index. On the flip side, the FAO Cereal Price Index was up by 0.65% in October 2017 as a result of the increase in the prices of rice and maize. Increased competition amongst exporters and sufficient supplies weighed on the prices of wheat.

**Our analysis indicates that the value of the Naira depreciated at the inter-bank market, while it appreciated at the parallel market. The Naira lost by 0.02% at the inter-bank market to close at US\$/N305.80 while it gained 0.83% at the parallel market to close at US\$/N362.50 at the end of October.** The Naira appreciation in the parallel market and the drop in the prices of food at the international market led to a drop in the prices of some consumer goods in Nigeria.

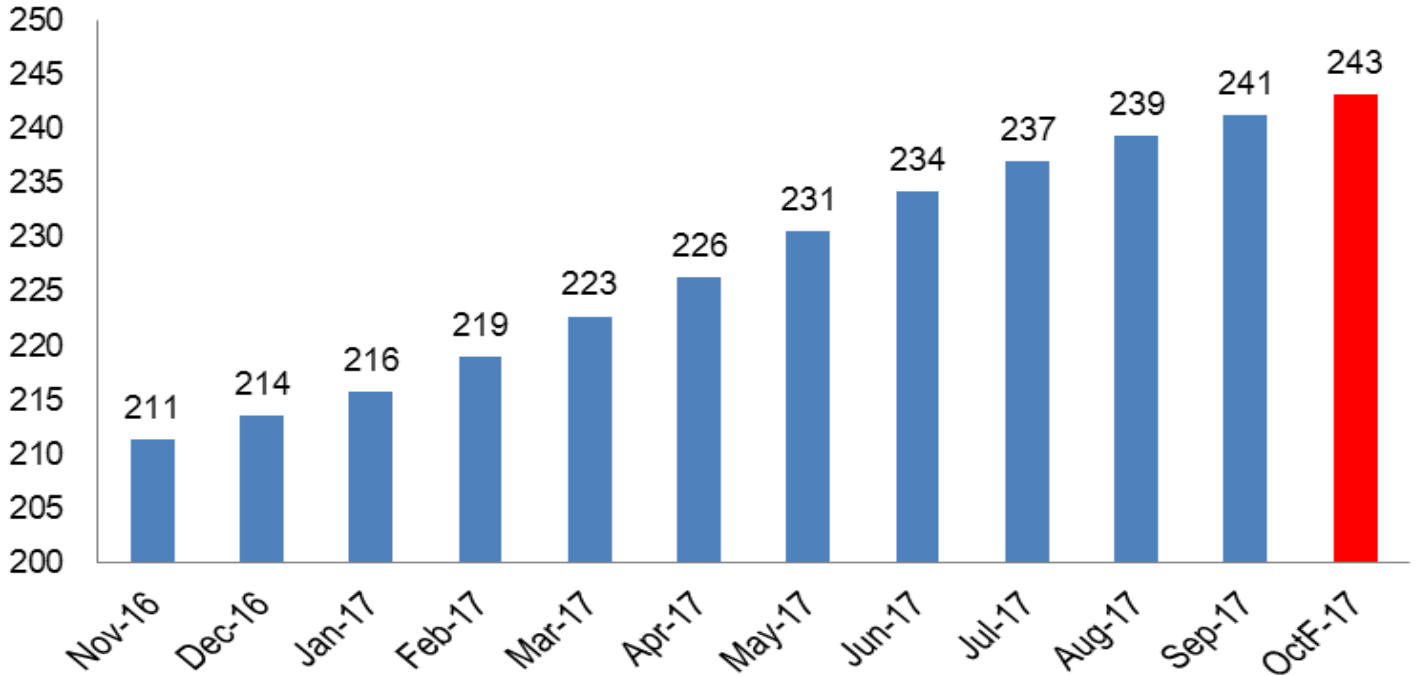
**The prices of most of the food items we monitored in October 2017 moderated downwards, while a few items recorded price appreciation. The movement in the prices of food items during the month resulted in 0.85% increase in our Food and Non-Alcoholic Index to 256 points.** Our Food and Non-Alcoholic Index increased by 20.24% from 212.90 points in October 2016. We also noticed increase in the prices of Housing, Water, Electricity, Gas & Other Fuels divisions between September 2017 and October 2017. **Our model indicates that the general price movement in the consumer goods and services in October 2017 increased the Composite Consumer Price Index (CCPI) to 243.04 points, representing a month-on-month increase of 0.77%. We estimate that the increase in the CCPI in October 2017 would produce an inflation rate of 15.91% marginally lower than the 15.98% recorded in September 2017.**

***Inflation Rate: 15.91%***

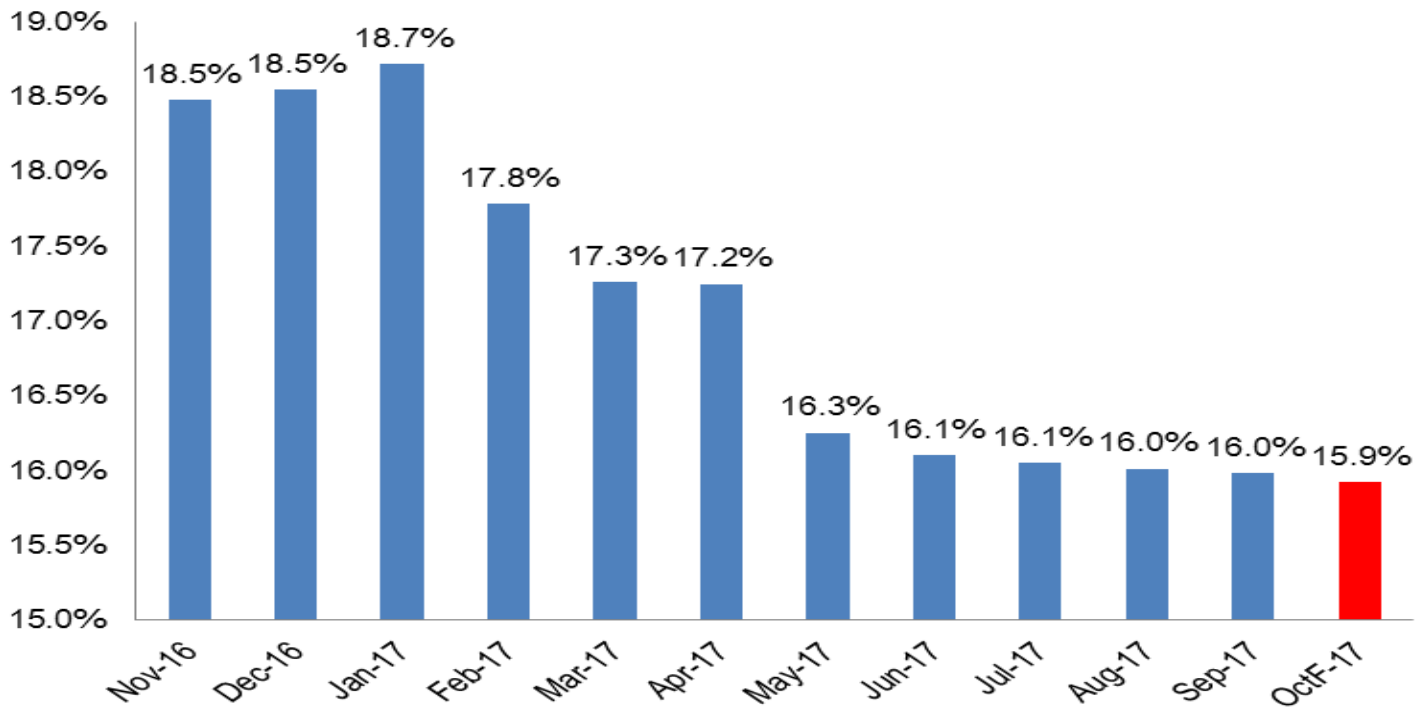
***The FPI depreciated in October 2017 by 1.26% compared with the September 2017 figure.***

***Our CCPI increased by 0.77% month-on-month in October 2017.***

### One Year Composite Consumer Price Index (CCPI)



### Year-on-Year Inflation Rate (One Year)



## **Disclaimer Policy**

*This publication is produced by FSDH Merchant Bank Limited solely for the information of users who are expected to make their own investment decisions without undue reliance on any information or opinions contained herein. The opinions contained in the report should not be interpreted as an offer to sell, or a solicitation of any offer to buy any investment. FSDH Merchant Bank Limited August invest substantially in securities of companies using information contained herein and August also perform or seek to perform investment services for companies mentioned herein. Whilst every care has been taken in preparing this document, no responsibility or liability is accepted by any member of FSDH Merchant Bank Limited for actions taken as a result of information provided in this publication.*

## **For enquiries please contact us at our offices:**

**Lagos Office:** 5<sup>th</sup>-8<sup>th</sup> 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, Skye Bank Building (Former Mainstreet Bank Building), 5 Trans Amadi Road, Port Harcourt, Rivers State, Nigeria. Switchboard 234-802 408 1331: E-mail: [fsdh-phc@fsdhgroup.com](mailto:fsdh-phc@fsdhgroup.com).

**Abuja Office:** Leadway House (1<sup>st</sup> Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821