

## **Inflation Rate to Drop in December 2017:**

**FSDH Research expects the inflation rate (year-on-year) to drop to 15.85% in December 2017 from 15.90% recorded in the month of November.** The expected decrease in the inflation rate will be driven by the base effect. The drop in the December inflation rate would be the eleventh consecutive month of decrease in the inflation rate in 2017. Based on the data release calendar on the website of the National Bureau of Statistics (NBS), FSDH Research expects the NBS to release the inflation rate for the month of December 2017 on January 16, 2018.

**Inflation Rate: 15.85%**

## **The December 2017 monthly Food Price Index (FPI) from the Food and Agriculture Organization (FAO) shows that the Index averaged 169.8 points. The Index was down by 3.31%, compared**

**with the revised November 2017 figure.** According to the FAO, the latest performance of the Index was largely driven by a sharp fall in dairy, vegetable oils and sugar prices. The FAO Dairy Index depreciated by 9.70% from November 2017, as a result of weaker demand. The FAO Vegetable Oil Price Index fell by 5.56%, largely on the heels of lower prices for palm, rapeseed and soybean oils. The FAO Sugar Index fell by 4.05%, on the back of favourable production reports emanating from the main producing region. The FAO Meat Price Index was marginally down by 0.57%, as most meat categories recorded lower prices. The FAO Cereal Price Index decreased marginally by 0.28% in December 2017, mainly due to the decrease in the price of wheat.

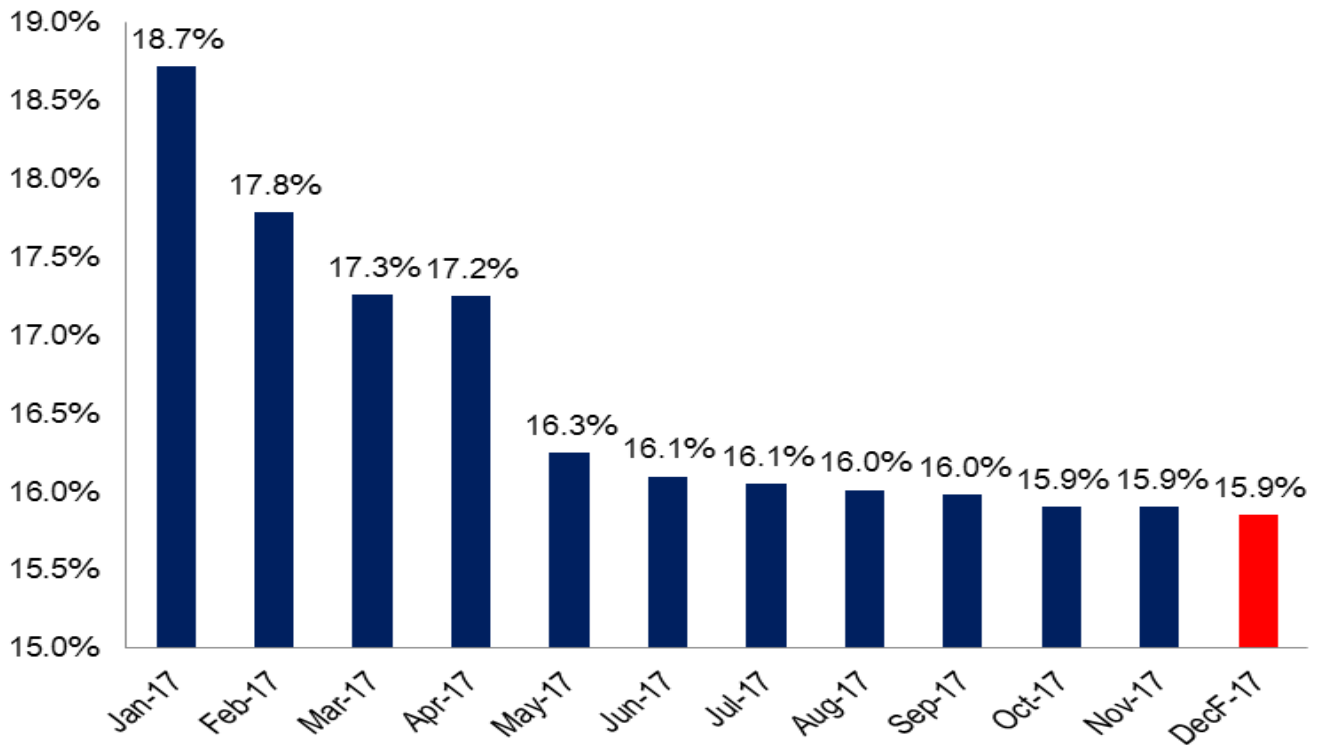
*The FPI depreciated in December 2017 by 3.31% compared with the revised November figure.*

**Our analysis indicates that the value of the Naira remained stable at both the inter-bank and parallel foreign exchange markets. The Naira closed at N306.00/US\$ and N363.50/US\$ same as the previous month at both the inter-bank and parallel markets respectively.** The drop in the international prices of food reduced the pass-through effect of imported goods on local prices.

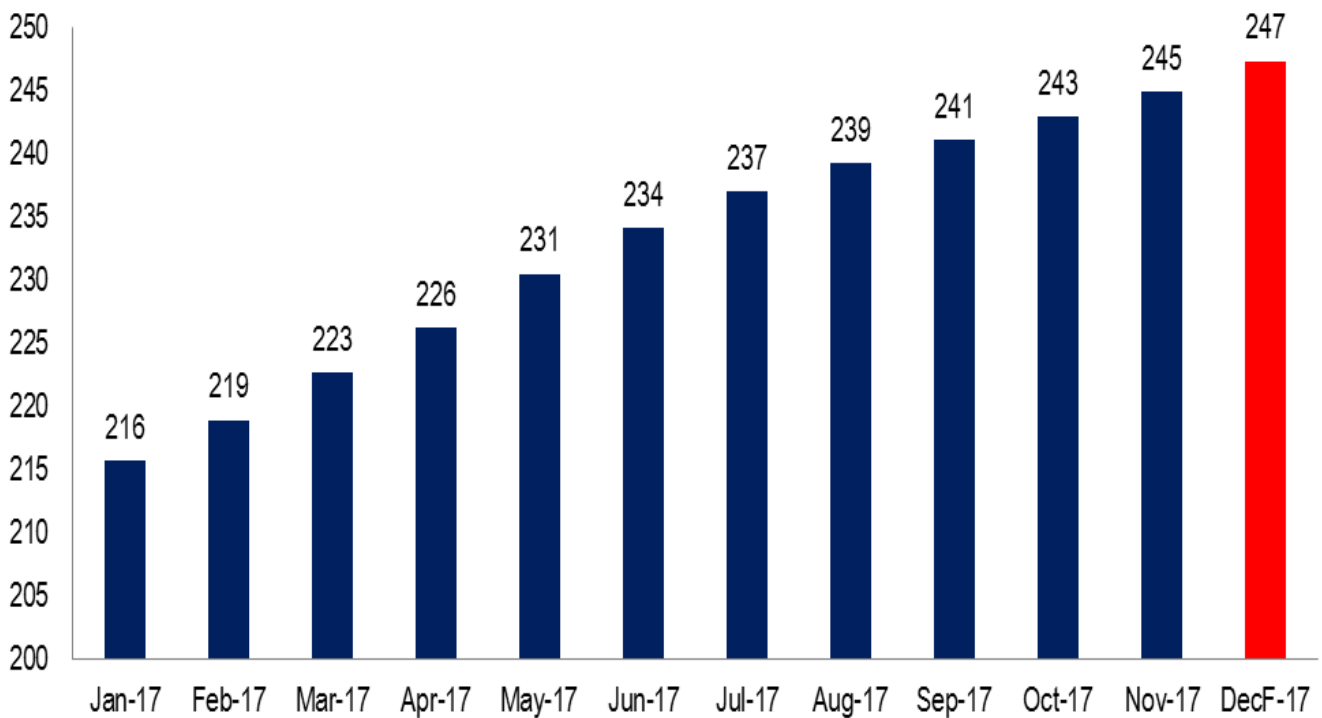
**The prices of most of the food items we monitored in December 2017 moved in varying directions, leading to 1.08% increase in our Food and Non-Alcoholic Index.** The Food and Non-Alcoholic Index increased by 19.95% from 217.61 points in December 2016. We also noticed increase in the prices of Transport and Housing, Water, Electricity, Gas & Other Fuels divisions between November and December 2017. **We estimate that the increase in the Composite Consumer Price Index (CCPI) in December 2017 would produce an inflation rate of 15.85% lower than the 15.90% recorded in November.**

*The prices of most of the food items we monitored in December 2017 moved in varying directions.*

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



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



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