

November Inflation Rate to Increase Further:

We expect the November 2016 inflation rate (year-on-year) to increase further to 18.45% from 18.33% recorded in the month of October 2016. The expected increase in the inflation rate will be driven by higher prices within the Food and Non-Alcoholic Beverages division, as well as the depreciation in the foreign exchange rate during the month. The National Bureau of Statistics (NBS) is expected to release the inflation rate for the month of November 2016 on December 15, 2016 based on the data calendar on its website.

The Food Price Index (FPI) released today by the Food and Agriculture Organization (FAO) shows that the FPI trended downward in November. The Index was down by 0.43%, compared with the revised October figure. The FPI's easing in November 2016 was driven by a sharp fall in sugar prices, which was more than enough to offset a rebound in the prices of vegetable oils. The FAO Sugar Index fell by 8.93%, the first decline after six consecutive months of increase. The weakening Brazilian currency against the U.S. Dollar coupled with reports of a higher harvest in the Central South, Brazil's main producing region put downward pressure on prices. The FAO Cereal Price Index declined by 0.60%, mainly due to the decrease in the prices of wheat and rice. The FAO Meat Price Index was down by 0.21%, almost unchanged from its revised value for October. On the flip side, the FAO Dairy Index appreciated by 1.95% from October, as prices of whole milk powder and butter firmed up. The FAO Vegetable Oil Price Index appreciated by 4.55%, marking the highest level since August 2014. The strong rebound was primarily driven by the price of palm oil on the heels of lower than anticipated production in Southeast Asia.

Our analysis indicates that the value of the Naira appreciated at the inter-bank market while it depreciated at the parallel market by 2.09% to close at US\$/N478.00 from US\$/N468.00 at the end of October. The depreciation at the parallel market led to an increase in the prices of imported consumer goods in Nigeria between the two months under review.

The prices of food items that FSDH Research monitored in November 2016 moved in varying directions. The prices of palm oil, Irish potatoes, meat and rice were up by 32.17%, 10.78%, 2.56% and 1.99%. While the prices of tomatoes and onions were down by 17.89% and 2.78%. The prices of garri, yam, beans, sweet potatoes and vegetable oil remained unchanged. The movement in the prices of food items during the month resulted in a 0.7% increase in our Food and Non-Alcoholic Index to 214.41 points. We also noticed increases in Clothing and Footwear; Housing, Water, Electricity, Gas & Other Fuels divisions between October and November 2016.

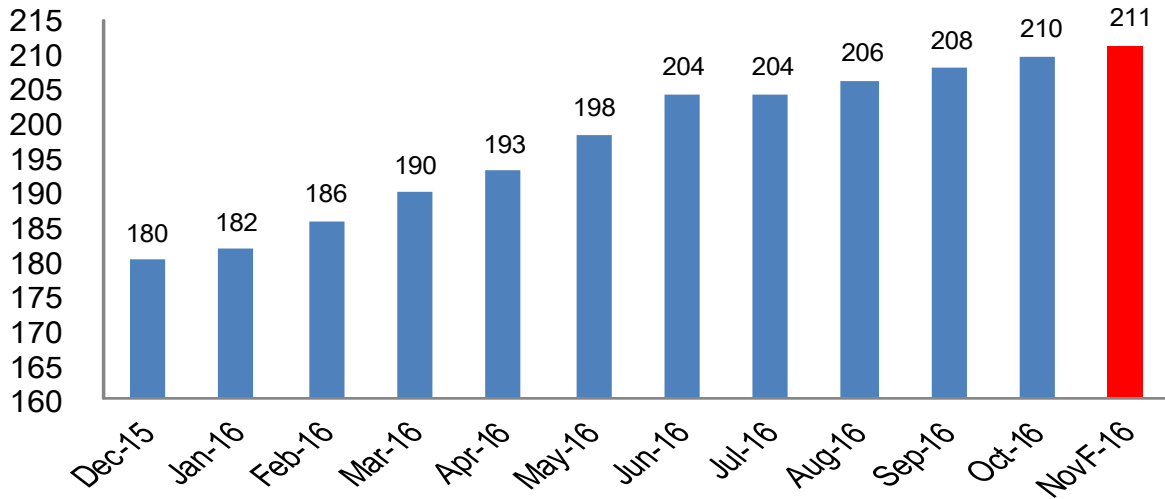
Our model indicates that the price movements in the consumer goods and services in November 2016 would increase the Composite Consumer Price Index (CCPI) to 211.28 points, representing a month-on-month increase of 0.76%. We estimate that the increase in the CCPI in November will produce an inflation rate of 18.45%.

Inflation rate: 18.45%

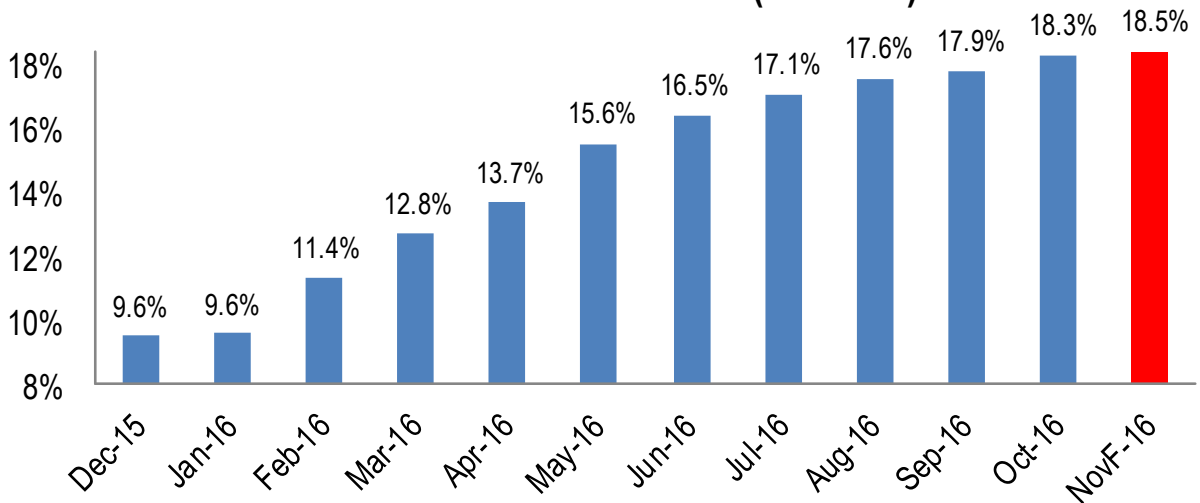
The FPI decreased in November by 0.43% compared with the revised value in October 2016.

The CCPI would increase by 0.76% month-on-month in November.

One Year Composite Consumer Price Index (CCPI)



Year-on-Year Inflation Rate (One Year)



For enquiries please contact us at our offices:

Lagos Office: 5th-8th 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.

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