

Inflation Rate to Increase Further in September:

We expect the September 2016 inflation rate (year-on-year) to increase further to 18.14% from 17.61% recorded in the month of August 2016. Most of the divisions which contribute to the headline inflation are expected to rise as a result of the continued pressure on the value of the Naira. The National Bureau of Statistics (NBS) is expected to release the inflation rate for the month of September 2016 on October 15, 2016 based on the data calendar on its website.

The Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released yesterday October 06, 2016 shows that the FPI increased in September the highest figure since March 2015. The Index was up by 2.9% compared with August, mainly due to the increase in dairy prices with moderate price increases in sugar, meats and oils. The FAO Dairy Price Index appreciated by 13.8% from August as butter stocks ran low and lower milk production in the European Union (EU) loomed. There are also concerns that milk exports going forward are expected to be muted. The FAO Sugar Price Index was up by 6.7% in September for the fifth consecutive month. The surge was mainly driven by poor weather conditions in South Central Brazil and lower sugar production in India, China and Thailand. The FAO Vegetable Oil Price Index appreciated by 1.7% as palm, soy and rapeseed oils reported higher quotations. Palm oil price grew due to lower output and stock in exporting and importing countries respectively. Soy oil also witnessed reductions in export, while rapeseed oil reported concerns over lower global output in 2016. The FAO Meat Price Index was up marginally by 0.2% as prices for pig and poultry meats increased slightly with a muted rise in bovine meat prices. Alternatively, the FAO Cereal Price Index declined by 1.9%, mainly due to the ample supply of wheat, maize and rice.

Our analysis indicates that the value of the Naira appreciated at the inter-bank market by 1.48% while it depreciated at the parallel market by 12.32% in September 2016. The Naira gained N4.62 to close at US\$/N311.62 at the inter-bank market while it lost N59 to close at US\$479 at the parallel market. The depreciation recorded in the exchange rate in the parallel market between the two months and higher prices in the international market would continue to put further pressure on domestic prices.

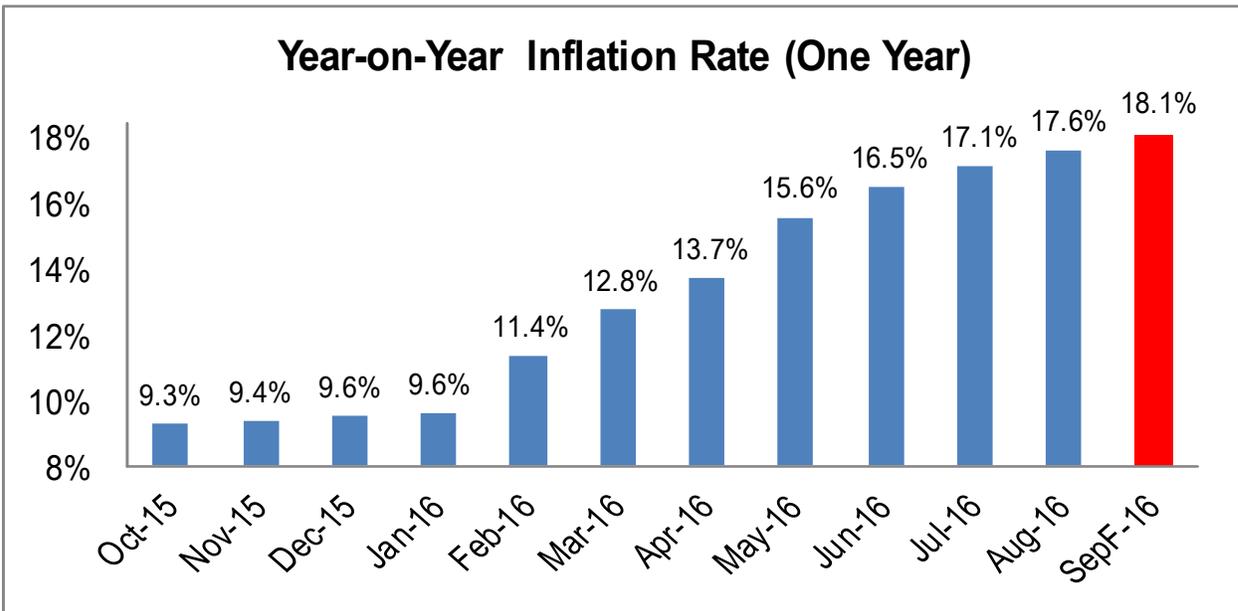
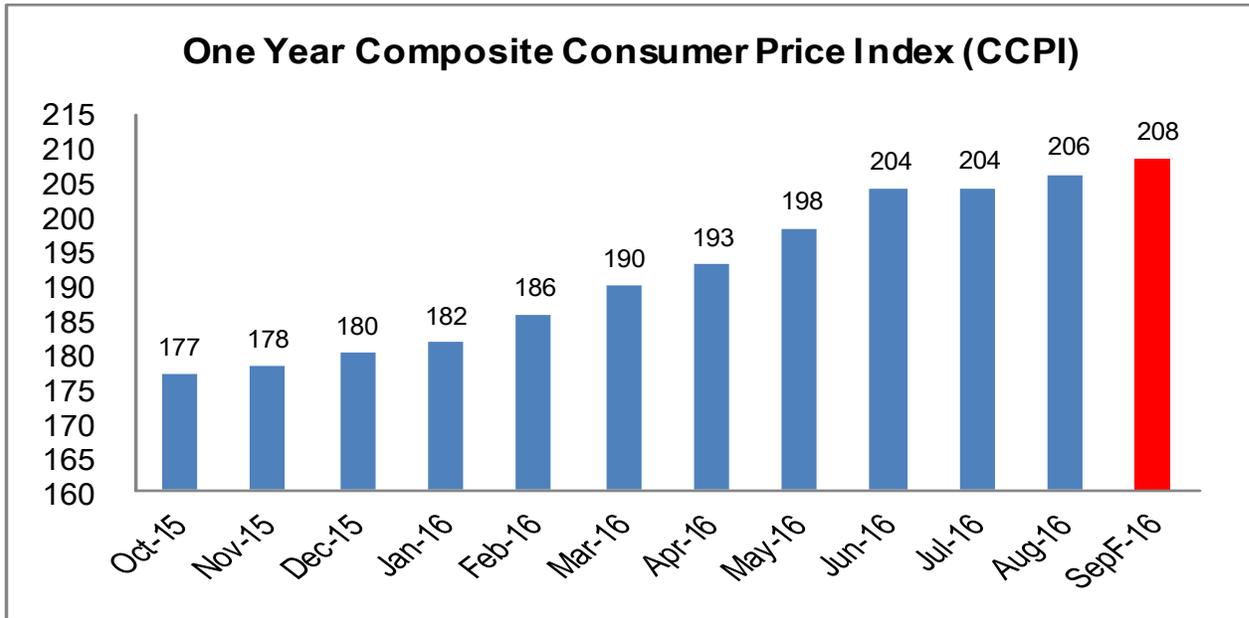
The prices of most of the food items that FSDH Research monitored in September 2016 increased. The prices of onions, tomatoes, beans, sweet potatoes, fish, vegetable oil, garri, palm oil, Irish potatoes, rice and yam were up by 51.67%, 28.62%, 26.19%, 20.47%, 13.49%, 13.02%, 11.43%, 12.79%, 10%, 5.56% and 4.76%. The price of meat however, remained unchanged. The movement in the prices of food items during the month resulted in a 1.25% increase in our Food and Non-Alcoholic Index to 212.06 points. We also noticed increases in Clothing and Footwear; Housing, Water, Electricity, Gas & Other Fuels divisions between August and September 2016.

Our model indicates that the price movements in the consumer goods and services in September 2016 would increase the Composite Consumer Price Index (CCPI) to 208.46 points, representing a month-on-month increase of 1.05%. We estimate that the increase in the CCPI in September will produce an inflation rate of 18.14%.

Inflation rate: 18.14%

The FPI increased in September by 2.9% compared with the revised value in August 2016.

The CCPI would increase by 1.05% month-on-month.



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