

Inflation Rate to Increase Further:

We expect the October 2016 inflation rate (year-on-year) to increase further to 18.17% from 17.85% recorded in the month of September 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 increases in the energy and energy related prices. The National Bureau of Statistics (NBS) is expected to release the inflation rate for the month of October 2016 on November 17, 2016 based on the data calendar on its website.

The Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the FPI continued on an upward trend in October. The Index was up by 0.7%, compared with the revised September figure. Sugar and dairy prices rose sharply, while the cereal index increased slightly. The FAO Sugar Index increased by 3.4% as a result of expectations of production shortfalls in both Brazil and India, the world's first and second largest sugar producers and exporters. The FAO Dairy Index appreciated by 3.9% from September, as prices of cheese, whole milk powder and butter were all on the increase. The FAO Cereal Price Index increased by 0.98%, mainly due to the increase in the prices of wheat. On the other hand, the FAO Vegetable Oil Price Index depreciated by 2.4% as production improvement coincided with low import demand which resulted in lower prices. The FAO Meat Price Index was down by 1% as prices for pig meats declined coupled with slacking import demand from China.

Our analysis indicates that the value of the Naira appreciated at both the inter-bank and parallel market by 0.91% and 2.35% respectively in October 2016. The Naira gained N2.81 and N11 to close at US\$/N308.81 and US\$/N468 at the inter-bank and parallel market respectively. The appreciation recorded in the exchange rate in both markets between the two months under review should lower the pass through effect of imported inflation on domestic prices.

The prices of food items that FSDH Research monitored in October 2016 moved in varying directions. The prices of tomatoes, vegetable oil, palm oil, rice and beans were up by 44.44%, 13.1%, 8.33%, 7.58% and 5.93%. While the prices of onions, yam, sweet potatoes, fish and garri were down by 20.58%, 18.06%, 13.89%, 6.58% and 1.6%. The price of meat however, remained unchanged. **The movement in the prices of food items during the month resulted in a 0.67% increase in our Food and Non-Alcoholic Index to 212.51 points.** We also noticed increases in Transportation; Housing, Water, Electricity, Gas & Other Fuels divisions between September and October 2016.

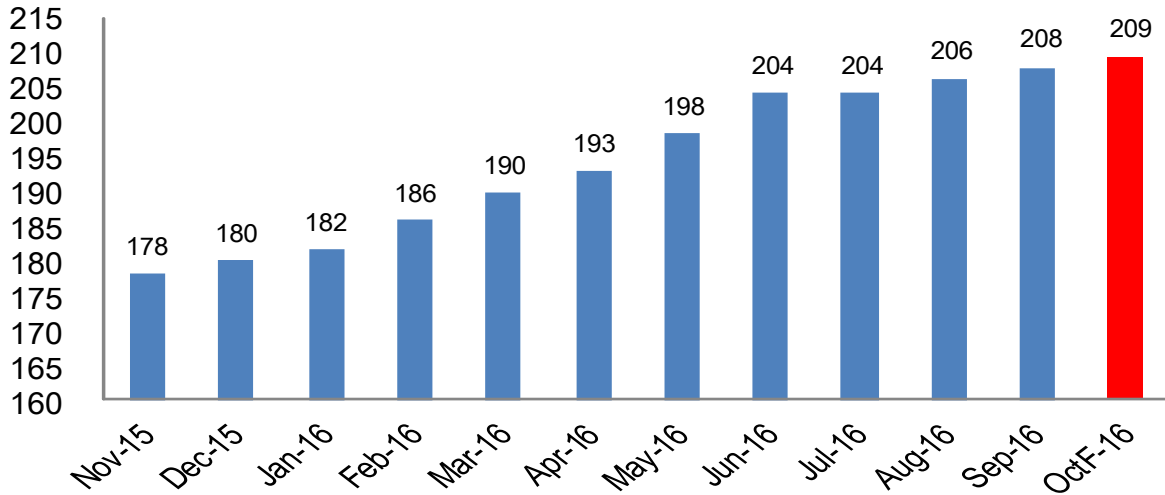
Our model indicates that the price movements in the consumer goods and services in October 2016 would increase the Composite Consumer Price Index (CCPI) to 209.40 points, representing a month-on-month increase of 0.7%. We estimate that the increase in the CCPI in October will produce an inflation rate of 18.17%.

Inflation rate: 18.17%

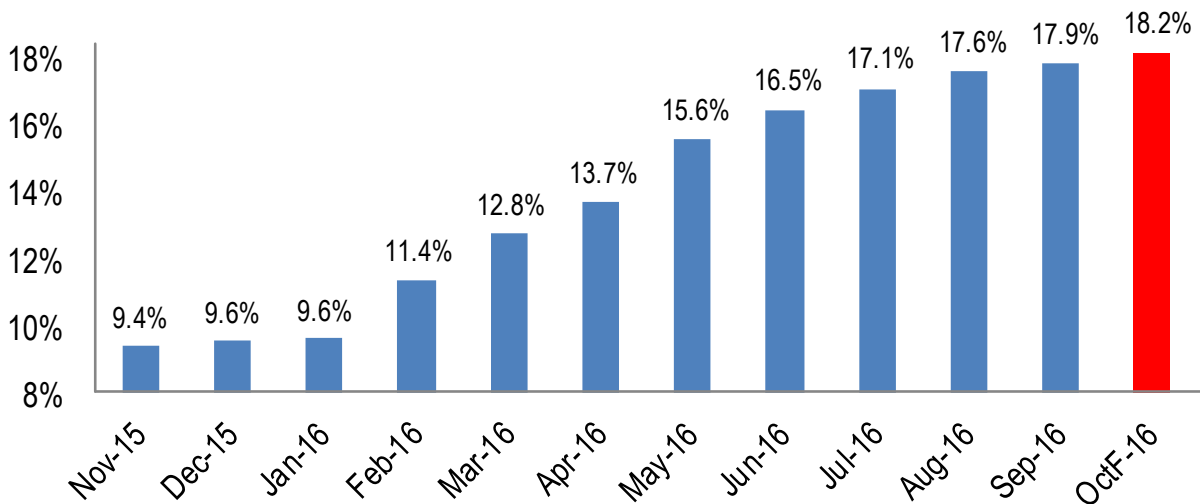
The FPI increased in October by 0.7% compared with the revised value in September 2016.

The CCPI would increase by 0.7% month-on-month in October.

One Year Composite Consumer Price Index (CCPI)



Year-on-Year Inflation Rate (One Year)



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