

Inflation Rate to Retract:

We expect the December 2016 inflation rate (year-on-year) to drop marginally to 18.44% from 18.48% recorded in the month of November 2016. The expected decrease in the inflation rate will be driven by lower than anticipated price increases within the Food and Non-Alcoholic Beverages division, as well as the base effect. The National Bureau of Statistics (NBS) is expected to release the inflation rate for the month of December 2016 on January 13, 2016 based on the information on the twitter handle of the Statistician General of the Federation and Chief Executive Officer of the NBS.

The monthly Food Price Index (FPI) released today by the Food and Agriculture Organization (FAO) shows that the FPI remained relatively the same in December. The Index was marginally down by 0.07%, compared with its revised November figure. Year-on-year (YoY), it grew by 12.02%. According to the FAO, the performance of the Index was largely driven by a sharp fall in sugar prices. The FAO Sugar Index fell by 8.56%, on the back of the weakening Brazilian currency against the U.S. Dollar. Also, favourable reports emanating from the main producing region (Central South) contributed to the fall in prices. YoY, the Index rose by 26.34%. The FAO Meat Price Index was down by 1.09%, as all meat categories recorded lower prices in December 2016. On the flip side, the FAO Vegetable Oil Price Index appreciated by 4.22%. The rebound was primarily driven by lower global inventory level for palm oil. YoY, the Index appreciated by 29.31% in December 2016. The FAO Dairy Index appreciated by 3.35% from November 2016, as a result of weaker dairy production in the European Union (EU) and Oceania. The Index recorded a YoY growth of 28.83%. The FAO Cereal Price Index increased marginally by 0.50%, mainly due to the increase in the prices of rice and maize. YoY, the Index declined by 6.25%.

Our analysis indicates that the value of the Naira remained stable at the inter-bank market while it depreciated at the parallel market by 2.65% to close at US\$/N491 from US\$/N478 at the end of November. The depreciation in 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 December 2016 moved in varying directions. The prices of vegetable oil, palm oil, meat, fish, sweet potatoes, onions and Irish potatoes were up by 25%, 21%, 14.2%, 12.5%, 7.1%, 4.2% and 4.17% respectively. The prices of tomatoes and beans were down by 5% and 4.49% respectively. The prices of rice, garri, and yam remained unchanged. The movement in the prices of food items during the month resulted in a 1.04% increase in our Food and Non-Alcoholic Index to 216.99 points. We also noticed increases in the prices of Clothing and Footwear; Housing, Water, Electricity, Gas & Other Fuels divisions between November and December 2016.

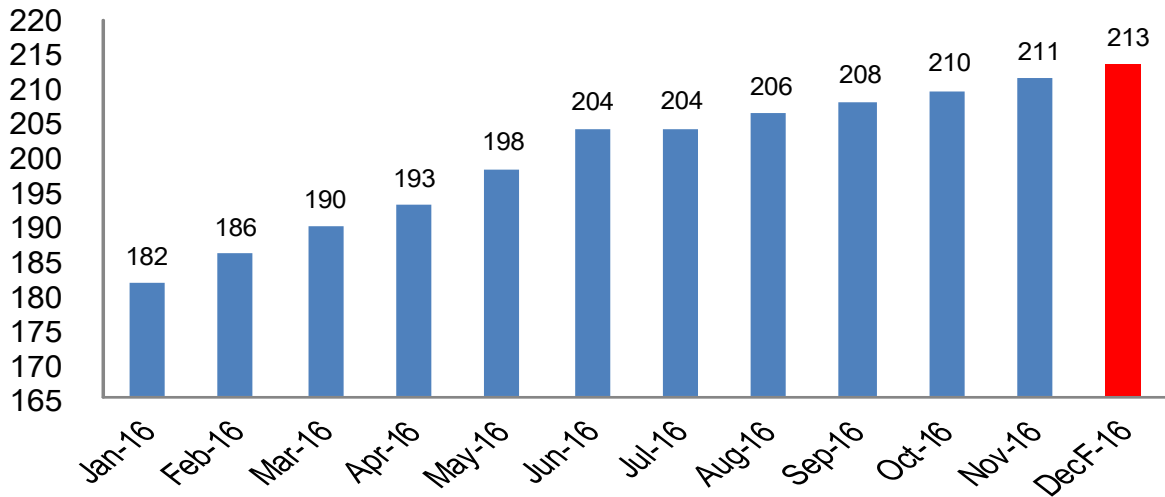
Our model indicates that the price movements in the consumer goods and services in December 2016 would increase the Composite Consumer Price Index (CCPI) to 213.35 points, representing a month-on-month increase of 0.96%. We estimate that the increase in the CCPI in December will produce an inflation rate of 18.44%.

Inflation rate: 18.44%

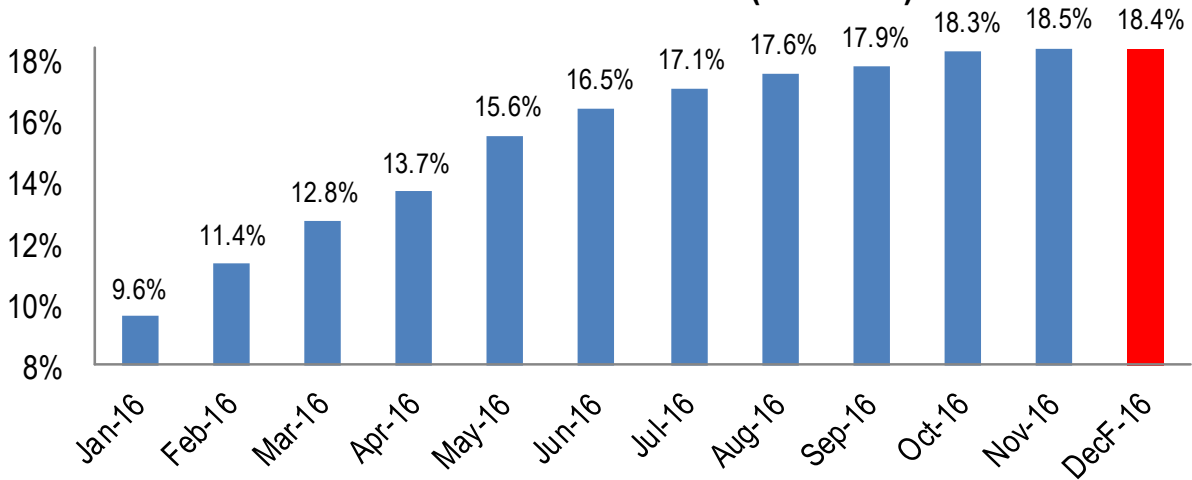
The FPI decreased marginally in December by 0.07% compared with the revised value in November 2016.

The CCPI would increase by 0.96% month-on-month in December.

One Year Composite Consumer Price Index (CCPI)



Year-on-Year Inflation Rate (One Year)



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