

Inflation Rate to Decelerate in September:

We expect the inflation rate (year-on-year) to drop marginally to 15.96% in September 2017 from 16.01% reported in the month of August 2017. The marginal decline in the inflation rate is largely attributed to the downward movement in food items, as well as decrease in some non-food items. Based on the data release calendar on the website of the National Bureau of Statistics (NBS), we expect the NBS to release the inflation rate for the month of September 2017 on October 17, 2017.

The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the Index averaged 178.4 points, 0.78% higher than the revised value for August 2017, and 4.35% higher than the September 2016 figure. With the exception of cereal, the increase in the FPI represented increase in all categories of commodities used in the calculation of the Index. The FAO Vegetable Oil Index increased by 4.51% from the previous month and represents a seven-month high. The increase recorded in the vegetable oil price Index is as a result of the rise in the prices of palm oil, rapeseed and sunflower oil. The FAO Dairy Index appreciated by 2.06% from August 2017 on the strength of increase in the prices of butter and cheese. Supply constraints in Australia, New Zealand and the European Union helped to firm up the prices of the dairy products. The FAO Sugar Price Index was marginally up by 0.14% in September 2017. Year-to-date the Index has declined by 22.24% on the heels of reports of high production supply amidst a slow-down in demand. The FAO Meat Price Index closed largely unchanged from August 2017. The increase in the prices of ovine meat countered a decline in pig meat. While poultry and bovine meat remained largely unchanged. On the flip side, the FAO Cereal Price Index was down by 1.01% in September 2017. The Index was down for the second consecutive month as the prices for wheat and maize were driven downward by large global supplies.

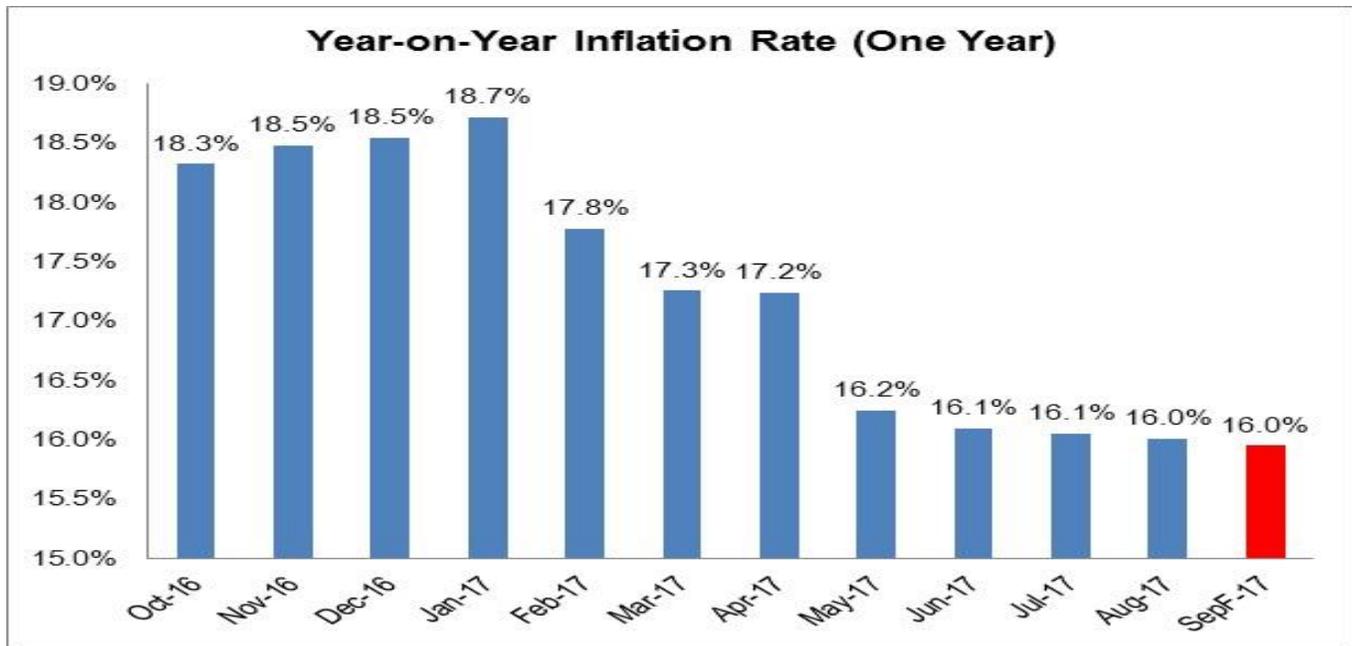
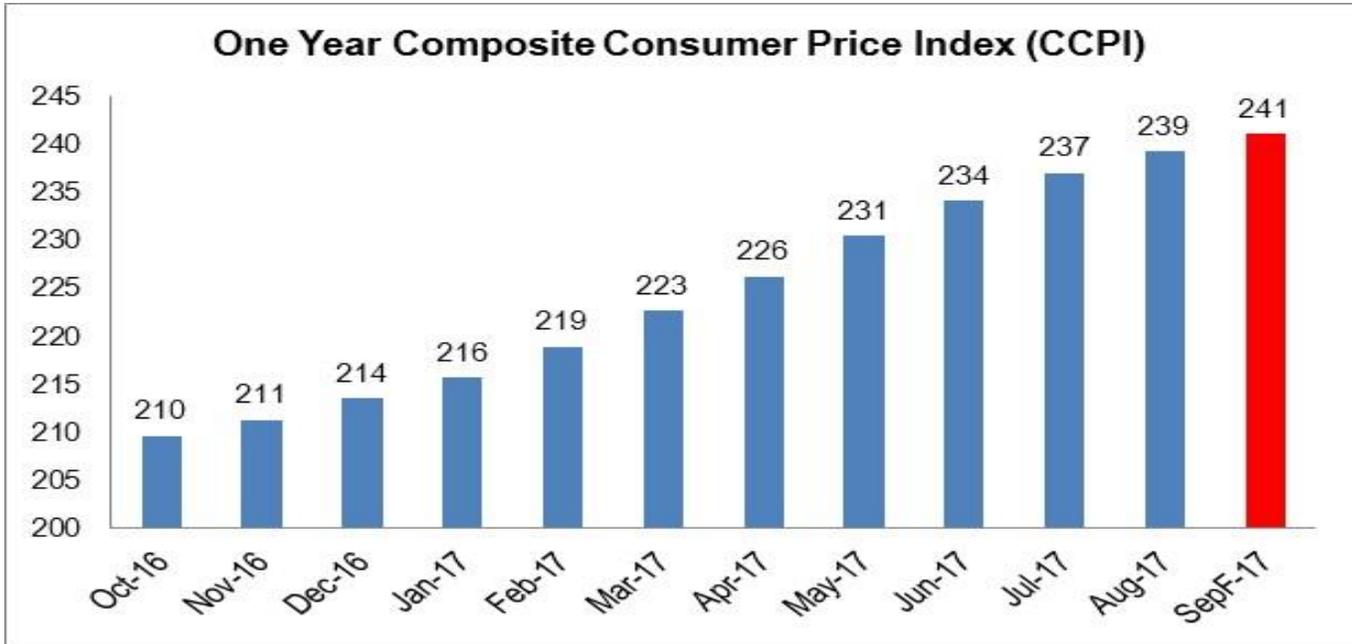
Our analysis indicates that the value of the Naira appreciated at both the inter-bank and parallel markets in September 2017. The value of Naira gained marginally by 0.03% to close at N305.75/US\$ at the inter-bank market and appreciated by 0.68% to close at N365.50/US\$ at the parallel market at the end of September 2017, compared with August 2017. The appreciation of the Naira in the inter-bank and parallel markets should douse the impact of the increase recorded in the prices of food at the international market.

The prices of most of the food items we monitored in September 2017 moderated downwards, while a few major items recorded price appreciation. The movement in the prices of food items during the month resulted in 0.75% increase in our Food and Non-Alcoholic Index to 253.59 points. Our Food and Non-Alcoholic Index increased by 20.13% from 211.10 points in September 2016. We also noticed increase in the prices of Housing, Water, Electricity, Gas & Other Fuels divisions between August 2017 and September 2017. **Our model indicates that the general price movement in the consumer goods and services in September 2017 increased the Composite Consumer Price Index (CCPI) to 241.12 points, representing a month-on-month increase of 0.75%. We estimate that the increase in the CCPI in September 2017 would produce an inflation rate of 15.96% marginally lower than the 16.01% recorded in August 2017.**

Inflation Rate: 15.96%

The FPI appreciated in September 2017 by 0.78% compared with the August 2017 figure.

Our CCPI increased by 0.75% month-on-month in September 2017.



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