

Further Increase in Inflation Rate:

We expect the January 2017 inflation rate (year-on-year) to increase further to 18.64% from 18.55% recorded in the month of December 2016. We expect the increase to come from the increase in the prices of food items and other non-food items as a result of the continued pressure on the value of the Naira. The increase in the price of diesel which is predominantly used in production of goods and services will also contribute to the rising inflation rate. We expect the National Bureau of Statistics (NBS) to release the inflation rate for the month of January 2017 on February 15, 2017 based on data calendar on its website.

The monthly Food Price Index (FPI) that the Food and Agriculture Organization (FAO) released today shows that the Index averaged 173.8 points, 2.15% higher than the revised value for December 2016, and 16.41% higher than the January 2016 figure. At its current level, the Index has reached its highest value since February 2015. Last month's increase reflected sharp increases in the prices of sugar, cereals and vegetable oils. The Sugar Price Index rebounded sharply by 9.9% in January on the heels of reports of low production conditions in the main sugar producing regions of Brazil, India and Thailand. The FAO Cereal Price Index increased by 3.37% from the previous month and represents a six-month high. The increase recorded was due to the rise in the prices of wheat, maize and rice, with wheat reflecting the highest increase amid concerns over unfavourable weather conditions. The FAO Vegetable Oil Price Index was up 1.82%, driven by palm oil prices, reflecting concerns over supply tightness in Southeast Asia. The FAO Dairy Index appreciated marginally by 0.20% from December 2016, prices of dairy products remained relatively stable across the board. The FAO Meat Price Index was marginally down by 0.06%.

Our analysis indicates that the value of the Naira depreciated at both the inter-bank and the parallel market. The value of the Naira lost marginally by 0.08% at the inter-bank market to close at US\$/N305.25 while it lost 2.09% at the parallel market to close at US\$/N491 at the end of January. The depreciation recorded in the foreign exchange rate particularly in the parallel market between the two months and higher prices in the international market put further pressure on domestic prices in January 2017.

The prices of food items that FSDH Research monitored in January 2016 moved in varying directions. The prices of garri and tomatoes were up by 7.14% and 2.78% respectively; meanwhile, the prices of palm oil and fish were down by 7.14% and 2.08% respectively. The prices of most other food items remained unchanged. The movement in the prices of food items during the month resulted in a 0.96% increase in our Food and Non-Alcoholic Index to 219.72 points. We also noticed increases in the prices of Housing, Water, Electricity, Gas & Other Fuels divisions between December 2016 and January 2017.

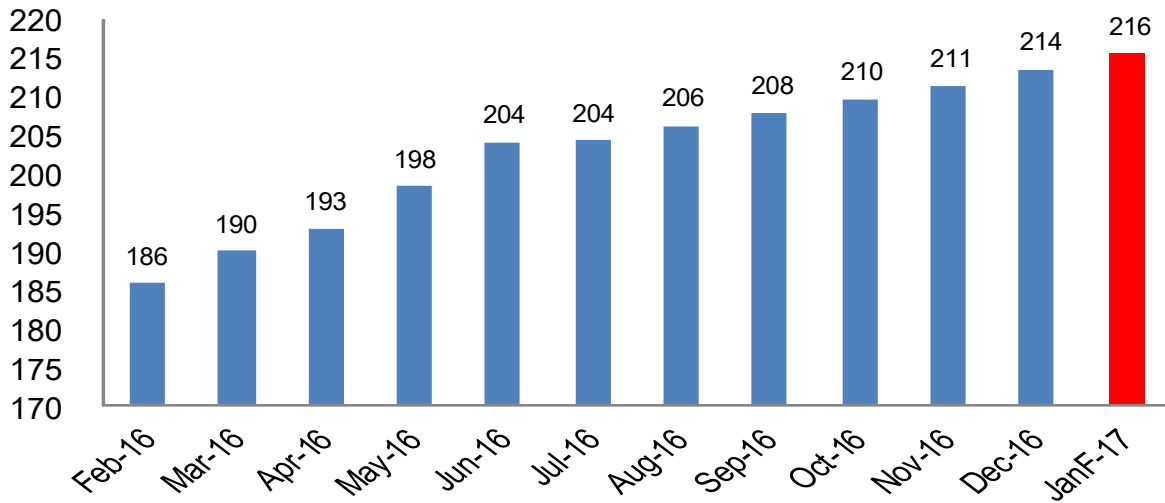
Our model indicates that the price movements in the consumer goods and services in January 2017 would increase the Composite Consumer Price Index (CCPI) to 215.53 points, representing a month-on-month increase of 0.93%. We estimate that the increase in the CCPI in January will produce an inflation rate of 18.64%.

Inflation rate: 18.64%

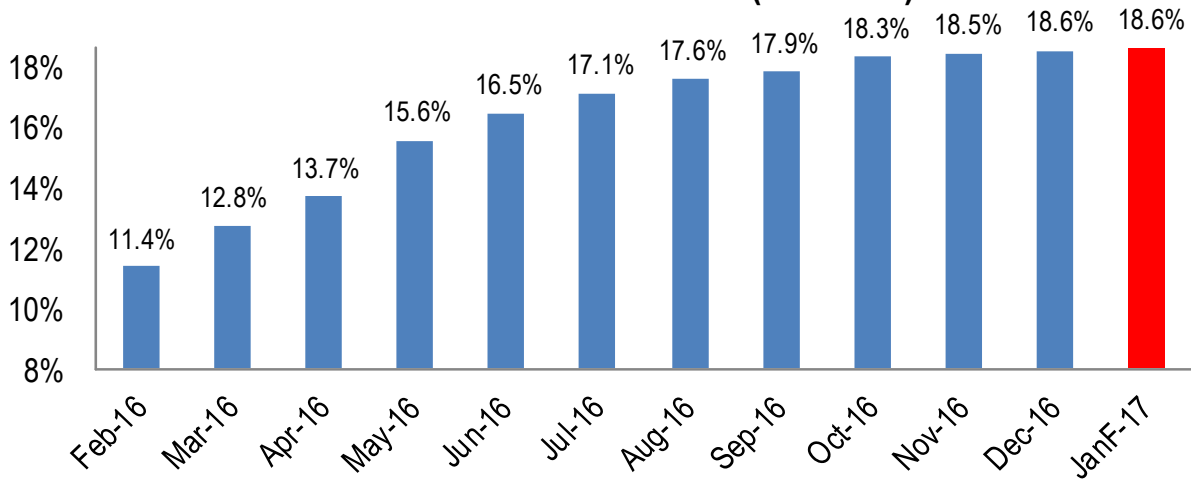
The FPI increased sharply in January by 2.15% compared with the revised value in December 2016.

The CCPI would increase by 0.93% month-on-month in January.

One Year Composite Consumer Price Index (CCPI)



Year-on-Year Inflation Rate (One Year)



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