

Inflation Rate to Maintain Downward Trend in January 2018:

FSDH Research expects the inflation rate (year-on-year) to drop to 15.04% in January 2018 from 15.37% recorded in the month of December 2017. The expected decrease in the inflation rate is as a result of a slower growth in the year on year Food Index in January 2018 than what was recorded in December 2017. FSDH Research expects the National Bureau of Statistics (NBS) to release the inflation rate for the month of January 2018 on 14 February 2018, based on the data release calendar on the website of the NBS.

The January 2018 monthly Food Price Index (FPI) from the Food and Agriculture Organization (FAO) shows that the Index averaged 169.5 points. The Index was largely unchanged from the December 2017 figure. The FPI was down by 0.18%, from the revised December 2017 figure but almost 3% below the corresponding period last year. The movement in the food prices were in varying directions in January 2018. The cereal and vegetable oil prices appreciated while sugar and dairy prices depreciated. The FAO Dairy Price Index depreciated by 2.44% in January. The prices of dairy products such as cheese and butter depreciated significantly during the period. The FAO Sugar Price Index dropped by 1.49% on the heels of favourable supply conditions in the main sugar producing regions in Brazil and increased exports availabilities. The FAO Meat Index was marginally down by 0.60% on the backdrop of weak global import demand for poultry and pigmeat. On the flip side, the FAO Cereal Price Index gained 2.31% from the previous month. Wheat, maize and rice prices firmed up and were primarily responsible for the uptick in the value of the Index. The FAO Vegetable Oil Price Index was up marginally by 0.33%, driven by the rise in palm oil prices which outweighed weakening prices for other oils.

Our analysis indicates that the value of the Naira appreciated in the inter-bank market while it depreciated in the parallel market. The Naira gained 30kobo to close at N305.70/US\$ in the inter-bank market while it lost N1.00 to close at N364.50/US\$ in the parallel market. FSDH Research expects the drop in the international prices of food to counter the effect of the depreciation in the Naira in the parallel market. Hence, there should be a moderation in the pass-through effect of imported goods on local prices.

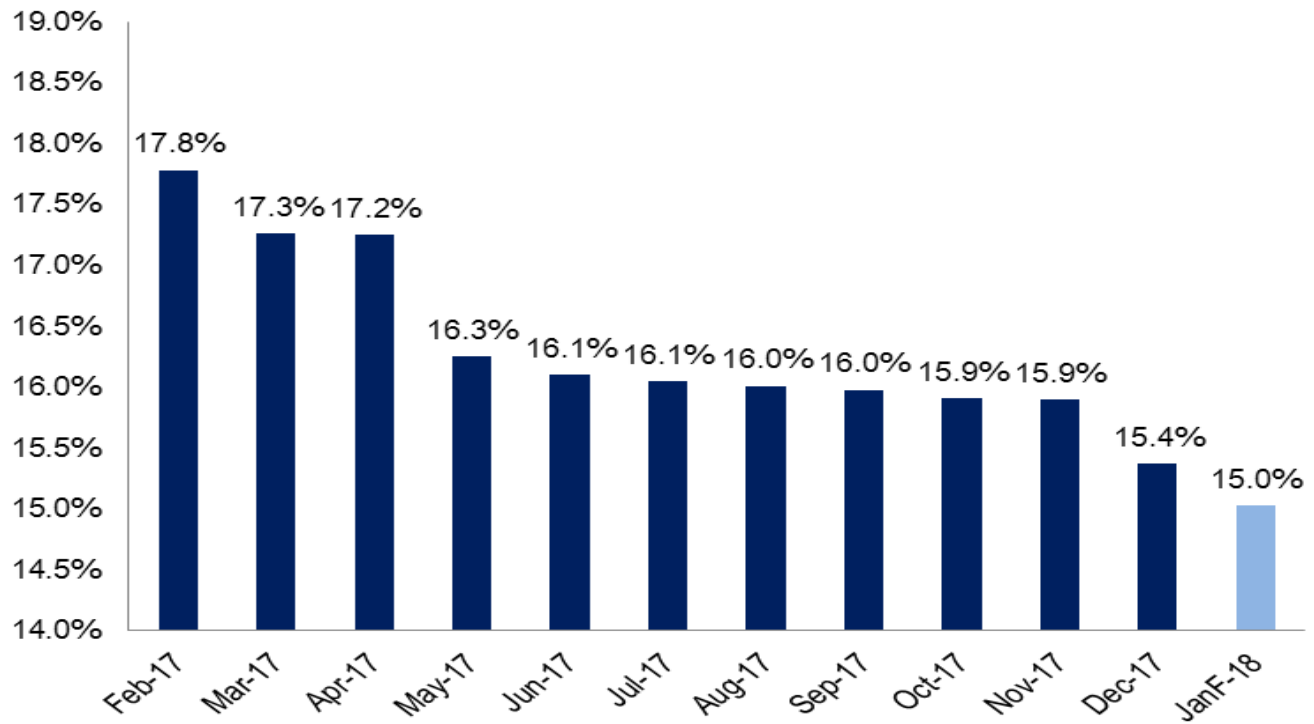
The prices of most of the food items we monitored in January 2018 moved in varying directions, leading to 0.79% increase in our Food and Non-Alcoholic Index. The Food and Non-Alcoholic Index increased by 18.78% from 220.41 points in January 2017. We also noticed increase in the prices of Transport and Housing, Water, Electricity, Gas & Other Fuels divisions between December 2017 and January 2018. We estimate that the increase in the Composite Consumer Price Index (CCPI) in January 2018 would produce an inflation rate of 15.04% lower than the 15.37% recorded in December 2017.

Inflation Rate: 15.04%

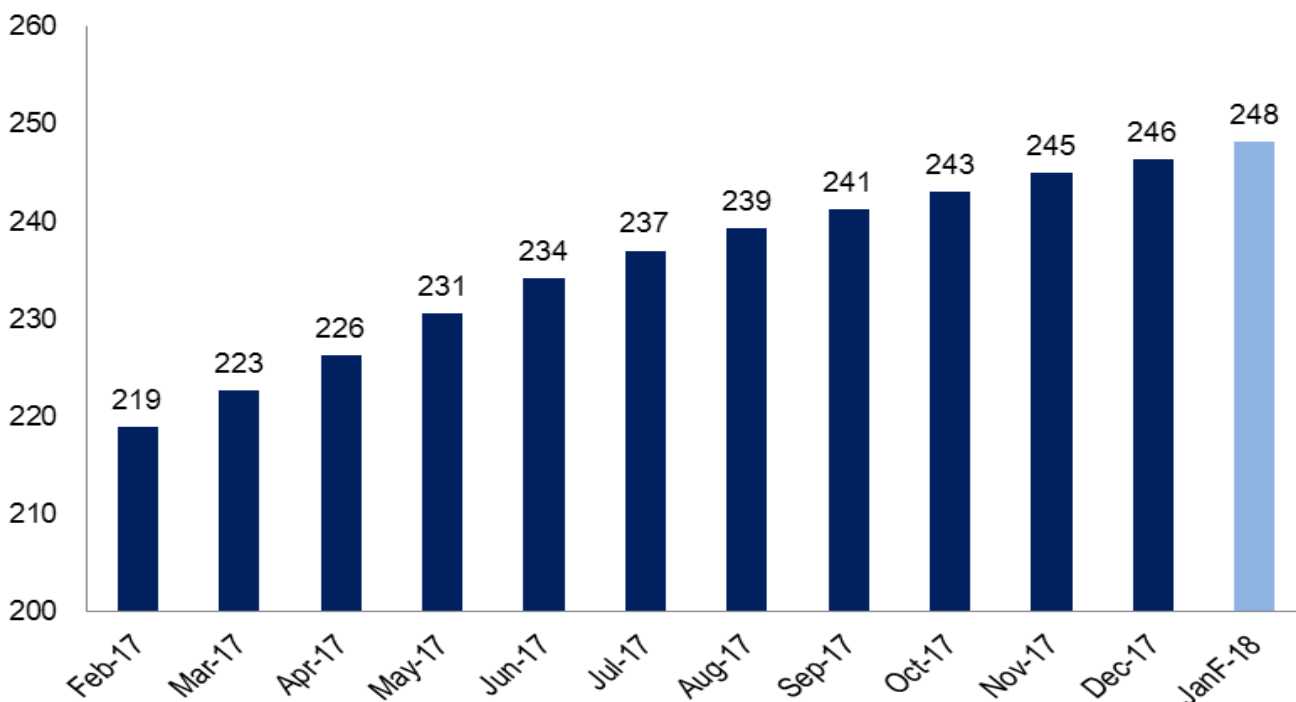
The FPI depreciated marginally in January 2018 by 0.18% compared with the revised December 2017 figure.

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Year-on-Year Inflation Rate (One Year)



Composite Consumer Price Index (CCPI) - One Year



For enquiries please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, P.M.B 12913 Lagos. (Tel): 234-1-2702887; 234-1-2702881-2.

Port Harcourt Office: 2nd floor, Skye Bank Building (Former Mainstreet Bank Building), 5 Trans Amadi Road, Port Harcourt, Rivers State, Nigeria. Switchboard 234-802 408 1331: E-mail: fsdh-phc@fsdhgroup.com.

Abuja Office: Leadway House (1st Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel: 234-9-2918821

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