

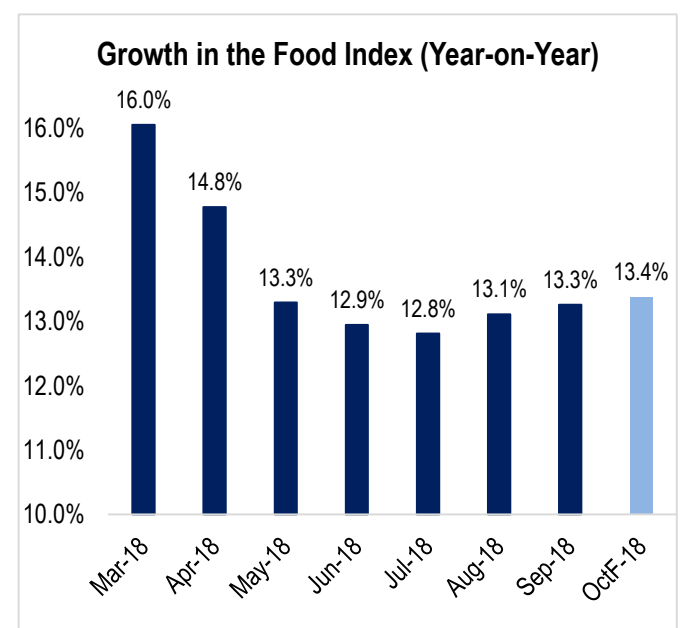
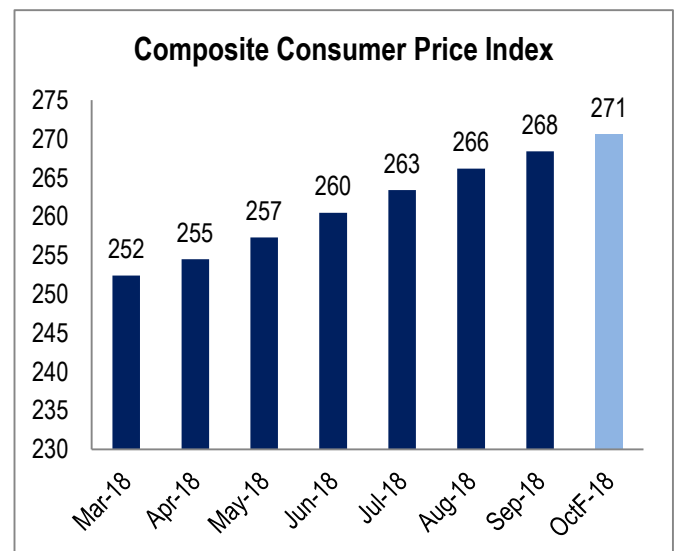
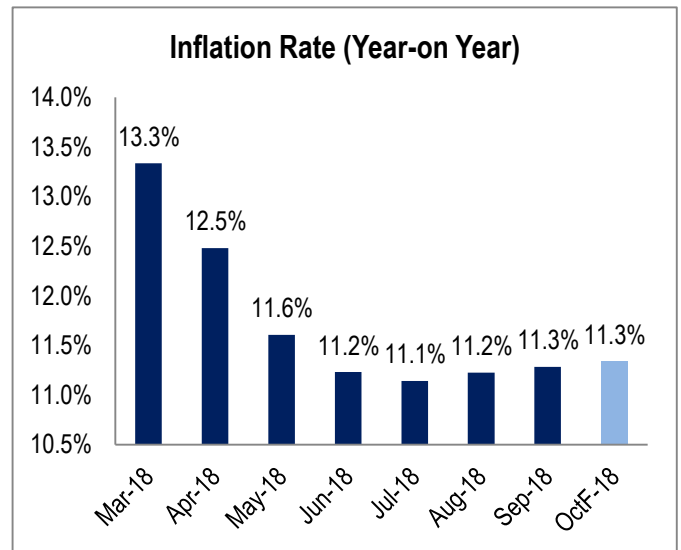
FSDH Research Expects Inflation Rate to Inch Up in October 2018

FSDH Research expects the inflation rate (year-on-year) to increase further to 11.34% in October 2018 from 11.28% recorded in September. The expected increase in the inflation rate will reflect higher prices observed within the Food and Non-Alcoholic Beverages division. The National Bureau of Statistics (NBS) is due to release the inflation rate for the month of October on Wednesday, 14 November 2018.

The Food Price Index (FPI) report the Food and Agriculture Organization (FAO) published for the month of October 2018 notes that food prices on the international market decreased from the September levels. Dairy, meat and oils prices declined sharply, while the cereal prices increased slightly and sugar recorded a surge in its price. Large inventories held by exporting countries coupled with huge export supplies weighed negatively on the prices of oil, meat and dairy products. Sugar prices increased for the second consecutive month due to low production prospects in the major sugar producing regions.

FSDH Research's analysis indicates that in October 2018 the value of the Naira appreciated at the Nigerian Autonomous Foreign Exchange (NAFEX), while it depreciated at the parallel market. At the NAFEX market, the value of the Naira appreciated by 0.09% to close at US\$/N363.40 from US\$/N363.72 in the prior month. While at the parallel market the Naira depreciated by 0.28% to close at US\$/N362.00 from US\$/N361.00 in September 2018. The appreciation recorded in the value of the Naira at the NAFEX market should lower the pass through effect of imported inflation in Nigeria.

The prices of food items that FSDH Research monitored in October 2018 moved in varying directions, and led to an overall 0.95% increase in our Food and Non-Alcoholic Index.



This Index increased year-on-year by 13.37% to 290.22 points, up from 255.99 points recorded in October 2017. We also observed an increase in the prices of Transport and Housing, Water, Electricity, Gas & Other Fuels divisions between September and October 2018. We estimate that the increase in the Composite Consumer Price Index (CCPI) in October would produce an inflation rate of 11.34%.

Although FSDH Research believes the inflation rate may trend further upwards in November and through December, our analysis shows that the increase is not enough to elicit a change in the monetary policy stance. The major pressure points in the economy at the moment are the demand pressure on foreign exchange and the sluggish growth in the economy.

FSDH Research also notes that there may be increased liquidity in the financial system as a result of maturing government securities, implementation of the new minimum wage and electioneering campaigns. The Central Bank of Nigeria (CBN) may adopt the following strategies to manage liquidity: increase the yields on Nigerian Treasury Bills (NTBs), and/or increase the Cash Reserve Requirement (CRR).

For enquiries, please contact us at our offices:

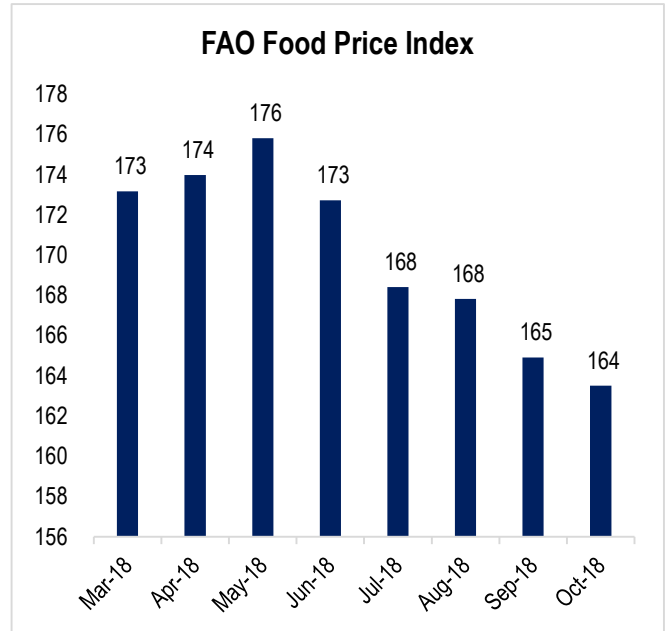
Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, Lagos. Tel: 234-1-2702880-2; 234-1-2702887

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building) 5 Trans Amadi Road, Port Harcourt. Tel: 234-8024081331

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

Website: www.fsdhgroup.com **email:** research@fsdhgroup.com

Our Reports and Prices are also Available on Bloomberg {FSDH<GO>}



Sources: National Bureau of Statistics (NBS), Food and Agriculture Organization (FAO) of the United Nations and FSDH Research

Please click on the links below to access our latest reports:

- [Time to Actively Involve the Private Sector to Fund Infrastructure in Nigeria](#)
- [Global Competitive Ranking: What Nigeria Must Do to Increase Scores](#)
- [IMF's Forecast on Nigerian Economy Unimpressive](#)

Disclaimer Policy

This publication is produced by FSDH Merchant Bank Limited solely for the information of users who are expected to make their own investment decisions without undue reliance on any information or opinions contained herein. The opinions contained in the report should not be interpreted as an offer to sell, or a solicitation of any offer to buy any investment. FSDH Merchant Bank Limited may invest substantially in securities of companies using information contained herein and may also perform or seek to perform investment services for companies mentioned herein. Whilst every care has been taken in preparing this document, no responsibility or liability is accepted by any member of the FSDH Merchant Bank Limited for actions taken as a result of information provided in this publication.