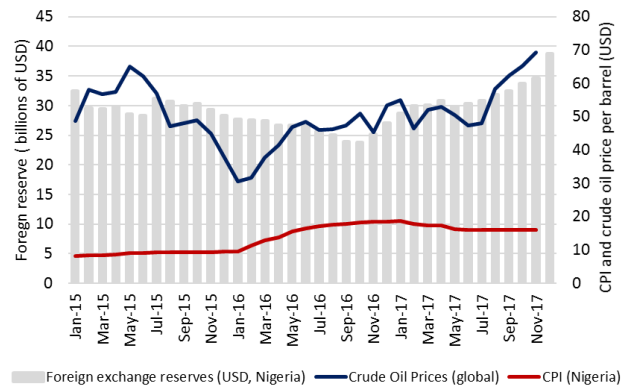


Key messages

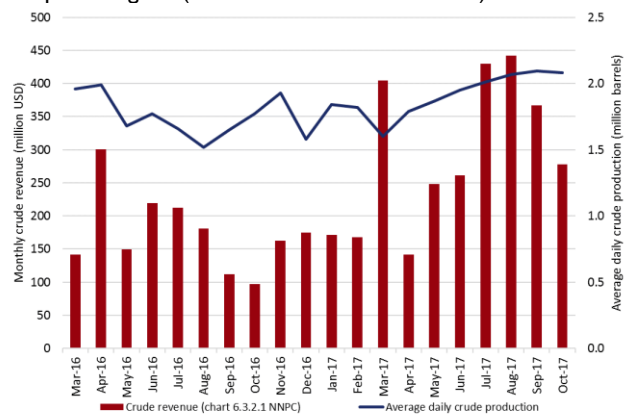
- Steady increases in oil production and export prices, which have reached a two year high, have supported oil revenues. As a result, foreign exchange reserves (FOREX) have continued to increase. These indicators, combined with an improved inflation rate are continuing to help to gradually bring Nigeria's economy out of recession (**Figure 1 - 2**).
- The value of the Naira (NGN) remains well below historical levels. Nevertheless, there have been slow gains in value in recent months and the gap between the official inter-bank and the parallel market (Bureau de Change) exchange rates continues to narrow (**Figure 3**).
- Nigeria now has a positive balance of trade, which exceeded NGN 1,000 billion (about USD 2.8 billion) for the first time in Q3 2017 since 2014 (**Figure 4**).
- The Nigerian Government announced that rice imports will remain banned for the 2018 consumption year with the goal of encouraging local production while reducing demand for FOREX. Rice prices are generally lower in rice surplus producing areas compared to deficit areas (**Figure 6**).
- Prices are generally higher in northeastern markets. Staple prices in markets such as Maiduguri, Damaturu, and Potiskum are higher than average but are notably declining relative to previous months and are lower than last year at the same time (**Figure 9**).

Figure 1. Nigeria foreign reserves, global fuel price trends and inflation (January 2015 to November 2017)



Source: Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS), 2017

Figure 2. Average daily crude oil production and monthly receipts in Nigeria (March 2016 to October 2017)

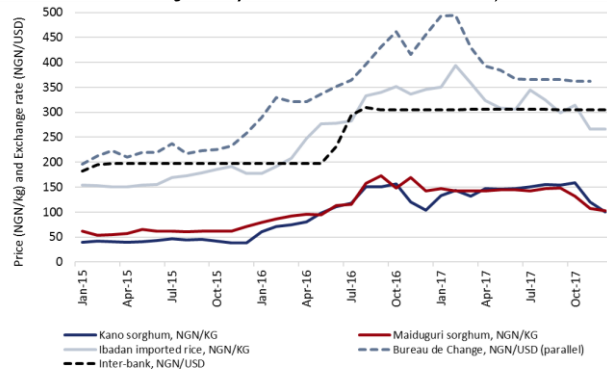


Source: Nigerian National Petroleum Corporation (NNPC) monthly reports, November 2017

In June 2016, FEWS NET released an alert describing the [national and regional implications of declining global crude oil prices on the Nigerian economy and subsequent currency depreciation since 2015](#). Within the context of this national economic shock, [more than 3 million people in Northeast Nigeria already face significant food insecurity due to the Boko-Haram conflict](#). The Nigeria Market Monitoring Bulletin provides a summary of emerging market trends in Nigeria and the broader region.

- The value of the NGN has remained stable compared to the US Dollar (USD) according to the inter-bank rates released by the Nigerian Central Bank (CBN). The last published rate was NGN 305.30 to USD in December 2017. The rate has remained stable since December 2016 but declined slightly from a rate of NGN 304.90 in November 2017. The parallel Bureau de Change rate was NGN 362.40 in November 2017, stable compared to October 2017 and 13 percent stronger than the October 2016 rate.

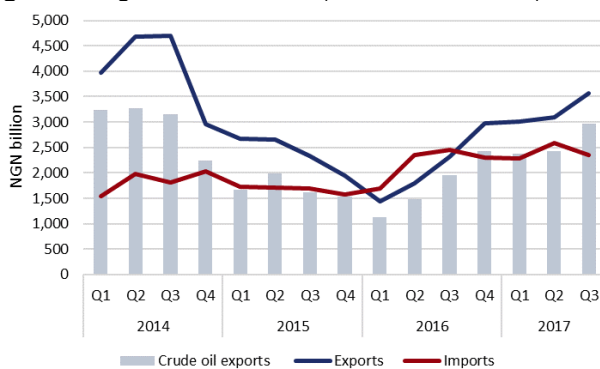
Figure 3. Nigeria exchange rate and staple food price trends in selected markets (January 2015 to December 2017)



Source: Central Bank of Nigeria (CBN) and FEWS NET

- A stable currency along with an improving (declining) inflation rate contributed to economic improvements in Nigeria. The inflation rate declined for the 12th consecutive month in January 2018 reaching 15.13 (y-o-y), its lowest level since April 2016. As a result of these indicators, forecasts indicate a relatively positive short to medium outlook for Nigeria.

Figure 4. Nigerian trade balance (Q1 2014 to Q3 2017)

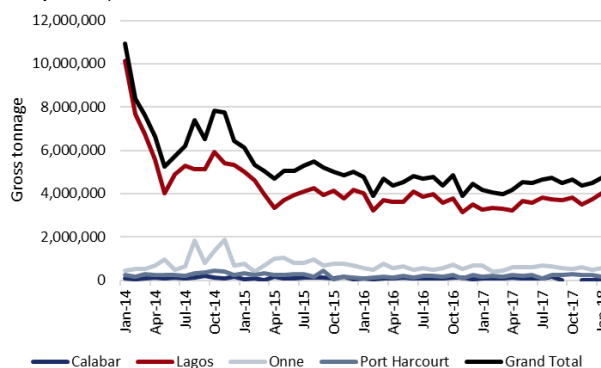


Source: National Bureau of Statistics, Foreign Trade Statistics, December 2017

- Increasing stability in the global oil market continues to favor Nigeria, which has remained exempt from the Organization of the Petroleum Exporting Countries (OPEC) imposed output restrictions since in January 2017. Increased oil production and export prices have resulted in government revenue growth and a 46 percent increase in FOREX since October 2016.
- Currently, the price of crude oil is steadily increasing on the international market, thereby increasing government revenue in Nigeria. However, the increased pump price of petrol and landing cost is now NGN 171/liter, limiting imports by major oil companies as the government insists on a pump price of NGN 145/liter, leading to restricted availability of petrol and subsequently long queues at gas stations. From January 2018, the average price paid by consumers for petrol increased by 28 percent year-on-year and 11 percent month-on-month to NGN 190.9 from NGN 171.8 in December 2017. Most vehicle owners are resorting to parallel markets for fuel and purchasing at higher prices.
- Nigeria has maintained a positive trade balance since Q3 2016. The trade balance reached NGN 1,225 in the third quarter of 2017, a value that's doubled since Q2 2017. The third quarter of 2017 marked the first time the trade balance exceeded NGN 1,000 billion since Q4 2014 (**Figure 4**). Oil dominates exports, which account for 83 percent of all Q3 exports ([National Bureau of Statistics](#)). Despite timid increase, trade activities in selected key ports (Lagos, Calabar, Port Harcourt, and Onne) remain stable at below recession years' levels (**Figure 5**).

- The list of 41 prohibited items for import remains enforced into 2018 ([Central Bank of Nigeria](#)). Foreign exchange reserves reached a new high level of USD 40.6 billion in January 2018, indicating an increase of about USD one billion between December 2017 and January 2018. The CBN’s continued policy of restricting access to FOREX for the importation of the 41 restricted items has been a major turning point as the policy has ensured a decline in Nigeria’s import bills from over USD 5 billion monthly in 2015 to about USD 1.5 billion in 2017.

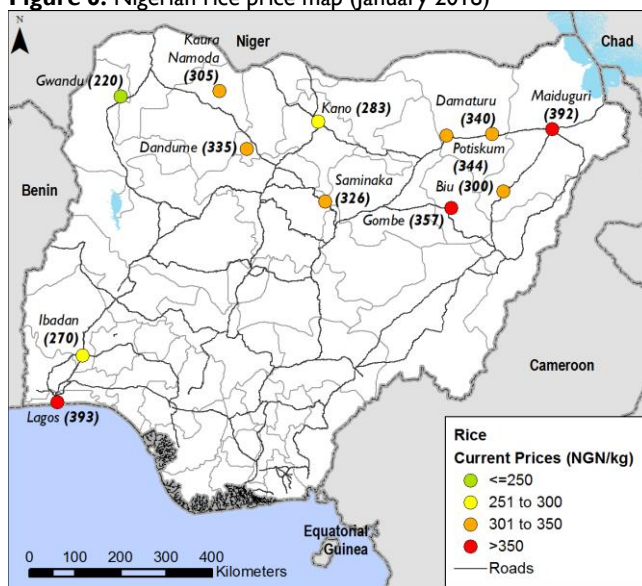
Figure 5. Nigerian cargo arrivals by main port (January 2014-January 2018)



Source: Fleetmon

- Rice is currently imported through the seaports and restricted through the land borders. However, the Government of Nigeria categorically stated that rice importation will be completely banned during the 2018 consumption year, even through seaports ([Statehouse](#)). This is meant to encourage local rice production and consumption in Nigeria while simultaneously reducing demand for FOREX. Local production of rice has impacted rice prices in Nigeria. For instance, rice prices are about 40 to 50 percent lower in surplus production areas such as in Gwandu market (Kebbi State) and in Dawanau market, where rice production has been abundant for several consecutive years; relative to Maiduguri and Mile 12 markets, areas affected by conflict and deficit production, respectively. (**Figure 6**).

Figure 6. Nigerian rice price map (January 2018)

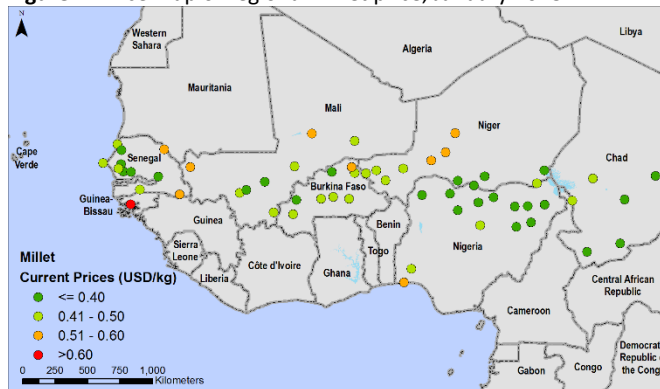


Source: FEWS NET

- The Niger Delta militants are threatening to attack oil fields in the area. Local governors’ engagement in dialogue with the militants, however, is keeping the chances of an attack low. Threats from the militants follows the threat by the government to discontinue its granted amnesty funding to militants. Thus, the higher crude oil export from Nigeria coupled with the waiver by OPEC members will be impacted and revenue accruable to the country could dwindle in the long run despite the hike in oil prices to about USD 71/bbl.

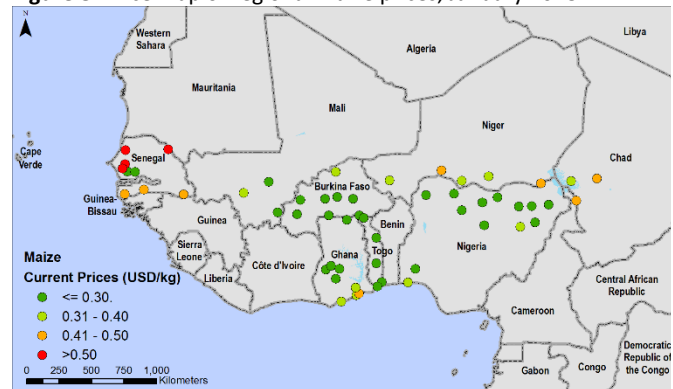
- Markets remain well supplied during the post-harvest periods with major cereal staples across the country and household stocks are high. Traders are currently replenishing their stocks as prices are either stable or declining across several markets relative to previous months. The exception is the price of millet, which increased in most markets, a rise which could be attributable to the decline in production and increased cross border demand for millet. Similarly, maize and rice prices also increased in some markets relative to previous months. Rice demand was higher during Christmas and New Year celebrations in December. Similarly, maize demand by poultry farmers in anticipation of increased demand for poultry products during the Christmas and New Year celebration led to an increase in maize prices. In general, staple prices remained at higher than average levels for major staples.

Figure 7: Price map of regional millet price, January 2018



Source: FEWS NET

Figure 8: Price map of regional maize prices, January 2018



Source: FEWS NET

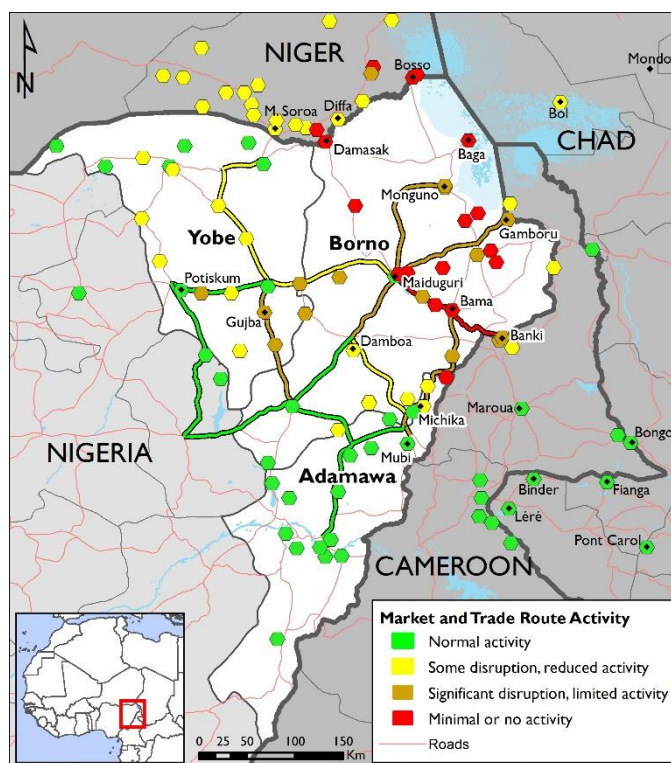
- Cereal prices of maize, millet and sorghum range between USD 0.3 to 0.4/kg, which is relatively lower than neighboring markets in Niger republic. Thus, increasing demand from Nigerian border markets towards Niger (**Figure 7-8**). The limited harvest performance and planned above-average institutional purchases in neighboring Niger have led to increased demand for Nigerian cereals.
- Markets in the northeast remain well supplied during the post-harvest period, though supplies are well below average due to the combined impacts of below-average main harvest, restricted trade flow or disrupted market activities, thus limited capacity of traders to procure more commodities (**Figure 9**). Household stocks are higher relative to previous months during the post-harvest period. Stocks will last for only 3 to 4 months for households who are able to cultivate. Prices are generally higher in the northeastern markets including Maiduguri, Damaturu, and Potiskum, relative to other markets in the country. However, staple prices are declining seasonally relative to previous months during the post-harvest period. Similarly, prices are also lower than last year at the same time. Still, prices are relatively higher than average. Most households are unable to translate their demand effectively due to low purchasing power, thus maintaining current food price levels.

- Improved market supply of locally produced food staples from the recently completed harvest has contributed to widespread decrease in the prices of food items and brought about a reduction in the cost of the Survival Minimum Expenditure basket by 5.5 percent in the markets of Maiduguri and 14.4 percent in Damaturu (Table 1-2). This reflects a downward trend in food basket cost over the past six months (Figure 10).

- In December 2017, REACH conducted a market and household assessment in order to determine the most appropriate food assistance modality in the town of Konduga, the capital of Konduga Local Government Area (LGA) in Borno State. Findings indicate that the food vendors in Konduga would be able to increase supply in response to a growth in demand for food in the town. Of the vendors interviewed, 96 percent estimated that they could permanently double their supply of whichever of the five assessed food items they sold (rice, maize, beans, vegetable oil, and onions). Moreover, 94 percent reported that they faced no challenges in the transportation of these five items, 92 percent said that they faced no security challenges to conducting business, and 67 percent stated that they did not face any non-security challenges. Vendor FGD participants confirmed that there were no apparent barriers to the increased supply of food items in markets in Konduga. Most participants stated that

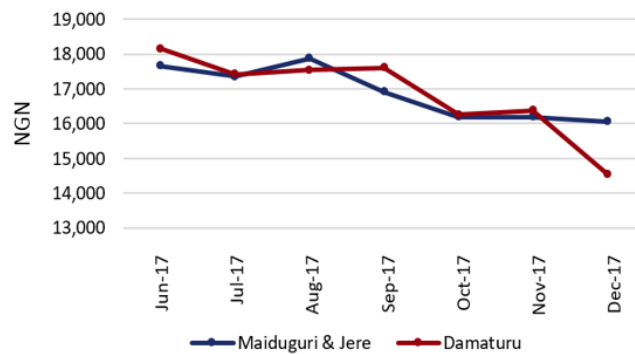
vendors could undertake a large increase in supply if demand were to increase, and while some mentioned that initial cash flow might be a challenge, they believed this could be overcome by relying on credit from suppliers that could be paid back after sale volumes increased. In addition, participants stated that they did not foresee major barriers preventing new people from becoming food vendors if demand were to increase in the town. Interviewed Maiduguri-based suppliers also confirmed that they did not foresee challenges that would prevent them from increasing sales to food vendors in Konduga. However, vendor FGD participants did state that future security incidents may cause some vendors to exit the market. Based on the findings, the overall recommendation from this assessment is that food aid in Konduga Town should be distributed through cash-based modalities rather than in-kind.

Figure 9: Northeast Nigeria market functionality map, February 2018



Source: FEWS NET

Figure 10: Monthly variation of the transfer value



Source: WFP

Table 1: Transfer value calculated for 5 household members in Maiduguri markets for one month, December 2017

HOUSEHOLD SIZE: 5							
Food item	grams/day/person	Kc/day/person	grams/HH/day	grams/HH/month	kg/HH/month	Price/kg (Naira)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	450	10,125
Millet	0		0	0	0.00	154	0
Maize	250	913	1250	37,500	37.50	151	5,663
Beans	75	255	375	11,250	11.25	371	4,174
Palm oil	10	88	50	1,500	1.50	305	458
Groundnut	15	85	75	2,250	2.25	277	623
Sugar	10	39	50	1,500	1.50	483	724
G/nut oil/Veg oil	20	177	100	3,000	3.00	296	887
Salt	5	0	25	750	0.75	215	161
Onion	8	3	40	1,200	1.20	109	130
Total		2,100					N 22,943.70
Cost food basket at 70%	70%	1,470					N 16,060.59
Per capita based on 70% transfer value							N 3,212.12

Source: WFP

Table 2: Transfer value calculated for 5 household members in Damaturu markets for one month, December 2017

HOUSEHOLD SIZE: 5							
Food item	grams/day/person	Kc/day/person	grams/HH/day	grams/HH/month	kg/HH/month	Price/kg (Naira)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	400	9,000
Millet	0		0	0	0.00		0
Maize	250	913	1250	37,500	37.50	140	5,250
Beans	75	255	375	11,250	11.25	240	2,700
Palm oil	10	88	50	1,500	1.50	563	845
Groundnut	15	85	75	2,250	2.25	240	540
Sugar	10	39	50	1,500	1.50	420	630
G/nut oil/Veg oil	20	177	100	3,000	3.00	525	1,575
Salt	5	0	25	750	0.75	152	114
Onion	8	3	40	1,200	1.20	90	108
Total		2,100					N 20,761.50
Cost food basket at 70%	70%	1,470					N 14,533.05
Per capita based on 70% transfer value							N 2,906.61

Source: WFP

- As for the outlook, increased prices and increased demand for millet are expected during the Ramadan period. Poultry farmers will procure more maize towards the Ramadan period from May to June, leading to an increase in the price of maize. Similarly, increased demand for rice during Ramadan and Tabaski will lead to increased prices of the commodity. Household stock and market supplies will decline normally towards the lean season. During the onset of the rainy season in June and July in the northern areas, traders will release part of their stocks to procure inputs such as fertilizer, seeds, and chemicals for farming activities, slightly increasing market supplies. The remaining trader stocks will be released when the growing season becomes well established, during July and August and before the early green harvest.