

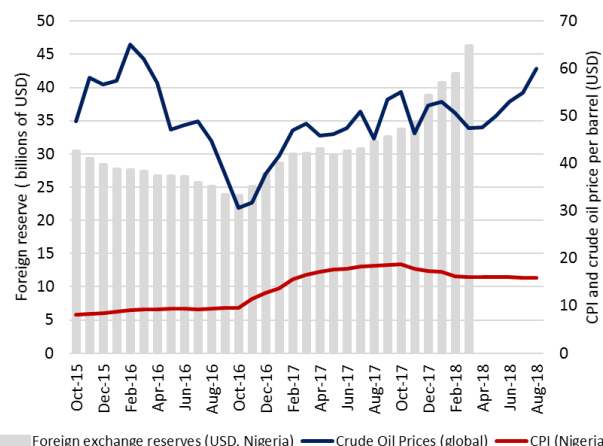
## NIGERIA Market Monitoring Bulletin

May 31, 2018

### Key messages

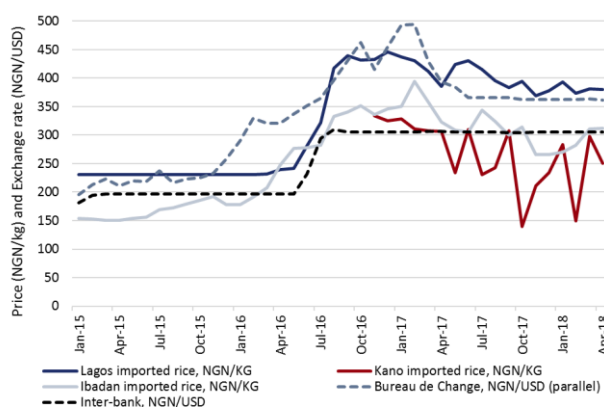
- Nigeria's macroeconomic indicators continue to improve. Foreign exchange reserves continue to grow, consumer price index (CPI) reached its lowest level in two years in March 2018, and global crude oil prices remain relatively strong. These trends are helping to gradually bring Nigeria's economy out of recession (**Figure 1**).
- The value of the Nigerian Naira (NGN) remains well below historical levels but nonetheless continues to steadily improve relative to previous months (**Figure 2**). Nigeria's Q42017 positive trade balance improved over the previous quarter, reaching its highest level since 2014 (**Figure 3**).
- Maize, millet, and sorghum prices remained stable or slightly above previous months in most markets. Legume prices are higher than both last year and average price levels, due in large part to dryness and an early end to the rainy season (**Figure 4-5**).
- Prices in northeastern Nigeria are generally higher than other regions as a result of insecurity. Populations depend heavily on market purchases but many markets are either not functioning at all or functioning minimally with limited supplies (**Figure 6**).
- The cost of the Survival Minimum Expenditure Basket (SMEB) for a family of five in northeastern Nigeria increased from December 2017 to March 2018. However, the SMEB in Damaturu and Maiduguri markets have decreased five and eight percent respectively between February and March 2018 (**Figure 7**).
- Market demand is expected to increase nationwide with the ongoing month of Ramadan and the beginning of lean season in July. Prices are expected to remain above average until the arrival of the main harvest in October. Above-average demand from neighboring countries of Niger, Chad, and Cameroon is expected due to dryness in these areas during the recent growing season.

**Figure 1.** Nigeria foreign reserves, global fuel price trends and inflation (January 2015 to March 2018)



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

**Figure 2.** Nigeria exchange rate and imported rice price trends in selected markets (January 2015 to April 2018)



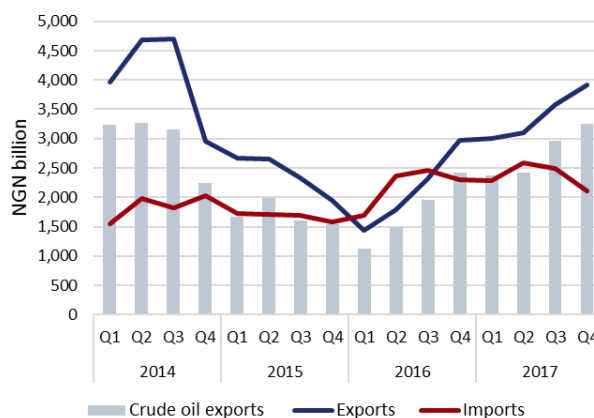
Source: Central Bank of Nigeria (CBN) and FEWS NET

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.

- A stable currency, along with an improving and a slowly declining inflation rate, contributed to economic improvements in Nigeria. After reaching a peak value in January 2017, the consumer price index has continued to decline for more than one year, reaching 13.34, its lowest level since March 2016 (**Figure 1**).

- The value of the Nigerian Naira (NGN) has continued to improve compared to the US Dollar (USD) according to the interbank rates released by the Nigerian Central Bank (CBN). The last published rate was NGN 305.74 to USD 1 in March 2018. The rate has remained stable since September 2016 but declined slightly from a rate of NGN 304.62 in October 2017. The parallel Bureau de Change rate was NGN 361.98 in April 2018, remaining relatively stable since the end of 2017. Imported rice prices in the urban markets mostly remain stable, but still substantially above 2015-2016 levels (**Figure 2**).

**Figure 3.** Nigerian trade balance (Q1 2014 to Q4 2017)



Source: National Bureau of Statistics, 2017

- Improvements in the global oil market continue to favor Nigeria, which will remain exempt from the Organization of the Petroleum Exporting Countries (OPEC) imposed output restrictions through at least the end of 2018. In April 2018, Nigerian average daily crude production reached its highest level, 2.07 million barrels, since January 2016. Increased oil production and export prices have led to monthly crude revenues of over USD 400 million in December 2017 and January 2018. Improved crude revenue has been a leading factor contributing to a 54 percent increase in foreign exchange reserves since March 2017.
- Nigeria has maintained a positive trade balance since Q3 2016. The positive trade balance continued to grow in Q4 2017 to NGN 3.9 billion, representing 9.35 percent growth in trade balance since Q3 2017 and 31 percent growth since Q4 2016. The value of imports decreased 15 percent between Q3 and Q4 2017. The total value of exports increased in Q4 2017 by 31 percent over Q4 2016. Crude oil exports grew by 9.5 percent from Q3 to Q4 2017 and, at 83 percent, remained the highest proportion of total exports ([National Bureau of Statistics](#)) (**Figure 3**).
- The Central Bank of Nigeria (CBN) continues to support the Naira (NGN) by direct intervention in the foreign exchange market through direct currency sales. Thus, narrowing the interbank foreign exchange and the Bureau de Change (BDC) rates as well as stabilizing the Naira against other foreign currencies, including the US Dollar and West and Central African CFA francs. Macroeconomic indicators portray a relatively positive short to medium outlook for Nigeria.
- Off-season harvest, which takes place during April and May, is underway in most areas. Harvests range from average to below average, depending on the area. The early onset rainy season in some parts of the northern areas, famous for dry season cultivation, have negatively impacted off-season harvest. The onset of rainy season across most areas in the south, however, has led to increased market supplies and a reduction in staple prices.
- Market supplies of major cereal staples such as maize, millet, and sorghum as well as legumes such as cowpea and groundnut are declining normally as the lean season approaches. Traders and farmers are releasing their stocks of staples and cash crops with the onset of the rainy season to procure inputs such as fertilizer, pesticides, and improved seeds, and to prepare their land. Household stocks have declined normally relative to average.

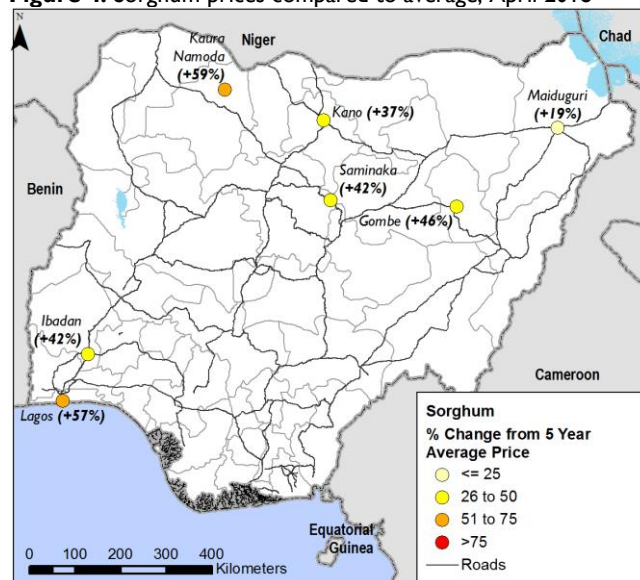
- Staple demand for millet and maize have increased, though at a below-average rate, with the arrival of the month of Ramadan. The low household purchasing power of most households has also led to below normal demand and relatively stable cereal prices.

- Maize, millet, and sorghum prices remained stable or increased relative to previous months in most markets monitored by FEWS NET. Cereal prices are relatively lower than April 2017 but remain higher than average price levels across all markets. Legumes such as cowpea and groundnut prices are higher than last year and average price levels, mainly attributable to below-average harvest due to prolonged dry spells and an early end to the rainy season (**Figure 4-5**).

- In the northeast, prices are generally higher relative to other neighboring markets due to direct and indirect effects of the insurgency. Harvests in the region have remained substantially below average for several consecutive seasons and most of the population depends on market purchases. Most markets are either not functioning or functioning below average (**Figure 6**). Thus, market supplies are relatively lower than average, and traders have lower capacity to restock, though they can meet increased demand. Most staples are sourced from neighboring markets such as Biu, Dawanau-Kano, and Gombe markets. Maiduguri Monday market currently supplies most markets in the northern and central parts of Borno state instead of its prior role as a collection market from the other markets within the region. Staple prices will remain elevated in northeastern Nigeria. This is due to the increased demand during the prolonged lean season period in the region, a limited main harvest, and restricted food flow into the region as conflict persists in the area.

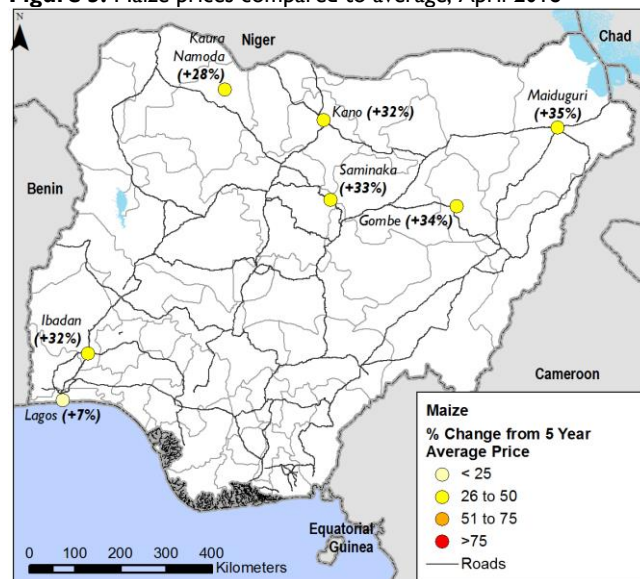
- A Regional Joint Market Assessment was carried out in February 2018 by a team of food security and market experts from CILSS, WFP, FAO, FEWS NET, RESIMAO, NPFS, NBS, Federal Department of Strategic Grains Reserve (FDSGR), NAERLS, and the Federal Ministry of Agriculture and Rural Development (FMARD). The assessment covered 24 markets, spread across 20 states in Northern Nigeria.

**Figure 4.** Sorghum prices compared to average, April 2018



Source: FEWS NET

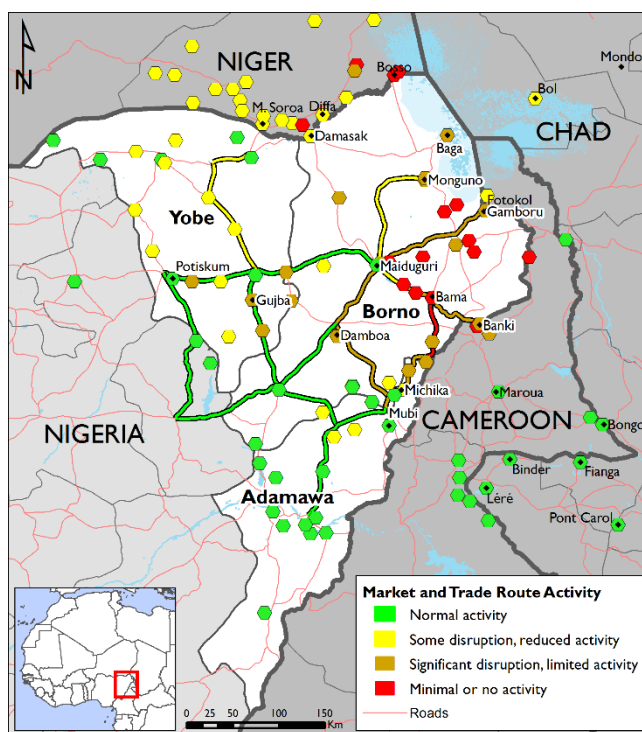
**Figure 5.** Maize prices compared to average, April 2018



Source: FEWS NET

- The key findings of the Regional Joint Market Assessment showed that: Overall, across North-west, North-central, and Northeast markets the supplies of staple cereals, roots and tubers, cash crop products, and livestock was generally favorable. On average, supplies were 30 percent higher when compared to the same period last year. In comparison to average levels, however, supply levels vary. It is important to note that only imported rice showed a decrease in supply across all the markets, which is in large part due to the increase in local production of rice and restrictions on rice imports. In addition, current available stocks of cassava, yam, and plantain have decreased, likely as a result of the low demand and higher preference for cereals over roots and tubers in this region.
- The general stock level analysis across the three northern zones for cereals was strong for current availability when compared to the same time last year except in the North-west region where a weak stock level was recorded. When compared to the normal situation, there was between -15 percent to 15 percent variation in North-central and North-west regions but weak levels in Northeast region (**Table 1**).

**Figure 6.** Market Functioning in Northeastern Nigeria, April 2018



Source: FEWS NET

**Table 1.** Generalized cereal stock levels

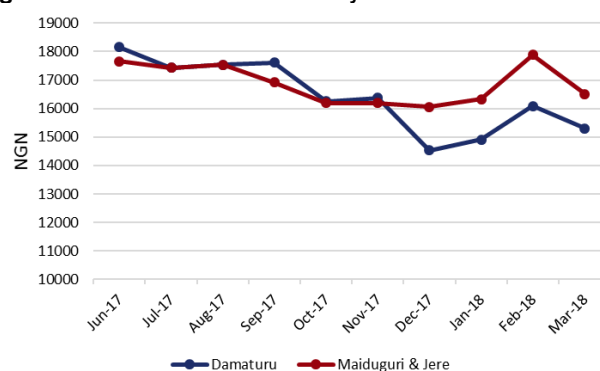
Geopolitical zone	Compared to March 2017	Compared to average level
Northeast	Strong, 30 percent increase	Weak, 15 to 30 percent decrease
North-central	Strong, 30 percent increase	Normal, -15 to 15 percent change
North-west	Weak, 15 - 30 percent decrease	Normal, -15 to 15 percent change

Source: WFP

- Across all three northern regions, stock level analysis of tubers and roots indicated that, in general, levels are weak compared to March 2017 but stronger compared to average levels. Cash crop stock levels are strong compared to the same period last year but weak when compared to the normal situation.
- The interlink between Nigerian markets and regional markets in terms of cross border trade is increasing as the value of Naira appreciates and economic issues improve. One current change observed in grain flows is the return of grains and livestock flows from Yobe and Borno state and the exportation of yams to Europe.
- The analysis of demand showed that, in these three regions, cereals, roots and tubers and cash crops were in higher demand when compared to last year. Generally, demand varied by commodity, there was above-average demand for cereals and cash crops and below-average demand for roots and tubers compared to average. This dynamic can be attributed to the good harvest last farming season as well as the decrease in cereal prices, increased supply of roots and tubers, and increasing prevalence of industrial use of cash crops. Demand for livestock was typical, while that of the large ruminants was below average.



- Price analysis for main products showed that commodity prices in the three regions have generally reduced by between 15 percent to 50 percent when compared to the same period last year and the normal situation. The decrease in commodity prices is due to the relative improvement in the security situation, improving macroeconomic indicators, and the bumper harvest. The reduction in prices is also reflected in livestock markets in all three regions.
- Currently, livestock/cereal terms of trade have increased relative to previous year and the average across Northeast, North-central, and North-west regions of Nigeria. However, prices of both cereal staples and livestock are lower than last year, but relatively higher than average.
- The World Food Program's (WFP) market monitoring in Maiduguri indicated that since November 2017 there has been moderate to high increase in prices (up to 25 percent) of key staple foods in most of the monitored markets, showing a decline in food supply. On the other hand, in the monitored markets in Yobe state, food prices have either decreased or remained stable since November 2017. However, the main harvest is relatively higher in Yobe state than Borno state. Similarly, the level of security improvement and market functioning are relatively better in Yobe state. These trends confirm varying supply and demand levels in Borno and Yobe markets. The key areas of concern for prices are: high transportation costs, multiple taxation (at state borders), road harassment by security personnel, and poor road conditions.
- The cost of the Survival Minimum Expenditure Basket (SMEB) for a family of five in northeastern Nigeria increased from December 2017 to March 2018. However, a decrease of eight percent was recorded in Maiduguri between February and March 2018. The SMEB in Damaturu market decreased by five percent for the same period as illustrated in the chart below. This slight decrease has been driven mainly by a sharp decrease in the price of maize since February 2018 in most monitored markets (**Figure 6**).

**Figure 7.** Transfer value trends from June 2017 to March 2018

Source: WFP

**Table 2:** Transfer value calculated for 5 household members in Damaturu markets for one month, March 2018

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	1,250	37,500	37.50	160	6,000
Beans	75	255	375	11,250	11.25	320	3,600
Palm oil	10	88	50	1,500	1.50	413	620
Groundnut	15	85	75	2,250	2.25	280	630
Sugar	10	39	50	1,500	1.50	400	600
G/nut oil/Veg oil	20	177	100	3,000	3.00	392	1,176
Salt	5	0	25	750	0.75	160	120
Onion	8	3	40	1,200	1.20	100	120
<b>Total</b>		<b>2,100</b>					<b>N 21,865.50</b>
Cost food basket at 70%	70%	<b>1,470</b>					<b>N 15,305.85</b>
Per capita based on 70% transfer value							<b>N 3061.17</b>

Source: WFP

**Table 3:** Transfer value calculated for 5 household members in Maiduguri & Jere markets for one month, March 2018

<b>HOUSEHOLD SIZE: 5</b>							
<b>Food item</b>	<b>grams/ day/ person</b>	<b>Kc/ day/ person</b>	<b>grams/HH /day</b>	<b>grams/ HH/ month</b>	<b>kg/HH /month</b>	<b>Price/kg (Naira)</b>	<b>Price/HH/month (Naira)</b>
Rice	150	540	750	22,500	22.50	460	10,350
Millet	0		0	0	0.00	0	0
Maize	250	913	1,250	37,500	37.50	145	5,438
Beans	75	255	375	11,250	11.25	435	4,894
Palm oil	10	88	50	1,500	1.50	309	464
Groundnut	15	85	75	2,250	2.25	325	731
Sugar	10	39	50	1,500	1.50	456	684
G/nut oil/Veg oil	20	177	100	3,000	3.00	277	831
Salt	5	0	25	750	0.75	145	109
Onion	8	3	40	1,200	1.20	65	78
<b>Total</b>		<b>2,100</b>					<b>N 23,577.75</b>
Cost food basket at 70%	70%	<b>1,470</b>					<b>N 16,504.43</b>
<b>Per capita based on 70% transfer value</b>							<b>N 3,300.89</b>

Source: WFP

### Outlook

- The typical lean season begins in July and most households will resort to market purchases for food. Thus, market demand will increase, particularly during Ramadan from mid-May through June. The government will procure food and target poor households at the various feeding centers during Ramadan. Similarly, better-off households will assist poor households during this time. Consequently, food demand will increase and food prices will increase. This dynamic is expected to extend through the lean season period.
- Prices will remain above average until the main harvest in October. There will likely be an atypical increase in demand for food from neighboring countries of Niger, Chad, and Cameroon attributable to prolonged dry spells across these countries during the recent growing season. This dynamic will increase food prices in Nigerian markets. Cross border market prices in conflict-affected areas remain atypically elevated, slightly limiting food demand from Nigeria, though the NGN/CFA exchange rate is favorable towards CFA. Military operations along border communities have intensified, restricting food flow in affected areas. Maize, millet, and sorghum prices are relatively lower in bordering markets in Nigeria relative to markets in Niger and Chad, particularly millet prices.
- Persisting conflict in northeastern Nigeria will continue to limit regional food flow, increase transaction costs, and substantially increase staple food prices. Demand will remain higher than normal as most of the population will continue to depend on market purchases for food due to limited access to land and restricted level of crop cultivation in the area. Demand will continue to increase during the lean season period exacerbated by population displacement due to flooding during the peak rainfall period from July to September, persisting conflict, and continued market disruptions in the area.