NIGERIA Market Monitoring Bulletin

July 25 2017

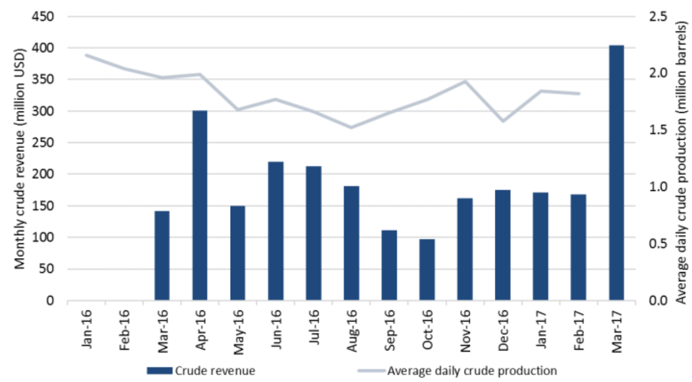
Key messages

- Recent increases in oil revenues are driving Nigeria's economy out of recession gradually as major economic indicators continue to improve (increased foreign reserve levels and declining inflation) (Figures 1, 2, and 3). The 2017Q1 GDP also stood at -0.52 percent compared to -1.73 percent of 2016Q4.

- The Central Bank of Nigeria (CBN) continued to restrict the availability of foreign cash reserves for importing certain products like rice, wheat, and sugar. These goods are particularly important for Nigerian consumers in the southern part of the country, who rely on them heavily to meet their food needs. This has contributed to limiting the availability of many essential goods in major southern markets (Figure 4).

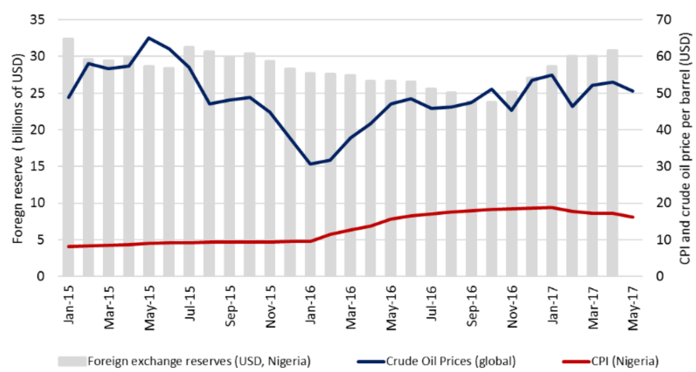
- With the protracted conflict and insecurity in the Northeast, local marketing basins that were once largely surplus-producing are now deficit, relying on imports of supplies of major staples from neighboring states and even from markets in northwest Nigeria (Figures 5 and 6). Most recently, insurgents' activities in the Northeast have compounded the effects of the on-going lean-season, resulting in depleted stocks in the major reference markets (Figure 7). A recent assessment found that current stock levels are very limited and only expected to last a few months.

Figure 1. Average daily crude oil production and monthly receipts in Nigeria (January 2016 to March 2017)



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

Figure 2. Nigeria foreign reserves, global fuel price trends, and inflation (January 2015- April 2017)



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

- Prices for white maize (Figure 9), an important staple food in the diets of vulnerable populations in the Northeast, are projected to increase further due to availability issues as the lean season peaks.

- The revised cash transfer value from the harmonization efforts of the Food Security Sector Working Group, which covers 70% of urban and 100% of rural survival caloric needs, and the recommendation for active price monitoring, will ensure sustained purchasing power of food assistance beneficiaries. The regional price hike, however, is an additional burden on limited funding constraints faced by partners.

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.

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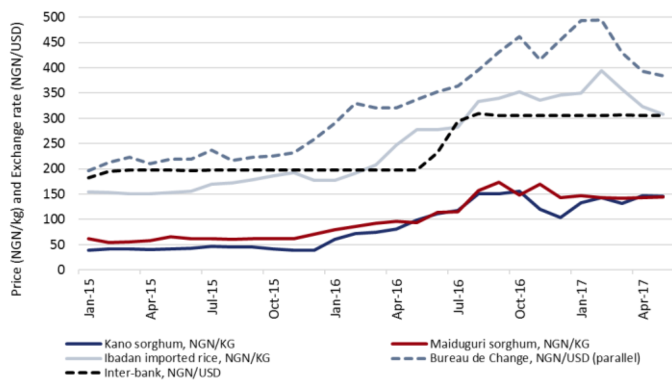
- Nigeria's economy continued on the path of recovery from recession (GDP: 2017Q1 at -0.52 percent vs 2016Q4 at -1.73 percent) due to the continued waiver granted by the Organization of the Petroleum Exporting Countries (OPEC). Crude oil production per day has increased by about 4% between the last quarter of 2016 and February 2017. Likewise, the revenue from both crude oil and gas to the country increased by about 70 percent between 2016Q4 and 2017Q1 (Figure 1).

- The economic recovery is reflected in major macro-economic indicators despite a marginal drop of about 4.5 percent in Nigerian crude oil production per day between April and May 2017. Inflation as measured by the rate of change of the CPI declined for the fourth consecutive month, by about 6 percent between April and May 2017, while the foreign exchange reserve increased by about 8 percent between January and April 2017, the highest level reached since January 2016 (Figure 2).

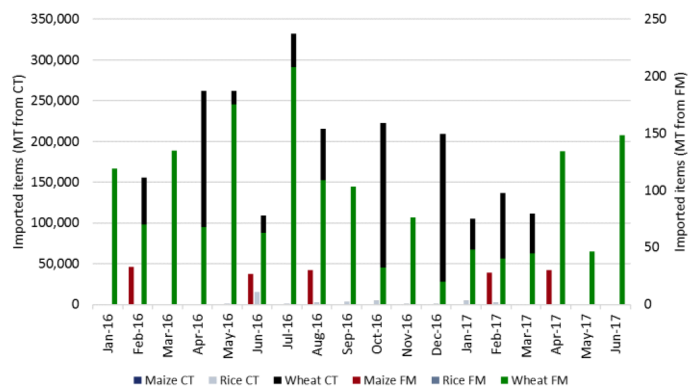
- The improved foreign exchange reserve (Figure 2) has empowered the CBN to continue its direct intervention through weekly sales at the FOREX market, thereby strengthening the local currency value. The Nigerian Naira (NGN) traded for NGN 384.48 to US$1 in May 2017, reflecting about 28 percent growth in value between January to May 2017. This has narrowed the gap between the official inter-bank exchange rate and the parallel Bureau-De-Change (BDC) rate by about 4 percent compared to the value in April 2017 (Figure 3).

Figure 3. Evolution of the exchange rate (NGN/USD) and staple food prices (NGN/kg) (January 2015 to May 2017)



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

Figure 4 Nigerian monthly imports of major staples (MT) (January 2016 to June 2017)

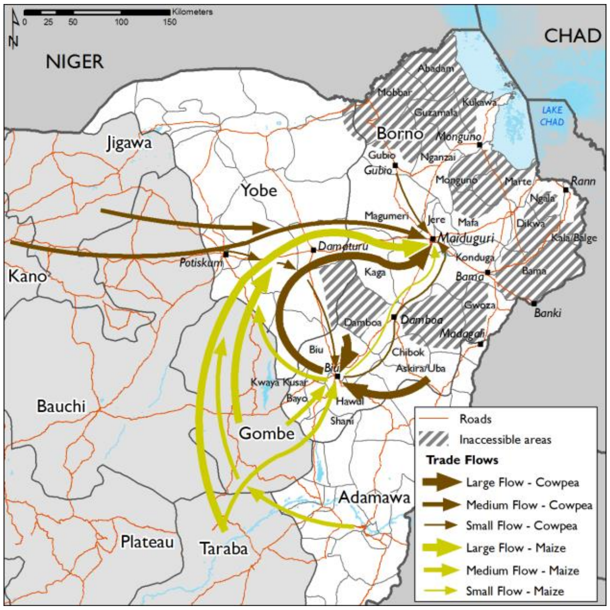


Source: UN-COMTRADE (CT, 2017) and Fleetmon (FM, 2017).
Note: Data captured through exports from other countries to Nigeria, Fleetmom data extends to June 2017.

- The Federal Government of Nigeria (FGN) through the CBN has emphasized that its intervention in foreign exchange sales did not apply to the list of 41 previously blacklisted products (CCD/GEN/PR/040517), including rice and wheat. This policy aims to promote local production and consumption but has achieved modest increased production nationally. It has, however, contributed to limiting supplies typically sourced through imports (Figure 4). This is most pronounced in the major markets of southern Nigeria (Lagos, Port-Harcourt and Enugu) where imported varieties of these commodities remain most traded. Import restrictions together with the declining value of Naira has considerably affected imports of rice and wheat into the country. Data from Comtrade and Fleetmon indicate that imports of some essential items have declined through June 2017. For example, rice imports declined by nearly 50 percent between December 2016 and March 2017. Wheat imports increased by nearly 6 percent within the same period (Figure 4).

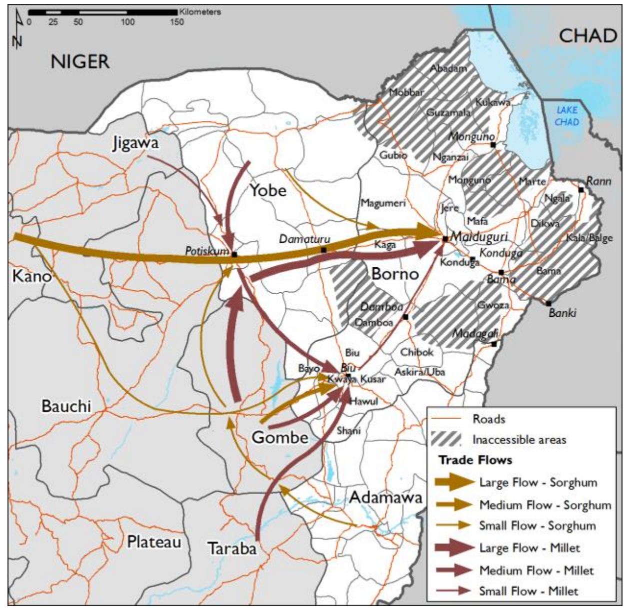
- The insurgency in Northeast Nigeria continues to alter and disrupt trade and commodity flows to markets in this part of Nigeria. Both Monday (Maiduguri) and Biu township markets in Borno state (which were largely net-export markets to other northern parts of the country prior to the crisis) have become net-import (deficit) markets due to the insurgency.

Figure 5. Map of May 2017 cowpea and maize flows to major markets in Borno state



Source: Joint market stock assessment by FGN, CILSS, WFP and FEWS NET in May 2017.

Figure 6. Map of May 2017 sorghum and millet flows to major markets in Borno state

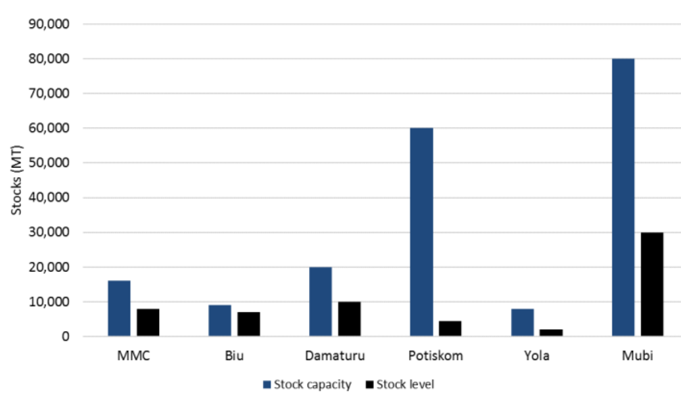


Source: Joint market stock assessment by FGN, CILSS, WFP and FEWS NET in May 2017.

- Findings from the WFP's recent rapid assessment shows limited trade in Banki, Gwoza, and Pulka markets, all of which were central hubs for local and cross border trade of millet and sorghum. Generally, markets in Borno now receive flows from other states (Figure 5 and 6). For example, maize currently flows to Borno from Taraba, Gombe, Biu LGA (Borno), and Adamawa States. Sorghum flows to Borno from Yobe, Kano, Gombe and Adamawa States. Millet flows to Borno from Gombe, Yobe, Jigawa, and Taraba States. Cowpea is sourced mostly locally (Biu, Gubio, and Askira-Uba LGAs of Borno) and the remainder comes from Kano State.

- Market functioning in Northeast Nigeria remained largely below the normal levels (Figure 8) as insecurity along roads linking markets in southern Borno as well as some communities in Adamawa state remained of concern to the traders. WFP's recent rapid market assessment in six main markets within Madagali and Michika (Adamawa) show activity levels to be very limited with non-staple food commodities either unavailable or insufficient to cover consumers' demand in all the markets especially those in Madagali market though key informants reported a significant improvement regarding market conditions compared to last year. Markets in northern Borno (Marte, Guzamala, and Abadam) are still not functioning completely (Figure 8). These disruptions along key marketing corridors coupled with the onset of the lean season has resulted in significantly reduced household and market stocks. The findings from a recent assessment indicate that stocks are 50 to 75 percent below their pre-crisis levels across the major markets surveyed in the region (Figure 7).

Figure 7. Stock capacity and current average stock levels across select NE markets as of May 2017.



Source: Joint market stock assessment by FGN, CILSS, WFP and FEWS NET in May 2017.

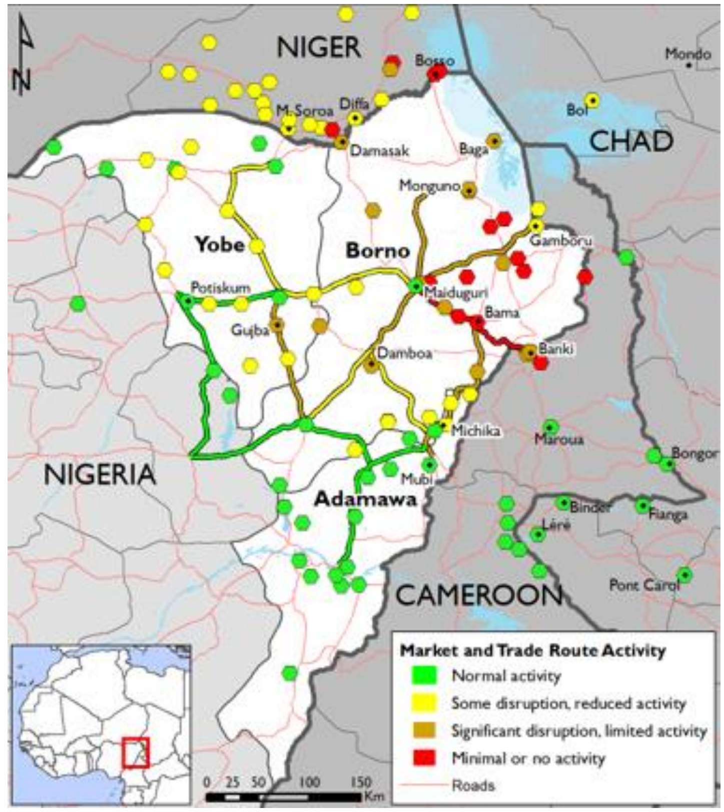
- Staple food prices have continued to increase across markets in Borno and Yobe. The price of white maize, an important staple in the food baskets provided to target beneficiaries, has increased across markets in Northeast Nigeria at a higher rate than the national trend. It increased by an average of about 3 percent between April and May 2017 with higher changes in Damaturu and Biu markets (9 and 8 percent) respectively.

- Current maize prices average about 62 percent higher than 2016 prices and are, on average, 120% higher than the five-year average price in Northeast Nigeria. Regional price increases are driven by the nation-wide food price hike and low supply levels resulting from low production, threat of insurgency and risk along trade routes, and increased transaction costs for the traders. Higher prices of substitutes like sorghum, millet and imported rice sustain the increased price levels in the region.

- The prices for white maize across the main markets are projected to increase further by 17, 14 and 7 percent respectively in August 2017 compared to May 2017 in Monday (Maiduguri), Damaturu, and Biu markets respectively, after which green grain supplies from the 2017 harvest year will start to surface in the markets (Figure 9). The major drivers for the anticipated increase are the peak in lean season, increased demand, and lower supplies and stocks.

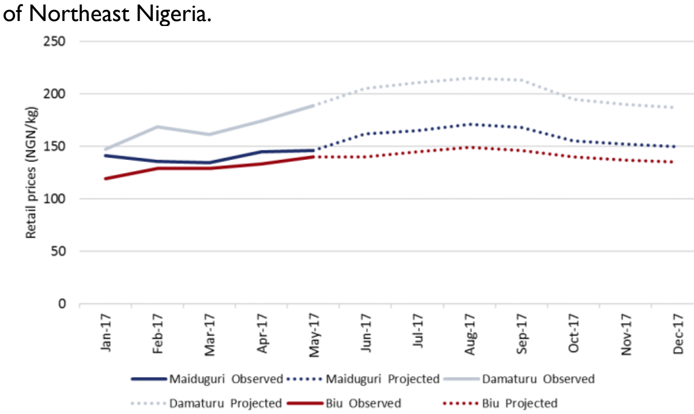
- To ensure that the required Survival Minimum Expenditure Budget (SMEB) meets the food and dietary needs of the beneficiaries, partners implementing cash transfer programs are adopting the recommended cash transfer value from the Harmonization Committee of the Food Security Working Group. One of the main recommendations is that partners should consider the variability of prices across different states and LGAs, and those working in the same LGAs should contextualize and align the cash transfer value on an ongoing basis. However, limited funding constraints in the Northeast will likely affect the number of target beneficiaries reached.

Figure 8. Market functioning in Northeast Nigeria for the month of June 2017.



Source: FEWS NET.

Figure 9. Observed and projected retail maize prices in select markets of Northeast Nigeria.



Source: FEWS NET.