

Key messages

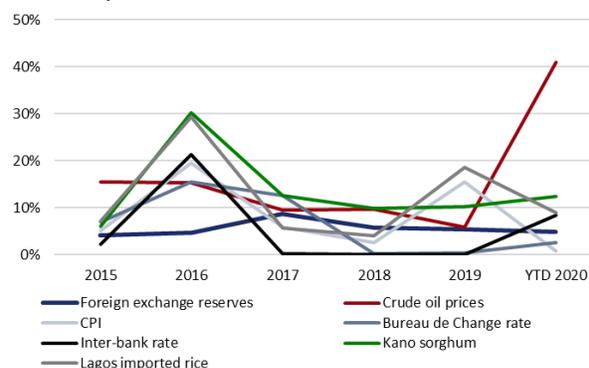
- Nigeria reported its first COVID-19 cases at the end of February and cases continued to steadily increase through June. The government has implemented various control measures including, placing affected cities under lock-down for two to four weeks at a time, restricting interregional transportation, closing borders, and restricting public gatherings.
- After about three years of economic improvement, Nigeria currently faces the threat of “twin shocks” from the COVID-19 pandemic and the associated fall in international crude oil prices. Crude oil prices, the main source of foreign exchange earnings, contributing about 95 percent, have dropped drastically since the beginning of the year, negatively impacting foreign exchange reserves (**Figure 1**). Macroeconomic indicators have timidly improved following the 2015/16 recession and food prices have stabilized. Since March, however, the falling international crude oil prices and export earnings led to significant depreciation and inflation (**Figure 2**).
- Earlier in the year, both interbank and market (Bureau de Change) rates of the Nigerian Naira (NGN) vis-à-vis US dollar (USD) were about stable compared to last year, but well below the previous five-year average. Since March, the value of NGN decreased vis-à-vis USD, more sharply on the parallel market. By mid-June, the market rate increased to NGN 450 per dollar, further widening the gap between the two rates (**Figure 3**). With decreasing foreign exchange reserves, crude oil prices, and government revenues, the inter-bank and market (Bureau de Change) rates will continue to play important roles in the macroeconomy.
- Prices of staple foods such as maize, rice, millet, sorghum, and yams are currently above their respective 2019 and five-year average levels across major markets due to increased transportation costs with COVID-19 restrictions, increased demand, border closures, and higher imported food prices due to the depreciation of the Naira (**Figure 4**). Increased security checks during lockdown and rules restricting movement continue to negatively impact supply. Demand continues to increase due to prolonged below-average agricultural production and an early onset of the lean season for most households due to the ongoing Boko Haram conflict. Staple food prices in northeastern Nigeria therefore continue to increase with increased demand and reduced market supply.

Figure 1. Nigerian foreign reserves, global fuel price trends and inflation (July 2017 to May 2020)



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

Figure 2. Coefficient of variation for a variety of indicators and prices, 2015-present



Source: FEWS NET, CBN, NBS, Oanda, NGN Rates

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.

Current Situation

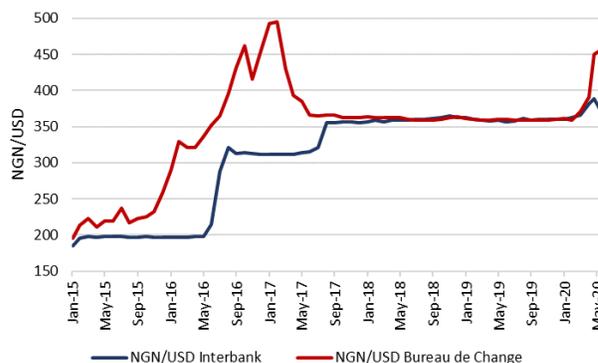
- After about three years of economic improvements following the 2016/2017 recession, Nigeria currently faces the threat of “twin shocks” from the COVID-19 pandemic and the associated fall in international crude oil prices. As a result, Nigeria’s macroeconomic forecasts have been adjusted and portray a less favorable near-term outlook. National gross domestic product (GDP) is expected to shrink 3.4 percent in 2020 after growing 2.2 percent in 2019, according to the [IMF](#). To support Nigerian economic stability, and as a stabilizing force for the region as Nigeria is West Africa’s largest economy, the International Monetary Fund (IMF) approved USD [3.4 billion](#) in emergency support to Nigeria at the end of April 2020.

- Nigerian crude oil prices began decreasing in February but dropped significantly in March due to a reduction in global demand with the continued spread of COVID-19. March 2020 prices were about 45 percent below December 2019 prices. Nigeria depends on oil sales for around 60 percent of its revenue and 90 percent of its foreign exchange earnings ([IMF](#)). A decline in foreign exchange reserves of 25 percent was reported between April 2019 and April 2020 ([Figure 1](#)). Nigeria’s reduction in oil export earnings is therefore driving the depreciation of the Naira (NGN), which could affect both domestic prices and regional trade dynamics. Nigeria recorded its first quarterly trade deficit since the first half of 2016 in Q4 2019 as the value of exports fell by nearly 10 percent and imports increased by 37 percent ([Figure 3](#)). The rise in imports was driven by a 40 percent increase in manufactured goods

between Q3 and Q4 2020, which according the National Bureau of Statistics was due to the importation of diagnostic medical equipment. Crude oil exports maintained a steady portion of total exports in Q4 2020 at 76 percent ([Figure 5](#)).

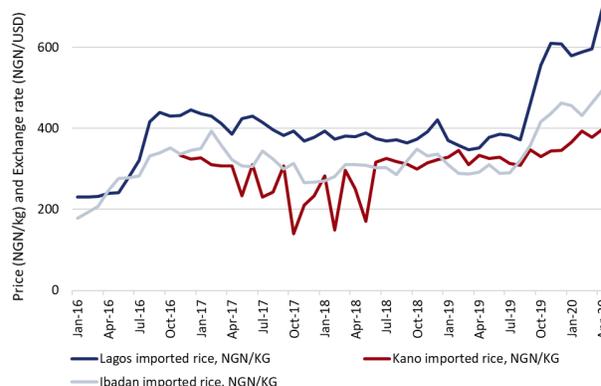
- Earlier in the year, both interbank and parallel market (Bureau de Change) rates of Nigerian Naira (NGN) vis-à-vis US dollar (USD) were stable compared to the previous year’s level, but substantially below the previous five-year average. Since March, the value of NGN decreased vis-à-vis USD, more sharply a on the parallel market ([Ngnrates.com](#)). The CBN attempted to unify the exchange rates when it adjusted the official rate from

Figure 3. Nigerian Naira (NGN) to USD exchange rates (2015-present)



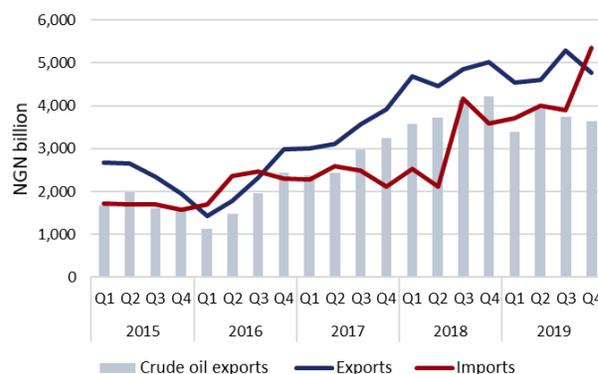
Source: OANDA, NGN Rates

Figure 4. Nigeria staple food price trends in selected national reference markets (January 2016 to April 2020)



Source: FEWS NET

Figure 5. Nigeria trade balance (Q1 2015 to Q4 2019)



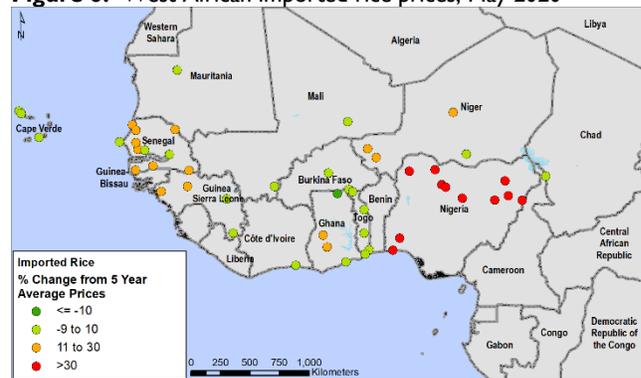
Source: NBS

NGN 305 per dollar to NGN 360 per dollar. However, by mid-June, the parallel rate increased to NGN 450 per dollar, further widening the gap between the two rates (**Figure 3**). With decreasing foreign exchange reserves, oil prices, and government revenues, the exchange rate will need to be monitored closely within the coming months.

- The [inflation rate](#) rose for the eighth consecutive month, reaching 12.34 percent (year-on-year) in April, higher than rates in March (12.26 percent), February (12.20 percent) and January (12.13 percent). The persistent rise in inflation was driven by NGN depreciation, increased average food prices, an effect of the border closure and movement restrictions. Further price increases for essential food and non-food items were recorded in the latter half of March given panic buying and reduced supply as households were stocking in preparation for lockdowns. The lock down in Abuja, Lagos, Kano, and Ogun States and other major disruptions to normal economic activity then began in April 2020. Inflation is expected to increase further in May and June due to these compounding effects, as well as the depreciation of the NGN.
- A total of 35 states have recorded COVID-19 cases, with Lagos, Kano, and the Federal Capital Territory (FCT) are the most affected. A total lockdown by the federal government of Nigeria, aimed at reducing the spread of COVID-19 took effect from 30th March 2020 across FCT, Lagos and Ogun state, which was in place until 4th of May 2020. This was immediately followed by gradual easing of the lockdown, with interstate movement restrictions and reduced working hours for key businesses and government agencies and ministries starting from 4th of May 2020. Kano state, however, remained on tight lockdown with movements only on Wednesdays, Fridays and Sundays. These restrictions have caused trade disruptions for both imported and local goods due to interstate travel restrictions, checkpoints, which increase delivery time and costs. At the same time, general prices of goods and services have increased, and households are experiencing decreased income following restricted business hours and social activities.
- The government has taken a variety of other control measures since late March including closing schools and religious centers across the country. Nigerian airports have been closed for international flights since late March. Sea ports remain operational but will only allow cargo vessels that have been at sea for more than 14 days to dock in its ports, after the crew have been tested by the port health authorities. The sanitary checks are resulting in the delay of clearing goods. These restrictions do not apply to ships carrying oil and gas as there's minimal human contact on those vessels.
- Armed banditry, kidnapping, farmer/pastoralist conflict and cattle rustling activities are escalating in northwestern states; Sokoto, Katsina, Zamfara, and Kaduna are worst affected by the conflict. Substantial populations are displaced in neighboring states and Niger with limited humanitarian assistance. Agro-pastoralists households are unable to engage in normal livelihoods activities including crop cultivation, pastoralism, and income-related activities at normal levels with escalated. Markets are functioning below average in affected areas and staple prices are atypically elevated.
- There has been a reduction in staple food supply across the country since March 2020, largely due to movement restrictions implemented by the federal and state governments to reduce the spread of COVID-19. These have resulted in delays in transportation of goods following increased sanitary checks along main roads. Transportation time and costs have increased as a result, contributing to below normal market supply of most commodities across the country. Market and household stocks are within normal levels and seasonally decreasing, though there are still carryover trader stocks from previous year in surplus production areas.

- Demand is above average, particularly for grains, such as rice, maize, millet and sorghum in the north, and for rice and tubers in the south, as households continue to stock up their homes following the lockdown/restricted movement as a result of COVID-19.
- Prices of major staples such as maize, rice, millet, sorghum, and yam are currently above last year and five-year average levels across major markets compared. Imported rice prices increased significantly across monitored markets. Above-average price trends are a result of an above-average increase in demand, high transportation costs, and reduced market supplies related to COVID-19 outbreak coupled with Ramadan period. Local and imported rice price increases are attributed to border closure and ban on importation since August 2019.

Figure 6. West African imported rice prices, May 2020



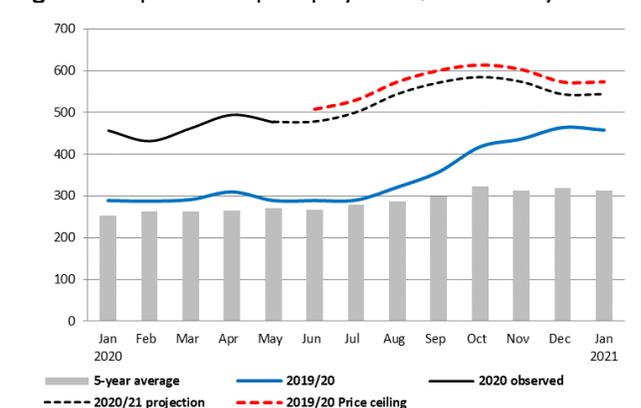
Source: FEWS NET

- Staple food prices along major border markets are lower than in neighboring markets of Niger and Chad for millet and local rice and similar price levels for sorghum and imported rice in recent months (Figure 6). However, maize prices are lower in Nigeria relative to markets across Niger and Chad within the same period.
- The conflicting staple food price trends along border markets are mainly due to the border closure, which has been in place since August 2019 and was already restricting supply but was recently exacerbated by COVID-19 restrictions. Whereas during the border closure, informal cross-border trade was still occurring, after COVID-19 restrictions, border closures are being enforced to a higher degree.
- The government began easing lockdown restrictions around early May. Some markets, however, remain completely or partially closed. Delayed food flow from surplus production areas to the deficit production areas due to the lockdown leading to market disruptions and reduced market supplies.

Outlook

- Crude oil prices will remain low in 2020 given the decline in global demand before slowly recovering in 2021 (World Bank). Nigeria’s oil exports are expected to fall by more than USD 26 billion (IMF). As a result, continued reduction of foreign reserves and thus NGN depreciation will likely continue until slowly stabilizing in 2021. A significant reduction in public expenses, investment, and humanitarian assistance are expected. Prices of food commodities are expected to remain on the rise following COVID-19

Figure 7. Imported rice price projections, Ibadan-Bodija market



Source: FEWS NET

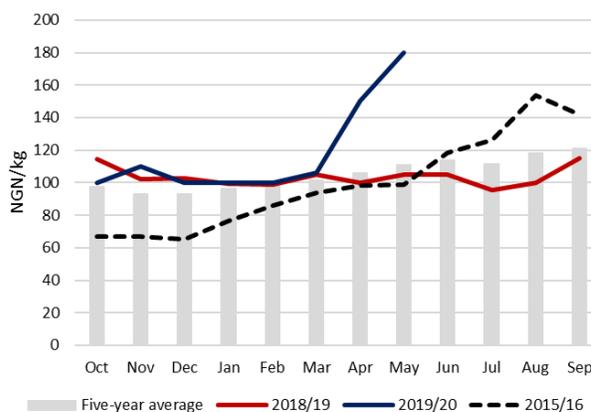
related restriction with decreased supply due increased transportation costs, border and movement restrictions, and seasonal decreased supply during the current lean season from June to August 2020. Prices will likely stabilize or decline slightly with the typical onset of the harvest season, starting in October 2020 when traders and households will release commercial stocks to procure inputs, and hire labor leading to slight

increase in market supplies. Prices of main staples are expected to remain above five-year average and previous year levels (Figure 7).

Northeast Nigeria

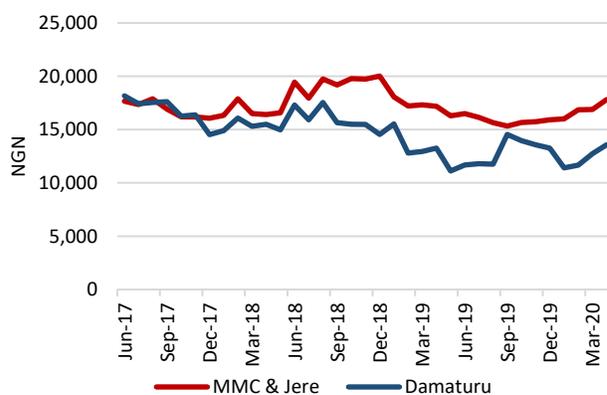
- Similar to trends at the national level, staple food prices in northeastern Nigeria continue to increase due to COVID-19 associated state border closures, delays at checkpoints, and movement restrictions, negatively affecting supply. Demand continues to increase due to prolonged below-average levels of agricultural production underscored by persistent insecurity. There was an early onset of the lean season for most households in the northeast due to the ongoing Boko Haram conflict due to limited availability of household food stocks.
- In April, Borno recorded its first case of COVID-19 and has continued to witness an increase in the state. Control measures were implemented, including a lockdown, market shutdowns, and road closures. Consequently, these events triggered panic buying to stock up food, which was further compounded by the Ramadan season, and consequently leading to a surge in food prices.
- From January 2020 to March 2020, most staple (maize, red beans, ground nuts and sorghum) prices were seasonally lower or stable, except for imported and local rice which continued to show an increasing trend. Prices generally remained mostly below their previous year and two-year average levels. It is worth mentioning that, imported rice has not been available in some border markets (Geidam, Yunusari and Yusufari) largely owing to the border closure. The prolonged land border closure has continued to limit traders' ability to supply the markets, export and increase volumes of commodities typically traded (including rice, fresh produce, and cash crops) with neighboring countries like Cameroon, Chad, Benin, and Niger.
- Overall, food access in Borno and Yobe states is declining due to an increase in the prices of key staple food commodities across most markets. Prices in Maiduguri are trending 35 to 50 percent above average, last year, and 2015/2016 prices (Figure 8). The impact of this is underscored by

Figure 8. Maiduguri maize (yellow) price trends



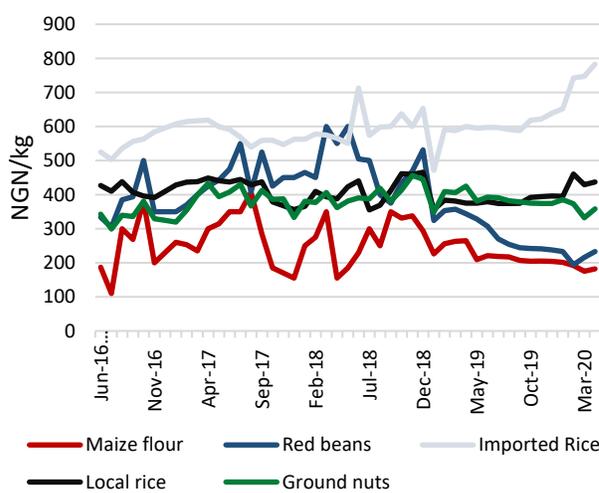
Source: FEWS NET

Figure 9. Survival Minimum Expenditure Basket (SMEB) in Maiduguri Metropolitan City (MMC), Jere, and Damaturu, June 2017 to April 2020



Source: WFP

Figure 10. Maize, imported rice and red beans price trend in Maiduguri Metropolitan City (MMC) and Jere markets



Source: WFP

seasonally depleted household stocks and market supply constraints, due to the COVID-19 outbreak in the country.

- The Survival Minimum Expenditure Basket (SMEB) captures the value of the minimum food items needed for survival of a household in a month. The basket comprises basic energy food requirements of 2,100 kilocalories per person per day and include food items such as rice, maize, red beans, palm oil, vegetable oil, salt and sugar, consumed by the majority of households in the northeast.
- Since January 2020, the transfer value (based on the SMEB) has sustained an upward trend in Damaturu and Maiduguri and Jere markets (**Figure 9**). The slight increase in the transfer value since January 2020 is due to reduced market supplies and stock levels of some key staples. The government-imposed ban on rice imports has been in place since September 2019, resulting in increases for local and imported rice.
- Between March and April 2020, the Survival Minimum Expenditure Basket (SMEB) for a family of five increased by five percent from 16,892 Naira to 17,806 Naira in Maiduguri and Jere. Similarly, in Damaturu, the SMEB increased by seven percent between March and April (from 12,745 Naira to 13,579 Naira). Relatedly, an increase of 11 and 15 percent was recorded in Yusufari and Gujba respectively. The observed increase in the SMEB is largely due to the increase in prices of imported rice, peanuts, maize, and red beans (**Figure 10**). The SMEB consists of key staples (rice, maize, beans and peanuts) which account for 85 percent of the food basket. Important to point out that the SMEB tables below applies to Maiduguri and Damaturu only.
- The marked rise in food prices in April 2020 is expected to accentuate food insecurity among the most vulnerable market dependent households especially the Borno and Yobe States. This becomes worrisome in the face of the uncertainties generated by the spread of COVID-19 and its impact on livelihoods of vulnerable populations.

Table 1: Transfer value calculated for 5 household members in Maiduguri & Jere markets for April 2020

Food Item	g/day/pp	Kcal /day/pp	g/HH/day	gm/HH/month	kg/HH/month	Price/kg-Naira (MPM)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	626	14,085
Maize	250	913	1250	37,500	37.50	146	5,475
Beans	75	255	375	11,250	11.25	186	2,093
Palm oil	10	88	50	1,500	1.50	493	740
Groundnut	15	85	75	2,250	2.25	286	644
Sugar	10	39	50	1,500	1.50	513	770
G/nut oil/Veg Oil	20	177	100	3,000	3.00	486	1,458
Salt	5	0	25	750	0.75	97	73
Onion	8	3	40	1,200	1.20	85	102
Total		2,100					NGN 25,437.75
Cost food basket at 70%:	70%	1,470					NGN 17,806.43
Per capita based on 70% transfer value							NGN 3,561.29

Source: WFP

Table 2: Transfer value calculated for 5 household members in Damaturu markets for April 2020

Food Item	g/day/pp	Kcal/day/pp g/HH/day		g/HH/month	kg/HH/month	Price/kg- Naira (MPM)	Price/HH/month (Naira)
Rice	150	540	750	22,500	22.50	460	10,350
Millet	0		0	0	0.00		0
Maize	250	913	1250	37,500	37.50	120	4,500
Beans	75	255	375	11,250	11.25	160	1,800
Palm oil	10	88	50	1,500	1.50	225	338
Groundnut	15	85	75	2,250	2.25	280	630
Sugar	10	39	50	1,500	1.50	440	660
G/nut oil/Veg Oil	20	177	100	3,000	3.00	278	834
Salt	5	0	25	750	0.75	240	180
Onion	8	3	40	1,200	1.20	90	108
Total		2,100					NGN 19,399.50
Cost food basket at 70%:	70%	1,470					NGN 13,579.65
Per capita based on 70% transfer value							NGN 2,715.93

Source: WFP