

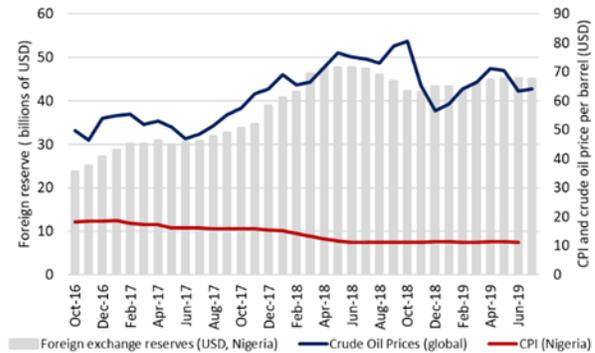
NIGERIA Market Monitoring Bulletin

October 16, 2019

Key messages

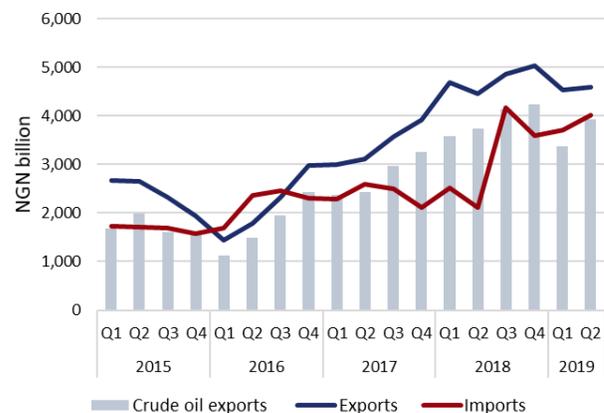
- Nigeria's macroeconomic indicators continue to improve. Gross domestic product (GDP) expanded while the national consumer price index (CPI) has been steady or decreasing in recent months. Global crude oil prices have declined slightly but remain steady and Nigerian foreign exchange reserves remain above USD 43 billion (**Figure 1**).
- Nigeria's trade balance remained positive through Q2 2019. Crude oil represented between 86 percent of total exports. Formal Inter-bank and informal Bureau de Change NGN/USD rates have remained steady (**Figure 2-3**).
- Land borders were closed by the Government of Nigeria (GoN) on August 20, 2019 and remain completely closed. Seaports and airports are open and functioning as normal, though the Central Bank of Nigeria (CBN) maintains the list of 41 prohibited items, ineligible for foreign exchange reserves. Closing land borders and restricting imports is aimed at minimizing smuggling and illegal activities of kidnappers and armed groups who operate along border communities as well as to protect domestic industry and encourage local production.
- The lean season (July to September) was atypical this year, especially in the north, with staple prices remaining either stable or declining from month to month. Staple food prices are relatively lower than last year and the five-year average in monitored markets. Prices will continue to decline further as the main harvest intensifies through December. Prices of imported commodities, which are commonly imported informally including imported rice, will increase due to limited supplies with border closings.
- Prices in northeast Nigeria are relatively higher than the rest of the country due to relatively higher demand and lower supply. Market functionality remains constrained by poor transport infrastructure and insecurity. However, staple food prices have decreased marginally, as evidenced by the WFP transfer value, based on the cost of the Survival Minimum Expenditure Basket (SMEB), decreased since January in both Maiduguri and Damaturu (**Figures 7-8, Tables 1-2**).

Figure 1. Nigeria foreign reserves, global fuel price trends and inflation (October 2016 to July 2019)



Source: Central Bank of Nigeria and National Bureau of Statistics, 2019

Figure 2. Nigerian trade balance (Q1 2015 to Q2 2019)



Source: National Bureau of Statistics, 2019

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.

Macroeconomic Indicators

- The consumer price index (CPI) year-on-year inflation rate decreased slightly to 11.22 percent in June 2019, after reaching 11.37 and 11.4 in April and May, respectively. In July, the CPI was at its lowest level since July 2018, 11.08, and declined further to 11.02 in August, its lowest level since January 2016. This is attributable to continued decreased staple food prices and partly due to the government support towards the agricultural sector as well as the prevailing stability in the Nigerian foreign exchange market (Figure 1).

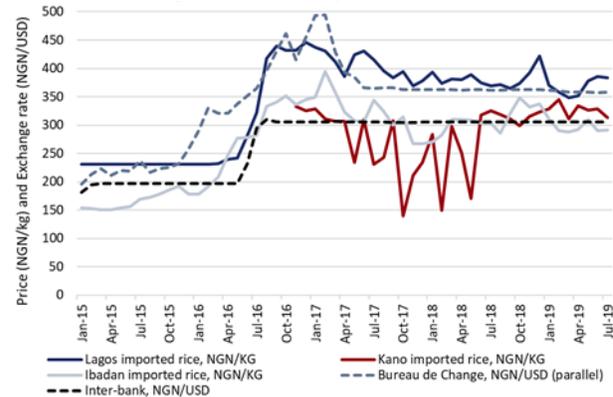
- Nigeria has maintained a positive trade balance since Q3 2016. The positive trade balance, however, decreased in Q3 2018 and has since remained below NGN 1.5 trillion. The value of exports has increased compared to 2017 levels, as have imports, which have remained about NGN 3.5 trillion since Q3 2018. Crude oil exports continue to follow normal trends, consistently representing between 75 and 85 percent of total exports (Figure 2).

- The Naira has remained steady against the US Dollar (USD) in recent months according to the inter-bank rates released by the Nigerian Central Bank (CBN). The CBN has sustained the intervention of about \$210 million dollars monthly in the interbank sector of the foreign exchange market to stabilize the Naira. Similarly, the CBN

has maintained the relevant measures to shore up the foreign reserves. The parallel Bureau de Change rate has also remained stable, around 360 NGN/USD, for the past year and strengthened marginally, dropping to 358 NGN/USD between March and July 2019 (Figure 3). Both the Interbank and Bureau de Change NGN to USD exchange rates have remained stable since the beginning of the year through August 2019. While the Interbank exchange rate remains at NGN 306 to USD, the Bureau de Change rate hovers around 359 NGN/USD.

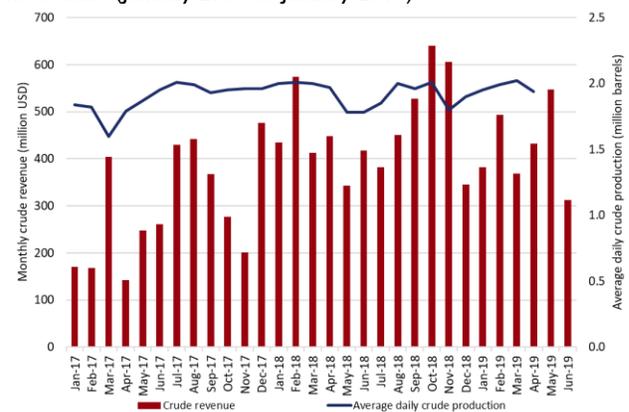
- [The recent monetary policy committee \(MPC\)](#) meeting held on July 22 and 23, 2019 revealed that the available data from the National Bureau of Statistics (NBS) showed that real Gross Domestic Product (GDP) grew by 2.01 percent, year-on-year, in Q1 2019 and 1.94 percent, year-on-year in Q2 2019. In real terms, the non-oil sector contributed to 91.18 percent to national GDP. The oil sector growth rate outpaced the non-oil sector in Q2 2019 for the first time since Q1 2018. Although average daily crude oil production stayed steady between Q1 and Q2, revenues increased due to increased crude oil prices in Q2 (Figure 4). In general, macroeconomic forecasts indicate a relatively positive short to medium outlook for Nigeria.

Figure 3. Nigeria exchange rate and staple food price trends in selected markets (January 2015 to July 2019)



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

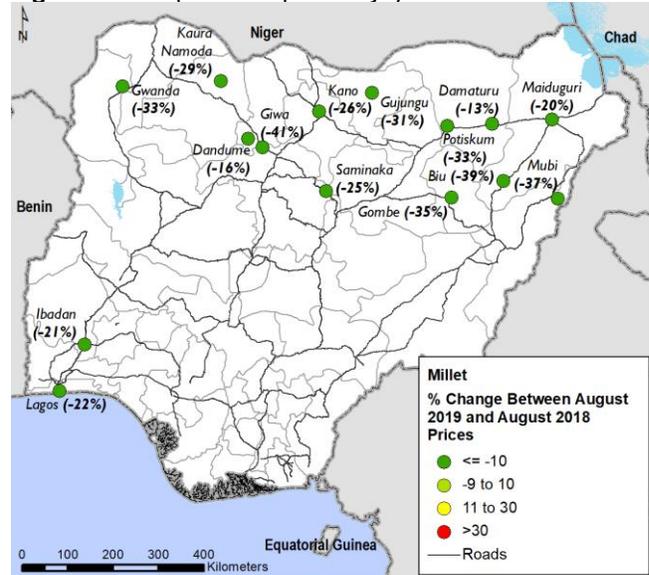
Figure 4. Average daily crude oil production and monthly crude oil revenue (January 2017 to January 2019)



Source: Nigeria National Petroleum Corporation (NNPC)

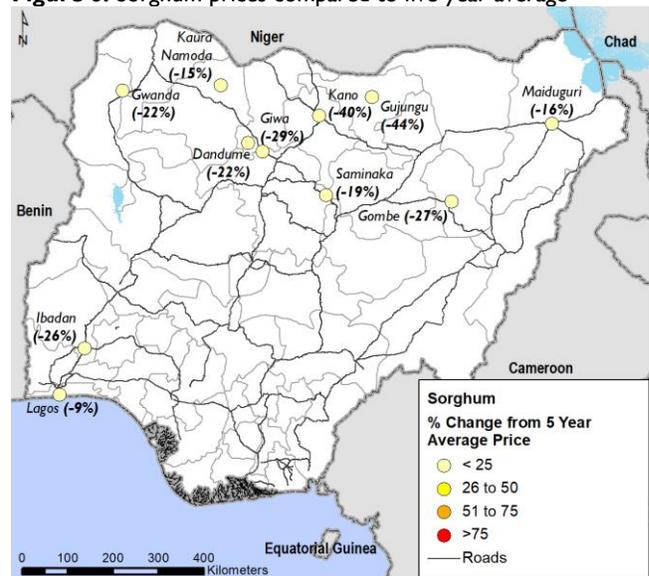
- Crude oil prices have remained between USD 55 and 70 per barrel since November 2018, down after reaching over USD 75 per barrel in September and October 2018. Government revenues from oil remain strong, reaching more than USD 545.61 million in May 2019. Nigeria was exempt from the Organization of Petroleum Exporting Countries (OPEC) output restrictions since January 2017 but as of January 2019 is participating in the round of cuts, aimed to strengthen the market, that began in January 2019. It appears, however, that Nigeria’s production has not wavered much from output during the exemption period. Average daily production has remained between 1.94 and 2.02 million barrels per day since January 2019 (**Figure 4**).
- Foreign exchange reserves in Nigeria decreased to USD 43.73 billion in August 2019 from USD 44.94 billion in July of 2019 and stood at USD 43.10 billion at the beginning of September 2019. The slight month on month decline is attributable to sustained crude oil prices in international markets as well as continued restricted access to foreign currencies in foreign exchange markets for some imported commodities including rice, palm oil, vegetable oil, tomatoes, and others by the GoN through the CBN. Restricted access to foreign reserves is aimed at conserving foreign reserves and encouraging local production of targeted items. While foreign exchange reserves have decreased slightly, they are still much higher than they were in 2015 and 2016 at the peak of the currency crisis when reserves dropped below USD 30 billion.

Figure 5. Millet prices compared to July 2018



Source: FEWS NET

Figure 6. Sorghum prices compared to five-year average



Source: FEWS NET

Market Availability and Access

- Local rice production in 2018 recorded an increase of 11 percent compared with 2017 and 24 percent compared to five-year average, resulting to decline in the price of locally milled rice and as well the price of imported rice over the 2018/19 marketing year.
- The GoN decided to close its land borders starting August 20, 2019. This is aimed at minimizing smuggling, particularly of rice and petroleum, and curbing the activities of kidnapers and armed groups who operate in forested areas and along the border communities.

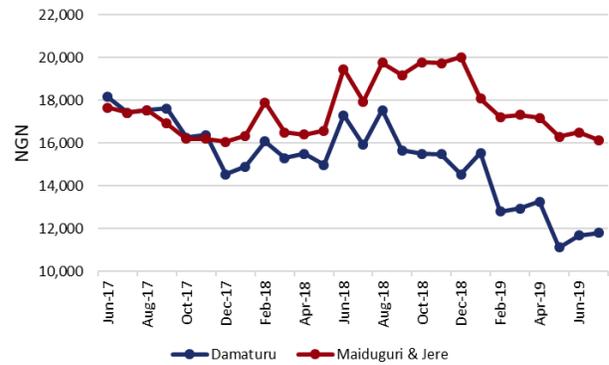
- Smuggling is a major problem in Nigeria, which shares over 3,000 km of land borders with Benin, Niger, Chad, and Cameroon. Illegal imports negatively impact rice farmers and processors, affecting the advancement of domestic industry and the possibility of self-sufficiency, which are main priorities of the current administration. The government aims to protect domestic rice production, which has been on the rise in recent years. Oil markets have also been impacted due to smuggling and insecurity, reports from the [Nigerian National Petroleum Corporation \(NNPC\)](#) indicate declines in domestic petroleum consumption and demand, increased fuel prices, and high transportation costs leading to hikes in staple prices in border communities, particularly rice and other imported items.
- Despite border closures and import restrictions, the GoN remains committed to regional economic integration. The GoN has signed the [African Continental Free Trade Agreement \(AfCFTA\)](#) to liberalize trade within the entire African continent. Additionally, the country has shown support towards the common currency for the Economic Community of West African States (ECOWAS) region planned to commence in January 2020. These policies are geared towards improving regional foreign trade.
- Current market supply of staples is higher than usual as traders release their carryover stocks in anticipation of replenishing their warehouses with the new harvest starting in October. Harvest of early maturing varieties of millet, maize, and rice began in September, increasing household supplies. Market supplies will continue to increase, and prices will continue to decline through December.
- Stocks are relatively higher than normal due to carryover stocks from last year coupled with favorable main harvest during the recent growing season. Similarly, low institutional purchases and cross border demand during the recent consumption period resulted in increased market stocks for both staples and cash crops.
- With the arrival of the main harvest beginning in October, demand will be at the lowest level as households consume their own stocks. Household demand reached its seasonal peak for grains such as maize, millet, sorghum in northern markets during the lean season period through September.
- Staple food prices are relatively lower than last year and the five-year average (**Figure 5-6**). Prices will continue to decline towards the main harvest starting in October. Traders will release more stocks, increasing market supplies and leading to price declines. Prices of cereal staples and cash crops remain lower than average, even in conflict affected areas.
- Dynamics in northeastern Nigeria differ in some respects from the situation in the rest of the country due to insecurity. Availability of stocks of local rice, imported rice, maize, and red beans in major markets in Maiduguri and Jere local government areas (LGA) have been adequate. However, compared to the previous month, there was a slight upward trend in red beans and rice prices observed in key markets of Borno and Yobe states when compared to the prices in June. The slight increase in the prices of key staples is expected due to seasonality as observed with lean season period in June and July. This is expected to affect household purchasing power and the food security situation of market dependent households (**Figure 7**).
- Markets in Maiduguri and Jere continue to serve as major commercial hubs to other LGAs in Borno and supplies into these markets have broadly been through regular trade with markets in Dawanau (Kano state), Biu (Borno state), Potiskum (Yobe state), Mubi (Adamawa state) and Maini (Niger). The recent relapse in insecurity in northern areas of Borno significantly hampered cross-border trade between Nigeria and Cameroon before the conflict and the border closure in August 2019. The trade route along the corridor of Cameroon had been from Maiduguri to Kousseri or from Maiduguri to Maroua.

- Overall, the volume of trade and number of traders in most markets have continued to increase during the past three years in response to increased demand for food commodities from the increasing population of returnees, host communities, and IDPs. IDPs in the six most conflict affected states in northeastern Nigeria totaled 2,018,513 for the period 1 July through 16 July. Markets in Borno state (MMC, Jere, Konduga, Ngala) and Yobe state (Nguru, Gulani, Geidam, Potiskum, Damaturu, Yusufari, Yunusari, Bade and Jakusko) continue to operate at below pre-crisis levels.

Humanitarian Assistance Transfer Values

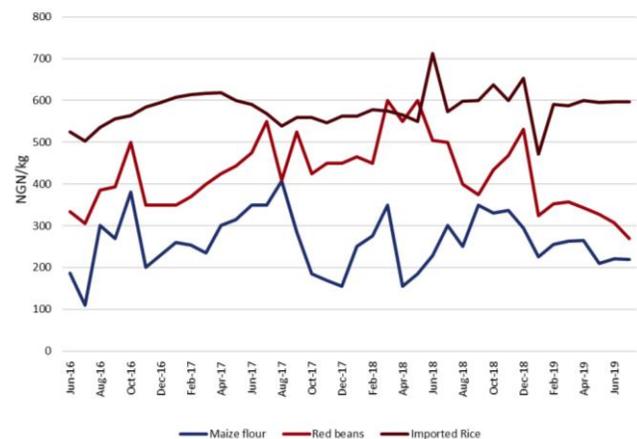
- The Survival Minimum Expenditure Basket (SMEB) captures the value of the minimum food items needed for survival of a household in a month. The basket comprises basic energy food requirements of 2,100 kilocalories per person per day and include food items such as rice, maize, red beans, palm oil, vegetable oil, salt and sugar, consumed by the majority of households in the northeast. The impact of staple food price changes on the cost of the basic food basket in December 2018 can be attributed to the rise in the prices of food commodities such as maize, rice, and red beans. Since January 2019, the transfer value (based on the SMEB) has trended downward in Damaturu and Maiduguri and Jere markets aside from a seasonal increase of staple food prices from May to July (Figure 7). The decrease in the transfer value since January 2019 is due to favorable market supplies and stock levels, resulting in staple food price decreases for maize, maize flour, peanuts, and red beans since the end of the 2018 harvest (Figure 8).

Figure 7. Transfer value trends from June 2017 to July 2019



Source: WFP

Figure 8. Average staple food prices across markets in Borno state



Note: Prices from Maiduguri, Jere, Konduga, and Ngala markets were used to calculate averages

Source: WFP

- In the month of December 2018, Maiduguri and Jere LGAs witnessed an influx of 8,248 IDPs from Baga Ward in Kukawa LGA due to attacks from Non-State Armed Groups and counter military operations to restore security and safety. In addition, the sustained increase in the SMEB in MMC and Jere compared to Damaturu markets can be attributed to increased transport cost associated with the temporary unwillingness of some transporters and traders to commute the highly volatile trade routes (Maiduguri-Jakana axis) because of insecurity.
- Between June and July 2019, the cost of the SMEB for a family of five decreased by two percent from NGN 16,491.93 to NGN 16,141.81 in Maiduguri. In Damaturu, the cost of SMEB remained stable, increasing only one percent from NGN 11,679.15 to NGN 11,799.38. In June, compared to May, the cost of SMEB increased slightly by five percent in Damaturu and by one percent in MMC and Jere. The increase of SMEB in Maiduguri and Damaturu can be attributed to price increase of maize flour, groundnuts, and red beans, indicating the onset of the lean season (Tables 1-2).

Table 1: Transfer value calculated for 5 household members in Maiduguri and Jere markets for one month, July 2019

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	480	10,800
Millet	0		0	0	0.00		0
Maize	250	913	1,250	37,500	37.50	185	6,950
Beans	75	255	375	11,250	11.25	216	2,427
Palm oil	10	88	50	1,500	1.50	302	450
Groundnut	15	85	75	2,250	2.25	286	700
Sugar	10	39	50	1,500	1.50	435	632
G/nut oil/Veg oil	20	177	100	3,000	3.00	330	900
Salt	5	0	25	750	0.75	113	67
Onion	8	3	40	1,200	1.20	83	134
Total		2,100					N 23,059.72
Cost food basket at 70%	70%	1,470					N 16,141.81
Per capita based on 70% transfer value							N 3,228.36

Source: WFP

Table 2: Transfer value calculated for 5 household members in Damaturu markets for one month, July 2019

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	380	8,550
Millet	0		0	0	0.00		0
Maize	250	913	1,250	37,500	37.50	108	4,050
Beans	75	255	375	11,250	11.25	172	1,935
Palm oil	10	88	50	1,500	1.50	188	281
Groundnut	15	85	75	2,250	2.25	280	585
Sugar	10	39	50	1,500	1.50	384	540
G/nut oil/Veg oil	20	177	100	3,000	3.00	300	675
Salt	5	0	25	750	0.75	160	120
Onion	8	3	40	1,200	1.20	150	120
Total		2,100					N 16,856.25
Cost food basket at 70%	70%	1,470					N 11,799.38
Per capita based on 70% transfer value							N 2,359.88

Source: WFP

Market Outlook

- In terms of the outlook, demand for imported rice will continue to increase towards Christmas and New Year festivities. Market supply for imported rice will continue to decline as land borders remain closed.
- Staple cereal prices will either decline or remain stable as the main harvest intensifies across the country.
- The Nigerian land borders will likely remain closed for the next one to two months, further restricting cross border trade activities and leading to unfavorable CFA to NGN exchange rates.