





COMMODITIES UPDATE



July 18th, 2024

Burning Economic Issues

WHY IS THE NAIRA FALLING?







- Naira falls again against the dollar in all segments of the forex market
- Official rate; 5.75% (N1,577/\$), parallel market; 8.05% (N1,615/\$), IATA rate; 5.28% (N1,590)
- CBN sold \$122.7m to authorized BDCs between July 10 and 11
- The waiver of duty on imported food commodities increases forex demand, further pressurizing the naira
- Naira weighed down due to excess demand for travel- (summer season)
- Brent gained 1.50% (\$84.99pb) due to a decline in U.S. crude stockpiles- **Bloomberg**
- Cocoa lost 0.33% (\$7,818/mt) as beneficial growing conditions in West Africa raise hope for crop prospects- **Nasdaq**
- Domestic commodity prices trading at
- Yam  71.4% (N6,000), Flour  11.9% (N52,000), Onions  11% (N100,000), Palm oil  20% (N100,000)

THE NAIRA IS SLIDING DOWN

	MAY	JULY	% CHANGE
PARALLEL MARKET	N1,485/\$	N1,615/\$	-8.05
OFFICIAL WINDOW	N1,485.99/\$	N1,576.66/\$	-5.75
IATA RATE	N1,506/\$	N1,590/\$	-5.28

- Renewed demand pressures due to summer travel weighed on the naira

NIGERIA AND IT'S AFRICAN PEER GROUPS

COUNTRY	Exchange rate % change (Y-T-D)	Inflation (%)	GDP (%)
NIGERIA	59.57 	34.19 (June) 	2.94 (Q1'24)
SOUTH AFRICA	20.38 	5.2 (May) 	0.5% (Q1'24)
KENYA	1.05 	4.6 (June) 	5.0% (Q1'24)

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Domestic Commodities Price Movement

Commodities	Previous Month Prices	Current Prices	% change	Directional Change	Year Low	Year High
Garri (50kg) Yellow	N47,000	N45,000	4.26	↓	N16,000	N50,000
Rice (50kg) long grain	N85,000	N82,000	3.53	↓	N33,000	N95,000
Flour (50kg)	N59,000	N59,000	0.00	↔	N28,500	N64,000
Beans (Oloyin)(50kg)	N95,000	N150,000	57.89	↑	N30,000	N100,000
Cement (50kg)	N9,500	N7,500	21.05	↓	N4,200	N9,500
Tomatoes (Basket)	N110,000	N140,000	27.27	↑	N15,000	N150,000
Pepper (big bag)	N140,000	N160,000	12.5	↑	N15,000	N140,000
Onions (bag)	N90,000	N100,000	11.11	↑	N25,000	N140,000
Plantain Bunch	N6,500	N7,000	7.69	↑		

Domestic Commodities Price Movement

Relatively Elastic Products

Commodities	Previous Month Prices	Current Prices	% change	Directional Change	Year Low	Year High
Palm Oil (5l) 	N5,000	N6,000	20.00	↑	N22,000	N37,500
Semovita (10kg)	N12,800	N12,000	6.25	↓	N6,700	N12,700
New Yam (3 tubers) 	N7,500	N10,500	40.00	↑	N3,000	N12,000
Sugar (50kg) 	N80,000	N78,000	2.5	↓	N31,000	N85,000
Wheat flour (10kg)	N15,000	N13,000	13.33	↓	N4,800	N12,700
Eggs (1 crate)	N4,500	N5,500	22.22	↑	N1,800	N4,500

WHAT NEXT FOR THE NAIRA

\$85pb ↑

Crude oil (Brent) price

1.28mb/d ↑

Oil Production
(June 2024)

26.25% ↑

Benchmark interest rate

20.68% ↑

Treasury bills rate

- Oil price is projected to remain above \$80pb
- External reserves is up 9% to N35.7bn since May
- If the CBN hikes rate in its July 23 meeting and market rates go up, forex liquidity will increase
- This alongside multilateral loans bolsters the ability of the CBN to intervene in the market
- We expect the naira to trade between N1,550/\$ - N1,700/\$ in the near term