



The
SBM
Homemaker's
Guide

The
Jollof
Index

Number 2



MORGEN

ABOUT SBM INTELLIGENCE

Founded in 2012, SBM Intelligence, an arm of SB Morgen, is an organisation devoted to the collection and analysis of information. We offer comprehensive analysis for, and support to governments, businesses and NGOs.

SBM Intelligence runs a Nigeria-wide network of contacts and associates. In 2015, SBM Intelligence became a partner to Stratfor, one of the leading private intelligence agencies in the world.

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DISCLAIMER

The data contained in this report is only up-to-date as at Friday, 16 June, 2017. Some of it is subject to change during the natural course of events. SB Morgen cannot accept liability in respect of any errors or omissions that may follow such events that may invalidate data contained herein.

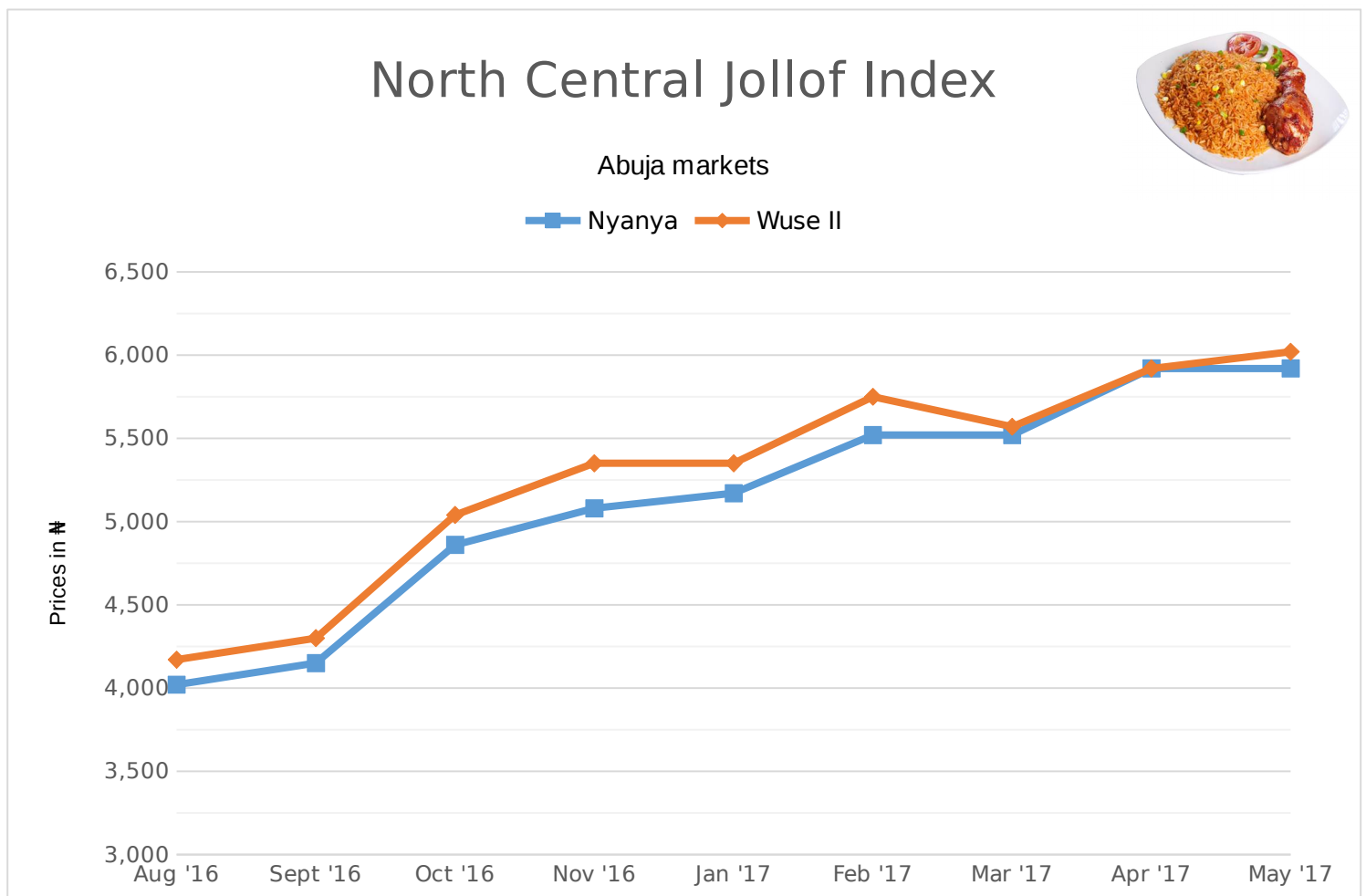
In preparing this report, our researchers employed methods such as one-on-one interviews, desk research and polling to collate the available data. Our editors sifted through the data and prepared the report, using various proprietary tools to fact-check and copy edit the information gathered.

All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historic data is collected from respondents and publicly-available information, including from regulators, trade associations, research partners, newspapers and government agencies.

THE JOLLOF INDEX

The SBM Jollof index is a composite index that tracks the prices of the main ingredients used to prepare a pot of one of Nigeria's primary delicacies - Jollof rice. This meal was chosen because it has the unique distinction of being a delicacy in every part of the country and thus, an index based on Jollof rice provides a bird's eye picture of national inflationary trends. SBM tracks this index for the average family size of Nigeria put at 5 individuals in 2015.

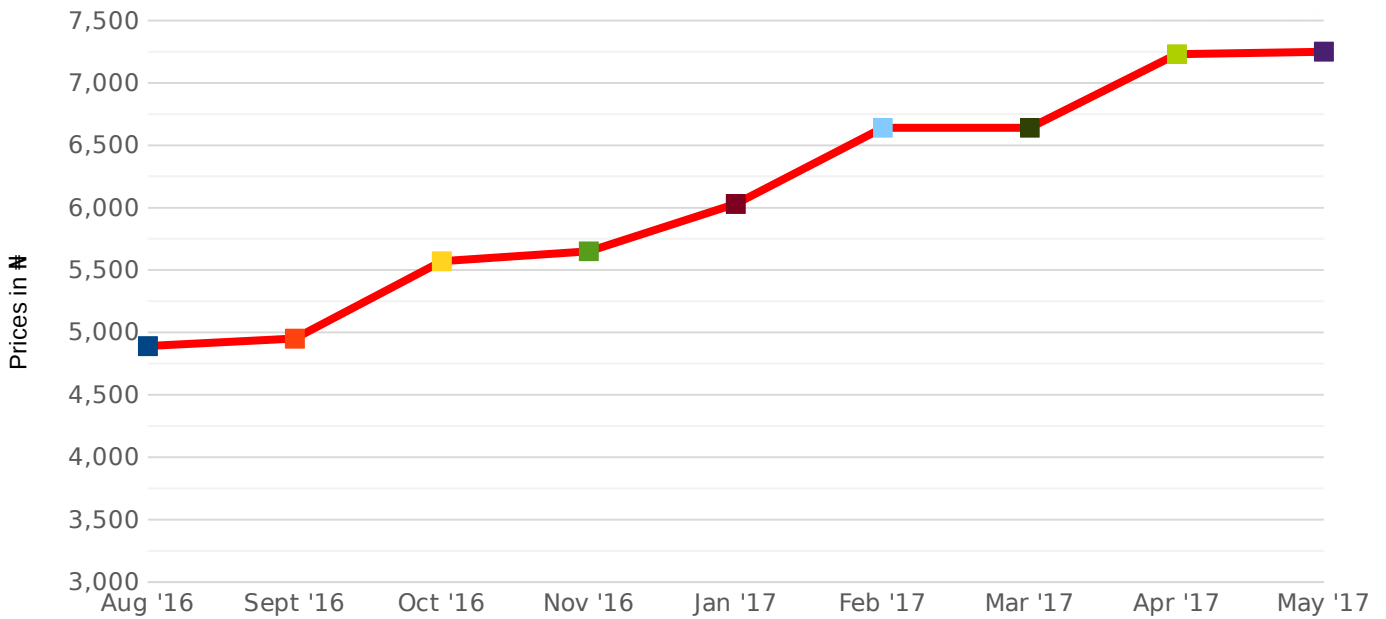
In Q2 2017, the national price of cooking an average pot of Jollof rose marginally to ₦5,674 in May in line with an upward trend in these prices that dates to the second half of 2016, despite a slight dip in March 2017 to ₦5,266 from ₦5,388 in February 2017. An analysis by geopolitical spread shows that the most expensive place to cook Jollof rice in Nigeria remains Kano where it would cost a housewife an astonishing ₦7,250 to put together the delicacy at the end of Q2 2017, a marked increase from the already pricey ₦6,640 price tag at the end of Q1 2017. As context, it is the only place in the SBM tally of nine major markets spread across the country's geopolitical zones where it costs above ₦7,000 to serve up a pot of Jollof.



North West Jollof Index



Kano market



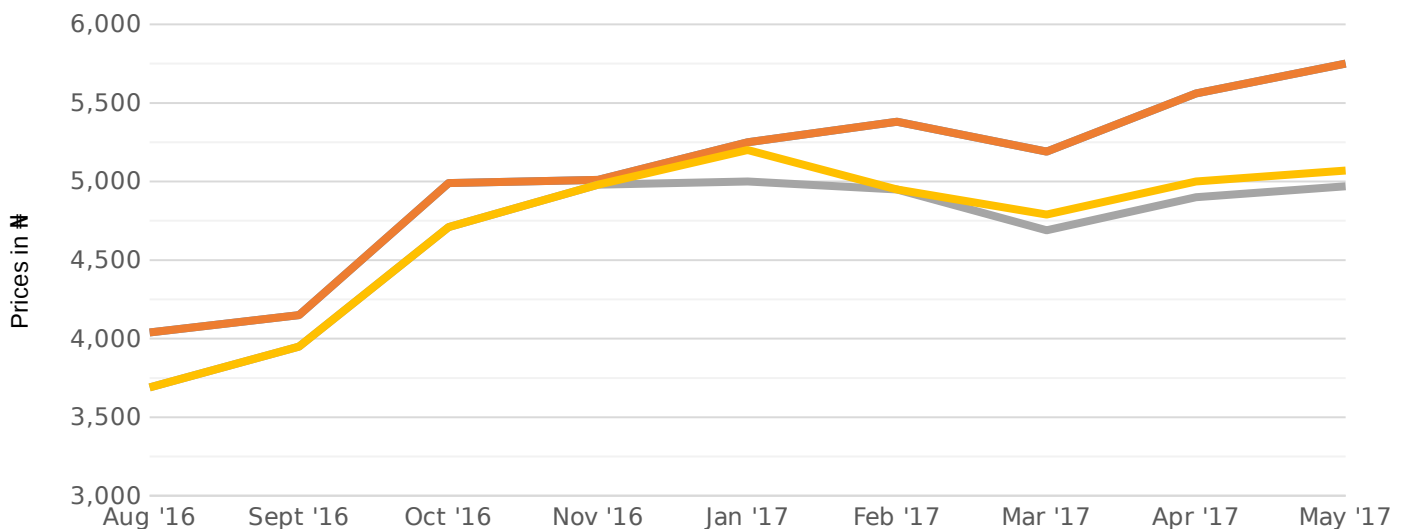
Lagos remains the most Jollof friendly city in Nigeria - a pot of the meal has risen by only ₦20 from February to May 2017, from ₦4,950 to ₦4,970 if you are buying your ingredients at the Trade Fair market. For downtown shoppers at Balogun market in the heart of the city, it will cost you ₦5,070.

South West Jollof Index

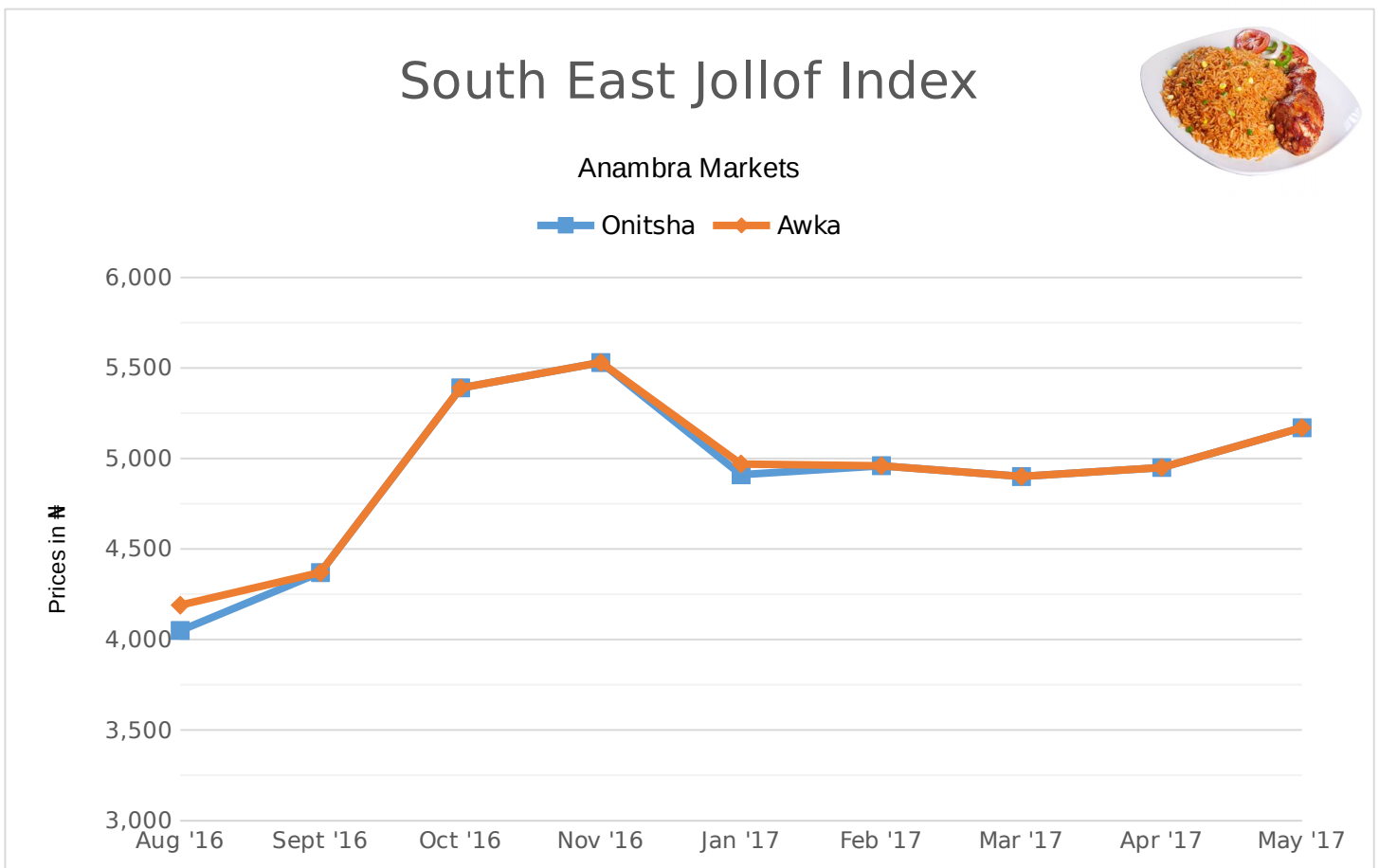


Ibadan and Lagos Markets

— Bodija — Dugbe — Trade Fair — Balogun



The south-eastern cities of Onitsha and Awka retain their Jollof smiles with the family budget for the meal taking on average about ₦5,170. The capital however, has some scores to settle with the national culinary pastime – in downtown Wuse market, a pot cost shoppers on average ₦6,020 while in suburban Nyanya, ₦5,920 was the month’s Jollof bill for May 2017.

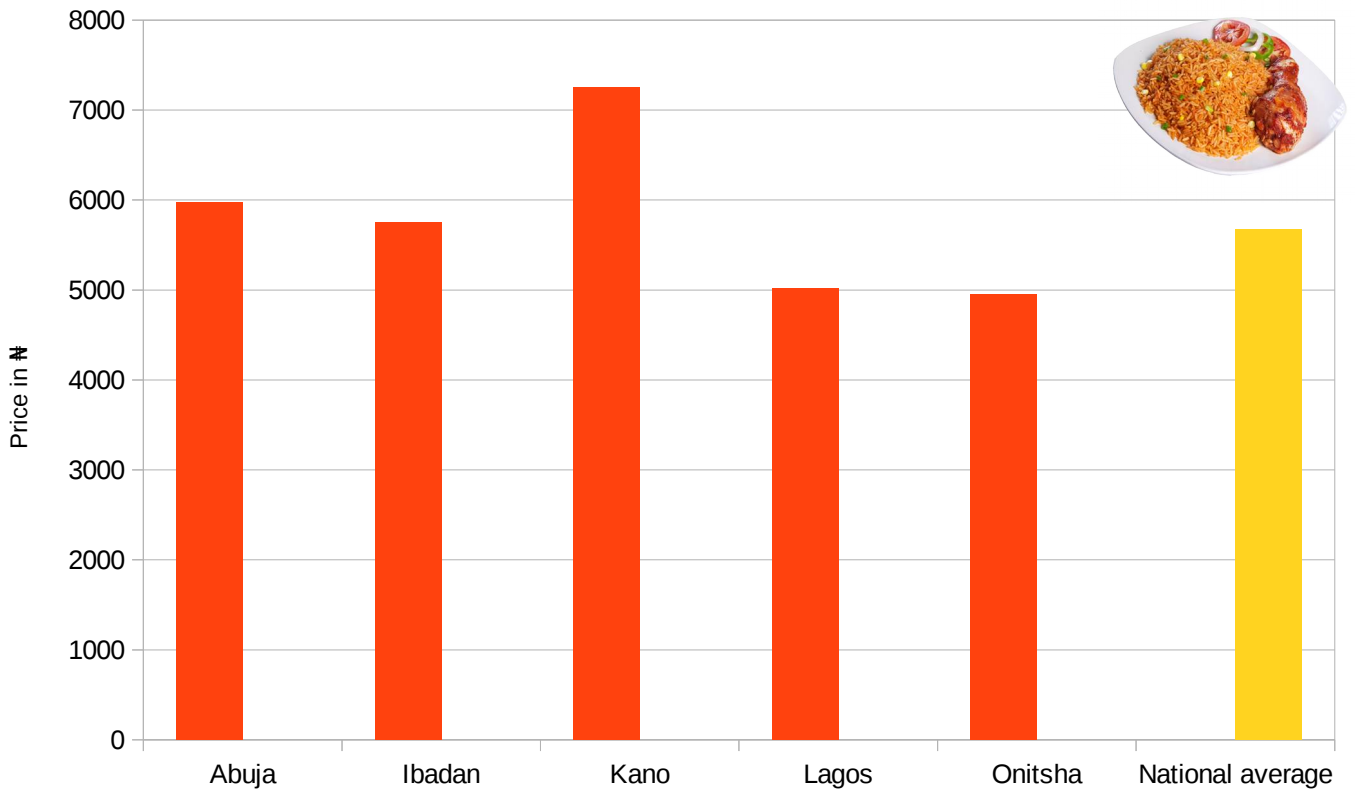


Nigerians continue to tally the opportunity cost of feeding their palates with their favourite dishes amid shrinking incomes and continued economic hardship. Most people we spoke to have chosen to cut back on much of their discretionary spending, focusing instead on meeting the essentials and putting aside money in their savings where there are leftovers, in order to prepare for future price increases.

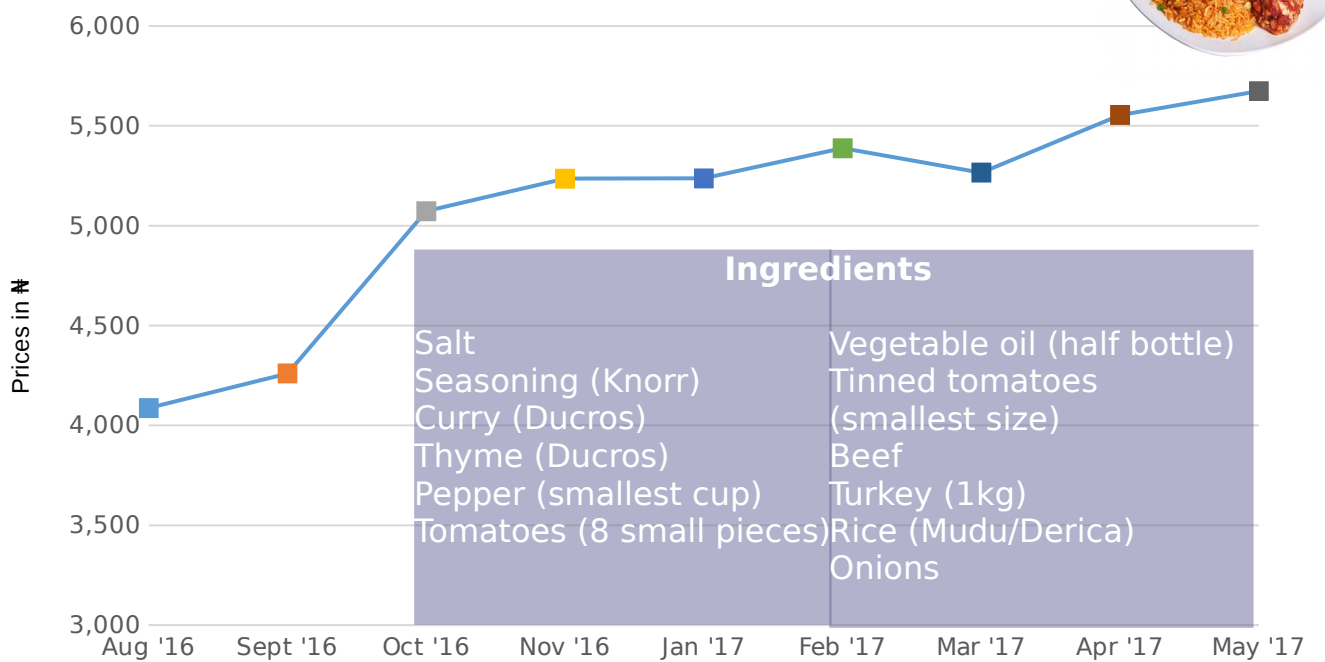
Increasingly, Nigerians who were ordinarily loyal to specific brands have taken to buying any available brand on the shelves at the time of purchase. They have also been more willing to explore alternatives as price of their preferred brands increasingly get out of their reach.

Buying habits have firmly moved away from bulk buying for the month in many homes to a "buy as you need" model as Nigerians seek to conserve cash at hand as opposed to tying their money down in the food closet.

Jollof costs in selected cities, May 2017



National Jollof Index Average

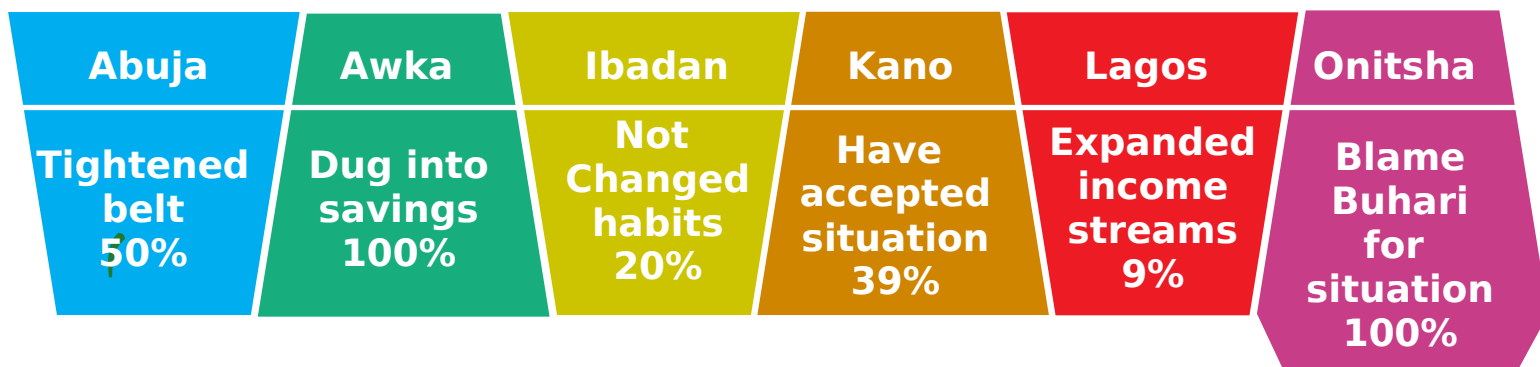


CHANGING CONSUMER HABITS AS SEEN BY TRADERS

In the second week of June 2017, SBM sent correspondents to markets in Abuja, Ibadan, Kano, Lagos, and Onitsha. The questions asked revolved around both the personal lives of the traders. A follow up set of questions regarding the attitudes of regular customers of these traders were administered by phone the following week.

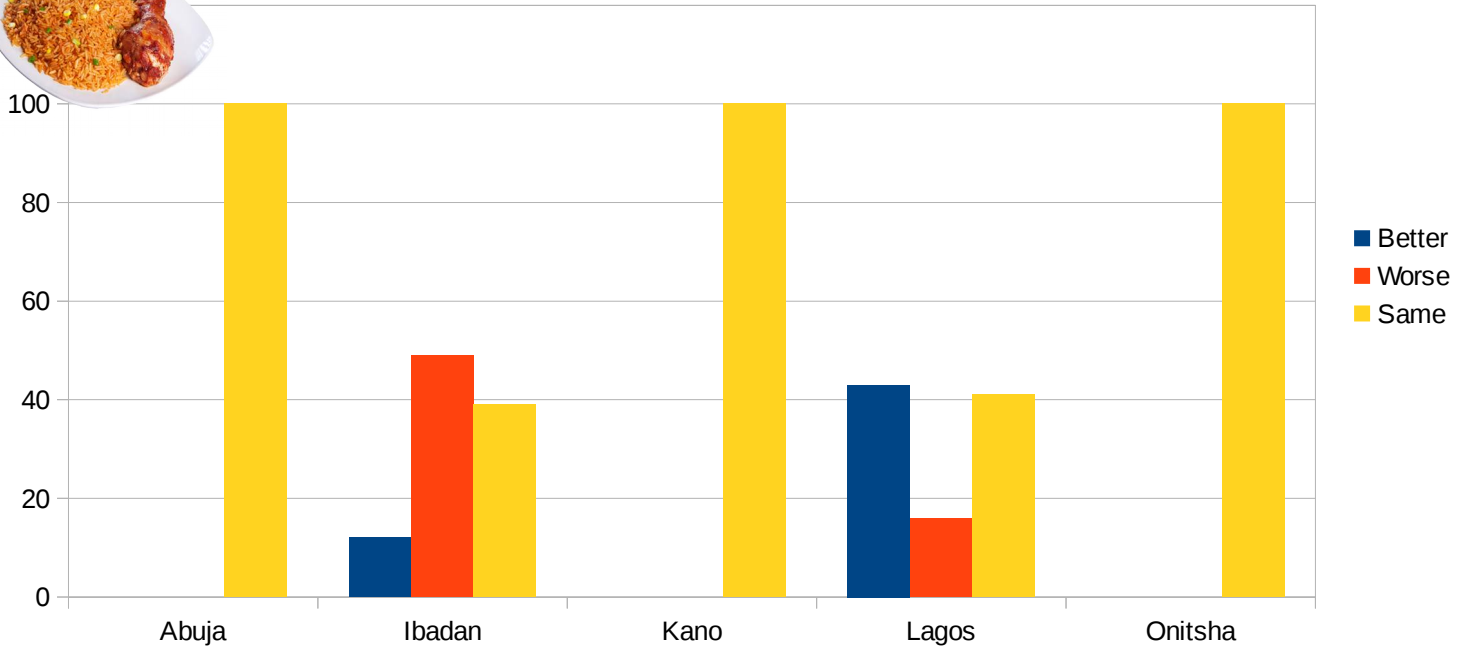
The traders involved in the survey are small scale traders, mostly involved in selling foodstuff. A recurring pattern in this survey was that majority of the respondents said that their customers have reacted negatively to rising food prices. Customers appear to have shorter tempers, bargaining is a lot more confrontational and more importantly, they do not spend as much as previously, indicating that a lingering recession could be heading towards a liquidity trap. It is important for aggregate demand to increase in the economy to stimulate production that will lift the nation out of a recession.

In Kano, half the respondents blamed the leadership for their predicament, while in Onitsha, half the respondents put the blame on the president. In Lagos, 57% of respondents said that the economy was responsible for their current situation. What we observed is a rising personalization of the source of hardship in the person of President Buhari.



Changing financial habits of the traders were recorded. In Abuja, every responding trader has tightened his belt, but 50% of the respondents have simply accepted their situation and have taken no action to improve their position. Ibadan had the highest proportion of people who have not changed their habits in the period under review. 20% of respondents in Ibadan have not changed their spending patterns, but it is important to note that all those who haven't changed, have managed to expand their income in the period. Of the 80% who have been forced into spending changes, 13% have done nothing to try and improve their situation. In Lagos, 90% of our respondents have been forced to change their spending patterns. 11% of these have been actively expanding their income streams while the rest have surrendered to their fate. In Kano, the same proportion, 90% as in Lagos, have changed their spending habits, and 44% of these have done nothing to adapt. In Onitsha, all respondents have changed their habits, and have dug into their savings.

Outlook for next quarter



When asked what the government could do to improve things, Lagos turned out to be the most upbeat city in which we carried out our survey. 43% of respondents in Lagos believe that things could improve in the next three months, while in Abuja, Kano and Onitsha, all respondents believe that things will remain the same over the next three months. In Ibadan, half of the respondents actually think that things will get worse.

OUTLOOK

While food inflation still increased, the rate of increase has slowed down. This trend also is clear in the Jollof Index numbers and this is a positive. We believe that prices may finally be reaching a new equilibrium point and the continuous adjustments that Nigerians have had to make might finally be easing up. As we observed in our earlier Jollof Index however, the Nigerian consumer remains constrained. Incidents of widespread lay-offs and cutbacks by companies have continued, the problems of purchasing power decreasing relative to earnings, and pockets of unrest in key farming regions have continued showing up on the shelves of markets. The irony was that as the purchasing power of Nigerians has decreased, prices kept rising rapidly until the recent slow down.. This slowdown therefore seems to have offered the succour many Nigerians desperately need at the checkout counter.

Policy makers will however need to act fast as they have a critical role in curtailing the ongoing, albeit slower rise in consumer commodities. This is more important in areas where policies can exert substantial influence such as infrastructure development, which can ease the logistical challenges all economic actors currently face, and by encouraging small scale farming across the country. Vitaly, these schemes must ensure standardisation and yield improvements in the farming practices. The government also needs to invest in agricultural extension programmes to ensure that farmers, a full 30% of the population are ushered into the 21st Century. Recent labour statistics from the National Bureau of Statistics which shows increasing unemployment and underemployment in both rural and urban areas point to this.

Also crucial to arresting the price fluctuations is the government's foreign exchange policy. Much of the increases have been caused by supply chokes due to forex scarcity. The government's recent launch of a new forex window has been credited with a recent move in the various currency rates towards convergence, a welcome development which should bring some relief to suppliers and importers. More action is required in this area if the benefits of a more liberal currency regime are to have any significant effect on the pockets of Nigerian consumers.

There is a need to invest in new, as well as upgraded storage infrastructure and further encourage trade, taking advantage of local food growing comparative advantages, thus elongating the availability of key farm products and ultimately contributing to bringing down their prices. More resources should be allocated to agricultural research and development in order to raise productivity levels in such things as plant yield, improved seed varieties and average production per hectare, as well as deploying technology to give farmers access to market information and modern techniques.

Critical to increased production is securing the stability of the food growing North East and the North Central regions, and increasingly, the South West and the Delta regions. The government urgently needs to address the country's persistent and varied security challenges so that farmers can return to planting.



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