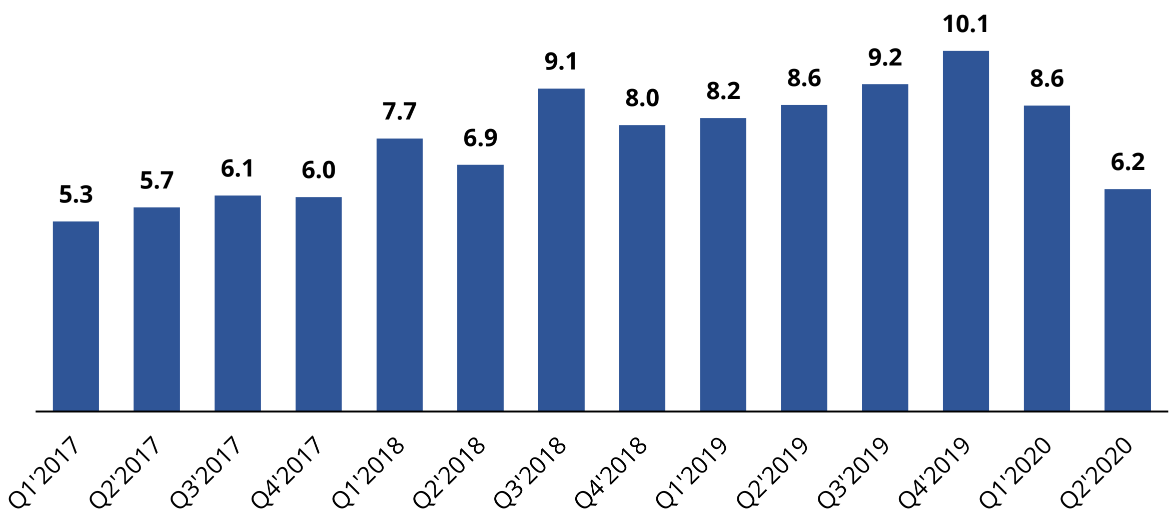
# NESG Q2'2020 Foreign Trade Alert

**September 2020**

## External Trade in Goods slid to N6.2 trillion in Q2'2020; Trade deficit widened

The value of Nigeria's external trade fell by 27.9% to N6.2 trillion in Q2'2020 from N8.6 trillion in the corresponding period of 2019 (Q2'2019). This represents the largest decline in Nigeria's external trade in recent years. Similarly, on a quarterly basis, the external trade for Q2'2020 represented a 27.9% decline when compared with its level in Q1'2020 (N8.6 trillion). This could be attributed to the coronavirus-induced lockdown restrictions and international travel bans implemented in the second quarter of 2020. In the first half of 2020, the value of external trade stood at N14.8 trillion, 11.9% below its level in the corresponding period of 2019 (N16.8 trillion).

**Figure 1: Trend of External Trade Value (N'trillion)**

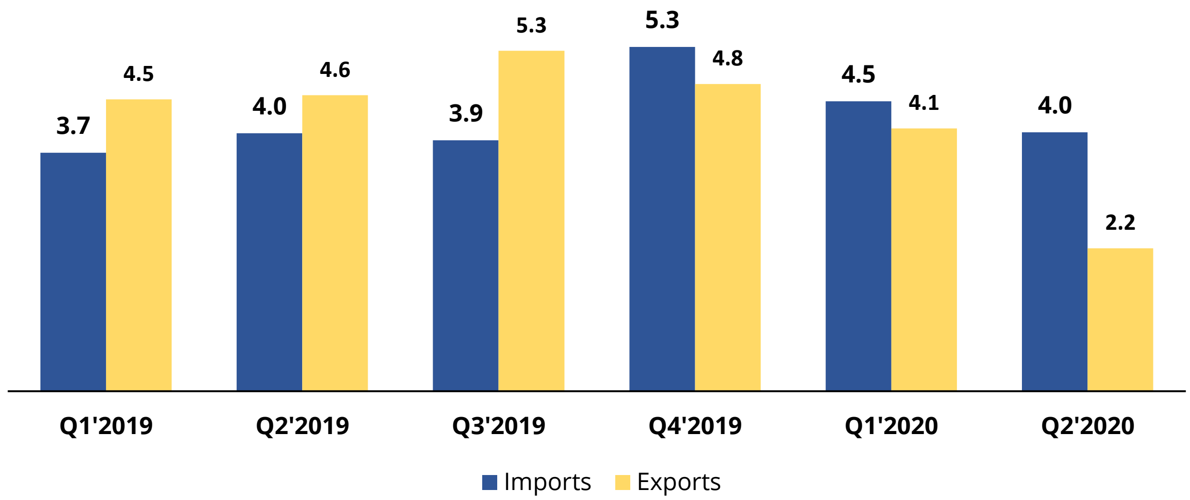



**Data: NBS; Chart: NESG**

**Both Import and Export declined; trade deficit widened to N1.8 trillion**

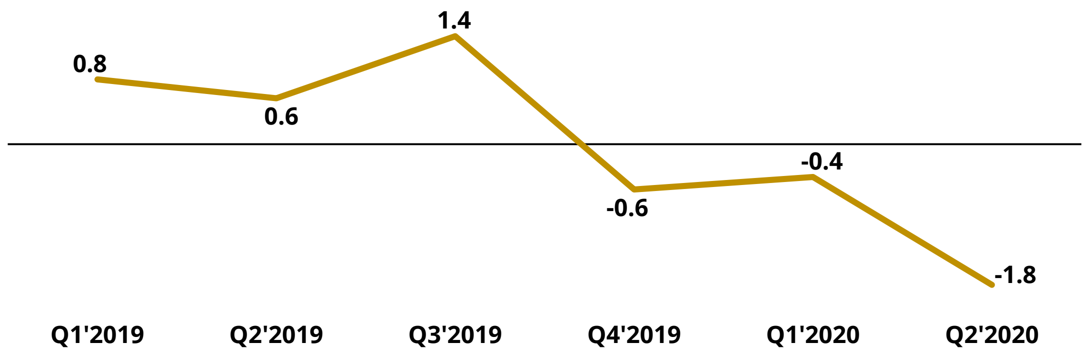
Trade balance – the difference between exports and imports – remained in deficit at –N1.8 trillion in Q2'2020 compared with a trade surplus of N590.5 billion in Q2'2019. This represents the third consecutive trade deficit since Q4'2019. The trade deficit for Q2'2020 was four times larger than its level in Q4'2019 (-N421.3 billion). The worsening position of Nigeria's trade balance was largely due to the faster decline in exports relative to imports arising from the spread of COVID-19 across world economies with an unprecedented negative impact on crude oil demand and global supply chains.

**Figure 2: Trend of Import & Export Trade (N'trillion)**




**Data: NBS; Chart: NESG**

**Figure 3: Trend of Trade Balance (N'trillion)**

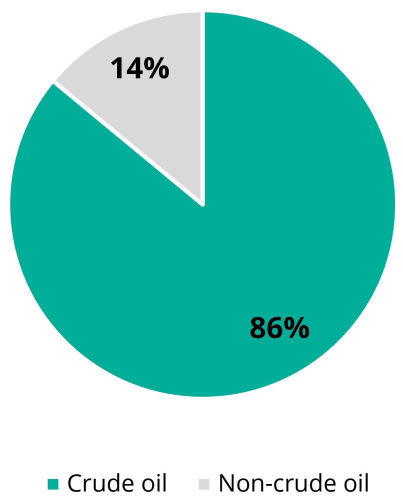



**Data: NBS; Chart: NESG**

## Export Earnings plunged in Q2'2020

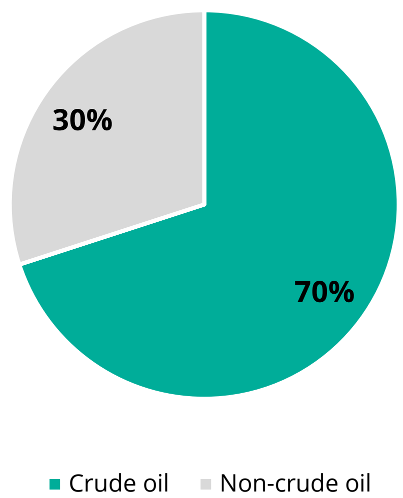
Total value of goods exported dipped by 52.2% to N2.2 trillion in Q2'2020 from N4.6 trillion in the corresponding period of 2019. This could be attributed largely to a plunge in crude oil exports by 59%. Correspondingly, the contribution of crude oil exports to total exports fell to 70% in Q2'2020 from 86% in Q2'2019. The decline in global crude oil prices coupled with weak export demand occasioned by COVID-19 impacted negatively on crude oil exports in the quarter. However, non-crude oil exports rose marginally from N661.6 billion in Q2'2019 to N665.6 billion in Q2'2020. As a result, the share of non-crude oil exports in the overall exports increased to 30% in Q2'2020 from 14% in the corresponding period of 2019.

**Figure 4a: Composition of Exports in Q2'2019 (%)**




**Data: NBS; Chart: NESG**

**Figure 4b: Composition of Exports in Q2'2020 (%)**




Meanwhile, the non-oil exports – which excludes petrochemicals and oil-related items – spiked by 55% to N353 billion in Q2'2020 from N227.6 billion in the corresponding period of 2019. This reflects a sharp rise in earnings from manufacturing exports in the quarter.

**Table 1: Performance of Non-Oil Exports and Components in Q2'2019 and Q2'2020**

| Period | Non-oil exports (N'billion) | Share of Non-oil commodities in Non-oil exports (%) | | | | |
|---|---|---|---|---|---|---|
| | | Agric products | Raw materials | Solid minerals | Energy goods | Manufactured goods |
| **Q2'2019** | 227.6 | 32.3 | 13.7 | 3.3 | 4.1 | 46.6 |
| **Q2'2020** | 353 | 22.1 | 4.2 | 0.4 | 1.2 | 72 |

**Data: NBS**

## Europe remains Nigeria's largest export destination despite COVID-19

In spite of the continued spread of the coronavirus pandemic across the world, Europe maintained its position as Nigeria's largest export trading partner, accounting for 44% of total exports in Q2'2020. The second largest market was Asia whose share of total exports stood at 33%. On a country level, Nigeria's top five export trading partners was led by Spain, with a share of 14% in total export value in Q2'2020. In the quarter, South Africa was the only African country that featured among the top five largest market destinations for Nigeria's exports.

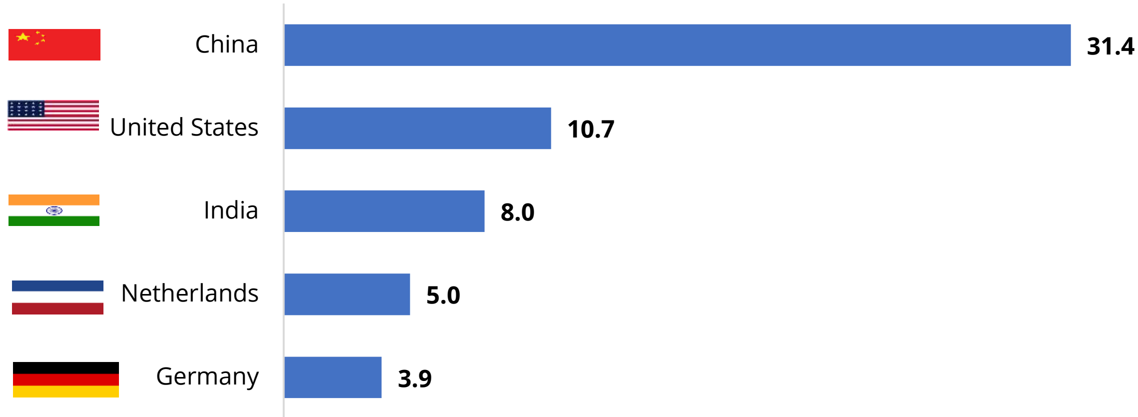
**Figure 5: Major Export Trading Partners in Q2'2020 – Share of Export (%)**


**Data: NBS; Chart: NESG**

## Asia retains position as Nigeria's largest import trading partner

The Asian region maintained its position as Nigeria's largest import source, accounting for 53% of overall merchandize imports, followed by Europe with a share of 27% in Q2'2020. On a country level, China was the largest source for Nigeria's merchandize imports with a contribution of 31.4% to total imports in Q2'2020. This could be attributed to the rapid recovery of China following the subdued outbreak of coronavirus in the country. Other top import trading partners in the quarter were the United States (10.7%), India (8%), Netherlands (5%) and Germany (3.9%).

**Figure 6: Major Import Trading Partners in Q2'2020 – Share of Imports (%)**




**Data: NBS; Chart: NESG**

## Overall Imports remained unchanged (year-on-year) at N4 trillion in Q2'2020

The value of imported commodities was flat at N4 trillion in Q2'2020 relative to its value in the corresponding period of Q2'2019. This however represents an 11.1% decline when compared with total imports in Q1'2020. The quarter-on-quarter decline in overall imports could largely attributed to lower purchases of mineral fuel and machinery & transport equipment, which jointly accounted for 45% of total merchandize imports in Q2'2020. Meanwhile, there was an increase in the importation of food & live animals and industrial products - including chemical products and manufactured goods – with combined share of 55% in total imports in the quarter.

**Table 2: Performance of Merchandize Imports and Components in Q2'2019 and Q2'2020**

| Period | Total Imports (N'trillion) | Share of Total Imports (%) | | | | | |
|---|---|---|---|---|---|---|---|
| | | Food & Live Animals | Mineral Fuel | Chemicals | Manufactured goods | Machinery & Transport Equipment | Others* |
| **Q2'2019** | 4.0 | 9.8 | 22.7 | 10.7 | 7.9 | 41.8 | 7.2 |
| **Q2'2020** | 4.0 | 16.1 | 5.5 | 19.3 | 12 | 39.7 | 7.3 |

**Data: NBS**

***Note**: Other components of overall imports include: Beverages & Tobacco, Crude inedible materials, oil, fats & waxes, as well as miscellaneous manufactured items.*

## Conclusion

- **Persistent Trade Deficit coupled with Dwindling Investment Inflows will negatively affect balance of payments position in 2020**

It is notable that the outbreak of COVID-19 has magnified the impact of land border closure with Nigeria's trade balance remaining in deficit since Q4'2019. This, coupled with a drop in foreign investment inflows in the first half of 2020 portends a balance of payments crisis and intense pressure on the external reserves in the year. In the immediate term, the Nigerian government would be faced with the option of relying on concessional loans from multilateral financial institutions such as IMF, World Bank and AfDB among others to shore up external reserves and to fulfil its fiscal obligations. This would however raise more concerns over the country's rising public debts, which stood at N28.6 trillion as at March 2020.

- **The increase in non-oil exports suggests the need to promote non-oil sectors**

The breakdown of global supply chains arising from the rapid spread of coronavirus pandemic has impeded regular supplies of industrial products, including machinery, chemicals and semi-finished manufactured goods – which are largely sourced from Asia. This suggests the need to develop domestic value chain in light manufacturing, most especially. In spite of the outbreak of coronavirus, Nigeria recorded an increase in non-oil export receipts in the first half of 2020. Notably, the manufacturing sector recorded over 100% year-on-year growth in exports in Q2'2020. Improved production of light manufacturing goods would not only speed up the recovery of the manufacturing sector, but would also reduce pressure on the external reserves and the Naira. Nigeria will also need to leverage on the African Continental Free Trade Area (AfCFTA) agreement to shore up non-oil exports to other African countries.

## About NESG

The NESG is an independent, non-partisan, non-sectarian organization, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

www.nesgroup.org| Info@nesgroup.org

**THE SUMMIT HOUSE**
6, Oba Elegushi Street, Ikoyi, Lagos. P.M.B 71347, Victoria Island, Lagos.
ABUJA LIAISON OFFICE: 3rd Floor, Right Wing, Unity Bank Tower, Plot 785, Herbert Macaulay Way, Abuja
officialNESG

## Contact

For more information about the content of this report and other research services, please contact:

NESG Research Team

Email: research@nesgroup.org
Tel:
**+234-01-295 2849**
**+234-01-295 2003**