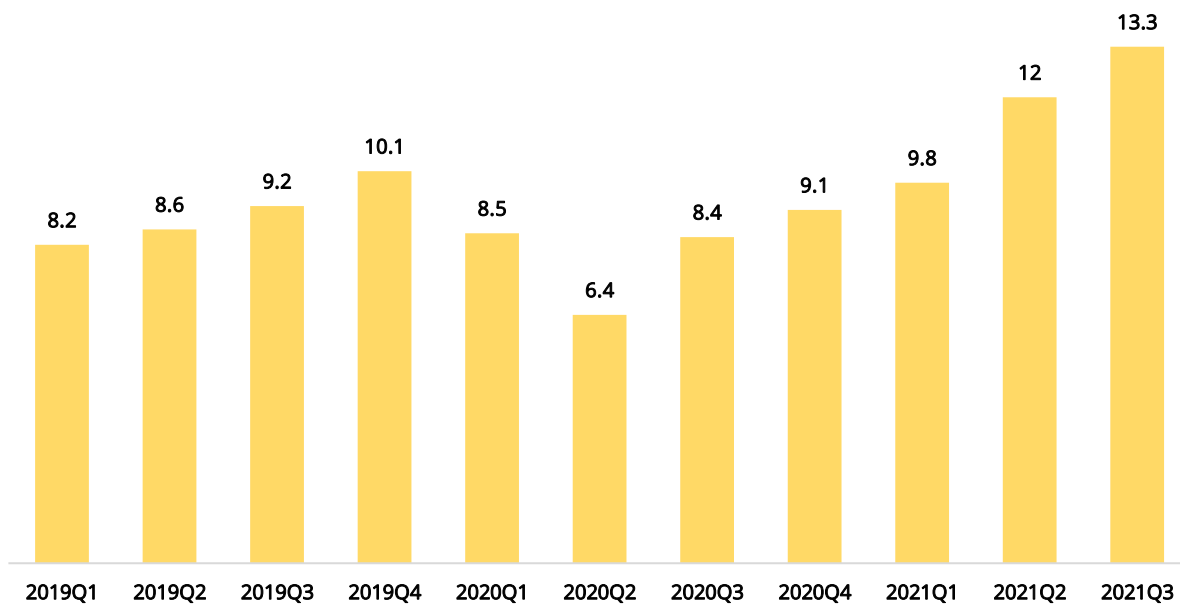


Nigeria's External Trade spiked 58% on pick-up in global economic activities

Nigeria's external trade value rose by 58.3% (year-on-year) to N13.3 trillion in the third quarter of 2021 from N8.4 trillion in 2020Q3. It also represents an improvement when compared with the value of external trade of N12 trillion in 2021Q2. In the first three quarters of 2021, the external trade value grew more than half to N35.1 trillion, relative to its level in the corresponding period of 2020 (N23.3 trillion). This impressive performance could be largely attributed to improved global economic activities, following the recovery of many countries from the pandemic-induced recession since the second quarter of 2021, with the Trade sector being a key beneficiary. In fact, the International Monetary Fund (IMF) projected a rebound in trade volume growth to 9.7% in FY'2021 from a contraction of -8.2% in 2020.

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

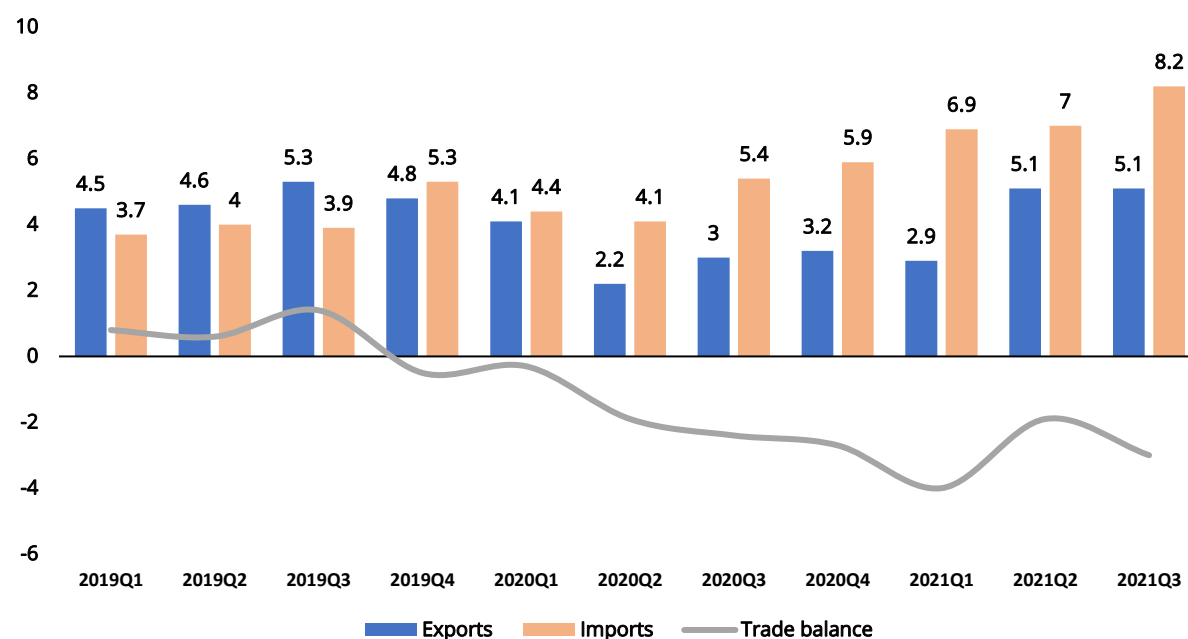


Data: NBS; Chart: NESG Research

As usual, merchandize imports rose more than merchandize exports, resulting in a wider trade deficit of N3 trillion in 2021Q3, 25% higher than its level in 2020Q3 (N2.4 trillion). This marks the eighth consecutive record of a trade deficit since the fourth quarter of 2019, when

the land borders were shut. Cumulatively, trade deficit for the first three quarters of 2021 jumped to N8.8 trillion from N4.6 trillion in the corresponding period of 2020.

Figure 2: Value of Import & Export Trade and Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

Spike in total exports was driven by improved oil and non-oil export earnings

The total value of goods exported rose sharply by 70% to N5.1 trillion in 2021Q3 from N3 trillion in 2020Q3. In the first three quarters of 2021, aggregate export earnings were 40.9% higher at N13.1 trillion than its level in the same period of 2021 (N9.3 trillion), buoyed by increases in oil and non-oil export earnings. Oil exports – which accounted for 89% of total export earnings in the quarter – rose to N4.6 trillion in 2021Q3 from N2.8 trillion in 2020Q3. This was driven by higher global oil price (Nigeria’s Bonny Light price) – which averaged US\$73.8 per barrel in 2021Q3, 70.4% above the average oil price of US\$43.3 per barrel in 2020Q3. Similarly, non-oil exports – which accounted for 11% of the overall exports – were more than doubled at N546.3 billion in 2021Q3, relative to its level in 2020Q3 (N215.2 billion). This was driven by an increase in earnings from all categories of export items, except energy goods.

Table 1: Performance of Non-Oil Exports and Components (2020Q3 vs. 2021Q3)

Period	Non-oil exports	Share of Non-oil commodities in Non-oil exports (%)
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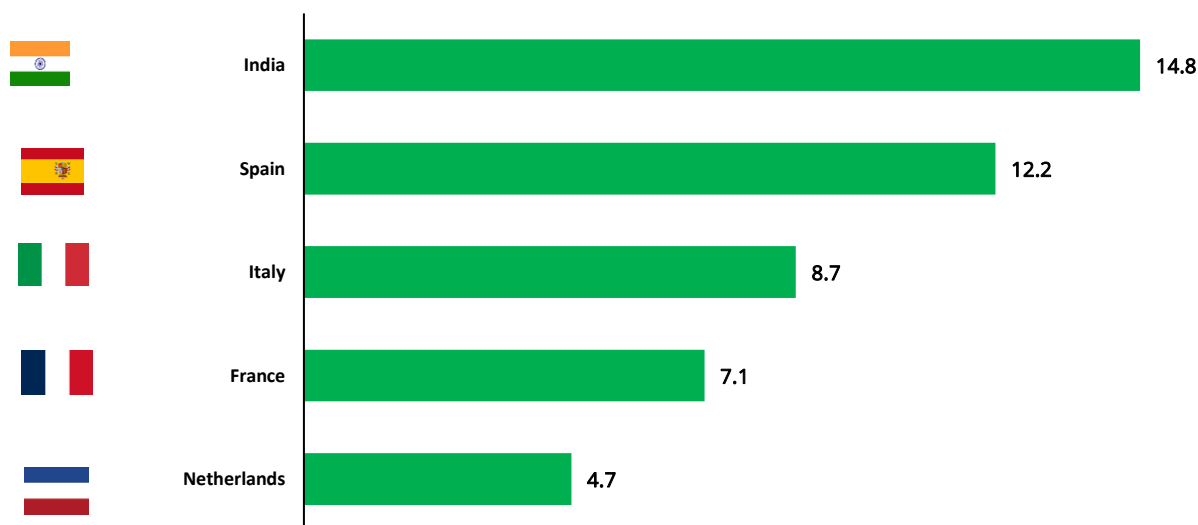
	(N'billion)	Agric products	Raw materials	Solid minerals	Energy goods	Manufactures
2020Q3	215.2	28.2	5.2	2.6	2.1	61.9
2021Q3	546.3	14.5	27.6	3.4	0.5	54

Data: NBS; Table: NESG Research

Europe restored to its position as Nigeria's largest export trading partner

Accounting for 43.5% of total exports in 2021Q3, Europe regained its status as Nigeria's largest export destination; a position that, in 2021Q2, was hitherto lost to Asia. On a country level, India – with a share of 14.8% in the overall exports from Nigeria - maintained its position as the country's largest export market, particularly for crude petroleum products, followed by Spain (12.2%), Italy (8.7%), France (7.1%) and the Netherlands (4.7%) in 2021Q3.

Figure 3: Major Export Trading Partners in 2021Q3 – Share of Export (%)



Data: NBS; Chart: NESG Research

Total imports buoyed by higher import bills on almost all import categories

The value of imported commodities rose by 51.9% to N8.2 trillion in 2021Q3 from N5.4 trillion in 2020Q3. This is attributable to the spike in import bills on all categories of import items, with larger increases recorded in the purchase of food & live animals, and mineral fuel products, as well as, machinery & transport equipment. Cumulatively, total imports grew by 57.1% (year-on-year) in the first three quarters of 2021 to N22 trillion. The increase in the value of overall imports could be attributed to strong demand for imported products by Nigerians following the relaxation of COVID-19-induced restrictions, coupled with

exchange rate depreciation. At the Investors and Exporters' foreign exchange window, the Naira fell by 7.1% (year-on-year) against the US dollar in 2021Q3.

Table 2: Performance of Merchandize Imports and Components (2020Q3 Vs 2021Q3)

Period	Total Imports (N'trillion)	Share of Total Imports (%)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactures	Machinery & Transport Equipment	Others
2020Q3	5.4	15.2	13.1	19.3	9.7	35.6	7.1
2021Q3	8.2	13.8	18.4	17.4	8.9	33.8	7.7

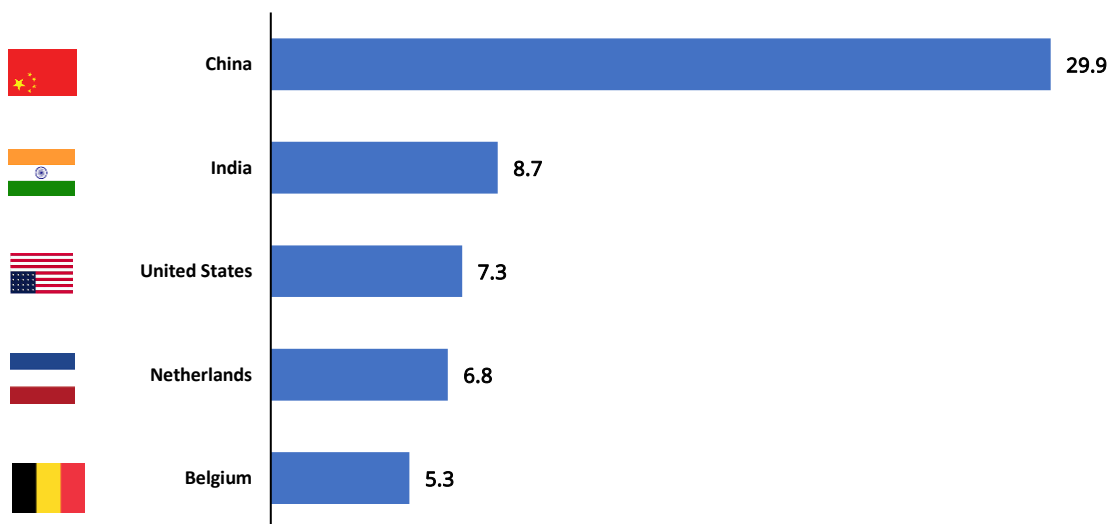
Note: The category "others" include beverages & tobacco; crude inedible materials; oil, fats & waxes; miscellaneous manufactured commodities and articles.

Data: NBS; **Table:** NESG Research

Asia remained the largest source for Nigeria's imports

The continent of Asia was the largest source of Nigeria's imports, accounting for 51.1% of the overall imports in 2021Q3, followed by Europe with a 33.5% share. On a country level, China and India were Nigeria's largest import trading partners with a combined share of 38.7% in 2021Q3. Other top import trading partners in the quarter were the United States (7.3%), Netherlands (6.8%) and Belgium (5.3%).

Figure 4: Major Import Trading Partners in 2021Q3 – Share of Imports (%)



Data: NBS; **Chart:** NESG Research

Conclusion

The recovery of the global economy is being threatened by the recent outbreak of the Omicron coronavirus variant in South Africa, with more than one-sixth of world nations recording more cases on a daily basis. Here are few points regarding the international trade prospects going into the year 2022.

- **The recovery of the global economy remains contingent on the speed of containment of the new COVID-19 variant and the extent of inequity in vaccination across countries.** Although the World Bank projected that the global economy would record a 4.3% growth in 2022, the emergence of the Omicron variant has cast shadow on global economic recovery because of its highly contagious nature relative to the Delta variant. Meanwhile, the inequity in global vaccine roll-out is reflected in low vaccination rates in many developing countries in Africa, most especially, whereas advanced countries and some emerging market economies have achieved considerable progress in mass vaccination. To contain the continued spread of the new variant, many advanced economies are likely to implement stiffer travel restrictions, which would adversely affect Nigeria via the international trade and investment inflow channels. The IMF's trade volume growth forecast of 6.7% for the year 2022 is likely to be reviewed downward.
- **Intermittent drawdown of strategic oil reserves in the US and China would plunge global oil prices going into the year 2022.** Since the relaxation of lockdown restrictions by many countries, the global oil price has continued its upward trend, in fact, rising above US\$80 per barrel. Meanwhile, the recent decision of the United States and China to release oil from their strategic reserves has seen more than a 10% decline in global oil prices. Concerned with this development, OPEC plus met on December 01/02 and agreed to a gradual increment in global oil supply. With the rapid spread of the new COVID-19 variant, global oil demand forecast has been revised downward by 2.9% to 95.7 million barrels per day in 2022Q1. A decline in both global oil prices and global demand would bring about a plunge in oil export earnings and widen Nigeria's trade deficit, going into the year 2022. The trade balance position would also be worsened by cross-border restrictions arising from the continued spread of the Omicron COVID-19 variant.
- **Renewed lockdown restrictions on the African continent comes with huge economic costs.** Many countries are expected to implement lockdown restrictions going into the year 2022 to curtail the spread of the new COVID-19 variant. Cross-border

restrictions of persons and commodities will be largely unfavourable to developing countries in Africa, that largely depend on proceeds from primary product exports and in-bound tourism, Nigeria inclusive. The United Nations Economic Commission for Africa (UNECA) has projected that complete lockdown restrictions would cost the continent about US\$65.7 billion (equivalent to 2.5% of Africa's total GDP) per month. Nigeria, Egypt and South Africa, which jointly account for half of the continent's total GDP will be greatly affected. This expected economic loss will also delay progress in the implementation of the African Continental Free Trade Area (AfCFTA) agreement, going forward.

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.

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