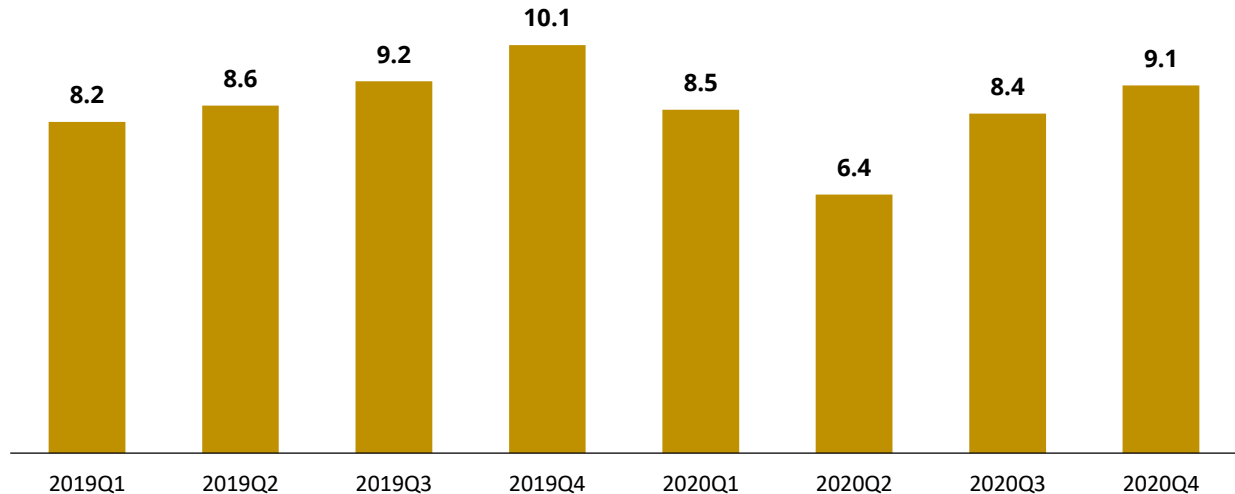


## External Trade in Goods fell to N32 trillion in 2020 on COVID-19 crisis; trade balance slipped into deficit in a space of 4 years

Nigeria's external trade value fell by 10.5% to N32.4 trillion in full-year (FY) 2020 from N36.2 trillion in 2019. The sudden outbreak of COVID-19 and the ensuing lockdown restrictions implemented across countries in most parts of 2020 weakened the volume and value of external trade in favour of Nigeria. Meanwhile, on a quarterly basis, external trade showed some improvements, particularly in the last two quarters of 2020, due to the lifting of ban on domestic and international flights, as well as, the ease of lockdown restrictions in the country (see **Figure 1**).

**Figure 1: Quarterly Value of External Trade in 2019 and 2020 (N'trillion)**

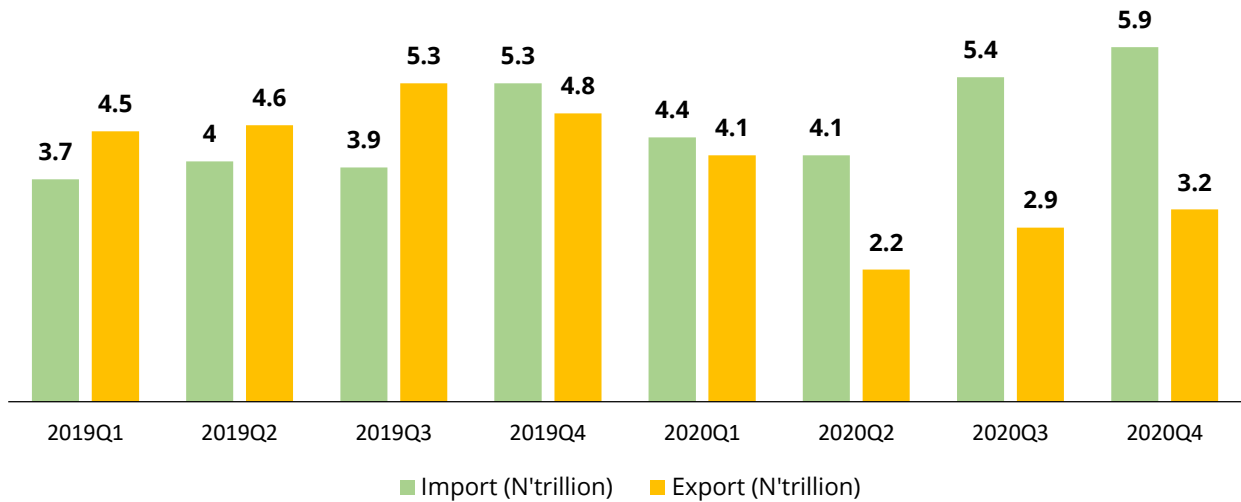


**Source: Data: NBS; Chart: NESG Research**

In spite of the pandemic-induced disruptions to global supply chains, growth in imports outpaced that of exports in the four quarters of 2020 (see **Figure 2**). Consequently, Nigeria's trade balance position was in deficit throughout the four quarters of the year 2020 (see **Figure 3**), with the overall trade deficit for FY'2020 estimated at N7.4 trillion, compared with

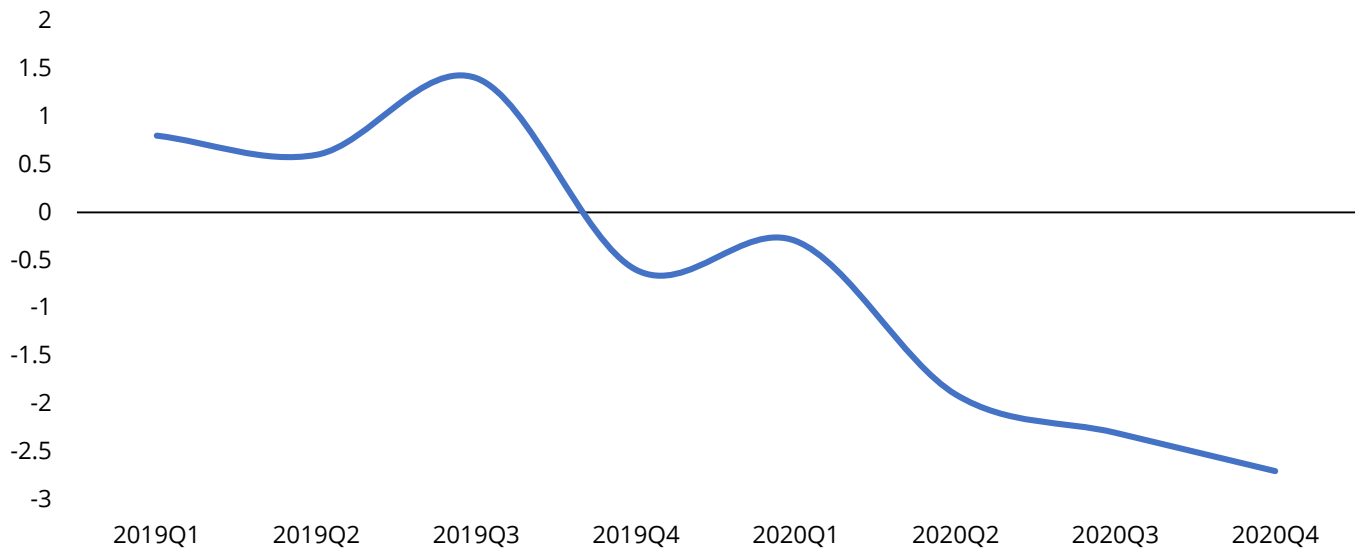
a trade surplus of N2.2 trillion recorded in 2019. The trade deficit recorded in 2020 is Nigeria's second unfavourable trade balance since 2016.

**Figure 2: Quarterly Value of Import & Export Trade in 2019 and 2020 (N'trillion)**



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

**Figure 3: Quarterly Trade Balance in 2019 and 2020 (N'trillion)**

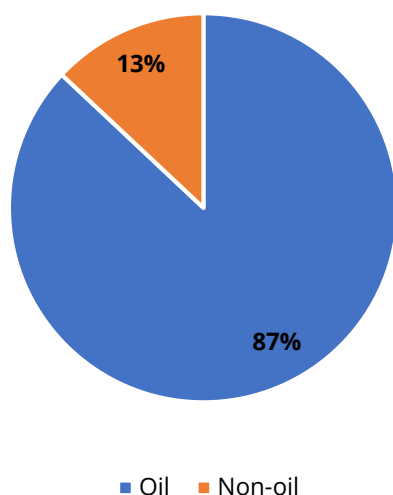


**Source: Data: NBS; Chart: NESG Research**

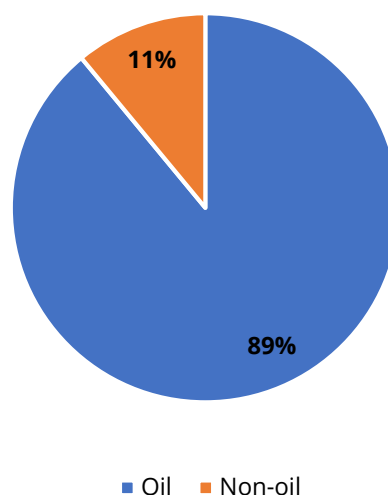
## Oil and Non-Oil Export Earnings plummeted in 2020

The total value of goods exported plunged by 34.9% to N12.5 trillion in FY'2020 from N19.2 trillion in 2019. This could be attributed to lower oil and non-oil export earnings. Oil exports – which maintained a significant share in total export earnings – nosedived by 33.5% to N11.1 trillion in 2020 from N16.7 trillion in 2019. This huge decline was largely due to weak oil prices coupled with lower domestic crude oil production in compliance with OPEC's output cut deal. On the other hand, non-oil exports – which accounted for 11% of total export earnings in 2020 fell to N1.4 trillion in 2020 from N2.5 trillion in 2019.

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



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



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

Moreover, the fall in non-oil exports – which exclude petrochemicals and oil-related items – was largely driven by a sharp decline in earnings from manufactured exports, which outweighed the cumulative increase in export earnings from the sale of agricultural products, raw materials and solid minerals. Meanwhile, the import value of energy goods remained flat in 2020 (see **Table 1**).

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

Period	Non-oil exports (N'trillion)	Share of Non-oil commodities in Non-oil exports (%)				
		Agric products	Raw materials	Solid minerals	Energy goods	Manufactured goods
2019	2.5	10.7	4.7	1	1.3	82.4

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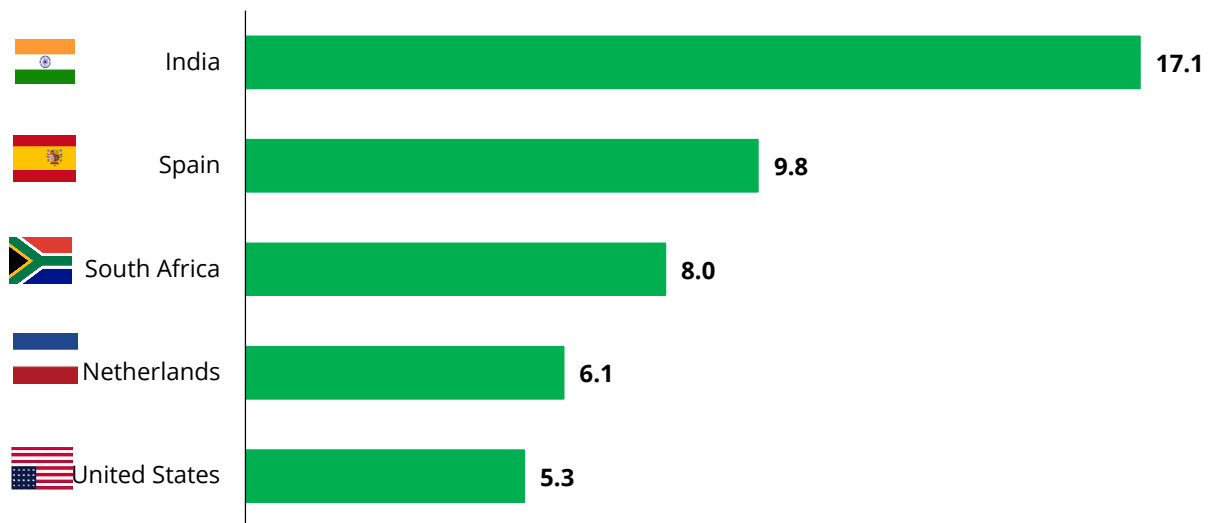
2020	1.4	22.4	8.3	0.9	1.3	67
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Data: NBS

### South Africa emerged among Nigeria’s top export trading partners

Despite the sharp decline in overall exports in 2020, Europe retained its position as Nigeria’s largest export destination accounting for 38.9% of total export earnings, followed closely by Asia which accounted for a share of 34.4%. On a country level, Nigeria’s top five export trading partners, led by India, accounted for 46.3% of total merchandise exports in the fourth quarter of 2020 (see **Figure 5**). Relative to the fourth quarter of 2019, South Africa replaced Ghana and emerged as Nigeria’s third-largest export trading partner with a contribution of 8% to overall exports in the fourth quarter of 2020.

**Figure 5: Major Export Trading Partners in Q4’2020 – Share of Export (%)**

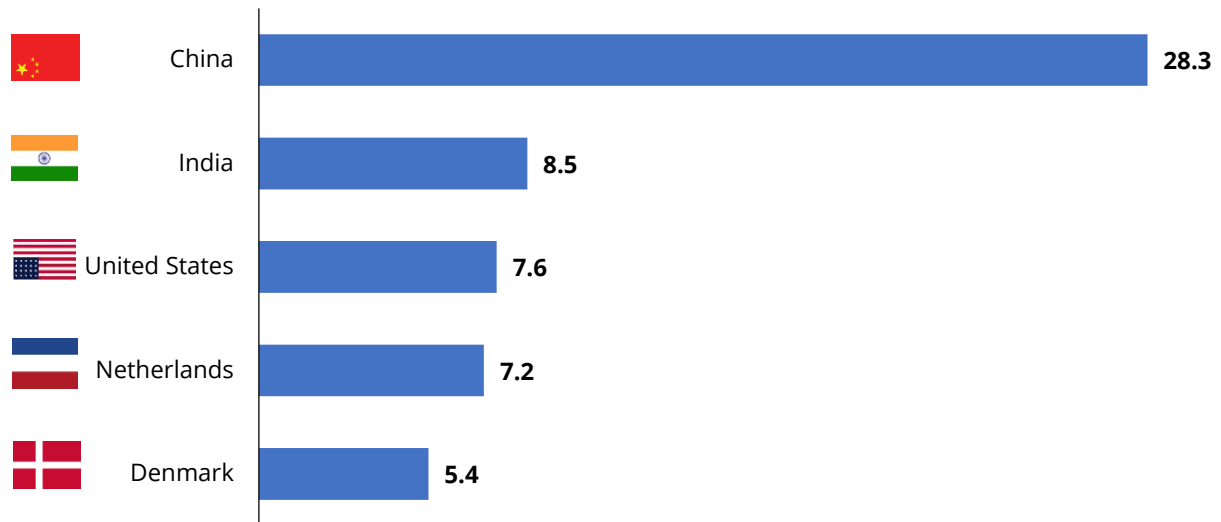


Source: Data: NBS; Chart: NESG Research

### Asia remained Nigeria’s largest import trading partner despite COVID-19 crisis

Despite being the epicentre of the coronavirus outbreak, the Asian region was the largest source of Nigeria’s imports, accounting for 49.2% of total imports, followed by Europe with a share of 33.3%. On a country level, China and India were Nigeria’s largest import trading partners with a combined share of 36.8% in total imports in the fourth quarter of 2020 (see **Figure 6**). Other top import trading partners in Q4’2020 were United States (7.6%), Netherlands (7.2%) and Denmark (5.4%).

**Figure 6: Major Import Trading Partners in Q4’2020 – Share of Imports (%)**



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

### Overall imports rose; higher food and live animal imports defied border closure policy

The value of imported commodities rose by 17.8% to N19.9 trillion in 2020 from N16.9 trillion in 2019 (see **Table 2**). The increase in overall imports was driven by higher purchases of food & live animals, mineral fuel, and other categories of manufactured commodities and articles. Particularly, the surge in the import bills for food and live animals by 77% in 2020, to a large extent, undermined the potency of the land border policy which was in place between August 2019 and mid-December 2020. Against the backdrop of coronavirus-induced supply chain disruptions, Nigeria’s purchase of manufactured goods, as well as, machinery and transport equipment suffered a decline in import value.

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

	Share of Total Imports (%)
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Period	Total Imports (N'trillion)	Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2019	16.9	8.8	15.5	11.6	10.8	45.6	7.7
2020	19.9	13.3	0.5	1.4	15.3	0.8	18.1

**Data: NBS**

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

## Conclusion

- ***Improved export earnings from the Agricultural sector reflects the resilience of the sector in the face of COVID-19 in the year 2020***

The agricultural sector maintained positive output growth throughout the four quarters of 2020, in spite of the negative impact of lockdown restrictions and constrained business activities on the overall Nigerian economy. This resilience of the agricultural sector translates to sustained increase in exports in 2020. The value of agricultural exports grew by 19.2% in FY'2020, representing an export rebound compared to a contraction in agriculture exports by 10.7% in 2019. The major downside risk to exports in the agricultural sector is the high level of insecurity, particularly, in major food producing regions of the country – North East and Middle Belt. Unless this menace is urgently addressed, domestic food production and supply constraints would make Nigeria remain a net importer of agricultural products – the net import value of agricultural products spiked to N476.6 billion Q4'2020 from N165.2 billion in Q4'2019.

- ***Value chain development would strengthen Nigeria's agro-allied industrial base***

The outbreak of COVID-19 has reiterated the importance of sourcing raw materials and intermediate inputs locally, which is supportive of promoting value addition. The poor performance of Nigeria's manufacturing sector in terms of output and export earnings could be attributed to the huge dependence of the sector on imported inputs. In the fourth quarter of 2020, the net import value of raw materials rose more than double to N668.8 billion compared with its level in 2019 (N314.7 billion). Consequently, Nigeria remained a net importer of finished manufactured goods to the tune of N3.4 trillion and N3.7 trillion in the fourth quarters of 2019 and 2020, respectively. Meanwhile, efforts towards supporting value addition locally would not only improve manufacturing sector growth, but also uplift the status of Made-in-Nigeria goods on the global market. In order to achieve this, there is an urgent need to ease the key binding growth constraints including the illiquidity of the

forex market, exchange rate instability, power outages, as well as, business-unfriendly policy and regulatory environment.

➤ ***The record high trade deficit reflects pressure on external reserves and currency stability***

Trade deficit implies that Nigeria is buying more foreign goods than it is currently selling its products at the international market. Symmetrically, the country is demanding foreign exchange to clear its import bills more than it is accumulating forex through export supplies. By implication, higher trade deficits imply huge demand for forex, which might be fulfilled by the CBN through external reserves depletion. Meanwhile, the failure of the apex bank to meet the forex demand backlogs could put the Naira under speculative attack; thus resulting in a weaker domestic currency.

➤ ***Trade deficit is set to narrow on continued improvement in oil prices and as Nigeria harness the new market opportunities associated with AfCFTA***

Against the backdrop of persistent increase and stability in global oil prices, we expect trade deficit to subside in coming quarters. Leveraging the market opportunities offered by the African trade pact, the Nigerian economy is poised to benefit from a well-diversified export base, which is attainable if and only if the non-oil export commodities are prioritized by the government. In order to enhance the market attractiveness of locally produced goods, there is an urgent need to develop standards for goods leaving and entering the shores of the country, so as to reduce the importation of sub-standard products. There is also a need to implement a corrupt-free land border system so that Nigeria could easily maximize the enormous benefits accruing from the trade deal.

## 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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