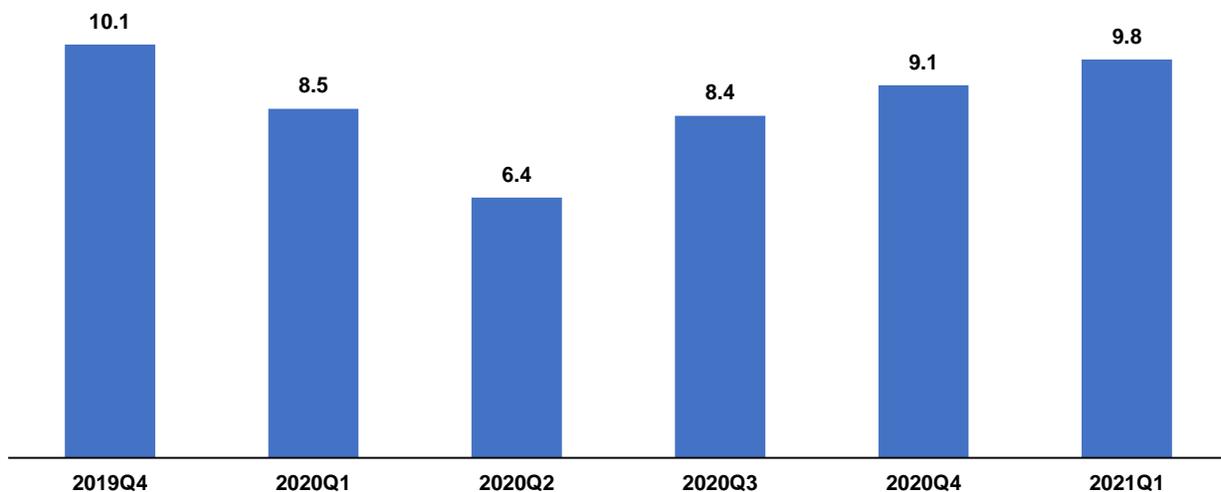


External trade in goods gained momentum in 2021Q1 as the impact of COVID-19 fades on the global economy

In the recently published Foreign Trade in Goods Statistics Report by the National Bureau of Statistics (NBS), it was revealed that the value of Nigeria's total external trade in goods was N9.8 trillion in the first quarter of 2021. This represents a growth of 14.1% when compared with the corresponding period in 2020 (N8.5 trillion) and 7.0% when compared with the previous quarter (N9.1 trillion). The expansion of Nigeria's total external trade in 2021 was occasioned by the full resumption of economic activities across countries and sectors of the economy following the on-going massive vaccination across countries of the world.

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



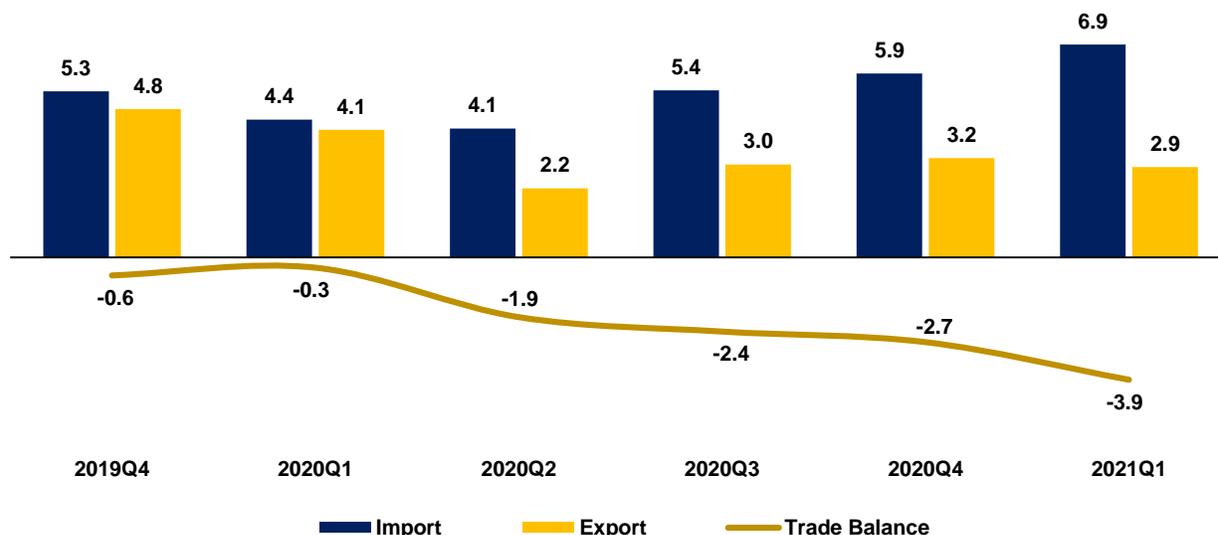
Source: Data: NBS; Chart: NESG Research

Growth in external trade is accompanied by an expansion in the trade deficit as imports continue to outpace exports.

The expansion in Nigeria's trade has been driven by an increase in imports while exports remain subdued. Nigeria's total import in 2021Q1 stood at N6.9 trillion, representing an increase of 54.3% when compared with 2020Q1 and 15.6% when compared with 2020Q4. Though this emphasises the resumption of economic activities across sectors of the economy, it reflects the continued dependence of Nigeria on import for almost all categories of commodities – food, manufacturing, intermediate and raw materials. On the other hand, Nigeria's export in 2021Q1 contracted to N2.9 trillion, representing a decrease of 29.3% when compared with the

corresponding period of 2020 and 9.0% when compared with the previous quarter. This was motivated by the decline in the value of crude oil export in the period under review. Consequently, Nigeria's trade deficit expanded to N3.9 trillion, an increased trade deficit from N329.9 billion in 2020Q1 and N2.7 trillion in 2020Q4.

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

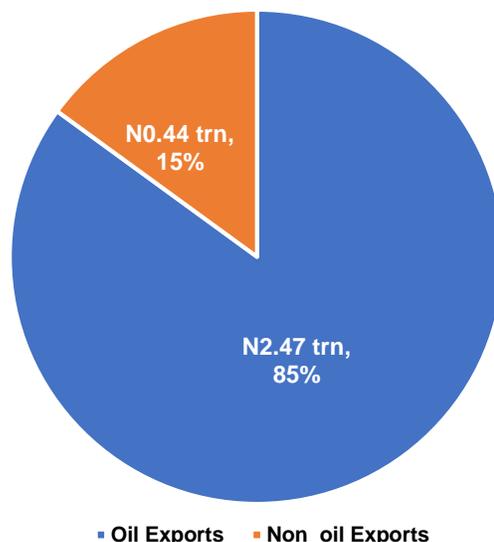


Source: Data: NBS; Chart: NESG Research

Despite resumption in economic activities globally, crude oil export plunged while the export of other oil related products and non-oil exports expanded

The decline in total exports in 2021Q1 is particularly attributed to the contraction in crude oil and other oil related exports. The value of oil export in 2021Q1 decreased to N2.5 trillion, representing a 29.1% decline from 2020Q1 and a decline of 16.3% from 2020Q4. The non-oil exports, on the other hand, expanded by 80.5% in 2021Q1 when compared with the previous quarter. However, it contracted by 30.2% relative to the corresponding quarter of 2020. Following the increase in non-oil exports, their share of total exports doubled, increasing to 15.0% in 2021Q1 from 7.6% in 2020Q4. However, the share of crude oil and other oil related exports contracted to 85.0% in 2021Q1 from 92.4% in 2020Q4. The decline in the value of oil exports could be attributed to the persistence in the supply cut agreement among OPEC and OPEC+ members to stabilise prices in the global oil market.

Figure 4b: Breakdown of Export by Oil



Source: Data: NBS; Chart: NESG Research

The expansion in agricultural and manufacturing exports is responsible for the increase in non-oil export in 2021Q1. Export earnings from both commodities increased by 128% and 94%. This led to an increase in the share of agricultural exports in non-oil export to 29.2% from 23.1% in 2020Q1 and 20.4% in 2020Q1. The share of manufacturing export in non-oil export also expanded to 57.5% from 53.5% in 2020Q4. The full resumption of productive activities across sectors of the economy has been a major driver of growth in non-oil export.

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

Period	Non-oil Exports (N'Billion)	Share of Commodities in Non-oil Exports (%)				
		Agricultural Products	Raw Materials	Solid Minerals	Energy Goods	Manufactured Goods
2021Q1	435.4	29.2	9.8	2.1	1.4	57.5
2020Q4	241.3	23.1	19.4	1.9	2.1	53.5
2020Q1	624.0	20.4	7.3	0.3	0.8	71.2

Data: NBS

Nigeria's import bill rose on the back of increased import of Machinery & Transport Equipment, Manufactured Goods and Food & Live Animals

The value of Nigeria's total import rose to N6.9 trillion in 2020Q1. This represents an increase of 15.6% when compared with the previous quarter (N5.9 trillion) and an increase of 54.3% when compared with the corresponding quarter of 2020. The increased importation was driven by expansion in the importation of Machinery & Transport Equipment; Manufactured Goods; and Food & Live Animals growing by 22.3%, 22.2% and 13.5% respectively. The increased importation, especially of manufacturing and machinery, is motivated by the full resumption of

economic activities in Nigeria following the ease of lockdown measures set to curb the spread of COVID-19 in the country.

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

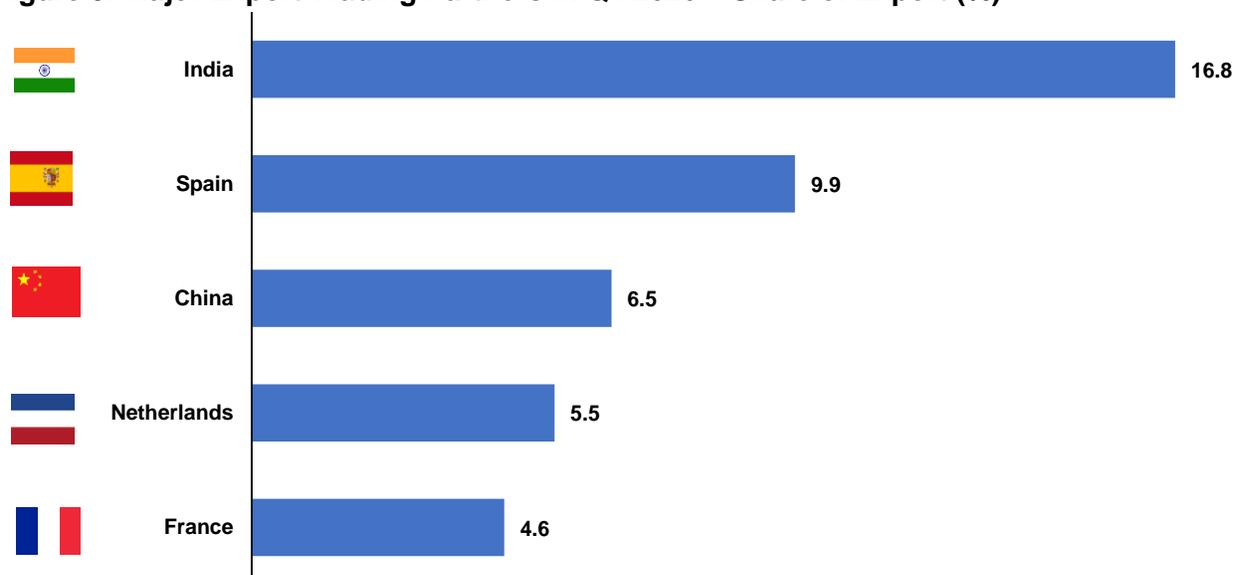
Period	Total Imports (N'trillion)	Share of Commodities in Non-oil Imports (%)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured Goods	Machinery & Transport Equipment	Others
2021Q1	6.9	13.2	14.3	19.0	8.6	36.4	8.5
2020Q4	5.9	13.5	13.9	23.4	8.1	34.1	7.1
2020Q1	4.4	8.8	26.2	9.3	7.0	39.3	9.5

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

Asia emerged as Nigeria’s largest export destination with India at top of export trading partners

As Nigeria’s exports continue to contract, Asia emerged as Nigeria’s largest export destination as its import from Nigeria surpassed Europe’s. In 2021Q1, exports to Asia accounted for 39% of total export followed by Europe with a 34.3% share of Nigeria’s total export. Meanwhile, exports to America accounted for a share of 10.9%. The rise in the share of export to Asia was due to the 21.3% increase in Nigeria’s export to China which increased its share to 6.5% from 4.9% the previous quarter. India remains Nigeria’s largest export trade partner, however, with a decline in the value of export. Nigeria export to India declined by 10.8% in 2021Q1 as its share contracted to 16.8% from 17.1% in the previous quarter. This is largely due to the 10.6% decline in the crude oil demand from India. Despite Africa accounting for 72% of manufacturing export, African countries have been displaced from Nigeria’s top export destinations.

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

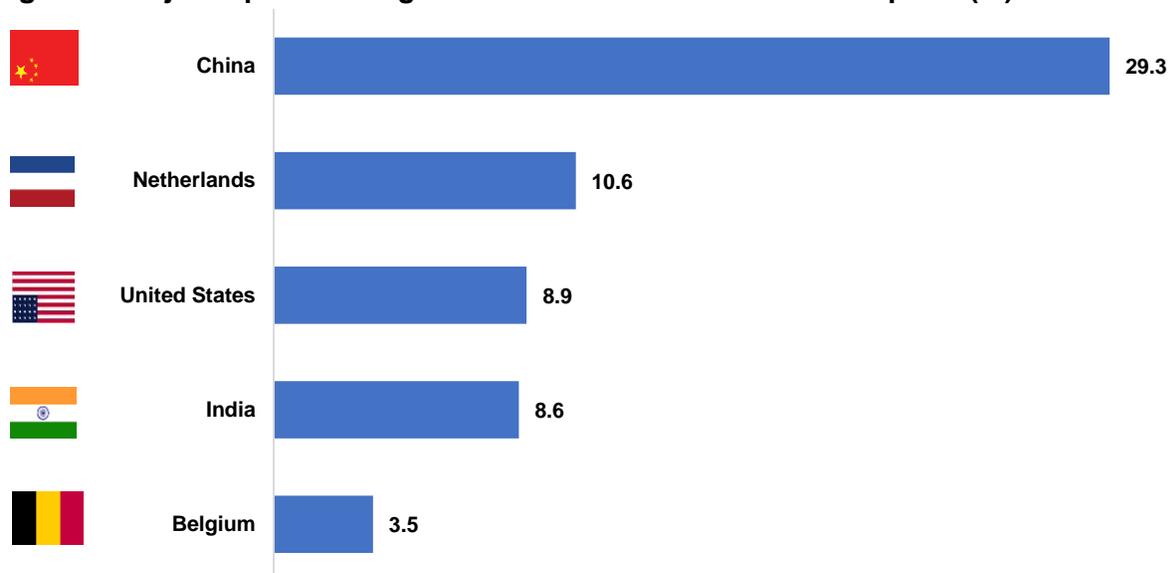


Source: Data: NBS; Chart: NESG Research

Asia remained Nigeria's largest origin of import with China as the largest trading partner

The Asian region was the largest source of Nigeria's imports, accounting for 48.1% of total imports, followed by Europe and America with shares of 36.1% and 12.1% of total imports in 2021Q1 respectively. On a country level, China was Nigeria's largest import trading partner followed by the USA and the Netherland with shares of 29.3%, 10.6% and 8.9% of total imports in 2021Q1 respectively. Other top import trading partners in 2021Q1 were India and Belgium with shares of import of 8.6% and 3.5% respectively in 2021Q1.

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



Source: Data: NBS; Chart: NESG Research

Conclusion

- **Rising prices in the global oil market have not translated to an increase in crude oil export value**

The global oil market has experienced a tremendous increase in prices across segments of the market. As at the end of 2021Q1, the Brent and the WTI oil price indices have increased by 22.7% and 21.9% respectively. This, however, has not translated to an increase in export value for Nigeria as its crude oil exports continue to decline. This is a fallout from the decline in crude oil production. According to the 2021Q1 GDP report released by the NBS, Nigeria's crude oil production remains subdued as it stood at 1.7 million barrels per day (mbpd) in 2021Q1, a downside from the usual average of 2.0 mbpd. The supply cut agreement between the OPEC and OPEC+ member countries has been the major headwinds to Nigeria's oil production. Nevertheless, the constrained demand for crude oil from Nigeria's major export trade partners like India and some other European markets constitutes a major drawback to the expansion of crude oil export. Nigeria needs to urgently diversify its exports.

- **The implication of the persistent drop in export has dire implication across economic indicators**

The first point of call of the fallout of declining export values is the accretion to foreign reserves and exchange rate stability. Sequel to the decline in export value in 2021Q1, the foreign reserves position declined by 1.6%. The persistence of the situation prompted the CBN to devalue the currency and adopt the NAFEX rate of N410/US\$. Given Nigeria's dependence on import across major commodities, the volatility of the exchange rate is contributing to the inflationary situation in the country as inflation has surpassed 18%. Hence, the impact of the subdued export earnings from crude oil continues to affect the overall macroeconomy.

➤ **Improved export earnings from the Agricultural and Manufacture commodities are reflections of improvements in both sectors**

Despite the sluggish economic recovery being witnessed in Nigeria, the agricultural sector with a growth of 2.3% in 2021Q1 remained resilient. The manufacturing sector, for the first time in 12 quarters, recorded a positive growth above 3%. The improvements recorded in the agriculture and manufacturing sectors have translated into higher exports of agricultural and manufactured goods. The contribution of these exports to non-oil exports also expanded to 14.9% from 7.6% in the previous quarter. However, the insecurity situation in the country constituted major headwinds to the agricultural sector. Meanwhile, the foreign exchange situation as it affects the availability of foreign exchange for manufacturers to import the needed raw materials and intermediate inputs could impede the growth currently being experienced in the manufacturing sector.

➤ **Nigeria's trade data still does not favour the development of AfCFTA**

Despite the full commencement of operation of African Continental Free Trade Area (AfCFTA) agreement, Nigeria still trades more with countries outside Africa than with African countries. Nigeria's trade with African countries stood at N633.4 billion, representing 6.5% of Nigeria's total trade in 2021Q1. This is a shortfall of expected intra-African trade. This is, however, not surprising considering that African countries are still lagging behind in the production of Machinery, manufacturing, transport and intermediate goods that form the core of Nigeria's import. In a similar vein, Nigeria does not yet have capacity to produce what other African countries need. Hence, much still needs to be done in the industrialization of the country to diversify export to serve the various needs of 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.

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