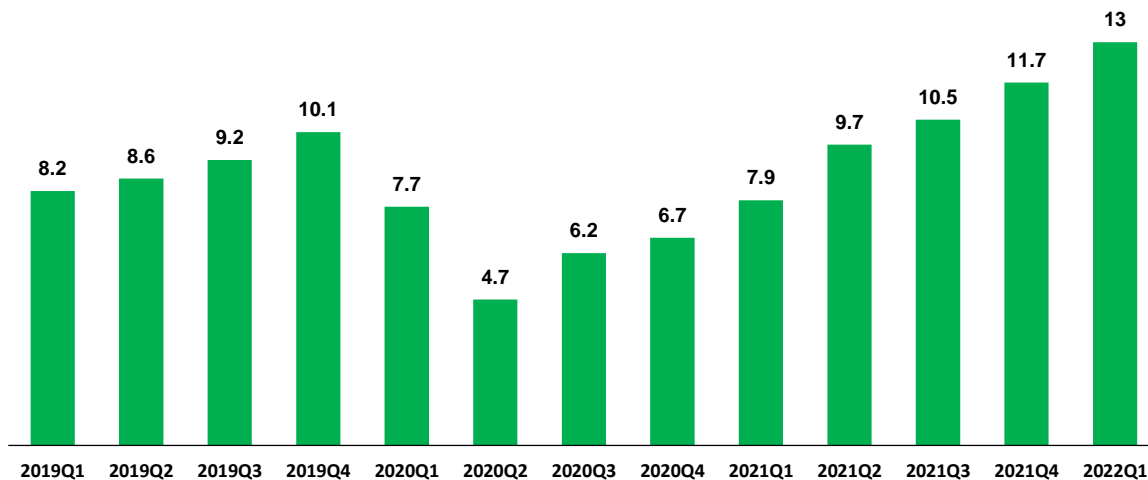


External Trade up 65%, as Trade balance reverts to surplus in 2022Q1

Nigeria's external trade value rose sharply by 65.4% (year-on-year) to N13 trillion in the first quarter of 2022 from N7.9 trillion in the corresponding period of 2021. It reflects an improvement in the value of external trade when compared with the fourth quarter of 2021 (N11.7 trillion). It also represents the sixth consecutive quarterly growth in the value of external trade since the third quarter of 2020 (see **Figure 1**). This suggests that the impact of the global pandemic on cross-border trading is fading away amidst the renewed outbreak of COVID-19 in China.

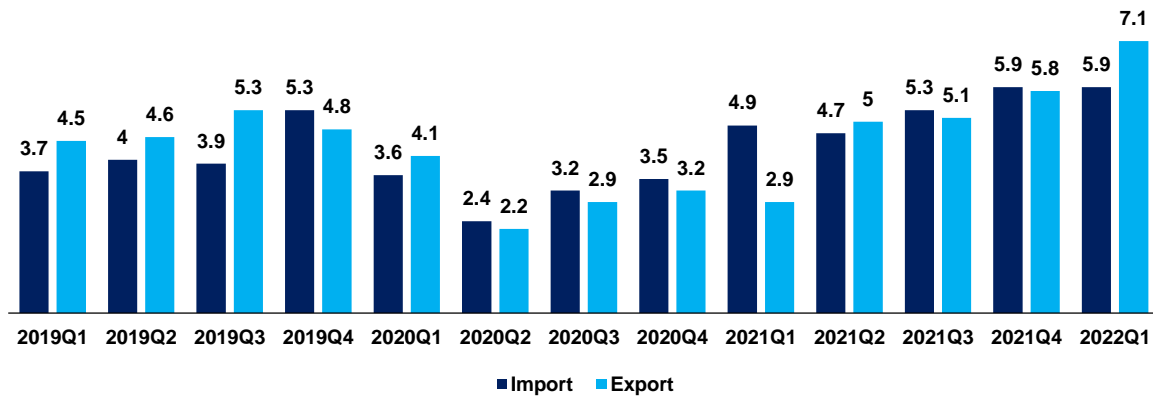
Figure 1: Total External Trade (N'trillion)



Data: NBS; Chart: NESG Research

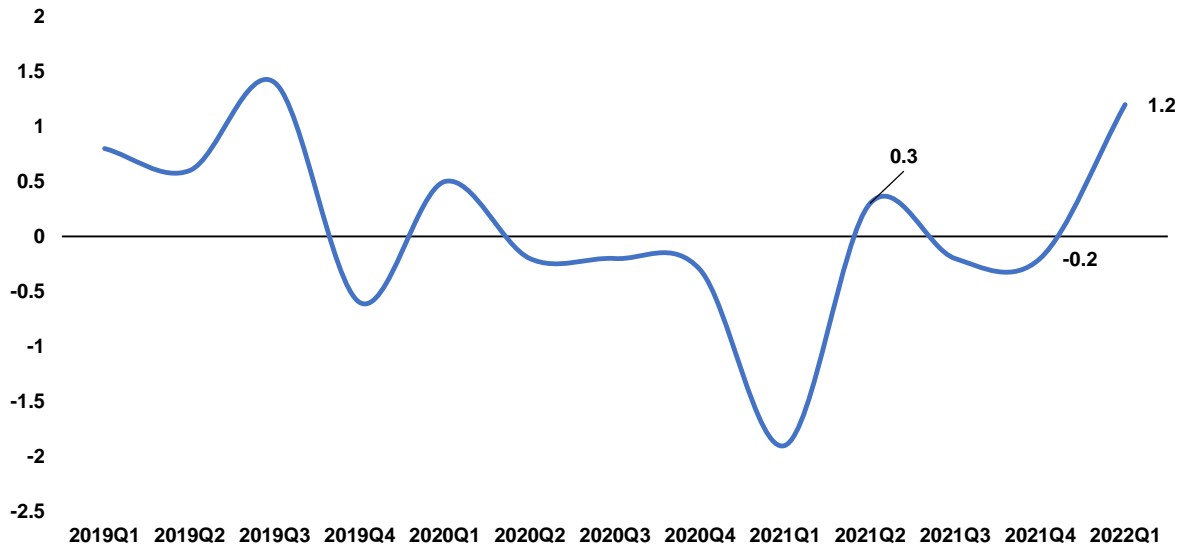
Remarkably, growth in exports outpaced that of imports (see **Figure 2**), resulting in the shift of the trade balance to a surplus of N1.2 trillion in 2022Q1 from a deficit of N1.9 trillion and N0.2 trillion in 2021Q1 and 2021Q4, respectively (see **Figure 3**). Moreover, the favourable trade balance position could be attributed to the persistent increase in oil and non-oil commodities prices on the global market, triggered by the geopolitical tensions between Russia and Ukraine since February 2022.

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



Data: NBS; Chart: NESG Research

Figure 3: Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

Oil and Non-Oil Export Earnings rose sporadically in 2022Q1

The total value of goods exported spiked by 137.9% (year-on-year) to N7.1 trillion in 2022Q1 from N3 trillion in 2021Q1. The current overall exports also represent an improvement when compared with its level in 2021Q4 (N5.8 trillion). The stellar year-on-year and quarter-on-quarter growth in export earnings was driven by a surge in oil and non-oil exports in 2022Q1. Oil exports – which accounted for 90% of total export earnings in 2022Q1 – rose by 144% to N6.4 trillion in 2022Q1 from N2.6 trillion in 2022Q1. Despite the decline in domestic crude oil production in 2022Q1, the surge in the oil export earnings was driven by the significant increases in the global oil price. The average Nigeria’s Bonny Light price rose sharply to US\$104 per barrel in 2022Q1 from US\$61.3 per barrel in 2021Q1.

Table 1: Performance of Non-Oil Exports and Components in 2021Q1 and 2022Q1

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
2021Q1	367.9 ↑	34.6 ↓	11.7 ↑	2.5 ↑	6.7 ↓	44.5 ↓
2022Q1	715.2 ↑	28.2 ↓	36.3 ↑	2.8 ↑	2.2 ↓	30.6 ↓

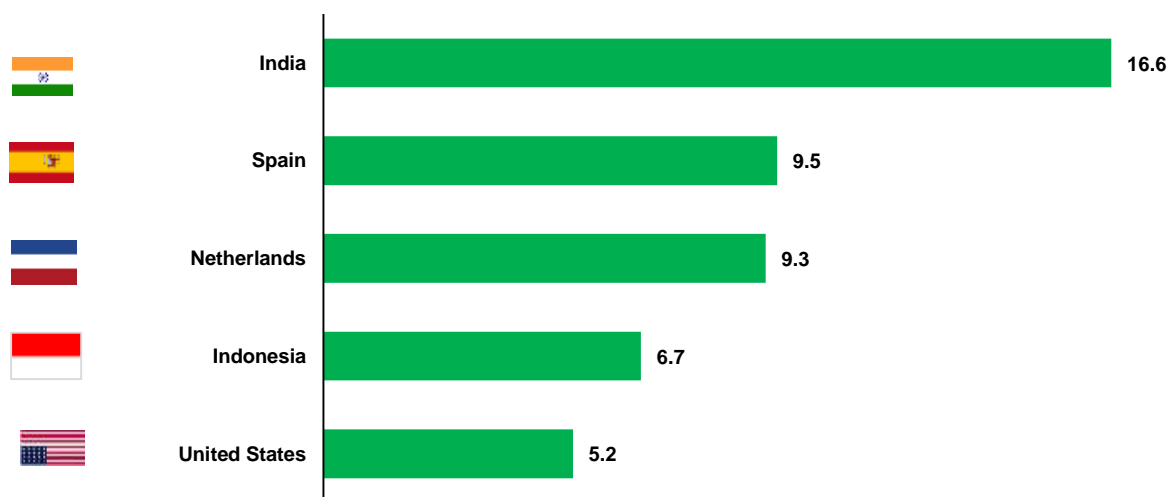
Data: NBS

Similarly, non-oil exports – which accounted for 10% of total export earnings in 2022Q1 – almost doubled to N715.2 billion in 2022Q1 from N367.9 billion in 2021Q1 (see **Table 1**). Moreover, the increase in non-oil exports – which exclude petrochemicals and oil-related items – was due to the increase in the earnings from all categories of export commodities, except energy products. The most significant earnings increase was recorded for raw materials and solid minerals, which also had their contributions to total non-oil exports increased in 2022Q1. However, the export earning shares of agricultural products, energy and manufacturing goods declined in the quarter.

Europe remained Nigeria's largest export destination in 2022Q1

Europe maintained its position as Nigeria's largest export market, accounting for 42.9% of total exports in 2021, followed closely by Asia with a share of 38.2%. On a country level, Nigeria's top five export trading partners, led by India, accounted for 47.3% of total merchandise exports in 2022Q1 (see **Figure 4**). The bulk of goods exported from Nigeria to India is crude oil.

Figure 4: Major Export Trading Partners in 2022Q1 – Share of Exports (%)



Data: NBS; Chart: NESG Research

Overall imports rose to N5.9 trillion in 2022Q1

The value of imported commodities increased by 20.4% (year-on-year) to N5.9 trillion in 2022Q1 from N4.9 trillion in 2021Q1 (see **Table 2**). However, on a quarter-on-quarter basis, the overall imports stood flat at N5.9 trillion in 2021Q4 and 2022Q1. Meanwhile, the year-on-year rise in overall imports was driven by higher import bills across the various tradable items, with the most

significant increase recorded in favour of manufactured goods and machinery and transport equipment. The increase in global commodity prices and exchange rate depreciation translated to a huge bill on imported items in 2022Q1.

Table 2: Performance of Merchandize Imports and Components in 2021Q1 and 2022Q1

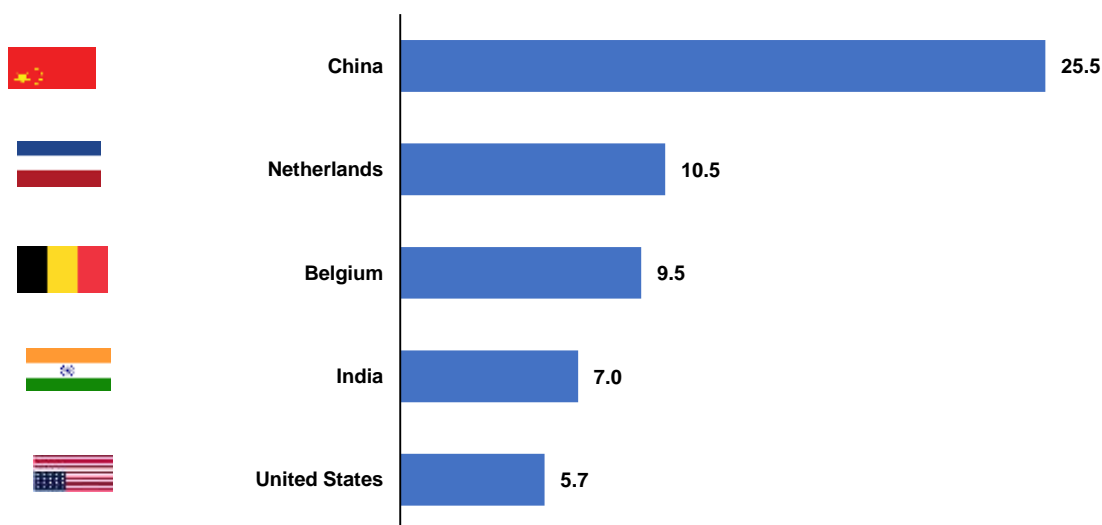
Period	Total Imports (N'trillion)	Share of Total Imports (%)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2021Q1	4.9	11.2	34.9	13.6	8.0	28.1	4.2
2022Q1	5.9	10.8	32.3	13.8	7.0	26.4	9.7

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

Asia and Europe were Nigeria's largest import trading partners in 2022Q1

Relative to previous quarters, Europe kept pace with Asia as both regions maintained an equal share of 43.3% in Nigeria's merchandise imports in 2022Q1. However, on a country level, China remained Nigeria's largest import trading partner with a share of 25.5% in total imports in 2022Q1 (see **Figure 5**). Other top import trading partners in the quarter were the Netherlands (10.5%), Belgium (9.5%), India (7%), and the United States (5.7%).

Figure 5: Major Import Trading Partners in 2022Q1 – Share of Imports (%)



Data: NBS; Chart: NESG Research

Concluding Remark

The geopolitical tensions between Russia and Ukraine will continue to support global oil prices, but OPEC's decision to raise crude oil output in the coming months could ease the upward pressure on crude oil prices, with low oil-producing countries at the receiving end. Unless Nigeria can meet its new quota of 1.8 million barrels per day, the expected fall in oil price coupled with low domestic crude oil production could constrict fiscal space and narrow the country's trade surplus going forward.

The recent outbreak of COVID-19 in China portends global supply chain disruptions in the near term. China accounts for more than 20% of Nigeria's merchandise imports per annum. The imposition of lockdown restrictions due to newly confirmed cases of the global pandemic could weaken the country's industrial production capacity and cross-border trade with its trading partners. This suggests that Nigeria's import-dependent manufacturing industry players would face huge difficulties getting the supplies of intermediate inputs, such as machinery and equipment. Unless alternative markets are sought, the ensuing supply chain disruptions could reverse the growth trajectory of Nigeria's manufacturing sector, which expanded by 5.9% (year-on-year) in the first quarter of 2021.

The energy shortages, particularly the liquefied natural gas (LNG), in Europe portends an opportunity for Nigeria to seek new markets for LNG. More recently, the Nigerian government signed a deal with Economic Community of West African States (ECOWAS) to construct a gas pipeline through Morocco to ECOWAS member states and Spain. The project, when completed, will boost Nigeria's gas supply to foreign markets. Meanwhile, the cost outlay, which has not yet been determined, would require the support of domestic and foreign investors. However, the delay in implementing the Petroleum Industry Act (PIA) - which serves as a conduit for investment inflows into Nigeria's oil and gas sector – could prolong the completion of the gas pipeline project.

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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