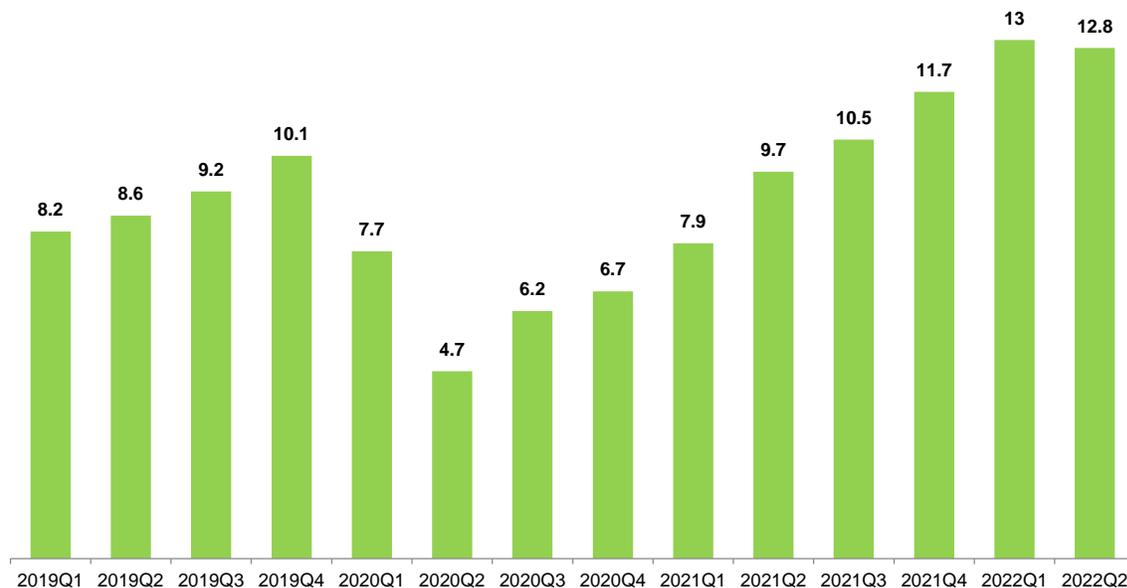


## External Trade rose by 32 percent as the Trade surplus widened in 2022Q2

Nigeria's external trade value increased by 32 percent (year-on-year) to N12.8 trillion in the second quarter of 2022 from N9.7 trillion in the corresponding period of 2021 (see **Figure 1**). On a quarterly basis, the value of external trade fell slightly by 1.5 percent relative to its level in 2022Q1 (N13 trillion). In the first half of 2022 (H1'2022), Nigeria's external trade value rose by 46.6 percent to N25.8 trillion from N17.6 trillion recorded in the first half of 2021 (H1'2021).

**Figure 1: Total External Trade (N'trillion)**



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

Remarkably, growth in exports further outpaced that of imports, resulting in the further expansion of the trade surplus to N2 trillion in 2022Q2 from N327.3 billion and N1.2 trillion in 2021Q2 and 2022Q1, respectively (see **Figure 2**). Moreover, the favourable trade balance could be attributed to the persistent increase in the prices of oil and non-oil commodities on the global market, fuelled by the geopolitical tensions between Russia and Ukraine.

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



Data: NBS; Chart: NESG Research

### Oil and Non-Oil Export Earnings rose in 2022Q2

The total value of goods exported increased by 48 percent (year-on-year) to N7.4 trillion in 2022Q2 from N5 trillion in 2021Q2. It also represents an improvement when compared with the total export earnings recorded in 2022Q1 (N7.1 trillion). Total export earnings in H1'2022 stood at N14.5 trillion, 81.3 percent above the value recorded in H1'2021 (N8 trillion). The growth in export earnings in 2022Q2 was driven by improvements in oil and non-oil exports. Oil exports – which accounted for 91 percent of overall export earnings in 2022Q2 – rose by 45.6 percent to N6.7 trillion in 2022Q2 from N4.6 trillion in 2021Q2. Despite the further decline in domestic crude oil production in 2022Q2, increases in oil export earnings could be attributed to higher global oil prices. Nigeria's Bonny Light price averaged US\$118.3/barrel in 2022Q2, compared with an average oil price of US\$68.7/barrel in 2021Q2.

**Table 1: Performance of Non-Oil Exports and Components in 2021Q2 and 2022Q2**

Period	Non-oil exports (N'billion)	Share of Non-oil commodities in Non-oil exports (percent)				
		Agric products	Raw materials	Solid minerals	Energy goods	Manufactured goods
2021Q2	409.8 ↑	40.4 ↓	15.6 ↑	3.6 ↓	6.1 ↓	34.3 ↓
2022Q2	675.1 ↑	20.1 ↓	55.0 ↑	3.1 ↓	3.2 ↓	17.7 ↓

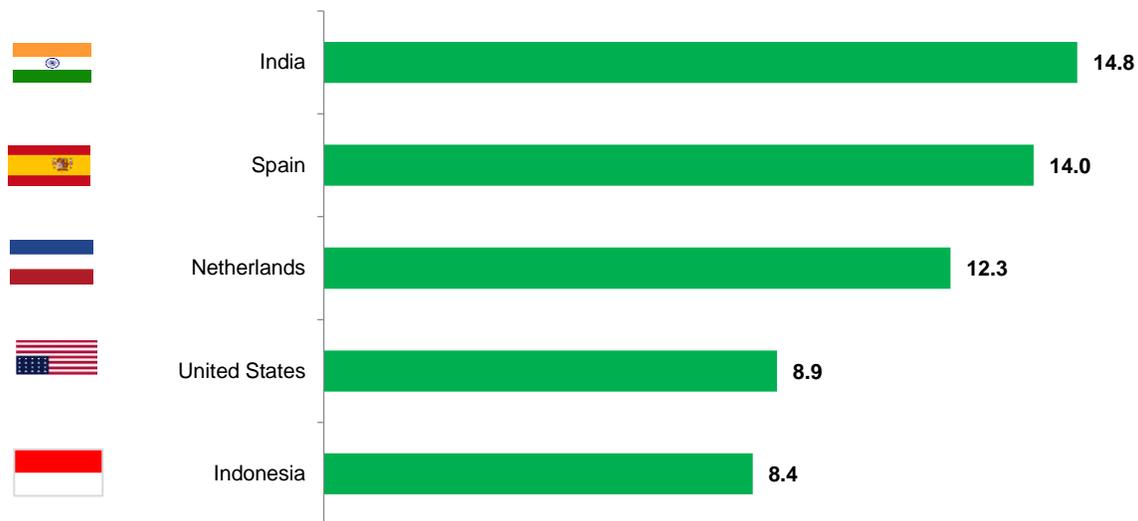
Data: NBS

Similarly, non-oil exports – which accounted for 9 percent of total export earnings - jumped to N675.1 billion in 2022Q2 from N409.8 billion in 2021Q2 (see **Table 1**). The increase in non-oil exports – which exclude petrochemicals and oil-related items – was due to the sharp rise in the export earnings from raw materials and solid minerals. While the share of raw material exports in total non-oil exports rose sharply to 55 percent, the share of solid mineral exports fell slightly to 3.1 percent in 2022Q2. However, the earnings from agricultural, energy and manufactured exports declined in the quarter.

## Europe remained Nigeria’s largest export destination in 2022Q2

Europe maintained its position as Nigeria’s largest export market, accounting for 44.3 percent of total exports in 2022Q2, followed closely by Asia with a share of 32.8 percent. On a country level, Nigeria’s top five export trading partners, led by India, accounted for 14.8 percent of total merchandise exports in 2022Q2 (see **Figure 3**). Crude oil constitutes the bulk of goods exported from Nigeria to India.

**Figure 3: Major Export Trading Partners in 2022Q2 – Share of Exports (percent)**



Data: NBS; Chart: NESG Research

## Overall imports rose to N5.4 trillion in 2022Q2

The value of imported commodities increased by 14.9 percent (year-on-year) to N5.4 trillion in 2022Q2 from N4.7 trillion in 2021Q2 (see **Table 2**). However, the overall imports fell by 8.5 percent (quarter-on-quarter) from N5.9 trillion in 2022Q1. Meanwhile, in H1’2022, the total merchandise imports stood at N11.3 trillion, 17.7 percent above the level recorded in H1’2021 (N9.6 trillion). The rise in overall merchandise imports in 2022Q2 was driven by higher global commodity prices and exchange rate depreciation. At the official foreign exchange market, the Nigerian Naira weakened against the US dollar by 4.7 percent (year-on-year) in the quarter.

**Table 2: Performance of Merchandize Imports and Components in 2021Q2 and 2022Q2**

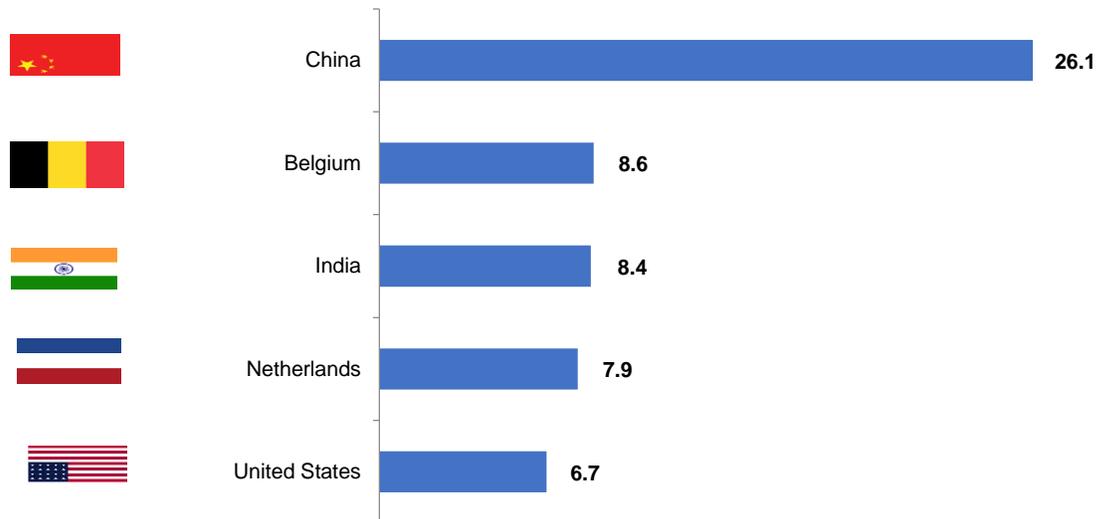
Period	Total Imports (N’tillion)	Share of Total Imports (percent)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2021Q2	4.7	12.7	29.1	14.8	9.3	28.6	5.5
2022Q2	5.4	12.6	27.4	17.3	8.6	27.0	7.1

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

## Asia remained Nigeria's largest import trading partner in 2022Q2

The Asian region maintained its position as Nigeria's largest import source, accounting for 47.6 percent of total merchandise imports in 2022Q2. On a country level, China remained Nigeria's largest import trading partner, with a share of 26.1 percent in total imports in 2022Q2 (see **Figure 4**). Other top import trading partners in the quarter were Belgium (8.6 percent), India (8.4 percent), the Netherlands (7.9 percent), and the United States (6.7 percent).

**Figure 4: Major Import Trading Partners in 2022Q2 – Share of Imports (percent)**



Data: NBS; Chart: NESG Research

## Concluding Remarks

- The trade surplus may be short-lived if recessions fears in Europe, which is Nigeria's largest export market, come to limelight. The looming economic downturn is blamed on pass-through effects of rising global food and energy prices to record-high inflation in the region, triggered by the persistent Russia-Ukraine war. Consequently, JP Morgan has projected that the EU economy would contract in 2022Q4 and fall into recession if the region records a second consecutive quarter of negative growth in 2023Q1.
- Over 90 percent of cross-border trading in Nigeria occurs through the seaport. However, the capacities of the existing seaports are limited and the Apapa Port is overburdened. This situation has constrained speedy clearance of consignments and led to gridlock in Apapa on a daily basis. In this light, there is an urgent need to upgrade other seaports in the country. Equally important is the need to explore other transport channels, such as the rail system, which remains untapped for cross-border trade in Nigeria.

- Against the backdrop of the Russia-Ukraine crisis, rising food and energy prices, and logistics costs will keep inflation high in Nigeria in the rest of 2022. This will be compounded by further exchange rate depreciation.
- The persistent contraction recorded in the oil and gas sector partially reflects the low investment inflows into the sector. Investments are constrained mainly by insecurity, crude oil theft, production infrastructure collapse and high cost of production. This partly explains why Nigeria's domestic crude oil production has remained low and below OPEC's output quota. Similarly, the low capacity of the country to take advantage of the energy crisis-induced rise in natural gas in Europe reflects the lack of infrastructure and investments to unlock new market opportunities. This makes the judicious implementation of the Petroleum Industry Act (PIA) more sacrosanct.
- Nigeria has, over time, failed to explore the export potential of the non-oil sector despite the sector's output potential. The low hanging-fruit for Nigeria is to leverage opportunities embedded in agro-processing and light manufacturing so as to reduce the country's exposure to imports and rein in the pressure on the external reserves. While the elevated global commodity prices may provide temporary relief, in the medium term, the Nigerian government at all levels should prioritise domestic value chain development through financial and non-financial (regulatory) interventions.

## 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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