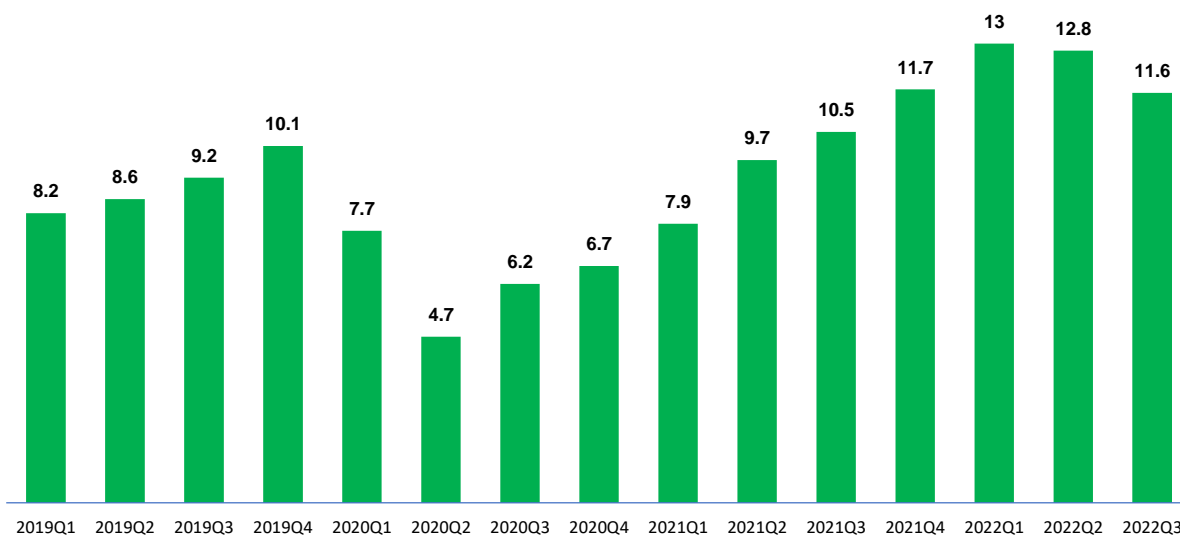


External Trade rose 10% (year-on-year), whilst the Trade surplus narrowed sharply in 2022Q3

Nigeria's external trade value increased by 10.5% (year-on-year) to N11.6 trillion in the third quarter of 2022 from N10.5 trillion in the corresponding period of 2021. However, on a quarter-on-quarter basis, the value of external trade in 2022Q3 represents a decline of 9.4% when compared with its level in the second quarter of 2022 (N12.8 trillion), thereby bucking the upward trend since the third quarter of 2020 (see **Figure 1**). Cumulatively, the external trade value stood at N37.4 trillion in the first three quarters of 2022, representing a 33.1% increase relative to its level in the corresponding period of 2021 (N28.1 trillion).

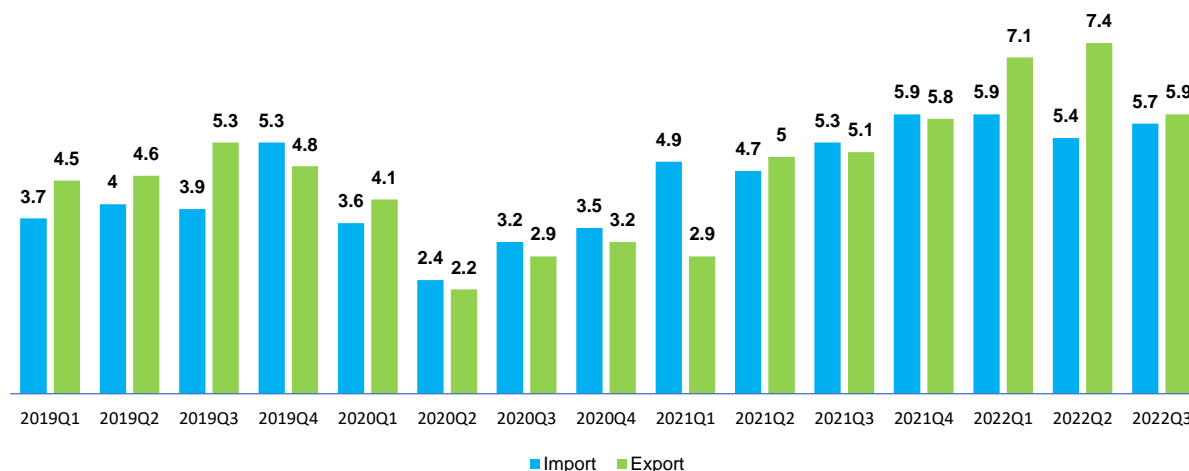
Figure 1: Quarterly Total External Trade (N'trillion)



Data: NBS; Chart: NESG Research

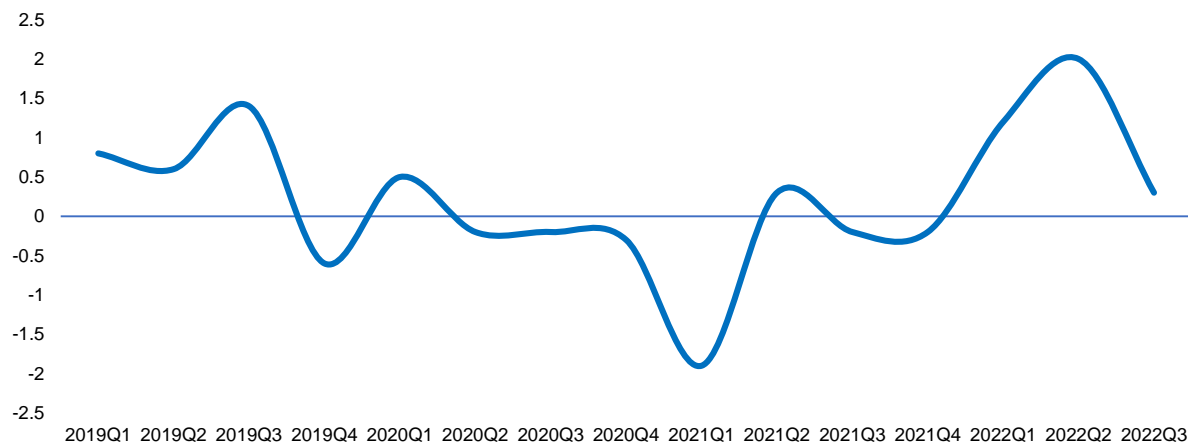
The value of merchandise exports narrowly outpaced the merchandise import value (see **Figure 2**), resulting in a trade surplus of N269.3 billion in 2022Q3. This represents a sharp drop compared to the trade surplus of N1.2 trillion and N2 trillion posted in the first and second quarters of 2022, respectively (see **Figure 3**). The decline in trade surplus in 2022Q3 was largely due to a fall in exports and a slight jump in imports.

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



Data: NBS; Chart: NESG Research

Figure 3: Quarterly Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

Improved Export Earnings (year-on-year) were driven by a rise in Oil Exports in 2022Q3

The total value of goods exported increased by 15.7% (year-on-year) to N5 trillion in 2022Q3 from N5.1 trillion in 2021Q3. However, on a quarter-on-quarter basis, the current overall exports represent a 20.3% fall relative to their level in 2022Q2 (N7.4 trillion). Meanwhile, the year-on-year increase in merchandise export receipts was driven by the rise in oil exports. Oil exports – which accounted for 92.6% of total export earnings in 2022Q3 – rose by 19.6% to N5.5 trillion in 2022Q3 from N4.6 trillion in 2021Q3. Meanwhile, the value of oil exports was lower than its level in 2022Q2 (N6.7 trillion). This could be attributed to a 25% and 14.3% decline in average domestic crude oil production to 1.2 million barrels/day in 2022Q3, relative to 2021Q3 and 2022Q2. This undermined the elevated global oil price, which averaged US\$106.3/barrel in 2022Q3 from an average oil price of US\$73.8/barrel in 2021Q3.

Table 1: Performance of Non-Oil Exports and Components in 2021Q3 and 2022Q3

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
2021Q3	552.5 ↓	14.4 ↑	27.2 ↑	3.3 ↑	3.5 ↓	51.6 ↓
2022Q3	437.9 ↓	19.2 ↑	42.5 ↑	5.1 ↑	3.2 ↓	30.0 ↓

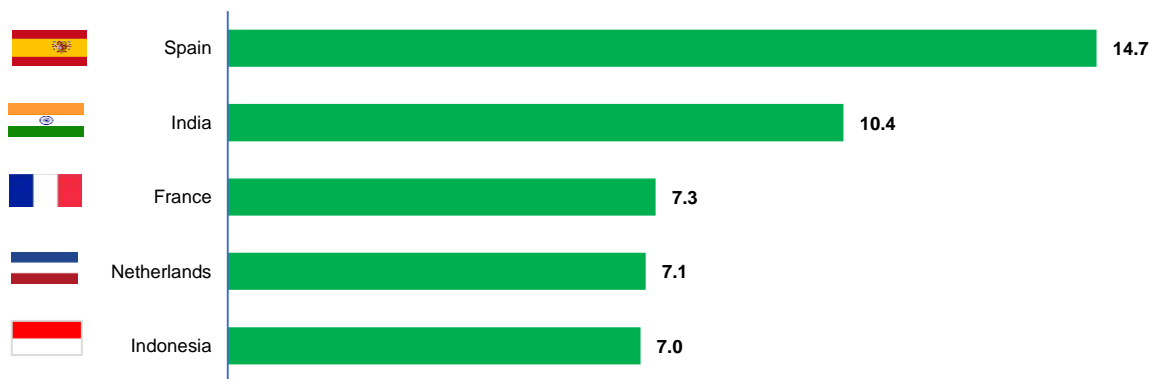
Data: NBS

Similarly, non-oil exports – which accounted for 7.4% of total export earnings in 2022Q3 - fell by 20.7% to N437.9 billion in 2022Q3 from N552.5 billion in 2021Q3 (see **Table 1**). The decline in non-oil exports – which exclude petrochemicals and oil-related items – was due to a sharp drop in the sales proceeds from energy and manufacturing products, which accounted for 33.2% of non-oil export receipts in 2022Q3.

Europe remained Nigeria’s largest export destination in 2022Q3 amidst a persistent energy crisis in the region

Europe maintained its position as Nigeria’s largest export market, accounting for 44.2% of total exports in 2022Q3, followed by Asia with an export share of 29.5%. This is despite the region's experience of energy crisis attributed mainly to the unending geo-political tensions between two major world powers - Russia and Ukraine. On a country level, Nigeria’s top five export trading partners - led by Spain and India - accounted for 46.5% of total merchandise exports in 2022Q3 (see **Figure 4**). The bulk of goods exported from Nigeria to both countries is crude oil.

Figure 4: Major Export Trading Partners in 2022Q3 – Share of Exports (%)



Data: NBS; Chart: NESG Research

Overall imports rose to N5.7 trillion in 2022Q3

The value of imported commodities increased by 7.5% (year-on-year) to N5.7 trillion in 2022Q3 from N5.3 trillion in 2021Q3 (see **Table 2**). It also represents a 5.6% rise compared to its level in 2022Q2 (N5.4 trillion). This was driven by higher import bills on chemicals, manufactured goods, and machinery and transport equipment in the quarter. Similarly, higher global commodity prices and exchange rate depreciation motivated the rise in import bills in the quarter.

Table 2: Performance of Merchandise Imports and Components in 2021Q3 and 2022Q3

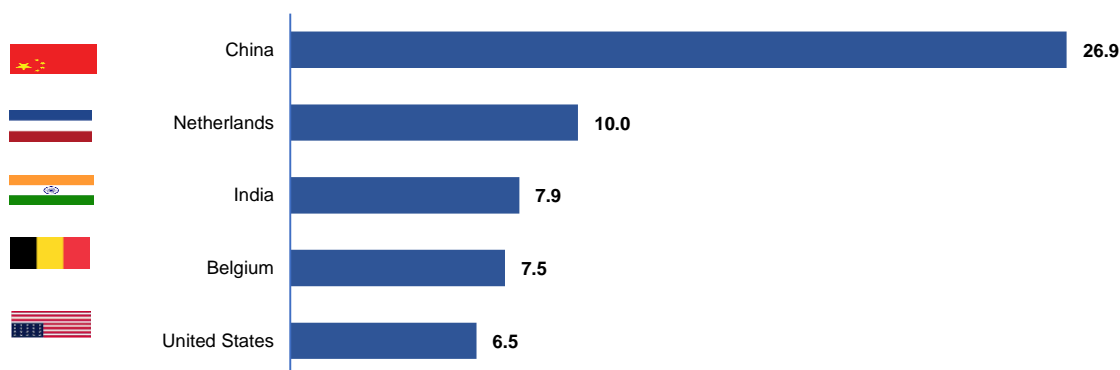
Period	Total Imports (N'trillion)	Share of Total Imports (%)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2021Q3	5.3	13.4	31.8	13.7	7.7	27.3	6.1
2022Q3	5.7	12.3	28.7	14.7	9.4	26.9	8.1

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

Asia remained Nigeria's largest import trading partner in 2022Q3

Accounting for about half of merchandise imports in 2022Q3, Asia emerged as Nigeria's largest import source. On a country level, China was Nigeria's largest import trading partner, with a share of 26.9% in total imports in 2022Q3 (see **Figure 5**). Other top import trading partners in the quarter were the Netherlands (10%), India (7.9%), Belgium (7.5%), and the United States (6.5%).

Figure 5: Major Import Trading Partners in 2022Q3 – Share of Imports (%)



Data: NBS; Chart: NESG Research

Conclusion

The persistent decline in domestic crude oil production is beginning to take a toll on oil export earnings. The sharp drop in trade surplus in 2022Q3 reflects the quantum of domestic crude oil production lost mainly to oil theft. Consequently, Nigeria has failed to meet its OPEC output quota of 1.8 million barrels for several quarters. Unless oil theft is nipped in the bud, persistent oil and gas sector contraction could worsen the trade balance position further. In addition, judicious implementation of the Petroleum Industry Act (PIA) and other investment-friendly policies are recipes to attract substantial investments to all segments of Nigeria's oil and gas sector. The global crude oil price remaining elevated suggests that the country has more room to accrue the benefit associated with an improvement in domestic crude oil production.

The Manufacturing sector's contraction in 2022Q3 fed into a decline in proceeds from manufacturing export commodities. Nigeria's Manufacturing sector contracted by 1.9% in 2022Q3, relative to a growth of 4.3% and 3% in 2021Q3 and 2022Q2, respectively – the first contraction since 2020Q4. This suggests the urgency to ease the binding constraints and address structural challenges affecting the performance of the sector - including power outages,

infrastructural decay, foreign exchange scarcity, and regulatory bottlenecks, among others – in order to harness its promising revenue and export potentials.

The persistent energy crisis in Europe is a good entry point for Nigeria to seek new markets for her energy products, particularly natural gas. The fact that Spain leapfrogged India to become Nigeria's largest export market in the third quarter of 2022 is a clear testament to new market opportunities that could be explored as the Russian invasion of Ukraine deepens. Nigeria was ranked one of the top 10 nations involved in 75% of global gas flaring and 50% of global oil production in 2021¹. Meanwhile, when completed, Nigeria would benefit immensely from the US\$13 billion Trans-Sahara gas pipeline project, as it would facilitate gas exports to Europe through Morocco to Spain. This is expected to contribute significantly to Nigeria's foreign exchange earnings and boost the external reserves, currently below US\$40 billion.

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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¹See the World Bank's 2022 Global Gas Flaring Report, retrievable via: <https://thedocs.worldbank.org/en/doc/1692f2ba2bd6408db82db9eb3894a789-0400072022/original/2022-Global-Gas-Flaring-Tracker-Report.pdf>