

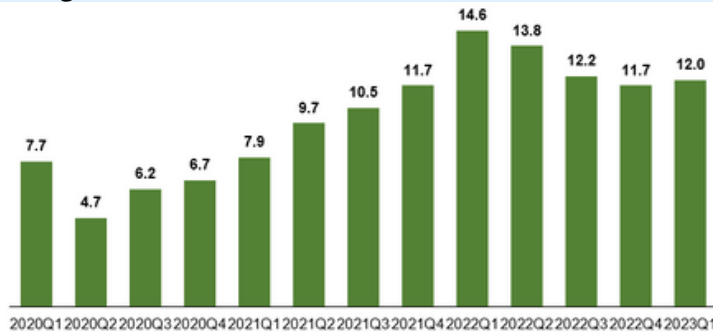
NESG 2023Q1 FOREIGN TRADE ALERT

June 2023

Trade surplus was maintained despite weak external trade in 2023Q1

Nigeria's external trade value declined by 17.8 percent (year-on-year) to N12 trillion in the first quarter of 2023 from N14.6 trillion in the corresponding period of 2022 (see **Figure 1**). However, on a quarter-on-quarter basis, the value of external trade increased by 2.6 percent relative to its level in 2022Q4 (N11.7 trillion).

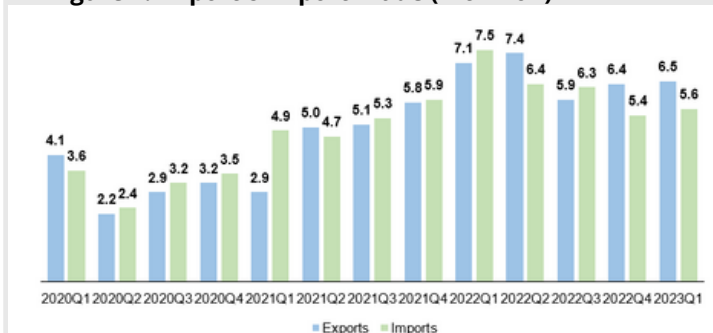
Figure 1: Total External Trade (N'trillion)



Data: NBS; Chart: NESG Research

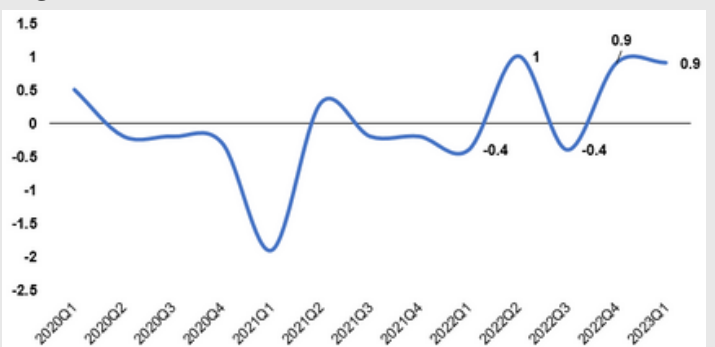
Remarkably, growth in exports outpaced that of imports (see **Figure 2**), resulting in a trade surplus of N927.2 billion in 2023Q1 compared to a trade deficit of N393.6 billion in 2022Q1. This is Nigeria's second consecutive record of a trade surplus (see **Figure 3**).

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



Data: NBS; Chart: NESG Research

Figure 3: Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

Both Oil Export and Non-Oil Export Earnings declined year-on-year in 2023Q1.

The total value of goods exported fell by 8.5 percent to N6.5 trillion in 2023Q1 from N7.1 trillion in 2022Q1 (see **Figure 2**). This could be partly due to a decline in oil exports to N5.8 trillion in 2023Q1 from N6.4 trillion in 2022Q1. On a quarterly basis, the overall export earnings represent an increase compared to its level in 2022Q4 (N5.6 trillion). This signifies an improvement in average domestic crude oil production, which stood at 1.51 million barrels per day (mbpd) in 2023Q1, 12.7 percent higher than its level in 2022Q4 (1.34mbpd), according to the National Bureau of Statistics (NBS).

Similarly, non-oil exports – which accounted for 10 percent of total export earnings in 2023Q1 – dropped to N652.3 billion in 2023Q1 from N716.8 billion in 2022Q1 (see **Table 1**). The decline in non-oil exports – which exclude petrochemicals and oil-related items – was due to the fall in the earnings from all categories of export commodities, except agricultural products and solid minerals. However, only the share of energy products in the total non-oil exports was flat despite the decline in their export proceeds in the quarter.

Table 1: Performance of Non-Oil Exports and Components in 2022Q1 and 2023Q1

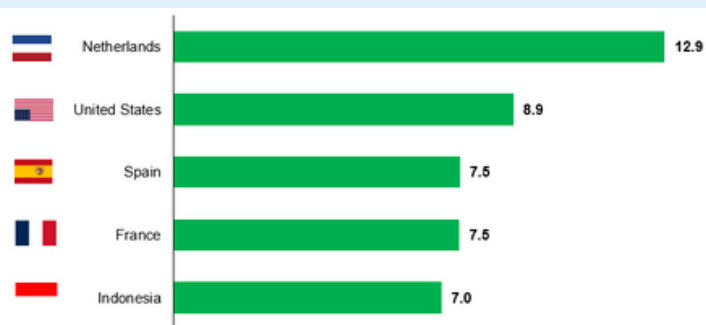
Period	Non-oil exports (N'-billion)	Share of Non-oil commodities in Non-oil exports (percent)				
		Agric products	Raw materials	Solid minerals	Energy goods	Manufactured goods
2022Q1	716.8	28.1	36.2	2.7	2.4	30.6
2023Q1	652.3	42.9	30.6	4.0	2.4	20.1

Data: NBS

Europe remained Nigeria's largest export destination in 2023Q1.

Europe maintained its position as Nigeria's largest export market, accounting for 46.4 percent of total exports in 2023Q1, followed closely by Asia, with a share of 24.9 percent. On a country level, Nigeria's top five export trading partners - led by the Netherlands - accounted for 43.8 percent of total merchandise exports in 2023Q1 (see **Figure 4**). Except for Spain, the bulk of goods exported from Nigeria to these countries in the quarter is crude oil.

Figure 4: Major Export Destination in 2023Q1 – Share of Exports (percent)



Data: NBS; Chart: NESG Research

Overall imports nosedived to N5.6 trillion in 2023Q1.

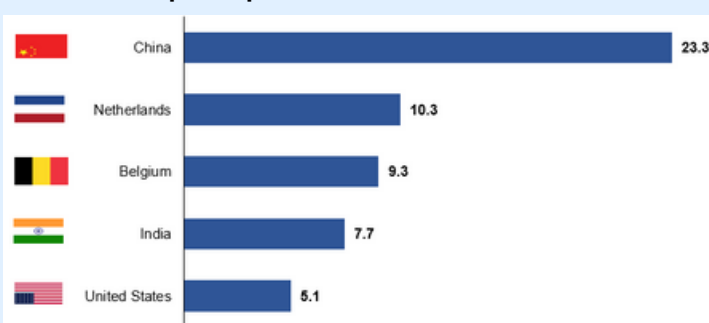
The value of imported commodities fell by 25.3 percent (year-on-year) to N5.6 trillion in 2023Q1 from N7.5 trillion in 2022Q1 (see **Table 2**). However, on a quarter-on-quarter basis, the overall imports in 2023Q1 were higher than in 2022Q1 (5.4 trillion).

Meanwhile, the year-on-year decline in total merchandise imports was driven by lower import bills across the various tradable items except food and live animals. The most significant drop in import value was reported for mineral fuel. The fall in the overall imports could be partly due to easing global commodity prices in 2023Q1. According to the World Bank, energy and non-energy price indices fell by 20.9 percent and 11.3 percent, respectively, in 2023Q1 relative to their levels in 2022Q1 [1].

Asia and Europe remained Nigeria's largest import trading partners in 2023Q1.

In 2023Q1, Asia and Europe accounted for 43.9 percent and 42.8 percent of Nigeria's merchandise imports, respectively. On a country level, China maintained the lead as Nigeria's largest import trading partner, with a share of 23.3 percent in total imports in 2023Q1 (see **Figure 5**).

Figure 5: Major Import Trading Partners in 2023Q1 – Share of Imports (percent)



Data: NBS; Chart: NESG Research

Table 2: Performance of Merchandise Imports and Components in 2022Q1 and 2023Q1

Period	Total Imports (N'trillion)	Share of Total Imports (percent)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2022Q1	7.5	8.5	46.7	10.8	6.3	22.1	5.6
2023Q1	5.6	12.1	37.6	11.3	7.1	22.8	9.1

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

Data: NBS

[1] see <https://thedocs.worldbank.org/en/doc/5d903e848db1d1b83e0ec8f744e55570-0350012021/related/CMO-Historical-Data-Monthly.xlsx>

CONCLUDING REMARKS

- * **A sustained increase in domestic crude oil production is expected to improve Nigeria's trade balance position further.** The increase in domestic crude oil production since the third quarter of 2022 suggests that the fight against oil theft is yielding positive results. In addition, Nigeria is among the OPEC countries excluded from the cartel's ongoing production cuts. Also, the recent removal of fuel subsidies is expected to incentivise investment inflows into the oil and gas sector, thereby supporting massive crude oil production locally. Persistent improvements in crude oil production could accelerate oil export earnings and sustain the country's trade surplus in the coming quarters.
- * **Importation of refined fuel products is expected to decline further as Dangote Refinery sets to commence operations in 2023Q3.** Plans are underway to produce the first batch of refined petroleum products at the 650,000-barrel-capacity oil refinery by July 2023. This would alleviate petrol shortages and boost foreign exchange savings as the products from the refinery become widely distributed across the country before the end of 2023.
- * **The decline in non-oil exports is concerning, and efforts are required to leverage the opportunities in agro-processing activities.** Although the non-oil sector accounts for about 90 percent of Nigeria's Gross domestic product (GDP), its contribution to export proceeds has remained meagre over time. This could partly be attributed to the huge production of sub-standard products that frequently fail to meet global standards and reliance on primary product exports. According to the National Agency for Food and Drug Administration and Control (NAFDAC), about 70 percent of Nigeria's food exports are rejected in some European countries and the United States due to low quality [2]. This ugly incident needs to be addressed to prevent a further decline in non-oil export proceeds in the coming quarters.

[2] see <https://www.icirnigeria.org/why-over-70-of-nigerian-foods-are-rejected-abroad-nafdac/>

About the NESG

The NESG is an independent, non-partisan, non-sectarian organisation, committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought to explore, discover and support initiatives to improve Nigeria's economic policies, institutions and management.

Our views and positions on issues are disseminated through electronic and print media, seminars, public lectures, policy dialogues, workshops, specific high-level interactive public-private sessions and special presentations to the executive and legislative arms of government.

THE SUMMIT HOUSE
6, Oba Elegushi Street,
off Oba Adeyinka Oyekan Avenue,
Ikoyi, Lagos.
P.M.B 71347, Victoria Island, Lagos

ABUJA LIAISON OFFICE
4th Floor, Unity Bank Tower,
Beside Reinsurance Building
Plot 785, Herbert Macaulay Way,
Central Business District, Abuja.

 www.nesgroup.org
 info@nesgroup.org
 +234-01-295 2849

     officialNESG

