

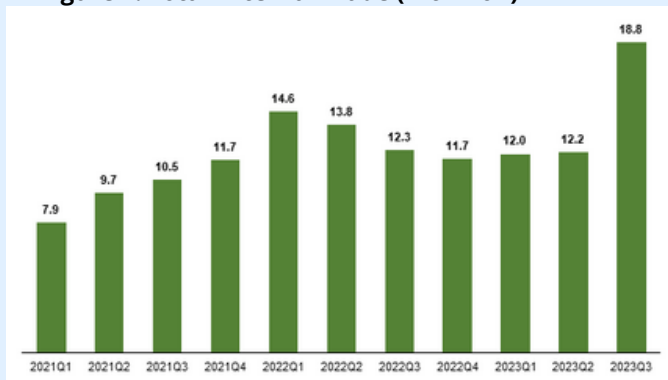
# NESG 2023Q3 FOREIGN TRADE ALERT

December 2023

## External trade and Trade surplus improved significantly in 2023Q3

Nigeria's external trade value jumped to N18.8 trillion in the third quarter of 2023 from N12.3 trillion in the corresponding period of 2022 (see **Figure 1**). However, on a quarter-on-quarter basis, the value of external trade surged by 54.1 percent compared with its level in 2023Q2 (N12.2 trillion). Cumulatively, the external trade value stood at N43.0 trillion in the first three quarters of 2023, which is 5.7 percent higher than its level in the corresponding period of 2022 (N40.7 trillion).

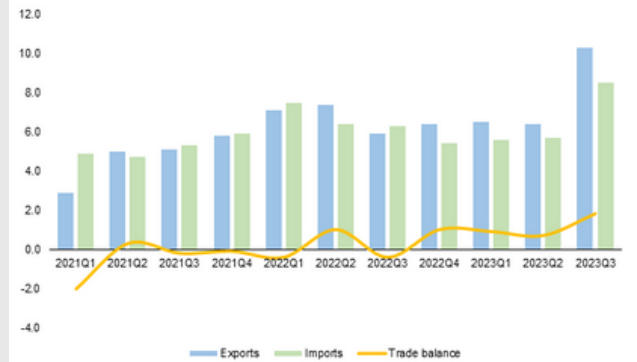
**Figure 1: Total External Trade (N'trillion)**



Data: NBS; Chart: NESG Research

Remarkably, growth in exports outpaced that of imports, resulting in a trade surplus of N1.8 trillion in 2023Q3, which is a significant improvement compared with a trade surplus of N708.9 billion and a trade deficit of N409.4 billion in 2023Q2 and 2022Q3, respectively (see **Figure 2**). This represents the fourth consecutive quarter of a trade surplus since 2022Q4. Moreover, in the first three quarters of 2023, the trade surplus stood at N3.5 trillion, which is significantly higher than the trade surplus of N209.4 billion in the corresponding period of 2022.

**Figure 2: Imports, Exports & Trade Balance (N'trillion)**



Data: NBS; Chart: NESG Research

## Oil Export and Non-Oil Export Earnings increased (year-on-year) in 2023Q3.

The total value of goods exported rose sharply by 74.6 percent to N10.3 trillion in 2023Q3 from N5.9 trillion in 2022Q3 (see Figure 2). This is attributable to the increase in oil exports – accounting for 93.4 percent of total exports – to N9.7 trillion in 2023Q3 from N5.5 trillion in 2022Q3. This was partly due to a rise in the average domestic crude oil production to 1.5 million barrels per day (mbpd) in 2023Q2 from 1.2mbpd in 2022Q3, according to the NBS data. Cumulatively, total export earnings increased to N23.3 trillion in the first three quarters of 2023 from N20.4 trillion in the corresponding period of 2022.

Similarly, non-oil exports – which accounted for 6.6 percent of total export earnings in 2023Q3 – rose to N677.6 billion in 2023Q3 from N438.5 billion in 2022Q3 (see **Table 1**). The increase in non-oil exports – which exclude petrochemicals and oil-related items – was due to the rise in the earnings from all categories of export commodities, with the most significant increase recorded in favour of agricultural products. However, the shares of raw materials and manufactured goods in the total non-oil exports fell in the quarter.

**Table 1: Performance of Non-Oil Exports and Components in 2022Q3 and 2023Q3**

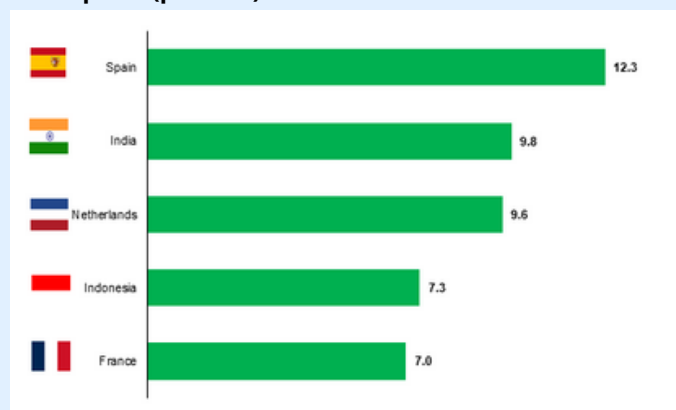
Period	Non-oil exports (N'-billion)	Share of Non-oil commodities in Non-oil exports (percent)				
		Agric products	Raw materials	Solid minerals	Energy goods	Manufactured goods
2022Q3	438.5 ↑	19.2 ↑	42.4 ↓	5.1 ↑	3.3 ↑	30.0 ↓
2023Q3	677.6 ↑	32.5 ↑	27.9 ↓	6.1 ↑	3.9 ↑	29.5 ↓

Data: NBS

**Europe was Nigeria's largest export destination in 2023Q3.**

Europe retained its position as Nigeria's largest export market, accounting for 44.7 percent of total exports in 2023Q3, followed by Asia, with a share of 28.5 percent. On a country level, Nigeria's top five export trading partners, led by Spain, accounted for 46.0 percent of total merchandise exports in 2023Q3 (see **Figure 3**). The bulk of goods exported to these countries in the quarter is crude oil.

**Figure 3: Major Export Destination in 2023Q3 - Share of Exports (percent)**



Data: NBS; Chart: NESG Research

**Overall imports jumped by 35 percent (year-on-year) in 2023Q3.**

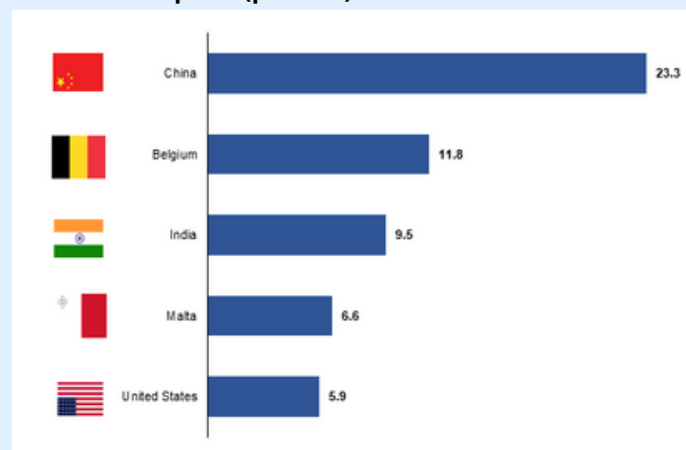
The value of imported commodities rose sharply to N8.5 trillion in 2023Q3 from N6.3 trillion in 2022Q3 (see **Table 2**). This is attributable to the increase in import bills across the various tradable items. The most significant increase was recorded in favour of machinery and transport equipment. Cumulatively, the value of merchandise imports stood at N19.7 trillion in the first three

quarters of 2023, which is 2.5 percent lower than its level in the corresponding period of 2022 (N20.2 trillion). Meanwhile, the increase in the overall imports in 2023Q3 could be partly due to the rapid exchange rate depreciation arising from the unification of the multiple official exchange rates in June 2023. In the first three quarters of 2023, the average official exchange rate stood at N764.3/US\$1, depreciating sharply from N421.7/US\$1 in the corresponding period of 2022.

**Asia remained Nigeria's largest import trading partner in 2023Q3.**

In 2023Q3, Asia accounted for 44.5 percent of Nigeria's merchandise imports, followed closely by Europe with a 41.6 percent share. 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 2023Q3 (see **Figure 4**).

**Figure 4: Major Import Trading Partners in 2023Q3 - Share of Imports (percent)**



Data: NBS; Chart: NESG Research

**Table 2: Performance of Merchandise Imports and Components in 2022Q3 and 2023Q3**

Period	Total Imports (N'trillion)	Share of Total Imports (percent)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2022Q3	6.3	11.0	36.3	12.7	8.4	24.0	7.6
2023Q3	8.5	12.3	33.7	12.7	8.2	27.3	5.8

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

Data: NBS

## CONCLUDING REMARKS

- \* **Nigeria expects about 43 percent of the estimated total revenues (N7.9 trillion) from the Oil sector in the 2024 Appropriation Bill.** While, the country has experienced an improvement in domestic crude oil production, which stood at 1.5 mbpd in 2023Q3. Meanwhile, the OPEC output quota of 1.38mbpd which is short of the 2024 budget's provision (1.78mbpd) by 22.5 percent could limit the realization of the revenue estimates. Therefore, the government could be pressured to seek exclusion from the OPEC output cut in 2024 if it were to meet its oil revenue projections. Nonetheless, sustained improvement in crude oil production is only guaranteed if huge investments are attracted to the Oil sector and oil theft is tackled.
- \* **The gradual rehabilitation of the country's oil refineries is remarkable. Unless there is a deliberate attempt by the Nigerian government to revitalise the country's refineries, investors' commitments would be unimpressive.** The 65,000 barrels/day Dangote Refinery which was commissioned in May 2022 has not commenced operations since its launch. However, there have been giant strides by the Federal Government to ensure that the PortHarcourt refinery kick-starts operations before the end of December 2023. While the pledge made by the Saudi Authorities to support Nigeria's local refineries is commendable, many previous announcements have failed to reach a financial close and only ended as mere pledges that were not later cash-backed. It is noteworthy that when the local refineries commences operation, it would reduce reliance on imported fuel products and boost foreign exchange savings.
- \* **High domestic productivity and optimised local content would give the country an advantage in weakening the degree of pass-through from higher global commodities prices to domestic consumer prices and switching domestic expenditure towards locally produced goods.** Considering that food and non-alcoholic beverages account for over 50 percent of citizens' consumption baskets, Nigeria is expected to significantly reduce the high incidence of food insecurity brought about by inadequate domestic production, elevated insecurity, and higher food prices, if efforts are geared towards ramping domestic production of value-added agricultural products. Achieving large-scale production across the agricultural value chains will require that efforts are put in place to reduce post-harvest losses to the barest minimum. This is important because agricultural products recorded the highest share of total non-oil export earnings in 2023Q3. Meanwhile, Nigeria is losing on the global market by selling low value-added agricultural products. According to the Nigerian Export-Import Bank, Nigeria loses about US\$200 billion annually for not exporting processed cocoa[1]. For this narrative to be reversed, there is a need for a concerted effort to support players in the agro-processing industry.

[1] See, <https://naija247news.com/2021/10/05/nigeria-loses-200-billion-annually-for-not-exporting-processed-cocoa/>

## 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.



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