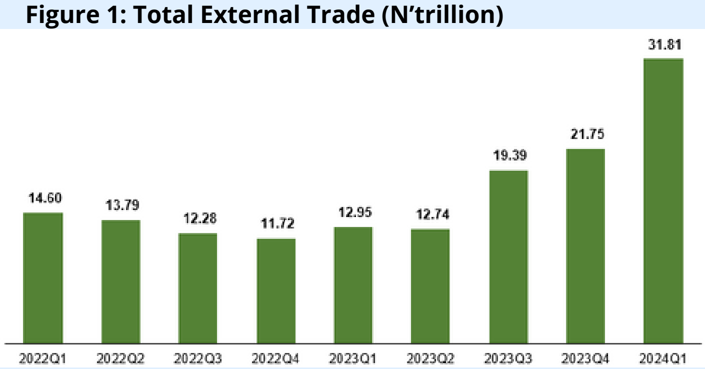
NESG 2024Q1 FOREIGN TRADE ALERT

June 2024

External trade spiked in 2024Q1 and Trade surplus was sustained

Nigeria's external trade value rose sharply to N31.8 trillion in the first quarter of 2024 from N12.95 trillion in the corresponding period of 2023 (see **Figure 1**). This also represents a 46.5 percent increase compared to the external trade value in the fourth quarter of 2023 (N21.7 trillion). The increase in the value of external trade was driven by the jump in merchandise exports, which accounted for 60.4 percent of the total trade in 2024Q1.

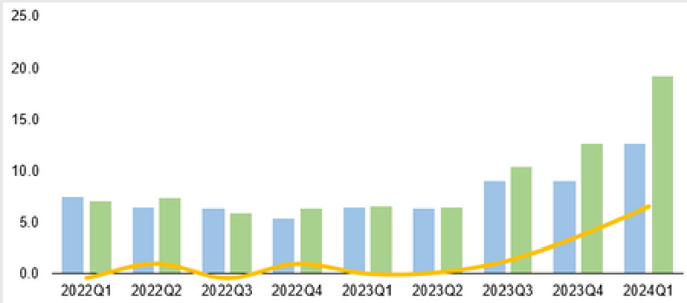
Figure 1: Total External Trade (N'trillion)



Data: NBS; Chart: NESG Research

Remarkably, export growth outpaced import growth, resulting in a trade surplus of N6.5 trillion in 2024Q1, significantly higher than the trade surplus of N20.9 billion and N3.6 trillion recorded in 2023Q1 and 2023Q4, respectively (see **Figure 2**). The trade surplus for 2024Q1 represents the sixth consecutive quarter in which the country will record a favourable trade balance position.

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



Data: NBS; Chart: NESG Research

Oil Export and Non-Oil Export Earnings grew rapidly in 2024Q1. The total value of goods exported climbed to N19.2 trillion in 2024Q1 from N6.5 trillion and N12.7 trillion in 2023Q1 and 2023Q4, respectively. The impressive performance could be attributed to a sharp increase in oil exports – accounting for 90.6 of total exports - to N17.4 trillion in 2024Q1 from N7.4 trillion in 2023Q1. The higher oil exports were largely driven by the persistent improvement in the average domestic crude oil production, which stood higher at 1.6 million barrels per day (mbpd) in 2024Q1, compared to its levels in 2023Q1 (1.51mbpd) and 2023Q4 (1.57mbpd).

Similarly, non-oil exports – which accounted for 9.4 percent of total export earnings in 2024Q1 – increased sharply to N1.8 trillion in 2024Q1 from N663.8 billion in 2023Q1 (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 agricultural exports posting the most significant increase. However, only the shares of agricultural products and energy products in the total non-oil exports rose in the quarter.

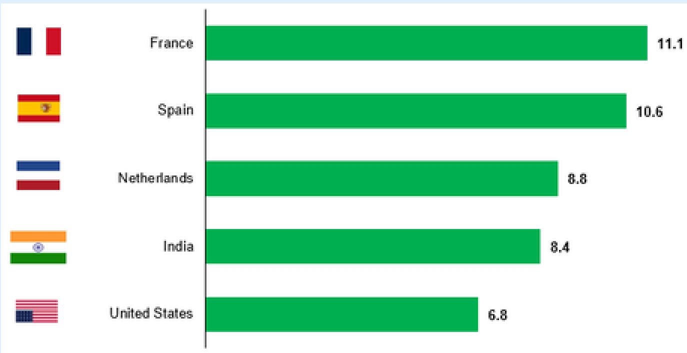
Table 1: Performance of Non-Oil Exports and Components in 2023Q1 and 2024Q1

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
2023Q1	663.8	42.1	30.1	3.9	2.4	19.8
2024Q1	1,778.8	58.2	19.8	3.6	3.3	15.1

Data: NBS

Europe remained Nigeria's largest export destination in 2024Q1. Europe maintained its position as Nigeria's largest export market, accounting for 43.4 percent of total exports in 2024Q1, followed by Asia, with a share of 27.0 percent. On a country level, Nigeria's top five export trading partners—led by France—accounted for 45.7 percent of total merchandise exports in 2024Q1 (see **Figure 3**). The bulk of goods exported to these countries in the quarter was crude oil. On a regional level, South Africa was Nigeria's largest export trading partner in 2024Q1.

Figure 3: Major Export Destination in 2024Q1 – Share of Exports (percent)

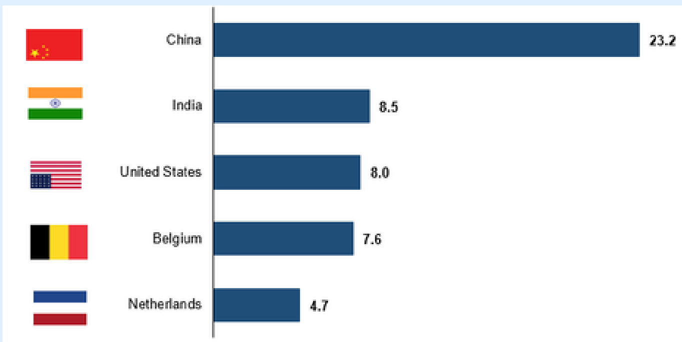


Data: NBS; Chart: NESG Research

Overall imports almost doubled (year-on-year) in 2024Q1. The value of imported commodities jumped by 93.8 percent to N12.6 trillion in 2024Q1 from N6.5 trillion in 2023Q1 (see **Table 2**), attributable to the rise in the various tradable items. The most significant increase in import value was recorded in reference to machinery and transport equipment, followed by mineral fuel and chemical products. However, the share of mineral fuel and machinery & equipment in the total import bill fell, while the share of chemical imports stood flat. In addition, the higher import trade value was largely driven by exchange rate depreciation. The average official exchange rate rose more than three-fold to N1,307.6/US$ in 2024Q1 from 418.6/US$ in 2023Q1.

Asia remained Nigeria's largest import trading partner in 2024Q1. In 2024Q1, Asia accounted for 47.1 percent of Nigeria's merchandise imports, followed closely by Europe, with a 36.9 percent share. On a country level, China maintained the lead as Nigeria's largest import trading partner, with a share of 23.2 percent in total imports in 2024Q1 (see **Figure 4**). On a regional level, South Africa was Nigeria's largest import trading partner in 2024Q1.

Figure 4: Major Import Trading Partners in 2024Q1 – Share of Imports (percent)



Data: NBS; Chart: NESG Research

Table 2: Performance of Merchandise Imports and Components in 2023Q1 and 2024Q1

Period	Total Imports (N'trillion)	Share of Total Imports (percent)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2023Q1	6.5	10.4	46.4	14.1	9.8	6.1	13.2
2024Q1	12.6	11.9	35.1	14.1	8.7	25.1	5.1

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

Data: NBS

CONCLUDING REMARKS

* **The persistent record of a trade surplus is remarkable, but efforts should be geared towards improving non-oil exports so as to sustain the current gains.** A large chunk of the merchandise exports were agricultural products, accounting only for 5.4 percent of total exports in 2024Q1. Meanwhile, persistent insecurity continues to ravage the major food-producing regions. Therefore, tackling insecurity would boost agricultural productivity, improve agricultural exports and rein in food inflation, which averaged 37.8 percent in 2024Q1. Similarly, the Manufacturing sector's performance is being adversely affected by divestments; hence, there is a need to create an enabling environment for businesses to thrive and expand.

* **The huge import bill expended on petroleum products (mineral fuel) is not likely to abate soon.** The fact that import bills on petroleum products are enormous despite that the Dangote Refinery kick-started operations in 2024Q1 suggests the need to revitalise the local refineries. While efforts are being made to restore operations at the Port-Harcourt refinery, commitment is needed to speedily revive the other refineries. Once all the local refineries become operational, there will be a drastic reduction in petroleum importation, while the refineries will also leverage the improvement in domestic crude oil production. It is also incumbent on the Government to improve local power supply to reduce the exposure of households and busineses to fossil fuel.

* **Nigeria's progress in achieving higher intra-African trade remains slow.** In 2024Q1, Nigeria exported crude oil to three African countries, including South Africa, Ivory Coast and Senegal, whereas non-oil exports to these countries were meagre. The fact that Nigeria has a limited market for its oil and non-oil products in Africa suggests the slow progress achieved under the African Continental Free Trade Area (AfCFTA) agreement. Hence, there is an urgent need to promote value addition and support industry players, particularly in agro-processing, as this would help Nigeria diversify its export markets and reap the benefits of exporting processed food and non-food items. For instance, according to the Nigerian Export-Import Bank, Nigeria loses about US$200 billion annually for not exporting processed cocoa [1].

[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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