

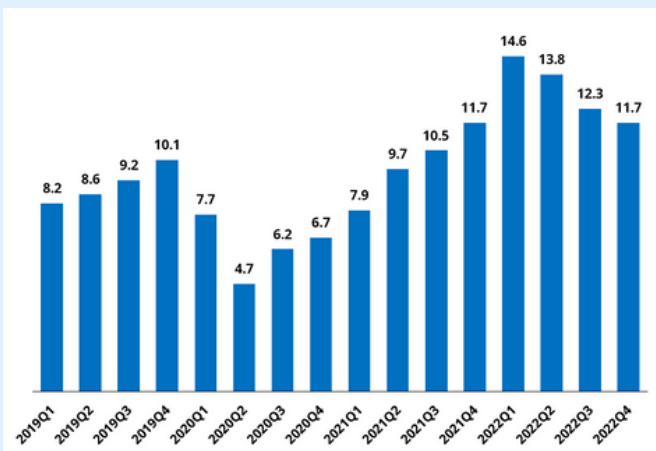
NESG 2022 FOREIGN TRADE ALERT

March 2023

External trade was flat, while the trade balance reverted to surplus in 2022Q4

Nigeria's external trade value stood at N11.7 trillion in the fourth quarter of 2022, the same as in the corresponding period of 2021. Meanwhile, the value of external trade in 2022Q4 represents a fourth consecutive quarterly decline in the year (see **Figure 1**). Despite this, the external trade value for the full year (FY) 2022 stood higher at N52.4 trillion, relative to its level in 2021 (N39.8 trillion).

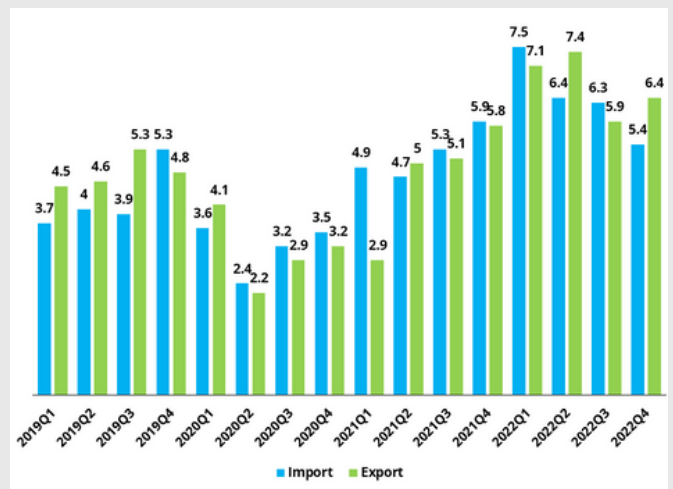
Figure 1: Total External Trade (N'trillion)



Data: NBS; Chart: NESG Research

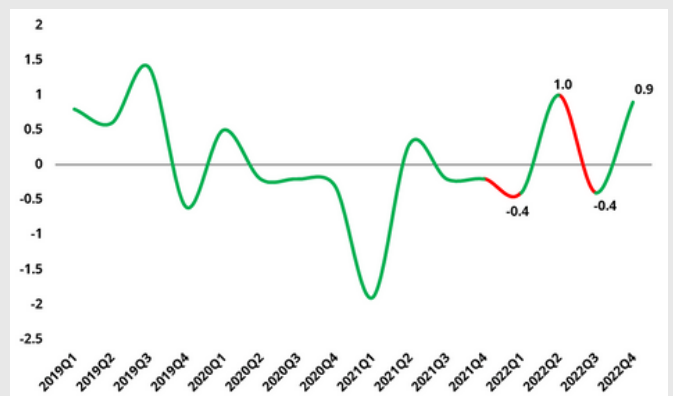
The value of merchandise exports sharply outpaced the merchandise import value (see **Figure 2**), resulting in a trade surplus of N996.8 billion in 2022Q4. This represents a remarkable departure from the trade deficit of N174 billion and N409.4 billion recorded in 2021Q4 and 2022Q3, respectively (see **Figure 3**). The improved trade balance position in 2022Q4 could be attributed to enhanced export earnings and lower import bills. Moreover, the trade balance transitioned from a deficit of N1.9 trillion in 2021 to a surplus of N1.2 trillion in FY'2022.

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



Data: NBS; Chart: NESG Research

Figure 3: Trade Balance (N'trillion)



Data: NBS; Chart: NESG Research

A rise in Oil Exports drove Export Earnings in 2022Q4.

The total value of goods exported increased by 10.3 percent (year-on-year) to N6.4 trillion in 2022Q4 from N5.8 trillion in 2021Q4 (see **Figure 2**). Similarly, on a quarter-on-quarter basis, the export value represents an 8.5 percent rise compared to its level in 2022Q3 (N5.9 trillion).

Table 1: Performance of Non-Oil Exports and Components in 2021Q4 and 2022Q4

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
2021Q4	810.9	16.4	30.6	1.7	2.5	48.8
2022Q4	732.2	23.3	28.8	2.9	2.6	42.5

Data: NBS

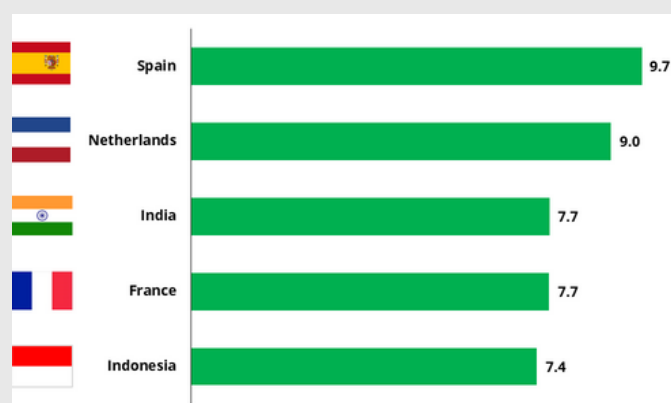
Cumulatively, total exports jumped to N26.8 trillion in FY'2022 from N18.9 trillion in 2021. Furthermore, the year-on-year increase in merchandise export receipts in 2022Q4 was driven by the rise in oil exports. Oil exports – which accounted for 87.5 percent of total export earnings in 2022Q4 – rose by 14.3 percent to N5.6 trillion in 2022Q4 from N4.9 trillion in 2021Q4. Similarly, the value of oil exports was slightly higher than its level in 2022Q3 (N5.5 trillion). This could be partly due to an improvement in the average domestic crude oil production from 1.2 million barrels/day in 2022Q3 to 1.3 million barrels/day in 2022Q4.

However, non-oil exports – which accounted for 12.5 percent of total export earnings - fell by 9.7 percent to N732.2 billion in 2022Q4 from N810.9 billion in 2021Q4 (see **Table 1**). The sharp decline in non-oil exports – which exclude petrochemicals and oil-related items – was due to a drop in the sales proceeds from raw materials and manufacturing products, which accounted for 73.8 percent of non-oil export receipts in 2022Q4.

Europe remained Nigeria's largest export destination in 2022Q4. Europe maintained its position as Nigeria's largest export market, accounting for 44 percent of total exports in 2022Q4, followed by Asia with an export share of 22.5 percent. On a country level, Nigeria's top five

export trading partners accounted for 41.5 percent of total merchandise exports in 2022Q4 (see **Figure 4**). The bulk of goods exported from Nigeria to these countries is crude oil. The increasing displacement of India by advanced European economies as the largest importers of Nigeria's crude oil, could be attributed mainly to the European Union's ban on Russian oil exports arising from the country's continued invasion of Ukraine since February 2022.

Figure 4: Major Export Destination in 2022Q4 – Share of Exports (percent)



Data: NBS; Chart: NESG Research

Overall imports dropped in 2022Q4. The value of imported commodities fell by 8.5 percent (year-on-year) to N5.4 trillion in 2022Q4 from N5.9 trillion in 2021Q4 (see **Table 2**). It also represents a 14.3 percent decline compared to its level in 2022Q3 (N6.3 trillion).

Table 2: Performance of Merchandise Imports and Components in 2021Q4 and 2022Q4

Period	Total Imports (N'trillion)	Share of Total Imports (percent)					
		Food & Live Animals	Mineral Fuel	Chemicals	Manufactured goods	Machinery & Transport Equipment	Others
2021Q4	5.9	13.4	28.6	13	9.7	27.6	7.7
2022Q4	5.4	11.4	35	12.9	8.6	23.9	8.2

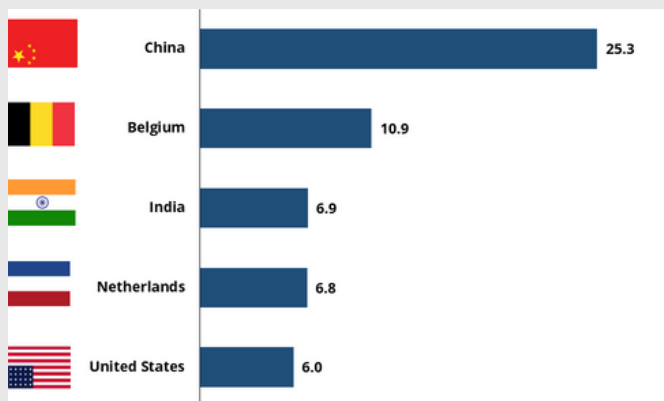
Note: The category "others" include beverages & tobacco; crude inedible materials; oil, fats & waxes; miscellaneous manufactured commodities and articles

Data: NBS

The decline in imports was driven by a slide in the import bills on all items except mineral fuel products (see **Table 2**). In FY'2022, the value of merchandise imports stood at N25.6 trillion, representing a 23.1 percent decline compared with its level in 2021 (N20.8 trillion). The decline in the total import value could be partly attributed to the gradual easing of global commodity prices.

Asia remained Nigeria's largest import trading partner in 2022Q4. Accounting for about half of the merchandise imports in 2022Q4, Asia retained its position as Nigeria's largest source of imports. On a country level, China was Nigeria's largest import trading partner, accounting for a quarter of total imports in 2022Q4 (see **Figure 5**). Other top import trading partners were Belgium (10.9 percent), India (6.9 percent), the Netherlands (6.8 percent), and the United States (6.0 percent).

Figure 5: Major Import Trading Partners in 2022Q4 – Share of Imports (percent)



Data: NBS; Chart: NESG Research

CONCLUDING REMARKS

✳ **The fight against crude oil theft is gradually yielding fruits, as indicated by the increase in oil export earnings in 2022Q4.** Meanwhile, this constitutes a short-term solution to improving domestic crude oil production. Hence, sustainable improvement in domestic crude oil production should instead focus on long-term strategies such as stimulating investment inflows into the Nigerian oil and gas sector. To this end, the holistic implementation of the Petroleum Industry Act (PIA) provisions and other investment-friendly policies is crucial.

✳ **Despite the consistently large share of manufactured products in non-oil export earnings, Nigeria still needs to support domestic value addition to enhance the country's economic competitiveness in the world.** Achieving this requires an urgent redress of the structural challenges affecting the Manufacturing sector's performance - including power outages, transport infrastructure decay, foreign exchange scarcity, regulatory bottlenecks and the recent cash crunch, among others - to optimise its promising revenue and export potentials.

✳ **The persistent Russia-Ukraine crisis has resulted in the search for new markets to meet energy needs in the European Union.** The emergence of Spain and the Netherlands as the largest importers of Nigeria's crude oil reflects the need for the government to enhance production in the oil and gas sector. However, the continued contraction of the Oil and Gas sector remains a crucial challenge. Nonetheless, the highly diversified export market signifies less vulnerability of the Nigerian economy to risks associated with high openness to a single country - which has traditionally remained India.

✳ **Two years into the signing of the African Continental Free Trade Area (AfCFTA) agreement, Nigeria's low intra-African trade reflects the need for some improvement.** Contrary to expectations, the share of the African continent in Nigeria's total trade (sum of exports and imports) has consistently declined from 11 percent in 2020 to 7.5 percent and 6.5 percent in 2021 and 2022. However, the non-African market share of Nigeria's external trade rose steadily from 89 percent in 2020 to 92.5 percent and 93.5 percent in 2021 and 2022, respectively. Therefore, the country needs to take bold steps towards addressing non-tariff barriers - including infrastructure bottlenecks, poor logistics, lack of globally acceptable quality control measures, and predominance of hydrocarbons in export composition - to achieve improved intra-African trade.

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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