March 2025

NESG Foreign Trade Alert: 2024Q4 & Full Year 2024

Nigeria's external trade position witnessed a significant improvement in 2024

Key Messages

- **External trade value reached a historic high of N138 trillion in 2024, reflecting the effect of exchange rate depreciation.**
- **Import bills on mineral fuel (including petroleum products) fell by 15.8 percent (quarter-on-quarter) in 2024Q4, attributed to the recovery of the oil refining sector after five (5) years of contraction.**
- **Amidst the trade war between Nigeria's leading import trading partners, there is a need for actionable steps towards trade diversification and the development of local value chains.**

A. EXTERNAL TRADE IN GOODS PERFORMANCE IN 2024Q4 AND FY'2024

External trade climbed to a record high in 2024, attributed to exchange rate depreciation. The country recorded an external trade value of N138 trillion in 2024, rising significantly from N66.8 trillion in 2023. The sharp rise in the external trade value in 2024 reflects the impact of the Naira depreciation. The official exchange rate averaged N1,479.6/US$ in 2024, rising from N645.2/US$ in 2023.

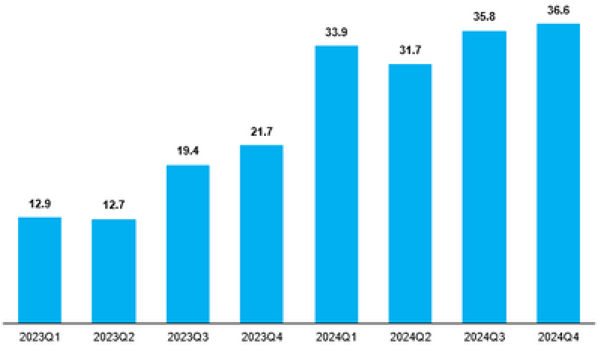
On a quarterly basis, the value of external trade stood at N36.6 trillion in 2024Q4, jumping from N21.7 trillion in 2023Q4 and N35.8 trillion in 2024Q3. The country recorded a trade surplus throughout 2024, with the third quarter recording the highest value (N5.3 trillion).

In 2024, merchandise exports stood at N77.4 trillion, outpacing merchandise imports of N60.6 trillion. This gives rise to a trade surplus of N16.8 trillion in 2024, a significant increase from N5.1 trillion in 2023.

Oil remains the largest source of export earnings in 2024. Accounting for 88.2 percent of total exports in 2024, oil exports jumped to N68.3 trillion, more than double their level in 2023 (N32.8 trillion). This is attributable to improved domestic crude oil production and elevated global oil prices. The average domestic crude oil production rose from 1.4 million barrels per day (mbpd) in 2023 to 1.5mbpd in 2024, driven by higher oil output in 2024Q1 and 2024Q4. The global oil price averaged US$82.4 per barrel (pb) in 2024, albeit falling from US$85.3pb in 2023, but higher than the 2024 budget benchmark.

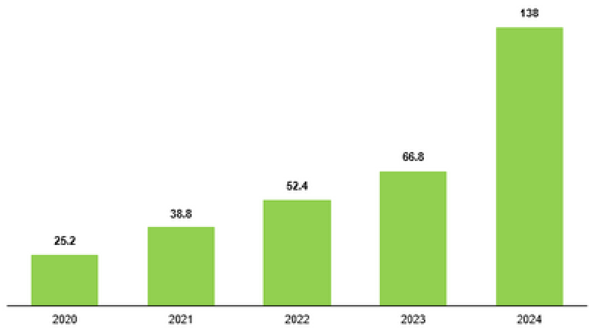
Similarly, non-oil exports almost tripled from N3.1 trillion in 2023 to N9.1 trillion in 2024, supported by significant export proceeds from agricultural products and raw materials, particularly in 2024Q4. These two export commodities accounted for 52.8 percent and 23.6 percent of total non-oil exports, respectively, in 2024Q4.

Fig. 1: Nigeria's Quarterly External Trade (N'Trillion)



Data: National Bureau of Statistics (NBS); Chart: NESG Research

Fig. 2: Nigeria's Annual External Trade (N'Trillion)



Data: National Bureau of Statistics (NBS); Chart: NESG Research

Fig. 3: Imports, Exports and Trade Balance (N'Trillion)

Data: National Bureau of Statistics (NBS); Chart: NESG Research

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Import bills almost doubled in 2024. The value of merchandise imports rose throughout the year, totalling N60.6 trillion in 2024, rising from N30.9 trillion in 2023. This increase was partly due to higher import bills across all categories of traded commodities, with mineral fuel and machinery & equipment posting the most significant increase. The two commodities accounted for 37.9 percent and 23.7 percent of total merchandise imports, respectively, in 2024.

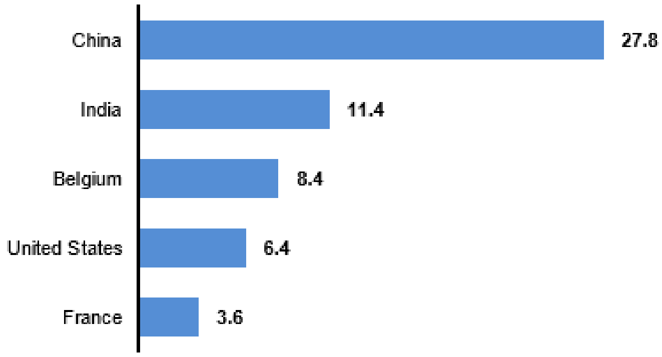
On a quarterly basis, mineral fuel imports rose to N4.8 trillion in 2024Q4 from N3.3 trillion in 2023Q4. However, the import bills on mineral fuel (including petroleum products) fell from N5.7 trillion in 2024Q3. This is attributable to the recovery of the oil refining sector, expanding by 9.6 percent in 2024Q4 from a contraction of -32.4 percent in the previous quarter. The recovery was mainly supported by the unprecedented operations of the Dangote Refinery.

Nigeria's two leading import trading partners are currently in a trade war. China remained Nigeria's largest trading partner in 2024Q4, followed by India, Belgium, the United States (U.S.), and France. The most traded commodities imported during the quarter were refined petroleum products, sugar cane, and spare parts. Meanwhile, Nigeria remains vulnerable to trade protectionism in the U.S.

In February 2025, the U.S. imposed a 10 percent tariff on Chinese imports and plans to add another 10 percent by April 2024. In a swift reaction, China has announced additional tariffs of 10-15 percent on certain U.S. imports from March 10, 2025 and a series of new export restrictions for designated U.S. entities. The renewed trade war between the two world's largest economies could disrupt global supply chains, stifle world trade growth, and push up the prices of globally traded commodities.

On the import side, Nigeria will be adversely affected, considering its huge dependence on manufactured products and intermediate inputs. On the export side,

Fig. 4: Nigeria's Top 5 Import Partners in 2024Q4 (% of Total Imports)



Data: National Bureau of Statistics (NBS); Chart: NESG Research

Fig. 4: Nigeria's Top 5 Export Partners in 2024Q4 (% of Total Exports)

Data: National Bureau of Statistics (NBS); Chart: NESG Research

limited foreign exchange (FX) is likely to accrue from crude oil sales due to a projected decline in global oil prices if the U.S. succeeds in ramping up its local production of shale oil. Another challenge is that domestic crude oil production may not rise significantly unless some structural bottlenecks, such as oil theft, low investment, and poor infrastructure, are addressed.

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B. ACTION POINTS TO SUSTAIN IMPROVED EXTERNAL TRADE POSITION

There is a need to redirect focus on non-oil export commodities. The rise in oil exports in 2024 reflects mainly the effect of exchange rate depreciation. However, sub-optimal domestic crude oil production in the recent past has made it difficult, if not impossible, for Nigeria to reap the gains from elevated global oil prices. This suggests the need to prioritise non-oil export commodities to diversify export proceeds and insulate the economy from external shocks.

Therefore, binding constraints such as insecurity, flooding, regulatory bottlenecks, and high production costs should be suppressed to improve productivity in the Agricultural and Manufacturing sectors. Increased production of non-oil export commodities would allow Nigeria to diversify its export markets, thereby taking advantage of the African Continental Free Trade Area (AfCFTA) agreement. The operationalisation of AfCFTA has only had limited progress in the country, as intra-African trade stood at 7.9 percent in 2024.

The decline in import bills on mineral fuel (including petroleum products) on a quarter-on-quarter basis is commendable; however, efforts should be geared towards improving local oil refining. This requires the need to attract investments into the downstream oil and gas sector to make it more competitive and resilient. While the contributions of Dangote Refinery cannot be overlooked, reviving all state-owned refineries is necessary to improve the country's refining capacity. This would further reduce the reliance on imported fuel products, boost FX savings and taper the pressure on the FX market.

The trade war between the U.S. and China needs to be hedged against. Nigeria needs to divert its trade pattern towards countries that are unaffected by the U.S. tariffs. This would reduce tariff-induced increases in import bills, considering that the country's import-dependent non-oil industrial sector is highly vulnerable. In 2024Q4, the U.S. was not among Nigeria's top five import trading partners. Developing domestic value chains and sourcing raw materials locally is also necessary to reduce the country's external vulnerability. For instance, in 2024Q4, Nigeria's raw material imports (N2.1 trillion) significantly outpaced exports (N0.7 trillion), reflecting the inadequacy of local production of raw materials and intermediate inputs.

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