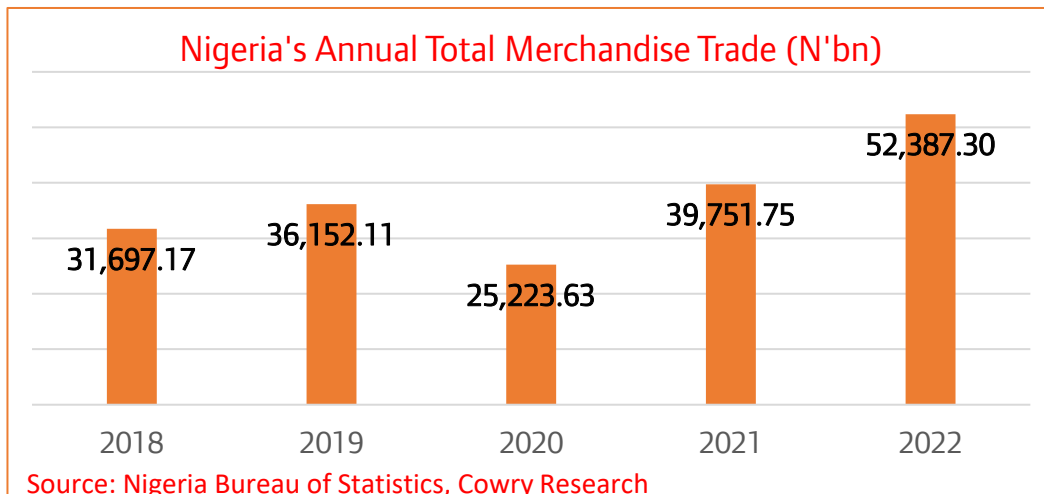


## Soaring Trade Surplus Improves Nigeria's Annual Trade Numbers to Near Pre-Covid Levels

According to data released by the NBS, Nigeria recorded a goods trade surplus of N1.2 trillion in 2022 as export bills (N26.8 trillion) outweighed import earnings (N25.6 trillion) for the first time since the pre-covid year (N2.23 trillion in 2019). Nevertheless, the surplus in 2022 represents an improvement of over 162% compared to the 2021 goods trade deficit of N1.94 trillion.

The positive trade balance was recorded during the period despite the weaker Naira (9.09% y/y to N461.50 in 2022), weaker demand for export commodities, the effects of Russia's invasion of Ukraine in 2022, which translated to weaker trade flows among nations, and the continued high costs of imports as companies became hard hit. These outcomes resulted in a rapid decline in demand for consumer, intermediate, and investment goods sectors across the board.

From the NBS report, Nigeria's total merchandise trade in 2022 accelerated to N52.4 trillion in 2022 from N39.75 trillion in 2021 as Nigeria's total export value surged 42% to 26.8 trillion from N18.91 trillion in 2021. The increase in total exports was higher than the total import value, which stood at N25.59 trillion (23% up from N20.84 trillion in 2021). However, total trade declined by 4.52% in the fourth quarter to N11.72 trillion relative to N12.27 trillion as reported in the third quarter of 2022, as the value of total exports exceeded the value of imports in the quarter.



An analysis of the data filed shows that Nigeria exported mainly 'mineral products' which amounted to N5.7 trillion, or 89.11% of total export value; this was followed by "vehicles, aircraft, and parts thereof; vessels, etc.", which were valued at N199.29 billion, or 3.13% of the value of total exports, and "products of the chemical and allied industries," worth N169.27 billion, or 2.66% of the value of total exports. Meanwhile, export value during the quarter was dominated by crude oil exports (N4.9 trillion), which accounted for 77% of total exports. Non-crude oil exports stood at N1.5 trillion, or 22.76% of total exports, of which non-oil products contributed N732.24 billion, representing 11.51% of total exports.

For the import values, which declined 15.5% in Q4 to N5.4 trillion, there were mineral fuels (N1.9 trillion), imported machinery and transport equipment (N1.3 trillion), and chemicals and related products" (N694.68 billion). The value of imported manufactured goods in the quarter under review stood at N2.5 trillion, a decrease of 14.11% as compared to the value recorded in Q3, 2022 (N2.9 trillion). This value also declined by -18.43% when compared to the value recorded in Q4 of 2021 (N3 trillion).

Meanwhile, the value of other oil product imports in the fourth quarter of 2022 stood at N1.9 trillion, indicating a decline of 18.18% from the value recorded in Q3, 2022 (N2.3 trillion), but an increase of 10.40% compared to the value recorded in the corresponding quarter of 2021 (N1.7 trillion). Nigeria's major trading partners in the review were China and Belgium, while exports went to Spain and the Netherlands. The two major agricultural products traded were superior-quality cocoa beans and sesame seeds.

We note that Nigeria's trade balance can be further improved through policies aimed at export promotion, especially for non-oil exports. This can be achieved if FG creates an enabling business environment to improve trade and exports, just as seen in the recent rise in the trade balance. Meanwhile, the pressure on the Naira as a result of the devaluation, rising inflationary levels, and the headwinds faced by global trade in 2022 as a result of slowing economies and supply chain congestion globally have brought about the shrinkage recorded in the total trade balance for Nigeria.