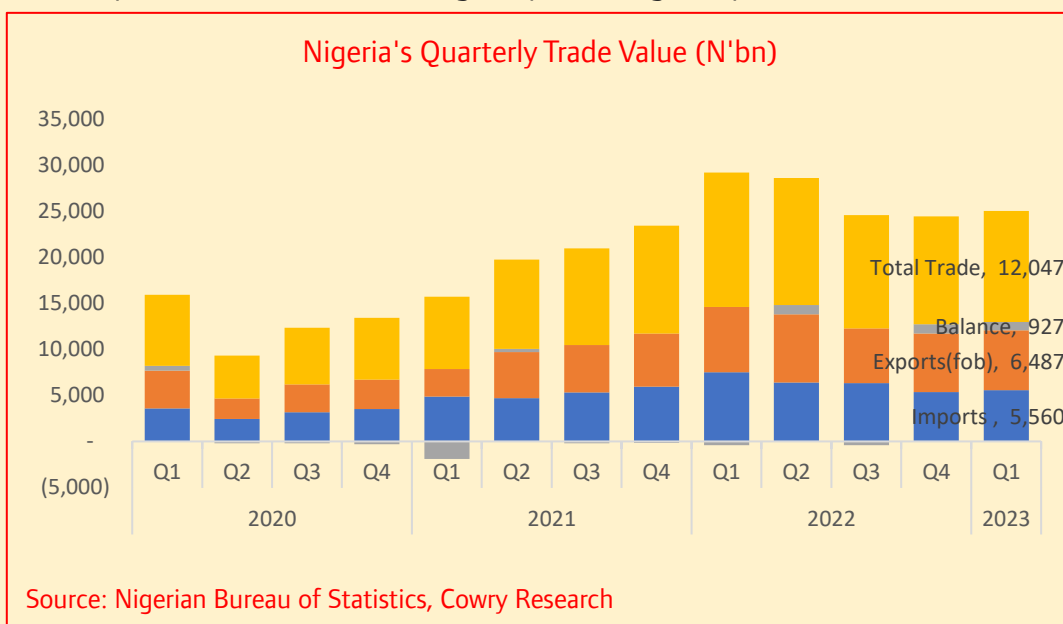


Another Improvement in Nigeria's Trade Value to N12.05trn Despite Naira Depreciation, Scarcity

The latest trade statistics published by the National Bureau of Statistics (NBS) showed that Nigeria's total trade value declined 17.5% y/y to N12.05 trillion in the first quarter of 2023 from N14.60 trillion in the corresponding quarter of 2022 but increased by 2.77% q/q from N11.72 trillion in the fourth quarter of 2022. This shows that total exports at N6.49 trillion exceeded the value of total imports at N5.56 trillion during the period to give a positive trade balance. As a result, the increase in trade in Q1 2023 was driven by a number of factors, including the rise in global oil prices, the increase in demand for Nigerian exports from China and other Asian countries, and the depreciation of the naira despite the currency crunch crisis, which made Nigerian exports more competitive during the quarter.



According to the report, total exports increased in Q1:23 by 2% q/q but declined by 8.66% y/y compared to the amounts recorded in Q4:2022 (N6.36 trillion) and Q1:2022 (N7.10 trillion), respectively. In the same vein, total imports increased by 3.67% q/q in Q1:2023 compared to the value recorded in Q4:2022 (N5.36 trillion), but then again declined by 25.83% y/y when compared to the value recorded in the corresponding quarter of 2022 (N7.49 trillion). We note that the foreign trade statistics for Q1 2023 are positive and signal economic recovery, and the positive trade balance, which increased by 335.58% y/y to N927.2 billion, is a welcome development compared to the trade deficit of N393.6 billion in Q1 2022. This was due to the increase in exports, which exceeded the increase in imports.

Analysis of the data reveals that the share of exports in total trade stood at 53.85%, as Nigeria's export trade in Q1:23 was dominated by crude oil exports valued at N5.15 trillion and accounting for 79.37% of total exports, while non-crude oil exports valued at N1.34 trillion, or 20.63% of total exports, of which non-oil products contributed a total of N652.29 billion, representing 10.06% of total exports. On the contrary, the value of total exports stood at N5.56 trillion in the same period, which indicates a 3.67% increase from the prior quarter (Q4). Imports' share of total trade in Q1 2023 accounted for 46.15% of total trade, bringing the trade balance to N927.2 billion in the period under review.

The increase in total trade in Q1 2023 is a positive sign for the Nigerian economy. It suggests that the country is becoming more integrated into the global economy and that businesses are becoming more confident in the economy. The increase in exports is also a positive sign, as it suggests that the country's manufacturing sector is growing. However, the increase in imports is a cause for concern, as it suggests that the country is still heavily reliant on imports. The positive trade balance is also a positive sign, but it is important to note that it was only positive due to the increase in crude oil and natural gas exports. The government needs to focus on diversifying the economy and reducing its reliance on oil and gas exports in order to maintain a sustainable trade balance.

According to the Abuja-based statistics agency, Nigeria's top export destinations in Q1:23 were the Netherlands (N837.65bn), USA (N579.35bn), Spain (N488.17bn), France (N487.34bn), and India (N456.69bn), while exports to the top five countries amounted to 43.92% of the total value of exports, with petroleum oils and oils obtained from bituminous minerals, crude (N5.15trn) emerging as the commodity with the largest export values in the period under review, followed by 'natural gas, liquefied' (622.36bn) and 'Urea (N146.79bn). For the imports, the top import origins for Nigeria are China (N1.3trn), the Netherlands (N575.23bn), Belgium (N518.12bn), India (N427.40bn), and the USA (N283.94bn), while the commodities with the largest values of imported products were 'Motor Spirit Ordinary' (N1.49trn), Gas Oil (N472.40bn), 'Durum Wheat (not in seeds)' (N249.22bn), Cane Sugar (N75.79bn), and Kerosene type jet fuel (N70.16bn) accordingly.

Cowry Research opines that the increase in Nigeria's foreign trade in Q1:23 is a positive development and indicates that Nigeria's economy is growing amidst the growing demand for Nigerian goods and services. However, it is important to note that the increase in trade was driven by the increase in crude oil exports and echoes the need to focus on diversifying the economy with non-oil exports and reducing reliance on oil exports. This will help make the economy more resilient to shocks in the oil market. Also, the government should invest in infrastructure and human capital, which will help attract foreign investment.