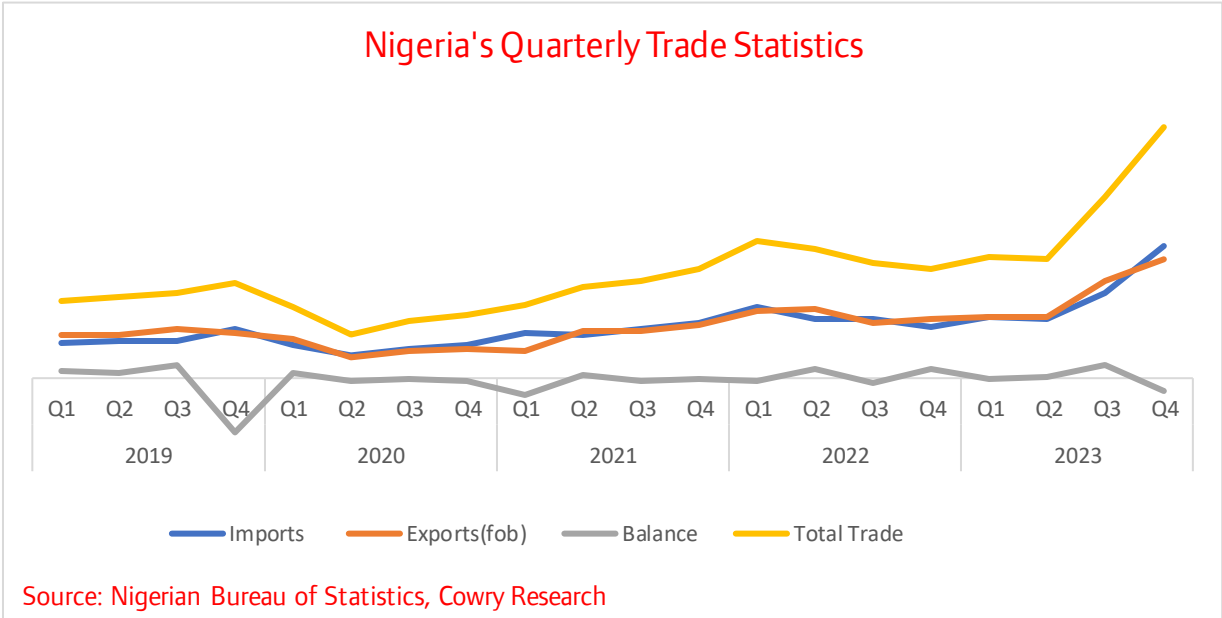


Analyst's Note on: Foreign Trade Statistics – Q4 2023

Nigeria's Falling Trade Balance on Widening Import Bills Signals Caution and Diversification ...

The latest foreign trade data, obtained from Nigeria's Bureau of Statistics, reveals a notable surge of 37.21% year-on-year in the country's total merchandise trade, reaching N71.88 trillion in 2023, up from N52.39 trillion in 2022. During this period, total exports slightly surpassed total imports, standing at N35.96 trillion and N35.92 trillion, respectively. Consequently, Nigeria reported a positive trade balance of N2.90 billion, marking a sharp 99.8% year-on-year decline from the previous year's N1.21 trillion.

Nigeria's low trade balance of N2.90 billion in 2023 comes from the country's weak position in trade earnings from minimal trade engagements from which Nigeria recorded a slight increase in total exports earnings amid rising imports during the period. Additionally, it can



be said that the country's overreliance on and escalating demand for foreign goods, influenced by economic conditions and a significant exchange rate depreciation of over 50% in 2023, contributed to this modest trade balance in 2023.

On a quarterly analysis, the Nigeria Bureau of Statistics' report for the fourth quarter of 2023 indicates a substantial increase of 43% quarter-on-quarter in the total merchandise trade value, reaching N26.80 trillion from N18.80 trillion reported in the prior quarter. Despite this overall surge, Nigeria faced a trade deficit of N1.42 trillion during this quarter, reflecting a reliance on imported consumer goods than it exported during the period.

Export performance during the fourth quarter demonstrated a 22.68% increase to N12.69 trillion compared to the preceding quarter (N10.35 trillion) and a substantial 99.60% surge compared to the same quarter in 2022 where it printed at N6.36 trillion. Key contributors to exports included agricultural goods at N463.97 billion, marking a 110.91% increase from Q3 2023, and crude oil exports at N10.31 trillion, showing a 20.80% rise from the previous quarter. Additionally, oil products, manufactured goods, energy goods, and solid minerals exports totaled N1.29 trillion, N234.96 billion, N31.04 billion, and N35.87 billion, respectively. Notably, the primary exported products by Nigeria in Q4 2023 was 'Petroleum oils and oils obtained from bituminous minerals, crude,' valued at N10.31 trillion or accounts for 81.23%



of total exports. Other significant contributors were Natural gas at N1.02 trillion (8.00%) and Urea, whether or not in aqueous solution, at N251.90 billion (1.98%).

Conversely, total imports experienced a 56.04% surge to N14.11 trillion in Q4 2023 from N9.04 trillion in Q3 2023 and a substantial 163.08%

increase compared to Q4 2022's N5.36 trillion. This notable increase was driven by significant imports of 'Tanks and other armoured fighting vehicles, motorised, whet,' valued at N5.06 trillion, along with 'Motor spirit, ordinary' at N1.81 trillion (12.81%) and 'Gas oil' at N1.19 trillion (8.48%). Detailed analysis reveals a decrease of 2.61% in other oil products imports in Q3 2023, valued at N3.34 trillion, and a noteworthy 128.12% increase in manufactured goods imports at N9.03 trillion, primarily due to the import of 'Tanks and other armoured fighting vehicles, motorised, whet,' worth N5.06 trillion. Raw materials, solid minerals, agricultural goods, and energy goods imports totaled N966.80 billion, N58.92 billion, N711.14 billion, and N8 million of the total import bill in Q4 2023, respectively.

Examining the top destinations of Nigeria's export during the quarter, the Netherlands ranked highest, accounting for N1.91 trillion or 15.05%, followed by India (N1.10 trillion or 8.68%), Spain (N1.03 trillion or 8.11%), Canada (N907.64 billion or 7.15%), and France (N799.77 billion or 6.30%). Together, these top five destinations represented 45.29% of the total export value in Q4 2023. On the import side, Singapore emerged as the primary source of Nigeria's import, contributing N5.09 trillion or 36.09% of total imports. China followed with N2.06 trillion (14.61%), Belgium with N1.14 trillion (8.09%), India with N908.59 billion (6.44%), and the United States with N512.99 billion (3.64%).

Re-export destinations included Malaysia, Cameroon, Italy, Ghana, and the Netherlands, primarily involving vessels and machinery. Analyzing trade partners in Q4 2023 revealed the Netherlands as the leading export destination, followed by India, Spain, Canada, and France, collectively accounting for 45.29% of total exports.

In our view, Nigeria's heavy reliance on imported consumer goods and limited involvement in exports suggests impending negative trade balances, affecting its national current account balance due to less appealing exports and increasing import expenses. The analyzed trade data for the fourth quarter indicates that a lower trade balance contributes to current account deficits, which encompass services, income, and transfers. Financing such deficits may require borrowing from foreign sources, potentially leading to a rise in foreign debt and posing challenges to economic stability.

Cowry Research opines that a comprehensive approach to addressing Nigeria's trade deficit may be a panacea, including promoting export diversification beyond crude oil and encouraging sectors like agriculture, solid minerals, and manufacturing to reduce dependency on oil revenue. Additionally, investing in export infrastructure is vital for enhancing efficiency and competitiveness. Upgrading transportation networks, ports, and streamlining export procedures can reduce logistics costs and bolster Nigeria's global appeal.

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