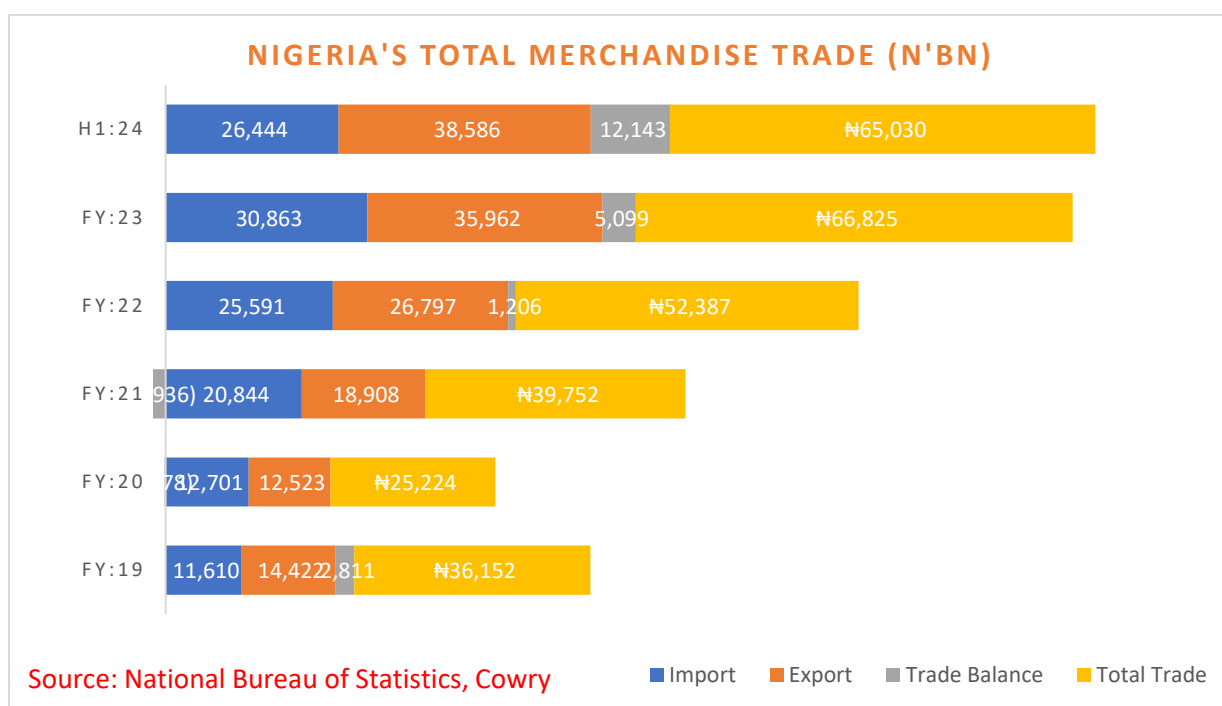


Analyst's Note on: Foreign Trade Statistics – H1 2024

Upbeat in Exports Trigger Further Expansion in Nigeria's Trade Surplus to N12.1trn in H1:24...

According to the latest foreign trade report published by the National Bureau of Statistics (NBS), Nigeria's total merchandise trade surged by 153% year on year to N65.03 trillion during the first six months of 2024. This growth was largely driven by a 199% year-on-year increase in total exports, which rose to N38.59 trillion, spurred by a significant rise in crude oil exports and other non-oil products during the period. On the imports side, total value stood at N26.44 trillion, reflecting the impact of the depreciation of the naira, which made imports more expensive and exports cheaper. Consequently, Nigeria's trade balance recorded a surplus of N12.14 trillion, a substantial increase of 7,779% compared to N154.12 billion in H1 2023.

The improvement in the trade balance can be attributed to the strong growth in exports, which benefited from both the devaluation of the naira and an increase in exportable products. This aligns with our expectation that a larger trade surplus will contribute to a healthier current account balance in 2024, as crude oil production and exports continue to



play a pivotal role in the economy. Nevertheless, persistent foreign exchange pressures remain a downside risk, particularly in relation to the services account, which may continue to widen.

On a quarterly basis, the NBS report shows that total trade in Q2 2024 amounted to N31.89 trillion, a 150.4% year-on-year increase from N12.74 trillion in Q2 2023. However, this figure represents a 3.76% quarter-on-quarter decline from N33.14 trillion in Q1 2024. Of the total trade in Q2, exports accounted for 60.9%, valued at N19.42 trillion, and continued to be dominated by crude oil exports, which stood at N14.6 trillion. Non-crude oil exports were valued at N4.9 trillion, while non-oil exports accounted for just over 10% of the total exports at N1.9 trillion.

In terms of imports, these accounted for 39.1% of total trade, amounting to N12.5 trillion. Under the Standard International Trade Classification (SITC), the highest-ranked import category was "mineral fuels" at N4.42 trillion (35.4% of total imports), followed by "machinery and transport equipment" at N2.9 trillion (23.08%), and "chemicals and related products" at N1.9 trillion (15.12%). While for exports, Nigeria exported mainly 'mineral products' valued at N17.59 trillion, or 90.62% of the total export value, followed by exports of 'Prepared foodstuffs; beverages, spirits and vinegar; tobacco', with N531 billion (2.73%) and Vegetable products' worth N488.47 billion (2.52%).

Exports of agricultural goods in Q2 2024 fell by 5.93% to N973.69 billion from N1.04 trillion in Q1 2024, though this represents a sharp 246.67% rise from N280.87 billion in Q2 2023. Imports of agricultural goods, valued at N893.25

billion, decreased by 2.96% from N920.54 billion in Q1 2024, but showed a 96.38% increase compared to N454.85 billion in Q2 2023. Raw material imports grew slightly by 0.96% to N1.48 trillion from N1.46 trillion in Q1 2024, and saw a significant year-on-year increase of 160.92%. Meanwhile, raw material exports in Q2 2024 increased by 4.01% to N366.91 billion from N352.75 billion in Q1 2024, and by 151.96% compared to N145.62 billion in Q2 2023.

Exports of manufactured goods rose by 78.95% quarter on quarter to N480.82 billion, a 126.65% year-on-year increase. However, imports of manufactured goods decreased by 2.82% to N5.57 trillion in Q2 2024, though this still reflects an 84.67% rise from N3.02 trillion in Q2 2023. Solid mineral exports, valued at N58.56 billion, fell by 7.65% from N63.41 billion in Q1 2024, though they posted a 71.79% year-on-year increase. Solid mineral imports, on the other hand, increased by 35.61% to N96.80 billion in Q2 2024, a remarkable 206.08% rise from N31.63 billion in Q2 2023.

Regional trade data reveals that Nigeria exported mainly to Europe, with exports valued at N8.07 trillion, representing 41.6% of total exports, followed by Asia (N4.96 trillion or 25.58%) and America (N3.88 trillion or 19.98%). Exports to Africa totalled N2.35 trillion, with N1.6 trillion going to ECOWAS countries. On the imports side, Asia accounted for the largest share at N5.58 trillion (44.74%), followed by Europe (N4.93 trillion or 39.56%), and America (N1.33 trillion or 10.72%). Imports from Africa were valued at N555.48 billion, with ECOWAS countries contributing N166.37 billion (1.33% of total imports), while imports from Oceania amounted to N66.14 billion.

Nigeria's top export destinations in Q2 2024 were Spain, the United States, France, India, and the Netherlands, with the leading export commodities being crude oil, liquefied natural gas, petroleum gases, high-quality cocoa beans, and urea. On the import side, China remained Nigeria's largest trading partner, followed by Belgium, India, the United States, and the Netherlands. The most imported commodities included motor spirit, gas oil, durum wheat, butanes, and cane sugar for refining.

Cowry Research believes that the further expansion in total merchandise trade during the second quarter of 2024 is indicative of Nigeria's strengthening trade relations with its global partners. However, ongoing foreign exchange volatility and easing inflationary pressures in advanced economies will continue to have a notable impact on Nigeria's trade sector. We are optimistic that economic diversification efforts will yield further improvements in export performance, thereby sustaining positive trade balances and supporting the current account in the balance of payments.

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