



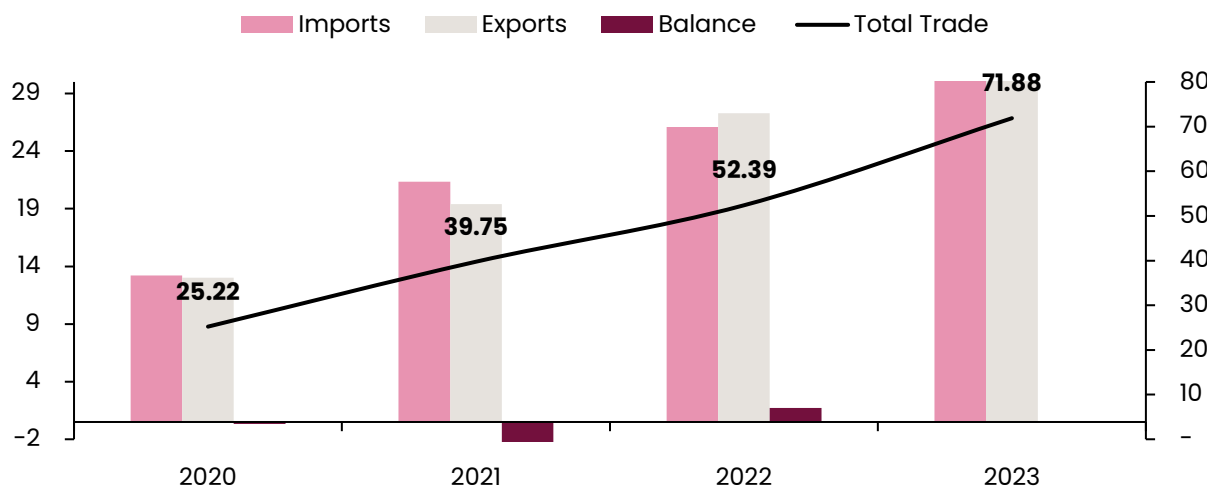
Q4:2023 and 2023FY Foreign Trade in Goods Statistics Report

Breaking the Surplus Streak

Recently, the National Bureau of Statistics (NBS) published the Foreign Trade in Goods statistics report for Q4:2023. On a Quarter-on-Quarter (QoQ) basis, Total Imports (+56.04% to NGN14.11trn in Q4:2023 vs. NGN9.04trn in Q3:2023) and Total Exports (+22.68% to NGN12.69trn in Q4:2023 vs. NGN10.35trn in Q3:2023) recorded significant increases. Consequently, we observed a 38.24% QoQ surge in Total Trade to NGN26.80trn in Q4:2023 from NGN19.39trn in Q3:2023. Notably, after four (4) consecutive quarters of staying in the surplus zone, the Balance of trade slipped into a NGN1.41trn deficit in Q4:2023 (vs. a NGN1.31trn surplus in Q3:2023).

In 2023FY, Total Trade grew by 37.21% year-on-year (YoY) to NGN71.88trn (vs. NGN52.39trn in 2022FY). The growth in total trade follows an upswing in both Total Imports and Total Exports by 40.36% YoY and 34.20% YoY each to NGN35.92trn and NGN25.59trn, respectively. Overall, Nigeria’s Balance of Trade rested at a surplus of NGN2.90bn in 2023FY, compared to the NGN1.21trn trade surplus recorded in 2022FY.

Figure 1: Analysis of Foreign Trade in Goods Statistics from 2020-2023 (NGN'trn)



Source: NBS, ARM Research

Exports – Two Sides of a Coin

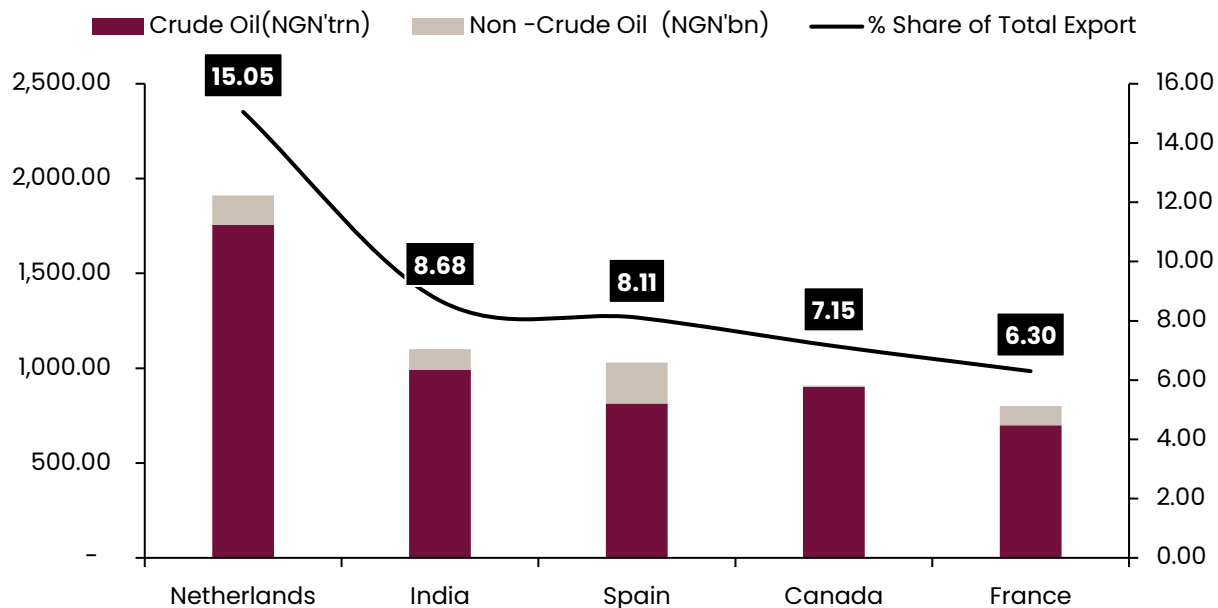
Oil Export: Crude-Oil Production Sustains Positive Momentum

In Q4:2023, Crude Oil exports maintained a positive trend, rising by 20.80% QoQ to NGN10.31bn, marking the second consecutive month of growth since Q2:2023. However, the share of Crude Oil in total exports decreased during this period to 81.23%, down from 82.50% in Q3:2023. This shift was driven by a significant rise in non-oil exports, offsetting the gains in Crude Oil exports. Overall, in 2023FY, Crude Oil exports surged by 37.45% YoY, to NGN29.00bn (vs. 46.41% YoY to NGN21.10bn in 2022FY). As a result, its contribution to total trade increased to 80.64%, up from 78.74% in 2022FY. We attribute this impressive growth in crude oil exports during the period to the relentless efforts of the Tinubu led administration to clamp down on crude oil theft and pipeline vandalism. This is supported by the Q4:2023 Gross Domestic Product (GDP) report released by the NBS, which showed an increase in crude oil production to an average of 1.43 million barrels per day (MMbpd) in 2023FY (vs. average of 1.37MMbpd in 2022FY). Furthermore, we believe that the weaker value of the Naira relative to the dollar (average FX for 2023FY fell by 34.47% YoY to NGN645.92/USD and 9.11% QoQ to NGN840.83/USD in Q4:2023) continues to enhance conversion gains, resulting in higher crude oil export values.

Non-Oil Export: Supported by Falling Naira

In Q4:2023, non-oil exports surged by 60.38% QoQ to NGN1.10trn, surpassing the Q3:2023 figure of NGN683.02bn. On a YoY basis, there was a 49.60% increase compared to the Q4:2022 value of NGN732.23bn. For the entire 2023FY, non-oil exports marked a 22.95% upturn, totaling 3.14trn, compared to the 2022FY figure of NGN2.55trn. The substantial growth in non-oil exports is on the back of sharp depreciation of the Naira. Despite longstanding challenges such as foreign exchange depreciation and a historical reliance on the oil sector, non-oil exports have shown substantial growth, buoyed by heightened economic activity in the sector. For context, the Non-Oil sector grew by 1.16% to 3.07% QoQ in Q4:2023 and printed at 3.04% YoY in 2023FY, (compared to 2.75% QoQ in Q3:2023 and 4.84% YoY in 2022FY). The sector's share of the GDP also rose to 95.66% in Q4:2023, up from 94.52% in Q3:2023.

Figure 2: Export by Top Five (5) Major Countries



Source: NBS, ARM Research

Imports: Addressing Needs, but Raising Concerns

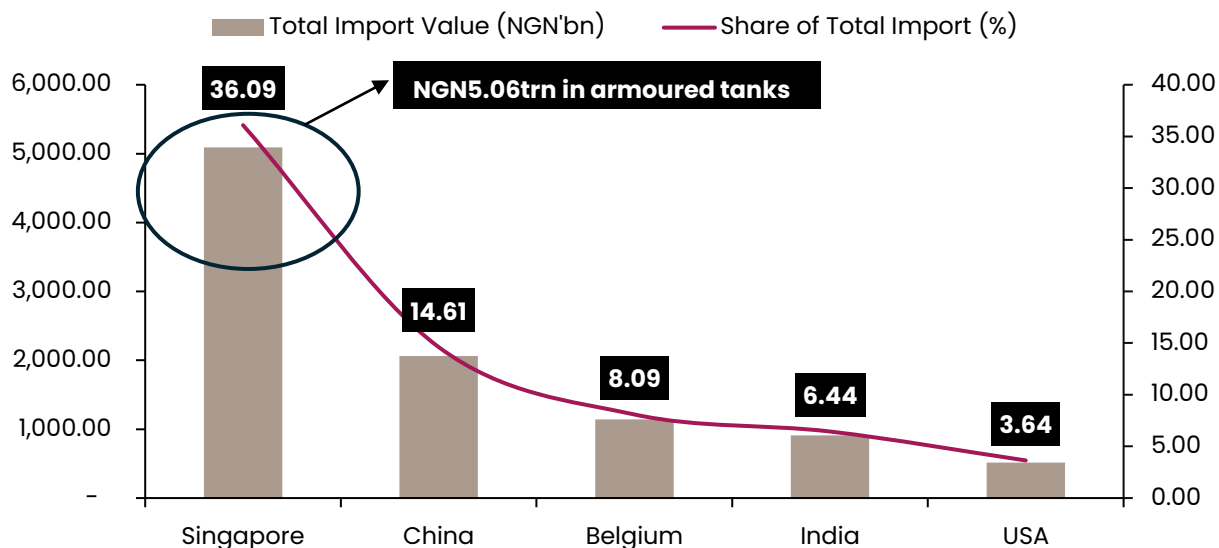
The total imports in Q4:2023 stood at NGN14.11trn, a significant surge of 56.04% compared to the value recorded in Q3:2023 (NGN9.04trn). Likewise, on a YoY basis, total imports increased by 40.36% to NGN35.918trn in 2023FY compared to NGN25.59trn in 2022FY.

On sectoral breakdown, the Manufactured goods sector recorded the highest import increase (+268.76% YoY to NGN9.03trn and +128.12% QoQ from NGN3.96trn in Q3:2023). Next in line is the import of Other Petroleum Oil Products, which saw an increase of 78.22% YoY and 17.33% QoQ to NGN3.35trn. Imports of Raw Materials also rose, reaching NGN966.80bn, reflecting a 72.87% YoY increase and a 1.67% QoQ increase. Finally, Agricultural goods imports stood at NGN711.14bn, indicating a 59.87% YoY and 10.48% QoQ upsurge.

The biggest factor was a large increase in spending on armored vehicles. According to the National Bureau of Statistics (NBS), Nigeria imported over N5trn worth of armored vehicles in Q4:2023, likely due to the country's challenging security situation. This category alone made up over 35% of the total import value. The broader increase in imports across the sectors was due to infrastructural challenges, Insecurity in regions producing raw materials and agricultural goods needed for domestic manufacturing significantly impacted import value in Q4:2023. While imports may address the current dearth in supply, the increase in availability of locally

sourced raw materials would reduce overdependence on imported primary inputs for manufacturers. Hence, this could limit the impact of rising imports on foreign reserves and make the economy less vulnerable to external factors.

Figure 3: Top Five (5) Countries by Import



Source: NBS, ARM Research

Q1:2024 Balance of Trade Outlook

In Q1:2024, we expect the Balance of Trade to be buoyed by oil exports given the government’s efforts to improve oil production and mitigate oil theft and pipeline vandalism. Furthermore, the commencement of operation in Dangote Refinery is poised to improve crude oil production and by extension, oil exports. In addition, we believe that the continued depreciation of the Naira in Q1:2024 would increase the value of non-oil export.

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