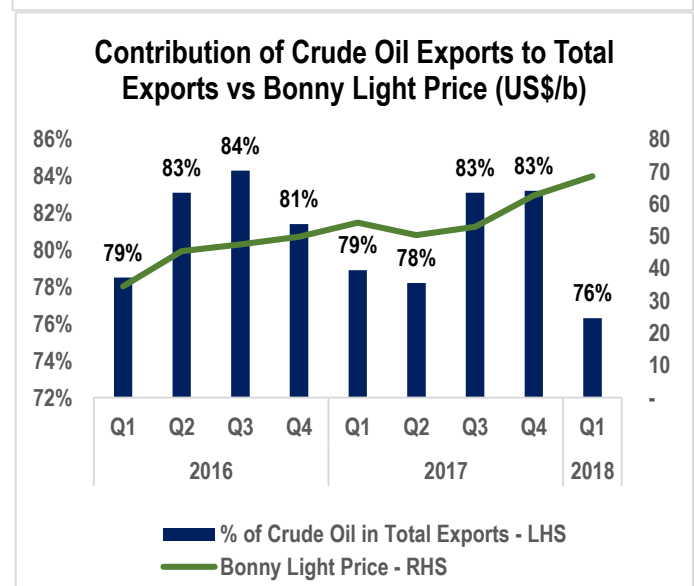
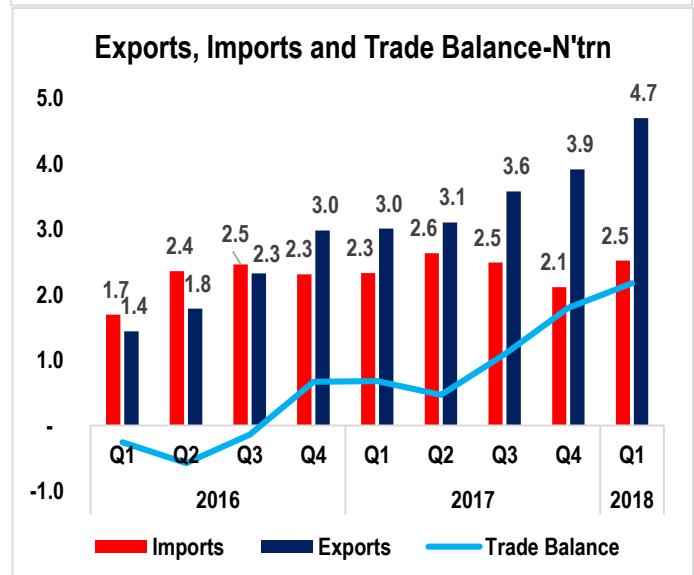
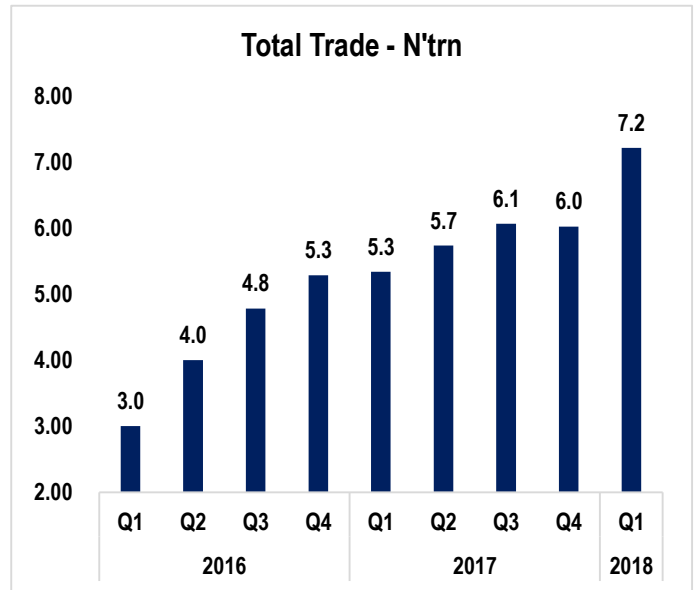


Nigeria Records Strong Growth in Foreign Trade

The external sector of the Nigerian economy improved further in Q1 2018 as it recorded the best trade performance in the last nine quarters. The figures for Q1 2018, as published by the National Bureau of Statistics (NBS), reveal a noticeable improvement in the major indicators of the Nigerian foreign trade data. These Q1 2018 figures are broadly consistent with the 2018 forecast published by FSDH Research earlier this year in our Economic and Financial Market Reports – 2018-2022. The strong foreign trade should help to sustain stability in the foreign exchange market.

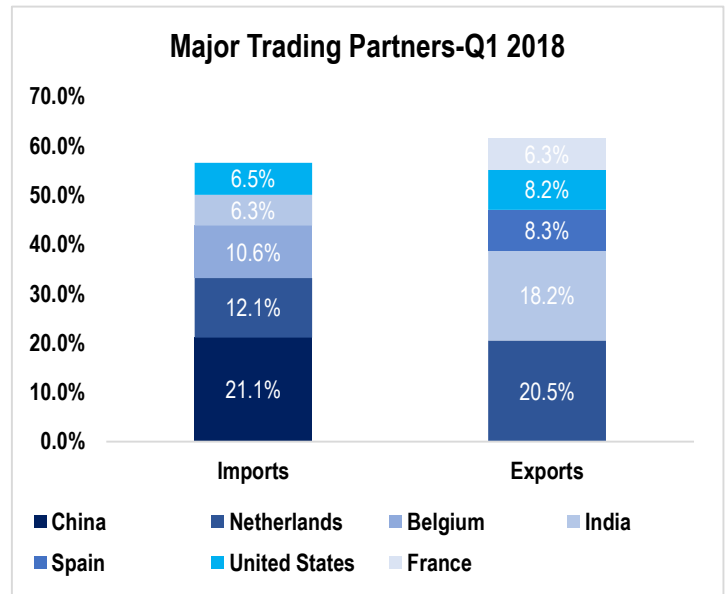
Our analysis shows that the total value of merchandise trade increased by 19.74% to N7.21trn in Q1 2018 from N6.02trn in Q4, 2017 and an increase of 34.83% from N5.34trn in Q1 2017. Exports, at N4.7trn, accounted for 65% of the total trade while imports, at N2.5trn, accounted for 35%. Trade balance (the difference between exports and imports) increased by 22% to N2.2trn in Q1 2018 from N1.8trn in Q4 2017.

FSDH Research notes, however, that foreign trade remains vulnerable to the volatility in the crude oil markets as crude oil exports dominate the exports at 76% of total exports in Q1 2018, but lower than 83% in Q4 2017. We reiterate that fiscal policies which would support the growth of major sectors of the economy (such as agriculture, manufacturing and solid minerals) should be implemented alongside friendly trade policies to boost the non-oil exports.



Looking at major trading relationships with other countries, Nigeria's major export partners are Netherlands, India, Spain, United States and France; contributing 20.5%, 18.2%, 8.3%, 8.2% and 6.3% respectively. Major import partners are China, Netherlands, Belgium, United States and India; contributing 21.1%, 12.1%, 10.6%, 6.5% and 6.3% respectively.

FSDH Research expects the positive global and domestic developments in the crude oil market to further improve Nigeria's external position. This should provide additional short-term stability to the foreign exchange rate. However, the downside risks are possible adverse developments in the crude oil market and security concerns in some parts of Nigeria.



Sources: National Bureau of Statistics (NBS), Thomson Reuters and FSDH Research Analysis
 RHS – Right Hand Side LHS – Left Hand Side

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For enquiries, please contact us at our offices:

Lagos Office: 5th-8th floors UAC House, 1/5 Odunlami Street, Lagos. Tel: 234-1-2702880-2; 234-1-2702887

Port Harcourt Office: 2nd Floor, Skye Bank Building (Former Mainstreet Bank Building) 5 Trans Amadi Road, Port Harcourt. Tel: 234-8024081331

Abuja Office: Leadway House (First Floor), Plot 1061 Herbert Macaulay way, Central Business District, Abuja-Nigeria. Tel.: 234-9-2918821

Website: www.fsdhgroup.com **email:** research@fsdhgroup.com

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