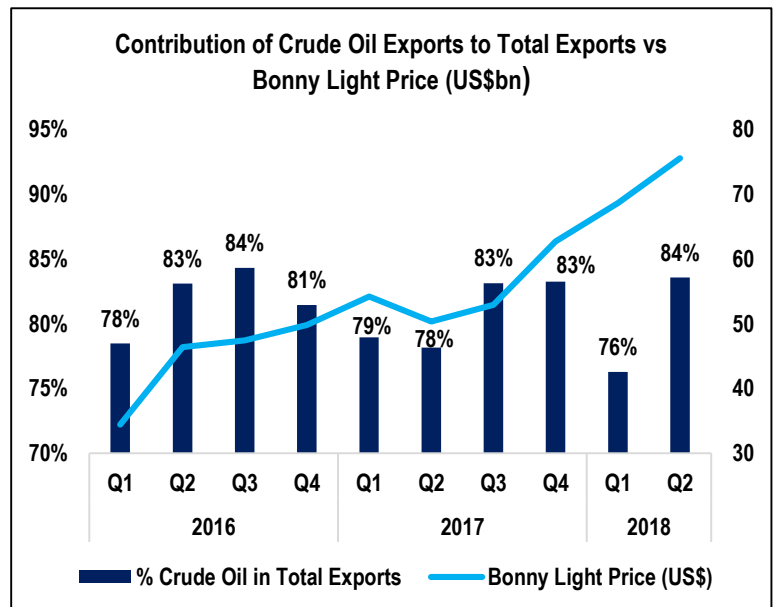
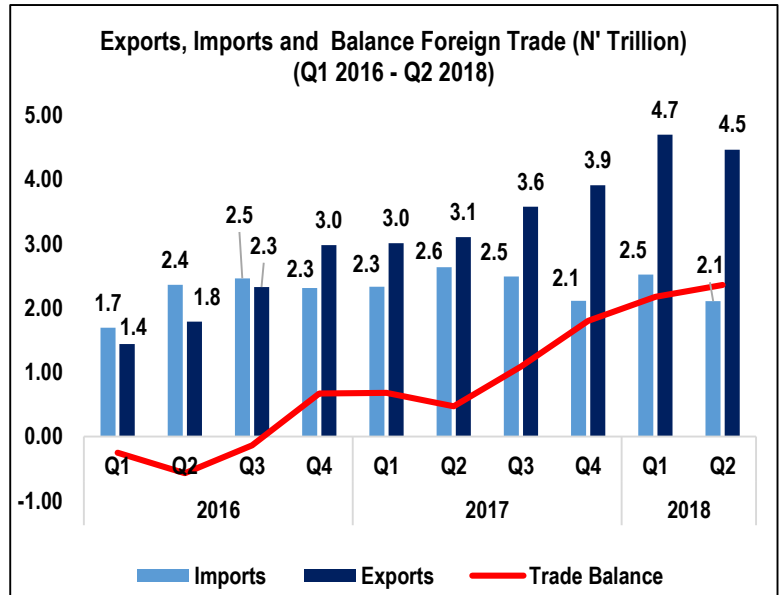


## Trade Balance Improves But Vulnerable to Crude Oil Movements

FSDH Research observes an improvement in Nigeria's trade balance (the difference between total merchandise exports and imports) in Q2 2018 over the preceding quarters. This is a good development for the Nigerian economy and the financial market as it means more foreign exchange came into the country than left through trade. The impact of this should be positive on foreign exchange rate stability. However, we remain concerned that crude oil exports dominate trade at 83%; any adverse development in the oil market, either in production or price, could have severe consequences on exports and exchange rate.

The total merchandise trade dropped in value in Q2 over the value recorded in Q1 2018 but higher than the level recorded in the corresponding period of 2017. The drop in imports was the major driver of the drop in total trade. FSDH Research also noticed a drop in total exports in Q2 2018 compared with the figure in Q1 2018. The drop in imports may be linked to the growing use of locally produced goods instead of imported good in some instances.

FSDH Research believe a lot more goods that could be produced locally than the current levels if the business environment improves. Consumption of locally produced good would increase if they compete favourably in price and quality with imported alternatives. This would create more jobs in Nigeria, conserve foreign exchange, deliver more tax revenue for government to lower the country's debt burden and create wealth for the country. All these are possible if



Nigeria's Leading Trading Partners				
S/N	Exports	P of E	Imports	P of I
1	India	16%	China	25%
2	Netherlands	10%	Netherlands	9%
3	Spain	10%	Belgium	8%
4	South Africa	8%	India	7%
5	United States	7%	United States	7%
6	Italy	5%	Germany	3%
7	France	5%	United Kingdom	3%
8	Sweden	4%	Russia	3%
9	Brazil	3%	Italy	3%
10	Thailand	3%	France	3%
	Total	71%	Total	70%

P of E: Proportion of Exports. P of I : Proportion of Imports

if the basic facilities that can aid low cost of production are available.

On the export side, Nigeria can export locally produced goods, particularly in the non-oil sector, to increase the supply of foreign exchange and reduce the dependence on crude oil. Appropriate measures to reduce the length of time and costs of export at the Nigerian seaports would boost export of goods in Nigeria.

Nigeria's Leading Trading Products				
S/N	Exports	P of E	Imports	P of I
1	Crude Oil	83.5%	Motor Spirit	29%
2	Natural Gas, Liquefied	9.7%	Gas Oil	3%
3	Cashew Nuts	0.9%	Durum Wheat (NS)	2%
4	Petroleum Gases	0.7%	Cane Sugar	2%
5	Sesamum Seeds	0.4%	Motorcycles & Cycles	2%
6	Propane, liquefied	0.3%	Durum Wheat, Seed	1%
7	Butanes, liquefied	0.3%	Other Herbicides	1%
8	Urea	0.3%	Used Vehicles	1%
9	Other Lubricating Oils	0.2%	Lubricating Oils	1%
10	Electrical Energy	0.2%	Machines Parts	1%

*P of E: Proportion of Exports. P of I : Proportion of Imports*

Sources: National Bureau of Statistics (NBS), and FSDH Research Analysis

FSDH Research considers that Nigeria needs to negotiate better with other trading partners than we currently have, so that both parties may benefit from the trading relationship. Some of the countries Nigeria imports goods from should be able to buy Nigerian goods in order to develop a mutually beneficial trading relationship.

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