KPMG

Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Monday 13 November 2023

Crude Oil Price

$88.46 3.64%

$91.8 Previous

FX Reserve

$33.38b 0.10%

$33.41b Previous

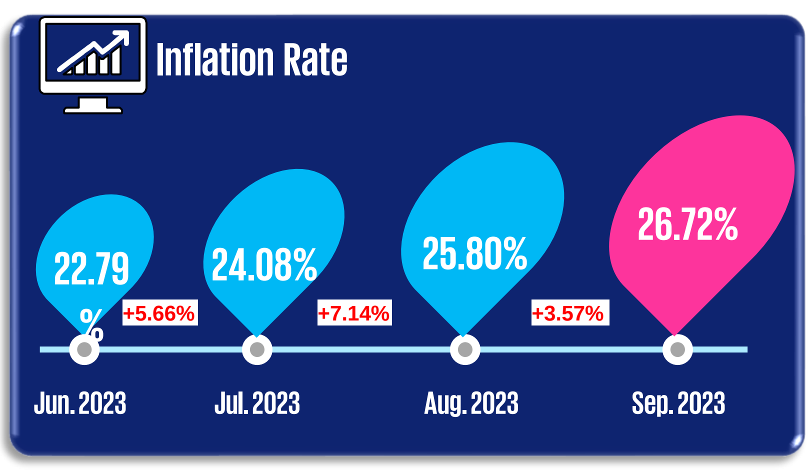
Market Capitalization

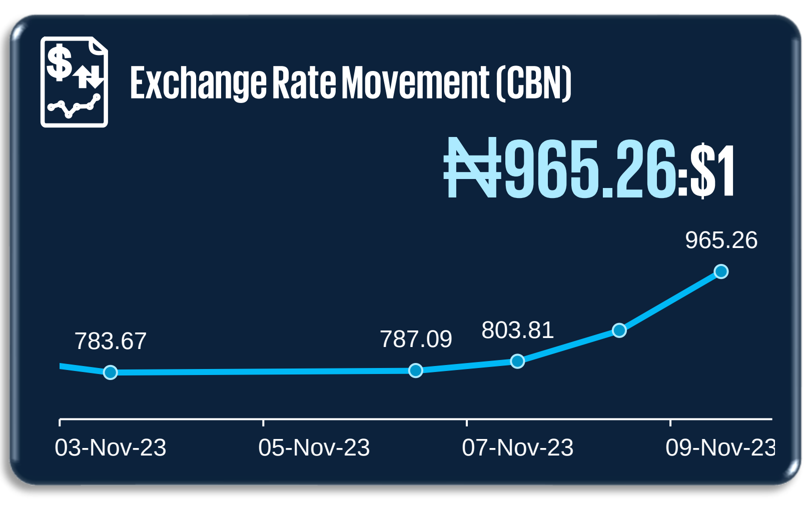
N38.93tr 1.0%

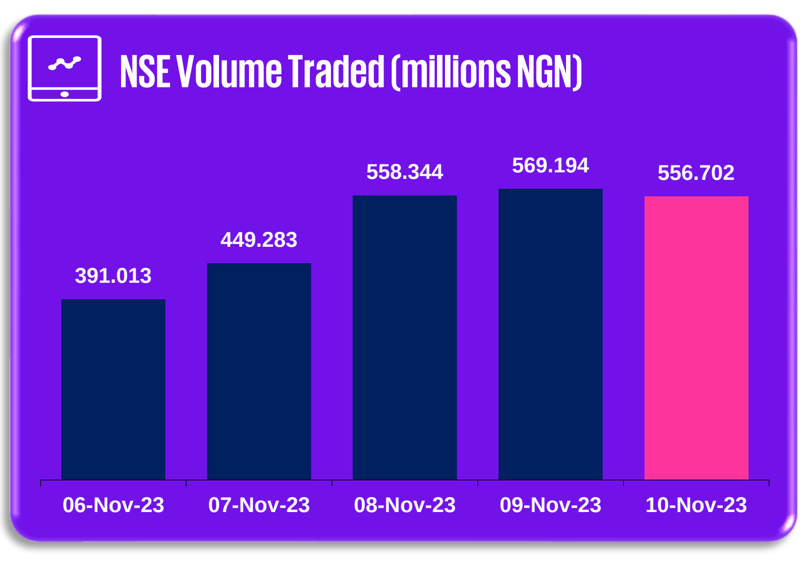
N38.56tr Previous

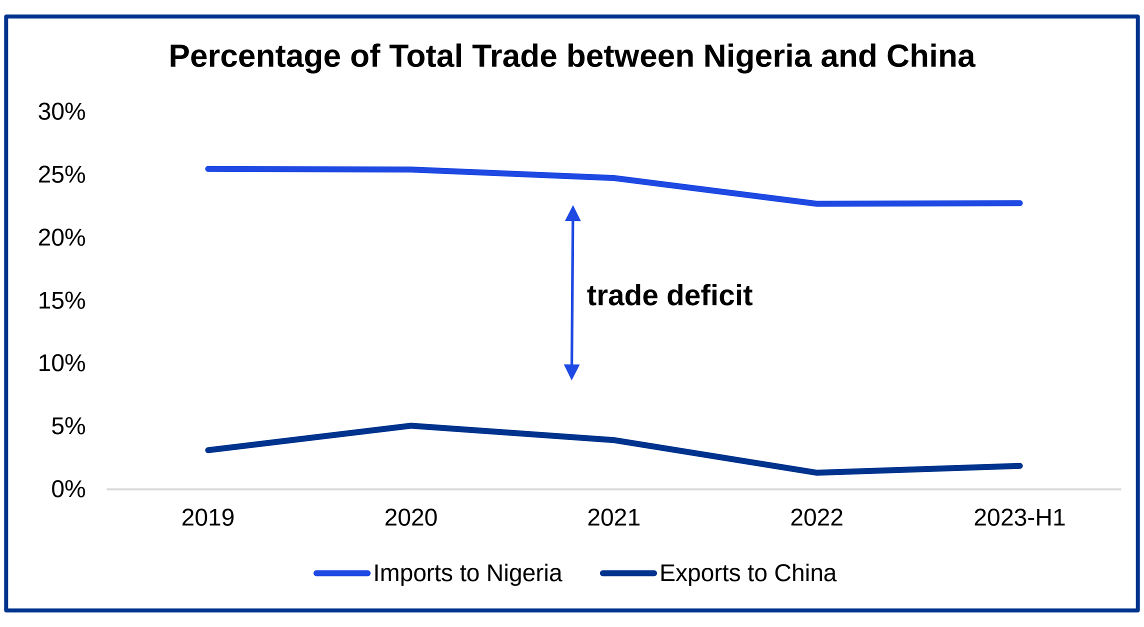
N87.4tr Debt

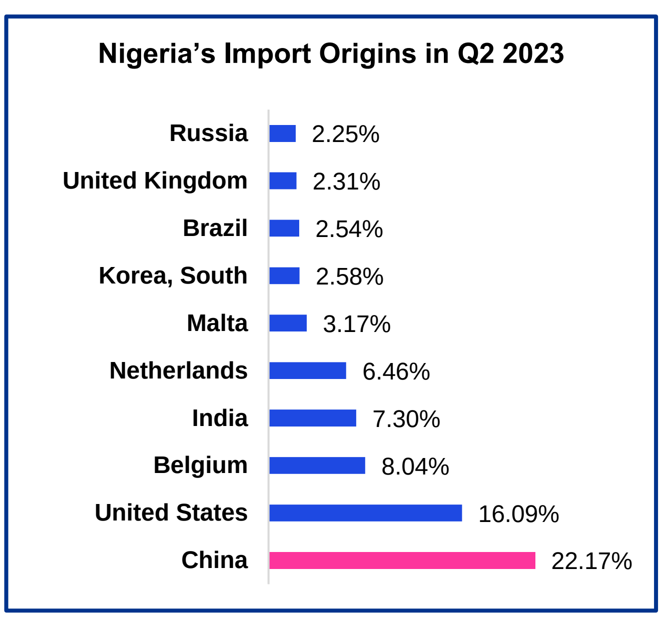
$113.4bn Stock











KPMG Analysis:Nigeria-China Bilateral Trade Relations

This week, we highlight the recent disclosure in Lagos, by Yan Yuging, the Consul General of China, that, trade volume between Nigeria and China was $17.25 billion in Q3 2023. Further disaggregation however reveals a substantial trade imbalance between both countries with Chinese exports to Nigeria amounting to $15.67 billion but Nigeria exports to China accounting for a mere $1.58 billion. This trend has however been the norm for many years.

In 2019, Nigeria imported goods worth ₦4.32 trillion from China. However, in 2020, this value decreased to ₦3.23 trillion due to various factors, including the COVID 19 pandemic. By 2021, imports surged to ₦5.16 trillion and to ₦5.81 trillion in 2022. As of the first half of 2023, Nigeria's imports from China stood at ₦2.57 trillion. Between 2019 to 2022, imports from China averaged 25% of total imports into the country whereas exports to China averaged 3.3%, which is very low compared to the imports. Total exports to China stood at ₦0.5 trillion in 2019 and increased to ₦0.73 trillion in 2021 before declining significantly to ₦0.35 trillion in 2022. As at half year 2023, Nigerian exports to China stood at ₦0.25 trillion.

Accordingly, while China is Nigeria's largest import origin, it is not among the top 10 countries to which Nigeria exports goods. The trade relationship between Nigeria and China is therefore substantially skewed negatively against Nigeria. Although, Chinese imports into Nigeria has always outpaced Nigeria's exports to China, the sharp surge since 2019 may be connected to the infrastructure loans and support Nigeria has been receiving from China especially since 2019 which mandates the use of Chinese equipment and products for construction.

The weak rebound of the Chinese economy from its slowing growth caused by sluggish consumer spending and its property market crises could mean that the trade volume, which stood at $17.25 billion at the end of Q3 2023, could fall far short of the $23.9 billion recorded in 2022 by the end of the year suggesting a weaker demand for Nigerian exports to China.

Despite our recognition of the credit and infrastructural development gains produced by Nigeria's growing ties with China, we maintain that there is a need to revisit the trade dimension of this bilateral relationship to ensure a fairer trade balance. In terms of trade flow, for example, about 90% of the total trade volume represented Chinese exports of consumer and manufactured goods to Nigerian markets from Q1-Q3 2023 while less than 10% of the trade value represented exports dominated by primary products from Nigeria to the Chinese economy. In addition to other potential negative consequences to domestic growth and FX demand and instability, this persistent skewness in trade pattern has long-term implications for employment generation and Nigeria's reliance on Chinese imports also makes it vulnerable to external shocks because any disruption in China's supply chains or production might have an immediate impact on Nigeria's ability to get vital imported consumer goods and business production inputs.

There is therefore a need for Nigeria to emphasize the production of a diversified set of internationally competitive goods that meet global standards and are equally fit for Chinese markets. In addition, the government should enable the development of local manufacturing industries, improve the general ease of doing business, and strategically increase the dominance of equipment, machinery and technology in its import basket.

Sources: CBN, NGX, NBS, DMO & KPMG Research

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- Tinubu stops electricity tariff hike, insists on subsidy
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- NNPCL unveils new crude grade, ships 1.9m/b in October
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