

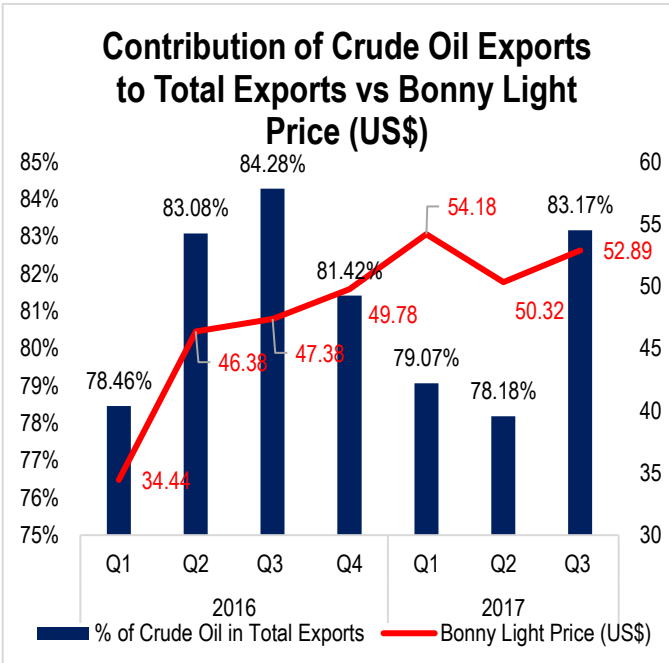
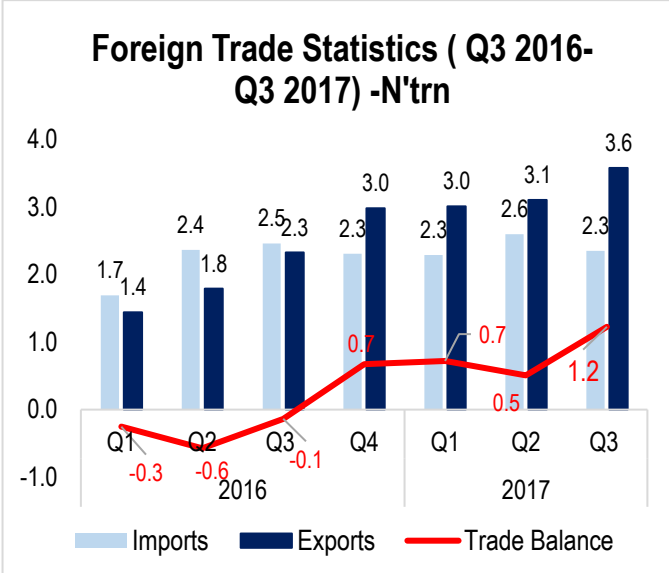
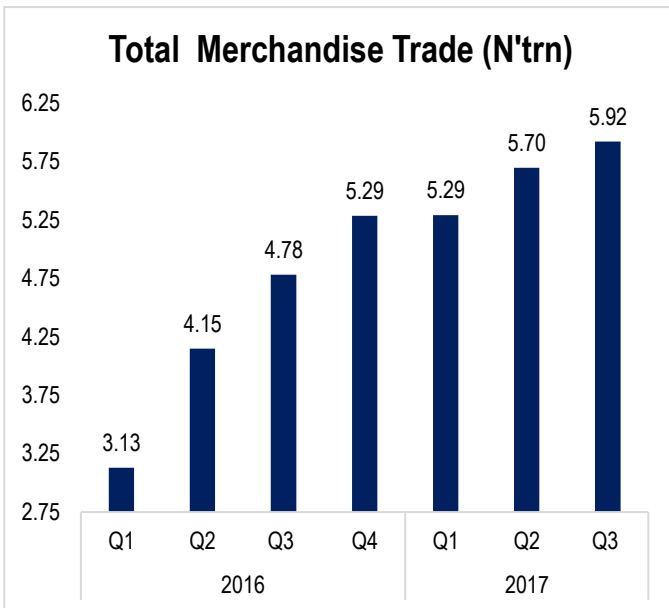
Nigeria's External Sector Position Improves

The positive developments in the crude oil markets and the improved confidence in the outlook of the Nigerian economy have improved Nigeria's external sector position. The latest data from the National Bureau of Statistics (NBS) confirms this position. The data from the last seven quarters shows that Nigeria recorded the highest favourable trade balance (exports higher than imports) and capital flows in Q3 2017.

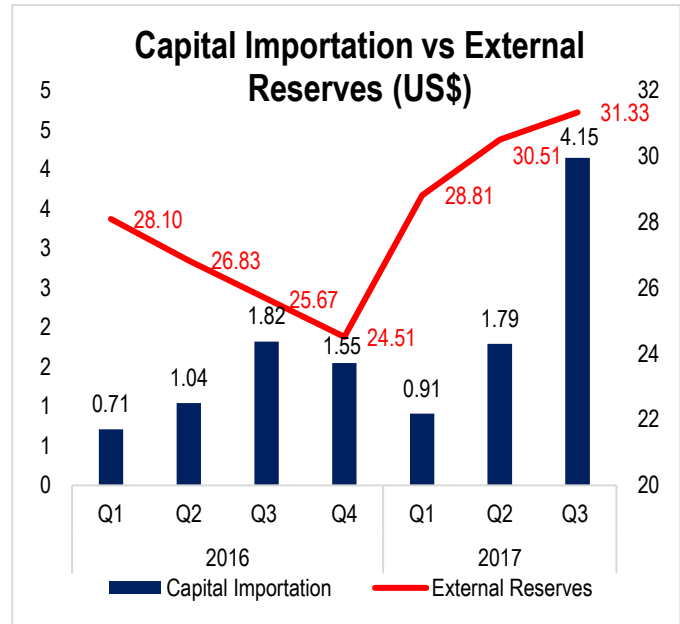
The increase in the price of crude oil in the international market and improved crude oil production in Nigeria led to a significant improvement in Nigeria's external sector position in Q3 2017. During the period, Nigeria's trade balance exceeded the N1trn mark for the first time since Q3 2014 to stand at N1.22trn while capital inflows into Nigeria increased to US\$4.15bn.

The total value of merchandise trade as at Q3, 2017 increased by 3.94% to N5.92trn from Q2, 2017. Total exports accounted for 61% of the total trade while total imports accounted for 39%. The crude oil exports dominated the exports at 83.17% while non-crude oil exports accounted for 16.83%. The huge contribution of crude exports to the total exports revealed the vulnerability of the external sector to changes in the oil market.

Similarly, capital inflow in Nigeria in Q3 2017 recorded a significant increase, hitting the US\$4bn mark for the first time since the beginning of 2015. The total capital imported into Nigeria in Q3 2017 was US\$4.15bn, more than double the inflow in Q2 2017 and a 127.49% increase year-on-year. The increase in capital importation in Q3 2017 was mainly driven by significant growth in both Foreign Portfolio Investments (FPIs) and Other Investments. FPIs increased by 259.17% from Q2 2017, and contributed 66.76% to the total capital imported in Q3 2017.



FSDH Research expects the favorable developments in the crude oil markets to continue to improve the external position. An increase in the external position should also lead to stability in the foreign exchange market and possibly an appreciation in the value of the currency. However, the current high crude oil price will increase the subsidy the Federal Government of Nigeria will pay on the Premium Motor Spirit (PMS) if there is no adjustment to the pump price.



Sources: National Bureau of Statistics (NBS), Thomson Reuters and Central Bank of Nigeria

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