

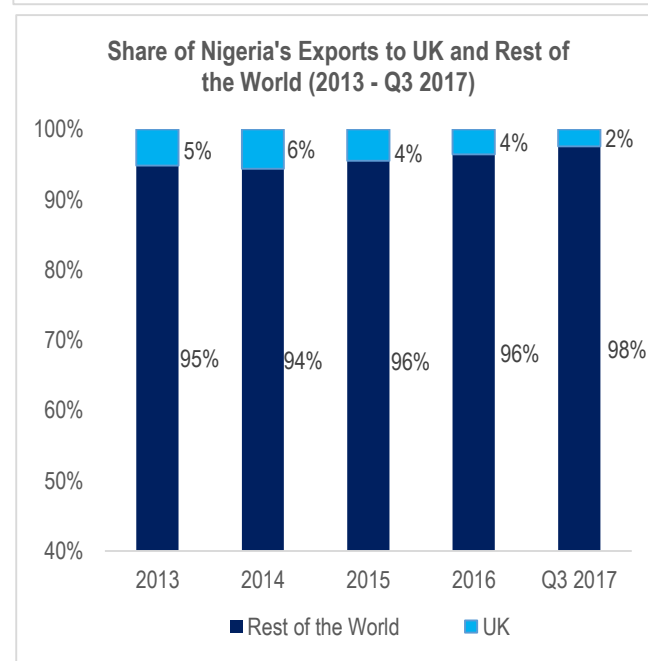
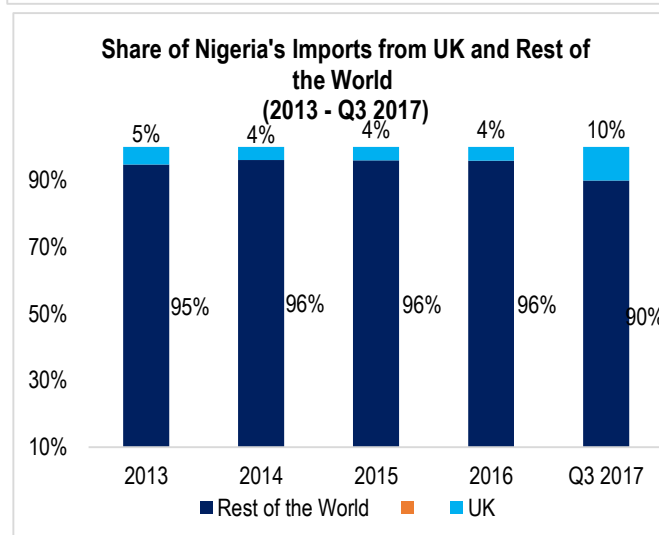
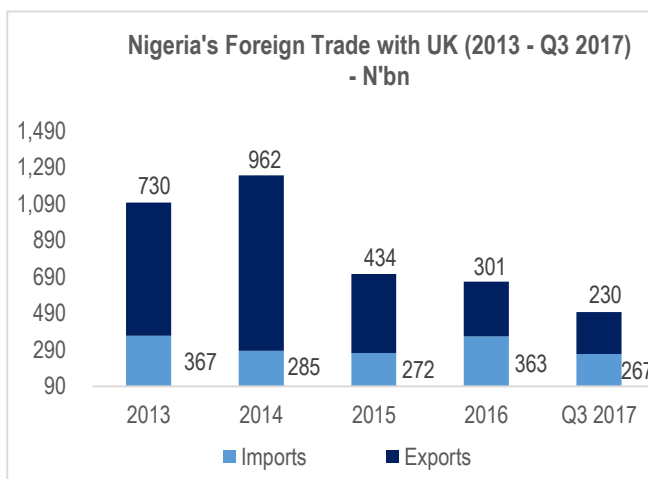
## Proposed UK and Nigeria Trade Deal – Any Benefit for Nigeria?

The Export Credit Agency of the United Kingdom (UK), UK Export Finance (UKEF) recently announced trade incentives for Nigeria that will stimulate the importation of goods and services from the UK. Consequently, more exporters in the UK will be able to sell their goods and services in Nigeria as the incentives will remove some hindrances to trade between the UK and Nigeria.

The UKEF will guarantee a buyer credit loan to Nigerian borrowers in local currency (Naira) to finance purchase of capital goods and/or services from UK exporters. Thus it reduces the foreign currency risk for the import and avoids a variable debt service cost. UK will provide up to 85% of funding for projects containing at least 20% UK content. The loan will also benefit from a UK government-backed guarantee.

Many have lauded the proposal on the ground that it may reduce the demand for foreign exchange in Nigeria and consequently strengthen the value of the Naira. However, FSDH Research analysed the historical trade figures between the UK and Nigeria to appropriately place the benefits in the arrangement in the right context.

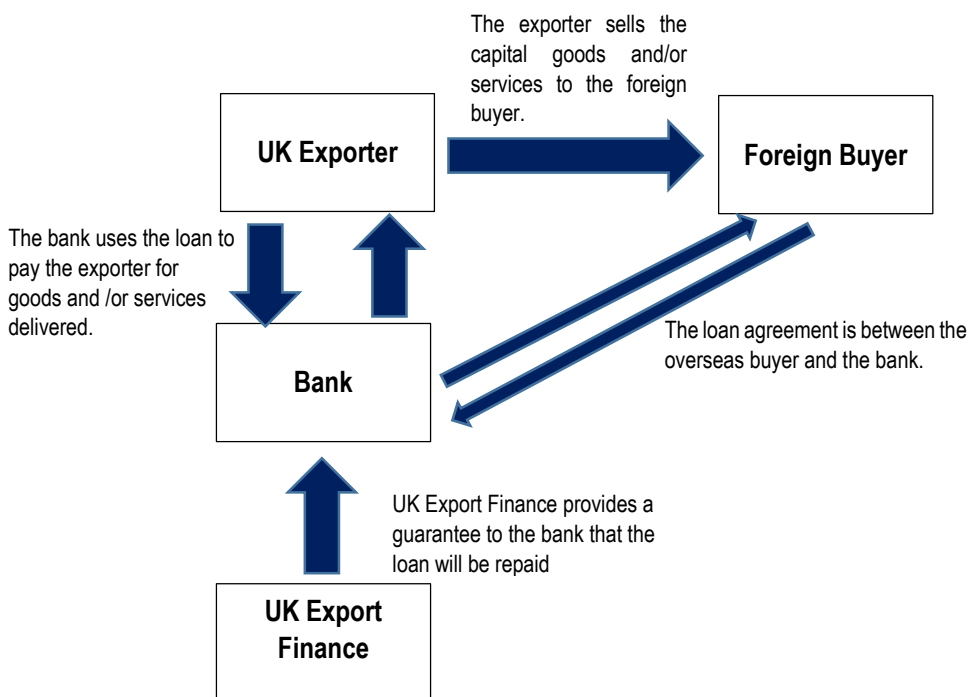
Nigeria's exports to the UK dropped significantly by 59% from N730bn in 2013 to N301bn in 2016 while the imports from the UK dropped marginally by 1% from N367bn in 2013 to N363bn in 2016. We note that Nigeria's exports is dominated by crude oil while Nigeria imports a variety of items from the UK. Thus Nigeria exports to the UK is more volatile than Nigeria's imports



Sources: National Bureau of Statistics, UKEF and FSDH Research

increased to 10% as at Q3 2017. The UK also accounts for an average of 4.75% of the total exports of Nigeria between 2013 and 2016. The figure dropped to 2% as at Q3 2017.

FSDH Research is of the view that the trade structure between the UK and Nigeria favours the UK. The proposed incentives may further place Nigeria at a disadvantage. This is because of the weak exports potential of Nigeria to the UK. Nigeria needs strategic policies to drive local competitiveness in production in order to take advantage of the opportunities in the international markets.



Please click on the links below to access our latest reports:

- [\*\*Economic and Financial Markets Outlook \(2018-2022\): Strong Growth Prospect with Downside Risks\*\*](#)
- [\*\*Inflation Rate to Maintain Downward Trend in January 2018\*\*](#)
- [\*\*FSDH Research Forecasts a GDP Growth Rate of 3.16% in 2018 - Implications\*\*](#)

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](http://www.fsdhgroup.com)      **email:** [research@fsdhgroup.com](mailto:research@fsdhgroup.com)

*Our Reports and Prices are also Available on Bloomberg {FSDH<GO>}*

## **Disclaimer Policy**

*This publication is produced by FSDH Merchant Bank Limited solely for the information of users who are expected to make their own investment decisions without undue reliance on any information or opinions contained herein. The opinions contained in the report should not be interpreted as an offer to sell, or a solicitation of any offer to buy any investment. FSDH Merchant Bank Limited may invest substantially in securities of companies using information contained herein and may also perform or seek to perform investment services for companies mentioned herein. Whilst every care has been taken in preparing this document, no responsibility or liability is accepted by any member of the FSDH Merchant Bank Limited for actions taken as a result of information provided in this publication.*