

Standard Bank



# AFRICA TRADE BAROMETER

Highlights  
of the current  
cross-border  
trade landscape  
in Nigeria



**Nigeria**  
COUNTRY FOCUS

# EXECUTIVE SUMMARY

Being Africa's largest bank, Standard Bank (trading in Nigeria as Stanbic IBTC Bank) has leveraged its presence and expertise across the continent to create the Stanbic IBTC Bank Africa Trade Barometer (SB ATB). The SB ATB was launched in 2022 with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade. Availability of trade data remains a challenge across Africa and the SB ATB aims to fill part of this data gap through up-to-date survey data on the views of African businesses on the environment they operate in, their trade behaviour, trading activities and their perceptions on trade.

**This is Issue 3 of the SB ATB.** The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

**In order to construct the SB ATB index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources.** These thematic categories are trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy and traders' financial behaviour.

**From a primary data perspective, the Stanbic IBTC Bank Firm Survey Trade Barometer (SB STB) is constructed.** The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with over 2,500 businesses across the 10 countries of interest.

**From a secondary research perspective, the Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed.** The SB QTB scores and ranking by

country are the averages of all the selected indicators collected only from existing secondary data sources.

**The SB ATB is an aggregate of the SB QTB and the SB STB.**

**This is the country report for Nigeria. It contains analysis of the primary and secondary data gathered specifically for Nigeria between March and May 2023 and showcases trends and opportunities in trade within the country.**

**Nigeria has gone up four positions from position 8 to position 4 in the overall SB ATB.** This improvement is due to the fact that the country improved in both the SB QTB and SB STB rankings. In the SB QTB ranking, Nigeria went up from position 7 to position 4, while in the SB STB ranking, the country improved from position 8 to position 5 due to significant improvements in its business confidence score and perceptions on ease of trading with foreign markets.



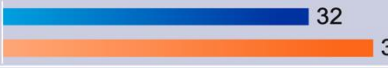


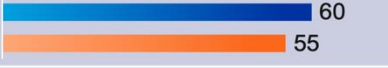
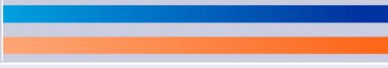
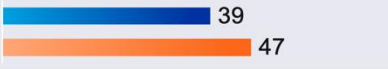

**Nigeria has improved in the overall SB ATB ranking by 4 positions from position 8 in September 2022 to position 4**

The table below shows Nigeria's relative performance in the seven broad thematic categories of the SB ATB



Lagos Port Complex Source: Nigerian Ports Authority ([nigerianports.gov.ng](http://nigerianports.gov.ng))

SB STB ranking for Nigeria across seven thematic areas

Thematic category	Indicator	Ranking out of 10 countries
Macroeconomic Stability	Business Confidence 	2↑ (+2)
	Government Support on Trade 	9↑ (+1)
Infrastructure	Quality of infrastructure 	8↑ (+1)
	Infrastructure obstacles 	10 (unchanged)
Access to Finance	Access to Credit 	9↑ (+1)
Traders' Financial Behaviour	Credit Terms Extended to Clients 	5↓ (-3)
	Credit Terms Advance from Suppliers 	4↓ (-1)
Foreign Trade	Ease of Trade 	2↑ (+7)
Trade Openness	Challenges/Barriers Impacting Trade 	8↑ (+1)

■ Sep'22 ■ May'23

Note: All indicators have an index score ranging from 0 to 100, where 0 represents a low score and 100 the highest score.

**Nigeria’s overall macroeconomic conditions are average, with a negative outlook.** As such, Nigeria’s tradability attractiveness is moderately negatively impacted by her macroeconomic conditions. Nigeria is a large market, hence its relatively high GDP has a positive impact on its tradability attractiveness. However, the country remains marred by foreign exchange rate volatility and lingering foreign currency liquidity challenges, therefore negatively impacting the country’s tradability attractiveness. At the same time, challenges in the oil sector (the possible decline of oil prices combined by a decline in oil production observed in recent years) have dampened Nigeria’s economic outlook for 2023.

**Business confidence among Nigerian businesses is high relative to the other 9 markets in the SB ATB.**

Nigeria has a business confidence score of 68, above the average of SB ATB markets of 58. This score is an improvement from 58 recorded in the September 2022 Issue of the SB ATB. For this reason, Nigeria’s ranking with regards to business confidence increased from position 4 in September 2022 to position 2 in this iteration of the survey (**see the table above**). Nigerian businesses are confident as they anticipate the opening of Africa’s largest oil refinery in May 2023 will resolve some of the country’s energy crisis and boost economic performance as oil production is expected to increase in the future.<sup>1</sup> Surveyed businesses (44%) are hopeful the economy will improve riding on the implementation of pro-business policies implemented by the new Government administration such as the removal of the

<sup>1</sup> AP News, 2023. Available [here](#)

fuel subsidy thus reducing the huge burden on Nigeria's ability to service its debts, and improved security concerns.

**The positive perception among surveyed Nigerian businesses on the Government's role in supporting cross-border trade improved from a score of 39 to 46.**

This is most likely a reflection of the implementation of the foreign exchange unification policy aimed at addressing foreign currency shortages by promoting transparency and reducing the reliance on the parallel market, as businesses stated foreign currency shortages as an area they require Government support to boost their cross border activities. That said, the score of 46 remains below the average of SB ATB markets of 53, resulting in Nigeria taking the 9th position. This score reflects mixed sentiments whereby 30% (an increase from 22% in September 2022) of the surveyed businesses feel the Government is supportive of their cross-border trading activities while 38% (a decrease from 45% in September 2022) of the businesses felt the government was not supportive.

**With regards to infrastructure, although improving, the perceived quality of infrastructure in Nigeria remains poor.**

The state of the country's power supply is perceived particularly poorly and represents a significant obstacle to business as 79% of surveyed businesses identified power outages as a major obstacle to their operations. The economic losses accrued by Nigerian businesses as a result of power outages are estimated to be USD 29 billion per year.<sup>2</sup> To resolve this issue, the Electricity Act was passed which allows private investment in Nigeria's power sector.<sup>3</sup> In addition, the Government has licensed two distribution companies that will run on solar as well as providing tax incentives to deepen private sector participation in the solar sector.<sup>4</sup> This is expected to increase electricity generation in the country.

**Businesses view the environment for obtaining credit as becoming more favourable, reporting a 9-percentage point increase between September 2022 and May 2023 in the overall access to credit indicator.**

This is despite the upward adjustments made to the Central Bank rate, which reached 18% in May 2023. According to surveyed businesses, the positive change is a reflection of less restrictive loan clearance requirements and increased access to a wider range of funding products tailored to their specific business needs. However, the ease of access and utilisation of credit is more prevalent among larger businesses compared to small businesses as they still face challenges in accessing credit.

**Obstacles constraining cross-border trade for Nigerian businesses when engaging with other African countries are mainly infrastructure-related.** Surveyed businesses reported power outages (60%) and road infrastructure (56%) to be severe factors limiting their capacity to trade with other African countries. These factors significantly increase the cost of production and logistics for Nigerian exporters, making it difficult for Nigerian exports to be competitive in foreign markets. As a result, Nigeria ranks 8th in the SB ATB barriers to trade indicator (**see the table above**). This indicates that relative to most other SB ATB markets, Nigerian businesses find it more difficult to trade with other African countries.

**Despite these obstacles to trade, Nigerian businesses' perceptions of the ease of trading with other African countries is improving, ranking 2<sup>nd</sup> in May 2023 from 9<sup>th</sup> in September 2022 (see table above).** This is because businesses find trading procedures less restrictive (24%), have experienced lower trading taxes (8%) and have been positively impacted by growing trade relations between countries (7%). As a result, relative to other countries, Nigerian businesses find it easier to trade with other countries.

**Nigeria is one of the 54 signatories to the African Continental Free Trade Agreement (AfCFTA).** Awareness of the AfCFTA amongst surveyed Nigerian businesses has improved, increasing to 35% in May 2023 from 24% in September 2022. However, a lot more work has to be done to sensitise businesses on AfCFTA as Nigerian businesses fall behind countries such as South Africa in terms of awareness.

**In conclusion, one aspect that will be interesting to track in future issues of the SB ATB in Nigeria is the exchange rate unification policy and the Electricity Act, and their effects on businesses going forward.** As already highlighted, in this issue of the SB ATB, exchange rate volatility and foreign currency shortages have been detrimental to Nigeria's macroeconomic environment and the cross-border trade activities of businesses. At the same time, the state of the power supply is a significant obstacle that constrains the capacity of businesses to operate. Therefore, with the unification of the exchange rates, the passing of the Electricity Act and the opening of Africa's largest oil refinery it will be interesting to assess the impact of these changes on the operating environment, and hence the perceptions of businesses.

<sup>2</sup> Olayinka, 2021. Available [here](#)

<sup>3</sup> Akoni, 2023. Available [here](#)

<sup>4</sup> Gupta, 2023. Available [here](#)

# 1. INTRODUCTION

**Being Africa's largest bank, Standard Bank (trading in Nigeria as Stanbic IBTC Bank) has leveraged its presence and expertise across the continent to create the Stanbic IBTC Bank Africa Trade Barometer (SB ATB).**

The SB ATB was conceived with the intent of creating Africa's leading trade index to address the information vacuum of reliable African trade data and to support and enable the growth of intra-Africa trade.

## Definition of trade in the context of the SB ATB

Trade—in the context of the SB ATB—should be understood as the process of production and transfer of goods and services that is enabled by solutions that effectively connect the supply chain domestically and internationally to create economic value.

**Launched in 2022, this is Issue 3 of the SB ATB.** Issue 1 and Issue 2 were published in June 2022 and November 2022 respectively. The SB ATB focuses on 10 countries: Angola, Ghana, Kenya, Mozambique, Namibia, Nigeria, South Africa, Tanzania, Uganda and Zambia.

**The objective of the SB ATB is to provide dynamic and insightful analysis that can intelligently inform and grow Africa's trade ecosystem.** Updated annually, the data enables stakeholders to take the pulse of African trade in near real-time to measure improvements or declines in business confidence, track operational challenges and identify shifts in overall tradability. To do so, the SB ATB covers seven broad thematic categories of data that impact on trade. These are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy and traders' financial behaviour. These are the seven variables on which the trade barometer scores for each country are constructed.

**The SB ATB is based on primary and secondary data sources.** Primary research is gathered through a survey of over 2 500 firms representing small businesses, large businesses and corporates across the 10 countries.<sup>5</sup> The survey is augmented by in-depth interviews (IDIs) with select thought leaders in respective countries, and secondary data

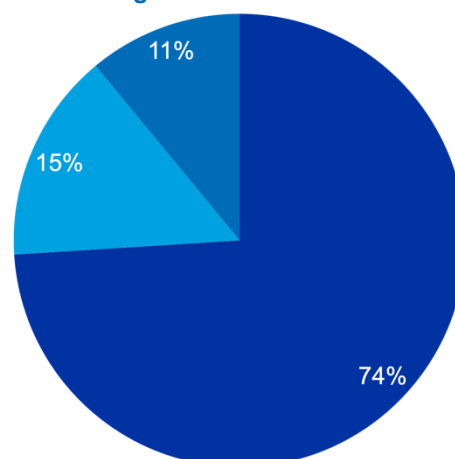
<sup>5</sup> The business size definitions by turnover bands, as used in the context of the SB ATB, can be found in the 'About the Research' section later in this report

from sources such as the World Bank, the International Monetary Fund (IMF) and central banks of the respective countries.

**This is the country report for Nigeria.** It contains analysis of the primary and secondary data gathered specifically for Nigeria, and showcases trends and opportunities in trade within the country. Primary and secondary data was gathered in Nigeria between March and May 2023 for this third issue of the SB ATB.

**A total of 289 businesses were surveyed in Nigeria.** In order to be representative, the majority of these (74%) were small businesses (see **Figure 1**) given that most businesses in the country fall in this category. The reader should bear this in mind as it has a commensurate impact on the insights highlighted in this report. The surveyed businesses were located in Lagos, Abuja, Port Harcourt, Ibadan, Kano, Kaduna, Aba and Onitsha.

**Figure 1: Breakdown of surveyed businesses in Nigeria by business segment**



■ Small business ■ Large business ■ Corporate

Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

**The fact that the majority of surveyed businesses were small businesses is the central value-add of the Stanbic IBTC Bank Africa Trade Barometer (SB ATB).** Aggregate trade data and information on the African continent is skewed by large businesses who trade specific commodities in large volumes. The trading activities and behaviour of small businesses is therefore not adequately represented. The SB ATB is different because, due to the underlying sample composition being majority small businesses, the emphasis

and findings relate to small businesses, their trade behaviour, trading activities and their perceptions on trade. The SB ATB also makes a contribution in understanding the trade perceptions of small businesses in Africa that do not necessarily engage in cross-border trade. This is important because this understanding is helpful in the quest for Africa to transform herself from a poorly integrated trade environment to more trade integration where a large diversity and scope of the overall economy trades with each other.

**Because of the intentional bias of the SB ATB on smaller businesses, the reader may notice that in certain instances the survey findings may differ from data at the aggregate level.** This is to be expected as in many cases data at the aggregate level (from sources such as the Statistics Bureaus of individual countries, World Bank, etc.) is skewed by a few large businesses (multinationals, etc.) that trade large volumes of specific commodities. This is pointed out in the report, as relevant.



Blue Containers

## 2. STANBIC IBTC BANK AFRICA TRADE BAROMETER ISSUE 3 COUNTRY RANKINGS

**Nigeria has gone up four positions in the Stanbic IBTC Bank Africa Trade Barometer ranking, from position 8 to position 4**

**In order to construct the Stanbic IBTC Bank Africa Trade Barometer (SB ATB) index rankings, seven broad thematic categories of data are collected from both primary and secondary data sources.** These thematic categories are: trade openness, access to finance, macroeconomic stability, infrastructure, foreign trade, governance & economy and trade financial behaviour.

**From a secondary research perspective, the Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) is constructed.** The SB QTB scores and ranking by country are the averages of all the selected indicators

**There were three IDIs conducted in Nigeria as part of this third issue.** One interview was with a representative from the Manufacturers Association of Nigeria, another with a representative from the Small and Medium Enterprises Development Agency of Nigeria, and finally with a representative from the Nigerian Export Promotion Council.

**Please note that although this is Issue 3 of the SB ATB and hence there are three data points for all variables from the surveys conducted so far (January 2022, September 2022 and now May 2023), this report predominantly compares September 2022 and May 2023 data points in most cases.** This is done for ease of analysis and comparison with recent market trends in order to make contextual sense of the data. That said, all data points from the last three surveys of the SB ATB are available on request.

collected only from existing secondary data sources / reported facts.

**From a primary data perspective, the Stanbic IBTC Bank Firm Survey Trade Barometer (SB STB) is constructed.** The SB STB scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

**The SB ATB is an aggregate of the SB QTB and the SB STB.** Changes in a country's ranking on the three indices (SB ATB, SB QTB and SB STB) are driven by changes in both the aggregate score for that country, as well as their

relative ranking against the other countries included. Changes in the SB ATB rankings over the past 6 months, are driven mostly by the changes in the SB STB scores.

**It is important to emphasise that the SB ATB ranking of countries is relative to the 10 countries themselves. In other words, countries are ranked against each other i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.**

**Nigeria has gone up four positions from position 8 to position 4 in the SB ATB** (see Figure 2). This improvement is due to the fact that the country improved in both the SB QTB and SB STB rankings. In the SB QTB ranking, Nigeria went up from position 7 to position 4, while in the SB STB ranking, the country improved from position 8 to position 5.

**Nigeria’s improvement in the SB STB ranking is due to significant improvements in its business confidence score (businesses have relatively more confidence in the performance of the economy in relation to business in the medium-term), and businesses’ perceptions with regards to ease of access to credit in the country and the Government’s support to trading activities.**

The rest of this report unpacks Nigeria’s performance in the Stanbic IBTC Bank Africa Trade Barometer Issue 3 from both a primary and secondary research perspective, in line with the seven broad thematic areas referenced earlier.

Figure 2: ATB, QTB and STB ranking, by country



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

Notes: All values are shown so that a higher value is 'better' for trade, with the best to least ranking economies being ranked 1, 2, 3, etc., and how this has changed over time | Red border indicates that the country has declined in the relevant ranking from September 2022, Green border indicates that the country has improved in ranking from September 2022, while Grey border indicates that the country has remained in the same position as in September 2022.

## 3. MACROECONOMIC ENVIRONMENT

### Nigeria's macroeconomic conditions have a moderate impact on her tradability attractiveness

A country's macroeconomic environment plays an important role in how attractive it is with regards to trading activities. A country has a high tradability attractiveness if it is characterised by: high GDP (many goods and services are produced in the country); high GDP per capita (residents have a high spending power); stable inflation (a stable local currency so that it does not disadvantage importers, for instance); high foreign direct investment (FDI) (generally conducive for business and investment); high merchandise trade as a percentage of GDP (imports and exports are high); and so on.

As part of the calculation of the SB QTB, a tradability attractiveness score is calculated for each country using relevant macroeconomic indicators, including those highlighted in Table 1. The three-year average (2020, 2021 and 2022) of each relevant indicator in a country is first normalised<sup>6</sup> which allows for the relative impact of each indicator on overall tradability attractiveness to be compared and converted to a score. The same macroeconomic indicators can be used to understand the macroeconomic environment of a country, which is done in this section of the report.

Macroeconomic conditions in Nigeria are improving although negatively affected by continued low (albeit recently rising) oil production, and scarcity of foreign currency reserves to support cross-border trade.

Nigeria's overall macroeconomic conditions are average with a negative outlook, hence having a similar impact on her tradability attractiveness (see Table 1). The economy is recovering from the worst effects of the Covid-19 pandemic, evidenced by increasing GDP, real GDP growth rate and FDI net inflows, although a decline was noted in 2022. These factors have a positive impact on Nigeria's tradability attractiveness. However, foreign exchange rate volatility and lingering foreign currency liquidity challenges are negatively impacting the country's tradability attractiveness. Similarly, rising inflation, which will likely constrain consumer demand due to increased cost of living, has an equally negative impact. In addition, political uncertainty resulting from the February 2023 election, and weaknesses in the oil sector dampen Nigeria's economic outlook for 2023.<sup>7</sup>

**Table 1: Nigeria's macroeconomic indicators and their impact on tradability attractiveness**

Variable	2018	2019	2020	2021	2022
GDP (current USD)	USD 422 billion	USD 448 billion	USD 432 billion	USD 441 billion	USD 477 billion
Real GDP growth (%)	1.9%	2.2%	-1.8%	3.6%	3.3%
Inflation (annual, period average, %)	12.1%	11.4%	13.2%	17.0%	18.8%
Lending interest rate (%)	16.9%	15.4%	13.6%	11.5%	12.3%
Exchange rate (NGN:USD, period average)	306.1	306.9	358.8	409.4	426.0
FDI net inflows (BoP, current USD)	USD 775 million	USD 2 billion	USD 2 billion	USD 3 billion	USD -186 million
Merchandise trade (% of GDP)	25%	26%	17%	22%	24%
Imports of goods & services (% of GDP)	18%	20%	8%	12%	12%
Exports of goods & services (% of GDP)	16%	14%	8%	11%	14%

Source: National Bureau of Statistics; United Nations Comtrade

Note: Some percentages and figures are rounded to the nearest whole number

<sup>6</sup> Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

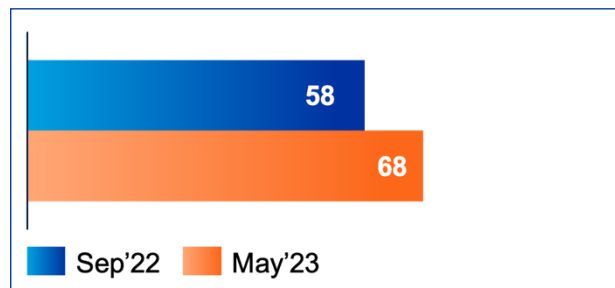
<sup>7</sup> AfDB, 2023. Available [here](#)



# 4. MACROECONOMIC STABILITY

Business confidence in the economy has improved significantly despite adverse macroeconomic conditions

Nigeria's business confidence index score



Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence. In the May 2023 SB ATB survey results, Nigeria's business confidence index score increased from 58 to 68. This means that compared to September 2022, surveyed businesses in Nigeria had more confidence in the performance of the economy in relation to business in this iteration of the survey.

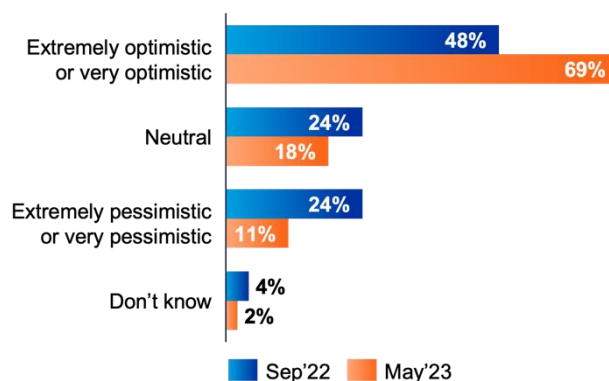
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Despite the current negative economic outlook, Nigerian businesses are optimistic about the future performance of the economy in relation to business in the medium-term (see Figure 3). 69% of the surveyed businesses are optimistic about Nigeria's economic performance over the next three years. This is a significant increase relative to the September 2022 survey results, whereby 48% of the businesses were optimistic. Similarly, the proportion of businesses with negative sentiments over the performance of the economy decreased to 11% from 24%. The sharp increase in business confidence in Nigeria is likely a reflection of the anticipated benefits from opening of Africa's largest oil refinery in the country such as resolving the country's energy crisis and boosting economic performance as oil production is expected to increase.<sup>8</sup>

**69%** of surveyed businesses are optimistic about the future performance of the economy, a sharp increase from 48% despite lower economic growth

Figure 3: Outlook of businesses on the performance of the Nigerian economy over the next three years

Question: Please indicate how you feel about the performance of the economy in relation to business in the next 3 years.



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

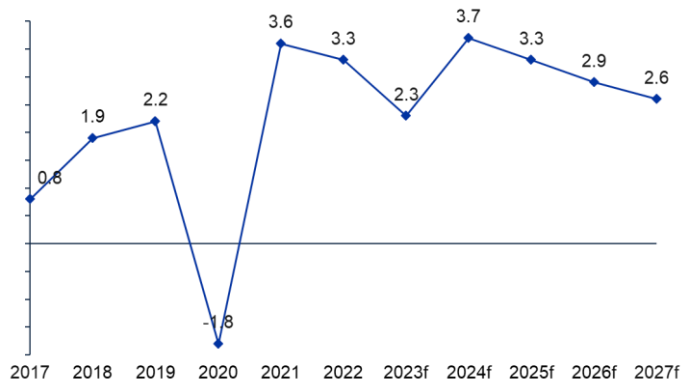
This optimism among businesses is within the context of a relatively difficult macroeconomic environment. Although the Nigerian economy has recovered from the worst effects of the Covid-19 pandemic—with moderate real GDP growth projected over the next 5 years (see Figure 4)—other macroeconomic factors are not as promising. The country's macroeconomic environment has been impaired by high inflation, political uncertainty from the February 2023 election, weaknesses in the oil sector and payment problems caused by the Central Bank of Nigeria's (CBN) Naira redesign policy which is expected to adversely affect trade and commerce activities in the short-term.<sup>9</sup> However, the central bank is implementing various monetary policy tools to reduce money in circulation that are expected to reduce headline inflation to below 15% by the end of 2023.<sup>10</sup> These tools include increasing monetary policy rates. This could explain the optimism expressed by businesses.

<sup>8</sup> AP News, 2023. Available [here](#)

<sup>9</sup> Fitch Solutions, 2023. Available [here](#)

<sup>10</sup> The Sun, 2023. Available [here](#)

**Figure 4: Real GDP growth (% , 2017 - 2027)**



Source: Fitch Solutions; National Bureau of Statistics; IMF  
 Note: 'f' represents forecasted data points

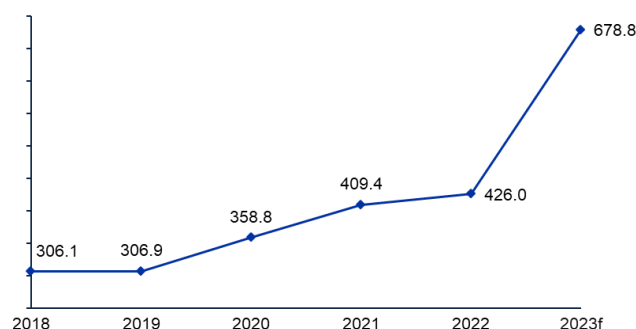
**Businesses with optimistic views believe the performance of the Nigerian economy will be positively affected by a change in government administration.** Nigeria has been marred by security issues, particularly due to police brutality, the nefarious activities of armed bandits, the persistent threat posed by Boko Haram and its breakaway faction, Islamic State West Africa Province (ISWAP), in the northeast parts of Nigeria.<sup>11</sup> However, with the change in government, security concerns have improved resultant of security reforms and an increased budget to curb violent acts. Moreover, several pro-business policies have been implemented.<sup>12</sup> These include the removal of the fuel subsidy which is expected to reduce the huge burden on Nigeria’s ability to service its debts, and the signing of the electricity bill which authorises states, companies and individuals to generate, transmit and distribute electricity in an attempt to solve the country’s electricity supply crisis.<sup>13</sup> As such 44% of businesses are hopeful that the new administration will implement policies that will boost economic growth. In addition, the recent (June 2023) implementation of the foreign exchange unification policy aimed at addressing foreign currency shortages by promoting transparency, reducing the reliance on the parallel market, and aligning the Naira’s value with its official exchange rate will likely increase businesses confidence further in the near-future.<sup>14</sup>

**The results of the May 2023 survey coincide with the findings of the Stanbic Purchasing Managers’ Index (PMI) indicating an improvement in business sentiments in May 2023.** The PMI index for May 2023 was 54.0, up from 53.8 in April 2023, signalling a solid improvement in business

conditions from the worst of the cash crisis in the first quarter of the year. In May 2023, the Nigerian private sector continued its recovery from the cash crisis, as access to money improved and business conditions returned to normality. As a result, businesses saw an increase in customer numbers which enabled firms to secure greater volumes of new orders in May.<sup>15</sup>

**On the other hand, the majority of the pessimistic businesses (34%) are of the view that macroeconomic conditions will continue to impair the country’s growth prospects.** Nigeria’s economy is highly dependent on the oil sector, which provides approximately 90% of export earnings and 50% of government revenue.<sup>16</sup> Growth in the oil sector output declined in 2022 by 19% owing to reduced crude oil production and supply, thus adversely affecting the country’s economic performance.<sup>17</sup> With a decline in oil production, the Naira has been gradually weakening since June 2022, having lost 10% of its value against the US dollar to reach NGN 460 / USD in early February 2023 (see **Figure 5**).<sup>18</sup> The continuous dwindling crude oil sales and generally poor and unstable export earnings has slowed down foreign reserves accretion and widened the foreign exchange supply gap thereby putting pressure on the exchange rate.<sup>19</sup> In addition, fuelled by global inflation as a result of the Ukraine-Russia conflict, domestic inflation has been on the rise, reaching 22.4% in May 2023 compared to 17.7 the previous year. Therefore input costs continued to rise sharply, leading to corresponding increases in output prices. Thus dampening business sentiments as the cost of living continue to rise.<sup>20</sup>

**Figure 5: Foreign exchange (NGN: USD, 2017 - 2023)**



Source: Central bank of Nigeria; African Markets Revealed Report  
 Note: 'f' represents forecasted data point

**The majority of Nigerian businesses (93%) expect their revenue to increase over the forthcoming year (see Figure**

<sup>11</sup> RUSI, 2023. Available [here](#)

<sup>12</sup> Punch, 2023. Available [here](#). | Reuters, 2023. Available [here](#).

<sup>13</sup> This Day, 2023. Available [here](#)

<sup>14</sup> Forbes Africa, 2023. Available [here](#).

<sup>15</sup> SP Global, 2023. Available [here](#).

<sup>16</sup> Coface for Trade, 2023. Available [here](#)

<sup>17</sup> Fitch Solutions, 2023. Available [here](#). | National Bureau of Statistics, 2023, Available [here](#).

<sup>18</sup> KPMG, 2023. Available [here](#).

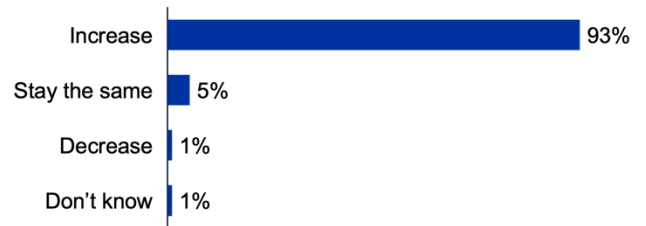
<sup>19</sup> CBN, 2022. Available [here](#)

<sup>20</sup> SP Global, 2023. Available [here](#).

6). Businesses attributed their expectations to increased demand and sales for their goods and services, more efficient operations and availability of capital and financial stability. This confidence also reflects the waning impact of the Covid-19 pandemic on business operations. At the same time, the optimism despite adverse conditions highlights that businesses in Nigeria have managed to adapt and operate in such unfavourable conditions.

**Figure 6: Businesses revenue expectations over the next year**

Question: Thinking ahead, do you expect business turnover to increase, decrease or remain the same



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

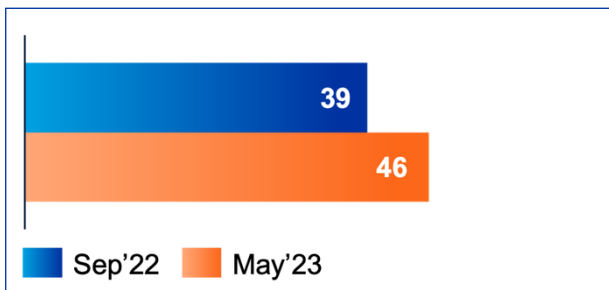


Road in PL, Nigeria, Photo by Kureng Workx

## 5. GOVERNMENT SUPPORT

### Perceptions of government support on trade remain mixed

#### Nigeria's government support index score



Government support index can vary between 0 and 100, where 0 indicates an extreme lack of Government support, 50 neutrality and 100 extreme Government support. In the May 2023 SB ATB survey results, Nigeria's Government support index score increased from 39 to 46. This means that compared to September 2022, surveyed businesses in Nigeria feel the Government has been more supportive of cross-border trade activities in this iteration of the survey.

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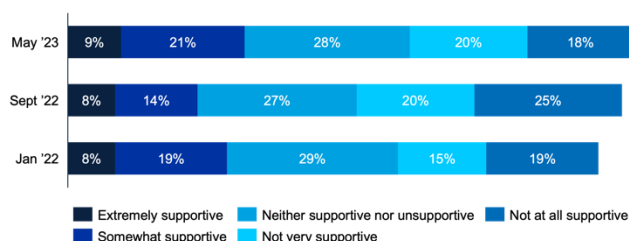
**Businesses in Nigeria continue to have mixed (both positive and negative) views on the role the Government is currently playing to support cross-border trade activities** (see Figure 7). 30% of the surveyed businesses stated that the Government was supportive (either somewhat supportive or extremely supportive) of their cross-border trading activities while 38% of the businesses felt the government was not supportive. These mixed perceptions are not surprising. The Government has been implementing incentives to promote non-oil exports (such as agricultural products) to its major trade partners, in an attempt to curb

Nigeria’s overreliance on oil exports.<sup>21</sup> The new administration has also taken several steps such as the deployment of the military to the Southeast region of the country to ensure a peaceful environment that is conducive for businesses to engage in cross-border trade. On the other hand, the Nigerian macroeconomic environment continues to be marred by inadequate access to foreign exchange and high foreign exchange volatility to major currencies which limits cross-border trade.<sup>22</sup>

**30%** of surveyed businesses find the Nigerian Government supportive of cross border trade, an 8-percentage point increase from September 2022.

**Figure 7: The extent the Government has supported cross-border trade activities as identified by businesses**

Question: Please indicate how supportive your government is with regards to cross-border trading activities.



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

**Larger businesses have a more positive perception of the Government’s support for cross-border trade relative to smaller businesses.** In the May 2023 survey, 38% of corporates and 32% of big businesses reported that the Government was supportive (either somewhat supportive or extremely supportive) of their cross-border trading activities, compared to 29% of small businesses. This difference may be explained by larger businesses having better access to information about Government programs, more resources and capacity to navigate complex regulatory environments and Government support being more accessible and tangible to larger businesses.

**Taxation and customs duty are the key areas Nigerian businesses require Government support to boost cross-border trade.** Businesses find taxes and customs duty on

imports high, thus impeding their ability to engage in cross-border trade. However, it is unlikely the Nigerian Government will lower taxes and customs duty considering recent actions to improve its fiscal deficit. In June 2023, Nigeria’s new Government removed the fuel subsidy - which is expected to increase Nigeria’s revenue and further narrow the fiscal deficit to below 5% of GDP in 2023 / 24.<sup>23</sup> On the downside, the removal of the fuel subsidy has adversely affected transport and food prices, thus increasing inflationary pressures further.<sup>24</sup>

**Another key area businesses in Nigeria require Government support is the customs clearance process.**

Delays associated with customs procedures have a significant negative impact on imports and exports. They increase the cost of trade for businesses and the government, damaging Nigeria’s international competitiveness. In addition, businesses stated there is lack of clarity on customs payable. This increases time taken to move goods between borders as businesses incur additional time delays to rectify the amount of duty payable with authorities. Businesses also stated that they would benefit from the Government implementing appropriate non-tariff barriers to protect local businesses.

**A shortage of foreign currency impedes the ability of businesses to engage in cross-border trade.** Over the years, Nigeria’s foreign reserves have been declining on the back of low oil production and tough financial market conditions due to monetary policy tightening by global central banks, thus making it difficult for the Government to provide businesses with adequate foreign currency liquidity necessary to support cross-border trade. However, with the abolishment of multiple parallel exchange rates that has reduced the gap between the official rate and black market rates, exports will likely increase in the near-future. In addition, the central bank of Nigeria (CBN) issued further guidance in June 2023 on operational changes to foreign exchange market allowing domiciliary account holders to use cash deposits or electronic transfer up to USD 10,000 per day.<sup>25</sup> These changes are expected to promote transparency, liquidity and price discovery in the forex market in order to improve foreign currency supply, discourage speculation, enhance customer confidence and ensure overall stability in the forex market. This has a positive impact on cross-border trade, and will likely improve sentiments on Government Support in the near future.

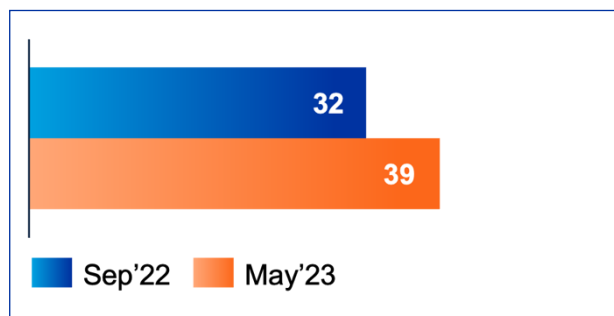
<sup>21</sup> IMF, 2023. Available [here](#)  
<sup>22</sup> CBN, 2022. Available [here](#)  
<sup>23</sup> AfDB, 2023. Available [here](#)

<sup>24</sup> Business Day, 2023. Available [here](#).  
<sup>25</sup> Radio Nigeria, 2023. Available [here](#).

# 6. INFRASTRUCTURE CONSTRAINTS AND ENABLERS

Although improving, the perceived quality of infrastructure in Nigeria remains poor

Nigeria’s quality of trade-related infrastructure index score



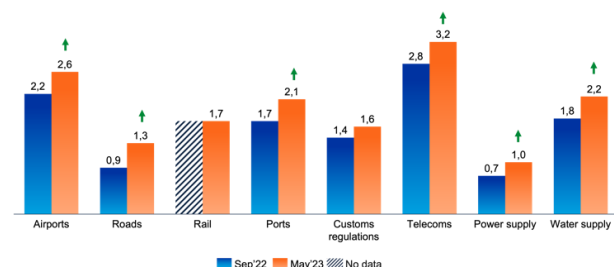
The quality of trade-related infrastructure index can vary between 0 and 100, where 0 indicates poor quality, 50 indicates fair quality and 100 indicates excellent quality. In the May 2023 SB ATB survey results, Nigeria’s quality of trade-related infrastructure index score improved from 32 to 39.

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On average, the perceived quality of infrastructure by surveyed Nigerian businesses improved relative to September 2022. This average increase in the perceived quality of infrastructure was driven by significant increases in the perceived quality of the country’s airport, road, port, telecommunications, electricity and water infrastructure (see Figure 8).

Figure 8: The perceived quality of various infrastructural aspects by businesses (5-point scale)

Question: How would you rate the quality of each of the following aspects in your market?



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3.  
 Note: Rating is on a 5-point scale, where 5 = excellent quality and 1 = poor quality. Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.

However, the perceived quality of infrastructure remains poor in general. Almost every infrastructural aspect was identified by Nigerian businesses to be of poor quality (see Figure 8). Insights from the interviews reveal that these severe infrastructural deficiencies significantly increase production costs for Nigerian businesses, and thereby undermine the ability of Nigerian exports to be competitive relative to goods from other markets in terms of price.<sup>26</sup>

“The major challenge in the non-oil export sector is infrastructural problems which result in our products not being competitive. For example, we did a study where we found that movement of goods in Nigeria adds 27% to the cost of production. When you add 27% to the cost of production, how are you going to be competitive?”

Representative from the Nigeria Export Promotion Council

The state of the country’s power supply is perceived particularly poorly and represents a significant obstacle to businesses. The state of the power supply was identified as the most poorly perceived infrastructural aspect by Nigerian businesses (see Figure 8) and the largest infrastructure obstacle constraining their operations (79% of surveyed businesses identified power outages as a major or severe obstacle to their operations). Power outages result in significant downtime in production for Nigerian businesses, resulting in foregone sales and reduced income. Insights from the interviews suggest that in the absence of stable electricity supply from the national grid, many businesses use generators for production purposes. This results in significant additional operational expenditure due to diesel purchases that are often at exorbitant prices which disproportionately affect small businesses.<sup>27</sup> The economic cost of these outages for businesses is stark, with the losses

<sup>26</sup> Representative from the Manufacturers Association of Nigeria

<sup>27</sup> Representative from the Manufacturers Association of Nigeria

accrued to Nigerian businesses amounting to USD 29 billion per year.<sup>28</sup>

**79%**

*of surveyed businesses feel that power outages are a major or severe obstacle to their operations.*

**“The poor supply of energy significantly increases the cost of production for Nigerian businesses. Some factories are not even connected to the national grid and only use generators.”**

*Representative from the Manufacturers Association of Nigeria*

**Despite persistent issues, progress is being made to address issues around the state of the power supply.**

The recently passed Electricity Act aims to stimulate private investment in Nigeria’s power sector to break the monopoly in the generation, transmission and distribution of electricity.<sup>29</sup> In addition, the Government is also looking to increase the share of renewables in the energy mix through initiatives such as licensing two distribution companies that will run on solar as well as providing tax incentives to deepen private sector participation in the solar sector.<sup>30</sup>

**The country’s road and port infrastructure are significant constraints on the operations of Nigerian businesses**

**and are perceived to be of poor quality** (see **Figure 8**).

The country’s poor quality road infrastructure increases businesses’ distribution costs and limits their market access, particularly to neighbouring African countries.<sup>31</sup> Similarly, the poor perception of Nigeria’s ports by businesses comes during a time where the country’s ports are severely capacity constrained, resulting in congestion within the terminals and on the roads surrounding them.<sup>32</sup> This congestion has prevented the swift movement of goods into and out of major ports which has resulted in heavy delays. This has greatly increased surcharges and operational costs for affected businesses.<sup>33</sup> An intervention that may alleviate some of these issues is the Government’s recently implemented operation to demolish illegal structures around the Apapa Port in Lagos, which is expected to significantly improve access to the port for traders.<sup>34</sup>

**“There are cases where exporters will load containers, and for them to access the port it may take 2 or 3 weeks. There are cases where export products, such as cocoa butter, will melt while trying to gain access to the ports.”**

*Representative from the Nigeria Export Promotion Council*



*Lagos Street - Photo by Joshua Oluwagbemiga on [Unsplash](#)*

<sup>28</sup> Olayinka, 2021. Available [here](#)

<sup>29</sup> Akoni, 2023. Available [here](#)

<sup>30</sup> Gupta, 2023. Available [here](#)

<sup>31</sup> Representative from the Manufacturers Association of Nigeria

<sup>32</sup> Fitch, 2023. Available [here](#)

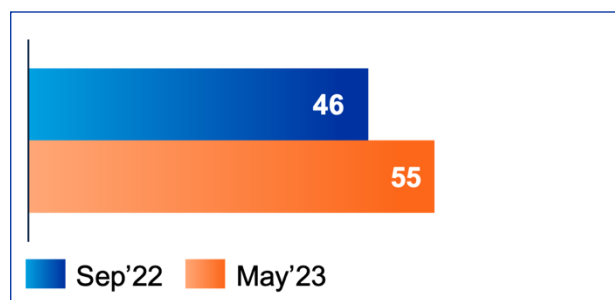
<sup>33</sup> Fitch, 2023. Available [here](#)

<sup>34</sup> Bolaji, 2023. Available [here](#)

# 7. TRADE OPENNESS

**China is an important import partner for smaller businesses in Nigeria, while West African markets are important export partners**

**Nigeria's trade openness index score**

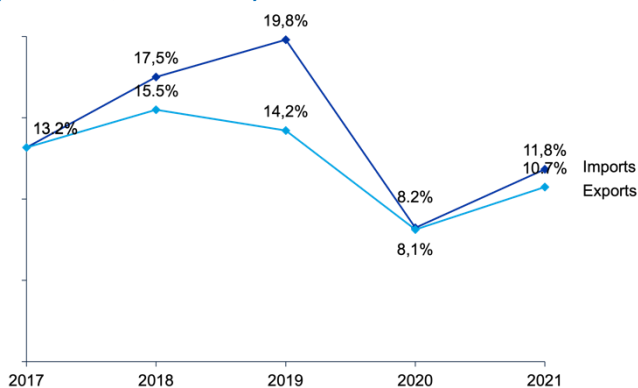


The trade openness index score can vary between 0 and 100, where 0 indicates a high burden of obstacles inhibiting trade, 50 indicates a moderate burden of obstacles inhibiting trade and 100 indicating a low burden of obstacles inhibiting trade. In the May 2023 SB ATB survey results, Nigeria's trade openness index score improved slightly from 46 to 55.

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**A relatively high proportion of businesses surveyed in Nigeria (48%) import their inputs.** For those that import, the majority operate in the diversified industrials sector and purchase their goods from international wholesalers. The relatively large proportion of importers in Nigeria is surprising given data at the aggregate country level where the aggregate value of imports as a share of GDP is low compared to counterparts in Sub-Saharan Africa (see **Figure 9**). This suggests that whilst a large share of businesses in Nigeria import, the value of imports per firm is relatively low.

**Figure 9: Imports and exports (% of GDP, 2017 - 2021)**



Source: World Bank

**The majority of surveyed importers (57%) source their inputs from Asia—particularly China.** Chinese imports also account for the largest share (33%) of the average importer's import basket, suggesting that those businesses who trade with China exhibit deep import relationships with the country. This result reflects data at the country level where China is Nigeria's most significant bilateral import partner, accounting for 29% of all Nigerian imports.<sup>35</sup> Asked why they import from China, the most important factors identified by businesses were the perceived high quality and lower price of Chinese products. Another important factor was the availability of advanced technology or equipment that is not available in other markets. This factor was also raised in the interviews conducted.

*“The advantage of importing from China is that we can access goods that might not be available from Europe or America, particularly electronics and manufacturing equipment.”*

*Representative from Manufacturers Association of Nigeria*

**Other significant import partners are from Europe.** Specifically, 56% of Nigerian importers source inputs from at least one European country, with the most common source markets being Germany and the United Kingdom.

**Imports from the rest of Africa are low.** Only 18% of importers source their inputs from other West African countries. This low level of imports from other West African countries is likely driven by most of Nigeria's land borders being closed in 2019 to reduce smuggling and protect local industry.<sup>36</sup> Similarly, bilateral import relationships with other regions in Africa are scarce. Only 10%, 4% and 1% of Nigerian importers source their inputs from Southern Africa, Central Africa and East Africa respectively. In addition, imports from the rest of Africa occupy only a small proportion (18%) of the average importer's import basket in Nigeria. This low-level of bilateral trade with other African countries is in line with data at the aggregate country level, where

<sup>35</sup> WITS, 2020. Available [here](#)

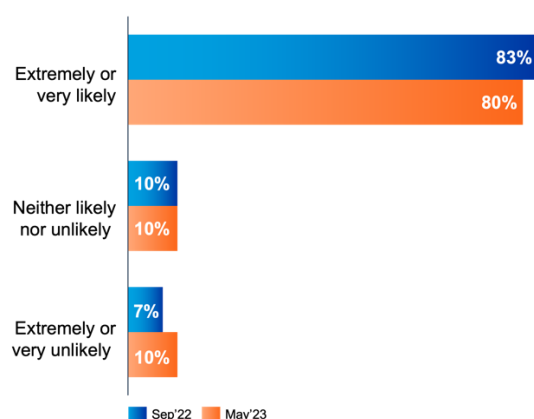
<sup>36</sup> Adeniyi, 2023. Available [here](#)

Nigeria’s total imports from Africa account for only 26% of total foreign imports.<sup>37</sup>

**The majority of importers believe that the volume of their imports will increase over the next two years** (see Figure 10). 80% of Nigerian importers expect the scale of their imports to increase over the next two years, similar to the sentiments shared in September 2022. The importers who hold this sentiment primarily expect the scale of imports from China to increase by an average of 44% of their current volumes. Indeed, these sentiments are supported by Government’s efforts to further strengthen trade and economic relations with China by the end of 2023.<sup>38</sup>

**Figure 10: Importers perceptions on their likelihood to increase import volumes over the next 2 years (%)**

**Question:** How likely are you to increase the volume of imports in the next 2 years?



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3.  
 Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

**Most importers feel that importation-related taxes and customs regulations are an inhibitor on the ability of their business to grow.** Most respondents indicated that importation-related taxes have either a significant negative impact (44%) or moderate impact (37%) on business growth. Importers also feel that import customs are prohibitive, with 44% of respondents indicating them to have a significant negative impact on the capacity of their businesses to grow.

**44%** of surveyed businesses feel that importation-related taxes such as tariffs, negatively impact their ability to grow.

**In terms of businesses selling activity, the majority of businesses only sell their goods locally while only 15% export their goods to foreign markets.** For those businesses that export, the majority operate in the consumer goods sector and primarily sell directly to international end consumers.

**The majority of surveyed traders’ exports are concentrated toward other West African countries.** Nigeria is a member of the Economic Community of West African States (ECOWAS), which has aimed to promote free trade in the region by eliminating customs duties on imports and exports through the ECOWAS Trade Liberalisation Scheme (ETLS).<sup>39</sup> These trade facilitation measures appear to have a material impact on firm export relationships, given that a significant proportion of firm export activity is concentrated toward other West African countries.

Specifically, 73% of surveyed exporters in Nigeria sell their goods to other West African markets - where the most popular destination countries are Ghana (62%), Benin (33%) and Togo (27%). In addition, most exporters have deep existing export relationships with these markets, with roughly 53% of the average exporter’s export basket being sold to other countries in West Africa. This is contrary to aggregate country data where the top five export destinations for Nigerian goods are India, Spain, Netherlands, South Africa and China.<sup>40</sup> This difference is to be expected as much of Nigeria’s exports to these markets are primary products such as oil which are sold by a few large corporations that make up the bulk of exports at the aggregate level. Our sample is, on the other hand, made up of mostly small businesses.

**The majority of surveyed exporters are bullish that the volume of their exports will increase over the next two years** (see Figure 11). Reflecting the aforementioned optimistic sentiments on revenue expectations, 82% of exporters feel that it is likely (either very likely or extremely likely) to increase over the next two years. These businesses primarily foresee a deepening of their already strong export relationship with Ghana; signalling a belief that Ghanaian demand for Nigerian goods will increase or a potential improvement in the facilitation of exports between the two countries over the next two years.

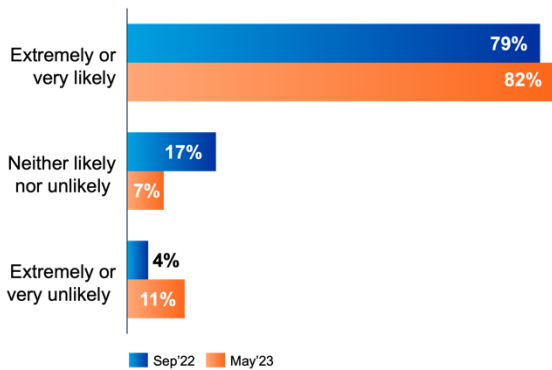
<sup>37</sup> Sasu, 2023. Available [here](#)  
<sup>38</sup> Innah, 2023. Available [here](#)  
<sup>39</sup> ECOWAS, 2021. Available [here](#).

<sup>40</sup> WITS, 2020. Available [here](#)

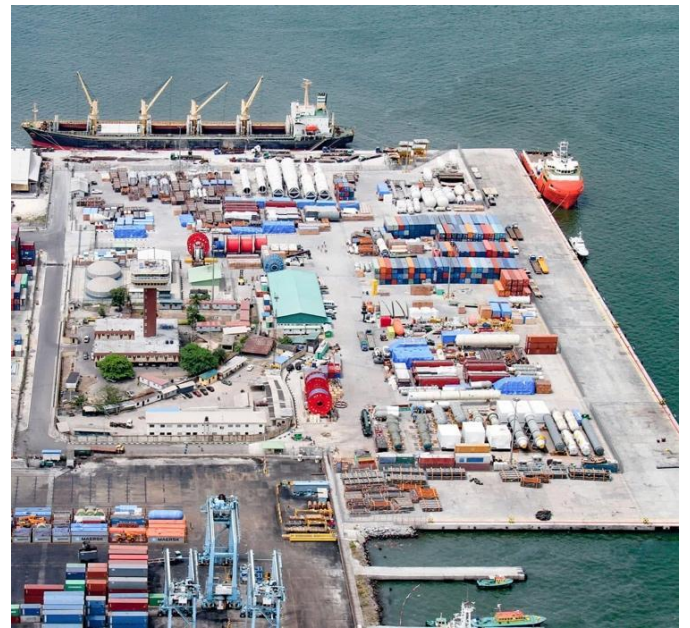


**Figure 11: Exporters perceptions on their likelihood to increase export volumes over the next 2 years (%)**

**Question:** How likely are you to increase the volume of exports in the next 2 years?



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3  
 Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

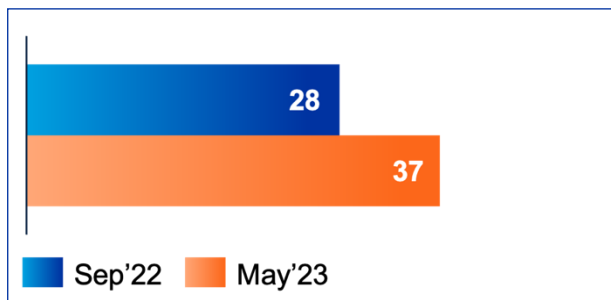


Apapa Port Lagos. Source: Intel Nigeria (intelservices.com)

## 8. TRADERS' FINANCIAL BEHAVIOUR & ACCESS TO FINANCE

Digital payment methods use is growing in Nigeria, as access to finance remains a challenge for smaller businesses

### Nigeria's access to finance index score



Access to finance can vary between 0 and 100, where 0 indicates an extreme difficulty in accessing finance, 50 neutrality and 100 indicates no difficulty in accessing finance. In the May 2023 SB ATB survey results, Nigeria's access to finance index score increased to 37 from 28 in September 2022. This means surveyed businesses in Nigeria found it easier to access finance compared to September 2022.

\*\*\*

**EFTs and international transfers (the direct movement of funds between banks located in different countries) dominate the payments landscape for cross-border transactions in Nigeria.** The two payment methods constitute 70% and 75% of cross-border sales and purchases, respectively. The dominance of digital payment solutions in cross-border trade is partially attributed to the Pan African Payment and Settlement Systems (PAPSS). PAPSS is a central Financial Market Infrastructure (FMI) that reduces the reliance on, and cost of foreign currency for intra-African trade.<sup>41</sup> Nigeria joined PAPSS early on, along with other West African states under the West African states Monetary Zone (WAMZ), participating in the successful PAPSS pilot phase that facilitated instant cross-border payments.<sup>42</sup>

**75%** of surveyed businesses cross-border purchases are facilitated through EFTs and international transfers

<sup>41</sup> Stanbic, Available: [here](#)

<sup>42</sup> The Nation, Available: [here](#)

**EFTs also play a significant role in facilitating domestic transactions for Nigerian businesses.** Surveyed businesses indicated that they use them for 45% of domestic sales and 57% of domestic purchases.

**Cash is the second-most utilised method of payment for domestic transactions in Nigeria.** In February 2023 Nigeria experienced a ‘cash crisis’, characterised by a shortage in cash supply and increased cost of withdrawing cash. The cost of cash withdrawals has risen nearly twenty times in recent months to between 20-30% of each withdrawal. This has significantly impacted the practicality of cash transactions and had a significant impact on the uptake of digital payment methods. EFT volumes settled through the NIBSS Instant Payment Scheme have increased by 226% year-on-year in the first quarter of 2023.<sup>43</sup> Notably, the cash crisis has been relatively stable in recent months, with the new Government confirming that the old Naira note will be accepted as legal tender alongside the new Naira note.

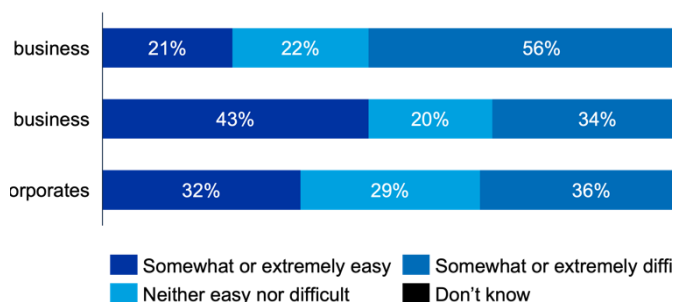
**25%** of surveyed businesses reported accessing credit to be easy in May 2023, compared to 13% in September 2022

**Businesses reported a more favourable environment for obtaining financing (a 12-percentage point increase between September 2022 and May 2023).** This is despite the upward adjustments made to the Central Bank rate, which reached 18% in May 2023. Between September 2022 and May 2023, Nigerian businesses reported positive changes in their perceptions toward financial institution support, attributing it to less restrictive loan clearance requirements and increased access to a wider range of funding products tailored to their specific business needs.

**That said, the ease of access and utilisation of credit is more prevalent among larger businesses. Small businesses still face challenges in accessing credit** (see **Figure 12**). 56% of small businesses reported some level of difficulty in obtaining credit, compared to 34% and 36% of big businesses and corporations, respectively. This disparity is further evident in the uptake of credit arrangements with suppliers, where 84% of corporations indicated such arrangements compared to 57% of small businesses.

**Figure 12: The level of difficulty in accessing credit by business size**

**Question: Please indicate how difficult or easy it is to get credit from a financial institution.**



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3  
 Note: Bars will not add up to 100% as ‘Refused’ has been excluded from the graph

**In terms of support from financial institutions (FIs) in facilitating cross-border trade, businesses highlighted the need for assistance in funding and insuring their goods.** Particularly, businesses emphasised the importance of quicker access to funds, along with flexible loan terms and a general need for FIs to better understand their business operations. Additionally, businesses—especially in sectors like agriculture, health, and property—recognise the need for insurance to effectively manage the growing risks posed by climate change.<sup>44</sup> The devastating floods in 2022, the most severe in over a decade, destroyed over 500,000 hectares of agricultural land, leaving farmers who had accessed financing—including loans exceeding N1 trillion—in a difficult situation regarding their loan repayments.<sup>45</sup>

**“Financial Institutions can offer support through deliberate trade promotion products in their services, whereby manufacturers big or small will have access to the credit facility within the shortest time.”**

*Representative from the Manufacturers Association of Nigeria*

<sup>43</sup> Techcabal. Available [here](#)

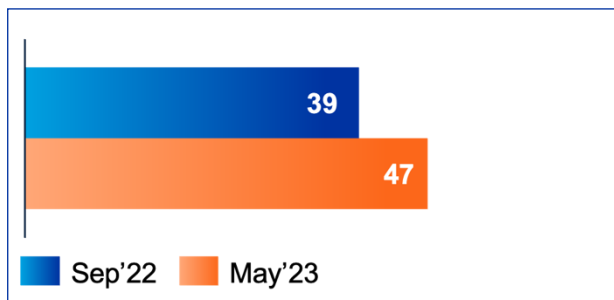
<sup>44</sup> PwC. Available [here](#)

<sup>45</sup> The Union Nigeria. Available [here](#)

# 9. FOREIGN TRADE & TRADING IN AFRICA

Initiatives to create awareness of the AfCFTA appear to be bearing fruit — although trading with the rest of Africa remains low

## Nigeria's ease of trade index score



Ease of trade can vary between 0 and 100, where 0 indicates an extreme difficulty when trading with other countries, 50 neutrality and 100 indicates no difficulty when trading with other countries. In the May 2023 SB ATB survey results, Nigeria's ease of trade index score increased to 47 from 39 in September 2022. This means surveyed businesses in Nigeria found it easier to trade compared to September 2022.

\*\*\*

Nigerian businesses prioritise a partner country's forex rates (24%), regional security (22%), and trade regulations (20%) when considering which partners to conduct cross-border trade with. This explains the strong preference for China as a source of inputs, representing 33% of imports. On the other hand, the survey results indicate that smaller exporters favour African markets, with 75% of exports going to fellow African countries. There has been a significant shift towards diversification toward the service sector, moving away from sectors like power and infrastructure, and diversified industrials. The percentage of service sector exporters increased from 12% to 22% between September 2022 and May 2023.

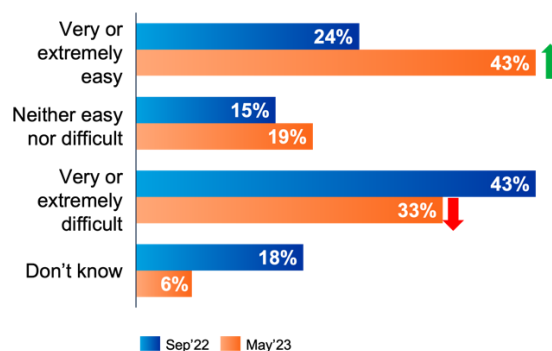
There was a moderate increase in the number of businesses sourcing inputs from other African countries. Imports from the rest of Africa grew from 11% in September 2022 to 18% in May 2023.

Nigerian businesses' perceptions of the ease of trading with other African countries is improving (see Figure 13). The percentage of firms reporting trade with the rest of Africa to be easy (either very easy or extremely easy) increased significantly from 24% in January 2022 to 43% in May 2023. More granular analysis reveals that this is driven by the percentage of businesses reporting less restrictive trading

procedures (24%), lower trading taxes (8%) and growing trade relations (7%). There was also an increased percentage of firms reporting easier trading conditions due to a common trading language. Nigerian businesses are also increasingly sourcing their inputs from within Africa. Imports from the rest of Africa grew from 11% in September 2022 to 18% in May 2023.

Figure 13: Businesses' perceptions of the ease of trading with other African countries

Question: In your view would you say trading with the rest of Africa is...?



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3  
 Note: Arrows denote whether the value of the variable is significantly higher / lower than in the previous survey

Nigeria is one of the 54 signatories to the African Continental Free Trade Agreement (AfCFTA). AfCFTA is an initiative which looks to, amongst other things, improve the level of intra-African trade by creating a single market for goods and services and lower some of the aforementioned trade barriers. To this end, members of the AfCFTA are committed to eliminating tariffs on most goods and services that are traded between African countries over a given period following the AfCFTA entering its operational phase in July 2019.

“The AfCFTA means a lot of good things for Africa, and for Nigeria. It means businesses will grow; it means GDP will grow; it means employment will increase; it means trans-border businesses will improve; it means some of our products will be more recognised.”

Representative from the Small and Medium Enterprises Development Agency of Nigeria

**35%** of surveyed businesses are aware of AfCFTA, increasing from 24% in September 2022.

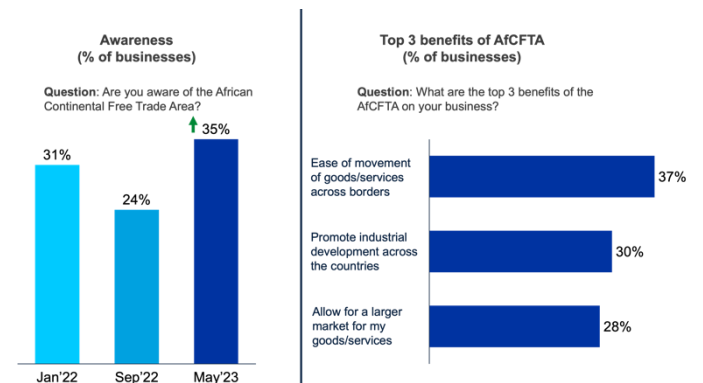
**Awareness of the AfCFTA amongst Nigerian businesses has increased** (see Figure 14). The percentage of respondents that are aware of the AfCFTA increased to 35% from 24% in September 2022—a statistically significant change. This shift can be partially attributed to the recent implementation of Nigeria’s National AfCFTA Strategy, which aims to accelerate the adoption of the AfCFTA. An important aspect of this strategy is the availability of comprehensive information on regulations and procedures of other countries, which is crucial for both export and import activities. This information plays a vital role in identifying necessary adjustments in national, regional, and global regulatory frameworks. Additionally, there is a recommendation to enhance access to information on Technical Barriers to Trade (TBT) measures implemented by trading partners and other countries.<sup>46</sup>

“Nigeria has signed into the agreement, we have also established a national action committee on the AfCFTA agreement. This government agency has been given the responsibility to prepare Nigeria both in policies, and practices.”

Representative from the Nigeria Export Promotion Council

In general, **most Nigerian businesses believe that the implementation of the AfCFTA will reap benefits for their businesses** (see Figure 14). Since the commencement of trading under AfCFTA in January 2021, the AfCFTA has gained significant awareness as businesses increasingly recognise the benefits of a unified African market. The most commonly identified benefits are facilitated movement of goods and services across borders, the promotion of industrial development across African countries and increased access to larger markets for goods and services.

**Figure 14: Businesses awareness and expected benefits of the African Continental Free Trade Area**



Source: Stanbic IBTC Bank Africa Trade Barometer Issue 3

Note: Arrows denote whether the value of the variable is significantly higher/lower than in the previous survey.



Civic Towers, Lekki, Lagos, Nigeria - Photo by Nupo Deyon Daniel on [Unsplash](#)

<sup>46</sup> PDFNigeria. Available [here](#)

# 10. MAIN OBSTACLES TO TRADE

## Nigerian businesses continue to face significant obstacles to trade

**The state of infrastructure in Nigeria is amongst the most significant obstacles for Nigerian businesses when engaging in trade with other African countries.** When asked to identify the primary constraints undermining trade with the rest of Africa, the unreliable nature of the power supply and poor road infrastructure were identified as two of the most salient factors. 60% and 56% of surveyed businesses reported power outages and road infrastructure to represent a severe constraint on their capacity to trade with other African countries respectively. Insights from the interviews with thought leaders suggest that these factors also significantly increase the cost of production and logistics for Nigerian exporters, making it difficult for Nigerian exports to be competitive in foreign markets. As such, an improvement in these infrastructural aspects may be important to improving regional integration and providing the enabling environment for Nigerian traders to realise the benefits of the AfCFTA.

**“There are several bottlenecks in exporting from Nigeria within ECOWAS and the rest of Africa. One of these is bad roads, such that vehicles such as trailers and trucks cannot freely move.”**

*Representative from the Manufacturers Association of Nigeria*

**In addition, other significant challenges to trading with the rest of Africa arise from existing customs and trade regulations.** 42% of surveyed businesses identified customs requirements as a major or severe obstacle to trading with the rest of Africa. Insights from the interviews suggest that this may be driven by an uneven application of the ECOWAS Tariff Liberalisation Scheme (ETLS) and inconsistent customs regulations across member states which results in confusion for businesses.<sup>47</sup>

**The unavailability of foreign exchange is a significant barrier for most businesses when trading with Africa but particularly when trading with the rest of the world.** 55% of surveyed businesses feel that foreign exchange restrictions and shortages represent a major or severe constraint on their ability to trade with countries outside of Africa. Insights from the interviews reveal that this is a particularly salient constraint for manufacturing firms who are often unable to purchase raw materials for production processes as a result of foreign exchange shortages.<sup>48</sup> The extent to which this presents an issue to Nigerian businesses will need to be closely monitored in the surveys that are to follow. This is because the Central Bank in June 2023 removed restrictions on dollar deposits to improve the supply of the dollar and consumer confidence.<sup>49</sup>

**55%**

*of surveyed businesses feel that low availability of foreign exchange liquidity represents a major or severe constraint on their ability to trade with countries outside of Africa.*

**“One of the key limiting factors is the scarcity of forex, which makes businesses unable to buy raw materials. When you go to some factories, they might tell you that they have stopped a particular line of production due to lack of access to forex.”**

*Representative from the Manufacturers Association of Nigeria*

<sup>47</sup> Representative from the Manufacturers Association of Nigeria

<sup>48</sup> Representative from the Manufacturers Association of Nigeria

<sup>49</sup> Bloomberg, 2023. Available [here](#).

# 11. CONCLUSION

In conclusion, an aspect that will be interesting to track in future issues of Stanbic IBTC Bank Africa Trade Barometer (SB ATB) in Nigeria will be examining how policies such as the aforementioned exchange rate unification policy and Electricity Act will impact the sentiments of businesses going forward. As highlighted, surveyed businesses in Nigeria reported the state of the power supply—which is characterised by outages that result in significant downtime in production and foregone sales—represents the largest obstacle to their operations as well as their ability to engage in trade with foreign markets. Similarly, low levels of foreign currency liquidity—driven by low oil production and a global tightening of monetary policy—has significantly inhibited the ability of surveyed businesses in Nigeria to engage in trade.

To address these issues, the Government has implemented several interventions. To improve the status quo regarding electricity supply in Nigeria, the Electricity Act—a piece of legislation that aims to stimulate private investment in the power sector and break the monopoly in the generation, transmission, and distribution of electricity—has been signed into law. Similarly, the Government has enacted an exchange rate unification policy, abolishing multiple parallel exchange rates which the Government believes to be a major explanatory factor driving foreign currency shortages. As such, an interesting theme to examine in future iterations of the SB ATB in Nigeria will be the extent to which these recently enacted policy interventions provide meaningful relief to businesses by reducing the extent to which these factors represent obstacles to these businesses when engaging in trade.



*The Central Bank of Nigeria. Source: Reuters*

## 12. APPENDIX

### Appendix 1: Stanbic IBTC Bank Africa Trade Barometer (SB ATB) Country Ranking for Issue 3, 2023

The Stanbic IBTC Bank Africa Trade Barometer (SB ATB) scores are an aggregate of the Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and the Stanbic IBTC Bank Survey Trade Barometer (SB STB) scores. Countries are ranked against each other, i.e., relative scores to each other. This is pegged on a scale of 0 - 100. When indexed between this range, South Africa has the highest Tradability Index while Angola has the lowest. This does not imply that one cannot trade in Angola or that South Africa is perfect, it only implies that at a common starting point of 0 and maximum point of 100, this is how the two markets fared.

SB ATB scores remained the same for Angola, South Africa and Zambia, while the majority of ranks for other countries have increased from September 2022 (see **Table 2**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Zambia (9th position)
- Angola (10th position)

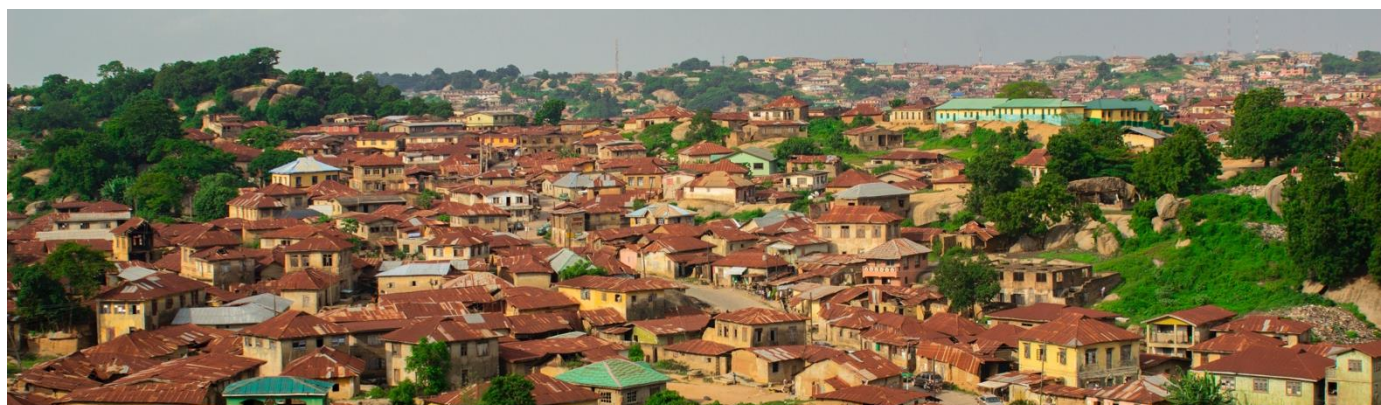
Countries that have improved in their ranking from September 2022:

- Namibia (3rd to 2nd position)
- Mozambique (6th to 3rd position)
- Nigeria (8th to 4th position)
- Kenya (7th to 6th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Tanzania (5th to 7th position)
- Uganda (4th to 8th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB ATB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB ATB to the lowest and highest average scores recorded across the 10 countries included in the SB ATB. To this end, Angola received a score of 0 (since it had the lowest average score) and South Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.



Abeokuta, Ogun State, Nigeria, Photo by McBarth™ Obeya

Table 2: Stanbic IBTC Bank Africa Trade Barometer (SB ATB) scores by country

Country	Africa Trade Barometer (ATB) Score	ATB Ranking	
		September 2022	May 2023
Angola	0 0	10	10
Ghana	 74,3 19,5	2	5
Kenya	 55,8 19,3	7	6
Mozambique	 57,5 30,5	6	3
Namibia	 60,2 43,1	3	2
<b>Nigeria</b>	 48,4 25,9	8	4
South Africa	 100 100	1	1
Tanzania	 58,9 15,3	5	7
Uganda	 58,9 14,8	4	8
Zambia	 43,2 14,1	9	9

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

## Appendix 2: Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) Country Ranking for Issue 3, 2023

The Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) scores and ranking by country are the averages of all the selected indicators collected only from existing secondary data sources / reported facts.

SB QTB scores remained the same for Angola, Mozambique and South Africa, while the majority of ranks for other countries have dropped from September 2022 (see **Table 3**).

Countries that have retained their ranking from September 2022:

- South Africa (1st position)
- Mozambique (3rd position)
- Angola (10th position)

Countries that have improved in their ranking from September 2022:

- Namibia (4th to 2nd position)
- Nigeria (7th to 4th position)
- Zambia (9th to 7th position)

Countries that have declined in their ranking from September 2022:

- Ghana (2nd to 5th position)
- Kenya (5th to 6th position)
- Tanzania (6th to 8th position)
- Uganda (8th to 9th position)

As can be seen in the table below, actual scores for all countries are significantly lower in May 2023 compared to September 2022 (except for South Africa and Angola). Although it is correct to interpret this result as a general decline in tradability across most countries, this is not the whole story. The lower scores in May 2023 compared to September 2022 are also a result of how the SB QTB scores are calculated. The overall tradability score of a country is arrived at through a calculation that compares the country's average score across all the variables in the SB QTB to the lowest and highest average scores recorded across the 10 countries included in the SB QTB. To this end, Angola received a score of 0 (since it had the lowest average score) and South



Africa received a score of 100 (since it had the highest average score). In this iteration of the survey, most countries' average scores were closer to the lowest average score observed (Angola), which skewed their overall tradability scores towards that low value.

**Table 3: Stanbic IBTC Bank 3-Year Quantitative Trade Barometer (SB QTB) scores by country**

Country	Africa Quantitative Barometer (QTB) Score	QTB Ranking	
		September 2022	May 2023
Angola	0	10	10
Ghana	86,2 26,6	2	5
Kenya	63,9 26,4	5	6
Mozambique	67,4 36,9	3	3
Namibia	64,7 46,2	4	2
<b>Nigeria</b>	56,1 32,4	7	4
South Africa	100 100	1	1
Tanzania	59,2 23,1	6	8
Uganda	51,8 17,6	8	9
Zambia	51,8 23,1	9	7

Sep'22 May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

### Appendix 3: Stanbic IBTC Bank Survey Trade Barometer (SB STB) Country Ranking for Issue 3, 2023

The Stanbic IBTC Bank Firm Survey Trade Barometer (SB STB) scores and ranking by country are the averages of all the data collected only from the primary research surveys conducted with 2,636 businesses.

Except for South Africa and Namibia, SB STB ranks have changed in this wave for all countries (see **Table 4**).

Countries that have retained their ranking from September 2022:

- South Africa (2nd position)
- Namibia (4th position)

Countries that have improved in their ranking from September 2022:

- Angola (6th to 1st position)
- Nigeria (8th to 5th position)
- Mozambique (9th to 6th position)
- Ghana (10th to 7th position)

Countries that have declined in their ranking from September 2022:

- Tanzania (1st to 3rd position)
- Kenya (7th to 8th position)
- Uganda (3rd to 9th position)
- Zambia (5th to 10th position)

Table 4: Stanbic IBTC Bank Survey Trade Barometer (SB STB) scores by country

Country	Africa Survey Barometer (STB) Score	STB Ranking	
		September 2022	May 2023
Angola	22,6 / 100	6	1 ↑
Ghana	0 / 18,4	10	7 ↑
Kenya	10,3 / 18,2	7	8 ↓
Mozambique	1,2 / 21,6	9	6 ↑
Namibia	34,1 / 52,7	4	4 ○
<b>Nigeria</b>	8,4 / 22,5	8	5 ↑
South Africa	84,0 / 66,8	2	2 ○
Tanzania	100 / 65,2	1	3 ↓
Uganda	57,0 / 12,2	3	9 ↓
Zambia	26,6 / 0	5	10 ↓

■ Sep'22 ■ May'23

Note: The scores denote the performance of each country relative to the full country list on the specified measures

#### Appendix 4: The relative impact of selected macroeconomic indicators on the tradability attractiveness of Stanbic IBTC Bank Africa Trade Barometer Countries for Issue 3, 2023

In the table below, the ranking (between position 1 and position 10) as well as the respective colour coding highlight the impact of a specific macroeconomic indicator (e.g., FDI net inflows) on the tradability attractiveness of the respective country. To arrive at this ranking, the three-year average (2020, 2021 and 2022) of each indicator in a country is first normalised<sup>50</sup> which allows for the relative impact (relative to the other nine countries) of each indicator on overall tradability attractiveness for that country to be arrived at.



Lagos Port Complex Source: Nigerian Ports Authority (nigerianports.gov.ng)

<sup>50</sup> Normalisation here means calculating the deviation of a particular macroeconomic indicator in a specific country from the mean of that indicator in all 10 SB ATB countries

**Table 5: Country ranking on the impact of macroeconomic indicators on tradability attractiveness**

	Merchandise trade (% of GDP)	GDP (Current USD)	GDP growth (% average annual)	Imports (% of GDP)	Exports (% of GDP)	Inflation	Lending interest rate (%)	FDI Net Inflows
Angola	4	4	10	9	2	10	8	10
Ghana	6	5	4	5	6	9	10	3
Kenya	9	3	1	7	9	6	3	7
Mozambique	2	9	6	1	4	5	6	2
Namibia	1	10	9	2	3	2	1	8
<b>Nigeria</b>	10	1	7	10	10	8	4	4
South Africa	5	2	8	4	5	4	2	1
Tanzania	8	6	3	8	7	1	5	6
Uganda	7	7	2	6	8	3	7	5
Zambia	3	8	5	3	1	7	9	9

Key: Negative relative trade impact  Positive relative trade impact

## 13. ABOUT THE RESEARCH

The Stanbic IBTC Bank Africa Trade Barometer (SB ATB) is based on both primary and secondary research sources. This is

Issue 3 of the SB ATB. Issue 1 was released in June 2022 and Issue 2 was released in November 2022. The data collection (both primary and secondary research) for Issue 3 happened between March and May 2023 in all 10 countries of interest.

The primary research component involves the administration and analysis of a firm survey (i.e., a survey of sample businesses in the countries of interest) and holding of in-depth interviews (IDIs) with key stakeholders. The sample is stratified by size (small, big and corporate), region and industry. For Issue 3, 2 636 businesses were surveyed and 30 IDIs were conducted across the 10 countries.

In Nigeria, 289 businesses were surveyed. 30% of these businesses were in Lagos, 20% in Abuja, 16% in Port Harcourt, 8% in Ibadan, 8% in Kano, 7% in Kaduna, 6% in Aba and 6% in Onitsha. The breakdown of surveyed businesses in Nigeria by business segment was as follows:

- 74% were small businesses
- 15% were big businesses
- 11% were corporates

In the context of the SB ATB, small businesses are defined as those with a turnover of less than NGN 1 billion, large businesses as those with a turnover of between NGN 1 billion and NGN 10 billion and corporates as those with a turnover of more than NGN 10 billion.

The breakdown of surveyed businesses in Nigeria by industry was as in **Table 6**:

**Table 6: Breakdown of surveyed businesses in Nigeria by industry**

Industry	%	Industry	%
Manufacturing	25%	Education	2%
Wholesale and retail trade; repair of motor vehicles and motorcycles	18%	Mining and quarrying (includes oil & gas)	2%
Accommodation and food service activities	13%	Real estate activities	2%
Agriculture, forestry and fishing	11%	Administrative and support service activities	2%
Public administration and defence; compulsory social security	5%	Other service activities	1%
Information and communication	3%	Electricity, gas, steam and air conditioning supply	1%
Professional, scientific and technical activities	3%	Water supply; sewerage, waste management and remediation activities	1%
Human health and social work activities	3%	Financial and insurance activities	1%
Construction	3%	Arts, entertainment and recreation	0%
Transportation and storage	3%	Activities of extraterritorial organisations	0%
		Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0%

The breakdown of surveyed businesses by staff complement was as follows:

- 2% had below 5 employees
- 17% had 5 - 10 employees
- 25% had 11 - 20 employees
- 32% had 21 - 50 employees
- 9% had 51 - 100 employees
- 11% had 101 - 1,000 employees
- 3% had 1,001 - 5,000 employees
- 1% had above 5,000 employees

With regards to individual respondent characteristics within the businesses, 69% were male and 31% were female. The breakdown by their job titles is as follows:

- 27% were chief executive officers (CEOs)
- 19% were general managers
- 13% were heads of departments
- 10% were owners of the business
- 9% were managing directors
- 7% were chief accountants
- 5% were chief financial officers
- 5% were financial directors
- 2% were treasurers
- 1% were deputy directors general

Further details by region, business segment, industry, staff complement, age of firm, the firms' corporate and strategic decision-making structures as well as individual respondent characteristics (gender, job title, etc.) are available on request.

There were three IDIs conducted in Nigeria as part of Issue 3. One interview was with a representative from the Manufacturers Association of Nigeria, another with a representative from the Small and Medium Enterprises Development Agency of Nigeria, and finally with a representative from the Nigerian Export Promotion Council. These interviews are quoted in this report, as relevant.

The survey and IDIs were conducted on a confidential basis.

The secondary research component involves the gathering and analysis of quantitative data. This data is primarily collected from World Bank sources, although additional data is obtained from the International Monetary Fund (IMF), the International Trade Center

and individual country central banks and statistics bureaus.

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In-depth details on how the Stanbic IBTC Bank Africa Trade Barometer scores for each country are calculated, and the resultant country rankings, are available on request.

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The research was produced by Standard Bank Business and Commercial Banking Research & Insights. For any questions or information requirements on this report please contact [tradebarometer@standardsbg.com](mailto:tradebarometer@standardsbg.com).

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## 14. ENDNOTES

The secondary sources used in drafting this report are listed below in alphabetical order.

1. Central Bank of Nigeria. Available [here](#)
2. Fitch Solutions. Available [here](#)
3. International Monetary Fund (IMF). Available [here](#)
4. KPMG:
  - a. Available [here](#)
  - b. Available [here](#)
5. National Bureau of Statistics. Available [here](#)
6. Nigerian Ports Authority. Available [here](#)
7. Standard Bank Analysis. Available [here](#)
8. World Bank. Available [here](#)

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