

West African Competitiveness Observatory Policy Brief N° 3

Global and Regional Trade Competitiveness of Nigeria

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The [West African Competitiveness Observatory](#) is a monitoring tool of the trade competitiveness of West African countries and the region. It helps policymakers to define policies that foster trade competitiveness and value chain development, and supports local firms, in particular small and medium enterprises, to integrate more into regional value chains.

The Observatory was established under the West Africa Competitiveness Programme (WACOMP), implemented by the [International Trade Centre](#) (ITC) under the coordination of the [Economic Community of West African States](#) (ECOWAS) and with the financial support of the [European Commission](#).



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¹ This policy brief was prepared by the participants during a training on Trade Competitiveness and Regional Value Chain Analysis, held in Banjul (The Gambia) from 23 to 27 September 2024.

Key messages

- **Nigeria's exports are recovering from the COVID-19 crisis**, but they remain heavily reliant on raw products, particularly oil and gas, which account for over 80% of export earnings.
- The country **faces challenges in trade competitiveness**, including **low product diversification**, **limited value addition**, and inefficiencies in logistics and infrastructure.
- **Stabilizing the national currency and broadening the tax base are crucial** for improving Nigeria's macroeconomic environment and reducing vulnerability to external shocks.
- **Simplifying trade procedures, improving road quality, and expanding shipping and logistics services** can ease the movement of goods and lower business costs.

1. Introduction

Nigeria, the Africa's largest economy with a GDP of approximately \$362 billion in 2023, has seen significant fluctuations in its trade performance over the years. Nigeria's exports declined dramatically from \$95 billion in 2014 to around \$60 billion in 2023. This downward trend in exports can be attributed to several factors, including the global oil price crash, structural inefficiencies, and a lack of diversification in export products. Oil and gas still account for over 80% of Nigeria's export earnings, leaving the country highly vulnerable to external shocks in the global energy markets (National Bureau of Statistics, 2023).

In terms of trade competitiveness, Nigeria ranked 116th globally in the World Economic Forum's 2019 Global Competitiveness Report, reflecting systemic challenges. Nigeria's position in this ranking is an outcome of several long-standing issues. For example, infrastructure deficits especially in transport, energy, and digital connectivity raise the cost of doing business, deterring both foreign and domestic investment. Furthermore, a weak regulatory framework, inefficiencies in port operations, and the cumbersome nature of cross-border trade processes exacerbate the challenges businesses face in trying to export goods and services.

Despite these challenges, Nigeria holds significant potential for growth and export diversification. Enhancing trade competitiveness could unlock various opportunities, such as increased foreign investment, economic diversification, and job creation. The African Continental Free Trade Area (AfCFTA), launched in 2021, presents Nigeria with an unprecedented opportunity to boost intra-African trade, reduce dependence on oil, and enhance its competitiveness. By addressing internal inefficiencies and leveraging its large consumer market and strategic location, Nigeria could position itself as a leader in regional trade, helping the economy achieve sustained growth in the coming decades.

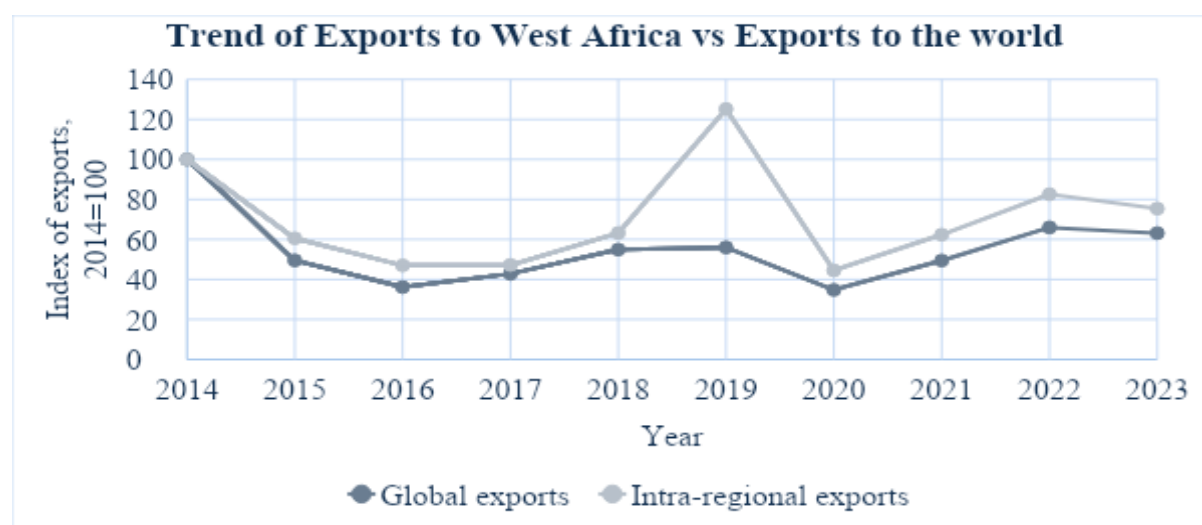
This policy brief leverages on data from the [West African Competitiveness Observatory](#), an online platform that allows users to monitor trade performance and identify areas for potential policy intervention.

2. Evolution of exports of Nigeria

Between 2014 and 2023, Nigeria's exports to the world and the West African region fluctuated significantly. Nigeria's exports to the world peaked at \$96 billion in 2014 but dropped by over 50% to \$47 billion in 2015. The lowest export level was recorded in 2020 due to COVID-19 pandemic, which disrupted global trade through widespread lockdowns. Since then, Nigeria has gradually recovered, with exports rising from \$33 billion in 2020 to over \$60 billion in 2023. Similarly, Nigeria's exports to West Africa peaked at \$6 billion in 2019, dropped to \$2.2 billion in 2020, and then recovered to \$3.7 billion in 2023.

From 2014 to 2023, raw products dominated Nigeria's exports to both the world and the West African region, making up around 85% in 2023. In contrast, processed and semi-processed goods remained below 20% throughout the period.

Figure 1. Evolution of exports from Nigeria



Source: Own computations using Trade Map data.

3. Competitiveness performances: global and regional export competitiveness

Figure 2 shows that Nigeria is relatively more competitive when exporting within the West African region, compared to the global market and the African continent. Indeed, the score of Nigeria in the regional export competitiveness index is the highest at 35.2 (out of 100), compared to 29.3 (out of 100) in the global export competitiveness index and 24.3 (out of 100) in continental export competitiveness index. These rates are relatively low, as they all fall below 50%.

Figure 2. Export competitiveness indices

Export competitiveness performance



Source: West African Competitiveness Observatory (wacomp-observatory.org)

Box 1. Spotlight on the methodology

Trade competitiveness is a complex concept, challenging to quantify, and influenced by various policy areas. To help monitor and understand trade competitiveness, the West African Competitiveness Observatory provides a thorough framework that examines both its driving factors and performance indicators.

Trade competitiveness drivers encompass all factors that determine the trade competitiveness of a country, region or sector. Consequently, the trade competitiveness performances are influenced by these drivers. The Observatory has identified 42 performance indicators and 72 driver indicators for trade competitiveness. To facilitate analysis, each indicator is scored on a scale from 0 to 100. The African country with the lowest value for an indicator since 2018 receives a score of 0, while the country with the highest value since 2018 receives a score of 100. Scores for West African countries are then determined relative to their position between these minimum and maximum values, allowing for easy comparison against a benchmark.

Individual scores are then aggregated using a weighted average to obtain the score for each component. These components are further aggregated to obtain the index, with equal weights used to reflect that all indicators have the same influence for trade competitiveness. Finally, scores for West Africa are calculated by combining the scores of each West African country, and the same method is applied to compute scores for other African regions and for Africa as a whole.

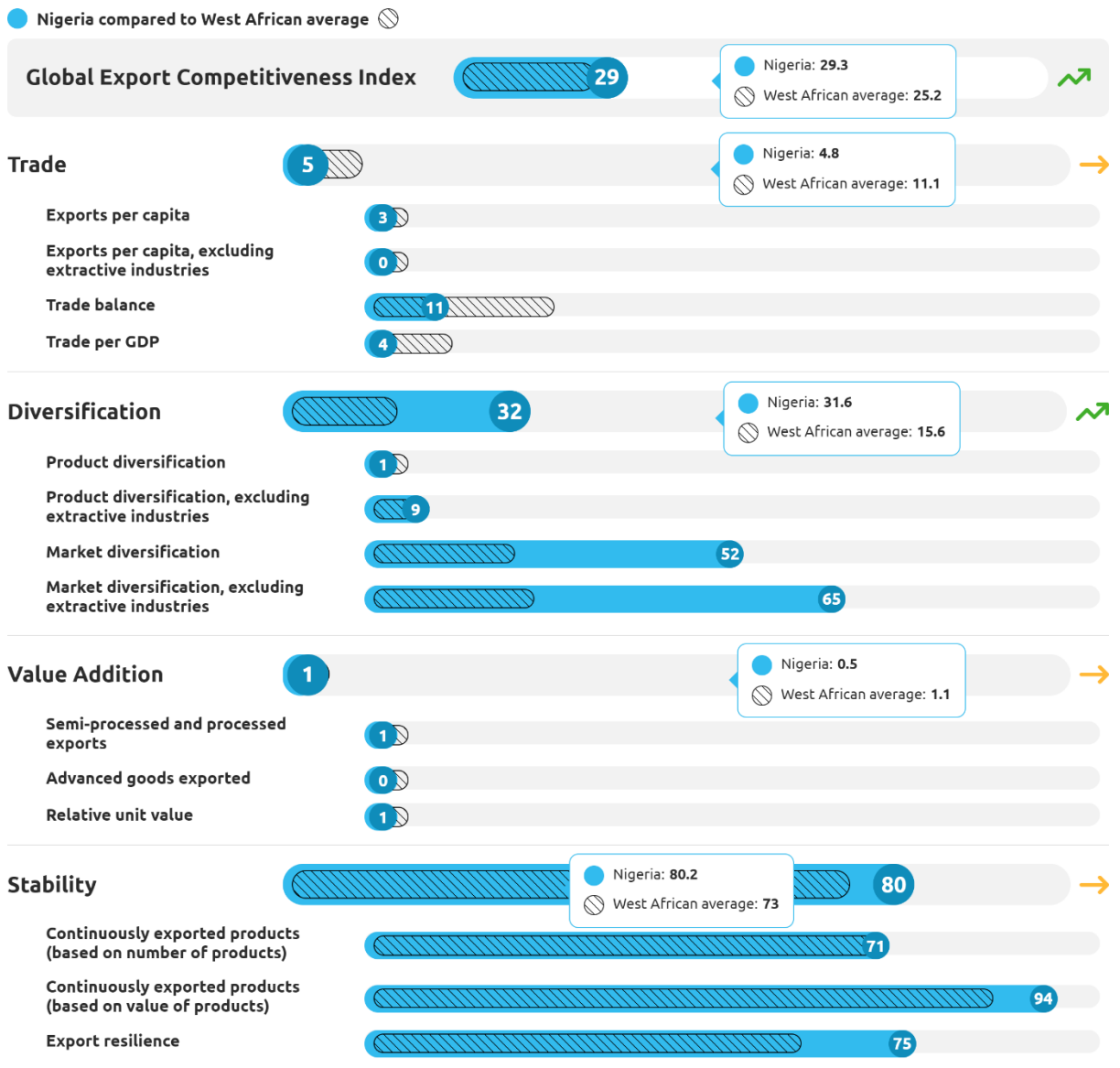
Looking at the global export competitiveness index, Figure 3 shows that Nigeria falls below the West African average under the trade and value addition components. Low scores in the trade

balance, trade per GDP, and exports per capita led to the low score in the trade component. Conversely, Nigeria's scores are above the West African average in the diversification and stability components. Market diversification, continuous exports and export resilience have been a driving forces for Nigeria's performance.

Similarly, Nigeria faces challenges in regional export competitiveness in the trade and value addition components, both of which are below the West African average. However, Nigeria shows strengths in the diversification and stability components, with scores above the West African average.

Figure 3. Global vs regional export competitiveness

Global Export Competitiveness Index for All sectors

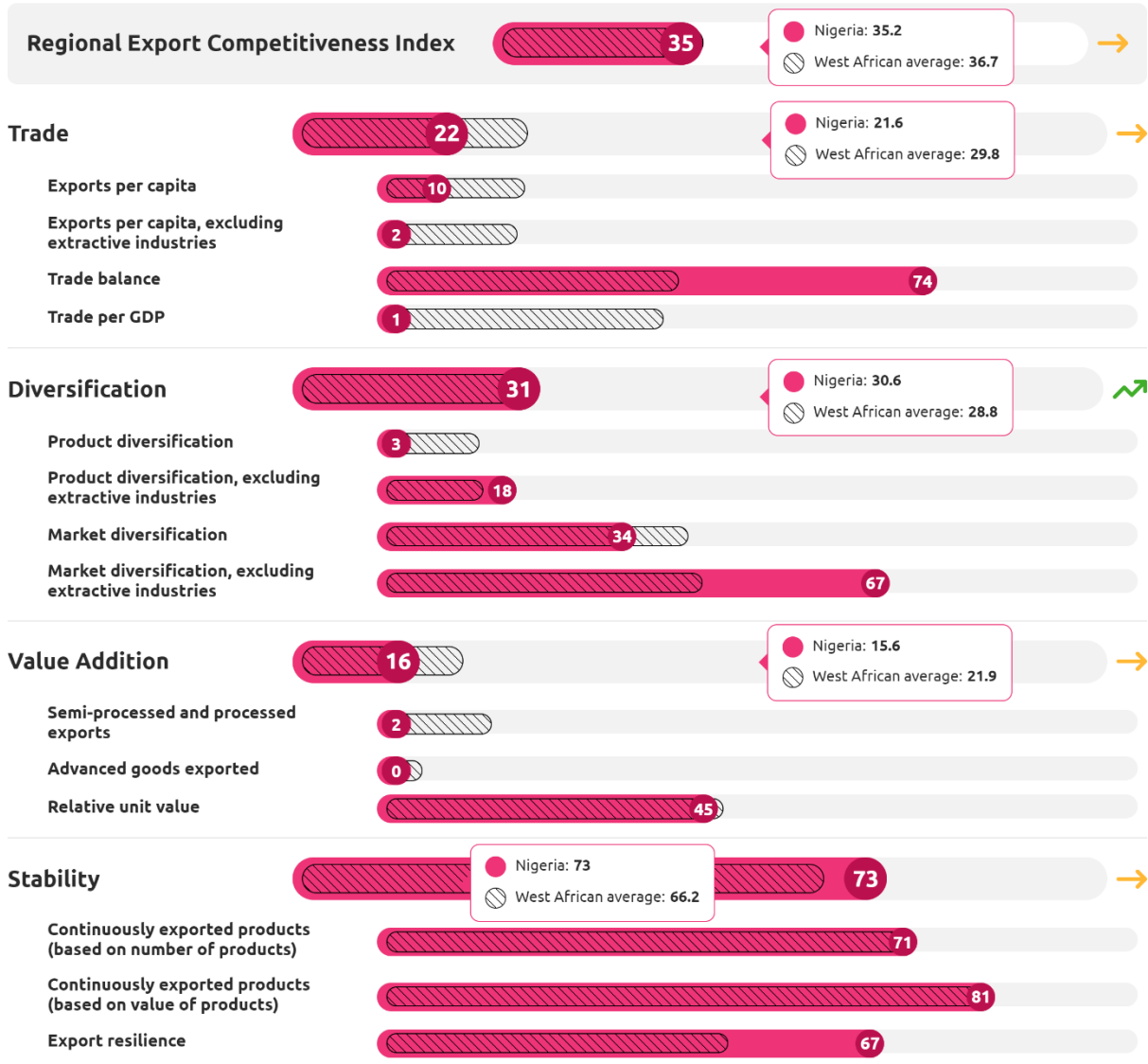


Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

Source: West African Competitiveness Observatory (wacomp-observatory.org)

Regional Export Competitiveness Index for All sectors

● Nigeria compared to West African average ●



Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

Source: West African Competitiveness Observatory (wacomp-observatory.org)

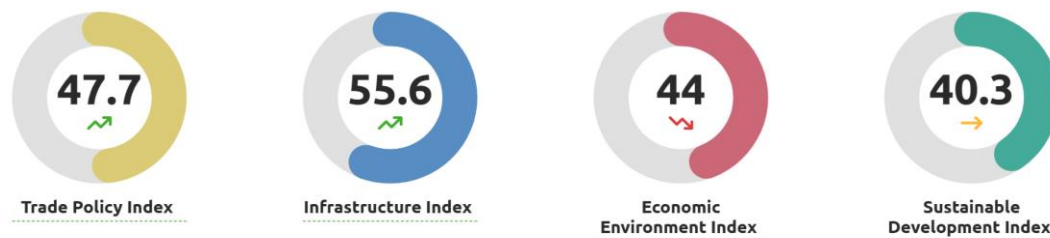
4. Areas for policy interventions

Addressing these challenges requires targeted policy interventions to enhance trade competitiveness in Nigeria.

Nigeria is close to the West African average in two drivers of trade competitiveness - economic environment and sustainable development - but surpasses the West African average in trade policy and infrastructure. Policymakers can focus on the areas where Nigeria has the biggest gap with the West African Average.

Figure 4. Drivers of trade competitiveness

Drivers of export competitiveness



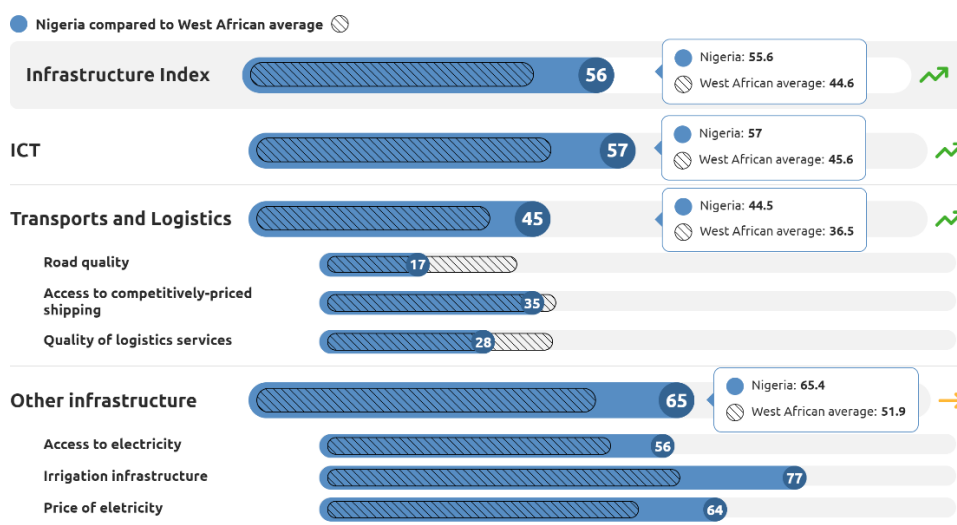
Source: West African Competitiveness Observatory (wacomp-observatory.org)

a. Infrastructure index

Figure 5 shows that Nigeria scores 55.6 in the infrastructure index, which is above the West African average of 44.6. Nigeria scores are also above the West African average in all three components of the infrastructure index - ICT, transports, logistics and other infrastructure). However, there is room for improvement in the quality of roads, access to competitively priced shipping, as well as the quality of logistics services, in all of which Nigeria currently performs below the West African average. In particular, Nigeria currently has only one functioning port which is congested. Improving the quality of logistics and better shipping services, Nigeria will be able to export more and improve its competitiveness.

Figure 5. Infrastructure index

Infrastructure Index in All sectors



No sector-level data is available for Infrastructure Index.

Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

Source: West African Competitiveness Observatory (wacomp-observatory.org)

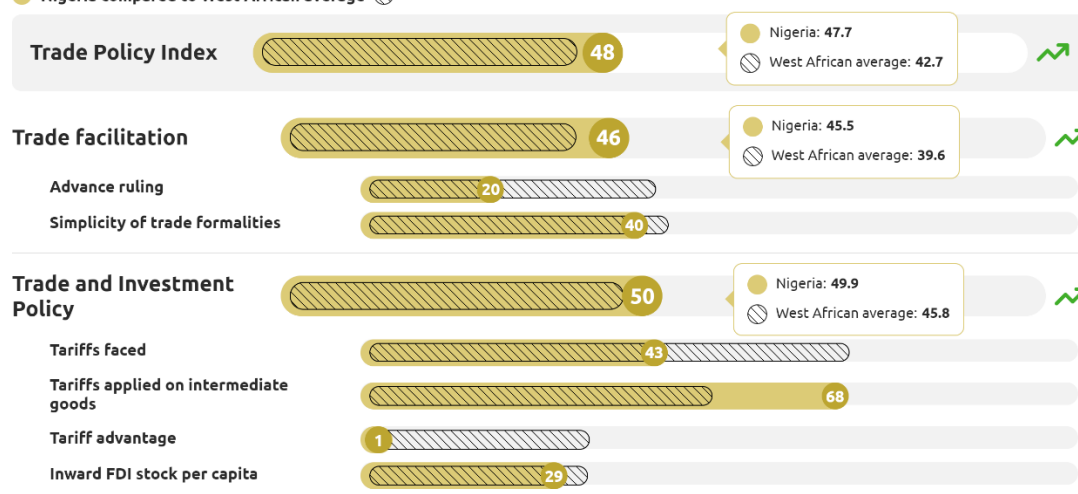
b. Trade policy index

Figure 6 shows that Nigeria scores 47.7 in the trade policy index, which is 5 points above the West African average. However, challenges are still related to the trade formalities that need to be more simplified. Under the trade and investment policy, the average tariff faced when exporting to foreign markets is also below the regional average.

Figure 6. Trade policy index

Trade Policy Index in All sectors

● Nigeria compared to West African average



Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

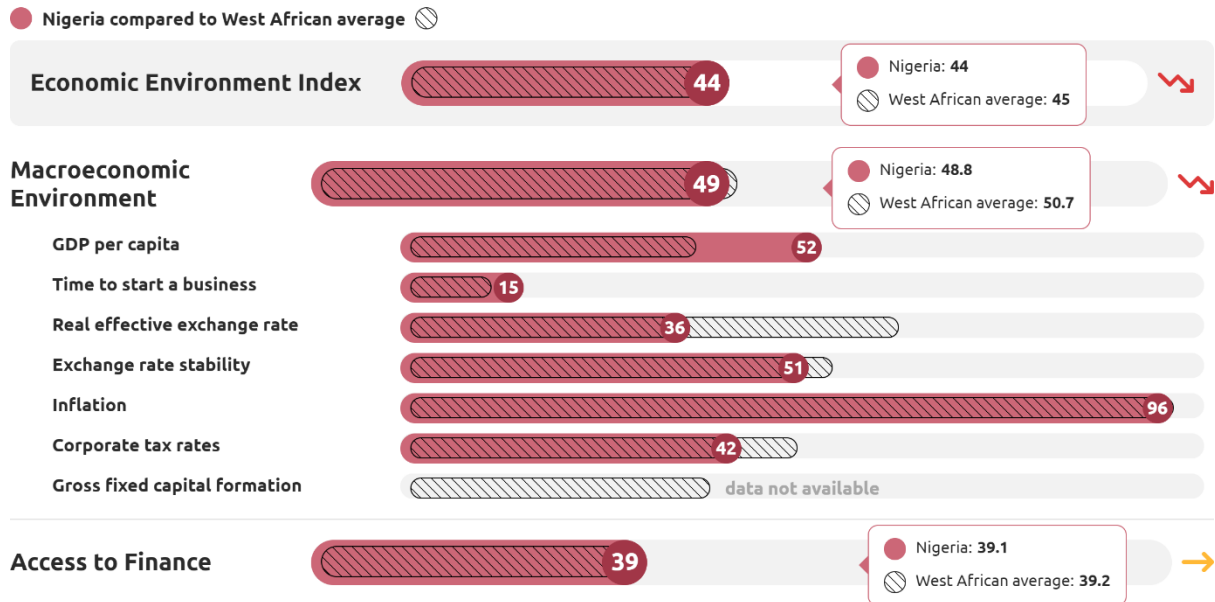
Source: West African Competitiveness Observatory (wacomp-observatory.org)

c. Economic environment index

Figure 7 shows that the score of Nigeria in the economic environment index is a point below the West African average. In the macroeconomic environment component, Nigeria scores 48.8, which is only 2.1 points less than the regional average of 50.7, with the most significant challenge being the real effective exchange rate and the corporate tax rates, where Nigeria is significantly below the West African average scores.

Figure 7. Economic environment index

Economic Environment Index in All sectors



⚠ No sector-level data is available for Economic Environment Index.

Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

Source: West African Competitiveness Observatory (wacomp-observatory.org)

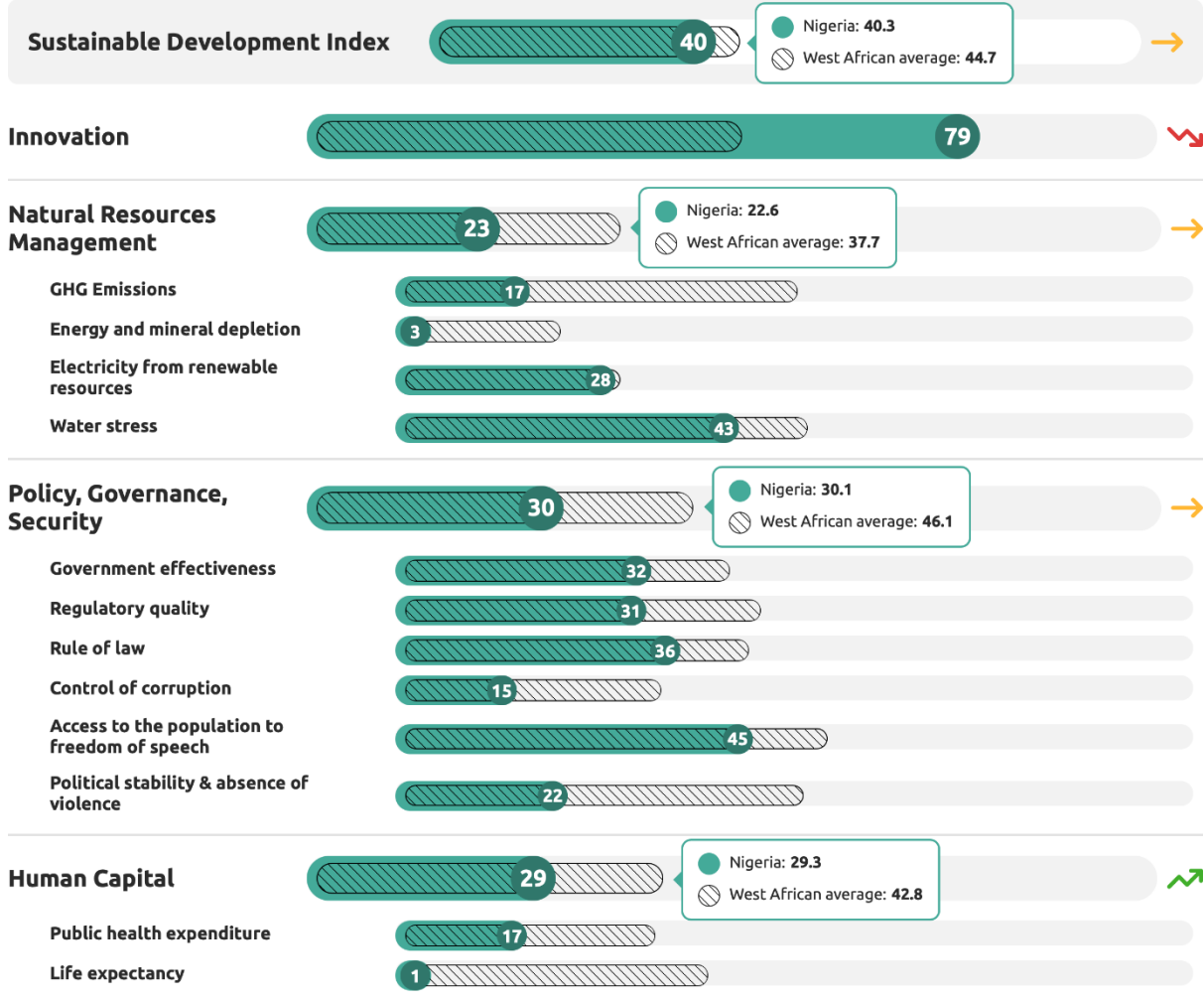
d. Sustainable development index

Finally, policy interventions in the area of sustainable development can help Nigeria in achieving long-term trade competitiveness. Figure 8 shows that interventions are required across all components, including natural resources management, policy, governance, security and human capital development. In all three components and all their subcomponents, Nigeria performs below the West African average. Hence, interventions have to be targeted based on the priority of the Nigerian authorities towards areas that will impact competitiveness the most.

Figure 8. Sustainable development index

Sustainable Development Index in All sectors

● Nigeria compared to West African average ○



⚠ No sector-level data is available for Sustainable Development Index.

Scores range between 0 to 100. Maximum and minimum are the highest and lowest scores in Africa since 2018.

Source: West African Competitiveness Observatory (wacomp-observatory.org)

Box 2. Spotlight on policy interventions

One key area for potential policy intervention is the exchange rate. Generally, the exchange rate affects international trade, as imports become more expensive. While exports should be cheaper and therefore more attractive in the international market, Nigeria does not have a large variety of exports, so the country mostly suffers the negative impact of the Naira's depreciation. The government has tried to address this by floating the Naira, in order to unify the multiple exchange rates in the country but the currency still battles depreciation. Hence, more efforts have to be put towards stabilizing the Naira, of which boosting exports to increase foreign earnings and reserves could be an effective way of stabilizing the Naira.

Corporate taxes also need to be effectively managed to ensure that it does not discourage business activities. The priority of the government is gradually moving towards widening the tax net, against increasing tax rates. This will effectively improve the tax system in the country by increasing tax revenue without an increase in taxes.

Improvements in the quality of roads and other infrastructure will also make it easier for businesses to move their products across the country, and run their businesses with basic things like reliable power supply.

Availability of other ports for exports beyond the Lagos port will significantly increase competitiveness, as it will make transportation of export products easier and reduce wait time. Decongestion of the ports will address a lot of bottlenecks which hinder import and export activities in the country.

5. Conclusion

Nigeria has made progress in recovering its export levels, but its reliance on oil and gas continues to leave the economy vulnerable to global shocks. The lack of diversification and value addition in exports limits the country's ability to fully benefit from trade, both regionally and globally.

To address these challenges, Nigeria needs to focus on long-term reforms. Improving infrastructure, particularly roads and port facilities, will make trade more efficient and reduce costs for businesses. Simplifying trade processes and strengthening participation in regional agreements like the African Continental Free Trade Area (AfCFTA) will help expand market opportunities. Investments in renewable energy and sustainable resource management will also play a key role in building a more resilient and competitive economy.

By tackling these issues, Nigeria can diversify its economy, increase its share of higher-value exports, and position itself as a strong trade partner in the region and beyond.

References and useful links

West African Competitiveness Observatory platform: [WACOMP Observatory](https://wacomp-observatory.org) (wacomp-observatory.org)

The data presented in this policy brief is based on information available from the West African Competitiveness Observatory as of September and October 2024. Please note that subsequent updates to the Observatory's database may result in differences between the data used here and the most current information.

ITC Trade Map data: <https://www.trademap.org>

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