

Overseas Market Information



Country Profile on Nigeria

Market Overview

Nigeria is Africa's most populous country with over 120 million citizens and arguably the most culturally diverse society in the world. The country is basically a mono-cultural economy, which is highly dependent on oil. The oil and gas sector accounts for over 90% of the country's foreign exchange earnings. Nigeria's GDP is \$ 125 billion with agriculture and the manufacturing sector contributing 34.6% and 38.2% respectively. The decline in Nigeria's agricultural and manufacturing capacities has continued to increase the country's dependence on imports.

Exporters should be aware that many genuine opportunities exist in Nigeria, even if the atmosphere does still seem difficult and certain extra screening steps must be taken. Nigeria has many honest businessmen and women eager to form partnerships with foreign counterparts.

For establishing a presence in Nigeria, we recommend that firms use an agent/distributor relationship with a locally registered company. Many foreign manufacturers and suppliers appoint one or more agents/distributors to accommodate Nigeria's geographical size and ethnic complexities. In Nigeria's complicated environment, all relevant terms and conditions of such arrangements must be carefully negotiated.

According to market reports and industry estimates small enterprises constitute about 87 per cent of businesses in Nigeria, while medium and large enterprises account for about 9 per cent and 4 per cent, respectively. The single most important success factor and the biggest challenge facing Nigerian business enterprises, particularly small-to-medium-sized ones, is a lack of basic

understanding and commitment to business process management. More than 80 per cent of business failures in Nigeria can be traced to this critical business factor.

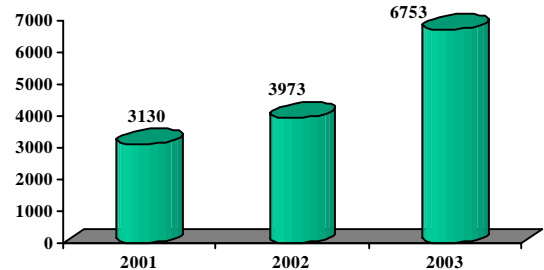
Joint venture agreements and relationships are governed by the Nigerian Commercial Law which is fashioned after the British Common Law. The government of Nigeria is aggressively promoting joint ventures particularly in the oil/gas and maritime industries. The objective is to encourage technology and knowledge transfer and to improve local content. Similar efforts are manifest in a number of important business relationships in the information and communications technology industry, manufacturing and distributive trade.

Nigeria's Global Import of Engineering Goods

Global import of engineering goods by Nigeria for the last 3 years :

Year	Value in Mln \$	% Growth
2001	3130	31.24
2002	3973	26.93
2003	6753	69.97

Nigeria's global import of engineering goods (Value in Mln\$)



Nigeria's import of top 15 engineering items

Product Group	Value 2000 US\$ '000	Value 2001 US\$ '000	Value 2002 US\$ '000	Value 2003 US\$ '000	Growth 2001 %	Growth 2002 %	Growth 2003 %
747 - Taps/Cocks/Valves	17,335	17,746	68,580	1,023,828	2.37	286.45	1392.90
793 - Ships/Boats/etc.	89,689	13,782	518,008	954,440	-84.63	3658.58	84.25
764 - Telecomms Equipment NES	52,489	84,331	164,033	535,984	60.66	94.51	226.75
781 - Passenger Cars etc.	231,133	435,284	257,643	331,753	88.33	-40.81	28.76
772 - Electric Circuit Equip.	69,568	40,293	110,857	329,170	-42.08	175.13	196.93
679 - Iron/Steel Pipe/Tube/etc.	29,954	30,955	140,914	292,881	3.34	355.22	107.84
785 - Motorcycles/Cycles/etc.	63,892	117,244	142,990	238,057	83.50	21.96	66.49
673 - Flat Rolled Iron/St. Prod	190,822	247,424	201,381	221,355	29.66	-18.61	9.92
716 - Rotating Electr Plant	121,495	149,880	142,159	190,824	23.36	-5.15	34.23
783 - Road Motor Vehicles NES	103,562	148,820	79,533	181,169	43.70	-46.56	127.79
741 - Indust Heat/Cool Equip.	41,705	52,847	72,142	175,682	26.72	36.51	143.52
723 - Civil Engineering Plant	77,325	143,022	108,861	163,694	84.96	-23.89	50.37
744 - Mechanical Handling Equip.	30,732	71,967	95,394	146,325	134.18	32.55	53.39
676 - Iron/Steel Bars/Rods/etc.	51,974	85,638	33,227	141,525	64.77	-61.20	325.93
743 - Fans/Filters/Gas Pumps	38,716	47,837	72,562	136,064	23.56	51.69	87.51

On a scrutiny of top 15 items being imported by Nigeria, it is apparent that there is a great deal of activity in the construction industry. A healthy growth in import of sectors like taps/cocks/valves, electric circuit equipment, flat rolled iron/steel, iron/steel bars and rods and heating and cooling equipment indicates towards this trend. Further, the Nigerian import market is showing signs of improvement in the automobile and auto parts sector. Import of passenger cars and road motor vehicles has showed a positive growth in 2003 after having a set-back in 2002. Import growth of motorcycles/cycles which dipped from 83% in 2001 to 22% in 2002 again showed recovery by registering a growth rate of 66% in 2003.

The above analysis, therefore, indicates that construction industry and motor vehicle, motorcycles and cycles industry in Nigeria are improving and Indian companies in these sectors may strive to take the benefit of this situation.

Nigeria’s Import by Major Countries :

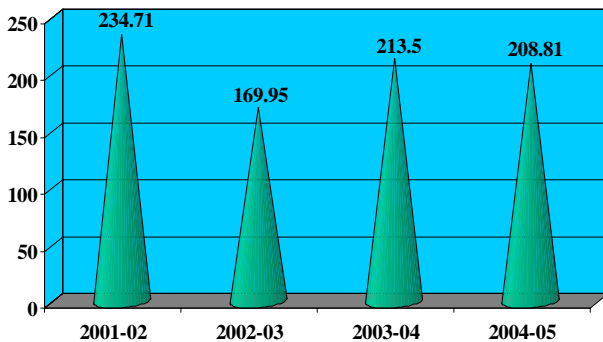
Country’s	% Share
USA	15.6 %
UK	9.6 %
Germany	7.3%
China	7.2%
Italy	4.3%

The country’s major import partners were USA and UK accounting for more than 26% of the total engineering import. Furthermore, USA has a strong presence in the oil and gas sector with more than 80% market share.

India’s Export of Engineering Goods to Nigeria :

Year	Value in Mln \$	% Growth
2001-02	234.71	33.18
2002-03	169.95	-27.59
2003-04	213.50	25.62
2004-05	208.81	-2.19

Graphical presentation of India’s Engineering Export to Nigeria (Value in Mln\$)



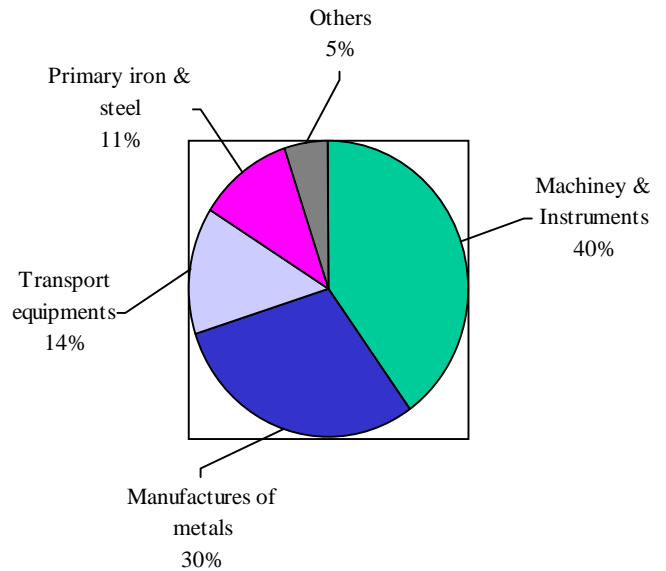
The above table reveals that Indian engineering goods export to Nigeria during last four years showed an erratic trend. While exports declined to the extent of 27% in 2002-03 there are indications of recovery in 2003-04 with a growth of 25.62%. Further, exports to Nigeria is declined by 2.19% in the year 2004-05 as comparing to the year 2003-04.

Major items of Export to Nigeria during 2004-05 :

Engineering exports to Nigeria have shown substantial growth in following sectors during 2004-05 :

Sr. No.	Product description	% share in Nigeria’s total export (2004-05)
1.	Machinery & instruments	40%
2.	Manufactures of metals	30%
3.	Transport equipment	14%
4.	Primary & semi-finished iron & steel	11%
5.	Others	5%

Graphical presentation of major items of export to Nigeria





Top 20 items for export from India to Nigeria

Product Description	2001-02	2002-03	2003-04	% Growth	% Growth
Bicycle & Parts	40.90	17.76	29.50	-56.58	66.10
Primary Iron & Steel	28.04	23.13	18.75	-17.51	-18.94
Ferrous Holloware	20.77	9.92	15.73	-52.24	58.57
S S Utensils	10.38	11.89	14.24	14.55	19.76
Other Industrial Machinery	7.98	9.30	13.89	16.54	49.35
Auto Parts	9.63	8.55	12.15	-11.21	42.11
Aluminium Products	8.17	6.95	11.98	-14.93	72.37
Other Chemical Plant	12.51	11.38	10.10	-9.03	-11.25
I C Engines & Parts	17.60	8.95	8.57	-49.15	-4.25
Tractors & Agricultural Equipment	4.67	6.81	8.21	45.82	20.56
Machine Tools	3.40	4.41	7.84	29.71	77.78
Electric Power Equipment, Parts	16.31	5.37	6.30	-67.08	17.32
Food Processing Machinery, Parts	8.46	6.92	6.22	-18.20	-10.12
Other Steel Products N.O.S	3.82	4.30	4.54	12.57	5.58
Sanitary Castings	0.68	0.36	4.16	-47.06	1055.56
Complete Vehicles	0.64	2.86	3.81	346.88	33.22
Hand Tools	2.63	2.31	2.98	-12.17	29.00
Heating & Cooling Equipment	0.79	0.83	2.88	5.06	246.99
Electric Fans & Parts	1.93	2.01	2.46	4.15	22.39
Boilers, Parts	1.72	1.18	2.43	-31.40	105.93

An analysis of top 20 items for export from India to Nigeria by value, reveals that top 10 items showed a decline in export to Nigeria in the year 2002-03. While in the year 2003-04 other items started showing positive growth, items like primary iron & steel, other chemical plant and food processing machinery still further declined. However, on comparing the growth rate in overall import of Nigeria vis-à-vis exports from India, it is seen that Indian exports are not showing the same pace at which total imports into Nigeria are increasing.

It, therefore, calls for a more aggressive and focused approach from Indian exporters, especially in the following sectors :

- Builders Hardware
- Primary Iron & Steel
- Complete Vehicles
- Auto Parts
- Bicycle and Bicycle Parts
- Electric Power Machinery
- Electrical Home Appliances
- Industrial Machinery
- Agricultural Machinery & Parts.

Major Industries

Prospects for business in Nigeria are especially promising in the following sectors : oil & gas equipment, electrical power generating equipment, computer hardware/software, telecommunications equipment, automobiles, parts and accessories, construction and earthmoving equipment and agricultural products and equipment.

Leading Sectors for Exports in Nigeria

Construction Equipment Sector

(Value in Million \$)

	2003	2004	2005 (estimated)
Total Market Size	400	500	500
Total Local Production	180	180	180
Total Exports	20	20	20
Total Imports	200	300	300

Importation of construction equipment will continue to grow in 2005. The Federal and State Governments are awarding contracts for maintenance of its numerous road networks that are presently in a state of disrepair. Plans are in place to construct new infrastructures such as road, rail lines, ports, etc. It is also expected that emphasis will be placed on provision of affordable homes for the teeming Nigerian populace to ease the problems of housing.

Best Prospects

Importation of construction equipment for road construction has not been on the increase due to dearth of funding to purchase capital-intensive equipment. The revenue areas of Nigeria continue to attract much attention in the areas of dredging.

Foreign manufacturers & exporters of construction equipment (e.g. dredge and loading equipment) will find the Nigerian construction equipment market (especially used ones) very lucrative and attractive.


Telecommunications Equipment Sector
(Value in Million \$)

	2003	2004	2005 (estimated)
Total Market Size	5200	6000	9000
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	5200	6000	9000

In 2004 in Egypt during its annual summit, the International Telecommunications Union (ITU), described Nigeria as one of the fastest growing telecommunications markets in the world. In its mid-year report in June 2004, MTN Nigeria, one of four mobile cellular operators, declared a half-year profit of approximately 25 billion Naira.

According to industry reports, Nigeria has already exceeded its target to increase its mobile and wire lines from 800,000 to over 4 million functional telephone lines before the end of 2005. As at December 2004, Nigeria had reportedly installed a little over 8 million lines, up from 800,000 fixed and wireless lines in August 2001. In a short space of three years, Nigeria emerged from relative obscurity in relation to information and communications technology to become a clear regional leader. Market watchers and industry experts predict that if current rate of growth continues, Nigeria will surpass 20 million functional lines within the next 2 years.

Nigeria joined the world's digital mobile network in January 2001. Four firms successfully concluded the auction but only three met the mandatory deadline for payment of the license fee of US\$ 280 million each. The successful firms were Econet Wireless (now known as Vmobile Nigeria Limited), MTN Nigeria, and NITEL, the Nigerian government owned telecommunications parastatal. Econet Wireless launched its services on August 6 followed by MTN on August 8, 2001. NITEL began skeletal services using its associate, M-Tel, in Abuja, the capital city. The Nigerian mobile networks operate in the GSM 900 MHz and GSM 1800 MHz frequencies.

Nigeria licensed its Second National Operator (SNO), Globacom Mobile Limited company. The SNO has a bundle of licenses to provide services related to wireless telecommunications including digital mobile (GSM), fixed-line services, data, Internet and IP services, business and carrier solutions.

Best Prospects

The Nigerian Communications Commission (NCC) is the industry's regulator. NCC has approved more than 500 operating

licenses and permits for various telecommunications services across the country, including over 50 internet service providers. This has generated a pent-up demand for telecommunications equipment, accessories, consulting and technical partnerships. The replacement of Nigeria's out-dated telecommunications infrastructure through both multilateral and Nigerian funding is a priority programme of the Nigerian Government.

The best prospects in mobile telecommunications services include value-added services such as equipment rentals, consulting services and training programmes. Interested Service Providers should target wireless applications, rural and community telephony, local and wide area network design and management, spectrum management, transaction management using wireless applications, data network design and performance optimization, Internet and Intranet security services, electric and alternate power supply services, and deployment and strategic marketing of wireless solutions. There are also opportunities in consulting services and training in project management and corporate leadership in this sector.

Nigeria is a strategic gateway to the West African markets (ECOWAS-Economic Community of West African States markets) and offers foreign firms a tremendous growth opportunity that may be difficult to equal or exceed elsewhere. Interested firms should take advantage of CS Nigeria's NUSA program and enter this market - the largest and most robust in sub-Saharan Africa.

Automobile Sector
(Value in Million \$)

	2003	2004	2005 (estimated)
Total Market Size	700	720	800
Total Local Production	220	230	230
Total Exports	0	0	0
Total Imports	500	520	600

The Nigerian government, faced with mounting pressure from local automobile manufacturers, banned the importation of used vehicles that are more than 8 years old from the year of manufacture (effective January, 2002). Importation of vehicles irrespective of age over land borders was also banned. However, more and more vehicles over and above this age limit continue to be smuggled into the country through borders with neighboring countries. Of five automobile assembly plants set up in Nigeria at the height of the country's oil boom in the 1970's, only two have survived years of fierce competition against imports.

Used vehicles accounted for more than 60 per cent of automobiles imported into Nigeria in the last 4-5 years and it is expected



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that demand will continue to grow in subsequent years. Declining per capita income is increasingly keeping new automobiles out of the reach of most Nigerians. Majority of used cars imported into the country come from Europe largely because of low freight costs which makes them relatively affordable. However, automobiles from other countries are also becoming popular among Nigeria's elite especially in the four-wheel drive and Sport Utility Vehicle (SUV) category.

Best Prospects

- Used vehicles (cars, mass transit buses and trucks) and spare parts.
• Aftermarket products such as car wax, carburetor/Injector cleaners, fuel/oil treatments, polishes, body Fillers, paints, grease removers, masking tapes, transmission oils and radiator coolants
• Modern vehicle service/repair shops.

Oil & Gas Field Machinery Sector

(Value in Million \$)

Table with 4 columns: Category, 2003, 2004, 2005 (estimated). Rows include Total Market Size, Total Local Production, Total Exports, and Total Imports.

Nigeria is one of the world's top ten oil producers and Africa's leading producer, with oil reserves of about 31 billion barrels (including 1.36 billion barrels of condensates), while its gas reserves are estimated at between 124-185 trillion standard cubic feet. Daily crude oil production stands at about 2.2 million barrels per day. Presently, estimated life expectancy of Nigeria's crude oil reserve is 35 years while that of gas is over 100. Natural gas that traditionally was flared at oil extraction sites for years has increasingly been recognized as an enormous income-generating resource for Nigeria and is now being captured for processing and sale both regionally and overseas.

Best Prospects

Oil and gas machinery is number one due to its unrivaled potential as a source of investment opportunities for businesses in Nigeria. Business observers believe that the oil and gas sector offers consistent opportunities for marketing essential capital equipment and technology, for both extraction and production. Drilling equipment appears to hold the most promise for exporters, with total sales in this sub-sector projected to exceed

\$ 500 million in 2004 and to increase over the next four years. This is mainly due to the increase in activity experienced in the offshore deep-sea region lease of oil blocks and exploitation of potentially lucrative marginal oil fields. The lubricant segment of the oil sector remains most lucrative, as there is yet no price control. Training services is another area where foreign service companies have comparative advantage especially in exploration and production, engineering and seismic techniques.

Opportunities

Within the upstream and downstream segments, opportunities abound in different sub-sectors related to core exploration and production, such as drilling and manufacturing equipment, support services, marketing, construction, consulting services, insurance, legal services, facilities maintenance, and environmental management. The Federal Government is also in the process of calling for bids for the 27 oil blocks on offer in the upcoming 1st quarter licensing rounds.

Medical Equipment Sector

(Value in Million \$)

Table with 4 columns: Category, 2003, 2004, 2005 (estimated). Rows include Total Market Size, Total Local Production, Total Exports, and Total Imports.

Nigeria faces a crisis situation in its healthcare delivery services especially in rural communities. Over the past 18 months, there have been several industrial actions related to a lack of basic needs and facilities in most of the public health institutions across the country. Nigeria continues to import most of its medical equipment and pharmaceutical needs. Local production is limited to peripheral items such as hospital beds and gurneys.

Health care in Nigeria has been denied the critical attention due to it for several decades. Successive Governments have neglected the primary, secondary and tertiary health services in spite of the volume of information available to them on the state of health care at all levels. Several policies have been formulated without a corresponding infusion of funds. The program has consisted mainly of lofty speeches and data that do not translate to better health service.

Nigeria claims that it is committed to the Millennium Development Goals but just as in former years, the health sector has remained almost stagnant and old facilities are collapsing. The vision of Health for All by the Year 2015, therefore, may not be



realized as there has been very little visible improvement in this sector. Perhaps, the only visible program in the sector is the vigorous enforcement of regulation in food and drug administration by the leadership of the National Agency for Food and Drug Administration and Control (NAFDAC).

Nigeria continues to witness a massive import food and drugs that have expired or are about to expire. Some of these imports come through the sea ports but large consignments reportedly are hauled over land through several porous borders routes. However, the leadership of the National Agency for Food and Drug Administration and Control (NAFDAC) is reputed for courage, thoroughness and integrity. The war against counterfeits and fake drugs has not been easy due to several reasons including cultural factors which encourage patronage quacks.

During this fiscal year, Nigeria plans to intensify efforts toward implementation of the National Health Insurance Scheme (NHIS), first proposed about 30 years ago. The scheme, widely accepted by industry experts and professionals is experiencing some teething problems. The NHIS is aimed at generating resources for health care delivery as well as providing access to quality health care delivery. Other categories of healthcare services that have been given high priority include the intensification of non-curative components of primary health care like Sanitation Health Education, national preventive campaigns against childhood diseases and free compulsory immunization programs.

HIV/AIDS has been identified as a growing problem in Nigeria. The GON has expressed concern about this looming menace as it could have a devastating impact on Nigeria's growth and poverty alleviation efforts if it remains unchecked. Officially, the rate of HIV infection in Nigeria is about 5.8 per cent. In reality an estimated 3.2 million Nigerians have tested HIV/AIDS positive. The Federal Government has established a Presidential Action Committee on AIDS (PACA), headed by the Vice President and key line ministers as members. It is estimated that the Government would need about \$ 63,000,000 to combat Aids in Nigeria. This would include substantial purchases of drugs and HIV/AIDS-related test kits.

Best Prospects

Nigeria remains a major destination for global export of healthcare products and services. There is still a high demand for medical services and equipment such as analytical and examination instruments, ultra sound scans, anesthesia equipment,

mortuary and laboratory equipment. In addition to public sector demands, the private sector accounts for much of Nigeria's imports and a significant percentage of informal exports to West African markets. As in the previous years, it is envisaged that refurbished and used medical equipment will remain in high demand, particularly in the private sector.

Opportunities exist in Nigeria for professional training and environmental services in the healthcare sector. There is a dearth of specialist expertise in many specialized fields and a near absence of cutting-edge technology application in most healthcare institutions in Nigeria.

Aerospace/Aviation Sector

(Value in Million \$)

	2003	2004	2005 (estimated)
Total Market Size	200	350	400
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	250	350	400

The Federal Aviation Authority (under the Federal Government Ministry of Aviation) continues to restructure the aviation industry that is plagued by a drastic reduction in operational aircrafts. Private airlines in their fleet (mostly Boeing 727s, 737s, and DC9s) cover the lucrative domestic routes. Nigeria's Federal Aviation Authority (FAAN) is determined to improve safety at its dozens of airports by installation of navigational aids at several of them. FAAN installed navigational aids at two of its international airports Lagos and Abuja and plans to purchase and install additional 12 navigation and landing aids within five years for other airports throughout the country. It is expected that ground support equipment at international and domestic airports would be upgraded at some of the domestic airports. Aviation sources expect a growth in this sector in the next few years.

Best Prospects

With the Government paying more attention to safety regulations and monitoring the operation of airlines in Nigeria, airline operators are purchasing or wet-leasing foreign aircraft with attendant supply of parts and services. Grounded planes will need replacement of engines, component parts and navigational equipment from other sources.

(To be continued at next issue)

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