

Internally Generated Revenue Falls

States' Internally Generated Revenue (IGR) declined in the third quarter 2018, replicating the same downward trend as seen in the previous quarter. IGR dropped to ₦264.38 billion in 2018Q3, compared to ₦279.78 billion generated in the preceding quarter – down by 5.5 percent¹. The recently released IGR report by the NBS also shows that 20 states generated less revenue during the quarter (including the FCT), and only 17 states recorded growth in IGR. Reductions in Pay-As-You-Earn (PAYE) Tax, Direct Assessment, Road Taxes and revenues from Ministries, Departments and Agencies (MDAs) prompted the overall decline. In order to expand the tax base thereby improving tax revenues, a special focus should be given to harnessing the informal sector into the tax net.

FAAC Allocations Decline

The three tiers of government shared a total of ₦649.19 billion as revenue for the month of December 2018². The Federal, States, and Local Government received ₦255.2 billion, ₦129.44 billion and ₦99.7 billion respectively. The total figure showed a decline of ₦163.57 billion, compared to the ₦812.76 billion that was shared for the month of November 2018. The decline resulted from reduction in crude oil export sales following the shutdown, shut-in and closure of production at various terminals due to fire, leakage, and flooding³. Aside the decline in Federation revenue, this poses environmental concerns for the affected areas. It is important for the oil industry to take better precautionary and safety measures in order to mitigate against the frequent occurrence of avoidable issues such as fire and leakages. The Department of Petroleum Resources (DPR) should improve regulatory mechanisms to ensure enforcement of safety standards and emergency preparedness in the sector.

Purchasing Managers' Index Decline

The manufacturing sector PMI recorded decline in January 2019, relative to December 2018. The latest reading of 58.5 points⁴ is 2.6 points below the 61.1 points recorded in December. The slowdown was triggered by slower growth in Production level, new orders, supplier delivery time, employment level and inventories. Similarly, non-manufacturing PMI fell from 62.3 points to 60.1 points. Compared to the December and festive period, the slowdown may have been driven by weaker demand in January and a plausible waning momentum that characterizes business activities at the beginning of a year. Slowdown in business activities is likely to persist until after the election, as investors and business leaders typically postpone key business decisions and projects until after elections in order to gauge future policy environment. The incumbent or incoming government would need to clearly outline its strategic plan for the next four years immediately after the election in order to send positive signals to investors and kick-start business activities. In addition, budget processes for the year should be expedited to prevent further slowdown in government spending, investment and consumption as components of aggregate demand.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q2	'18Q3
GDP Growth Rate (%)	1.5	1.8
Oil GDP (%)	-3.95	-2.90
Non-oil GDP (%)	2.05	2.35
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	261.4	530.60
Portfolio Investment (US \$Millions)	4,119.5	1,723.1
Other Investment (US \$Million)	1,132.8	601.5
External Debt (FGN & States- N'Billion)	6,750.91	6,614.61
Domestic Debt (FGN + States & FCT N'billion)	15,628.76	15,814.19
Manufacturing Capacity utilization (%)	54.6	54.6
Monthly Indicators	Nov'18	Dec'18
Headline Inflation (%)	11.28	11.44
Food Sub-Index (%)	13.30	13.36
Core Sub-Index (%)	9.8	9.8
External Reserves (End Period) (US\$ Million)	42,167.18	43,116.86
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.9	61.1
Non-Manufacturing PMI	58.4	62.3
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.50	145.80
Diesel (AGO -N/Litre)	219.54	221.56
Kerosene (HHK -N/Litre)	298.32	290.74
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	
Savings Deposit (%)	4.07	
Prime Lending (%)	16.64	
Maximum Lending (%)	30.80	
Narrow Money (N'Billion)	10,688.66	
Broad Money (N'Billion)	25,461.74	
Net Domestic Credit (N'Billion)	26,062.99	
Credit to the Government (N'Billion)	2,980.22	
Credit to the Private Sector(N'Billion)	23,082.75	
Currency in Circulation (N'Billion)	2,100.12	
FAAC (N'Billion)	812.76	

*Revised GDP figures/tentative figures

NA: Not Available

¹National Bureau of Statistics (2019). “Internally Generated Revenue At State Level (Q3 2018)”. Retrieved from, <http://www.nigerianstat.gov.ng/>

²Punch (2019). “FAAC allocates N649.19bn to FG, states, LGs”. Accessed February 6, 2019. <https://punchng.com/faac-allocates-n649-19bn-to-fg-states-lgs/>

³Leadership (2019). “FAAC: FG, States, LGs Share N649.19bn In December”. Accessed February 6, 2019. <https://leadership.ng/2019/01/25/faac-fg-states-lgs-share-n649-19bn-in-december/>

⁴cbn (2019). “Purchasing Managers’ Index (PMI) Survey Report: January 2019”. Retrieved from, https://www.cbn.gov.ng/Out/2019/STD/PMI%20Report_January%202019.pdf

