

Rising Non-Oil Exports

The value of non-oil exports increased in the first quarter of 2019. According to the latest CBN quarterly economic report, non-oil exports totaled up to US\$1.26 billion in 2019Q1¹, indicating 14.9% quarter over quarter (QOQ) increase and 41.2% year-on-year growth rate. Significant increases were observed in and driven by receipts from all reported sectors, however, three sectors stand out: minerals, manufacturing, and agricultural sectors, following likely sectoral improvements. Export earnings from minerals amounted to US\$750 million and accounted for about 60% of total earnings for the quarter. Similarly, earnings from manufacturing and agricultural sectors grew QOQ by 19.1% and 12.8% to US\$190 million and US\$160 million respectively. Both sectors accounted for 27.5% of total non-oil export earnings for the quarter. Given that the government is prioritizing the diversification of the country's revenue base and the aforementioned sectors play a key role in the diversification process, we expect continuous growth in these sectors. However, the lack of connective infrastructure to convey equipment, products, and workers, as well as the ports congestion that affects the competitiveness of exports should be addressed.

Fall in VAT Revenue

Revenue generated from Value Added Tax (VAT) fell in the first quarter of 2019. Relative to the previous quarter, VAT revenue declined marginally by 3.01% to ₦289.04 billion², from the ₦298.01 billion. Disaggregated by sector, manufacturing sector garnered the highest VAT revenue with ₦31.42 billion, representing about 11% of total VAT. Closely followed, is the professional service sector which generated a total of ₦24.31 billion; and VAT from commercial and trading activities amounted to ₦14.92 billion. The slight decline (1%) in local non-import VAT and huge decline (54%) in the Nigeria Customs Service import VAT may have led to the overall decline in VAT for the review quarter. Looking forward, there is scope to raise VAT tax revenues above level by improving governance in revenue collection (attainable in the near-term), and further strengthening tax capacity (as a medium-to-long term strategy). Improving governance in collection will involve leveraging technology to increase efficiency and building citizen trust.

Fall in FAAC Revenue

The Federation Accounts Allocation Committee (FAAC) has shared in May 2019, a total of ₦616.20 billion to the three tiers of government from the federation revenue earned in April³. The amount is a marginal decrease of ₦1.36 billion from the ₦617.56 billion disbursed in April (as revenue earned in March 2019). Out of total revenue shared in the review month, the Federal Government, states and local governments received ₦253.92 billion, ₦168.06 billion, and ₦126.28 billion respectively. The Oil Producing States received ₦46.35 billion as 13% derivation revenue and the Revenue Generating Agencies received ₦21.59 billion as cost of revenue collection. While sources of revenue such as Petroleum Profits Tax (PPT), Import duty, and Companies Income Tax (CIT) recorded significant increases, the marginal FAAC revenue decline was at the backdrop of a substantial decline in revenue earned via oil royalties and export duties. With the volatility and unpredictability of oil revenue, all tiers of government should look inwards by mobilizing local resources and expertise to generate revenue.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q4	'19Q1
GDP Growth Rate (%)	2.38	2.1
Oil GDP (%)	-1.62	-2.40
Non-oil GDP (%)	2.7	2.47
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	156.08	NA
Portfolio Investment (US \$Millions)	1,394.68	NA
Other Investment (US \$Million)	589.32	NA
External Debt (FGN & States- N'Billion)	7,759.22	NA
Domestic Debt (FGN + States & FCT N'billion)	16,627.84	NA
Manufacturing Capacity utilization (%)	55	NA
Monthly Indicators	Mar'19	Apr'19
Headline Inflation (%)	11.25	11.37
Food Sub-Index (%)	13.45	13.70
Core Sub-Index (%)	9.5	9.3
External Reserves (End Period) (US\$ Million)	44,420.10	44,792.70
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.4	57.7
Non-Manufacturing PMI	58.5	58.7
Crude Oil Price (US\$/Barrel)	67.67	73.08
Petrol (PMS-N/litre)	145.30	145.90
Diesel (AGO -N/Litre)	229.16	230.67
Kerosene (HHK -N/Litre)	303.94	316.26
MPR (%)	14	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.91	10.91
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	14.92	18.23
Maximum Lending (%)	30.83	30.89
Narrow Money (N'Billion)	10,945.25	11,252.43
Broad Money (N'Billion)	33,809.57	35,167.53
Net Domestic Credit (N'Billion)	31,696.52	32,898.45
Credit to the Government (N'Billion)	7,741.33	8,001.77
Credit to the Private Sector(N'Billion)	23,955.19	24,896.67
Currency in Circulation (N'Billion)	2,153.22	2,158.70
FAAC (N'Billion)	617.56	616.20

*Revised GDP figures/tentative figures
NA: Not Available

¹CBN (2019). “ECONOMIC REPORTFIRST QUARTER 2019”. Retrieved from, <https://www.cbn.gov.ng/Out/2019/RSD/CBN%20ECONOMIC%20REPORT%20FIRST%20QUARTER%2019%20final%20draft%20.pdf>

²National Bureau of Statistics (2019). “Sectoral Distribution of Value Added Tax Q12019”. Retrieved from, [https://nigerianstat.gov.ng/elibrary?queries\[search\]=sectoral%20distri](https://nigerianstat.gov.ng/elibrary?queries[search]=sectoral%20distri)

³Vanguard (2019). “FAAC shares N616.198 billion to federal, states, LGs”. Accessed May 28, 2019. <https://www.vanguardngr.com/2019/05/faac-shares-n-616-198-b-to-federal-states-lgs/>

