



Nigeria Economic Update



**Weekly
Digest**

Growth in VAT Revenue

Revenue generated from Value Added Tax (VAT) in 2019Q2 increased by 8% over the previous quarter, 2019Q1. At a total of N311.94 billion¹, the figure is higher than the N289.04 billion VAT revenue generated in 2019Q1. As usual, manufacturing sector generated the highest amount of VAT with N34.43 billion generated and closely followed by professional services generating N29.58 billion, however, the highest QOQ increases were recorded in the transport & haulage services sector which grew significantly by 205% from N2.4 billion to N7.4 billion. This increase may reflect increased revenue earned from transporting more commuters/passengers and hauling more goods via roads, railway, and air during the period. For instance, despite the suspension directive issued by the federal government², the mandatory VAT is still collected on air fares, enabling increases in VAT revenue as passenger and goods transportation increase. With the Federal Inland Revenue Services (FIRS) imposing VAT on online transactions in the coming months, we expect a growth in VAT revenue. However, careful consideration should be given to ensure that online purchases are not discouraged, thus disrupting the CBN's cash-less policy.

FAAC

The Federation Accounts Allocation Committee distributed a total of N769.5 billion to the three tiers of government as revenue earned in July 2019³. This amount is slightly higher than the N762.6 billion disbursed as revenue earned in June⁴, by N6.9 billion. For the review month, the Federal, state and local governments received N299.8 billion, N190.38 billion, and N143.57 billion respectively. As 13% derivation, the oil producing states received N42.92 billion and revenue generating agencies received N92.86 billion as cost of revenue collection. Such transparency in revenue disbursement across the three tiers of government should also be reflected in the actual distribution of funds for public services, especially at state and municipal levels. This would strengthen accountability, public financial management and traceable value for tax payers Naira.

Decline in Inflation Rate

Inflation rate moderated in July 2019, following a similar moderation in June 2019. The price index fell very marginally to 11.08% in July from 11.22% recorded in June 2019⁵ – indicating a 0.14 percentage points decline. Core sub-index, which has been on a consistent decline since the beginning of the year 2019, fell further from 8.84% to 8.80% during the month. Food inflation also declined marginally by 0.17% to 13.39% on the backdrop of lower food prices primarily as a result of favourable harvest season – food prices further moderated during the month. However, the consistent decline in food inflation could end if food imports are banned. To avert increment in food inflation, supply-side measures that could potentially reduce long-term costs, such as improving transport infrastructure and providing storage facilities should be undertaken.

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)	173.37	243.36
Portfolio Investment (US \$Millions)	1,760.76	7,145.98
Other Investment (US \$Million)	750.93	1,096.15
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	June'19	July'19
Headline Inflation (%)	11.22	11.08
Food Sub-Index (%)	13.56	13.39
Core Sub-Index (%)	8.84	8.80
External Reserves (End Period) (US\$ Million)	45,069.45	44,903.03
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	57.4	57.6
Non-Manufacturing PMI	58.6	58.7
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	145.40	145.00
Diesel (AGO -N/Litre)	224.69	224.96
Kerosene (HHK -N/Litre)	316.43	316.03
MPR (%)	13.5	13.5
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	10.14	NA
Savings Deposit (%)	3.93	NA
Prime Lending (%)	15.8	NA
Maximum Lending (%)	31.04	NA
Narrow Money (N'Billion)	11,159.12	11,435.79
Broad Money (N'Billion)	35,018.77	35,675.93
Net Domestic Credit (N'Billion)	32,332.63	33,412.40
Credit to the Government (N'Billion)	7,581.49	9,138.08
Credit to the Private Sector(N'Billion)	24,751.13	24,274.31
Currency in Circulation (N'Billion)	2,014.07	2,003.09
FAAC (N'Billion)	762.5	769.5

*Revised GDP figures/tentative figures
NA: Not Available

¹National Bureau of Statistics (2019). "Sectoral Distribution Of Value Added Tax (Q2 2019)". Retrieved from, [https://nigerianstat.gov.ng/elibrary?sorts\[..\]=1&page=87&offset=860](https://nigerianstat.gov.ng/elibrary?sorts[..]=1&page=87&offset=860)

²The Guardian (2019). "FG yet to remove 5% VAT in air transport". Accessed August 25, 2019. <https://guardian.ng/business-services/fg-yet-to-remove-5-vat-in-air-transport/>

³Punch (2019). "FAAC: FG, states, LGs share N769.523bn for July". Accessed August 25, 2019. <https://punchng.com/fg-states-lgs-share-n769-523bn-for-july/>

⁴National Bureau of Statistics (2019). "Federation Account Allocation Committee (FAAC) (JULY 2019 Disbursement)". Retrieved from, [https://nigerianstat.gov.ng/elibrary?sorts\[..\]=1&page=87&offset=860](https://nigerianstat.gov.ng/elibrary?sorts[..]=1&page=87&offset=860)

⁵National Bureau of Statistics (2019). "CPI and Inflation Report July 2019". Retrieved from, [https://nigerianstat.gov.ng/elibrary?sorts\[..\]=1&page=86&offset=850](https://nigerianstat.gov.ng/elibrary?sorts[..]=1&page=86&offset=850)