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Increased VAT Collection

Data from the National Bureau of Statistics shows that Value Added Tax (VAT) revenue for the first quarter of 2021 (Q1 2021) stood at N496.39 billion. This represents 9.17 percent and 52.93 percent increase relative to the previous quarter and corresponding quarter of 2020, respectively[1]. Further disaggregation shows that the following sectors generated the highest VAT: other manufacturing sector - N49.41 billon and professional services - N42.50 billion. Mining sector and textile/garment sector contributed the least to VAT collections during the period under review. The sectorial distribution of VAT revenue is an indication of the importance of the manufacturing and service sectors to the Nigerian economy. It is therefore important to continuously improve the business climate in the country to enhance the growth potential of these sectors as they are yet to reach their optimal levels. Enhancing overall business climate would also attract investments in other less-performing sectors of the economy, which should ultimately lead to more tax revenues to fund much-needed infrastructural projects in the country.

CBN Extends Naira 4 Dollar Scheme

The Central Bank of Nigeria (CBN) has extended the tenure for the implementation of “Naira 4 Dollar Scheme” indefinitely[2]. In a bid to encourage remittances, CBN introduced the scheme back in March as an incentive for senders and recipients of international money transfers. More specifically, all recipients of diaspora remittances through CBN licensed International Money Transfers Operators (IMOs) will be paid N5 per $1 received as remittance inflows in addition to the USD sent from abroad. The Naira 4 Dollar Scheme was put in place to incentivize foreign exchange inflows into the country and increase foreign reserves. The scheme is likely to deter the CBN from further devaluing the currency if foreign exchange inflows improve. However, the effect of the scheme on Nigeria’s balance of payment account should be seriously considered in order not to push the country into further deficit.

Increase in Foreign Trade

Recently released data by the Central Bank of Nigeria (CBN) shows that total value of foreign trade increased by 3.2 percent, from US$7.89 billion recorded in December 2020 to $8.14 billion recorded in January 2021[3]. Disaggregation of the data indicates that imports increased to US$5.33 billion in January 2021 from US$4.79 billion in December 2020, while exports declined from $3.07 billion to US$2.81 billion within the review period. Consequently, a higher trade deficit of US$2.51 billion was recorded in January 2021, relative to US$1.69 billion in the preceding month. The increase in total trade is attributed to an increase in trading activities following the re-opening of Nigeria’s land borders. The figures reveal a negative net export value for the Nigerian economy which has placed pressure on the Naira and led to currency depreciation. This in turn has resulted in higher production costs in the Nigerian economy as the country is heavily reliant on both consumer and producer imported goods, thereby putting further pressure on inflation and outputs. Economic diversification of the Nigerian economy is urgently required to reduce Nigeria’s trade deficit problem. Policies and initiatives to support sectors with export potentials should be top priority for national development.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q3	'20Q4
GDP Growth Rate (%)	- 3.62	0.11
Oil GDP (%)	-13.98	-19.76
Non-oil GDP (%)	-2.51	1.69
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US $ Million)	414.79	251.27
Portfolio Investment (US $Millions)	407.25	35.15
Other Investment (US $Million)	639.44	783.26
External Debt (FGN & States- N'Trillion)	12.16	NA
Domestic Debt (FGN + States & FCT N'Trillion)	20.04	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Dec'20	Jan'21
Headline Inflation (%)	15.75	16.47
Food Sub-Index (%)	19.56	20.57
Core Sub-Index (%)	11.37	11.85
External Reserves (End Period) (US$ Billion)	35.37	36.3
Official Rate Approx. (N/US$)	379	379
BDC Rate Approx. (N/US$)	NA	NA
Manufacturing PMI	50.2	NA
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US$/Barrel)	NA	NA
Petrol (PMS-N/litre)	165.70	164.09
Diesel (AGO -N/Litre)	224.37	224.86
Kerosene (HHK -N/Litre	352.79	350.55
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	1,949.75	1,949.02
MPR (%)	11.50	11.5
CRR (%)	27.5	27.5
91 Day T-Bill Rate (%)	NA	NA
Savings Deposit (%)	2.04	NA
Prime Lending (%)	11.35	NA
Maximum Lending (%)	28.31	NA
Narrow Money (N'Million)	15,923,942.49	NA
Broad Money (N'Million)	38,673,641.64	NA
Net Domestic Credit (N'Million)	41,636,319.09	NA
Credit to the Government (Net) (N'Million)	11,469,182.65	NA
Credit to the Private Sector (N'Million)	30,167,136.44	NA
Currency in Circulation (N'Million)	2,908,462.40	NA
FAAC (N'Billion)	160.59	NA

*Revised GDP figures/tentative figure
NA: Not Available

1. NBS (2021). Sectoral Distribution of Value Added Tax (Q1 2021). Retrieved from, https://www.nigerianstat.gov.ng/download/1241019

2. CBN (2021). Notice of Re-Introduction of Naira 4 Dollar Scheme. Retrieved from, https://www.cbn.gov.ng/Out/2021/TED/Dollar%20scheme.pdf

3. CBN (2021). January 2021 Economic Report. Retrieved from, https://www.cbn.gov.ng/Out/2021/RSD/January%202021%20Economic%20Report.pdf