



**NIGERIA  
ECONOMIC  
UPDATE**

**Weekly  
Digest**

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## **VAT Collection Increases by 11.5 percent in Q4 2022**

As the National Bureau of Statistics reported, Value Added Tax (VAT) increased quarter-on-quarter by 11.5 percent from N625.39 billion in Q3 2022 to N697.38 billion in Q4 2022. Local payments amounted to N408.12 billion of the total VAT collected, while foreign and import VAT payments were N159.83 billion and N29.43 billion, respectively.<sup>2</sup> Disaggregating by sector, the three largest contributing sectors were manufacturing which accounted for 32.17 percent, indicating a relatively very high demand for manufactured goods in the country. Others are Information and Communications with 18.05 percent, public administrators and defense, and compulsory social security with 9.87 percent. However, activities of households as employers, undifferentiated goods-and services-producing activities of the household for own use recorded the least share with 0.01 percent, followed by activities of extraterritorial organizations and bodies (0.05 percent) and water supply, sewage, waste management, and remediation activities (0.07 percent). The rise in government revenue due to the better-than-expected VAT collections for this time period is essential for improving the odds that the government will be able to fulfil its fiscal responsibilities. Policies that aim to increase aggregate demand must be implemented to maintain this trend. Most importantly, the government must make sure that the increase in the amount of VAT money it receives from taxpayers translates into providing amenities for the public, such as good roads, dependable power, and accessible water. Consequently, improving overall living conditions for Nigerian citizens. Additionally, tax compliance must be optimized considering the ongoing digitalization of the systems for collecting taxes as the government seeks to prevent tax evasion and avoidance among taxpayers.

## **Nigeria records trade surplus of N996.78 billion Q4 2022**

Data from the National bureau of statistics (NBS) show that Nigeria's total trade with the rest of the world stood at N11.7 trillion in the fourth quarter (Q4) of 2022. On an annual basis, total trade was N52.39 trillion, with exports and imports amounting to N26.79 trillion and N25.59 trillion, respectively.<sup>1</sup> Total trade in the fourth quarter comprises exports of N6.36 trillion and imports of N5.36 trillion resulting in a trade surplus of N996.78 billion. On a quarter-on-quarter basis, imports decreased by 5.46 percent, while exports increased by 7.17 percent compared to the value recorded in the previous quarter. The rise in export was largely accounted for by an increase in oil production and a relatively high oil price within the period under review. This is a positive development, as it can boost the government's revenue generation. In the 2023 production year, the oil sector is expected to drive the growth of the economy, although some uncertainties, like possible global market fluctuations, still surround the system. To increase revenue collection, maintain good economic growth and development, and ensure economic diversification, the government must put adequate policies into place. Moreover, it is necessary to assess the current government's non-oil export initiatives that would guarantee higher productivity, increased competitiveness in the global market, and larger export revenues. Ultimately, for the Nigerian economy to fully profit from trade in goods and services, the government needs to keep implementing regulations that ensure the informal sector remains effectively integrated with the formal sector.

## **Inflation rises marginally in February 2023**

Headline inflation in Nigeria stood at 21.91 percent in February 2023, representing a month-on-month increase of 0.09 percent over the 21.82 percent reported in January, and a year-on-year increase of 6.21 percent compared to 15.70 percent, which was recorded in the same period in 2022. This is according to the February 2023 inflation data reported by the National Bureau of Statistics (NBS).<sup>3</sup> The steadily rising inflation rate is primarily caused by soaring food prices, which is linked to numerous structural issues that prevail in the country's production activities, such as energy (fuel) scarcity, insecurity, increased cost of transportation, etc. A detailed review of the data shows that Bread and cereal (21.67 percent), Actual and imputed rent (7.74 percent), potatoes, yam, and other tubers (6.06 percent), vegetables (5.44 percent), and meat (4.78 percent) were categories that contributed the most to the headline index. This has led to higher living expenses, lower consumer purchasing power, and lower overall living standards in a nation where over half of the people live in poverty. Thus, it is crucial that the government deal with the rising inflation that is harming the nation's economy. Similarly, addressing the ongoing fuel shortage, for example, can assist in decreased transportation expenses and further reduce production costs overall, directly impacting how simple it is to conduct business. Hence, the Nigerian authorities should work to increase security throughout the nation, particularly in areas that produce food, as this can increase food production and lower rising food costs due to scarcity. In addition, implementing social security measures, such as a targeted cash supply, is crucial during this time.

ECONOMIC SNAPSHOT		+	
Quarterly Indicators	'22Q3	'22Q4	
GDP Growth Rate (%)	2.25	3.52	
Oil GDP (%)	-22.67	-13.38	
Non-oil GDP (%)	4.27	4.44	
Unemployment Rate (%)	NA	NA	
Foreign Direct Investment (US \$ Million)	NA	NA	
Portfolio Investment (US \$Millions)	NA	NA	
Other Investment (US \$Million)	NA	NA	
External Debt (FGN & States- N'Trillion)	17.15	NA	
Domestic Debt (FGN + States & FCT N'Trillion)	26.92	NA	
Manufacturing Capacity utilization (%)	NA	NA	
Monthly Indicators	Jan '22	Jan '23	
Headline Inflation (%)	15.60	21.82	
Food Sub-Index (%)	17.13	24.32	
Core Sub-Index (%)	13.87	19.16	
External Reserves (End Period) (US\$ Billion)	40.04	36.99	
Official Rate Approx. (N/US\$)	414.11	461.00	
BDC Rate Approx. (N/US\$)	NA	NA	
Manufacturing PMI	51.4	NA	
Non-Manufacturing PMI	49.01	NA	
Average Crude Oil Price (US\$/Barrel)	88.71	84.78	
Petrol (PMS-N/litre)	166.40	257.12	
Diesel (AGO -N/Litre)	288.09	828.82	
Kerosene (HHK -N/Litre)	437.11	1,153.40	
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,657.57	4,588.75	
MPR (%)	11.50	17.50	
CRR (%)	27.5	NA	
T-Bill Rate (%)	2.49	1.39	
Savings Deposit Rate (%)	1.25	4.29	
Prime Lending (%)	11.68	27.63	
Maximum Lending (%)	27.65	NA	
Narrow Money (N'Million)	18.59	20.96	
Broad Money (N'Million)	45.09	52.97	
Net Domestic Credit (N'Million)	50.09	68.90	
Credit to the Government (Net) (N'Million)	14.90	24.65	
Credit to the Private Sector (N'Million)	35.18	42.25	
Currency in Circulation (N'Million)	3.288	1.386	
FAAC (N'Billion)	766.47	NA	

NA: Not Available

1. NBS (2023). Foreign Trade in Goods Statistics (Q4 2022). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241297>
2. NBS (2023). Value Added Tax (VAT) Q4 2022. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241295>
3. NBS (2023). CPI and Inflation Report February 2023. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241298>

