CSEA
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Weekly Digest

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Slight Growth in 2020 Tax Revenues

Data from the National Bureau of Statistics (NBS) shows an overall increase in tax revenues for 2020. Total revenue generated from Value Added Tax (VAT)[1] and Company Income Tax (CIT)[2] stood at approximately N2.94trillion, representing a 5% increase from N2.81trillion reported in prior year. However, although the net revenue showed growth, only VAT receipts increased year-on-year by 29%, whereas, CIT revenue decreased by 13%. The professional services sector was the biggest contributor to both VAT and CIT receipts, while mining and textile/garment industry generated the least VAT and CIT revenues respectively. Considering the economic circumstances during 2020, the slight growth in tax revenues is a positive indicator. It is important for tax policymakers to continue monitoring the effectiveness and impact of ongoing tax reforms on the economy.

FEC approves Policy to Check Export Quality

The Minister of Industry Trade and Investment has confirmed the endorsement of the National Quality Policy (NQP)[3] by the Federal Executive Council (FEC). The policy aims to provide a framework for ensuring that Nigerian-made exports meet international standards. This is expected to curb the current trend of goods being rejected by import partner countries due to substandard quality. Implementation of the policy would involve collaboration between the public and private sectors, in setting up internationally accredited laboratories, and conducting tests to guarantee quality. The approval of the NQP is timely, especially with the recent launch of the African Continental Free Trade Area. Hopefully, the policy would help improve the chances of local export firms becoming more competitive and build capacity to cater to a wider market. However, it is important that the quality control process does not become overly bureaucratic and stifle business operations, particularly small enterprises involved in exports.

CBN Retains the Monetary Policy Rate

The Monetary Policy Committee voted to retain the Monetary Policy Rate (MPR) at 11.5 percent.[4] It is noteworthy that the MPR has been reduced twice since the pandemic began: from 13.5% in March 2020 to 12.5% in May 2020, and further to 11.5% in September 2020 in a bid to reduce interest rates and make credit more affordable. The committee also decided to retain the Cash Reserve Ratio (CRR) at 27.5 percent, liquidity ratio at 30 percent and the asymmetric corridor of +100/-700 basis points around the MPR. Giving that the economy is experiencing stagflation, the MPC resolved to reverse both high inflation and contracting output by continuing to pursue price stability in growing the economy. While the reduction in the MPR as well as the central bank-financing has contributed to the rising inflation, it is important to make loans more affordable for households and businesses. However, the extent to which reductions in the MPR reflects in the interest rates offered by commercial banks is debatable.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'20Q2	'20Q3
GDP Growth Rate (%)	- 6.10	-3.62
Oil GDP (%)	8.93	8.73
Non-oil GDP (%)	91.07	91.27
Unemployment Rate (%)	27.1	NA
Foreign Direct Investment (US $ Million)	148.6	414.79
Portfolio Investment (US $Millions)	385.32	407.25
Other Investment (US $Million)	761.03	639.44
External Debt (FGN & States- N'Trillion)	11.36	NA
Domestic Debt (FGN + States & FCT N'Trillion)	19.65	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Nov'20	Dec'20
Headline Inflation (%)	14.89	NA
Food Sub-Index (%)	18.30	NA
Core Sub-Index (%)	11.05	NA
External Reserves (End Period) (US$ Billion)	35.41	NA
Official Rate Approx. (N/US$)	379	379
BDC Rate Approx. (N/US$)	472.74	NA
Manufacturing PMI	50.2	49.6
Non-Manufacturing PMI	47.6	45.7
Crude Oil Price (US$/Barrel)	NA	NA
Petrol (PMS-N/litre)	167.27	NA
Diesel (AGO -N/Litre)	223.74	NA
Kerosene (HHK -N/Litre	353.38	NA
MPR (%)	11.50	NA
CRR (%)	NA	NA
91 Day T-Bill Rate (%)	0.03	NA
Savings Deposit (%)	1.84	NA
Prime Lending (%)	11.60	NA
Maximum Lending (%)	28.85	NA
Narrow Money (N'Million)	14,820,224.11	NA
Broad Money (N'Million)	36,587,109.03	NA
Net Domestic Credit (N'Million)	40,121,654.80	NA
Credit to the Government (Net) (N'Million)	10,785,909.30	NA
Credit to the Private Sector (N'Million)	29,335,745.57	NA
Currency in Circulation (N'Million)	2,659,710.45	NA

*Revised GDP figures/tentative figure
NA: Not Available

1. NBS (2021). Sectoral Distribution of Value Added Tax. Retrieved from: https://www.nigerianstat.gov.ng/download/1220
2. NBS (2021). Sectoral Distribution of Companies Income Tax. Retrieved from:

   https://www.nigerianstat.gov.ng/download/1221
3. The Guardian (2021). World Economic Outlook Update (January 2021). Retrieved from: https://guardian.ng/news/fec-okays-national-quality-policy-n9-4-billion-for-sundry-projects/
4. CBN (2021). Central Bank of Nigeria Communiqué No. 134 Of the Monetary Policy Committee Meeting Held on Monday 25th and Tuesday 26th January 2021. Retrieved from: https://www.cbn.gov.ng/Out/2021/CCD/COMMUNIQUE%20No.%20134%20%20OF%20THE%20277%20MEETING%20OF%20THE%20MPC%20%2025%20-%2026%20JANUARY,%202021.pdf