



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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Nigeria's GDP grows at 2.51% in Q2 2023

According to the National Bureau of Statistics (NBS), Nigeria's [Gross Domestic Product](#) (GDP) grew by 2.51% (year-on-year, YoY) in real terms in the second quarter (Q2) of 2023. This growth rate is less than the 3.54% recorded in the Q2 2022 and is primarily driven by the services sector, which recorded a growth rate of 4.42 percent in the period and contributed 58.42 percent to the aggregate GDP. Similarly, the agriculture sector grew by 1.50 percent, an increase from 1.20 percent in Q2 2022. However, the industry sector experienced negative growth of 1.94% relative, like the negative rate of -2.30% recorded in Q2 2022. In terms of share of the GDP, the agriculture and the industry sectors contributed less to the aggregate GDP in Q2 2023 compared to the second quarter of 2022. The government must take decisive steps to foster sustainable economic growth in Nigeria. The government should prioritise economic diversification, investing in other sectors beyond oil, such as enhancing agricultural productivity through the introduction of modern technology and the provision of fertilizers and improved seedlings to farmers. Infrastructure development, particularly in transportation and energy, is vital for reducing business costs and attracting investments into the country. Investing in education and skill development will empower the workforce and support growth in the services sector, as human capital is a critical driver of economic activity. Furthermore, developing an investor-friendly climate through regulatory reforms and ease-of-doing-business measures is critical for attracting domestic and foreign investments. This will strengthen collaboration between the public and private sectors, necessary for fulfilling Nigeria's economic potential and improving residents' livelihoods.

Tax Revenue Rises in Q2 2023

According to the National Bureau of Statistics (NBS), Nigeria's tax revenue from Value Added Tax ([VAT](#)) and Company Income Tax ([CIT](#)) increased in the second quarter of 2023 (Q2 2023). On aggregate, Company Income Tax for Q2 2023 was reported to be N1.53 trillion, which implies a growth rate of 226.40 percent on a quarter-on-quarter basis, from N469.01 billion in Q1 2023. According to the CIT report, Local payments received were N1.02 trillion, while Foreign CIT Payments contributed N505.91 billion in Q2 2023. Also, Value Added Tax for Q2 2023 was reported at N781.35 billion, implying a growth rate of 10.11% on a quarter-on-quarter basis from N709.59 billion in Q1 2023. Local VAT payments recorded were N512.03 billion, while Foreign VAT Payments were N142.63 billion, and import VAT contributed N126.69 billion in Q2 2023. The government needs to sustain this significant increase in tax revenue to reduce the need for public debt. First, the government should focus on enhancing tax compliance and collection mechanisms by leveraging technology and data analytics to identify tax evaders and streamline the tax collection process. Also, it is essential to continue simplifying the tax system and reducing bureaucratic hurdles to encourage more businesses and individuals to voluntarily comply with tax obligations. Investing in tax education and awareness programs can foster a culture of tax compliance among the population. Furthermore, a portion of the increased tax revenue should be allocated to infrastructure development, education, and healthcare to demonstrate the tangible benefits of taxation to citizens, which will encourage compliance. The government must prioritize careful fiscal management in order to ensure that tax revenues are used effectively for public goods and services, so stimulating economic growth and development while ensuring transparency and accountability. This will help the economy grow and generate more taxable money. However, in order to maximize revenue from tax collection, the government would need to deepen its digitization of the tax system while clamping down on revenue leakages in all sectors of the economy.

DMO Sells N406 billion Treasury bills in July

According to the FMDQ Exchange financial markets monthly [report](#) for July 2023, the Debt Management Office (DMO) has sold treasury bills (T-bills) worth N406.10 billion across its auctions in July 2023. This represents a 0.39 per cent (N1.59bn) month-on-month increase in the value of T-bills sold across its auctions in June 2023 which stood at 404.51bn. Similarly, the DMO reopened two 10-year, one 15-year and one 30-year FGN bonds worth N657.84bn in July 2023. The total sale represented a 182.73 per cent oversubscription of the amount offered and a 39.03 per cent (N184.68bn) month-on-month increase on the amount sold in June 2023 (N473.16bn) for the same FGN Bond maturities. The government should sustain its prudent debt management strategy, balancing the need for borrowing with the requirement for fiscal discipline to avoid excessive debt burdens. Further diversification of the investor base should be encouraged to reduce reliance on a limited set of investors, thereby increasing market stability. Additionally, the oversubscription of bonds indicates strong investor confidence, and this should be capitalized upon by considering longer-term bond offerings to reduce the short-term refinancing risks associated with T-bills. In addition, the government should prioritize openness and accountability in allocating and using monies obtained through these instruments, focusing them on essential infrastructure projects and economic development programs. Continuous efforts should be undertaken to strengthen domestic financial markets by building a liquid government debt securities market, promoting the development of a diverse investor base, increasing issuer participation, and increasing market competition. Taking these initiatives would increase liquidity and attract a broader range of investors, resulting in a more sustainable and resilient financial sector.

ECONOMIC SNAPSHOT		
Quarterly Indicators	'22Q4	'23Q1
GDP Growth Rate (%)	3.52	2.31
Oil GDP Growth Rate (%)	-13.38	-4.21
Non-oil GDP Growth Rate (%)	4.44	2.77
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	84.23	NA
Portfolio Investment (US \$Millions)	285.26	NA
Other Investment (US \$Million)	691.23	NA
External Debt (FGN & States- N'Trillion)	18.70	19.64
Domestic Debt (FGN + States & FCT N'Trillion)	27.55	30.21
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	May '22	May '23
Headline Inflation (%)	17.71	22.41
Food Sub-Index (%)	19.50	24.82
Core Sub-Index (%)	14.21	19.83
External Reserves (End Period) (US\$ Billion)	38.48	34.09
Official Rate Approx. (N/US\$)	415.15	461.26
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	48.9	NA
Non-Manufacturing PMI	49.9	NA
Average Crude Oil Price (US\$/Barrel)	117.17	76.91
Petrol (PMS-N/litre)	173.08	238.11
Diesel (AGO -N/Litre)	238.82	844.28
Kerosene (HHK -N/Litre)	679.54	1,206.05
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	3,921.35	4,360.69
MPR (%)	13.0	18.50
CRR (%)	27.5	32.5
T-Bill Rate (%)	2.47	2.98
Savings Deposit Rate (%)	1.37	5.13
Prime Lending (%)	11.96	14.07
Maximum Lending (%)	27.37	28.31
Narrow Money (N'Trillion)	20.56	22.27
Broad Money (N'Trillion)	48.51	55.50
Net Domestic Credit (N'Trillion)	56.51	74.91
Credit to the Government (Net) (N'Trillion)	18.05	30.69
Credit to the Private Sector (N'Trillion)	38.46	44.21
Currency in Circulation (N'Trillion)	3.331	2.527
FAAC (N'Billion)	833.86	NA

NA: Not Available

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