

Taxation

Recently released quarterly Value Added Tax (VAT) data from the NBS reflects that the sum of N254.10 billion was generated as VAT in 2017Q4¹ as against N250.56 billion generated in 2017Q3 – an increase of 1.4 percent quarter-over-quarter. Aggregate VAT for the 2017 fiscal year amounted to approximately N960 billion, up by 19 percent from the previous year VAT revenue, and represents 30 percent of total Non-oil revenue for 2017. The continued, though marginal quarterly increases in VAT reflects the various improvements in its collection process as well as the positive impact of the new tax policy and VAT increase for luxury goods implemented by the Federal Government early 2017². Going forward, initiatives that extend formality to the shadow economy are strongly required to widen the tax net and enhance improvement in VAT generation in the medium term.



FAAC

The Federal Accounts Allocation Committee disbursed a smaller amount to the tiers of government in the month of February 2018. Compared to the preceding month, the committee disbursed N636 billion³, a decrease of N19 billion. Despite continued improvements in non-oil revenue (VAT, royalties and import duties), revenue streams from oil export sales recorded decline in the review month and triggered the slight decrease in overall allocations⁴. Given uncertainties surrounding oil export receipts, it is important that government strongly commits to diversification of export earnings so as to mitigate fiscal risks associated with volatility of oil prices in the global market. More can be achieved from policy initiatives that seek to develop and expand the solid mineral sector. Also, the development of agro-based industries towards enhancing agricultural value chains constitute alternative policy option that could foster export diversification.



Crude Oil Price

Global benchmark crude, Brent, sold for \$66.43 per barrel, a little above 3.4 percent from the \$64.3⁵ per barrel in the preceding week. Nigeria's Bonny light exchanged for \$65.71 per barrel⁶. Global Crude supply levels have been constrained by a dip in Libya's production, following the shutdown of the El Feel oilfield in Libya, which produces 70,000 bpd⁷. This is complemented by the continued compliance by OPEC member countries to curb production levels, thus rebalancing the global crude oil market and gradually driving prices upwards. Crude oil prices have remained below its pre-2014 level (of above \$100) and it is unlikely that this trend will drastically change in the near future. Thus, it is important for the government to deepen alternative sources of revenue generation by encouraging export promotion for non-oil products.



Corruption Index

Global Anti-corruption watchdog, Transparency International, has ranked Nigeria amongst the most corrupt nations in the world. According to the recent corruption perception index report, Nigeria is ranked 148th position out of 180 nations, with a score point as low as of 27 out of 100⁸. The new position is significantly lower than the previous year's position by 12 places, despite the various anti-corruption measures by the present government. As strategies to fight corruption going forward, it is important for the Nigerian government to: employ performance-based incentives, ensure transparency and openness in government spending; minimize bureaucratic red tape, and deploy more smart technologies.



ECONOMIC SNAPSHOT		
Quarterly Indicators	'17Q2	'17Q3
GDP Growth Rate (%)	0.72*	1.40
Oil GDP (%)	3.52*	25.89
Non-oil GDP (%)	0.45	-0.76
Unemployment Rate (%)	16.2	18.8
Foreign Direct Investment (US \$ Million)	274.4	117.60
Portfolio Investment (US \$Millions)	770.5	2,767.42
Other Investment (US \$Million)	747.5	1,260.08
External Debt (FGN & States- N'Billion)	4,602.88	4,693.91
Domestic Debt (FGN-N'billion)	15,034.11	15,678.0
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Dec'17	Jan'18
Headline Inflation (%)	15.37	15.13
Food Sub-Index (%)	19.42	18.92
Core Sub-Index (%)	12.10	12.10
External Reserves (US\$ Million)	NA	NA
Official Rate (N/US\$)	NA	NA
BDC Rate (N/US\$)	NA	NA
Manufacturing PMI	59.3	57.3
Non-Manufacturing PMI	62.1	58.5
Crude Oil Price (US\$/Barrel)	56.83	NA
Petrol (PMS-N/litre)	171.80	190.90
Diesel (AGO -N/Litre)	205.81	213.82
Kerosene (HHK -N/Litre)	284.30	288.85
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	13.05	NA
Savings Deposit (%)	4.08	NA
Prime Lending (%)	17.71	NA
Maximum Lending (%)	30.99	NA
Narrow Money (N'Billion)	11,036.35	NA
Broad Money (N'Billion)	24,001.41	NA
Net Domestic Credit (N'Billion)	25,863.28	NA
Credit to the Government (N'Billion)	3,574.03	NA
Credit to the Private Sector(N'Billion)	2,228.95	NA
Currency in Circulation (N'Billion)	2,157.23	NA
FAAC (N'Billion)	655.17	NA

*Revised GDP figures/tentative figures

NA: Not Available

¹Nationa Bureau of Statistics (2018). “Sectoral Distribution Of Value Added Tax (Q4 2017)”. Retrieved from, <http://nigerianstat.gov.ng/elibrary>

²This Day (2018). “FG Approves New Tax Policy, to Raise VAT on Luxury Goods”. Accessed February 27, 2018. <https://www.thisdaylive.com/index.php/2017/02/02/fg-approves-new-tax-policy-to-raise-vat-on-luxury-goods/>

³Proshare (2018). “A Small Decline in the FAAC Distribution”. Accessed February 27,2018. <https://www.proshareng.com/news/Nigeria%20Economy/A-Small-Decline-in-the-FAAC-Distribution/38620>

⁴This Day (2018). “FG, States, LGs Share N635.5bn for January amid Decrease in Oil Export”. Accessed February 27, 2018. <https://www.thisdaylive.com/index.php/2018/02/23/fg-states-lgs-share-n635-5bn-for-january-amid-decrease-in-oil-export/>

⁵Ycharts (2018). “Brent Crude Oil Spot Price”. Accessed February 27, 2018. https://ycharts.com/indicators/brent_crude_oil_spot_price

⁶cbn.gov.ng

⁷Reuters (2018). “UPDATE 9-Oil rises more than 1 pct as Libyan outage supports”. Accessed February 27, 2018. <https://ca.reuters.com/article/companyNews/idCAL4N1QD25J>

⁸Transparency International (2018). “Corruptions Perceptions Index: Nigeria”. Accessed February 27, 2018. <https://www.transparency.org/country/NGA>

⁹Daily Post (2018). “Again Nigeria ranks higher in 2017 global corruption Index”. Accessed February 27, 2018. <http://dailypost.ng/2018/02/22/nigeria-ranks-higher-2017-global-corruption-index/>