

Personal Income Tax drives rise in IGR

According to the NBS newly released data, total IGR generated by 36 states and the Federal Capital Territory for the first half of the year 2018 outperformed the comparable period IGR of 2017. About N579.5 billion was generated¹, up from N453.8 billion reported to have been generated in 2017- representing an increase of 27.7 percent. Dispersed data show that twenty-eight states recorded growth in IGR while eight states, namely, Abia, Anambra, Benue, Taraba, Kebbi, Kwara, Ebonyi and Enugu, recorded declines as at the end of 2018 half year. Overall, improvements in personal income tax (PAYE) and MDA's revenue topped the chart as major drivers for the half year-on-year improvement in IGR. However, a closer review reveals that while total revenue (including FAAC allocations) available for all states stood at N1.74 trillion, domestic debt level was twice that figure (N3.4 trillion) in the review period. To further enhance IGR, the efficiency of tax collection should be strengthened by harmonizing and automating revenue collection across all states.

Fuel Subsidy Drive Rise in Petroleum Products Importation

Nigeria's importation of refined petroleum products rose by about 5.7 percent to 5.6 billion litres in 2018Q3², from 5.3 billion litres imported in 2018Q2. Inclusive of the total petroleum products imported are: 4.37 billion litres of Premium Motor Spirits (PMS), 873.72 million litres of Automotive Gas Oil (AGO) and 312.71 million litres of household kerosene (HHK). The apparent dilapidating state of all four of Nigeria's refineries have continuously constrained the country's ability to refine the crude oil it largely produces. None of the refineries produced up to 50 percent of their capacity and the underproduction costs Nigeria \$1 billion annually³ - making it seemingly impossible to attain the much-acclaimed self-sufficiency in crude oil refining by 2019. The removal of subsidy should be considered in order to reduce fuel import payments and attract private capital to the upstream petroleum sector.

Deteriorating Power Generation

Development in the power sector continued its quarterly deterioration in 2018Q3. The power generation statistics show that a total average of 78,917 MWh of energy was generated daily by power stations⁴, down from 81,561 MWh generated in 2018Q2⁵ and 92,747 MWh in 2018Q1⁶. In terms of revenue, data indicates that between January 1 and November 30, 2018, Nigeria's privatized power sector lost a total of N487.5 billion revenues due to constraints which included shortage of gas; grid unreliability and distribution limitations⁷. The entire situation is speculated to further worsen in the coming months as GENCOS have begun to receive notice of disconnection, following a near-complete draw-down of the N701.9 billion payment assurance scheme⁸ - The fund was set up to guarantee prompt payments for power supplied to the national grid. A further loss could lead to high dependence on costly alternative sources for energy-demanding activities, thereby mounting inflationary pressure on prices. Adequate investment on power infrastructure is needed to ensure stability in power generation in the sector.

Rising Oil Revenue drives Higher FAAC

The three tiers of government shared a total of N788.14 billion from revenue that accrued to the federation account for the month of October 2018⁹. The statutory earnings rose by 38.4 percent, Month-on-Month, from N569.281 billion accrued in the preceding month. This is attributable to increased revenues from oil and gas royalties as well as petroleum profit tax and VAT during the period. This was complemented by marginal oil revenue increase driven by crude oil export sales in excess of 0.82 million barrels. This should ensure hitch-free funding for ongoing infrastructural projects and recurrent spending. With sustained peace in the oil-producing region, subsequent improvement is expected if OPEC cut actualizes further significant rise in oil prices.

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ECONOMIC SNAPSHOT		
Quarterly Indicators	'18Q1	'18Q2
GDP Growth Rate (%)	1.95	1.5
Oil GDP (%)	14.77	-3.95
Non-oil GDP (%)	0.76	2.05
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	246.62	261.4
Portfolio Investment (US \$Millions)	4,565.09	4,119.5
Other Investment (US \$Million)	1,491.93	1,132.8
External Debt (FGN & States- N'Billion)	6,746.27	6,750.91
Domestic Debt (FGN + States & FCT N'billion)	15,960.92	15,628.76
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	Sept'18	Oct'18
Headline Inflation (%)	11.28	11.26
Food Sub-Index (%)	13.31	13.28
Core Sub-Index (%)	9.8	9.9
External Reserves (End Period) (US\$ Million)	44,306.10	41,995.24
Official Rate Approx. (N/US\$)	305	305
BDC Rate Approx. (N/US\$)	362	362
Manufacturing PMI	56.2	56.8
Non-Manufacturing PMI	56.5	57.0
Crude Oil Price (US\$/Barrel)	NA	NA
Petrol (PMS-N/litre)	147.3	147.2
Diesel (AGO -N/Litre)	211.64	216.75
Kerosene (HHK -N/Litre)	297.28	307.23
MPR (%)	14	14
CRR (%)	22.5	22.5
91 Day T-Bill Rate (%)	11.00	10.94
Savings Deposit (%)	4.07	4.07
Prime Lending (%)	16.59	16.53
Maximum Lending (%)	30.77	30.67
Narrow Money (N'Billion)	10,681.49	11,130.26
Broad Money (N'Billion)	25,277.07	25,713.71
Net Domestic Credit (N'Billion)	25,971.82	26,633.16
Credit to the Government (N'Billion)	3,411.35	3,909.43
Credit to the Private Sector(N'Billion)	22,560.47	22,723.73
Currency in Circulation (N'Billion)	1,926.382	1,956.009
FAAC (N'Billion)	548.39	788.14

*Revised GDP figures/tentative figures

NA: Not Available

¹National Bureau of Statistics (2018). “Internally Generated Revenue At State Level Q2 2018”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

² National Bureau of Statistics (2018). “Petroleum Products Imports and Consumption (Truck Out) Statistics (Q3 2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

³ Vanguard (2018). “Refineries failures costs \$1bn annual savings”. Accessed December 4, 2018. <https://www.vanguardngr.com/2018/11/refineries-failures-costs-1bn-annual-savings/>

⁴National Bureau of Statistics. “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q3 2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

⁵ National Bureau of Statistics (2018). “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q2 2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

⁶ National Bureau of Statistics (2018). “Power Sector Report: Energy Generated and Sent Out and Consumed and Load Allocation (Q1 2018)”. Retrieved from, <https://nigerianstat.gov.ng/elibrary>

⁷Nigeria Electricity Hub (2018). “Power Sector Losses N487 Billion in 11 Months”. Accessed December 4, 2018. <https://www.nigeriaelectricityhub.com/2018/12/05/power-sector-losses-n487-billion-in-11-months/>

⁸Nigeria Electricity Hub (2018). “Darkness Looms as N710 Billion Power Supply Fund Draws Down”. Accessed December 4, 2018. <https://www.nigeriaelectricityhub.com/2018/11/28/darkness-looms-as-n710-billion-power-supply-fund-draws-down/>

⁹Vanguard (2018). “FAAC: FG, states, LGAs share N788.139bn for October”. Accessed December 4, 2018. <https://www.vanguardngr.com/2018/11/faac-fg-states-lgas-share-n788-139bn-for-october/>