



Nigeria Economic Update



Weekly
Digest

VAT Collection increases in Q3 2021

According to the National Bureau of Statistics (NBS) latest report on Value-Added Tax (VAT), there was a 17.8 percent year-on-year increase in VAT revenue in Q3 2021. However, on a quarter-on-quarter basis, there was a 2.3 percent decrease.¹ VAT collected in Q3 2021 was N500.4 billion. This was lower than the VAT revenue generated in Q2 2021 which stood at N512.3 billion. In Q3 2020, VAT was N424.7 billion. The quarter-on-quarter decline in VAT collection was mainly caused by the sharp decline in non-import (foreign) VAT, which contracted by 60.9 percent, thereby eroding the increase recorded in non-import (local) VAT and Nigeria Customs Service (NCS) Import VAT, which both grew by 57.6 percent and 5.7 percent, respectively. The increase in the non-import (local) VAT indicates that the recent debate on who has the constitutional right to collect VAT has minimal impact on total VAT collection. Further, the year-on-year increase in VAT also reflect a growth in economic activities. The current fiscal position of the government suggests that all available revenue sources are maximized. Therefore, in order to optimize revenue generated from VAT, it becomes imperative that the coordination issue associated with VAT collection is addressed.

Foreign Trade Deficits widen to N3.0 trillion in Q3 2021

Trade report by NBS show that Nigeria's merchandise trade with the rest of the world grew year-on-year by 58.6 percent in Q3 2021, and 10.4 percent quarter-on-quarter.² In Q3 2021, total merchandise trade was N13.3 trillion, with N8.2 trillion in imports and N5.1 trillion in exports, resulting in a N3 trillion trade deficit. Further, the size of the trade deficit in Q3 2021 is higher than N1.9 trillion recorded in Q2 2020 and N2.4 trillion in Q3 2020. While exports increased from N2.4 trillion in Q3 2020 to N5.1 trillion in Q3 2021, the trade imbalance persisted due to a disproportional increase in imports from N5.4 trillion in Q3 2020 to N8.2 trillion in Q3 2021. The disaggregated imports show that the top two imported products, Motor Spirit Ordinary and Durum Wheat increased by 97.6 percent and 49.2 percent year-on-year, respective. For instance, Motor Spirit Ordinary (petrol) which constitutes about 12.9 percent of total imports in Q3 2021 rose from N532.6 billion in Q3 2020 to N1052.5 billion in Q3 2021. This indicates that Nigeria's trade deficit would significantly reduce if the existing refineries were working effectively, as well as building new refineries to meet domestic demand. Furthermore, there is a need to boost exports in a view to reduce pressure on the naira. Bottlenecks to effective operationalization of existing free trade zones need to be removed to enhance exports.

CBN Automates Form 'A' Application

Nigerians can now apply online for foreign exchange following the deployment of electronic Form 'A' by the Central Bank of Nigeria (CBN) to expedite applications for PTA/BTA, medicals, education, and other remittances. This was disclosed in one of CBN's latest circulars titled, "Automation of Form 'A' on the Trade Monitoring System," dated November 29, 2021.³ "Form A" is an application form designed by the Central Bank of Nigeria to pay for service transactions, allowing customers to purchase foreign exchange at the CBN or interbank rate to make payments for eligible services as predetermined by the foreign exchange manual. With this new notice, the e-Form 'A' shall replace its hardcopy from November 30, 2021, and all hard copies of Forms 'A' created on or before November 30, 2021, must be used within 15 working days of the Form's creation, while a charge of N5,000 as a fee per declaration of e-Form 'A' would have to be paid by customers. This is one of the CBN's initiatives to promote efficiency and stability in the country's financial system and would expectably ensure easy and faster access to foreign exchange and related services for Nigerian bank customers. Effective functioning of this system is expected to strengthen exchange rate management in the country. Hence, the system should be iterative in nature so as to enhance user experiences.

| ECONOMIC SNAPSHOT | | |
|--|-----------------|----------------|
| Quarterly Indicators | '21Q2 | '21Q3 |
| GDP Growth Rate (%) | 5.01 | 4.03 |
| Oil GDP (%) | -12.65 | -10.73 |
| Non-oil GDP (%) | 6.74 | 5.44 |
| Unemployment Rate (%) | NA | NA |
| Foreign Direct Investment (US \$ Million) | 77.97 | NA |
| Portfolio Investment (US \$Millions) | 551.37 | NA |
| Other Investment (US \$Million) | 246.27 | NA |
| External Debt (FGN & States- N'Trillion) | 13.71 | NA |
| Domestic Debt (FGN + States & FCT N'Trillion) | 21.75 | NA |
| Manufacturing Capacity utilization (%) | NA | NA |
| Monthly Indicators | Sept '20 | Oct '21 |
| Headline Inflation (%) | 13.71 | 15.99 |
| Food Sub-Index (%) | 16.66 | 18.34 |
| Core Sub-Index (%) | 10.58 | 13.24 |
| External Reserves (End Period) (US\$ Billion) | 35.74 | 41.83 |
| Official Rate Approx. (N/US\$) | 359.99 | 410.59 |
| BDC Rate Approx. (N/US\$) | NA | NA |
| Manufacturing PMI | 41.1 | 47.3 |
| Non-Manufacturing PMI | 35.7 | 47.5 |
| Average Crude Oil Price (US\$/Barrel) | 40.85 | 73.18 |
| Petrol (PMS-N/litre) | 128.88 | 165.60 |
| Diesel (AGO -N/Litre) | 224.37 | 254.07 |
| Kerosene (HHK -N/Litre) | 334.08 | 423.42 |
| Liquefied Petroleum Gas (Cooking Gas) (N/5Kg) | 1,973.95 | 2,627.94 |
| MPR (%) | 11.5 | 11.5 |
| CRR (%) | 27.5 | 27.5 |
| T-Bill Rate (%) | 1.10 | 2.5 |
| Savings Deposit Rate (%) | 2.41 | 1.28 |
| Prime Lending (%) | 11.55 | 11.61 |
| Maximum Lending (%) | 28.45 | 27.10 |
| Narrow Money (N'Million) | 13,555,672.34 | 16,553,042.48 |
| Broad Money (N'Million) | 34,965,447.66 | 41,369,902.01 |
| Net Domestic Credit (N'Million) | 39,429,671.22 | 47,383,921.08 |
| Credit to the Government (Net) (N'Million) | 9,683,889.71 | 12,874,524.50 |
| Credit to the Private Sector (N'Million) | 29,745,781.51 | 34,509,396.58 |
| Currency in Circulation (N'Million) | 2,427,329.31 | 2,965,985.43 |
| FAAC (N'Billion) | 547.31 | 760.72 |



*Revised GDP figures/tentative figure
NA: Not Available

1. NBS (2021). Value Added Tax (VAT) & Company Income Tax (CIT) Q3 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241098>
2. NBS (2021). Foreign Trade in Goods Statistics (Q3 2021). Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241099>
3. CBN (2021). Automation of Form "A" on the Trade Monitoring System. Retrieved from <https://www.cbn.gov.ng/Out/2021/TED/TEDFEMFPCGENo1011.pdf>