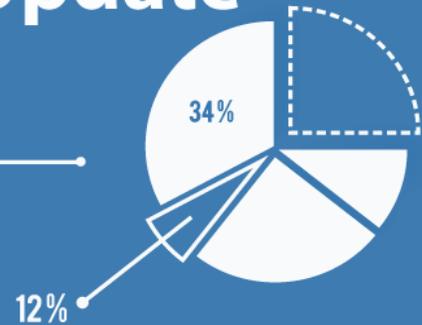


# Nigeria Economic Update



Weekly  
**Digest**

## Value Added Tax Revenue increases in Q4 2021

Data from the National Bureau of Statistics show that the total Value Added Tax (VAT) revenue collected in Q4 2021 was N563.72 billion, about 27 percent of the N2.07 trillion collected in 2021.<sup>1</sup> VAT collection in Q4 2021 is 12.63 percent higher than N500.49 billion collected in Q3 2021 and 24 percent higher than N454.69 billion collected in the same quarter in 2020. The disaggregated data shows that local non-import VAT contributes about 59.1 percent of total VAT, followed by NCS import VAT with 22.5 percent and foreign non-import VAT with 18.4 percent. Manufacturing contributed the highest to local non-import VAT at the sector level with 30.9 percent, followed by information and communication with 9.9 percent. The federal government increased the VAT rate by 2.5 percent points in 2020 from 5 percent to 7.5 percent. The quarter-on-quarter increase in VAT collection shows that the increment is partly attributable to the increased economic activity, although the VAT rate increase might be contributory. The gross domestic product grew by about 3.98 percent in the same period. The increment of VAT collection is a positive development as the government has more revenues for its growing expenditure. An increase in VAT collection reduces government reliance on oil revenue and minimises the impacts of oil market shocks. Given the size of our economy, VAT collection is still low. The government could expand tax collection by reducing tax evasion through regular audits of firms' sales records and strengthening the digital taxation system.

## Upsurge in Illegal Financial Operators

The Financial Services Regulation Coordinating Committee (FSRCC) in a recent public statement **“Advisory on Illegal Financial Operators in Nigeria”** noted the upsurge in the number of illegal financial operators (IFOs), which has the potential of disrupting stability in the financial system.<sup>4</sup> The FSRCC is a committee within the Central Bank of Nigeria (CBN) saddled with the responsibility of coordinating regulatory and supervisory activities in the Nigerian financial sector. And the consequence of their fraudulent activities would erode the general public and investors' confidence in the Nigerian financial system. To this effect, the FSRCC warned Nigerians to refrain from transactions with unlicensed or illegal financial operators. Further, the FSRCC admonished potential investors to conduct proper checks with financial authorities including CBN and the Securities and Exchange Commission (SEC) to verify the registration and license status of financial operators, especially those offering extra-ordinary returns on investments, before investing with them. Given the adverse effects of IFOs on the stability of the financial sector, the FSRCC needs to partner with the media houses and other regulatory and supervisory financial institutions to provide sound financial education programmes to support wealth building. The programmes would also serve as a medium to enlighten the general public on the antics of IFOs.

## Nigeria's Wheat Import Surges by 71 percent 2021

The latest foreign trade data by the National Bureau of Statistics (NBS) shows that in 2021 Nigeria imported N1.29 trillion worth of durum wheat.<sup>2</sup> An increase of 71.1 percent over the N756.92 billion recorded in 2020 and more than triple the N401.31 billion recorded in 2019. Wheat is the third most consumed grain in Nigeria after Maize and Rice. The product was the second-highest contributor to Nigeria's import bill in the review year and the highest imported food item, accounting for 6.2 percent of the total import bill. The increase in the value of wheat importation reflects the high unmet demand for wheat in the domestic market. In the meantime, the recent invasion of Ukraine by Russia has affected the wheat supply chain globally, pushing prices of wheat to record highs. The current happening suggests that the demand for wheat produced in Nigeria would increase from firms within and outside the country. Before the invasion, the Central Bank of Nigeria (CBN) created the Nigeria Brown Revolution to reduce Wheat importation by 35 percent in 2022. And as of November 2021, the CBN had disbursed N41.2 billion under the Revolution to improve funding of large wheat production.<sup>3</sup> Aside from funding, the Bank also needs to strengthen partnerships with the Bank of Agriculture and the Ministry of Agriculture to address the non-financial challenges that lower wheat farmers' productivity. Through the partnerships, wheat farmers should be coordinated and introduced to farming techniques, efficient post-harvest storage facilities, and modern extension services. These partnerships and interventions should help in boosting local production and make the country a net exporter of wheat within the next few years.

<b>ECONOMIC SNAPSHOT</b>		
<b>Quarterly Indicators</b>	<b>'21Q3</b>	<b>'21Q4</b>
<b>GDP Growth Rate (%)</b>	4.03	3.98
<b>Oil GDP (%)</b>	-10.73	-8.06
<b>Non-oil GDP (%)</b>	5.44	4.73
<b>Unemployment Rate (%)</b>	NA	NA
<b>Foreign Direct Investment (US \$ Million)</b>	107.81	358.23
<b>Portfolio Investment (US \$Millions)</b>	1,217.21	642.87
<b>Other Investment (US \$Million)</b>	406.35	1,186.53
<b>External Debt (FGN &amp; States- N'Trillion)</b>	15.57	15.86
<b>Domestic Debt (FGN + States &amp; FCT N'Trillion)</b>	22.43	23.70
<b>Manufacturing Capacity utilization (%)</b>	NA	NA
<b>Monthly Indicators</b>	<b>Dec '20</b>	<b>Jan '22</b>
<b>Headline Inflation (%)</b>	15.75	15.60
<b>Food Sub-Index (%)</b>	19.56	17.13
<b>Core Sub-Index (%)</b>	11.37	13.87
<b>External Reserves (End Period) (US\$ Billion)</b>	35.37	40.04
<b>Official Rate Approx. (N/US\$)</b>	379.5	415.26
<b>BDC Rate Approx. (N/US\$)</b>	NA	NA
<b>Manufacturing PMI</b>	49.6	51.4
<b>Non-Manufacturing PMI</b>	47.6	49.01
<b>Average Crude Oil Price (US\$/Barrel)</b>	45.7	94.89
<b>Petrol (PMS-N/litre)</b>	165.70	166.40
<b>Diesel (AGO -N/Litre)</b>	224.37	288.09
<b>Kerosene (HHK -N/Litre)</b>	352.79	437.11
<b>Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)</b>	1,949.75	3,657.57
<b>MPR (%)</b>	11.5	11.5
<b>CRR (%)</b>	27.5	27.5
<b>T-Bill Rate (%)</b>	0.03	2.40
<b>Savings Deposit Rate (%)</b>	2.04	1.25
<b>Prime Lending (%)</b>	11.35	NA
<b>Maximum Lending (%)</b>	28.85	27.65
<b>Narrow Money (N'Million)</b>	15,976,622.22	18,727,491.48
<b>Broad Money (N'Million)</b>	37,704,975.97	44,473,871.00
<b>Net Domestic Credit (N'Million)</b>	42,554,422.40	49,730,577.59
<b>Credit to the Government (Net) (N'Million)</b>	12,404,818.95	14,278,533.86
<b>Credit to the Private Sector (N'Million)</b>	30,149,603.45	35,452,043.73
<b>Currency in Circulation (N'Million)</b>	2,908,462.40	3,288,027.60
<b>FAAC (N'Billion)</b>	601.11	NA

\*Revised GDP figures/tentative figures  
NA: Not Available

1. [NBS \(2022\)](https://nigerianstat.gov.ng/elibrary/read/1241155). Sectoral Distribution of Value Added Tax Q4 2021. Retrieved from <https://nigerianstat.gov.ng/elibrary/read/1241155>
2. [NBS \(2022\)](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fnigerianstat.gov.ng%2Fresource%2FQ4%25202021%2520Foregn%2520Trade%2520Statistics%2520Tables.xlsx&wdOrigin=BROWSELINK). Foreign Trade in Goods Statistics (Q4 2021). Retrieved from <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fnigerianstat.gov.ng%2Fresource%2FQ4%25202021%2520Foregn%2520Trade%2520Statistics%2520Tables.xlsx&wdOrigin=BROWSELINK>
3. CBN (2021). Central Bank of Nigeria communiqué no. 139 of the Monetary Policy Committee. <https://www.cbn.gov.ng/Out/2021/CCD/MPC%20COMMUNIQUE%20NO.%20139%20OF%2022ND%20-%2023TH%20NOV%202021.pdf>
4. CBN (2022). Advisory on Illegal Financial Operators in Nigeria. Retrieved from <https://www.cbn.gov.ng/Out/2022/CCD/FSRCC%20STATEMENT.pdf>

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