



Taxation

Comment on recent news – this page

Today's headlines – page twos

Recommendations and valuations – page three`

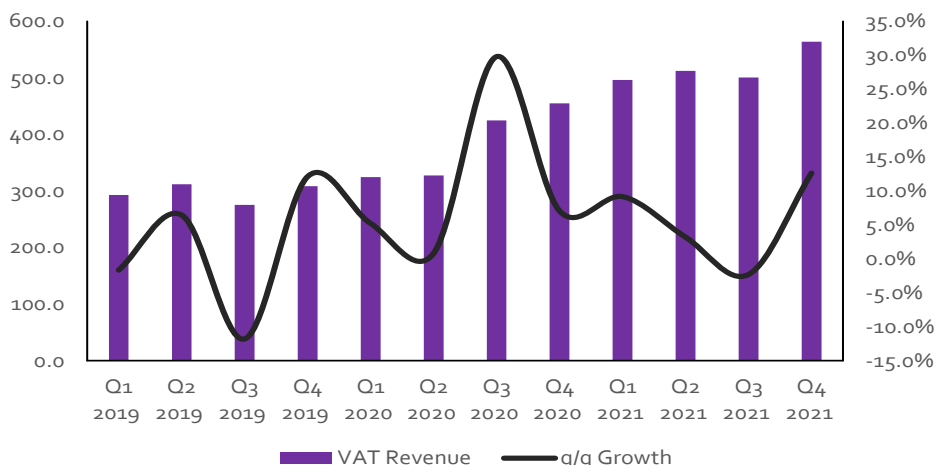
VAT collections up in 2021

The National Bureau of Statistics (NBS) published data on the revenue generated from Value Added Tax (VAT) collections in Q4 2021. The total VAT collected in Q4 2021 was N563.7bn, a 12.6% y/y improvement compared to N500.5bn in Q3 2021. Y/y, Q4 VAT numbers also rose by 24.0% y/y relative to N454.7bn in Q4 2020. Cumulatively, the total VAT collected in 2021 was N2.1tn, reflecting a sturdy growth of 35.4% y/y relative to N1.5tn collected in 2020. The government enjoyed the best of both worlds as the economic recovery spurred growth in both VAT and CIT collections.

Further analysis of the contribution to VAT revenue collected solely in Q4 2021 revealed that VAT on locally produced goods (i.e., non-import VAT) alongside Nigerian Customs Service (NCS)-Import VAT and non-import (foreign) VAT increased by 12.8% q/q, 2.5% y/y and 27.4% q/q, respectively. We believe the growth in VAT on locally produced goods (+12.8% q/q and +56.8% y/y) reflects the continued recovery in consumption, post the peak of the pandemic in 2020. Beyond that, we think the impact of the persistent inflationary pressures on prices of goods and services also aided the growth seen as VAT is deducted by applying the VAT rate on the value of transactions. Notably, save for the quarterly decline in the Arts, Entertainment & Recreation and Educations sectors, all other sectors drove the q/q growth.

Looking ahead, we expect the VAT revenue to continue to benefit from a quickened recovery in consumer spending. The VAT increase to 7.5% became effective in February 2020, leaving only 1 month of lower VAT. Excluding any growth attributable to currency adjustments, we can safely conclude that a huge part of the growth seen is largely due to improving macroeconomic conditions.

VAT Collections (N'bn) Q1 2019 – Q4 2021



Source: NBS, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,493.37	42,716.44	46,834.09
Naira / US\$	409.13	435.00	416.50
Brent, US\$/bbl	64.98	77.78	110.23
MPR %	11.50	11.50	11.50

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

gloria.fadipe@fcbm.com

Banks: Gloria Fadipe

+234 (0)1 448 5436 ext.4516

gloria.fadipe@fcbm.com

Industrial, FMCGs & Brewers: Oluwasesan Adeyeye

+234 (0)1 448 5436 ext.4512

oluwasesan.adeyeye@fcbm.com

Research Team: cslresearch@fcbm.com

Retail Team: cslcsu@fcbm.com

Sales Team: cslrmt@fcbm.com



Today's news headlines

Police salary increment: Reps summon minister, accountant general, others: The House of Representatives' Committee on Police Affairs has invited the Minister of Finance, Budget and National Planning, Zainab Ahmed; and the Accountant-General of the Federation, Ahmed Idris, over the non-implementation of the 20 per cent salary increment for officers and men of the Nigeria Police Force by the Federal Government. The Chairman of the National Salaries, Incomes and Wages Commission, Mr Ekpo Nta; and the Director-General of the Budget Office, Ben Akabueze, are also to appear before the committee. The Chairman of the committee, Bello Kumbo, directed the committee's clerk to write those invited on the issue during a public hearing on three bills in Abuja on Tuesday.

Source: punchng.com

<https://punchng.com/police-salary-increment-reps-summon-minister-accountant-general-others/>

Poor Nigerians to hit 95.1m in 2022, says World Bank: THE World Bank has said that poverty reduction stagnated since 2015, with more Nigerians falling below the poverty line over the years. The President, Major General Muhammadu Buhari (retd.), was first elected into the office of president of Nigeria in 2015. According to the Washington-based bank, the number of poor Nigerians is projected to hit 95.1 million in 2022. It said this in its report titled, 'A Better Future for All Nigerians: 2022 Nigeria Poverty Assessment'. The report read in part, "Poverty reduction had stagnated since 2015." It added, "Poverty reduction in Nigeria appears to have stalled in the last decade, according to both back-casting and survey-to-survey imputation techniques. Source: punchng.com

<https://punchng.com/telcos-warn-of-disruptions-in-11-states-over-kogis-clampdown/>

Nigeria Suffers \$14bn Loss to Farmer-herder Clashes, Says Osinbajo: Nigeria has lost over \$14 billion yearly due to the frequent farmer-herder clashes, Vice President Yemi Osinbajo said yesterday. Osinbajo made the disclosure in Lagos, while declaring this year's Livestock and Aquaculture Trade Fair open. Represented by the National Livestock Transformation Plan (NLTP) Delivery Advisor at the Federal Ministry of Agriculture & Rural Development, Efosa Onyezebe, the vice president, noted that it was disheartening that a country whose population was projected to rise to over 250 million by 2030, was suffering such a huge loss because of clashes between farmers and herdsman. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/03/30/nigeria-suffers-14bn-loss-to-farmer-herder-clashes-says-osinbajo/>

Of CBN Interventions and Enthronement of Stable Foreign Exchange Regime: The value of the Nigerian currency, the naira, has over the years declined on account of the country's peculiar economic structure and management template, making the exchange rate one of the most watched macroeconomic indices in the country and a recurrent theme in political commentaries. The naira exchange rate has not only assumed greater prominence in macroeconomic adjustment, it has also become very well-known to stakeholders, including market women and men, who use it as a reference point in the pricing of goods and services. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/03/30/of-cbn-interventions-and-enthronement-of-stable-foreign-exchange-regime/>

Analyst Certification

Each research analyst(s) principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed in this research report. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

CSL Research Ratings Distribution

	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

Explanation of CSL Research's equity research rating system

- Buy:** The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
- Hold:** The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
- Sell:** The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
- Not Rated:** The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
- Benchmark:** The benchmark is the trailing three year average yield of the 12 month T-Bill plus one standard deviation rounded to the nearest percent.
- Price targets:** Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
- Asset allocation:** Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.



Important Risk Warnings and Disclaimers

CSL STOCKBROKERS LIMITED ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares, and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.



Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.

The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose.

@Copyright CSL STOCKBROKERS LIMITED, 2022. All rights reserved.

CSL STOCKBROKERS LIMITED	CSL Stockbrokers
Member of the Nigerian Stock Exchange	A trading name of CSL Capital (UK) Ltd
PO Box 9117	43-44 New Bond Street
Lagos State, NIGERIA	London
	W1s 2SA
	United Kingdom