



Government Revenue

Comment on recent news – this page

Today's headlines – page twos

Recommendations and valuations – page three

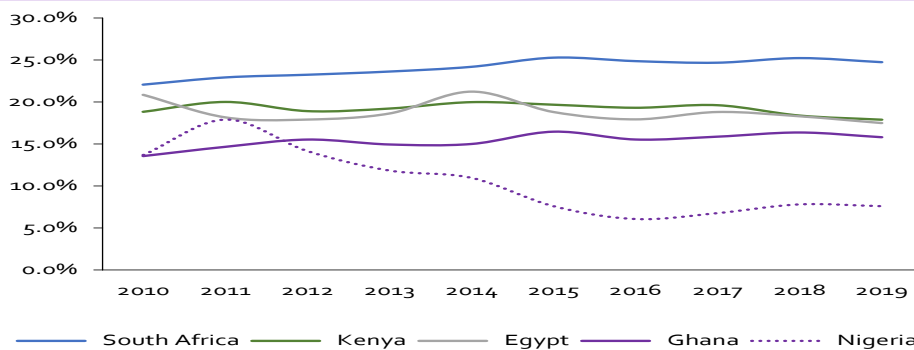
Nigeria's federal revenue to GDP ratio remains abysmally low compared to peers

Data obtained from the Organisation for Economic Corporation and Development (OECD) revealed that the Nigeria's gross Federal Revenue to Gross Domestic Product (GDP) ratio has declined consistently from 17.9% in 2011 to 6.1% in 2016, 7.6% in 2019 and 4.67% in 2020 and remains the lowest amongst its peers and from all indications, the lowest in Africa. With a nominal GDP of N164.27trn (US\$432.29bn) in 2020, the Gross Federal Revenue stood at N7.66 trillion (\$17.74 billion) while Net Federal Revenue was N5.36 trillion implying that the Gross and Net Revenue to GDP ratio were 4.67% and 3.27%, respectively. Similarly in 2021, while nominal GDP grew to N182.26 trillion (US\$440.78bn), 9M Gross and Net Federal Revenue was N7.28trn (US\$17.62bn) and N5.66trn (US\$13.68bn), respectively as of September 2021. This is despite the increase in Value Added Tax rate in February 2020.

Based on the four-month fiscal report of the economy released by the Minister of Finance, Zainab Ahmed, FGN's retained revenue was only N1.63trn, 49% of the prorated target of N3.32trn. The revised government expenditure for 2022 was estimated at an all-time high of N17.31 trillion. Revenue projection of N9.96trn will likely underperform estimate as already being seen in Q1. In our view, oil revenue will significantly fall short of target, but non-oil revenue will outperform budget estimates. For non-oil revenue, we believe that the authorities' non-oil revenue targets particularly on VAT and CIT collections are achievable. Even as of April 2022, collections from VAT and CIT revenue hit 98% and 99% of their prorated targets, respectively.

While we retain our 2022e real GDP growth forecast at 2.8%, based on the January to April actual revenue figure of N1.63trn as released by Zainab Ahmed, annualised federal revenue comes to N4.89trn with a deficit of N12.42 trillion. This implies gross federal revenue to GDP ratio of 2.6% based on our forecast nominal GDP of N188.38 trillion (\$453.12 billion) Crude oil production reached a low of 1.28mbd. (Including condensates) in May 2022. We do not anticipate any significant recovery in the near term, and this will continue to keep oil revenue below budgeted target. In our view, the government needs to focus more on increasing non-oil revenue to achieve fiscal consolidation.

Federal Revenue to GDP ratio



Source: OECD, World Bank, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	38,849.08	42,716.44	50,442.37
Naira / US\$	411.50	435.00	431.00
Brent, US\$/bbl	74.50	77.78	104.77
MPR %	11.50	11.50	14.00

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

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Today's news headlines:

Petroleum Act won't stop IOCs' Nigeria divestments – RMAFC– The Petroleum Industry Act 2021 may not stop the trend of divestments by international oil companies operating in the Nigerian oil and gas sector, the Revenue Mobilisation Allocation and Fiscal Commission has said. In August 2021, the President, Major General Muhammadu Buhari (retd.), signed the PIA into law after the bill had dragged at the National Assembly for over two decades. Since the law was signed, operators in the oil sector including government officials, have been optimistic that the Act would attract enormous gains to the industry. However, IOCs operating in Nigeria have been divesting their assets away from Nigeria before and after the PIA became law, as the RMAFC, an agency of the Federal Government, stated that the Act might not halt the divestments by the international oil firms. Source: punchng.com

<https://punchng.com/petroleum-act-wont-stop-iocs-nigeria-divestments-rmafc/>

No immediate solution to aviation crisis – FG: There are no immediate solutions to the current crisis rocking Nigeria's aviation sector as the cause of the major challenge in the industry is a global issue, the Federal Government declared on Tuesday. Although the government stated that it was making efforts to address the challenges, it stressed that it could not tell when the solutions to the crisis would materialise. Domestic airlines in Nigeria have been faced with a stiff challenge posed by the hike in the price of aviation fuel, popularly called JetA1. The cost of the commodity has jumped from less than N300/litre to over N800/litre within about five months. This has also warranted an increase in airfares by airlines that could manage to get the commodity, while others that could not survive the situation, such as Aero Contractors, have temporarily suspended operations.

Source: punchng.com

<https://punchng.com/no-immediate-solution-to-aviation-crisis-fg/>

FAAC shares N802.407bn June revenue to FG, states, LG: The Federation Account Allocation Committee (FAAC) has shared a total sum of N802.407 billion June 2022 federation account revenue to the federal government, states and local government councils. This was contained in a communiqué issued at the end of the Federation Account Allocation Committee (FAAC) meeting for July 2022, held in Abuja. The N802.407 billion total distributable revenue comprised distributable statutory revenue of N608.580 billion and distributable Value Added Tax (VAT) revenue of N193.827 billion. In June 2022, the total deductions for cost of collection was N44.606 billion and deductions for transfers, savings, refunds and 13% derivation to Anambra State was a total sum of N373.200 billion.

Source: Businessday.ng

<https://businessday.ng/business-economy/article/faac-allocation-june/>

Nigeria's Excess Crude Account Shrinks from \$35.37m to \$376,655: The balance in Nigeria's Excess Crude Account (ECA) has reduced significantly from the \$35.7 million it was as of June 2022 to \$376,655.09 as at July 25, 2022. A communiqué issued at the end of the Federation Account Allocation Committee (FAAC) meeting for July 2022, held in Abuja yesterday disclosed this. Also, the International Monetary Fund (IMF) has advised Nigeria and other African countries currently experiencing high debt levels to as a matter of urgency take proactive measures to restructure them in order to avoid debt crises. But no explanation was given for the huge drop in the ECA. Source: Thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/07/27/nigerias-excess-crude-account-shrinks-from-35-37m-to-376655/>



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	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%	

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