

## Government Revenue

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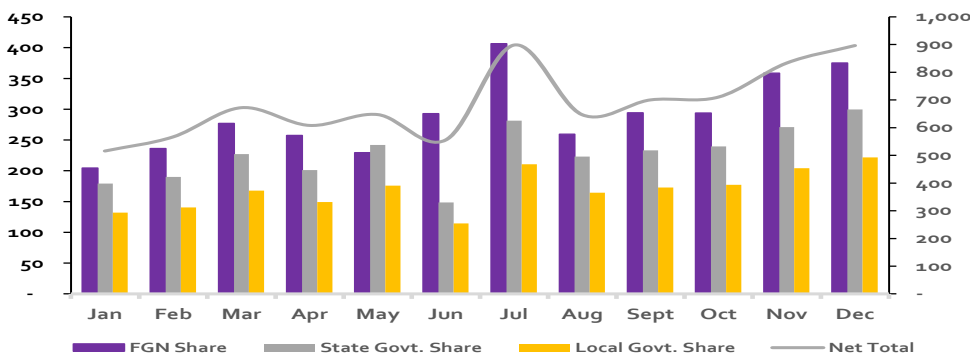
### FAAC disburses N8.25trn net distributable revenue in 2022

Based on a Business Day news report, the federal, state, and local governments received a total of N990.19bn for the month of December 2022 from the Federation Account Allocation Committee (FAAC). According to the report, of the total distributable revenue, the Federal Government received N375.31bn, the states received N299.56bn and the local governments received N221.81bn. N93.52bn was shared to the relevant states as 13% derivation revenue. The N990.19bn total distributable revenue comprised of the distributable statutory revenue of N707.76bn, distributable Value Added Tax (VAT) revenue of N233.28bn, Electronic Money Transfer Levy (EMTL) revenue of N24.32bn and Exchange Gain of N24.84bn.

In the fiscal year 2022, FAAC shared a total of N8.25trn in net distributable revenue, up 3.67% y/y from N7.96trn distributed in 2021. Of the 2022 total, the Federal Government received N3.49trn, 2.34% higher than N3.41trn received in 2021 while the State and Local Government received N2.74trn (N2.61trn in 2021) and N2.03trn (1.94trn in 2021) respectively. This was despite the alleged zero remittance from NNPC Limited. Based on a Cable news report, the NNPC deducted a total N3.3trn for petrol subsidy from January to November 2022.

The zero remittance from NNPC Limited has continued to constrain national revenue. We had noted that by virtue of its commercialisation, NNPC Limited is expected to halt monthly remittances to the federation account and pay dividends to the Federal Government- the current shareholders. We, however, note also that a switch from monthly FAAC disbursements from NNPC to an annual or semi-annual dividend cashflow may further stifle the fiscal space especially for state governments. Most states depend on monthly allocations from the Federation Account to fund a significant part of their budgets and typically experience financial difficulties when FAAC allocations decline.

### .FAAC Allocation 2022 (Nbn)



Source: CSL Research, NBS

### MARKET UPDATE

|                 | 1 year    | 30-Dec-22 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 45,957.35 | 51,251.06 | 52,594.68 |
| Naira / US\$    | 416.00    | 461.50    | 461.50    |
| Brent, US\$/bbl | 87.89     | 85.91     | 87.66     |
| MPR %           | 11.50     | 16.50     | 16.50     |

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. \*NGX Exchange All-Share Index.

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## News headlines:

**Mobile subscriptions hit 222 million amidst SIM-NIN restrictions:** – The number of mobile subscriptions in Nigeria rose to 222.23 million in 2022 despite the implementation of the Federal Government’s National Identification Number-Subscriber Identity Module policy. At the start of the policy in April, over 72.77 million active telecommunication subscriptions were barred from making calls. But the industry has since shaken off the effect of this and grew by 13.89 per cent in 2022. According to new data from the Nigerian Communications Commission, the total number of subscriptions grew from 195.13 million as of December 2021 to 222.23 million as of December 2022. This growth signified a complete shake-off of the decline that plagued the telecoms industry in 2021 when the total number of mobile subscriptions declined by 4.42 per cent from 204.15 million as of. ... Source : Punchng.com  
<https://punchng.com/mobile-subscriptions-hit-222-million-amidst-sim-nin-restrictions/>

**What CBN’s N22.7trn overdraft-to-debt means for economy:** The proposed securitisation of the N22.7 trillion loans from the Central Bank of Nigeria (CBN) to the Federal Government, if approved, is expected to have several implications for the economy. Securitisation is the conversion of an asset, especially a loan, into marketable securities, typically for the purpose of raising cash by selling them to other investors. The Federal Government plans to securitise the CBN’s overdraft, also known as ways and means advances, and is seeking lawmakers’ approval to convert the debt to 40-year bonds at 9 percent interest, with a three-year moratorium. Zainab Ahmed, minister of finance, budget and national planning, had explained that the CBN’s overdraft would be issued in the form of bonds and treasury bills to be offered for subscription by investors..... Source: thisdaylive.com  
<https://businessday.ng/business-economy/article/what-cbns-n22-7trn-overdraft-to-debt-means-for-economy/>

**Discos Apologise as Nigerians Suffer Prolonged Power Outages due to Insufficient Electricity Generation, Allocation:** Amid the current nationwide power supply outages and the sufferings caused Nigerians due to low power generation and resultant inadequate load allocation to distribution companies (Discos) by the Transmission Company of Nigeria (TCN), many of the Discos have continued to apologise to their customers. The outages, which started last week in many of the Discos’ franchise areas in the country has worsened the energy crisis facing Nigerian citizens, who have been battling with petrol scarcity and price hike across the country since last year. THISDAY observed that many electricity consumers, especially those on Band C, D and E, which are areas that receive the lowest duration of power supply, have been having prolonged power outages since last week.businessday.ng.  
<https://www.thisdaylive.com/index.php/2023/01/23/discos-apologise-as-nigerians-suffer-prolonged-power-outages-due-to-insufficient-electricity-generation-allocation/>

**Petrol may hit N800/litre on subsidy removal – Marketers:** As the scarcity of the Premium of Motor Spirit, popularly called petrol, continued on Sunday, oil marketers have stated that the cost of the commodity would cross N800/litre once subsidy on PMS is removed. Industry operators had repeatedly stated that the high cost of subsidy on petrol was a burden on the Nigerian National Petroleum Company Limited and was contributory to the prolonged crisis in the downstream oil sector. NNPC is the sole importer of petrol into Nigeria. The Minister of Finance, Budget and National Planning, Zainab Ahmed, recently suggested that the government should gradually withdraw subsidy on PMS, stressing that the budgetary allocation for subsidy would end in June..... Source: punchng.com  
<https://punchng.com/petrol-may-hit-n800-litre-on-subsidy-removal-marketers/>

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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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|                          |   |
|--------------------------|---|
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| <b>Price targets:</b>    | 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.   |
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