

## Government Revenue

**Comment on recent news** – this page

Today's headlines – page two

**Recommendations and valuations** – page three

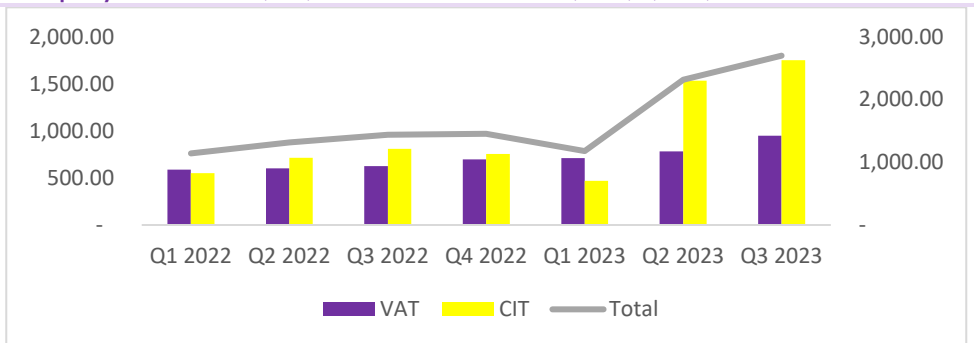
### CIT and VAT grew by 87.89% y/y in Q3 2023.

Based on data released by the National Bureau of Statistics (NBS), the federal government generated a total of N2.70tn in Company Income Tax (CIT) and Value Added Tax (VAT) in Q3 2023. This is an increase of 87.89% and 16.65% on the N1.44tn and N2.31tn recorded in Q3 2022 and Q2 2023 respectively. Specifically, CIT rose by 115.90% y/y to N1.75tn in Q3 2023 from N810.19bn in Q3 2022. Q/q, CIT rose by 14.27% from N1.53tn in Q2 2023. Foreign CIT payments contributed 62.75%, growing significantly by 235.63% y/y to N1.1trn in Q3 2023 from N327.02bn in Q3 2022, while local payments contributed 37.25% rising by 34.87% to N651.63bn in Q3 2023 from N483.17bn in Q3 2022. In terms of sectoral contribution, the information & communications, manufacturing, and mining/quarrying were the highest contributors to CIT, contributing 26.18%, 23.90%, and 11.80% to the total CIT collections in Q3 2023.

On the other hand, Value Added Tax (VAT) increased by 51.60% to N948.07bn in Q3 2023 from N625.39bn in Q3 2022. Q/q, VAT rose by 21.34% from N781.35bn in Q2 2023. This was also driven by the manufacturing, information & communications, and financial insurance activities, which contributed 26.51%, 19.04%, and 12.31% respectively to the total VAT collections in Q3 2023. Foreign VAT payments contributed 21.58% to the total VAT and increased by 67.89% y/y to N204.58bn while Local VAT contributed 44.93% to the total VAT payments, increasing by 41.90% y/y to N522.08bn. Import VAT contributed 23% increasing by 63.27% y/y to N221.41bn in Q3 2023.

We attribute the increase in taxes to the implementation of the new finance act in September 2023. The new finance act placed new taxes on some essential goods and services, including the imposition of a 5% levy on goods imported into Nigeria and all telecommunication services in the country. Also, the appointment of VAT collection agents has improved the country's tax management, lowering the rate of default. In our view, increases in tax collection bodes well for the country if it does not come from multiple taxations on individuals and businesses. The government should continue to widen the tax net through efficient collection efforts rather than burdening struggling businesses and individuals with multiple taxations.

### Company Income Tax (CIT) and Value Added Tax (VAT): (Nbn)



Source: NBS, CSL Research

### MARKET UPDATE

	1 year	30-Dec-22	1 day
NSE - Index*	48,899.08	51,251.06	71,669.91
Naira / US\$	445.02	461.50	864.29
Brent, US\$/bbl	78.34	85.91	76.03
MPR %	16.50	16.50	18.75

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

### CONTACT INFORMATION

**Head of Research:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Banks:** Gloria Fadipe

+234 (1) 448 5436 ext.4516

[gloria.fadipe@fcbm.com](mailto:gloria.fadipe@fcbm.com)

**Brewers:** Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

[adegoke.adetoyinbo@fcbm.com](mailto:adegoke.adetoyinbo@fcbm.com)

**Industrials:** Mustapha Umaru

+234 (1) 448 5436 ext.4512

[mustaphaumar@fcbm.com](mailto:mustaphaumar@fcbm.com)

**FMCGs:** Sunmisola Ikoli-Olowo

+234 (1) 448 5436 ext.4457

[sunmisola.ikoli@fcbm.com](mailto:sunmisola.ikoli@fcbm.com)

**Research Team:** [cslresearch@fcbm.com](mailto:cslresearch@fcbm.com)

**Retail Team:** [cslcsu@fcbm.com](mailto:cslcsu@fcbm.com)

**Sales Team:** [cslrmt@fcbm.com](mailto:cslrmt@fcbm.com)

<https://cslportal.fcbm.com>



## News headlines:

**Grid collapses again, power generation crashes to 43.5MW:** Nigeria witnessed another collapse of its national grid on Monday, leading to a crash in power generation from 4,032.8 megawatts around 1pm to 43.5MW at about 2pm the same day. Power generation figures obtained from the Transmission Company of Nigeria showed that electricity on the system moved up to 115.4MW around 3pm, before rising further to 240.9MW at about 4pm on Monday. It climbed to 544.9MW at 5pm and continued the upward trend, as TCN strived to restore the national grid on Monday afternoon till in the evening. Commenting on the development, the spokesperson of the transmission company, Ndidi Mbah, confirmed the collapse of the grid, but was quick to state that the system was restored by TCN engineers.

Source:Punchng.com

<https://punchng.com/grid-collapses-again-power-generation-crashes-to-43-5mw/>

**Nigeria Lost over N7tn to 2022 Flooding, Says World Bank:** The World Bank has put Nigeria's loss in the devastating 2022 floods that killed over 600 persons and displaced over 1.4 million Nigerians at over N7 trillion. The Senior Disaster Risk Management Specialist, World Bank, Nkem Joseph- Palmer, gave the estimation yesterday, at an interactive meeting organised by the World Bank in conjunction with the FCT Emergency Management Agency (FEMA). Joseph-Palmer, who noted that when disasters happen, communities are the first to be impacted, said the loss also amounted to about 41.4 percent of the country's GDP. "How are we engaging at the community level and at the Federal level? What are we doing and what can we do better?" He said. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2023/12/12/nigeria-lost-over-n7tn-to-2022-flooding-says-world-bank>

**Naira trades 864/\$ at official market as dollar supply rises:** The naira appreciated by 27.16 per cent to close at N864.29/\$ on the official Investors and Exporter window on Monday. This is as the daily turnover of the dollar surged by 86.83 per cent to \$132.46m at the closing of trading from \$70.90m last Friday. The naira's rise signifies a N234.76 gain from the all-time low of N1099.05/\$ it closed trading last Friday according to data from the FMDQ Securities Exchange. On Monday, trading opened at N867/\$, before hitting a high of N1185.10/\$, then a low of N720/\$. It eventually settled at N864.29/\$ as the daily turnover of the dollar hit \$132.46m. Monday's rate signifies a marginal recovery for the national currency whose movement has been volatile since the Central Bank of Nigeria removed the rate cap on it.

Source:Punchng.com

<https://punchng.com/naira-trades-864-at-official-market-as-dollar-supply-rises/>

**Food security: Senate seeks 10% budget allocation to agriculture:** The Nigerian Senate has urged the federal government to allocate at least 10% of the total annual budget revenue to agricultural production, amidst concerns of food security. Salihu Mustapha, Chairman of the Senate Committee on Agriculture Production made this call in a joint budget defense session of the Ministry of Agriculture and Food Security on Monday. He emphasized the sector's potential to lead millions out of poverty and contribute significantly to the nation's GDP. Despite the agricultural sector's vital role, Mustapha expressed concern that budget allocations fell short of the 10% commitment made under the Maputo declaration. Source: businessday.ng

Source:businessday.ng

<https://businessday.ng/news/article/food-security-senate-seeks-10-budget-allocation-to-agriculture/>

## Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her 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.

### Explanation of CSL Research's equity research rating system

<b>Buy:</b>	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Hold:</b>	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
<b>Sell:</b>	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
<b>Not Rated:</b>	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.
<b>Benchmark:</b>	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest %.
<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.
<b>Asset allocation:</b>	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, 2023. All rights reserved.

CSL Stockbrokers Limited

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom