



Government Revenue

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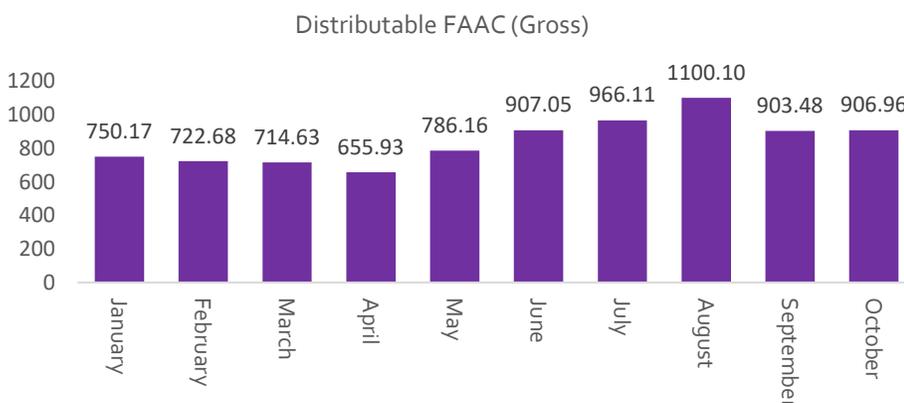
FAAC disbursement rises marginally in November.

A communique issued by the FAAC at its November 2023 meeting indicated that a total sum of N906.96bn was shared by the Federal Government, States and Local Government Councils. The total sum, which is 0.4% higher than the previous month's distributable revenue of N903.48bn comprised; distributable statutory revenue of N305.07bn, distributable Value Added Tax (VAT) revenue of N323.45bn, Electronic Money Transfer Levy (EMTL) revenue of N15.55bn, exchange difference revenue of N202.89bn and augmentation of N60bn. FAAC allocations principally originate from crude oil sales proceeds to the federal account. Despite the recent stability in the price of crude oil, massive crude oil theft and recurrent shut-ins at various crude oil pipeline installations, triggered by vandalism and lack of maintenance, have led to a severe decline in crude oil production.

Based on data from the National Upstream Petroleum Regulatory Commission (NUPRC), Nigeria's oil production declined marginally to 1.56 million barrels per day (mbpd) in October 2023, from 1.57mbpd recorded in September. In Q3, average crude oil production (with condensates) was 1.43mbpd, c.79.5% of its 1.8mbpd OPEC quota in Q3 2023. When compared with the country's budget benchmark, average crude oil production in Q3 2023 came to c.84.6% of the 1.69mbpd in the 2023 budget. We had earlier believed that the removal of the fuel subsidy would boost FAAC allocations significantly. However, there are indications that the subsidy has been subtly reintroduced, though the amount spent on subsidy should still be significantly lower. Subsidy deductions by the NNPC have previously significantly reduced the amount shared by FAAC.

The Federal Government received a total sum of N323.36bn, the State Governments received N307.72bn and the Local Governments received N225.2bn. A total sum of N50.67bn (13% of mineral revenue) was shared by the relevant States as derivation revenue. Many States rely solely on FAAC allocations to run their states with very minimal Internally Generated Revenue (IGR). Based on FY 2022 data from the National Bureau of Statistics (NBS), states like Lagos, Rivers, and FCT had comparatively limited dependence on federally distributed revenue for their operations. In contrast, states like Kebbi, Taraba, Yobe and Bayelsa need to work harder to grow IGR considering the size of their operating expenses.

FAAC Disbursement – year-to-date (Nbn)



Source: OAGF, local media, CSL Research

MARKET UPDATE

| Indicators | 1 year | 30-Dec-22 | 1 day |
|-----------------|-----------|-----------|-----------|
| NSE - Index* | 44,279.65 | 51,251.06 | 71,230.48 |
| Naira / US\$ | 442.19 | 461.50 | 927.19 |
| Brent, US\$/bbl | 92.25 | 85.91 | 79.59 |
| MPR % | 15.50 | 16.50 | 18.75 |

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

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcbm.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcbm.com

Brewers: Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

adegoke.adetoyinbo@fcbm.com

Industrials: Mustapha Umaru

+234 (1) 448 5436 ext.4512

mustaphamaru@fcbm.com

FMCGs: Sunmisola Ikoli-Olowo

+234 (1) 448 5436 ext.4516

Sunmisola.ikoli@fcbm.com

Research Team: cslresearch@fcbm.com

Retail Team: cslsu@fcbm.com

Sales Team: cslrmt@fcbm.com



News headlines:

FX turnover fell to N3.66tn in October: The official foreign exchange market, the Nigerian Autonomous Foreign Exchange Market, witnessed a 14.96 per cent drop in turnover to N3.66tn (\$4.66bn) in October from N4.15tn in September. According to the latest Financial Markets Monthly Report issued by FMDQ, which houses the NAFEM, the US dollar appreciated against the naira in October with the spot exchange rate increasing by 5.34 per cent or N40.41 to close at an average of N797.43 from N757.02 recorded in September. It was also the lowest that naira had depreciated since the harmonisation of the segments of the foreign exchange market by the Central Bank of Nigeria in June. The report stated that exchange rate volatility increased in October as "The naira traded within an exchange rate range of N741.85– N993.82 compared to N722.39– N780 recorded in September." Source : Punch <https://punchng.com/fx-turnover-fell-to-n3-66tn-in-october-report/>

FIRS waives fines, issues Dec 31 deadline: The Federal Inland Revenue Service has offered a complete waiver on penalties and interests for overdue taxes, contingent on full principal payment before December 31, 2023. This announcement was made through a statement issued by Dare Adekanmbi, the special adviser to Chairman of FIRS, Zacch Adedeji, on Sunday. The chairman highlighted that the agency typically imposes penalties and interests when companies fail to fulfill their tax obligations as stipulated in existing tax laws. However, Adedeji noted the forgiveness of piled-up penalties and interests was "in recognition of the challenges that many taxpayers have faced in settling their outstanding tax liabilities." The statement read in part, "In recognition of the challenges that many taxpayers have faced in settling their outstanding tax liabilities. Source : Punch <https://punchng.com/tax-default-firs-waives-fines-issues-dec-31-deadline/>

US firm, Barker Hughes set to build oil refinery in Nigeria: American oil firm, Barker Hughes, has expressed interest in investing in refineries in the country, as the federal government intensifies effort to end petroleum products importation. Nigeria, a major crude oil producer, imports all its petroleum products, which has put enormous pressure on its currency in the foreign exchange market. But speaking during a meeting with the Minister for State Petroleum Resources (Oil), Sen. Heineken Lokpobiri, on the sidelines of the 28th United Nations Climate Change Conference (COP28), Mr. Lorenzo Simonelli, Chairman, President/CEO of Baker Hughes, expressed keen interest in sustaining and enhancing their investment in Nigeria's oil and gas industry. Source: Punch <https://www.vanguardngr.com/2023/12/us-firm-barker-hughes-set-to-build-oil-refinery-in-nigeria/>

INTELS waives \$193m debt to resolve service boat contract – NPA: The Nigerian Ports Authority (NPA) yesterday, said that INTELS Nigeria Limited waived \$193 million as part of efforts to resolve the stalemate on the pilotage contract with the Federal Government. The NPA insisted that the agreement reached with INTELS was done in national interest, adding that revenue generation will increase as a result of the effort. NPA also lauded the Minister of Transportation, Marine and Blue Economy, Adegbeyega Oyetola, for working tirelessly to ensure that the crisis was resolved. According to NPA, Oyetola was worried by the needless loss of revenue as a result of the impasse, saying there was the need to show concern and patriotism in resolving the dispute. Source: The Sun <https://sunnewsonline.com/intels-waives-193m-debt-to-resolve-service-boat-contract-mpa/>

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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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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