

Coronation Economic Note

20 May '22

Modest increase in the FAAC payout

The gross monthly distribution by the Federation Account Allocation Committee (FAAC) to the three tiers of government and public agencies amounted to N725.6bn in April (from March revenue). This shows an increase of 4.4% or N30.6bn from the previous payout. Based on data in the local media, we learnt that companies' income tax (CIT), petroleum profit tax (PPT), value added tax (VAT), oil and gas royalties, import and excise duties recorded increases over the previous month. The FGN received a total of N277.1bn and state governments received N227.2bn, including N53.4bn representing the 13% derivation for the few oil producing states.

The headline figure consists of N337.4bn in gross statutory distribution, N165.6bn from the VAT Pool, and excess bank charges of N7.5bn was recovered. The total deductions for cost of collection was N44.4bn and the total deductions for statutory transfers, refunds and savings was N382.8bn.

The committee disclosed that the balance in the Excess Crude Account (ECA) is USD35.4m.

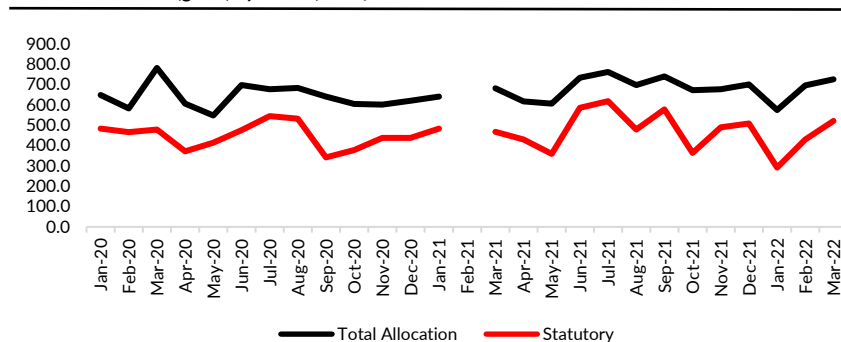
The average monthly FAAC distribution (N665.1bn in Q1 '22) declined from an average of N682.5bn in Q4 '21 but is slightly above the average of N647.0bn recorded in Q1 '21.

Based on local newswires, the Nigerian National Petroleum Commission (NNPC) has not made any remittance to the federation account this year due to the high fuel subsidy costs. The NNPC spent N210.4bn (USD500.1m), N219.8bn (USD522.9m) and N245.8bn (USD584.8m) as subsidies on petrol in January, February, and March respectively. This is a total of N675.9bn (USD1.6bn) in Q1 '22.

The NNPC is expected to deduct N671.9bn from its remittance to FAAC for April which is due for sharing at the May '22 FAAC meeting. The estimated total shortfall of N671.9bn comprises of shortfalls recorded in February (N152bn) and March (N519bn).

Money markets saw an inflow of N391bn in early-May '22, representing the net distribution to state and local governments. The FGN's share is directly to the treasury single account.

Revenue allocations (gross) by FAAC (N 'bn)



Sources: NBS, Local news media, Coronation Merchant Bank Research

We expect continuous strain with regards to FAAC payouts. It is imperative for states that depend solely on the inadequate monthly FAAC distribution to seek ways to boost their internally generated revenue. The FGN's primary objective should be to create a conducive business environment as IGR sustainability is a by-product of an enabling environment.

Indicators	NG
Inflation rate (April '22, %)	16.82
GDP (Q4 '21, %)	3.98
Gross Official Reserves (18 May '22, USD bn)	38.8
UK Brent (19 May '22, USD)	111.4

Source: Bloomberg, CBN, NBS, Coronation MB Research

FGN bond yields (19 May '22, %)			
14.20%	13.98%	12.15%	12.40%
Mar-24	Feb-28	Jul-34	Mar-36
7.70	11.18	12.20	12.40

T-bill yields (19 May '22, %)			
14-	13-	09-	30-
Jul-22	Oct -22	Mar-23	Mar-23
3.02	3.50	4.68	4.86

Source: FMDQ, Coronation MB Research

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