



NEWS HIGHLIGHTS:

10th – 14th May 2021.

- **IMF Backs Tax Increments to Save Africa from Debt Distress**
- **Ethereum is over \$4,000**
- **Nigerian stocks halt losing streak as 28 firms gain**
- **Nigeria's Revenue Threatened As India Slashes Crude Imports By \$39.5bn**
- **Nigeria: VAT Revenue Rises By N41.7bn In Q1**

RATE MONITOR.

GDP.	=	2.2%
MPR	=	11.5%
INFLATION=		18.17%

GLOBAL ECONOMY:

- **IMF Backs Tax Increments to Save Africa from Debt Distress**

The International Monetary Fund (IMF) has backed African governments to use tax increments as a means of raising more revenue in order to reduce borrowing as they continue to fight the deadly pandemic. This comes on the back of the Regional Economic Outlook report – April 2021 (published by IMF), revealing that 17 countries in the region are either at high risk of debt distress or already in debt distress as of the end of 2020, a situation that will be exacerbated with the continuous lingering of the deadly coronavirus pandemic.

Hence, to avoid further plunging many countries into debt distress or high risk of it, the IMF says, governments must look at the circumstances of their countries and implement tax adjustment measures that will rake in more revenue so as to avoid borrowing to cushion the economy in their quest to recover from the pandemic. This includes increasing corporate taxes, reviewing tax exemptions, deepening the role of property and environmental taxes, and utilizing VAT, among others. "Depending on country circumstances, authorities looking to expand their fiscal space can look to tax policies that increase the progressivity and coverage of personal income taxes; eliminate distortionary corporate income tax exemptions and incentives; increase the role of property and environmental taxes; and broaden the value-added tax (VAT) base.

The last may offer significant scope for improvement in sub-Saharan Africa's case, as the region's VAT efficiency (the ratio between actual VAT revenues and theoretical revenue received if all consumption were charged at the standard rate) is only about 35 percent, compared with a global average of more than 50 percent. Increasing regional efficiency to the global average would boost revenues by about 2 percent of GDP," the report stated. Besides the tax measures, the Fund is urging governments to tackle illicit financial flows, which represent a sizable and ongoing drain on the region's fiscal resources and prosperity. This can be done by leveraging the potential benefits of new technologies to enhance revenue administration over the near term. Again, the IMF has advised for increased transparency and governance especially when the nature of crisis spending often increases the risk and opportunity cost of wastage and fraud. Hence, improving transparency and accountability can ensure that limited funds are helping the people who need it most.

The situation in Ghana

The country is among the IMF list of economies at high risk of debt distress as currently, the public debt has reached 76.1 percent of GDP as of December 2020. Government intends to further borrow about GH¢41.3 billion in 2021 to support the budget. Of this amount, GH¢25.4 billion, representing 62 percent, will be borrowed from the

domestic economy. The fiscal deficit also widened to 11.7 percent of GDP as expenditure for the year went above GH¢100 billion whereas revenue mobilized was GH¢55 billion, meaning government had to borrow close to double its revenue to cater to its needs. This has pushed government to introduce some new taxes in its 2021 budget. Among the taxes government has introduced to achieve its GH¢70 billion revenue target is a new tax dubbed COVID-19 Health Levy which will see a one percentage point increase in the National Health Insurance Levy and a one percentage point increase in the VAT Flat Rate to support expenditures related to COVID-19. In addition to this, government said it is proposing a Sanitation and Pollution Levy (SPL) of 10 pesewas on the price per litre of petrol/diesel under the Energy Sector Levies Act (ESLA); and a further Energy Sector Recovery Levy of 20 pesewas per litre on petrol/diesel under the ESLA as a means of finding additional resources to cover the excess capacity charges that have resulted from the Power Purchase Agreements (PPAs). Besides these, government has further slapped a financial sector clean-up levy of 5 percent on profit-before-tax of banks to help defray outstanding commitments stemming from the financial sector clean-up.

That is not all, the budget statement further added that there will be a review of existing road tolls which will be aligned with current market rates as part of the framework for promoting burden sharing as the country seeks to transform road and infrastructure sector in a post-COVID era. Another area that government seeks to tap into for revenue is the gaming industry as it is estimated that the economy loses over GH¢300 million annually in revenue due to leakages in the sector. The gaming industry is fast gaining grounds in the country with the influx of online betting and automation.

- **Ethereum is over \$4,000—here’s how much money you’d have if you invested \$1,000 at the beginning of 2021:**

Just a week after dogecoin’s massive rally, during which the coin surpassed the 70-cent mark for the first time in the lead-up to Elon Musk’s hosting appearance on “Saturday Night Live,” ethereum is taking its turn in the spotlight. The coin has been on a massive tear in recent days, nearly doubling in value over the past month. The world’s second-biggest cryptocurrency by market cap now costs more than \$4,000 per coin, a far cry from the \$176 it was commanding a year ago. Unlike dogecoin, whose rise has been fuelled by tweets and Reddit threads, ethereum has support from institutional investors and has been the cryptocurrency of choice for blockbuster multimillion-dollar NFT transactions. It is built on blockchain technology just like bitcoin, but instead of being viewed by its proponents as a store of value akin to gold, it is seen by investors such as Mark Cuban as having a higher utilization. That’s because one of its uses is as infrastructure for a decentralized internet, and people can build apps on the Ethereum network. With a market cap of \$481.8 billion — bigger than Coca-Cola, Snap Inc. and Ford Motor Co. combined — ethereum trails only bitcoin’s \$1.1 trillion market cap in the crypto world.

An investment in ethereum at the beginning of the year would have seen strong growth over the ensuing months. A \$1,000 ethereum purchase on Jan. 1 — at a price of \$730.97 per coin — would be worth \$5,710.85 at Monday morning’s price of \$4,174.46, a gain of 471%, according to CNBC calculations. That beats bitcoin’s 2021 growth. A \$1,000 bitcoin purchase would be worth \$1,984.13 at Wednesday’s price of \$58,359.98. It is important, however, to keep in mind that past performance is no guarantee of future returns. Experts have cautioned investors to put no more money into cryptocurrencies than they are comfortable losing.

DOMESTIC ECONOMY:

- **Nigerian stocks halt losing streak as 28 firms gain:**

The Nigerian stock market closed on a positive note on Monday for the first time this month as 28 firms, led by ABC Transport Plc, recorded price appreciation. The market had been on a downward trajectory since April 30, when the All-Share Index of the Nigerian Exchange Limited and the market capitalization closed at 39,834.42 basis points and N20.85tn respectively. The NGX ASI, however, rose by 0.29 per cent on Monday to 39,312.74bps from 39,198.75bps on Friday while the market capitalization increased to N20.49tn from N20.43tn. Other top gainers at the end of trading were Regency Alliance Insurance Plc, Union Bank of Nigeria Plc, Linkage Assurance Plc and Mutual Benefits Assurance Plc, emerging the top five losers.

Fifteen firms recorded price losses, with Unity Bank Plc, Japaul Gold and Ventures Plc, Neimeth International Pharmaceuticals Plc, Flour Mills of Nigeria Plc and Chams Plc. Analysts at Cordros Capital said investors took particular interests in Tier 1 banks, namely Zenith Bank (3.6 per cent) and Guaranty Trust Bank (2.6 per cent). “The banking (2.9 per cent), insurance (1.3 per cent), and industrial goods (+0.1 per cent) indices recorded gains, while losses were recorded in the consumer goods (-0.3 per cent) and oil and gas (-0.1 per cent) indices,” they added.

- **NIGERIA’S REVENUE THREATENED AS INDIA SLASHES CRUDE IMPORTS BY \$39.5BN**

Nigeria’s revenue earning capacity has come under threat following the reduction of importation of crude oil by India. India, Nigeria’s largest crude oil importer, reduced crude oil imports by \$39.5bn in April, compared to the same time the previous year, data from India’s Petroleum Planning & Analysis Cell showed. According to the Indian High Commission in Nigeria, India’s crude oil imports from Nigeria in 2020 amounted to \$10.03bn. This represented 17 per cent of Nigeria’s total crude exports for the year according to the Nigerian National Petroleum Corporation, as quoted by OilPrice.com. As Nigeria’s largest importer of crude oil, lockdowns in India’s major cities from COVID-19 surge in April had ripple effects on Nigeria’s oil sales.

The NNPC was prompted to drop the official standard price of its main export streams, Bonny Light, Brass River, Erha, and Qua Iboe, by 61-62 cents per barrel below its April 2021 prices. They traded at \$0.9, \$0.8, \$0.65, \$0.97 per barrel respectively, below dated Brent, the international benchmark, as Oilprice.com showed. India had been buying the not-too-light and not-too-heavy Nigerian crudes that suited its refiners. Reuters reported that the Indian Oil Corporation’s owned refineries were operating at 95 per cent capacity in April, down from 100 per cent at the same time the previous month. An official at the IOC was quoted as saying, “If cases continue to rise and curbs are intensified, we may see cuts in refinery runs and lower demand after a month.” Hundreds of seafarers risked being stuck at sea beyond the expiry of their contracts, a large independent crude ship owner reportedly told Bloomberg.

India reportedly bought more American and Canadian oil at the expense Africa and the Middle East, reducing purchases from members of the Organization of the Petroleum Exporting Countries to around 2.86 million barrels per day. This squeezed the group’s share of imports to 72 per cent from around 80 per cent previously, as India’s refiners were diversifying purchases to boost margins, according to Reuters. India also plans to increase local crude oil production and reduce import expenses as its population swells, according to Bloomberg. A deregulation plan by the Narendra Modi-led government to boost national production to 40 million tonnes of crude oil by 2023/2024, an increase of almost eight million tonnes, had already been initiated. According to Business Today, an Indian paper, the country currently imports 82 per cent of its oil needs, which amounted to \$87bn in 2019. The state owned Oil and Natural Gas Corporation produces about 20.3 million tonnes of crude oil annually. Increasing total production to 40 million tonnes will reduce total imports to 67 per cent.

- **Nigeria: VAT Revenue Rises by N41.7bn in Q1**

National Bureau of Statistics (NBS), has said that the total revenue from Value Added Tax (VAT) rose by 9.17 per cent or N41.7 billion to N496.39 billion in the first quarter of the year compared to N454.69 billion in the preceding quarter. It said that Sectoral Distribution of VAT for Q1 2021 published t on Saturday said VAT also increased by 9.17 per cent in the Q1 against N454.69 billion generated in Q4 2020. It added that of the total amount generated in Q1 of 2021, N224.85 billion was generated as non-import VAT locally, while N171.66 billion was generated as non-import VAT for foreign. While the balance of N99.88 billion was generated as Nigeria Customs Service-import VAT. The NBS added that manufacturing generated the highest amount of VAT – N49.41 billion – closely followed by professional services which generated N42.50 billion. “State ministries and parastatals generated N26.96 billion, while mining generated the least with N48.36 million. Mining is closely followed by pioneering and textile with N77.01 million, and garment industry with N289.41 million.”