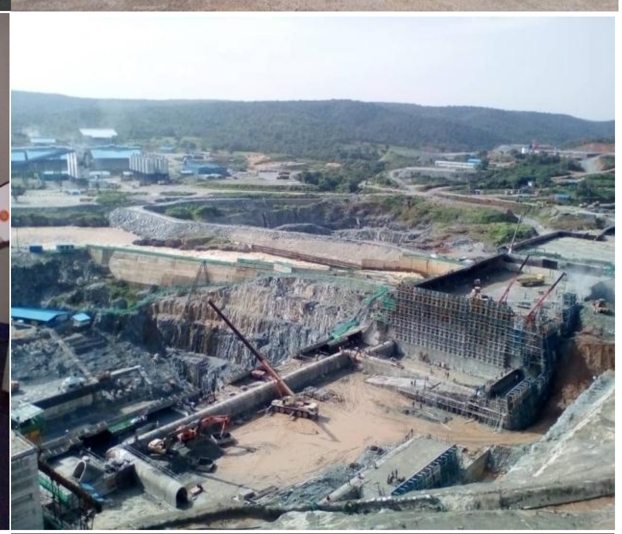
2018 FIRST QUARTER
BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION

Ministry of Budget and National Planning

FOREWORD

It is my pleasure to present to you, the 2018 First Quarter Budget Implementation Report (BIR). The Budget is a key policy tool for allocating public resources among contending socio-economic needs by Government. This Report therefore provides information on the distribution and utilization of public resources by Government Agencies during the first quarter of the 2018 fiscal year. The 2018 Budget is titled “Budget of Consolidation”. Its key parameters and assumptions are as set out in the 2018-2020 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) with strong alignment with the Economic Recovery and Growth Plan (ERGP) 2017-2020.The principal objective of the budget is to reinforce and build on recent government accomplishments particularly in sustaining the reflation of the economy.

The publication of this report is primarily in fulfillment of Section 30 and 50 of the Fiscal Responsibility Act (FRA), 2007 which requires the Budget Office of the Federation to prepare periodic Budget Implementation Reports to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). These reports are also to be widely circulated to other stakeholders and the general public through electronic and other media.

I commend the Budget Office of the Federation (BOF), the National Monitoring and Evaluation Department and other relevant Ministries Departments and Agencies (MDAs) for their hard work and efforts in preparing this First Quarter Implementation Report of the 2018 Budget. I also applaud the important roles played by both the FRC and the NASS’s Joint Finance Committees in ensuring adherence to best practices in public financial management through their continuous collaboration in the production of these reports.

Lastly, I urge the general public and readers of this Report to uphold their active interest in tracking progress towards achievements of Government’s goals and objectives especially in the management of public resources. I look forward to your active participation in the entire budget processes.

Sen. Udoma Udo Udoma, CON
Honourable Minister (Budget and National Planning)

PREFACE

The FRA 2007 mandates the Budget Office of the Federation (BOF) to monitor and evaluate the implementation of Annual Budgets and to thereafter produce periodic reports on the exercise. This 2018 First Quarter Budget Implementation Report (BIR) is one of the in-year reports prepared by the BOF. This Report is also part of the efforts of the Ministry of Budget and National Planning (MBNP) in complying with the FRA 2007 and more importantly in promoting budget transparency and credibility as a key component of the public financial management reforms of the nation.

The 2017 fiscal year signaled the beginning of the recovery for the Nigerian economy after a recession that lasted five quarters. This and other factors were taken into account in the preparation of the 2018 Budget estimates. To consolidate on the momentum of the 2017 Budget's implementation, many ongoing capital projects had been provided for in the 2018 Budget. This is in line with the government's commitment to appropriately fund ongoing capital projects to completion and also demonstrates its strong commitment to investing in critical infrastructure capable of spurring growth and creating jobs.

The implementation of the 2018 Budget in the first quarter of the year was however very challenging as the macroeconomic environment, though improving, remained under significant pressure. These, coupled with the late passage of the Budget as well as the shortfall in projected revenue receipts, adversely affected the implementation of the budget during the review period.

This Report is an outcome of the joint efforts of financial and statistical agencies of government which provided necessary macro-economic data, and the hard work of various departments of the BOF, particularly Budget Monitoring and Evaluation Department as well as the National Monitoring and Evaluation Department of the MBNP. I applaud their efforts and wish them every success as they continue to carry out this important function.

Ben Akabueze
Director General (Budget Office of the Federation)

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A/C: *Account*
AIE: *Authority to Incur Expenditure*
AF: *Alternative Funding*
AEs: *Advanced Economies*
B: *Billion*
BDC: *Bureau De-Change*
BOF: *Budget Office of the Federation*
BREXIT: *Britain Exist*
CBN: *Central Bank of Nigeria*
CIT: *Company Income Tax*
DMO: *Debt Management Office*
ECA: *Excess Crude Account*
EMDEs: *Emerging Markets and Developing Economies*
EMEs: *Emerging Markets Economies*
FAAC: *Federation Account Allocation Committee*
FGN: *Federal Government of Nigeria*
FMF: *Federal Ministry of Finance*
GDP: *Gross Domestic Product*
IMF: *International Monetary Fund*
INEC: *Independent National Electoral Commission*
JVC: *Joint Venture*
LNG: *Liquefied Natural Gas*
M2: *Money Supply*
MB&NP: *Ministry of Budget and National Planning*
MBPD: *Million Barrels Per Day*
MDAs: *Ministries, Departments and Agencies*
MPR: *Monetary Policy Rate*
MTFF: *Medium Term Fiscal Framework*
N: *Naira*
NBS: *National Bureau of Statistics*
NDDC: *Niger Delta Development Commission*
NHRC: *National Human Rights Commission*
NJC: *National Judiciary Commission*
NNPC: *Nigerian National Petroleum Corporation*
NTB: *Nigerian Treasury Bills*
OAGF: *Office of the Account General of the Federation*
ONSA: *Office of National Security Adviser*
OPEC: *Organization of Petroleum Exporting Countries*
OTC-FMDQ-OTC: *Over the Counter Financial Market Dealer Quotation*
PCC: *Public Complaint Commission*
PPT: *Petroleum Profit Tax*
PSC: *Production Sharing Contracts*
SC: *Service Contracts*
SWF: *Sovereign Wealth Fund*
TSA: *Treasury Single Account*
UBEC: *Universal Basic Education Commission*
US: *United States*
VAT: *Value Added Tax*
WEO: *World Economic Outlook*
ZBB: *Zero Base Budgeting*

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EXECUTIVE SUMMARY

The 2018 Budget was titled "Budget of Consolidation" in line with its objective to reinforce and build on the recent reflationary policies of the Federal Government in the past two fiscal years. In this regard, the key parameters and assumptions for the 2018 Budget are as set out in the 2018-2020 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) and in line with the Economic Recovery and Growth Plan (ERGP) 2017-2020. This is also in line with the recovery being experienced in the global economy.

Nigeria's Gross Domestic Product (GDP) grew by 1.95 percent (year-on-year) in real terms in the first quarter of 2018. This reflect an increase of 2.86 percentage points when compared with the negative growth of 0.91 percent recorded in the first quarter of 2017. It however represents a decline of -0.16 percent when compared to the 2.11 percent reported in the preceding quarter. The growth was driven by the expansion in oil and non-oil sector by 14.77 percent and 0.76 percent in real terms in the first quarter of 2018, an increase of 30.37 and 0.04 percentage points over their respective rates in the first quarter of 2017.

The general price level, though still high at the double-digit range, continued to moderate in the first quarter of 2018
Headline inflation stood at 13.34 percent year-on-year in March of 2018, easing from 15.37 percent and 17.26 percent in December and March 2017 respectively. The moderation was on account of a steady slide in core and food inflation to 11.18 percent and 16.08 percent in March 2018 from 12.09 percent and 19.42 percent in December 2017 respectively. The slip can largely be attributed to the base effect as well as the stability in exchange rate as supply improved on account of increased foreign exchange inflows and also due to the fall in growth of aggregate monetary indicators.

Monetary aggregates grew in the first quarter of 2018 relative to the fourth quarter of 2017. Broad money supply grew by 1.26 percent or ₦301.64 billion from ₦24,001.41 billion in December 2017 to ₦24,303.05 billion in March 2018. This performance was driven by the growth in Net Domestic Credit (NDC) which grew by 1.56 percent or ₦403.91 billion. The development in Net Domestic Credit was due to increase in Net Credit to Government and Credit to Private

Sector by 6.98 percent or ₦249.32 billion and 0.69 percent or ₦154.54 billion respectively during the period. When compared to the level at the end of first quarter of 2017, broad money supply expanded by 10.35 percent or ₦2,278.72 billion in March 2018.

Nigeria's trade surplus stood at ₦2,174.60 billion in the review period, indicating a ₦1,497.18 billion or 221.01 percent increase from ₦677.42 billion in the first quarter of 2017. This reflect great leap in export by 56.00 percent to ₦ 4,692.86 billion as a result of crude oil export expansion which contributed ₦1,204.59 billion or 71.51 percent of total export in the period under review. This, in addition to the 8.04 percent expansion in import, increase total trade by 35.06 percent to ₦7,211,12 billion in the first quarter of 2018. The overall balance of payments for Nigeria therefore registered a surplus of US$7,321.96 million, an 18.47 percent increase compared with a surplus of US$6,180.40 million in the preceding quarter. This was spurred by the improvement in current account balance (CAB) from US$3,656.15 million in Q4 2017 to a surplus of US$4,468.61 million in Q1 2018.

There were improvements in the various segments of the foreign exchange markets in the review period. The Naira/Dollar exchange rate at the Official/Inter-Bank markets appreciated from ₦306.31/US$ in December 2017 to ₦305.74/US$ in March 2018. The average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) equally appreciated from ₦362.83/US$ in December 2017 to ₦362.07/US$ in March 2018. Nigeria's official gross (external) reserves therefore maintained steady improvements in the review period to US$46.73 billion as at end of March, 2018 as against US$39.35 billion as at end of December 2017.

Total public debt stock as at 31st March, 2018 stood at US$74,278.86 million (or ₦22,707.20 billion) representing an increase of ₦981.43 billion (or 4.52 percent) when compared to the US$70,999.26 million (or ₦21,725.77 billion) reported at the end of December 2017. The breakdown consisted of US$22,071.91 million (or ₦6,746.28 billion or 29.71 percent) for external debt while the balance of US$52,206.95 million (or ₦15,960.92 billion or 70.29 percent) was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 18.77 percent as at the end of March 2018, and was significantly below the country specific threshold of 19.39 percent and international threshold of 56 percent for comparator countries.

The implementation of the budget in the first quarter of 2018 continued to be adversely affected by the poor revenue outturn as oil production and exports remained low. Average oil production and lifting (including Condensates) in the first quarter of 2018 was 1.99mbpd and 2.01mbpd respectively. The oil production figure indicates a shortfall of 0.31mbpd (or 13.48 percent) below the 2.3mbpd projected for the 2018 Budget. The volume of oil production in the period was however, 0.04mbpd and 0.24mbpd above the 1.95mbpd and 1.75mbpd reported in the fourth and first quarters of 2017 respectively. The price of crude oil at the international market, on the other hand, averaged US$66.80 per barrel in the first quarter of 2018, representing an increase of US$13.02 per barrel (or 24.21 percent) and US$15.80 per barrel (or 30.98 percent) when compared to US$53.78 per barrel recorded in the first quarters of 2017 and US$51.0 set as budget benchmark, respectively.

Gross Oil Revenue therefore stood at ₦1,288.06 billion representing a ₦616.46 billion (or 32.37 percent) shortfall from ₦1,904.52 billion projected quarterly gross oil revenue in the 2018 Budget. The Federally collected non-oil revenue, on gross basis, equally slumped by ₦422.62 billion (or 38.14 percent) to ₦685.34 billion from ₦1,107.96 billion projected in the 2018 budget. The Independent Revenue continued to grossly underperform recording ₦72.05 billion in the review period, indicating a ₦139.93 billion (or 66.01 percent) decline from ₦211.99 billion projected in the 2018 Budget.

The sum of ₦806.64 billion excluding other funding sources, was therefore received to fund the budget in the first quarter of 2018 as against a projected quarterly share of ₦1,791.46 billion. This amount was ₦984.82 billion (or 54.97 percent) lower than the quarterly projection but ₦147.94 billion (or 22.46 percent) higher than the ₦658.70 billion recorded in the fourth quarter of 2016. Total inflow available to fund the budget however stood at ₦819.62 billion indicating a ₦971.84 billion (or 54.25 percent) shortfall from the prorate budget projection for the period.

Government's resolve to cut down the growth in recurrent expenditures continued to be pursued using the 2018 Budget implementation. A total of

₦594.22 billion was therefore spent on non-debt recurrent expenditure in the first quarter of 2018 representing a decrease of ₦284.90 billion (or 32.41 percent) below the quarterly estimate of ₦879.12 billion. Total Debt Services in the first quarter of 2018, driven by ₦203.69 billion or 46.3 percent overshoot in domestic debt service payments, stood at ₦697.71 billion. This reflect a ₦194.25 billion (or 38.58 percent) increase from the ₦503.46 billion projected for the quarter. Other Federal Government expenditure during the review period include ₦114.11 billion released as statutory transfers, while no fund was released for capital projects/programmes due to the late passage of the 2018 Budget.

Total outflow of government stood at ₦1,412.78 billion representing ₦867.30 billion (or 38.04 percent) shortfall from ₦2,280.08 billion projected for the review period. The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦593.17 billion in the first quarter of 2018 which represented an increase of ₦104.54 billion (or 21.39 percent). A total of ₦407.91 billion was however realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦185.26 billion net deficit financing for the review period.

Overall, the macroeconomic environment that propelled the economy's exit from recession has remained positive and is likely to continue in the near-term. This expectation was premised on speedy approval and implementation of the 2018 budget, improved security, continued stability in the foreign exchange market as well as increase in crude oil production and prices. The development is highly encouraging, nevertheless, the growth remained largely fragile and could benefit from further fiscal consolidation and greater monetary, trade and fiscal policy harmony.

1.0 INTRODUCTION

Global growth momentum is projected to remain upbeat in the 2018 fiscal year with recovery expected to pick-up pace during the year. The growth upsurge is largely driven by the recovering oil prices, as well as the pick-up in investment, trade and manufacturing output. World GDP is projected to expand by 3.9% from 3.7% recorded in 2017. The expansion would be led by the Emerging Markets and Developing Economies (EMDEs) with 4.9% growth from 4.7% in 2017 while growth in Advanced Economies are expected to remain at an average of 2.4%.

The 2018 Budget was therefore titled “Budget of Consolidation”. The principal objective was to consolidate on the achievements of previous budgets and deliver on Nigeria’s Economic Recovery and Growth Plan (ERGP) 2018 – 2020. Specifically, the Budget will sustain the reflationary policies of the immediate past two budgets. In this regard, the key parameters and assumptions for the 2018 Budget are as set out in the 2018-2020 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). The key thrust of the Budget are derived from the goals of the present Administration as articulated in the ERGP (2017-2020).

In line with the 2018-2020 fiscal strategy of the Federal Government, the 2018 Budget focused on broadening revenue receipts by broadening tax base, as well as identifying and plugging revenue leakages. Government would also focus on improving the efficiency and quality of capital spending, greater emphasis on critical infrastructure, rationalization of recurrent expenditure, and gradual fiscal consolidation to maintain the fiscal deficit below 3% of GDP as prescribed by the FRA, 2007.

To consolidate on the momentum of the 2017 Budget’s implementation, many ongoing capital projects have been provided for in the 2018 Budget. This is in line with the government’s commitment to appropriately fund ongoing capital projects to completion. By allocating 30.8 percent of the 2018 Budget to capital expenditure, the Federal Government had also demonstrated its strong commitment to investing in critical infrastructure capable of spurring growth and creating jobs in the Nigerian economy. Key capital spending allocations in the 2018 Budget would still be in the Power, Works and Housing; Transportation; Special Intervention Programmes; Defence;

Agriculture and Rural Development; Water Resources; Industry, Trade and Investment; Interior; Education; and Health, etc.

In addition, the 2018 Budget also aims to continue with achievements recorded in the implementation of the 2017 Budget by making adequate provisions for counterpart funding obligations. It will focus on completing all ongoing projects and carried forward all strategic uncompleted projects from previous budget. Specifically, attention will be given to the following key projects and programmes: Mambilla Hydro Power Project; Earmarked Transmission Lines and Substations; National Housing Programme; the 2nd Niger Bridge; and Construction and Rehabilitation of the Strategic Roads. Regional spending priorities were also given special attention including the Presidential Amnesty programme in the Niger Delta as well as the interventions for the development of the North East.

The 2018 Budget also provided for Social Intervention Programme. This is a display of the Federal Government's commitment in pursuing a gender-sensitive, pro-poor programme including catering for the most vulnerable. The implementation of the Conditional Cash Transfer (CCT) programme, as well as the National Home-Grown School Feeding programme will continue in 2018. These initiatives are already creating jobs and economic opportunity for local farmers and cooks, providing funding to artisans, traders and youths, as well as supporting small businesses with business education and mentoring.

This Report provides comprehensive information on the 2018 First Quarter Budget Implementation. The other parts of the Report are arranged as follows: Following this Introductory Section, Section 2 reviews the macroeconomic performance, highlighting performance of the real, monetary and external sectors. Section 3 presents an analysis of government's revenue receipts and expenditure in the quarter under review, while Section 4 is a brief conclusion of the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

2.1 Performance of the Global Economy

The upbeat in global economic activities continued to be sustained, despite escalating trade tension, uncertainty over BREXIT and denuclearization of the Korean Peninsula. Global output was therefore projected to grow at 3.9 percent in 2018, up from 3.7 percent in 2017. Growth in the advanced economies was anticipated to strengthen to 2.4 percent in 2018 from 2.3 percent in 2017 driven by enhanced investments and consumption spending. Equally, output growth in the Emerging Markets and Developing Economies (EMDEs) was projected to rise slightly to 4.9 percent in 2018 reflecting an improvement from 4.8 percent in 2017, as a result of recoveries in oil exporters, such as Russia, Brazil, and Nigeria. In spite of these positive developments, some of the snags to global growth includes: the build-up in financial vulnerabilities; rising costs of borrowing in the Emerging Markets and Developing Economies; and fragile corporate balance sheets. Others include geo-political tensions in the Middle-East; prolonged uncertainties from BREXIT negotiations; and rising trend towards trade protectionism.

Inflation in the advanced economies is projected to rise by 2 percent and would remain subdued when compared to the long term trend. In the emerging markets and developing economies, price developments could surge by 4.6 percent in 2018. An improving global growth outlook, weather events in the United States, the extension of the OPEC agreement to limit oil production, and geopolitical tensions in the Middle East have supported crude oil prices. These have risen by about 20 percent between August and December 2017, to over $60 per barrel, with some further increase as of early January 2018. The increase in fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remain weak. Among emerging market economies, headline and core inflation have ticked up slightly in recent months after declining earlier in 2017. The International Monetary Fund (IMF) forecasted that inflation may rise modestly over the medium to long-term, due to rising asset prices and long term yields in the major financial markets.

2.2 Domestic Macroeconomic Performance

The macroeconomic environment that propelled the economy's exit from recession has remained positive and is likely to continue in the near-term.

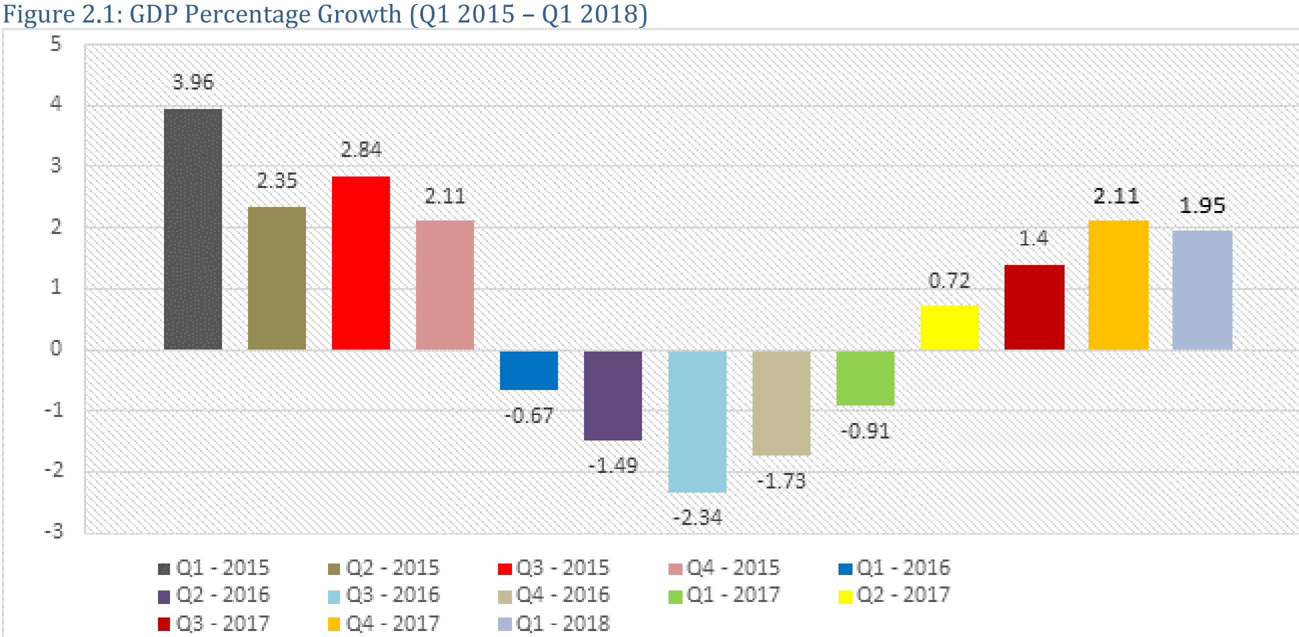
This was driven by improved security, continued stability in the foreign exchange market as well as increase in crude oil production and prices. Growth however remained largely fragile and could benefit from further fiscal and other socio-economic policy measures. These includes fast-tracking the settlement of debts owed to contractors, payment of salary arrears, early resolution of farmers-herdsmen conflict as well as the quick passage and implementation of the 2018 Federal Government Budget.

2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

Nigeria's Gross Domestic Product (GDP) grew by 1.95 percent (year-on-year) in real terms in the first quarter of 2018. This revealed a stronger growth when compared with the negative growth of 0.91 percent recorded in the first quarter of 2017. This therefore represent an increase of 2.87 percent. On the other hand, there was a decline of -0.16 percent when compared to the 2.11 percent reported in the preceding quarter. Quarter on quarter, real GDP growth was -13.40 percent. Aggregate GDP stood at N28,464,322.01 million in nominal terms. This was an improved performance when compared to the first quarter of 2017 which recorded a nominal aggregate GDP of N26,028,356.03 million thus, presenting a positive year on year nominal growth rate of 9.36 percent.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q1 2018)



Source: National Bureau of Statistics, 2018

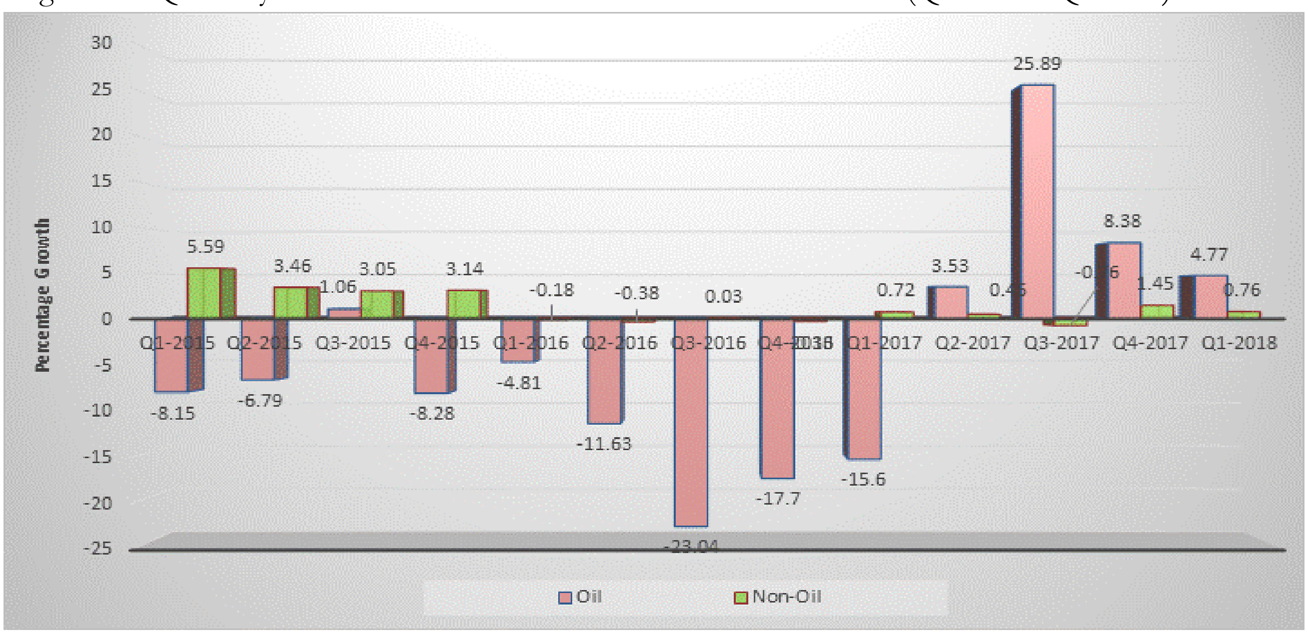
2.2.1.2 Oil Sector:

The Oil sector contributed 9.61 percent to total real GDP in the first quarter of 2018, up from 8.53 percent and 7.35 percent recorded in the first and fourth quarters of 2017 respectively. The oil sector recorded a real growth of 14.77 percent (year-on-year) in the first quarter of 2018. This represents an increase of 30.37 percentage points relative to the rate reported in the corresponding quarter of 2017. Quarter-on-Quarter, the oil sector grew by 13.24 percent in the first quarter of 2018.

2.2.1.3 Non-Oil Sector:

In real terms, the Non-Oil sector contributed 90.39 percent to the nation's GDP. This performance was lower than the 91.47 percent and 92.65 percent recorded in the first and fourth quarters of 2017 respectively. The non-oil sector grew by 0.76 percent in real terms during the first quarter of 2018. This was 0.04 percentage points higher and 0.70 percentage points lower than the rates recorded in the first and fourth quarters of 2017 respectively. The performance of the Non-Oil sector was driven mainly by Agriculture (crop production) other drivers were Financial Institutions and Insurance, Manufacturing and Transportation, Storage and Information & Communication.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2015 – Q1 2018)



Source: National Bureau of Statistics, 2018

The agricultural sector contributed 21.65 percent to overall GDP in real terms. This was higher than the 21.43 percent contributions reported in the first quarter of 2017 and lower than the 26.13 percent recorded in the fourth quarter of 2017. The agricultural sector in the first quarter of 2018 grew by 3.00 percent (year-on-year) in real terms, depicting a decrease of 0.39 percentage points and 1.23 percentage points when compared with the first and fourth quarters of 2017 respectively.

The Industrial sector posted very impressive performance at 6.86 percent, 12.68 percentage points higher than in the corresponding period of 2017. This was driven by the significant recovery in Oil Refining, Cement and Food, Beverages and Tobaco sub-sectors. The Service sector however slumped to a growth of -0.41 percent signifying a worsening performance from -0.37 percent and 0.10 percent it posted in the first and fourth quarters of 2017 respectively.

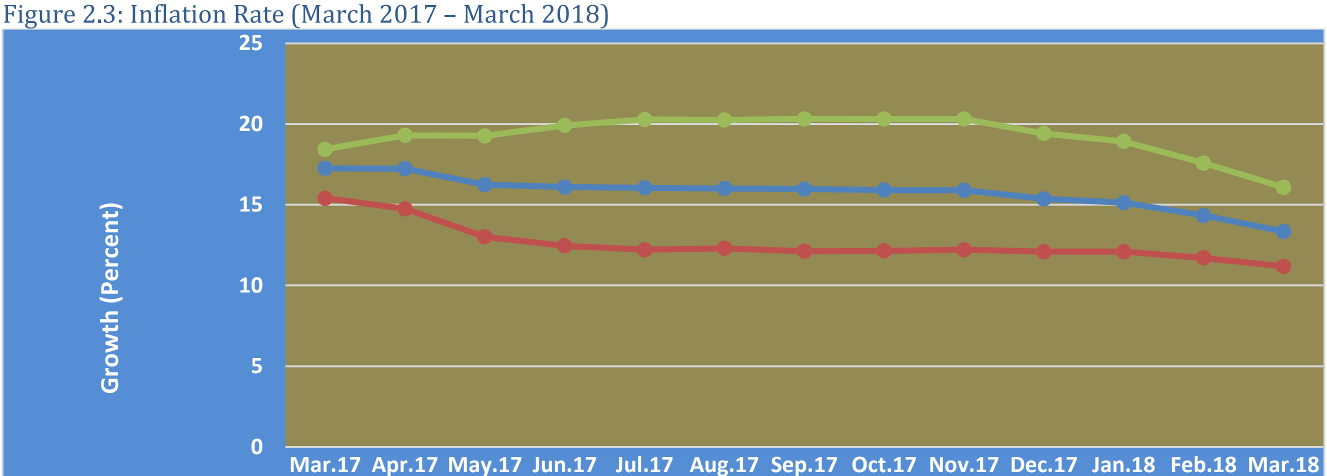
2.2.2 Developments in Prices

The general price level, though still high, moderated to a lower double-digit range in the first quarter of 2018. Headline inflation (year-on-year) sustained its declining trend for the fourteen consecutive months while Food and Core inflation also decelerated during the period. The slip can largely be attributed to the base effect as well as the stability in exchange rate as supply improved on account of increased foreign exchange inflows and also due to the fall in aggregate monetary indicators. The development can also be traced to the positive impact of government reform programmes particularly in the areas of food security.

Headline inflation stood at 13.34 percent year-on-year in March of 2018, easing from 14.33 percent recorded in the previous month and below market consensus of 14.5 percent. This represent the lowest inflation rate since March of 2016, mainly due to a slowdown in prices of food, housing and utilities. The rate also represent a moderation from 15.37 percent in December 2017 and also indicate a 3.92 percent decline when compared to the 17.26 percent recorded at the end of first quarter of 2017.

The moderation in headline inflation is on account of a steady slide in core and food inflation in the period under review. Core inflation component, on year-on-year basis, moderated by 0.91 percentage points from 12.09 percent in December 2017 to 11.18 percent as at March 2018. The rate followed a consistent sliding pattern of 12.09 percent and 11.71 percent in January and February of 2018 respectively. Food inflation, followed similar pattern during the review period, falling from 19.42 percent in December 2017 to 18.92 percent, 17.59 percent and 16.08 percent in January, February and March 2018 respectively.

Figure 2.3: Inflation Rate (March 2017 – March 2018)



	Mar.17	Apr.17	May.17	Jun.17	Jul.17	Aug.17	Sep.17	Oct.17	Nov.17	Dec.17	Jan.18	Feb.18	Mar.18
Headline Inflation	17.26	17.24	16.25	16.1	16.05	16.01	15.98	15.91	15.9	15.37	15.13	14.33	13.34
Core Inflation	15.4	14.75	13.02	12.46	12.21	12.3	12.12	12.14	12.21	12.09	12.09	11.71	11.18
Food Inflation	18.44	19.3	19.27	19.91	20.28	20.25	20.32	20.31	20.31	19.42	18.92	17.59	16.08

Source: National Bureau of Statistics, 2018

The outlook for inflation indicates continued moderation in the price level. Risks to lower inflation however include expected huge liquidity injections arising from the implementation of the 2018 FGN Budget; expenditure towards the 2019 elections; and approval and implementation of the proposed new national minimum wage. These could impact aggregate demand and put pressure on domestic prices in the remaining months of 2018 and may dampen the gains already made in stabilizing prices. An orderly injection of the anticipated liquidity by the fiscal authorities is required to prevent a negative shock to prices that would derail the positive but fragile recovery so far achieved.

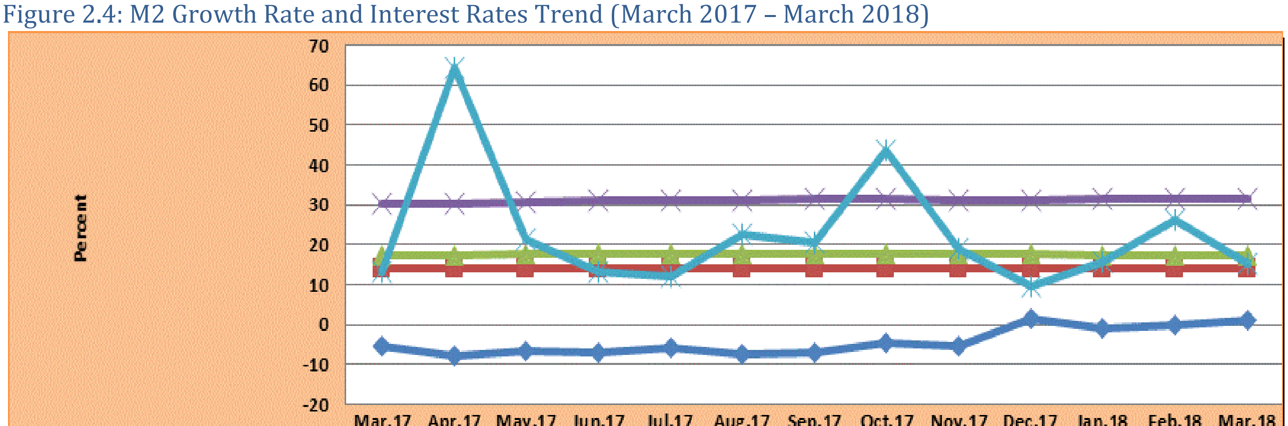
2.2.3 Developments in Money Market

Monetary aggregates grew in the first quarter of 2018 relative to the fourth quarter of 2017. Broad money supply grew by 1.26 percent or ₦301.64 billion from ₦24,001.41 billion in December 2017 to ₦24,303.05 billion in March 2018.

This performance was driven by the growth in Net Domestic Credit (NDC) which grew by 1.56 percent or ₦403.91 billion. The development in Net Domestic Credit was due to increase in Net Credit to Government and Credit to Private Sector which grew by 6.98 percent or ₦249.32 billion and 0.69 percent or ₦154.54 billion respectively during the period. When compared to the level at the end of first quarter of 2017, broad money supply expanded by 10.35 percent or ₦2,278.72 billion in March 2018.

Relative to the fourth quarter of 2017, Narrow Money Supply decelerated in the first quarter of 2018. The M1 registered a 1.12 percent or ₦123.75 billion decline from ₦11,036.35 billion in December 2017 to ₦10,912.60 billion at the end of the first quarter 2018. The drop in M1 is traceable to the decline in both the Demand Deposit and the Currency Outside Bank as at March 2018 from the December 2017 rates.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (March 2017 – March 2018)



	Mar.17	Apr.17	May.17	Jun.17	Jul.17	Aug.17	Sep.17	Oct.17	Nov.17	Dec.17	Jan.18	Feb.18	Mar.18
M2 Growth Rate	-5.46	-7.73	-6.54	-6.83	-5.92	-7.38	-6.94	-4.62	-5.43	1.74	-0.71	0.07	1.26
MPR	14	14	14	14	14	14	14	14	14	14	14	14	14
Prime Lending Rate	17.43	17.44	17.58	17.59	17.65	17.69	17.88	17.86	17.77	17.71	17.5	17.53	17.35
Maximum Lending Rate	30.18	30.31	30.75	30.94	30.94	31.2	31.39	31.39	30.95	30.99	31.39	31.4	31.55
Inter-Bank Call Rate	13.11	64.58	21.29	13.46	12.28	22.63	20.44	43.78	18.78	9.49	15.58	26.19	15.16

Source: Central Bank of Nigeria, 2018

The Monetary Policy authority continued the restrictive monetary policy stance which was intensified from the third quarter of 2016 during the review period. The monetary policy Rate was retained at 14 percent since July 2016 when it was raised from 12 percent, while the asymmetric corridor around the MPR was kept at +200 and - 500 basis points. Other key monetary policy instruments were equally kept constant during the review period as the Cash

Reserve Ratio (CRR) and the Liquidity Ratio stayed at 22.5 percent and 30.0 percent respectively. The current stance of monetary policy is expected to continue to help lock-in expectations of inflation and therefore engineer lower price increases and the gradual return of stability in the foreign exchange market.

The above developments led to across board increase in the deposit and lending rates in the economy. The average interbank call rate surged, increasing from 9.49 percent in December 2017 to 15.58 percent, 26.19 percent and 15.16 percent in January, February and March 2018 respectively. The average prime lending rate decreased from 17.71 percent in December 2017 to 17.50 percent, 17.53 percent and 17.35 percent in January, February and March 2018 respectively. The average maximum lending rate on the other hand, recorded a more significant and steady increases, going up from 30.99 percent in December 2017 to 31.39 percent, 31.40 percent and 31.55 percent in January, February and March 2018 respectively (figure 2.2).

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's total trade expanded by 35.06 percent to ₦7,211,12 billion in the first quarter of 2018 mainly on strong growth of export. Export surged by 56.00 percent to ₦ 4,692.86 billion from ₦3,008.33 billion in the corresponding quarter of 2017. Crude export drove the export expansion contributing ₦1,204.59 billion (or 71.51 percent) to total export expansion in the review period. The non-oil export however posted the most impressive results of the export sector expanding by 237.24 percent in the first quarter of 2018 to ₦577.65 billion. Import also expanded but mildly by 8.04 percent to ₦2,518.26 billion in the period under review. This resulted in a trade balance of ₦2,174.60 billion, indicating a ₦1,497.18 billion or 221.01 percent increase from ₦677.42 billion in the first quarter of 2017.

2.2.4.2 Balance of Payment

Provisional Balance of Payments (BOP) estimates from the CBN for the first quarter of 2018 showed a significant improvement in the country's external position. The overall balance of payments indicated a surplus of US$7,321.96 million, an 18.47 percent increase compared with a surplus of US$6,180.40

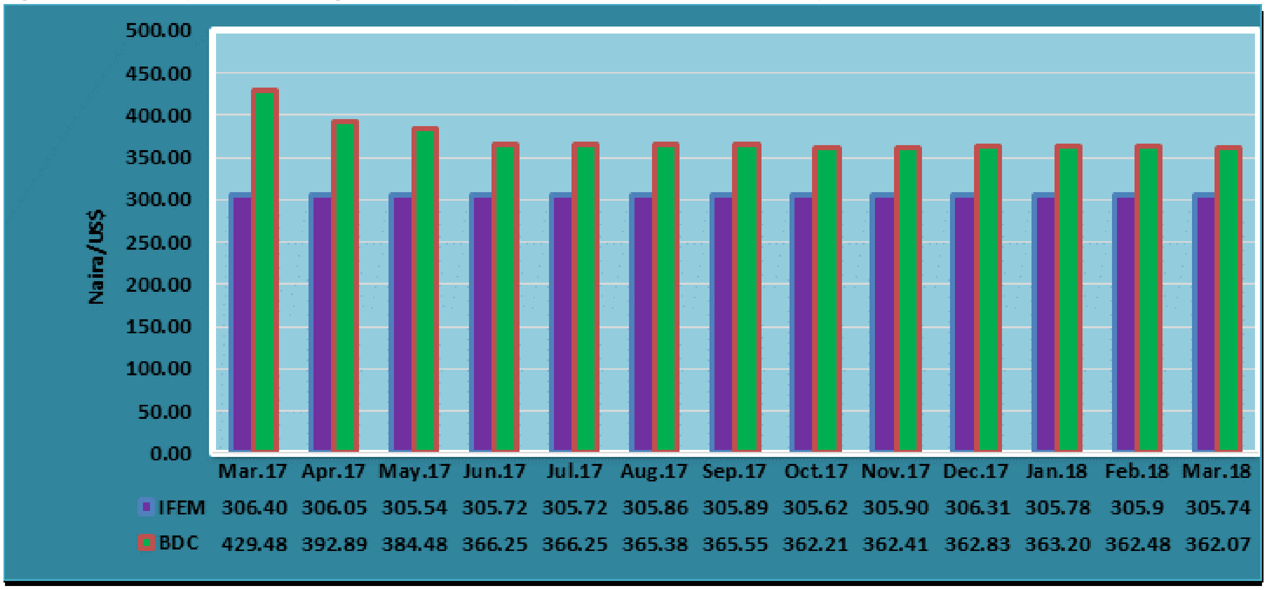
million in the preceding quarter. The figure also represent an expansion of 146.03 percent compared to a surplus of US$2,975.99 million recorded in the corresponding period of 2017. The current account balance (CAB) also improved significantly from a surplus of US$3,656.15 million in Q4 2017 to a surplus of US$4,468.61 million in Q1 2018. The financial account balance indicated a net acquisition of financial assets of US$10,292.68 million in the review period as against US$3,858.67 million recorded in the preceding period.

2.2.4.3 Exchange Rates

The Nigerian economy experienced relative stability in the foreign exchange market during the review period. This was stimulated by improved dollar liquidity in the market due to the high level of activity at the Investors' and Exporters' (I&E) window that is equally driving rates towards convergence at all the segments of the market. Total foreign exchange inflow through the economy stood at US$24.72 billion from January to March 2018. The funding from the CBN accounted for US$8.81 billion or 28.5 percent, while the remaining balance of US$15.91 billion or 71.5 percent came from autonomous sources.

There was mixed performance of the average exchange rate of the Naira/Dollar at the Official and Bureau De-Change (BDC) segments of the foreign exchange market during the period under review. The Naira/Dollar exchange rate at the Official/Inter-Bank markets appreciated from ₦306.31/US$ in December 2017 to ₦305.78/US$, ₦305.90/US$ and ₦305.74/US$ in January, February and March 2018 respectively. The average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC), on the other hand, depreciated from ₦362.83/US$ in December 2017 to ₦363.20/US$ in January 2018 before appreciating to ₦362.48/US$ and ₦362.07/US$ in February and March 2018 respectively.

Figure 2.5: Naira/US$ Exchange Rates Trend (March 2017 – March 2018)

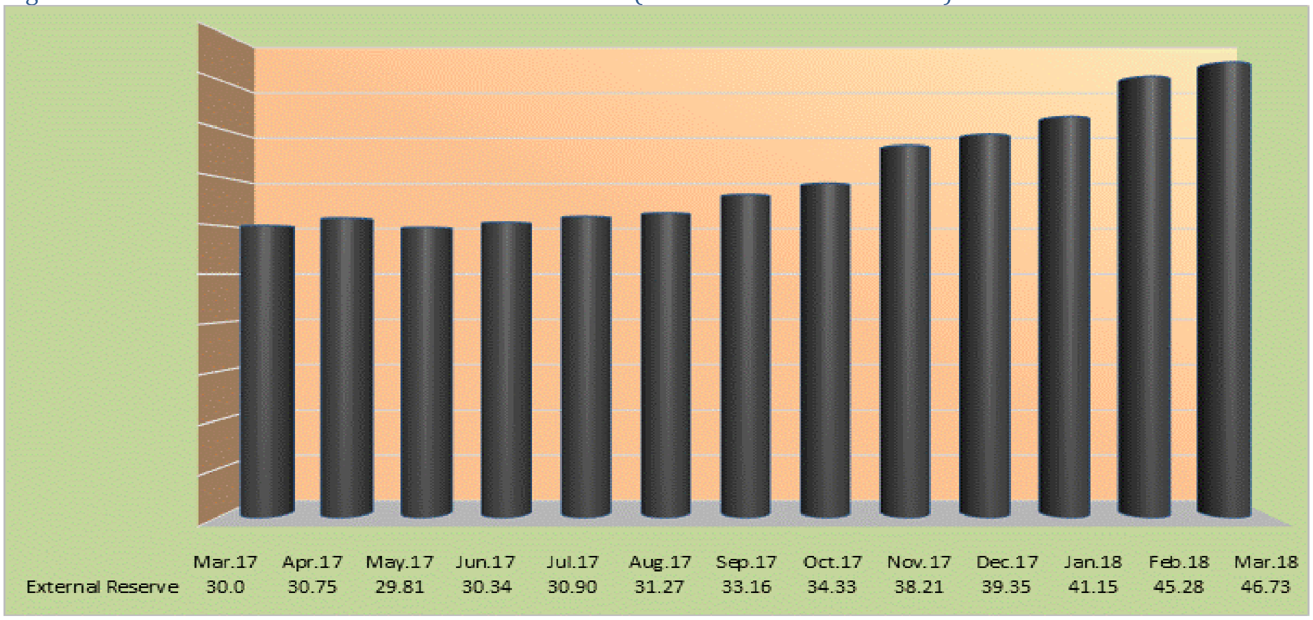


Source: Central Bank of Nigeria, 2018

2.2.4.4 External Reserves

There was a sustained improvement in the level of Nigeria's official gross (external) reserves, which stood at US$46.73 billion as at end of March, 2018 as against US$39.35 billion as at end of December 2017. This reflects an increase of 18.75 percent or US$7.38 billion over the level at the end of the fourth quarter of 2017.

Figure 2.6: Level of External Reserves in Billion Dollars (March 2017 – March 2018)



Source: Central Bank of Nigeria, 2018

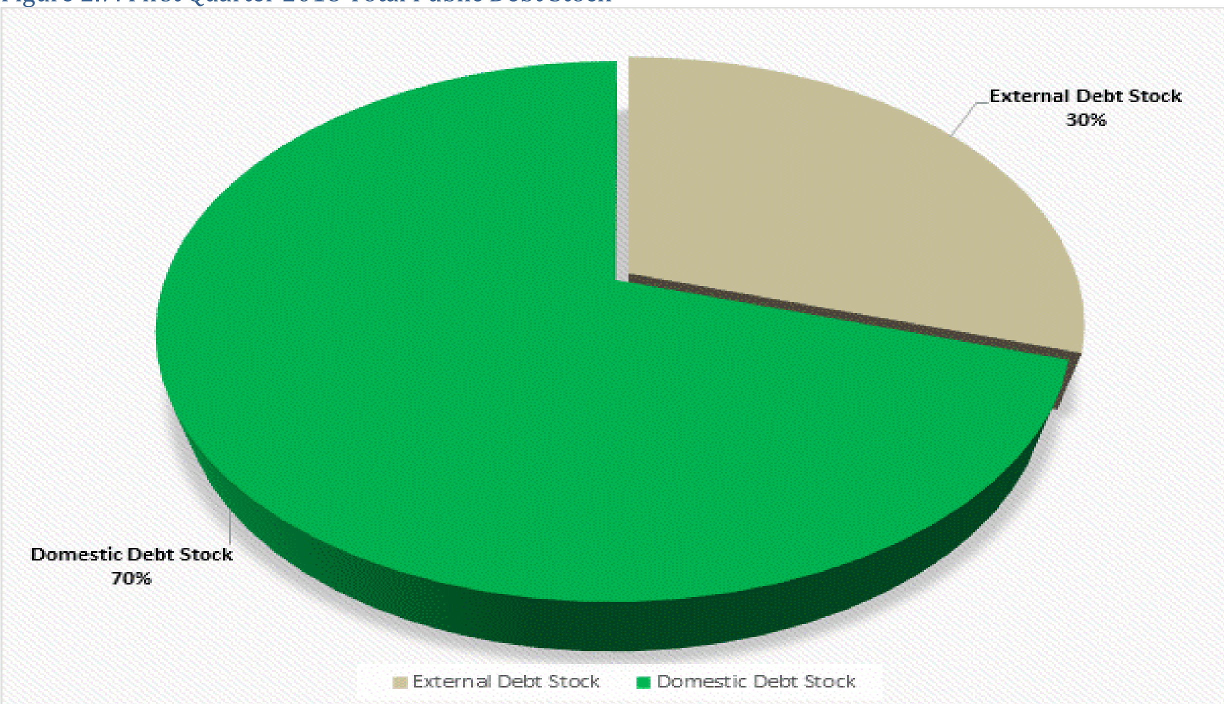
The sustained increase in the level of external reserves could be attributed to the rise in international oil price as well as increasing oil production due to the return of normalcy in the Niger Delta Region. These helped maintained FOREX inflow. The tight monetary policy stance of government has equally stifled liquidity conditions in the banking system and therefore greatly minimized speculative actions. The foreign reserves level as at the end of March 2018 could therefore finance 23.57 months of imports which is well above the international threshold of 3-months import cover.

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 31st March, 2018 stood at US$74,278.86 million (or ₦22,707.20 billion) representing an increase of ₦981.43 billion (or 4.52 percent) when compared to the US$70,999.26 million (or ₦21,725.77 billion) reported at the end of December 2017. The breakdown consisted of US$22,071.91 million (or ₦6,746.28 billion or 29.71 percent) for external debt while the balance of US$52,206.95 million (or ₦15,960.92 billion or 70.29 percent) was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 18.77 percent as at the end of March 2018, and was significantly below the country specific threshold of 19.39 percent and international threshold of 56 percent for comparator countries.

Figure 2.7: First Quarter 2018 Total Public Debt Stock



Source: Debt Management Office, 2018

2.2.5.2 Domestic Debt Stock

FGN Domestic debt stock as at 31st March, 2018 stood at ₦12,576.76 billion representing a decrease of ₦12.73 billion (or 0.1 percent) below the ₦12,589.49 billion reported in the fourth quarter of 2017. The 2018 first quarter debt figure was however ₦605.42 billion (or 5.06 percent) above the ₦11,971.34 billion reported in the same period of 2017. The decrease in the stock of domestic debt when compared to the fourth quarter of 2017 was as a result of reduction in the net issuances of Nigeria FGN Bonds and Nigerian Treasury Bills (NTBs). A breakdown of the domestic debt stock as at 31st March, 2018 showed that ₦8,969.49 billion (or 71.32 percent) is for FGN Bonds, ₦3,312.81 billion (or 26.34 percent) is for NTBs, ₦175.99 billion (or 1.4 percent) is for Treasury Bonds, ₦7.78 billion (or 0.06 percent) is for FGN Savings Bond, ₦100.0 billion (or 0.8 percent) is for FGN Sukuk and ₦10.69 billion (or 0.08 percent) is for Green Bond.

2.2.5.3 External Debt Stock

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) stood at US$22,071.91 million as at 31st March 2018. This represents an increase of US$3,158.47 million (or 16.7 percent) and US$8,264.32 million (or 59.85 percent) above US$18,913.44 million and US$13,807.59 million recorded in the fourth and first quarters of 2017 respectively. A breakdown of the external debt stock as at 31st March, 2018 revealed that Multilateral Debts amounted to US$10,929.45 million (or 49.52 percent), Non-Paris Club Bilateral Debts amounted to US$2,342.46 million (or 10.61 percent) while Commercial (Euro-Bond) accounted for the balance of US$8,800.0 million (or 39.87 percent).

3.0 FINANCIAL ANALYSIS OF THE 2018 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2018 Budget derives from the 2018-2020 Medium Term Fiscal Framework (MTFF) which was prepared in line with the goals of the Government's Economic Recovery and Growth Plan (ERGP). To ensure that many Nigerians were carried along in the Federal Budget matters several consultations were held with all relevant stakeholders within the economy. Developments at the international levels were also taken into consideration in arriving at some of the key assumptions in the framework. The key Assumptions and Targets of the 2018 Budget are as tabulated in table 3.1.

Table 3.1: Key Assumptions and Targets for the 2018 Budget

KEY ASSUMPTION & TARGETS	2016	2017	2018
Projected Production (in mbpd)	2.2	2.20	2.30
Budget Benchmark Price (per barrel in US)	38	44.50	51
Technical Cost of JVC Pbl to Oil Companies			
Operating Expenses (T1) in US $	10.29	10.43	11.24
Capital Expenses (T2) in US $	11.12	10.85	11.97
Technical Cost of PSC Pbl to Oil Companies			
Operating Expenses (T1) in US $	8.22	8.85	8.7
Capital Expenses (T2) in US $	19.62	17.86	11.01
Investment Tax Credit	4.94	2.85	2.13
Technical Costs of SC pbl to Oil Company			
Operating Expenses (T1) in US $	18.62	18.62	22.79
Capital Expenses (T2) in US $	2.44	2.05	2.05
Investment Allowances	2.996	0.46	0.46
Weighted Average Contribution Rates			
Weighted Average Rate of PPT - JV Oil	85%	85%	85%
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%	50.2%
Weighted Average Rate of PPT - SC Oil	85%	85%	85%
Weighted Average Rate of PPT - Independent (Indigenous	85%	85%	85%
Weighted Average Rate of PPT - Marginal	51.6%	51.6%	85%
Royalty Rates			
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%	18.67%
Weighted Average Rate of Royalties - PSC	4.5%	4.5%	2.3%
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%	18.5%
Weighted Average Rate of Royalties -Independent	19.3%	19.3%	19.31%
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%	9.3%
Average Exchange Rate (NGN/US$)	197	305	305
VAT Rate	5%	5%	5%
CIT Rate	30%	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2018

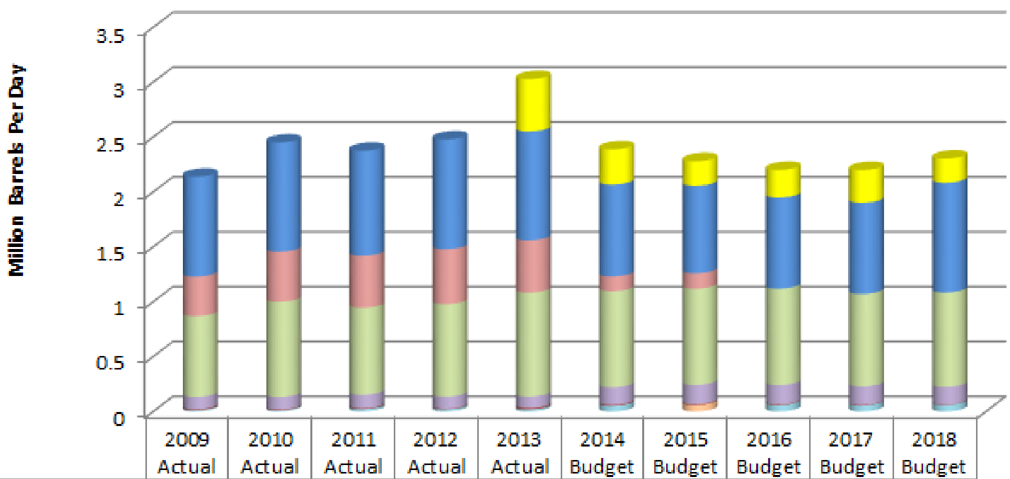
3.1.1 Budget Benchmark Oil Price and Production

Given the expected improvements in the global economic performance, the budget benchmark price of oil for the 2018 Budget was therefore fixed at US$51.0/barrel, up from US$44.5/barrel in 2017. Oil production benchmark was also upped to 2.3 million barrels per day (mbpd) from 2.2 mbpd in 2017 on expectation of relative stability in the Niger Delta region.

The government policy to increase efficiency and therefore reduce cost in the oil sector was reflected in the budget framework for 2018 fiscal year. The Technical Cost comprising average of operating expenses and capital expenses were moderated in the 2017 as well as in the 2018 fiscal year compare to the rates in 2016 particularly for the Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement fell from US$21.41 per barrel (pb) in 2016 to US$21.28 per barrel in 2017 before rising to US$23.21 per barrel in 2018 indicating an increase of US$1.93 per barrel over the period. The average expenses for the PSC however dropped significantly to US$19.71 pb in 2018 from 26.71 in 2017. This is driven by the drastic reduction in Capex for PSC and is expected to be further driven down in the near to medium term to complement efforts at increasing revenue inflow for the country.

The share of oil production by business arrangements remained relatively stable with the JVs and PSCs dominating at approximately 43 and 37 percent respectively. Information on expected contributions of oil production by business arrangements are presented in Figure *3.1. The* analysis of contributions and duties for key oil taxes that are projected to accrue to the Federation are also represented in *Table 3.2*. These rates remained largely unchanged with the rates in the 2017 budget framework.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2018



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget
Modified Carry Arrangement					0.476	0.32	0.223	0.252	0.298	0.22
Joint Ventures	0.91	0.995	0.955	1	0.991	0.837	0.798	0.830	0.831	1
Alternative Funding	0.36	0.455	0.474	0.5	0.477	0.135	0.141	0	0	0
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947	0.875	0.876	0.878	0.843	0.86
Independents	0.113	0.115	0.122	0.11	0.104	0.16	0.176	0.176	0.168	0.16
Service Contracts	0.009	0.007	0.008	0.005	0.013	0.008	0.007	0.006	0.005	0.004
Marginal Fields	0.011	0.01	0.022	0.02	0.019	0.053	0.059	0.059	0.055	0.06

Source: NAPIMS/NNPC, 2018

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018)

Share of Oil Production	***2018 Production Volume (mbpd)***	***2018 Percentage***
Joint Ventures	1.00	43.48%
Alternative Funding		
Modified Carry Arrangement	0.22	9.57%
Production Sharing Contracts	0.86	37.39%
Independents	0.16	6.96%
Service Contracts	0.004	0.17%
Marginal	0.06	2.61%
Base Production	2.30	100%
Repayment Arrears	0.21	8.37%
Total Oil Production	2.51	100%
PPT Rates		
Weigthed Average -JV/AF/Independent/Marginal		85%
Weigthed Average -PSC		50.2%
Weigthed Average -SC		85%
Royalties Rates		
Weighted Average-JV/AF/Independent/Marginal		18.67%
Weigthed Average-PSC		2.3%
Weigthed Average-SC Oil		19.31%

Source: NNPC and BOF, 2018

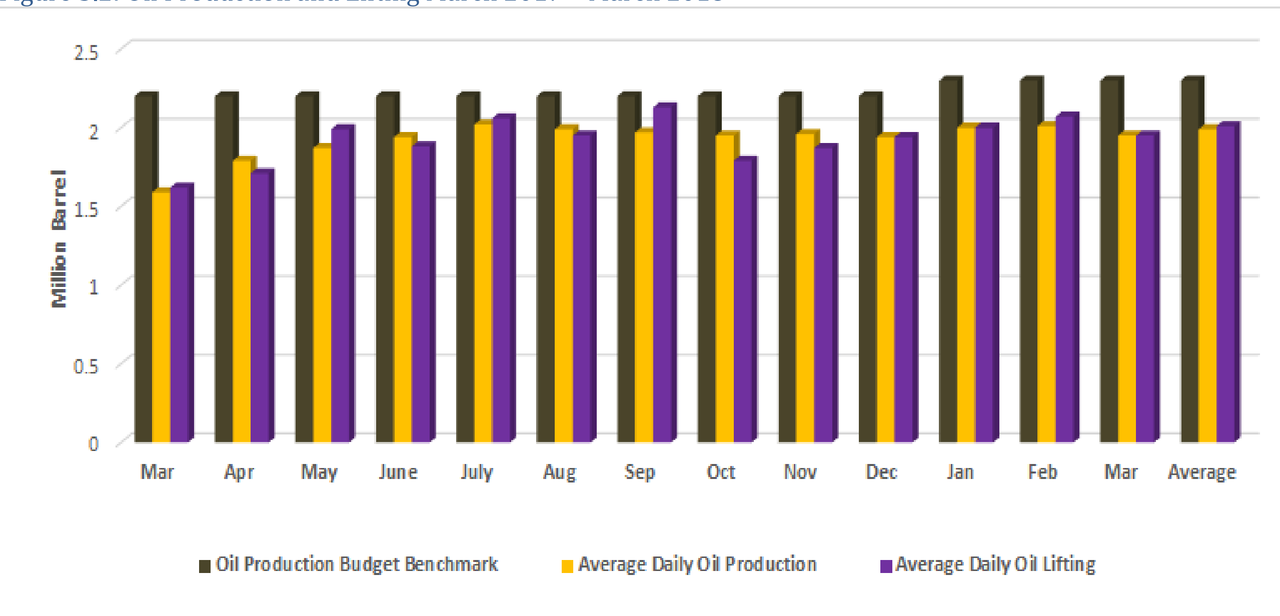
3.2 Analysis of Revenue Performance

3.2.1 Performance of Key Oil Revenue Parameters

The price of crude oil at the international market averaged US$66.80 per barrel in the first quarter of 2018, representing an increase of US$5.41 per barrel (or 8.81 percent) above the US$61.39 per barrel in the fourth quarter of 2017. This also denotes an increase of US$13.02 per barrel (or 24.21 percent) and US$15.80 per barrel (or 30.98 percent) when compared to US$53.78 per barrel recorded in the first quarters of 2017 and US$51.0 set as budget benchmark, respectively. The improvement in crude oil price during the period could be attributed to the projected increase in demand of oil as well as the OPEC decision to cut down on world oil output.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil production and lifting (including Condensates) in the first quarter of 2018 was 1.99mbpd and 2.01mbpd respectively. The oil production figure indicates a shortfall of 0.31mbpd (or 13.48 percent) below the 2.3mbpd projected for the 2018 Budget. The volume of oil production in the period was however 0.04mbpd and 0.24mbpd above the 1.95mbpd and 1.75mbpd reported in the fourth and first quarters of 2017 respectively.

Figure 3.2: Oil Production and Lifting March 2017 – March 2018



Source: NNPC and BOF, 2018

The above translates to an average monthly oil production and lifting of 59.48 million barrels and 60.11 million barrels respectively in the first quarter of 2018. The reduction in the quantity of oil production during the quarter as against the projected budget figure could be ascribed to delays in restoration of production in areas affected by crude oil theft, illegal bunkering and pipeline vandalism.

3.3 Aggregate Revenue of the Federation

The 2018 Fiscal Framework projected a gross Federally Collectible Revenue of ₦13,218.23 billion, consisting of ₦7,618.07 billion (or 57.63 percent) oil revenue and ₦5,600.16 billion (or 42.37 percent) non-oil revenue. Gross oil revenue in the first quarter of 2018 stood at ₦1,288.06 billion indicating a ₦616.46 billion (or 32.37 percent) shortfall from ₦1,904.52 billion quarterly projection in the

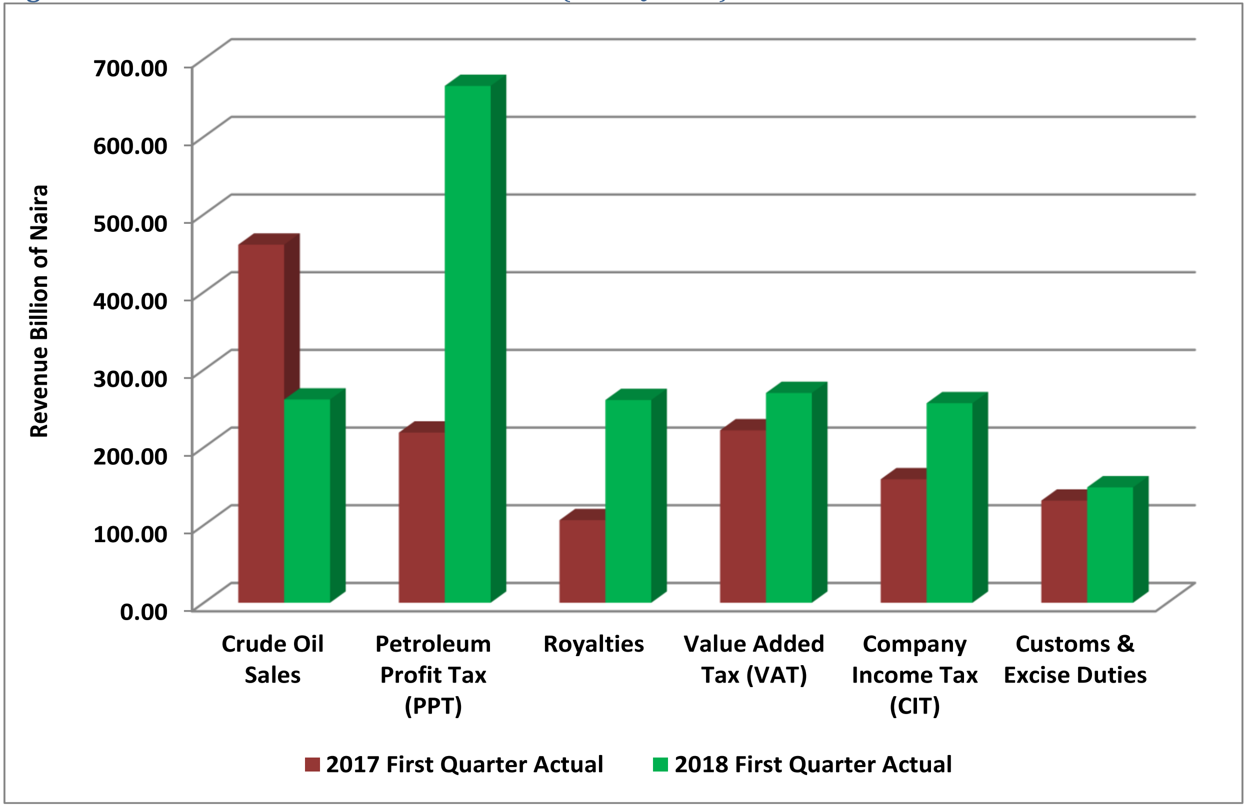
2018 budget. The performance in the first quarter of 2018 was however above the equivalent level in the same period of 2017. The low performance as against the quarterly estimate can be attributed to the drop in oil lifting figures due to fall in demand, persistent crude oil theft and vandalism of pipelines in the Niger Delta region during the period. The aggregate gross non-oil revenue for the same period revealed a decrease from the quarterly budget estimate but an increase of ₦160.22 billion (or 30.51 percent) above the corresponding figure recorded in 2017, *Table 3.6.*

Table 3.3: Performance of Revenue in the First Quarter of 2018 Vs 2017

Revenue Items	2017	2018	Variance	
	1st Quarter Actual	1st Quarter Actual	1st Quarter 2018 Vs 1st Quarter 2017	
Oil Revenue	**N'bns**	**N'bns**	**N'bns**	**%**
Crude Oil Sales	**460.95**	**261.63**	**-199.32**	**-43.24**
Petroleum Profit Tax (PPT)	**219.07**	**665.36**	**446.29**	**203.72**
Royalties	**106.30**	**260.98**	**154.68**	**145.51**
Gross Oil Revenue	**798.49**	**1288.06**	**489.57**	**61.31**
Net Oil Receipts	**396.95**	**1051.62**	**654.67**	**164.93**
Non-Oil Revenue				
Value Added Tax (VAT)	**222.00**	**270.06**	**48.06**	**21.65**
Company Income Tax (CIT)	**158.95**	**256.86**	**97.91**	**61.60**
Customs & Excise Duties	**131.47**	**148.54**	**17.07**	**12.98**
Special levies	**12.70**	**9.88**	**-2.82**	**-22.20**
Gross Non-Oil Revenue	**525.12**	**685.34**	**160.22**	**30.51**
Net Non-Oil Receipts	**492.97**	**647.40**	**154.43**	**31.33**

Source: OAGF and Budget Office of the Federation, 2018

Figure 3.3: 2017 Vs 2018 Revenue Performance (First Quarter)



Source: OAGF and Budget Office of the Federation, 2018

3.4 Oil Revenue Performance

A decomposition of the Gross Oil Revenue showed that Gas Sales of ₦97.58 billion and Other Oil and Gas Revenue of ₦1.59 billion were above their quarterly estimates of ₦63.02 billion and ₦1.46 billion by ₦34.56 billion (or 54.84 percent) and ₦0.12 billion (or 8.36 percent) respectively. The other remaining oil revenue items however fell below their respective quarterly projections. Crude Oil Sales of ₦261.63 billion, Royalties (Oil &Gas) of ₦260.98 billion, Rent of ₦0.11 billion, Gas Flared Penalty of ₦0.82 billion and Petroleum Profit and Gas Taxes of ₦665.36 billion fell below their quarterly projections of ₦305.69 billion, ₦483.03 billion, ₦0.42 billion, ₦1.18 billion and ₦895.97 billion by ₦44.06 billion (or 14.41 percent), ₦222.06 billion (or 45.97 percent), ₦0.31 billion (or 74.53 percent), ₦0.36 billion (or 30.5 percent) and ₦230.61 billion (or 25.74 percent) respectively. On the other hand, Licenses & Early License Renewal and Exchange Gain yielded nothing in the quarter (*Table 3.3)*.

3.4.1 Net Oil Revenue:

The actual Net Oil Revenue that accrued into the Federation Account in the first quarter of 2018 was ₦1,051.62 billion, signifying a decrease of ₦488.77 billion (or 31.73 percent) below the estimated quarterly projection of ₦1,540.39 billion. However, the net oil revenue in the first quarter of 2018 was higher than the ₦773.47 billion net oil revenue reported in the fourth quarter of 2017 by ₦278.15 billion (or 35.96 percent). This could be ascribed to the recovery in crude oil price at the international market as well as increasing production. The poor oil revenue performance in the first quarter of 2018 as against the quarterly projection could be attributed to the non-achievement of the oil production benchmark. These data are presented in *Table 3.3*.

3.5 Non-Oil Revenue Performance

Gross non-oil revenue of ₦685.34 billion was collected in the first quarter of 2018. This denotes a shortfall of ₦422.62 billion (or 38.14 percent) below the quarterly estimate of ₦1,107.96 billion. A breakdown of the non-oil revenue items revealed that all the non-oil revenue items fell below their quarterly expected projections. Value Added Tax of ₦270.06 billion, Company Income Tax of ₦256.86 billion, Customs & Excise Duties of ₦148.54 billion and Special Levies of ₦9.88 billion were below their quarterly estimates of ₦386.0 billion, ₦432.95 billion, ₦180.06 billion and ₦32.08 billion by ₦115.94 billion (or 30.04 percent), ₦176.09 billion (or 40.67 percent), ₦31.52 billion (or 17.51 percent) and ₦22.19 billion (or 69.19 percent) respectively. This indicates that the VAT and CIT jointly contributed ₦292.03 billion (or 69.1 percent) to the total shortfall in non-oil revenue during the quarter.

The performance of these revenue subheads is expected to improve in subsequent quarters as company returns are mostly made in the third quarter of the year while VAT arrears for 2018 are still being expected. On the other hand, Revenue Dividend by Companies/Investments Funded by FAAC, Solid Minerals & Other Mining Revenue, Tax Amnesty and Surcharge on Luxury Items which had quarterly projections of ₦16.11 billion, ₦0.69 billion, ₦76.25 billion and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding 2017 fourth quarter performances, only Value Added Tax surpassed its corresponding fourth quarter performance by ₦23.53 billion (or 9.54 percent). On the other hand, Company Income Tax, Customs & Excise Duties and Special Levies fell against their equivalent 2017 fourth quarter performances by ₦40.70 billion (or 13.68 percent), ₦8.28 percent (or 5.28 percent) and ₦2.35 billion (or 19.22 percent) respectively. The improved performances of Value Added Tax in the first quarter of 2018 as against 2017 fourth quarter figure could be attributed to the expansion in the tax base, the Executive Order on Voluntary Assets and Income Declaration Scheme (VAIDS) pronouncement by Mr. President and the improved performance of the Federal Inland Revenue Service (FIRS) during the period. However, it is expected that this trend together with other remaining non-oil revenue items will get better in the subsequent quarters of 2018 following the expected release of funds for 2018 capital projects/programmes.

Table 3.4: Net Distributable Revenue as at March, 2018 (Oil Revenue at Benchmark Assumptions)

S/NO	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2017 Annual Budget	2018 Annual Budget	2018 Quarterly Budget	2017 First Quarter	2018 First Quarter	2018 First Quarter Actual Vs Quarterly Budget	
A	OIL REVENUE	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	%
1	Crude Oil Sales: Export	1,683.29	1,222.76	305.69	460.95	261.63	(44.06)	(14.41)
2	Crude Oil Sales: Domestic							
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	544.47	252.09	63.02	10.27	97.58	34.56	54.84
4	PPT & Gas Income @ 30% CITA	1,248.83	3,583.86	895.97	219.07	665.36	(230.61)	(25.74)
5	Oil Royalties & Gas Royalties	899.82	1,932.13	483.03	106.30	260.98	(222.06)	(45.97)
6	Rent	1.68	1.68	0.42	0.02	0.11	(0.31)	(74.53)
7	Gas Flared Penalty	4.73	4.73	1.18	0.73	0.82	(0.36)	(30.50)
8	Licenses & Early License Renewal	945.78	395.00	98.75	0.00	0.00	(98.75)	(100.00)
9	Exchange Gain		219.97	54.99	0.00	0.00	(54.99)	(100.00)
10	Other Oil and Gas Revenue	5.86	5.86	1.46	1.13	1.59	0.12	8.36
11	Sub Total	5,334.45	7,618.07	1,904.52	798.49	1,288.06	(616.46)	(32.37)
12	DEDUCTIONS						0.00	
13	DPR Cost of Collection			0.00	6.60	10.54	10.54	
14	Joint Venture Cash Calls			0.00	237.65	68.64	68.64	
15	Transfer to Lagos State 13% Derivation			0.00	0.09	0.13	0.13	
16	Gas Infrastructure Development& Other gas Expenses	305.00	297.71	74.43		0.00	(74.43)	(100.00)
17	NESS Fees		238.11	59.53		0.00	(59.53)	(100.00)
18	Transfer to Excess Crude Oil ,on PPT from Oil			0.00	97.89	0.00		
19	Sub-Total	5,029.45	7,082.24	1,770.56	456.26	1,208.75	(561.81)	(31.73)
20	Less 13% Derivation of Net Oil Revenue	653.83	920.69	230.17	59.32	157.14	(73.03)	(31.73)
21	TO FEDERATION ACCOUNT (OIL)	4,375.62	6,161.55	1,540.39	396.95	1,051.62	(488.77)	(31.73)
B	DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC							
22	DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC	61.00	64.43	16.11	0.00	0.00	(16.11)	(100.00)
23	TO FEDERATION ACCOUNT (DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC	61.00	64.43	16.11	0.00	0.00	(16.11)	(100.00)
C	SOLID MINERALS & OTHER MINNING REVENUE							
24	Total Solid Mineral Revenue	2.52	2.78	0.69	0.00	0.00	(0.69)	(100.00)
25	Less 13% Derivation of Net Solid Minerals	0.33	0.36	0.09	0.00	0.00	(0.09)	(100.00)
26	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.20	2.41	0.60	0.00	0.00	(0.60)	(100.00)
D	NON-OIL REVENUE							
27	Value Added Tax (VAT)	1,800.00	1,544.00	386.00	222.00	270.06	(115.94)	(30.04)
28	Tax Amnesty		305.00	76.25	0.00	0.00	(76.25)	(100.00)
29	Surcharge on Luxury Items		2.50	0.63	0.00	0.00	(0.63)	(100.00)
30	Corporate Tax (CIT, Stamp Duties & CGT)	1,742.05	1,731.81	432.95	158.95	256.86	(176.09)	(40.67)
31	Customs: Import, Excise & Fees	615.37	720.23	180.06	131.47	148.54	(31.52)	(17.51)
32	Special Levies (Federation Account)	101.77	128.30	32.08	12.70	9.88	(22.19)	(69.19)
33	Sub-Total	4,259.19	4,431.83	1,107.96	525.12	685.34	(422.62)	(38.14)
34	Cost of Collection and Other Deductions	198.63	226.63	56.66	32.16	37.93	(18.73)	(33.05)
35	4% Cost of Collection (VAT)	72.00	61.76	15.44	8.88	10.80	(4.64)	(30.03)
36	4% Cost of Collection (Tax Amnesty)		12.20	3.05	0.00	0.00	(3.05)	(100.00)
38	4% Cost of Collection (CIT)	56.43	68.27	17.07	6.86	10.03	(7.03)	(41.21)
39	7% Cost of Collection (Customs & Special Levies)	50.20	59.40	14.85	10.17	11.09	(3.76)	(25.33)
40	FIRS Tax Refunds	20.00	25.00	6.25	6.25	6.01	(0.24)	(3.89)
41	TO FEDERATION ACCOUNT (NON-OIL)	2,332.56	2,427.67	606.92	279.84	388.15	(218.77)	(36.05)
42	Total VAT Pool	1,728.00	1,482.24	370.56	213.12	259.25	(111.30)	(30.04)
43	Net Tax Amnesty		292.80	73.20	0.00	0.00	(73.20)	(100.00)
45	Net Surcharge on Luxury Items		2.50	0.63	0.00	0.00	(0.63)	(100.00)
46	Net Non-Oil Revenue	4,060.56	4,205.20	1,051.30	492.97	647.40	(403.90)	(38.42)
47	Sub-Total: FEDERATION ACCOUNT	6,771.38	8,656.06	2,164.01	676.78	1,439.76	(724.25)	(33.47)
48	Actual Balances in Special Accounts	13.70	19.17	4.79	0.00	0.00	(4.79)	(100.00)
49	TOTAL FEDERATION ACCOUNT	6,785.07	8,675.23	2,168.81	676.79	1,439.76	(729.04)	(33.61)
E	TOTAL DISTRIBUTION							
1	Federation Account	6,785.07	8,675.23	2,168.81	676.79	1,439.76	(729.04)	(33.61)
2	VAT Pool Account	1,728.00	1,482.24	370.56	213.12	259.25	(111.30)	(30.04)
3	Net Tax Amnesty		292.80	73.20	0.00	0.00	(73.20)	(100.00)
4	Net Surcharge on Luxury Items		2.50	0.63	0.00	0.00	(0.63)	(100.00)
5	GRAND TOTAL	8,513.07	10,452.76	2,613.19	889.91	1,699.02	(914.17)	(34.98)

Source: OAGF and Budget Office of the Federation, 2018

Table 3.5: Actual Performance of Non-Oil Revenue Categories (First Quarter) 2009 – 2017

Description	FIRST QUARTER (ACTUAL)									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	9 - Year Average
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Customs & Excise Duties	28.17	32.41	41.23	49.29	49.59	54.86	60.07	56.35	131.47	55.94
Company Income Tax	47.19	61.57	58.69	57.93	73.72	82.93	81.45	82.04	158.95	78.27
Value Added Tax	15.24	18.71	19.81	22.98	24.94	28.73	26.30	26.42	222.00	45.01
FGN Independent Revenue	29.16	15.95	33.45	99.78	65.03	121.13	280.63	47.52	21.89	79.39

Source: OAGF and BOF, 2018

Further analysis of first quarter non-oil revenue performance indicate that the key non-oil revenue sub-heads have shown significant improvement over the past decade particularly in areas of VAT, CIT and Customs while independent revenue was volatile Table 3.5 and 3.6.

Table 3.6: Percentage Growth in Non-Oil Revenue Performances (First Quarter) 2010 – 2017

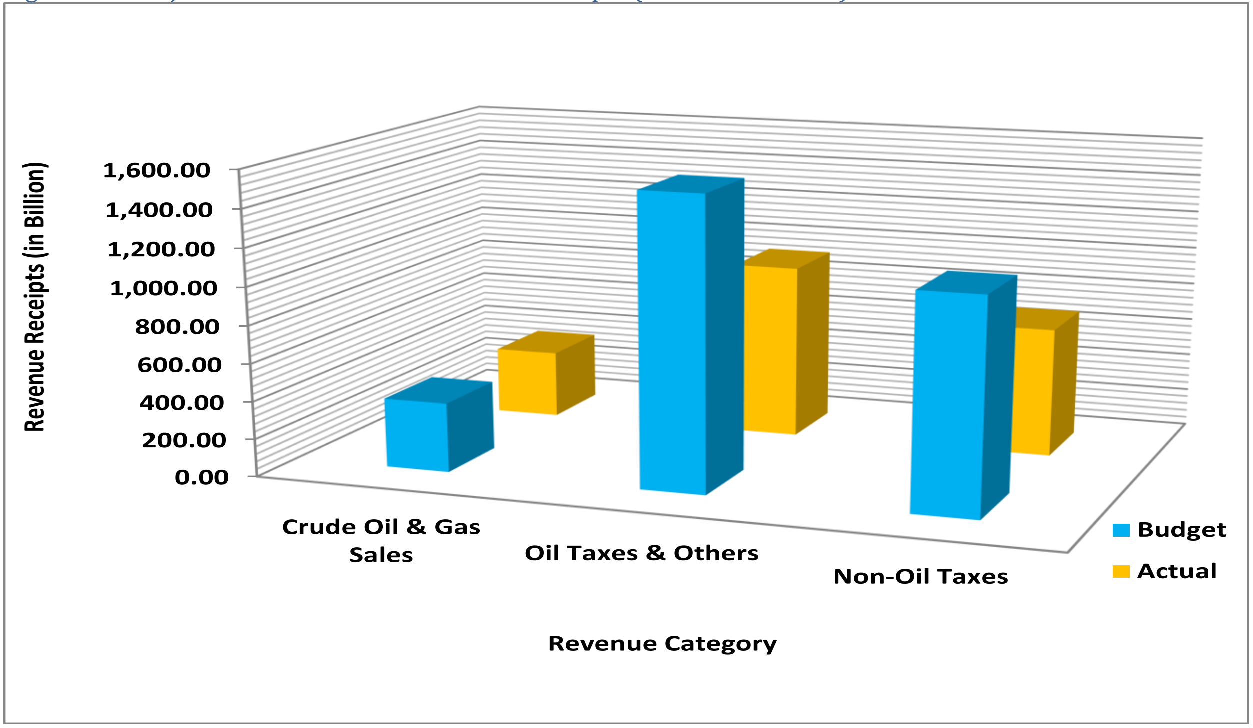
Description	2010	2011	2012	2013	2014	2015	2016	2017	8 - Year Average
Customs & Excise Duties	15.05%	27.21%	19.55%	0.61%	10.63%	9.50%	-6.19%	133.31%	26.21%
Company Income Tax	30.47%	-4.68%	-1.29%	27.26%	12.49%	-1.78%	0.72%	93.75%	19.62%
Value Added Tax	22.77%	5.88%	16.00%	8.53%	15.20%	-8.46%	0.46%	740.27%	100.08%
FGN Independent Revenue	-45.30%	109.72%	198.30%	-34.83%	86.27%	131.68%	-83.07%	-53.94%	38.60%

Source: OAGF and BOF, 2018

3.6 Comparative Revenue Performance Analysis

Analysis of the actual performance of revenue categorizations compared with their budgeted estimates as at March 2018 reveal underperformance for crude oil sale, oil tax and other oil revenues and non-oil tax (Figure 3.3).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at March 2018)



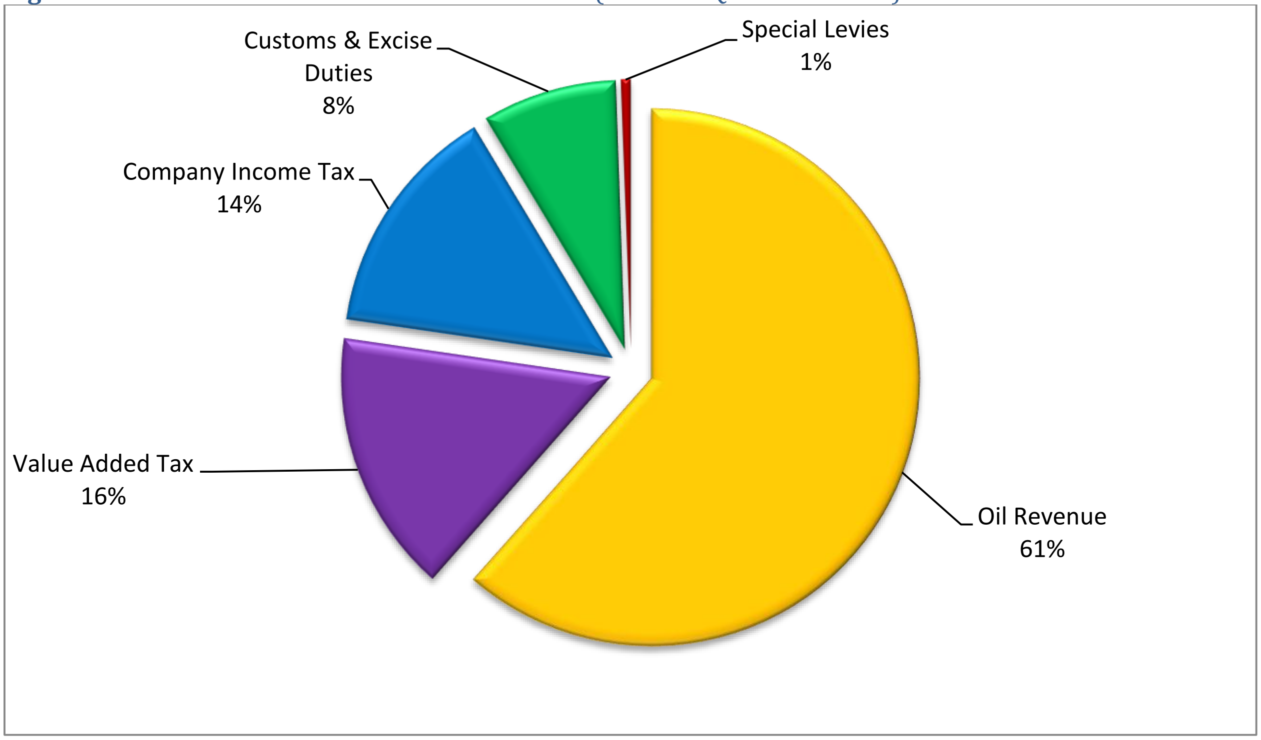
Source: Budget Office of the Federation, 2018

3.7 Distributable Revenue

The net distributable revenue is the balance of funds in the Federation Account available for sharing among the three tiers of government after the deduction of all costs. A net sum of ₦1,699.02 billion was available for distribution in the first quarter of 2018. This denoted a shortfall of ₦914.15 billion (or 34.98 percent) from ₦2,613.17 billion projected for the period. This is driven by significant reduction in the inflow into the Federation Account from both the oil and non-oil sources. Oil and Non-Oil revenue accruing to the Federation account fell by ₦488.77 billion (or 31.73 percent) and ₦425.38 billion (or 46.53 percent) respectively during the review period.

*T*he percentage contribution of the different revenue classifications to distributable revenue in the first quarter of 2018 is presented in figure 3.4. Oil Revenue, VAT, CIT, Customs and Special Levies contributed 61 percent, 16 percent, 14 percent, 8 percent and 1 percent respectively.

Figure 3.5: Contributions to Distributable Revenue (in the 1st Quarter of 2018)



Source: Budget Office of the Federation, 2018

3.8 Excess Crude Account

The Excess Crude Account (ECA) was set up to serve as a reserve and stabilization account for the excess oil revenue accruing from the sales of crude in the international market. Despite the noticeable improvement in the price of oil in the international market which started since the second part of 2016, nothing was transferred into the ECA in the first quarter of 2018. This is attributable to the lower than projected production and lifting which means that gross oil revenue had remained below budgeted estimates. However, the sum of US$496,374,470.0 was withdrawn from the account within the period (amount approved by Mr. President as advance payment for the purchase of Super Tucano Aircraft). A total of US$7,970,447.92 being accrued interest from January to March was received into the ECA. In view of the above, the ECA had an opening balance of US$2,317,081,826.01 as at 31st December, 2017 and a closing balance of US$1,828,677,803.93 as at 31st March, 2018. These data are presented in Table 3.7.

Table 3.7: Net Excess Crude Account

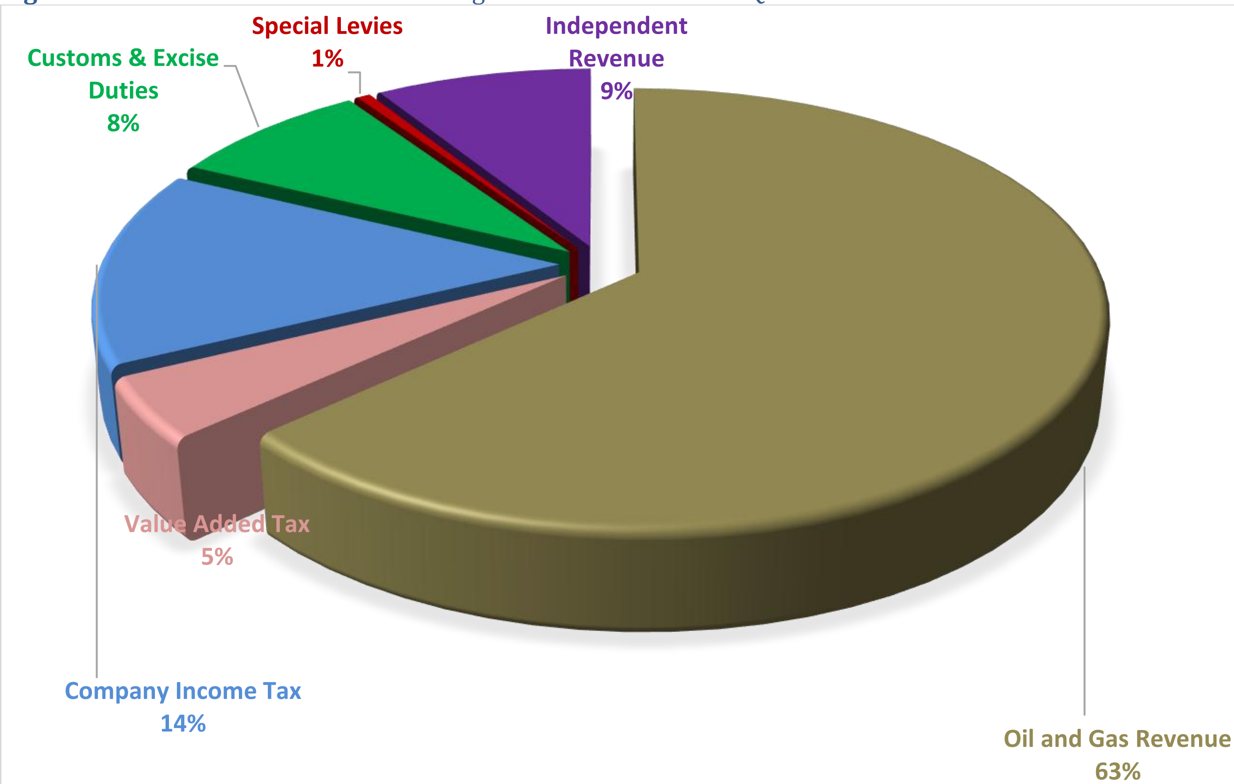
Description	2017 Actual (N'bn)		2018 Actual (N'bn)
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Oil Account	97.89	20.00	0
Outflows			
Payment for Petroleum Product Subsidy	0	0	0
Augmentation: Distribution among tiers of Govt.	0	0	0
Transfer for Special Intervention Fund	0	0	0
Transfers Int. trf - SWF	0	0	0
Transfer to Nigeria Sovereign Investment Authority	(or N76.25 billion)	0	0
Amount approved by Mr. President as advance payment for the purchase of Super Tucano Aircraft	0	0	US$496.37 million
Total Outflow	US$250. 0 million (or N76.25 billion)	0	US$496.37 million
Net Excess Crude Account	21.64	20.00	(US$496.37million)

Source: Office of the Accountant General of the Federation, 2018

3.9 FGN Budget Revenue:

Based on the approved 2018 Budget Framework, the sum of ₦7,165.87 billion was projected to fund the Federal Budget, indicating a quarterly share of ₦1,791.47 billion. A total of ₦806.64 billion, excluding other funding sources, was received in the first quarter of 2018. This amount was ₦984.83 billion (or 54.97 percent) lower than the quarterly projection but ₦147.94 billion (or 22.46 percent) higher than the ₦658.70 billion recorded in the fourth quarter of 2017. The aggregate revenue in the first quarter of 2018 was also ₦426.63 billion (or 112.27 percent) above the ₦380.01 billion reported in the first quarter of 2017. Total inflow available to fund the budget however stood at ₦819.62 billion indicating a ₦971.85 billion (or 54.25 percent) shortfall from the prorate budget projection for the period.

Figure 3.6: Contributions to the FGN Budget Revenue in the First Quarter of 2018

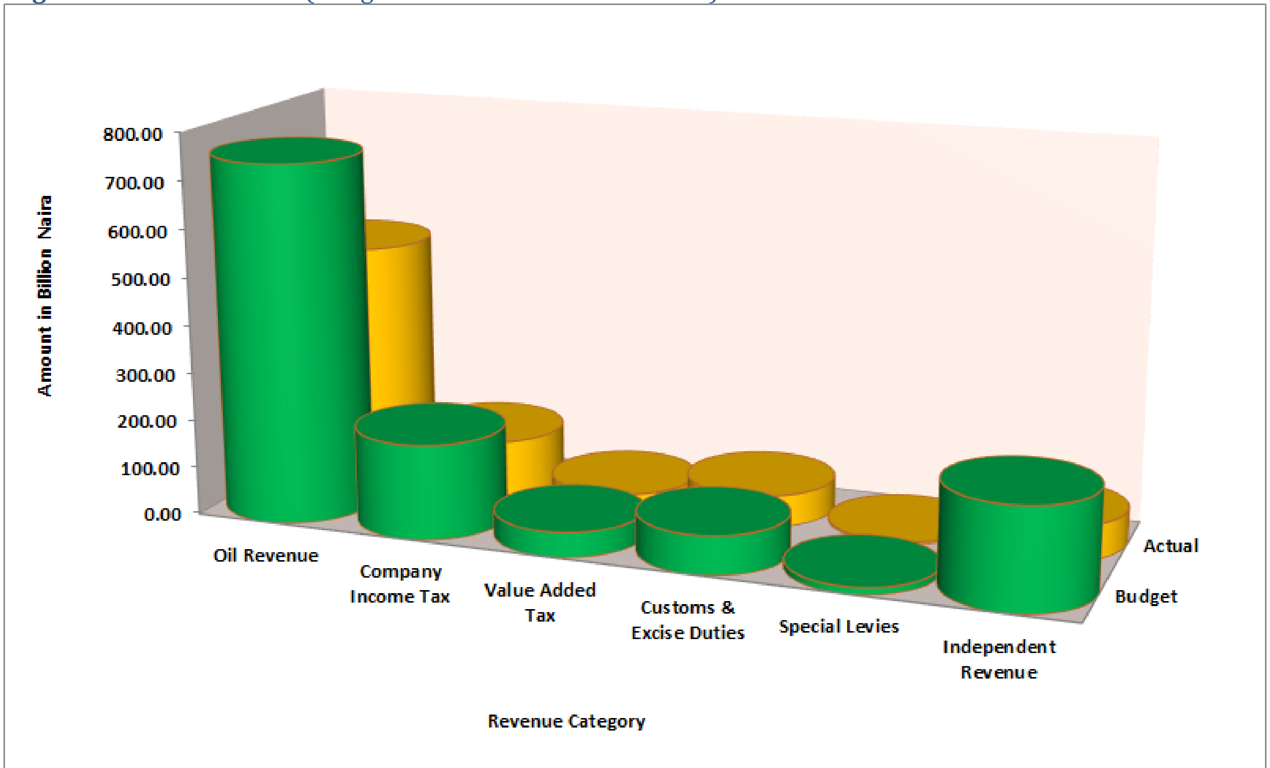


Source: The OAGF and Budget Office of the Federation, 2018

Note: This is *excluding FGN's Unspent Balances and FGN's Balances in Special Accounts and Other Funding Sources*

The sum of ₦510.03 billion received from Oil Sources in the first quarter of 2018, was lower than the quarterly estimate of ₦747.09 billion by ₦237.05 billion (or 31.73 percent). The Non-Oil revenue items of the Federal Government fell below their quarterly budget projections. FGN Share of VAT of ₦36.30 billion, Customs & Excise Duties of ₦67.0 billion, Special Levies of ₦4.46 billion and Company Income Tax of ₦116.80 billion were below their corresponding quarterly budget estimates of ₦51.88 billion, ₦81.21 billion, ₦14.47 billion and ₦198.67 billion by ₦15.58 billion (or 30.04 percent), ₦14.22 billion (or 17.51 percent), ₦10.01 billion (or 69.19 percent) and ₦81.88 billion (or 41.21 percent) respectively. On the other hand, FGN Share of Company Investment by FAAC, FGN Share of Solid Minerals Revenue, FGN Share of Net Tax Amnesty, FGN Share of Surcharge on Luxury Items, FGN Share of Signature Bonus, Unspent Balances from Previous Year (2017) and Share of Actual Balances in Special Accounts etc. yielded nothing in the quarter. This followed similar pattern of their respective performances in the Federation Account level (*Table 3.8).*

Figure 3.7: FGN Revenue (Budget Vs Actual as at March 2018)



Source: The OAGF and Budget Office of the Federation, 2018

Table 3.8: Inflows to the 2016 Federal Budget as at March 2018

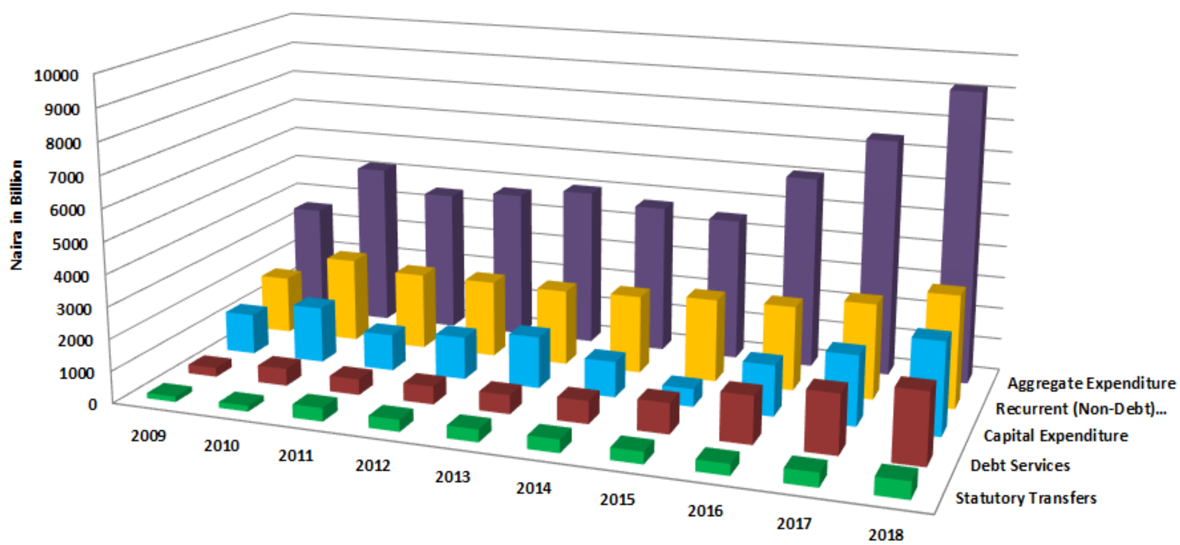
S/No	Item	BUDGET			ACTUAL		VARIANCE	
		2017 Annual Budget	2018 Annual Budget	2018 Quarterly Budget	2017 First Quarter	2018 First Quarter	2018 First Quarter Actual Vs Quarterly Budget	
1	Inflow for the Federal Budget (CRF)	₦b	₦b	₦b	₦b	₦b	₦b	%
2	FGN Share of Oil Revenue	2,122.18	2,988.35	747.09	192.52	510.03	(237.05)	(31.73)
3	FGN Share of Non-Oil Revenue	1,410.51	1,630.00	407.50	165.60	224.55	(182.95)	(44.90)
4	FGN Share of Company/Investment Funded by FAAC	29.59	31.25	7.81	-	-	(7.81)	(100.00)
5	FGN Share of Solid Minerals	1.07	1.17	0.29	-	-	(0.29)	(100.00)
6	FGN Share of Value Added Tax (VAT)	241.92	207.51	51.88	29.84	36.30	(15.58)	(30.04)
7	FGN Share of Net Tax Amnesty	-	87.84	21.96	-	-	(21.96)	(100.00)
8	FGN Share of Surcharge on Luxury Items	-	1.21	0.30	-	-	(0.30)	(100.00)
9	FGN Share of Company Income Tax (CIT)	807.82	794.69	198.67	70.73	116.80	(81.88)	(41.21)
10	FGN Share of Customs: Import, Export & Fees	277.56	324.86	81.21	59.30	67.00	(14.22)	(17.51)
11	FGN Share of Special Levies (Federation Account)	45.91	57.87	14.47	5.73	4.46	(10.01)	(69.19)
12	FGN Share of Actual Balances in Special Accounts	6.64	9.30	2.32	-	-	(2.32)	(100.00)
13	FGN's Share of Signature Bonus	114.30	114.30	28.57	-	-	(28.57)	(100.00)
14	FGN Independent Revenue	807.57	847.95	211.99	21.89	72.05	(139.93)	(66.01)
15	Unspent Balance from Previous Year (2017)	50.00	250.00	62.50	-	-	(62.50)	(100.00)
16	FGN's Balances in Special Levies Accounts	14.79	27.21	6.80	-	-	(6.80)	(100.00)
17	Domestic Recoveries + Assets + Fines	565.06	374.00	93.50	-	-	(93.50)	(100.00)
18	Other FGN Recoveries		138.44	34.61		-	(34.61)	(100.00)
19	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)		710.00	177.50		-	(177.50)	(100.00)
20	Grants and Donor Funding		199.92	49.98		-	(49.98)	(100.00)
21	TOTAL RETAINED REVENUE	5,084.40	7,165.87	1,791.47	380.01	806.64	(984.83)	(54.97)
22	Other Financing Sources	-	-	-	571.67	12.98	12.98	
23	Exchange Rate Difference	-	-	-	22.84	12.98	12.98	
24	TOTAL INFLOW	5,084.40	7,165.87	1,791.47	974.51	819.62	(971.85)	(54.25)

Source: Budget Office of the Federation and the OAGF, 2018

3.10 Expenditure Developments:

A total of ₦9,120.33 billion was appropriated for expenditure in the 2018 Budget. This comprises of ₦3,516.48 billion (or 38.56 percent) for Recurrent (Non-Debt) Expenditure, ₦2,203.84 billion (or 24.16 percent) for Debt Services, ₦530.42 billion (or 5.82 percent) for Statutory Transfers and ₦2,869.60 billion (or 31.46 percent) for Capital Expenditure. This translates to a prorate expenditure outlay of ₦2,280.08 billion in the first quarter of 2018. Actual expenditure outflow of ₦1,412.78 billion was recorded, translating to ₦867.30 billion (or 38.04 percent) expenditure shortfall for the period. The detail breakdown is presented in Figure 3.7.

Figure 3.8: 2009 – 2018 Budget Expenditure Profile



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Statutory Transfers	168.62	183.58	417.83	372.59	387.98	408.69	375.62	351.37	434.41	530.42
Debt Services	283.65	542.38	495.1	559.58	591.76	712	953.62	1,475.32	1,841.35	2,203.84
Capital Expenditure	1,280.71	1,764.69	1,146.75	1,339.99	1,621.48	1,119.62	557.00	1,587.40	2,174.50	2,869.60
Recurrent (Non-Debt) Expenditure	1,824.71	2,669.01	2,425.07	2,425.05	2,386.03	2,454.89	2,607.13	2,646.39	2,990.92	3,516.48
Aggregate Expenditure	3,557.69	5,159.66	4,484.74	4,697.21	4,987.24	4,695.19	4,493.36	6,060.48	7,441.18	9,120.33

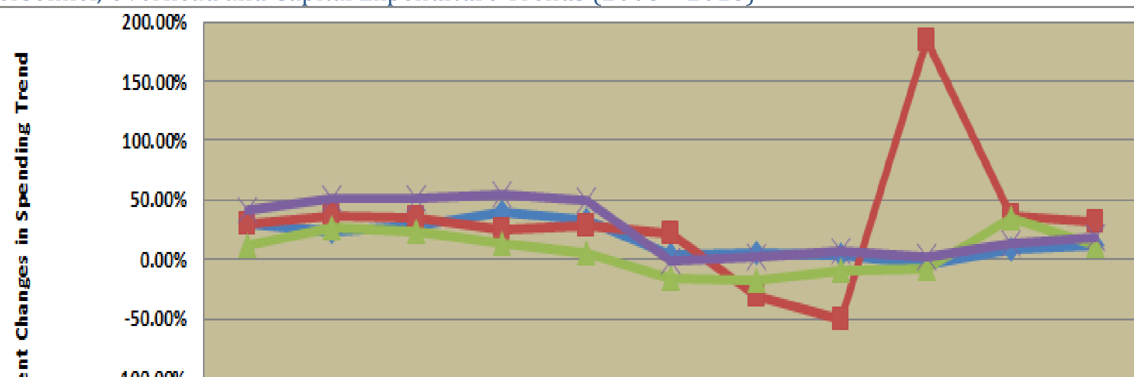
Source: Budget Office of the Federation, 2018

3.10.1 Non-Debt Recurrent Expenditure:

Government's resolve to cut down the growth in recurrent expenditures as stated in the 2018-2020 Fiscal Framework and Fiscal Strategy Paper continued to be pursued using the 2018 Budget implementation. The strategic initiatives of Government aimed at cutting down of recurrent costs were therefore vigorously pursued during the period. This include the continued roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs including the Military and the Police which is expected to result in some savings in personnel costs. Others include activation of more module of the GIFMIS platform as well as the use of the Treasury Single Account (TSA).

A total of ₦594.22 billion was spent on non-debt recurrent expenditure in the first quarter of 2018. This amount reflect a decrease of ₦284.90 billion (or 32.41 percent) from the quarterly estimate of ₦879.12 billion (details in Figure 3.8).

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2018)



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%	4.79%	3.46%	-4.47%	7.76%	12.43%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%	-30.95%	-50.25%	184.99%	36.99%	31.97%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%	-17.37%	-9.65%	-8%	34.55%	12.12%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%	2.06%	6.20%	1.51%	13.02%	17.57%

Source: BOF and OAGF, 2018

3.10.2 Debt Service:

Total Debt Services in the first quarter of 2017 stood at ₦704.45 billion reflecting an increase of ₦153.49 billion (or 27.86 percent) above the ₦550.96 billion projected for the quarter. This was driven by an overshoot in the domestic debt service payment compared to prorate budget estimates. A total of ₦439.94

billion was proposed for domestic debt servicing in the quarter under review but ₦643.63 billion was actually used for the servicing of the debt. This indicated a difference of ₦203.69 billion (or 46.3 percent) above the quarterly estimate and may be ascribed to early maturity.

The sum of ₦63.52 billion was proposed for the servicing of external debt in the quarter under review. Actual external debt service payment however amounted to ₦54.08 billion (or US$225.25 million) indicating a difference of ₦9.44 billion (or 14.86 percent) below the quarterly projection.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at March 2018

S/No	Item	BUDGET			ACTUAL		VARIANCE	
		2017 Annual Budget	2018 Annual Budget	2018 Quarterly Budget	2017 First Quarter	2018 First Quarter	2018 First Quarter Actual Vs Quarterly Budget	
		₦b	₦b	₦b	₦b	₦b	₦b	%
A	TOTAL RETAINED REVENUE	5,084.40	7,165.87	1,791.47	974.51	806.64	(984.83)	(54.97)
B	Exchange Rate Difference		-	-		12.98	12.98	
C	TOTAL INFLOW	5,084.40	7,165.87	1,791.47	974.51	819.62	(971.85)	(54.25)
D	EXPENDITURE:							
1	RECURRENT (NON-DEBT):							
2	Personnel Cost	1,884.07	2,118.27	529.57	179.84	452.93	(76.64)	(14.47)
3	CRF Pensions		198.95	49.74		47.51	(2.23)	(4.49)
4	SWV Pensions [+ Special Interventions for 2016 only]	281.61	43.00	10.75	36.18	-	(10.75)	(100.00)
5	Overhead Cost	219.84	246.49	61.62	23.62	22.08	(39.54)	(64.17)
6	SWV Power Sector Reform Programme		193.34	48.33		-	(48.33)	(100.00)
7	Other Service Wide Votes (+ Pension Redemption)	255.40	301.43	75.36	13.35	46.21	(29.15)	(38.68)
8	Presidential Amnesty Programme		65.00	16.25		5.00	(11.25)	(69.23)
9	Special Intervention (Recurrent)	350.00	350.00	87.50		20.50	(67.00)	(76.57)
10	Sub-Total (Non-Debt)	2,990.92	3,516.48	879.12	252.99	594.22	(284.90)	(32.41)
11	Domestic Debts Service	1,488.00	1,759.76	439.94	583.91	643.63	203.69	46.30
12	Foreign Debts	175.88	254.08	63.52	40.24	54.08	(9.44)	(14.86)
13	Total Debt Service	1,663.89	2,013.84	503.46	624.15	697.71	194.25	38.58
14	Interest on Ways & Means			-		6.74	6.74	
15	Sinking Fund to Retire Maturing Loans	177.46	190.00	47.50	-	-	(47.50)	(100.00)
16	Sub-Total (Debt)	1,841.35	2,203.84	550.96	624.15	704.45	153.49	27.86
17	Total Recurrent Expenditure 2018	4,832.27	5,720.31	1,430.08	877.14	1,298.67	(131.41)	(9.19)
18	Capital Development Fund (Main)	2,174.50	2,172.08	543.02		-	(543.02)	(100.00)
19	Capital Supplementation		377.60	94.40		-	(94.40)	(100.00)
20	Special Intervention (Capital)		150.00	37.50		-	(37.50)	(100.00)
21	Grants and Donor Funded Projects		169.92	42.48		-	(42.48)	(100.00)
22	Sub-Total (Capital 2018)	2,174.50	2,869.60	717.40		-	(717.40)	(100.00)
23	TRANSFERS:							
24	Statutory Transfers	434.41	530.42	132.61	64.00	114.11	(18.49)	(13.94)
25	TOTAL ACTUAL EXPENDITURE	7,441.18	9,120.34	2,280.08	941.14	1,412.78	(867.30)	(38.04)
26	Other Expenditure				105.02			
27	TOTAL OUTFLOW	7,441.18	9,120.34	2,280.08	1,046.16	1,412.78	(867.30)	(38.04)
28	Fiscal Deficit	(2,356.78)	(1,954.47)	(488.61)	(71.65)	(593.17)	(104.55)	21.40
E	FINANCING ITEMS							
1	Privitization Proceeds	10.00	306.00	76.50	-	-	(76.50)	(100.00)
2	Non-Oil Asset Sales		5.00	1.25	-	-	(1.25)	(100.00)
3	Foreign Borrowing	1,067.50	849.67	212.42	-	-	(212.42)	(100.00)
4	Domestic Borrowing	1,254.27	793.79	198.45	120.00	407.91	209.46	105.55
5	Proceed of Sale of Government Properties	25.00			-			
6	Sub-Total	2,356.77	1,954.47	488.62	120.00	407.91	(80.71)	(16.52)
7	Net Deficit/Surplus	-	-	0.00	48.35	(185.26)	(185.26)	

Source: OAGF and Budget Office of the Federation, 2017

3.10.3 Statutory Transfers:

A total of ₦114.11 billion was released as statutory transfers in the first quarter of 2018 implying a decrease of ₦18.49 billion (or 13.94 percent) below the quarterly estimate of ₦132.61 billion. It is important to note that quarterly releases under this subhead are made on request by the beneficiaries and also subject to budgetary provisions and availability of funds.

3.10.4 Capital Expenditure Performance:

Government continued to direct a significant proportion of it's available budgetary resources to structural reform of the economy and the provision of critical infrastructure in the roads, power, housing, rail and aviation sectors as well as the provision of physical and food security. In view of this, a total of ₦2,869.60 billion was allocated to capital spending in the 2018 Budget translating to a quarterly estimate of ₦717.4 billion.

MDAs' Capital Vote Utilization:

No fund was however released for capital projects/programmes under the 2018 Budget in the quarter under review. This was due to the extension of 2017 capital budget implementation to 12th June, 2018 and the late passage of the 2018 Budget.

3.10.5 Performance of the Financing Items:

The 2018 Fiscal Framework estimated a prorate quarterly fiscal deficit of ₦488.62 billion to be financed through earnings from Privatization Proceeds of ₦76.50 billion, Foreign Borrowing of ₦212.42 billion, Domestic Borrowing (FGN Bond) of ₦198.45 billion and Non-Oil Asset Sales of ₦1.25 billion.

The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦593.17 billion in the first quarter of 2018. This reflect an increase in deficit to the tune of ₦104.55 billion (or 21.4 percent) of the projected ₦488.62 billion deficit for the period. A total of ₦407.91 billion was however realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦185.26 billion net deficit financing for the review period.

4.0 CONCLUSION

The macroeconomic environment that propelled the economy's exit from recession has remained positive and is likely to continue in the near-term. The economy grew by 1.95 percent in the first quarter of 2018 with the oil sector recording a real growth of 14.77 percent (year-on-year). The non-oil sector grew by 0.76 percent in real terms during the first quarter of 2018 mainly buoyed by the performance of Agriculture (crop production), Financial Institutions and Insurance, Manufacturing, among others.

The Federal Government continued to meet its non-discretionary expenditures even as budget implementation continued to be adversely affected by poor revenue outturn. The economic performance in the quarter reflect better outlook and prospects for revenue and therefore budget implementation in the 2018 fiscal year. Revenue performance of the non-oil sector is expected to improve in subsequent quarters and combined with the recovery in oil production and likely increases in prices would result in sustainable implementation of the 2018 Budget.

The Federal Government would continue to pursue improved openness, transparency and accountability in budget preparation, implementation, monitoring and evaluation and feedback. In view of this, strict adherence to budget implementation guidelines and the governance framework on monitoring capital budget implementation will continue to be followed. Efforts would also be directed at enhancing efficiency in budget implementation, while engendering effective project management planning geared towards improving the level of capital budget implementation in 2018.