



2019 FIRST QUARTER BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION
Ministry of Budget and National Planning

FOREWORD

It is indeed, my pleasure to present to you, the 2019 First Quarter Budget Implementation Report (BIR). Budgets are short term policy tool for allotting public resources among contending socio-economic needs by Government. This Report therefore gives information on the distribution and utilization of public resources by Government Agencies during the first quarter of the 2019 fiscal year. The 2019 Budget has the title “Budget of Continuity” and its key parameters and assumptions are as set out in the 2019-2021 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) drawn from the Economic Recovery and Growth Plan (ERGP) 2017-2020. The Budget is the fifth by this current administration and its principal objective is to further place the economy on the path of inclusive, diversified and sustainable growth so as to continue to lift significant numbers of Nigerians out of poverty.

The publication of this report is principally 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 applaud 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 2019 Budget. I also commend 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. I look forward to more of this in future.

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 contributions in the entire budget processes.

Sen. Udoma Udo Udoma

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 subsequently produce quarterly reports on the exercise. This 2019 First Quarter Budget Implementation Report is one of many 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 2018 fiscal year was particularly very challenging for the Nigerian economy with severe strains on revenue and external balances. Macroeconomic conditions though had been on a continuous positive increase particularly in GDP growth and the performance in both oil and non-oil sectors since coming out from recession. These factors, in addition to key global developments, were taken into account in the preparation of the 2019 Budget primarily in fixing of oil price and production benchmark. To consolidate on the robustness of the 2018 Budget's implementation, many ongoing capital projects had been provided for in the 2019 Budget. This is in line with the Government's pledge to appropriately fund ongoing capital projects to completion and also signifies its strong assurance in advancing investments in critical infrastructure capable of stimulating growth and creating jobs.

The implementation of the 2019 Budget in the first quarter of the year was however very challenging as macroeconomic environments, though improving, remained under 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 Budget Office of the Federation, 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

Table of Contents

FOREWORD	II
PREFACE	III
TABLE OF CONTENTS	IV
TABLE OF ACRONYMS	VI
LIST OF TABLES	VII
LIST OF FIGURES.....	VIII
EXECUTIVE SUMMARY	IX
1.0 INTRODUCTION.....	1
2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS.....	3
2.1 PERFORMANCE OF THE GLOBAL ECONOMY	3
2.2 DOMESTIC MACROECONOMIC PERFORMANCE	4
2.2.1 Developments in Real Sector.....	4
2.2.1.1 GDP Growth:	4
2.2.1.2 Oil Sector:	5
2.2.1.3 Non-Oil Sector:	5
2.2.2 Developments in Prices	7
2.2.3 Developments in Money Market.....	8
2.2.4 Developments in the External Sector.....	10
2.2.4.1 External Trade.....	10
2.2.4.2 Balance of Payment	10
2.2.4.3 Exchange Rates	11
2.2.4.4 External Reserves	12
2.2.5 Debt Stock.....	14
2.2.5.1 Total Public Debt Stock.....	14
2.2.5.2 Domestic Debt Stock.....	14
2.2.5.3 External Debt Stock.....	15
3.0 FINANCIAL ANALYSIS OF THE 2018 BUDGET IMPLEMENTATION.....	15
3.1 KEY ASSUMPTIONS AND PROJECTIONS	15
3.1.1 Budget Benchmark Oil Price and Production.....	17

3.2	ANALYSIS OF REVENUE PERFORMANCE:	19
3.2.1	Performance of Key Oil Revenue Parameters:	19
3.3	AGGREGATE REVENUE OF THE FEDERATION:	20
3.4	OIL REVENUE PERFORMANCE:	22
3.4.1	Net Oil Revenue:	22
3.5	NON-OIL REVENUE PERFORMANCE:.....	22
3.6	COMPARATIVE REVENUE PERFORMANCE ANALYSIS.....	26
3.7	DISTRIBUTABLE REVENUE:	27
3.8	EXCESS CRUDE ACCOUNT	28
3.9	FGN BUDGET REVENUE	29
3.10	EXPENDITURE DEVELOPMENTS:.....	33
3.10.1	Non-Debt Recurrent Expenditure	34
3.10.2	Debt Service:.....	34
3.10.3	Statutory Transfers:	37
3.10.4	Capital Expenditure Performance:	37
3.10.5	Budget Deficit and Performance of the Financing Items:.....	37
4.0	CONCLUSION.....	39

TABLE OF ACRONYMS

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

LIST OF TABLES

Table 3.1: Key Assumptions and Targets for 2016 – 2019 Budget	16
Table 3.2: Detailed Assumptions for Oil Production and Taxes (2019).....	18
Table 3.3: Performance of Revenue in the First Quarter of 2019 Vs 2018	21
Table 3.4: Net Distributable Revenue as at March 2019 (Oil Revenue at Benchmark Assumptions).....	24
Table 3.5: Actual Performance of Non-Oil Revenue Categories (First Quarter) 2009 – 2018.....	26
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (First Quarter) 2010 – 2018.....	26
Table 3.7: Net Excess Crude Account	29
Table 3.8: Inflows to the 2018 Federal Budget as at March 2019	32
Table 3.9: FGN Budget Expenditure and Fiscal Account (in N’ Billion) as at March 2019	36

LIST OF FIGURES

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q1 2019).....	5
Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate percent (Q1 2015 – Q1 2019).....	6
Figure 2.3: Inflation Rate (March 2018 – March 2019).....	8
Figure 2.4: M2 Growth Rate and Interest Rates Trend (March 2018 – March 2019).....	9
Figure 2.5: Naira/US\$ Exchange Rates Trend (March 2018 – March 2019).....	11
Figure 2.6: Level of External Reserves in Billion Dollars (March 2018 – March 2019).....	12
Figure 2.7: First Quarter 2019 Total Public Debt Stock.....	14
Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2019.....	18
Figure 3.2: Oil Production and Lifting March 2018 – March 2019.....	19
Figure 3.3: 2018 Vs 2019 Revenue Performance (First Quarter).....	21
Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at March 2019).....	27
Figure 3.5: Contributions to Distributable Revenue (in the 1 st Quarter of 2019).....	28
Figure 3.6: Contributions to FGN Budget in the First Quarter of 2019 (Excluding FGN's Unspent Balances in Special Accounts):	30
Figure 3.7: FGN Revenue (Budget Vs Actual as at March 2019).....	31
Figure 3.8: 2009 – 2019 Budget Expenditure Profile.....	33
Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2019).....	34

EXECUTIVE SUMMARY

The Federal Budget is an important tool used in achieving the Government's strategic objectives and plans for the socio-economic development of the nation. The 2019 Budget titled "Budget of Continuity" is intended to further place the economy on the path of inclusive, diversified and sustainable growth in order to continue to lift significant numbers of Nigerians out of poverty. The 2019-21 MTEF/FSP document represents the economic framework in which the 2019 Budget was prepared, along with fiscal policy objectives and spending priorities of the Government over the three-year period. It also specified the plans for attaining Government's defined objectives, and highlights the key assumptions underpinning revenue projections and fiscal targets as well as possible fiscal risks over the medium term.

Nigeria's Gross Domestic Product (GDP) grew by 2.01 percent (year-on-year) in real terms in the first quarter of 2019. This revealed a stronger growth of 0.12 percent point when compared to 1.89 percent real GDP growth recorded in the first quarter of 2018. On the other hand, there was a decline of 0.38 percentage point when compared to the 2.39 percent reported in the preceding fourth quarter of 2018. The 2019 first quarter GDP growth reflect the strongest first quarter performance since 2015 and it could be attributed to the spending on the general elections held across the country during the first quarter of the year. This translates to an aggregate GDP of ₦31,794,085.85 million in nominal terms as against ₦28,438,604.23 million recorded in the corresponding quarter of 2018, indicating a positive year on year nominal growth rate of 11.8 percent.

The general price level, though still high at the double-digit range, continued to moderate in the first quarter of 2019. Despite the moderation in inflation, the current inflation rate is still above targeted single digit. Headline inflation (year-on-year) moderated slightly to 11.25 percent in March 2019 from 11.44 percent in December 2018. Similarly, core inflation moderated to 9.46 percent in March 2019 from 9.77 percent in December 2018. On the other hand, food inflation hinged slightly up to 13.45 percent in March 2019 from 13.36 percent, in December 2018.

Monetary aggregates fell in the first quarter of 2019 relative to the fourth quarter of 2018. Broad Money Supply (M2) declined by ₦255.27 billion (0.94 percent) from ₦27,068.58 billion in December 2018 to ₦26,813.31 billion in March 2019.

This reflects the moderation in Net Foreign Assets as Net Domestic Credit (NDC) grew by ₦4,122.20 billion (14.95 percent). The development in Net Domestic Credit was due to increase in Net Credit to Government and Credit to Private Sector which grew by ₦2,875.24 billion (59.09 percent) and ₦1,246.97 billion (5.49 percent) respectively during the period. When compared to the level at the end of first quarter of 2018, broad money supply expanded by ₦2,510.26 billion (10.33 percent) in March 2019.

Nigeria's total external trade rose by ₦576.41 billion or 7.52 percent to ₦8,239.04 billion in the first quarter of 2019 mainly driven by significant expansion in imports as exports shrunk. Imports expanded by ₦760.43 billion or 25.84 percent to ₦3,703.72 billion in the period under review. Exports, driven by the 5.67 percent decline in crude oil export, however contracted by ₦184.03 billion or 3.90 percent to ₦4,535.33 billion from ₦4,719.36 billion in the corresponding quarter of 2018. The above development resulted in a trade balance of ₦831.62 billion, indicating a ₦944.47 billion or 53.18 percent decrease from ₦1,776.09 billion in the first quarter of 2018.

There was stability in the Naira exchange rate during the quarter under review as well as the narrowing of the exchange rate premium between the BDC segment and the Investors' and Exporters' (I&E) window of the foreign exchange market. The Naira/Dollar exchange rate at the Official/Inter-Bank markets appreciated from ₦306.92/US\$ in December 2018 to ₦306.85/US\$ and ₦306.77/US\$ in January and February 2019 respectively before stabilizing at ₦306.92/US\$ in March 2019. Similarly, the average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) also appreciated from ₦363.46/US\$ in December 2018 to ₦359.24/US\$ in January, February and March 2019. There was also a marginal improvement in the level of Nigeria's official gross (external) reserves to US\$44.79 billion as at end of March, 2019 as against US\$42.59 billion as at end of December 2018.

The total public debt stock as at 31st March, 2019 stood at US\$81,274.09 million or ₦24,947.08 billion representing an increase of US\$1,837.37 million (₦560.01 billion) or 2.30 percent when compared to the US\$79,436.72 million (₦24,387.07 billion) reported at the end of December 2018. The breakdown consisted of US\$25,609.63 million (₦7,860.86 billion) or 31.51 percent for external debt while the balance of US\$55,664.46 million (₦17,086.20 billion) or

68.49 percent was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 19.03 percent as at the end of March 2019, and was significantly below the country specific threshold of 25 percent and international threshold for comparator countries of 56 percent.

Revenue shortfalls impacted FGN Budget implementation of the in the first quarter of 2019. The price of crude oil at the international market averaged US\$63.21 per barrel in the first quarter of 2019, representing a decrease of US\$4.55 per barrel (6.71 percent) below the US\$67.76 per barrel reported in the fourth quarter of 2018. This also denotes a decrease of US\$3.59 per barrel (5.37 percent) and an increase of US\$3.21 per barrel (5.35 percent) when compared to US\$66.80 per barrel recorded in the first quarter of 2018 and US\$60.0 set as budget benchmark, respectively.

Average oil production and lifting (including Condensates) in the first quarter of 2019 was 1.99mbpd and 1.93mbpd respectively. The oil production figure indicates a shortfall of 0.31mbpd (13.48 percent) below the 2.3mbpd projected as benchmark for the 2019 Budget. The volume of oil production in the period was also 0.03mbpd above and same with the 1.96mbpd and 1.99mbpd reported in the fourth and first quarters of 2018 respectively.

Gross Oil Revenue therefore stood at ₦1,355.79 billion representing a ₦975.95 billion (41.86 percent) shortfall from ₦2,331.74 billion projected quarterly gross oil revenue in the 2019 Budget. The Federally collected non-oil revenue on gross basis equally slumped by ₦280.33 billion (26.2 percent) to ₦789.78 billion from ₦1,070.11 billion projected in the 2019 budget. The Independent Revenue continued to grossly underperform, recording ₦34.59 billion in the review period and indicating a ₦123.18 billion (78.08 percent) decline from ₦157.77 billion projected in the 2019 Budget.

The sum of ₦727.89 billion excluding other funding sources, was therefore received to fund the budget in the first quarter of 2019 as against a projected quarterly share of ₦1,988.46 billion in the 2019 Budget. This amount was ₦1,260.57 billion (63.39 percent) and ₦174.62 billion (19.35 percent) lower than the quarterly projection and ₦902.51 billion recorded in the fourth quarter of

2018. Total inflow available to fund the budget however stood at ₦988.89 billion indicating a ₦760.73 billion or 43.48 percent shortfall from the prorated budget projection for the period.

The FGN continued to pursue initiatives on public expenditure reforms during the period. This include the roll-out of the Integrated Payroll and Personnel Information System (IPPIIS) to more MDAs, activation of more modules of the GIFMIS platform as well as the use of the Treasury Single Account (TSA). Total expenditure of Government stood at ₦1,942.59 billion representing ₦286.65 billion or 12.86 percent shortfall from the ₦2,229.24 billion projected for the review period. A total of ₦1,081.62 billion was spent on non-debt recurrent expenditure in the first quarter of 2019 representing an increase of ₦65.14 billion or 6.41 percent above the quarterly estimate of ₦1,016.48 billion.

Total Debt Services in the first quarter of 2019, driven by ₦182.73 billion or 42.74 percent overshoot in domestic debt service payments, stood at ₦707.32 billion. This reflects a ₦171.32 billion or 31.96 percent increase from the ₦536.0 billion projected for the quarter. Other Federal Government expenditure during the review period include ₦114.87 billion released as statutory transfers, while no fund was released for capital expenditure under the 2019 budget. A total of ₦455.23 billion was however released for 2018 Capital in the review period.

The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦953.70 billion in the first quarter of 2019 which represents an increase of ₦474.08 billion or 98.85 percent. A total of ₦285.0 billion was however realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦668.70 billion net deficit financing for the review period.

Overall, the macroeconomic environment that drove the economy's exit from recession has continued on a positive trend and is likely to remain so in the near-term. This expectation was premised on the implementation of the 2019 budget, improved security, continued stability in the foreign exchange market as well as expected increases in crude oil production and prices. Macroeconomic headwinds however remain including potential fiscal stress arising from lower

oil prices. Government would therefore continue to implement public finance reforms aimed at enhancing stability in the domestic macroeconomic environment.

1.0 INTRODUCTION

The Federal Budget is an important tool used in achieving the Government's strategic objectives and plans for the socio-economic development of the nation. It is thus a financial representation of the allocation of resources to different sectors/agencies by the Government in its bid to distribute public goods/services to all Nigerian citizen. The Federal Budget is not all about expenditure allocations as it is often perceived by many. Revenue remains a critical and vital aspect of the FGN budget. In recent times revenue generation had been a major challenge in the formulation of our annual budgets but this is being tackled vigorously.

The 2019 Budget titled "Budget of Continuity" is intended to further place the economy on the path of inclusive, diversified and sustainable growth in order to continue to lift significant numbers of Nigerians out of poverty. The underlying drivers of the 2019 revenue projections was adjusted to reflect current realities. On the expenditure side, allocations to Ministries, Departments and Agencies of Government were guided by the 3 objectives of the ERGP, which are; Restoring and Sustaining Growth; Investing in our People; and Building a Globally Competitive Economy.

The 2019-21 MTEF/FSP document represents the economic framework in which the 2019 Budget was prepared, along with fiscal policy objectives and spending priorities of the Government over the three-year period. It also specified the plans for attaining Government's defined objectives, and highlights the key assumptions underpinning revenue projections and fiscal targets as well as possible fiscal risks over the medium term. Furthermore, it articulates the nature of Federal Government's debt liabilities, their fiscal consequence, and measures aimed at reducing them. The MTEF also provides the basis for the preparation of revenue and expenditure estimates for the Annual Federal Budget. Hence, the MTEF represent efforts towards multi-year perspective in budgeting.

In order to get full value for monies expended by the Government over time and to avoid duplication and waste, continued emphasis was placed on the completion of existing projects. Accordingly, provisions were made to carry over projects that were not likely to be fully funded under the 2018 budget to the 2019 capital budget. In addition, funds were set aside for the Presidential Amnesty Programme and take-off grant for the North East Development Commission. To further support Small and Medium Scale Enterprises (SMSEs), which are the focus of the Government industrialization drive, funds

were provided for the recapitalization of the Bank for Agriculture and the Bank of Industry for the purpose of subsidizing the interest rates charged on loans to SMSEs. This is intended to make it possible for them to access single digit interest rate loans from the Bank of Industry. Social Intervention Projects (SIP) were also retained in the Budget, reflecting the Federal Government's continued determination to pursue inclusive, gender-sensitive and pro-poor growth.

In order to build Modern, up-to-date infrastructure for economic development, the 2019 Budget continued paying emphasis on power, roads and rail. In addition to efforts to complete the Ibadan-Kano rail line, it will also continue work on the Eastern Rail from Port Harcourt to Maiduguri passing through Aba, which will connect to Abakaliki, Awka, Enugu, Owerri, Umuahia, then through Makurdi, Jos, Bauchi and Gombe. The Coastal Rail from Calabar to Lagos will also be commenced so as to build a true national rail network that links all state capitals. The road projects was also given considerable push and priority projects under the Presidential Infrastructure Development Fund such as the Abuja-Kaduna-Kano expressway, the Second Niger Bridge and the Lagos-Ibadan expressway was being fast-tracked for early completion. Generation, transmission and distribution of power from the national grid was also programmed for expansion while developing innovative off grid solutions for schools, hospitals and markets.

The 2019 Budget benefited from extensive consultations and stakeholder engagements reflecting the belief that all stakeholders have a critical role to play in the journey towards sustainable and inclusive development. It further demonstrates the commitments to deliver the dividends of democracy to all Nigerians in a more inclusive manner. It represents another important step in building the Nigeria of our dreams, a vision that is to be achieved with the determination and support of all Nigerians.

This Report provides comprehensive information on the 2019 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

Global Economic Developments

The declining trend in global output growth which started in the second half of 2018 continued in the first quarter of 2019. Hence, the International Monetary Fund revised downwards global output growth from 3.7 percent in 2018 to 3.6 percent in 2019 which was later downgraded to 3.3 percent. The weakening global output growth persisted amidst prevailing uncertainties from familiar headwinds which includes among others: the further escalation of trade tensions between the US and China; imposition of new rounds of sanctions on Iran; breakdown of BREXIT negotiations; a new wave of tension on the Korean Peninsula; vulnerabilities in major financial markets and rising public and private debt in some Emerging Market and Developing Economies (EMDEs).

Growth in volume of trade declined to around 0.5 percent year-on-year in the first quarter of 2019 as trade slowdown was experienced notably in emerging Asia. The development in global trade, which remained intensive in machinery and consumer goods, was largely driven by subdued investment and demand for consumer durables across advanced and emerging market economies as firms and households continue to hold back on long-term spending. With global activity generally remaining subdued, commodity price movements continued to be dominated by supply influences particularly in the case of oil prices.

In addition to the above factors, inflation in the advanced economies remained muted and mainly below their 2.0 percent long-run targets. As a result, most central banks in the advanced economies, including the US Fed, Bank of England and the European Central Bank, embraced a loose monetary policy stance, which is expected to remain in place in the near to medium term, as signs of weakness in the global economy re-emerged. However, it was a mixed development in the EMDEs, with inflation rising in some, but moderating in others. In response, the financial markets witnessed the rebalancing of portfolios from equities to fixed income securities, and some stock markets posting losses. The EMDEs are however likely to witness increased capital inflows as a result of the accommodative monetary policy stance of the advanced economies.

2.2 Domestic Macroeconomic Performance

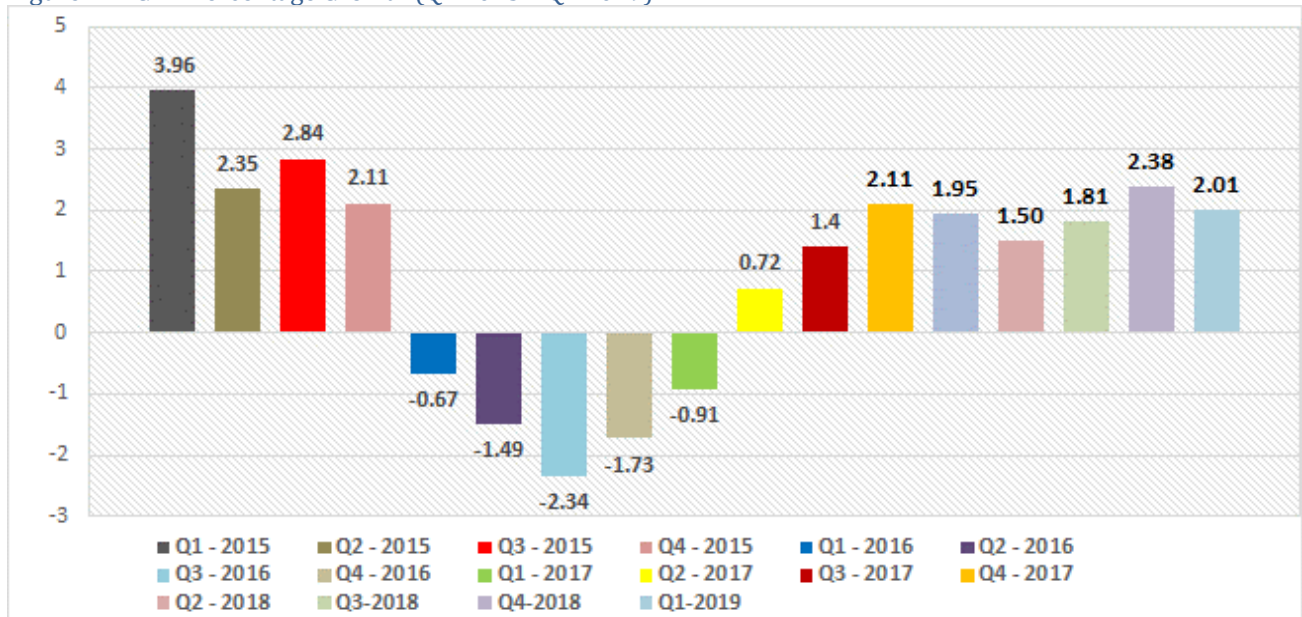
The 2019 first quarter GDP growth was the strongest first quarter performance in recent years. This performance was largely driven by the non-oil sector, which grew by 2.47 percent while the oil sector contracted by 2.40 percent. The economy is also projected to record a higher real GDP growth in the subsequent quarters of the year, as well as a reduction in the unemployment rate. It was noted that actual output remains below its full potential, indicating that the economy still had adequate headroom for non-inflationary growth. This is anticipated to be driven largely by sustained stability in the financial system; continued special interventions in agriculture, manufacturing and SMEs sectors, by the CBN; sustained measures in improving transport infrastructure to address distribution challenges; continued expansion of business activities as indicated by the PMI and increased supply of foreign exchange to growth-stimulating sectors of the economy, among others.

2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

Nigeria's Gross Domestic Product (GDP) grew by 2.01 percent (year-on-year) in real terms in the first quarter of 2019. This revealed a stronger growth of 0.12 percentage point when compared to 1.89 percent real GDP growth recorded in the first quarter of 2018. On the other hand, there was a decline of 0.38 percentage point when compared to the 2.39 percent reported in the fourth quarter of 2018. The 2019 first quarter GDP growth reflect the strongest first quarter performance since 2015 and it could be attributed to the increased spending relating to the general elections held across the country during the first quarter of 2019. The 2019 first quarter aggregate GDP stood at N31,794,085.85 million in nominal terms as against N28,438,604.23 million recorded in the corresponding quarter of 2018, indicating a positive year on year nominal growth rate of 11.8 percent. The 2019 first quarter aggregate was however, lower than that in the preceding quarter of N35,230,607.63 million, by 9.75 percent.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q1 2019)



Source: National Bureau of Statistics, 2019

2.2.1.2 Oil Sector:

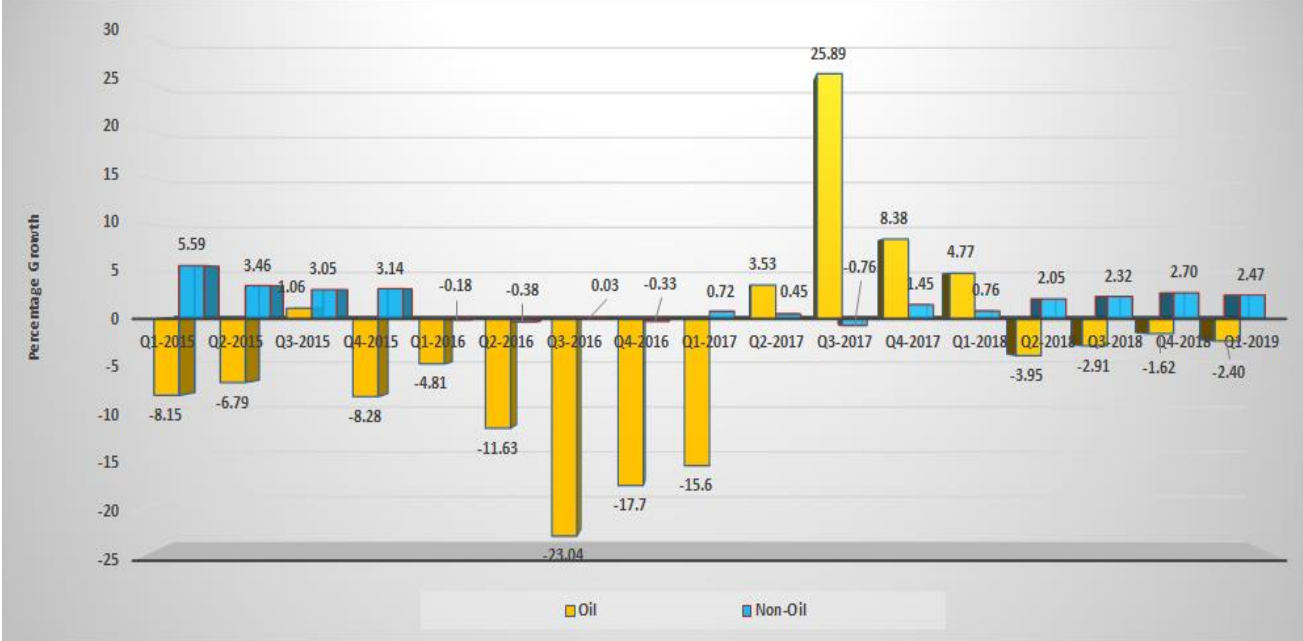
Real GDP growth in the oil sector was -2.40 percent (year-on-year) in the first quarter of 2019 indicating a decrease by 16.43 percentage points relative to the rate recorded in the corresponding quarter of 2018. Growth decreased by 0.79 percentage points when compared to the fourth quarter of 2018 which was -1.62 percent. Quarter-on-Quarter, the oil sector recorded a growth rate of 11.60 percent in the first quarter of 2019. This was despite the fact that the level of oil output during the quarter was the highest recorded over the past one year and the second highest since the middle of 2017. Average daily oil production in the first quarter of 2019 stood at 1.99 million barrels per day (mbpd), which is 0.03mbpd higher than the 1.96mbpd recorded in the fourth quarter but same as the first quarters of 2018 figure. The Oil sector contributed 9.14 percent to total real GDP in first quarter of 2019, down from figures recorded in the first quarter of 2018 but up compared to the preceding quarter of 2018, where it contributed 9.55 percent and 7.06 percent respectively.

2.2.1.3 Non-Oil Sector:

The non-oil sector grew by 2.47 percent in real terms during the quarter under review. This was 1.72 percentage points higher compared to the rate recorded in the same quarter of 2018 but 0.23 percentage points lower than

the performance reported in the fourth quarter of 2018. The sector was driven mainly by Information and Communication Technology, Agriculture, Transportation and Storage, Trade and Construction. In real terms, the non-oil sector contributed 90.86 percent to the nation’s GDP which is higher than 90.45 percent recorded in the first quarter of 2018 but lower than 92.94 percent contribution recorded in the preceding quarter.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2015 – Q1 2019)



Source: National Bureau of Statistics, 2019

In real terms, the agricultural sector grew by 3.17 percent (year-on-year) in the first quarter of 2019, depicting an increase of 0.17 percentage points compared to the corresponding quarter of 2018, and 0.72 percentage points compared to the preceding quarter. During the quarter, the sector contributed 21.91 percent to real GDP, which is higher than the 21.66 percent contribution in the first quarter of 2018 but lower than the 26.15 percent contribution reported in the fourth quarter of 2018.

The Industrial sector recorded a real growth of 0.42 percent in the review period reflecting a 6.16 percentage points decline from a 6.58 percent growth rate recorded in the first quarter of 2018. The sector’s contribution to the nation’s GDP equally decline from 9.55 percent in the first quarter of 2018 to 9.22 percent in the review period. Conversely, the contribution of the Services

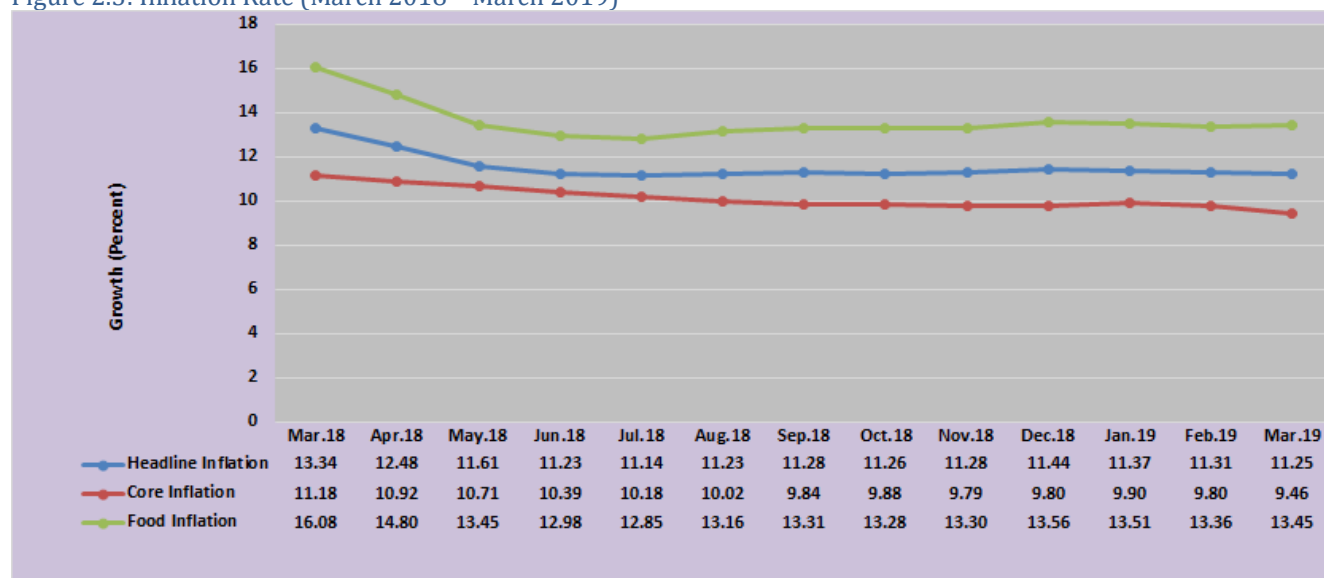
sector increased to 54.55 percent in the review period from 54.38 percent in the corresponding period in 2018. This followed the expansion of the sector by 2.41 percent in the first half of 2019 from a 0.47 percent contraction in the first half of 2018.

2.2.2 Developments in Prices

The general price level, though still high at the double-digit range and above targeted single digit, continued to moderate in the first quarter of 2019. With the exception of food inflation, both headline inflation and core inflation (year-on-year) 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.

Headline inflation (year-on-year) moderated slightly to 11.25 percent in March 2019 from 11.31 percent, 11.37 percent and 11.44 percent in February 2019, January 2019 and December 2018 respectively. Similarly, core inflation moderated to 9.46 percent in March 2019 from 9.80 percent, 9.90 percent and 9.77 percent in February 2019, January 2019 and December 2018 respectively. On the other hand, food inflation rose slightly to 13.45 percent in March 2019 from 13.36 percent, 13.51 percent and 13.47 percent in December 2018, January and February 2019 respectively. The uptick in food inflation was attributed to seasonal factors which impacted mainly on food.

Figure 2.3: Inflation Rate (March 2018 – March 2019)



Source: National Bureau of Statistics, 2019

The outlook for inflation indicates continued moderation in the price level, even though the risks include expected huge liquidity injections arising from the implementation of the 2019 FGN Budget; monthly FAAC injections, and implementation of the new national minimum wage. These could impact aggregate demand and put pressure on domestic prices in the remaining months of 2019 and may dampen the gains already made by the CBN in stabilizing prices. Other factors include residual impact of flooding on agricultural output; insecurity in parts of the food producing belts of the country; exchange rate pass-through to inflation due to weakening oil price. Efforts would focus on an orderly liquidity, addressing the security challenges and improve food production through encouraging financial institutions to ensure that loans to the agricultural sector were channeled effectively to end users.

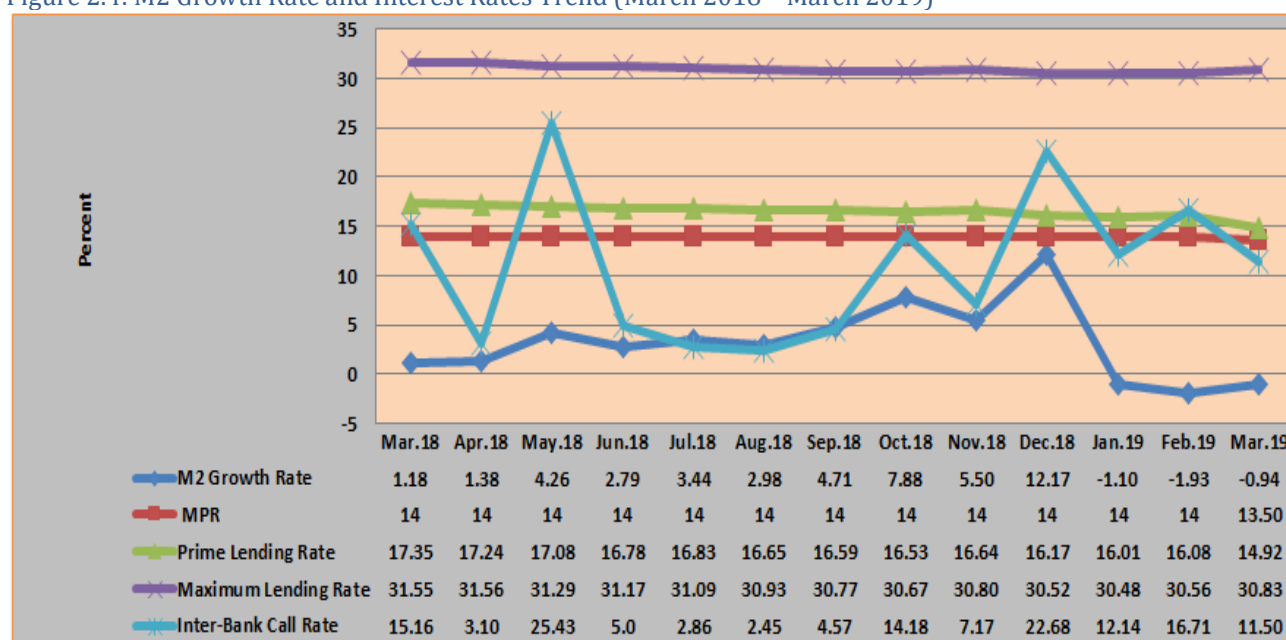
2.2.3 Developments in Money Market

Monetary aggregates fell in the first quarter of 2019 relative to the fourth quarter of 2018. Broad Money Supply (M2) declined by ₦255.27 billion (0.94 percent) from ₦27,068.58 billion in December 2018 to ₦26,813.31 billion in March 2019. On the other hand, Net Domestic Credit (NDC) grew by ₦4,122.20 billion (14.95 percent). The development in Net Domestic Credit was due to increase in Net Credit to Government and Credit to Private Sector which grew by ₦2,875.24

billion (59.09 percent) and ₦1,246.97 billion (5.49 percent) respectively during the period. When compared to the level at the end of first quarter of 2018, broad money supply expanded by ₦2,510.26 billion (10.33 percent) in March 2019.

Relative to the fourth quarter of 2018, Narrow Money Supply (M1) decelerated in the first quarter of 2019. The M1 registered a ₦807.31 billion (6.87 percent) decline from ₦11,752.56 billion in December 2018 to ₦10,945.25 billion at the end of the first quarter of 2019. The drop in M1 is traceable to the decline in both the Demand Deposit and the Currency Outside Bank as at March 2019 from the December 2018 rates.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (March 2018 – March 2019)



Source: Central Bank of Nigeria, 2019

The monetary policy Rate was reduced by 25 base point from 14 percent in February to 13.50 percent in March 2019 while the asymmetric corridor around the MPR was kept at +200 and - 500 basis points. Other key monetary policy instruments were however 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 boost growth but also 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 reduction in the deposit and lending rates in the economy. The average interbank call rate dropped significantly from 22.68 percent in December 2018 to 12.14 percent, 16.71 percent and 11.50 percent in January, February and March 2019 respectively. The average prime lending rate decreased from 16.17 percent in December 2018 to 16.01 percent, 16.08 percent and 14.92 percent in January, February and March 2019 respectively. The average maximum lending rate on the other hand, recorded a slight increase, going up from 30.52 percent in December 2018 to 30.48 percent, 30.56 percent and 30.83 percent in January, February and March 2019 respectively (figure 2.4).

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's total external trade rose by ₦576.41 billion or 7.52 percent to ₦8,239.04 billion in the first quarter of 2019 mainly driven by significant expansion in imports as exports shrunk. Imports expanded by ₦760.43 billion or 25.84 percent to ₦3,703.72 billion in the period under review. Export however contracted by ₦184.03 billion or 3.90 percent to ₦4,535.33 billion from ₦4,719.36 billion in the corresponding quarter of 2018. Crude export drove the decline in export as it fell by ₦202.81 billion (5.67 percent) to ₦3,376.73 billion in the review period. The non-crude and non-oil exports however posted the positive growths of 1.65 percent and 4.65 percent to ₦1,158.60 billion and ₦604.44 billion respectively to mitigate the slide in exports in the review period. The above development resulted in a trade balance of ₦831.62 billion, indicating a ₦944.47 billion or 53.18 percent decrease from ₦1,776.09 billion in the first quarter of 2018.

2.2.4.2 Balance of Payment

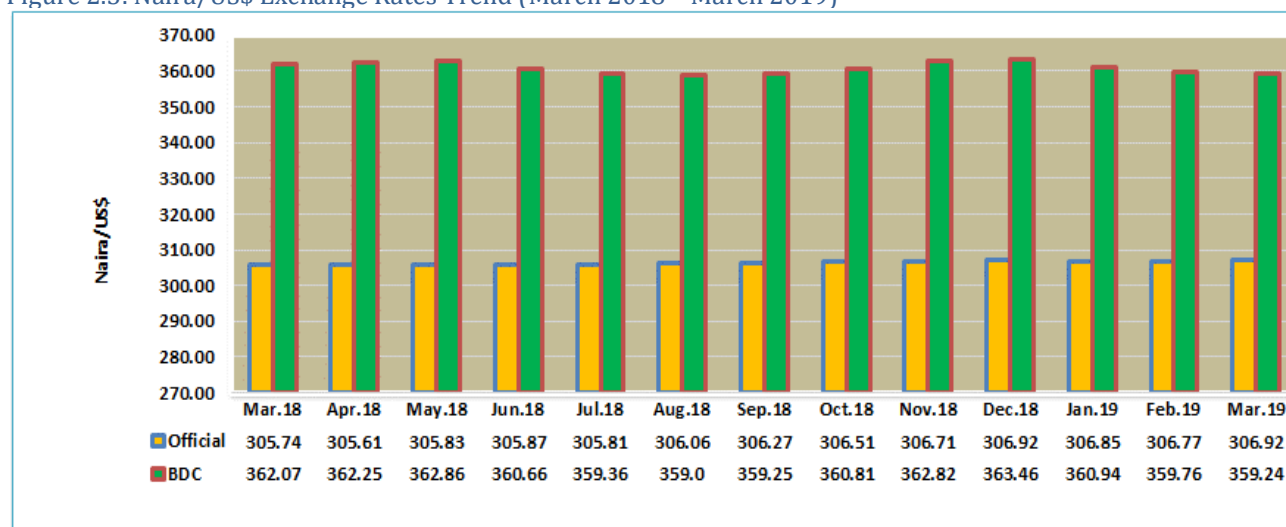
Nigeria recorded a Current Account deficit of US\$1,087.90 million in the first quarter of 2019 reflecting a sharp decline compared to US\$1,104.57 million recorded in the corresponding period in 2018. The development results from the decline in goods sector by 67.57 percent as exports moderated while import surged during the period. The slide in the Current Account was however moderated by the improvements recorded in current transfer while the moderation in net services equally moderated.

2.2.4.3 Exchange Rates

There was relative stability at both the Bureau-de-Change (BDC) and the Investors' and Exporters' (I&E) window of the foreign exchange market. This was due to the CBN proactive exchange rate management policies. Added to this was the contribution of the implementation of the Bilateral Currency Swap Agreement (BCSA) with China and the inflow of the US\$2.8 billion Euro bond. This led to the narrowing of the exchange rate premium between the BDC segment and the Investors' and Exporters' (I&E) window of the foreign exchange market.

The Naira/Dollar exchange rate at the Official/Inter-Bank markets appreciated from ₦306.92/US\$ in December 2018 to ₦306.85/US\$ and ₦306.77/US\$ in January and February 2019 respectively before stabilizing at ₦306.92/US\$ in March 2019. Similarly, the average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) also appreciated from ₦363.46/US\$ in December 2018 to ₦360.94/US\$, ₦359.76/US\$ and ₦359.24/US\$ in January, February and March 2019 respectively. This resulted in the narrowing of the gap between the Official and the BDC rates from 56.54/US\$ in December 2018 to 54.09/US\$ in January to 52.47/US\$ in February and further to 52.25/US\$ in March 2019.

Figure 2.5: Naira/US\$ Exchange Rates Trend (March 2018 – March 2019)



Source: Central Bank of Nigeria, 2019

2.2.4.4 External Reserves

There was a marginal improvement in the level of Nigeria's official gross (external) reserves, which stood at US\$44.79 billion as at end of March, 2019 as against US\$42.59 billion as at end of December 2018. This reflects a slight increase of US\$2.20 billion (or 5.17 percent) over the period.

Figure 2.6: Level of External Reserves in Billion Dollars (March 2018 – March 2019)



Source: Central Bank of Nigeria, 2019

The increase in the level of external reserves could be attributed to the slight rise in international oil price as well as increasing oil production due to the return of normalcy in the Niger Delta Region. These has contributed to the improvement of FOREX inflow into the country. The tight monetary policy stance of Government has equally restrained liquidity conditions in the banking system and therefore greatly minimized speculative actions. The foreign reserves level as at the end of March 2019 could therefore finance over six (6) 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, 2019 stood at US\$81,274.09 million

(~~₦~~24,947.08 billion) representing an increase of US\$1,837.37 million (~~₦~~560.01 billion) or 2.30 percent when compared to the US\$79,436.72 million (~~₦~~24,387.07 billion) reported at the end of December 2018. The breakdown consisted of US\$25,609.63 million (~~₦~~7,860.86 billion) or 31.51 percent for external debt while the balance of US\$55,664.46 million (~~₦~~17,086.20 billion) 68.49 percent was for domestic debt stock. The total public Debt/GDP remained sustainable at a ratio of 19.03 percent as at the end of March 2019, and was significantly below the country specific threshold of 25 percent and international threshold for comparator countries of 56 percent.

2.2.5.2 Domestic Debt Stock

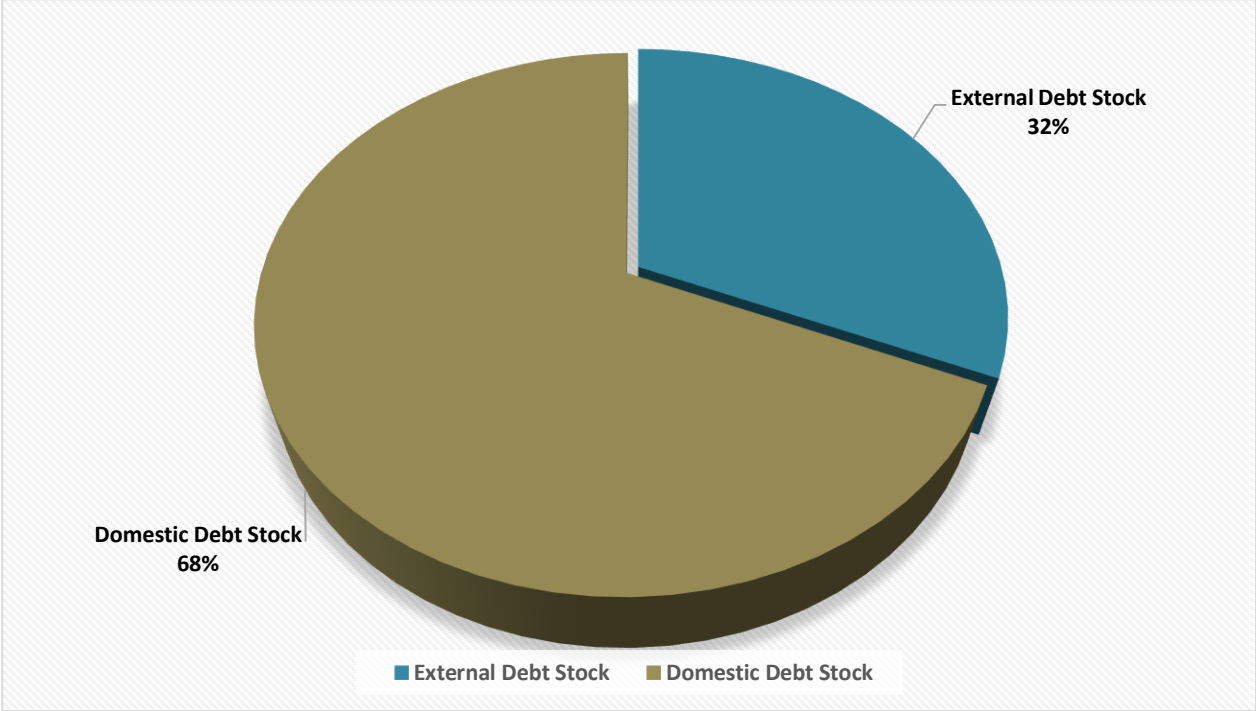
FGN Domestic debt stock as at 31st March, 2019 stood at ~~₦~~13,113.42 billion representing an increase of ~~₦~~339.01 billion (2.65 percent) above the ~~₦~~12,774.41 billion reported in the fourth quarter of 2018. The 2019 first quarter domestic debt figure was also ~~₦~~536.66 billion (4.27 percent) above the ~~₦~~12,576.76 billion reported in the same period of 2018. The increase in the stock of domestic debt when compared to the fourth quarter of 2018 was as result of increase in the net issuances of Nigeria FGN Bonds and Nigerian Treasury Bills (NTBs). A breakdown of the domestic debt stock as at 31st March, 2019 showed that ~~₦~~9,723.67 billion (or 74.15 percent) is for FGN Bonds, ~~₦~~2,651.51 billion (20.22 percent) is for NTBs, ~~₦~~150.99 billion (1.15 percent) is for Treasury Bonds, ~~₦~~9.71 billion (0.07 percent) is for FGN Savings Bond, ~~₦~~200.0 billion (1.53 percent) is for FGN Sukuk, ~~₦~~10.69 billion (0.08 percent) is for Green Bond and ~~₦~~366.85 billion (2.80 percent) is for Promissory Notes.

2.2.5.3 External Debt Stock

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 31st March, 2019, stood at US\$25,609.63 million representing an increase of US\$335.27 million (1.33 percent) and US\$3,537.72 million (16.03 percent) above US\$25,274.36 million and US\$22,071.91 million recorded in the fourth and first quarters of 2018 respectively. A breakdown of the external debt stock as at 31st March, 2019 revealed that Multilateral Debts amounted to US\$11,248.54 million (43.92

percent), Non-Paris Club Bilateral Debts amounted to US\$3,192.73 million (12.47 percent) while Commercial (Euro-Bond) accounted for the balance of US\$11,168.35 million (43.61 percent).

Figure 2.7: First Quarter 2019 Total Public Debt Stock



Source: Debt Management Office, 2019

3.0 FINANCIAL ANALYSIS OF THE 2019 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2019 Budget was anchored on the 2019-2021 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) which was aligned to the Government's Economic Recovery and Growth Plan (ERGP). To carry many Nigerians along in the Federal Budget preparation processes, several consultations were held with all relevant stakeholders within the economy on the MTEF/FSP. Developments at the domestic and 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 2019 MTEF/FSP are as tabulated in table 3.1.

Table 3.1: Key Assumptions and Targets for the 2019 Budget

KEY ASSUMPTION & TARGETS	2016	2017	2018	2019
Projected Production (in mbpd)	2.2	2.20	2.30	2.30
Budget Benchmark Price (per barrel in US)	38	44.50	51	60
Technical Cost of JVC Pbl to Oil Companies				
Operating Expenses (T1) in US \$	10.29	10.43	11.24	20.45
Capital Expenses (T2) in US \$	11.12	10.85	11.97	14.89
Petroleum Investment Allowance (10%)				0.51
Technical Cost of PSC Pbl to Oil Companies				
Operating Expenses (T1) in US \$	8.22	8.85	8.7	10.01
Capital Expenses (T2) in US \$	19.62	17.86	11.01	10.04
Investment Tax Credit	4.94	2.85	2.13	1.54
Technical Costs of SC pbl to Oil Company				
Operating Expenses (T1) in US \$	18.62	18.62	22.79	29.49
Capital Expenses (T2) in US \$	2.44	2.05	2.05	5.49
Investment Allowances	2.996	0.46	0.46	2.67
Weighted Average Contribution Rates				
Weighted Average Rate of PPT - JV Oil	85%	85%	85%	85%
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%	50.2%	50.1%
Weighted Average Rate of PPT - SC Oil	85%	85%	85%	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%	85%	85%	85%
Weighted Average Rate of PPT - Marginal	51.6%	51.6%	85%	85%
Royalty Rates				
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%	18.67%	18.67%
Weighted Average Rate of Royalties - PSC	4.5%	4.5%	2.3%	2.83%
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%	18.5%	18.50%
Weighted Average Rate of Royalties -Independent	19.3%	19.3%	19.31%	19.31%
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%	9.3%	9.29%
Average Exchange Rate (NGN/US\$)	197	305	305	305
VAT Rate	5%	5%	5%	5%
CIT Rate	30%	30%	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2019

3.1.1 Budget Benchmark Oil Price and Production

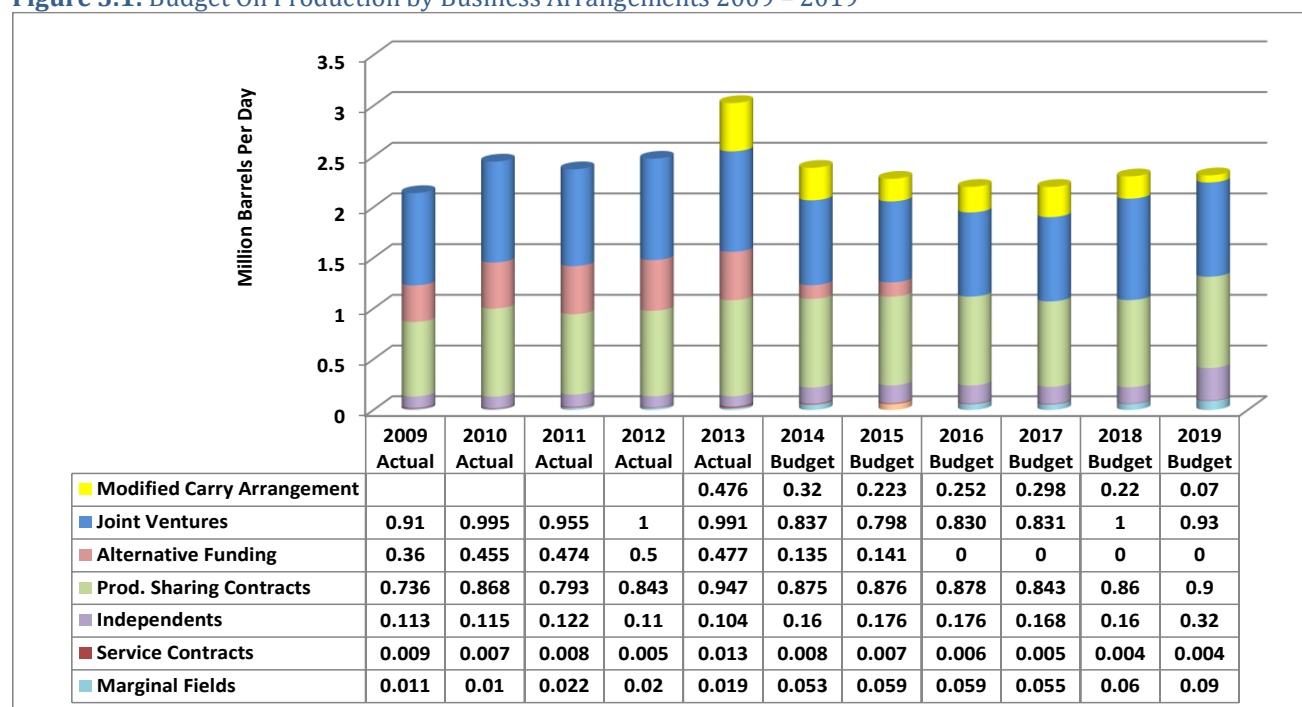
The benchmark price of oil for the 2019 Budget was fixed at US\$60.0/barrel while benchmark oil production was pegged at 2.3 million barrels per day (mbpd). This aligns with Government continued use of benchmark oil production and prices for its yearly budgets to protect budget expenditures from the instabilities in the price of oil at the global market.

The productivity and consequently cost outlay in the oil sector was projected to deteriorate in the 2019 fiscal year. The Technical Cost comprising average of operating and capital expenses were adjusted in the 2018 as well as in the 2019 fiscal year compare to the rates in 2017 for both the Joint Ventures (JVs) and

the Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement increased from US\$23.21 per barrel in 2018 to US\$35.34 per barrel in 2019 indicating an increase of US\$12.13 per barrel over the period. The average expenses for the PSC also increased slightly to US\$20.05 per barrel in 2019 from US\$19.71 in 2018. This was driven by the rise in Operating Expenses for PSC.

The share of oil production by business arrangements remained relatively stable with the JVs and PSCs dominating at approximately 37.8 and 36.7 percent respectively. Information on expected contributions of oil production by business arrangements are presented in Figure 3.1 while 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 2018 budget framework.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2019



Source: NAPIMS/NNPC, 2019

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2019)

Share of Oil Production	2018 Production Volume (mbpd)	2018 Percentage	2019 Production Volume (mbpd)	2019 Percentage
Joint Ventures	1.00	43.48%	0.93	37.8%
Alternative Funding				
Modified Carry Arrangement	0.22	9.57%	0.07	2.8%
Production Sharing Contracts	0.86	37.39%	0.90	36.7%
Independents	0.16	6.96%	0.32	12.8%
Service Contracts	0.004	0.17%	0.004	0.2%
Marginal	0.06	2.61%	0.09	3.5%
Base Production	2.30	100%	2.3	100%
Repayment Arrears	0.21	8.37%	0.15	6.2%
Total Oil Production	2.51	100%	2.45	100%
PPT Rates				
Weighed Average -JV/AF/Independent/Marginal		85%	85%	
Weighed Average -PSC		50.2%	50.10%	
Weighed Average -SC		85%	85%	
Royalties Rates				
Weighted Average-JV/AF/Independent/Marginal		18.67%	18.67%	
Weighted Average-PSC		2.3%	2.83%	
Weighted Average-SC Oil		19.31%	19.31%	

Source: NNPC and BOF, 2019

3.2 Analysis of Revenue Performance

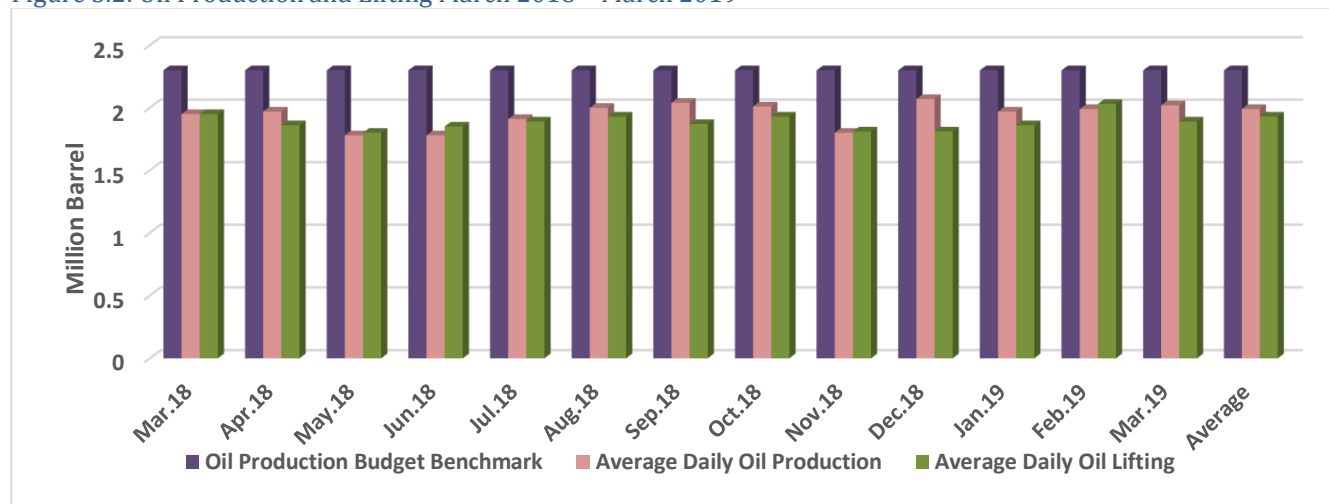
3.2.1 Performance of Key Oil Revenue Parameters

The price of crude oil at the international market averaged US\$63.21 per barrel in the first quarter of 2019, representing a decrease of US\$4.55 per barrel (6.71 percent) below the US\$67.76 per barrel reported in the fourth quarter of 2018. This also reflects a decrease of US\$3.59 per barrel (5.37 percent) and an increase of US\$3.21 per barrel (5.35 percent) when compared to US\$66.80 per barrel recorded in the first quarters of 2018 and US\$60.0 budget benchmark, respectively. The decline in crude oil price during the period when compared to the preceding quarter can be attributed to the USA – China trade tension and others forces of demand and supply of crude oil at the international market.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil production and lifting (including Condensates) in the first quarter of 2019 was 1.99mbpd and 1.93mbpd respectively. The oil

production figure indicates a shortfall of 0.31mbpd (13.48 percent) below the 2.3mbpd benchmark for the 2019 Budget. The volume of oil production in the period was however 0.03mbpd above 1.96mbpd reported in the fourth and same with the 1.99mbpd recorded in the first quarters of 2018.

Figure 3.2: Oil Production and Lifting March 2018 – March 2019



Source: NNPC and BOF, 2019

The above translates to an average monthly oil production and lifting of 59.85 million barrels and 57.79 million barrels respectively in the first quarter of 2019. The reduction in the quantity of oil production during the quarter as against the projected budget figure could be ascribed to the deductions of oil production to fund JV cash call arrears to International Oil Companies (IOCs) as well as delays in production from new fields.

3.3 Aggregate Revenue of the Federation

The 2019 Fiscal Framework projected a gross Federally Collectible Revenue of ₦14,950.16 billion, comprising of ₦9,326.94 billion (or 62.39 percent) oil revenue and ₦5,623.22 billion (or 37.61 percent) non-oil revenue. Gross oil revenue in the first quarter of 2018 stood at ₦1,355.79 billion representing a ₦975.95 billion (41.86 percent) shortfall from ₦2,331.74 billion quarterly projection in the 2019 budget. The performance in the first quarter of 2019 was however above the corresponding level in the same period of 2018. The low performance as against the quarterly estimate can be ascribed to the drop in oil

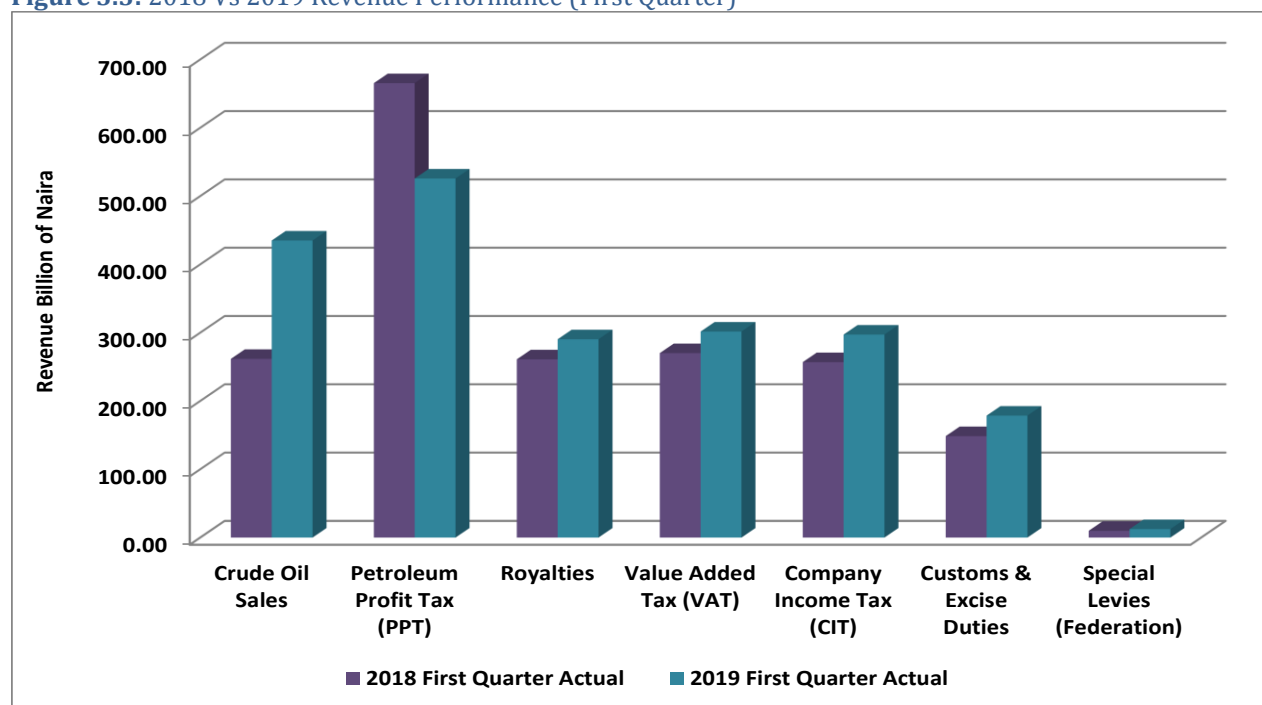
lifting figures due to fall in demand, persistent crude oil theft and vandalism of pipelines in the Niger Delta region during the period. The aggregate gross non-oil revenue for the same period revealed a decrease from the quarterly budget estimate but an increase of ₦104.44 billion (or 15.24 percent) above the corresponding figure recorded in 2018, *Table 3.3*.

Table 3.3: Performance of Federation Revenue in the First Quarter of 2019 Vs 2018

Revenue Items	2018	2019	Variance	
	1st Quarter Actual	1st Quarter Actual	1st Quarter 2019 Vs 1st Quarter 2018	
Oil Revenue	N'bens	N'bens	N'bens	%
Crude Oil Sales	261.63	434.96	173.33	66.25
Petroleum Profit Tax (PPT)	665.36	525.73	-139.63	-20.99
Royalties	260.98	290.35	29.37	11.25
Gross Oil Revenue	1,288.06	1,355.79	67.73	5.26
Net Oil Receipts	1,051.62	887.00	-164.62	-15.65
Non-Oil Revenue				
Value Added Tax (VAT)	270.06	301.62	31.56	11.69
Company Income Tax (CIT)	256.86	297.21	40.35	15.71
Customs & Excise Duties	148.54	178.53	29.99	20.19
Special Levies	9.88	12.42	2.54	25.71
Gross Non-Oil Revenue	685.34	789.78	104.44	15.24
Net Non-Oil Receipts	647.40	748.47	101.07	15.61

Source: OAGF and Budget Office of the Federation, 2019

Figure 3.3: 2018 Vs 2019 Revenue Performance (First Quarter)



Source: OAGF and Budget Office of the Federation, 2019

3.4 Oil Revenue Performance

A disaggregation of the Gross Oil Revenue showed that only Crude Oil Sales of ₦434.96 billion, Gas Flared Penalty of ₦10.17 billion and Other Oil and Gas Revenue of ₦1.61 billion were above their quarterly estimates of ₦397.61 billion, ₦1.18 billion and ₦1.46 billion by ₦37.35 billion (9.39 percent), ₦8.98 billion (760.28 percent) and ₦0.14 billion (9.84 percent) respectively. The other remaining oil revenue items however fell below their respective quarterly projections. Gas Sales of ₦92.62 billion, Petroleum Profit and Gas Taxes of ₦525.73 billion, Royalties (Oil & Gas) of ₦290.35 billion and Rent of ₦0.36 billion fell below their quarterly projections of ₦171.41 billion, ₦1,075.30 billion, ₦549.52 billion and ₦0.42 billion by ₦78.79 billion (45.97 percent), ₦549.57 billion (51.11 percent), ₦259.17 billion (47.16 percent) and ₦0.06 billion (15.26 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 2019 was ₦887.0 billion, signifying a decrease of ₦1,014.18 billion (53.34 percent) below the estimated quarterly projection of ₦1,901.18 billion. The net oil revenue in the first quarter of 2019 was also lower than the ₦1,086.60 billion net oil revenue reported in the fourth quarter of 2018 by ₦199.60 billion (18.37 percent). This could be attributed to the moderation in the price of crude oil in the international market due to the USA – China trade war. The poor oil revenue performance in the review period as against the quarterly projection could also be attributed to the non-achievement of budgeted oil production. These data are presented in *Table 3.3*.

3.5 Non-Oil Revenue Performance

Gross non-oil revenue (Federation Account) of ₦789.78 billion was collected in the first quarter of 2019. This denotes a shortfall of ₦280.33 billion (26.20 percent) below the quarterly estimate of ₦1,070.11 billion. An analysis of the non-oil revenue items revealed that only Customs & Excise Duties of ₦178.53 billion was above its quarterly budget estimate of ₦172.30 billion by ₦6.23 billion (3.62 percent). On the other hand, the remaining non- oil revenue items fell below their quarterly projections. Value Added Tax of ₦301.62 billion, Company Income Tax of ₦297.21 billion and Special Levies of ₦12.42 billion were below their quarterly estimates of ₦425.97 billion, ₦440.38 billion and ₦30.83 billion by ₦124.36 billion (29.19 percent), ₦143.18 billion (32.51 percent) and ₦18.40 billion (59.7 percent) respectively. This indicates that the VAT and CIT jointly contributed ₦267.54 billion (95.44 percent) to the total shortfall in non-oil revenue during the quarter. Surcharge on Luxury Items yielded nothing 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 2019 are still being expected. On the other hand, Revenue Dividend by Companies/Investments Funded by FAAC, Solid Minerals & Other Mining Revenue and Surcharge on Luxury Items which had quarterly projections of ₦20.56 billion, ₦0.76 billion and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding 2018 fourth quarter performances, only Value Added Tax surpassed its corresponding fourth quarter performance by ₦25.21 billion (9.12 percent). On the other hand, Company Income Tax, Customs & Excise Duties and Special Levies fell below their equivalent 2018 fourth quarter performances by ₦49.94 billion (14.39 percent), ₦3.35 billion (1.84 percent) and ₦2.08 billion (14.34 percent) respectively. The enhanced performance of Value Added Tax in the first quarter of 2019 as against 2018 fourth quarter figure could be ascribed 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 improve in the subsequent quarters of 2019 following the expected release of funds for 2019 capital projects/programmes.

Table 3.4: Net Distributable Revenue as at March, 2019 (Oil Revenue at Benchmark Assumptions)

S/NO	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2018 Budget	2019 Budget	2019 Quarterly Budget	2018 First Quarter	2019 First Quarter	2019 First Quarter Actual Vs Quarterly Budget	
A	OIL REVENUE	Nb	Nb	Nb	Nb	Nb	Nb	%
1	Crude Oil Sales Export	1,222.76	1,590.45	397.61	261.63	434.96	37.35	9.39
2	Crude Oil Sales Domestic							
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	252.09	685.64	171.41	97.58	92.62	-78.79	-45.97
4	PPT & Gas Income @ 30% CITA	3,583.86	4,301.18	1,075.30	665.36	525.73	-549.57	-51.11
5	Oil Royalties & Gas Royalties	1,932.12	2,198.06	549.52	260.98	290.35	-259.17	-47.16
6	Rent	1.68	1.68	0.42	0.11	0.36	-0.06	-15.26
7	Gas Flared Penalty	4.73	4.73	1.18	0.82	10.17	8.98	760.28
8	Licenses & Early License Renewal	395.00	90.00	22.50	0.00	0.00	-22.50	-100.00
9	Exchange Gain	219.97	449.36	112.34	0.00	0.00	-112.34	-100.00
10	Other Oil and Gas Revenue	5.86	5.86	1.46	1.59	1.61	0.14	9.84
11	Sub-Total	7,618.06	9,326.95	2,331.74	1,288.06	1,355.79	-975.95	-41.86
12	DPR Cost of Collection				10.54	11.30	11.30	
13	Transfer of Lagos State 13% Derivation				0.13	0.00	0.00	
14	Joint Venture Cash Calls				68.64	289.65	289.65	
15	NESS Fees	238.11	410.40	102.60	0.00	0.00	-102.60	-100.00
16	Gas Infrastructure Development & Other Gas Expenses	297.71	175.51	43.88	0.00	0.00	-43.88	-100.00
17	Transfer to Excess Crude on Royalty Proceeds Account				0.00	35.30	35.30	
18	Sub-Total	7,082.24	8,741.04	2,185.26	1,208.75	1,019.54	-1,165.72	-53.34
19	13% Derivation of Net Oil Revenue	920.69	1,136.34	284.08	157.14	132.54	-151.54	-53.34
20	TO FEDERATION ACCOUNT (OIL)	6,161.55	7,604.71	1,901.18	1,051.62	887.00	-1,014.18	-53.34
B	DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC							
21	Dividend of Companies/Investments Funded by FAAC	64.43	82.25	20.56	0.00	0.00	-20.56	-100.00
22	TO FEDERATION ACCOUNT (DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC)	64.43	82.25	20.56	0.00	0.00	-20.56	-100.00
C	SOLID MINERALS & OTHER MINNING REVENUE							
23	Total Solid Mineral Revenue	2.78	3.05	0.76	0.00	0.00	-0.76	-100.00
24	Less 13% Derivation of Net Solid Minerals	0.36	0.40	0.10	0.00	0.00	-0.10	-100.00
25	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.42	2.66	0.66	0.00	0.00	-0.66	-100.00
D	NON-OIL REVENUE							
26	Value Added Tax (VAT)	1,544.00	1,703.89	425.97	270.06	301.62	-124.36	-29.19
27	Tax Amnesty	305.00	0.00	0.00	0.00	0.00	0.00	
28	Surcharge on Luxury Items	2.50	2.50	0.63	0.00	0.00	-0.63	-100.00
29	Corporate Tax (CIT, Stamp Duties & CGT)	1,731.81	1,761.53	440.38	256.86	297.21	-143.18	-32.51
30	Customs: Import, Excise & Fees	720.23	689.21	172.30	148.54	178.53	6.23	3.62
31	Special Levies (Federation Account)	128.30	123.30	30.83	9.88	12.42	-18.40	-59.70
32	Sub-Total	4,431.83	4,280.43	1,070.11	685.34	789.78	-280.33	-26.20
33	Cost of Collection and Other Deductions	226.63	209.62	52.40	37.93	41.30	-11.10	-21.18
34	4% Cost of Collection (VAT & Surcharge on Luxury Items)	61.76	68.26	17.06	0.00	12.06	-5.00	-29.30
35	4% Cost of Collection (Amnesty)	12.20	0.00	0.00	0.00	0.00	0.00	
36	4% Cost of Collection (CIT)	68.27	59.48	14.87	10.03	11.72	-3.15	-21.17
37	7% Cost of Collection (Customs)	50.42	48.24	12.06	10.40	12.50	0.44	3.62
38	7% Cost of Collection (Special Levies)	8.98	8.63	2.16	0.69	0.87	-1.29	-59.70
39	FIRS Tax Refunds	25.00	25.00	6.25	6.01	4.15	-2.10	-33.60
40	TO FEDERATION ACCOUNT (NON-OIL)	2,427.67	2,432.68	608.17	388.15	458.92	-148.25	-24.54
41	Total VAT Pool	1,482.24	1,635.74	408.93	259.25	289.55	-119.38	-29.19
42	Net Amnesty	292.80	0.00	0.00	0.00	0.00	0.00	
43	Net Surcharge on Luxury Items	2.50	2.40	0.60	0.00	0.00	-0.60	-100.00
44	Net Non-Oil Revenue	4,205.20	4,070.81	1,017.70	647.40	748.47	-269.23	-26.45
45	Sub-Total: FEDERATION ACCOUNT	8,656.06	10,122.28	2,530.57	1,439.76	1,345.92	-1,184.65	-46.81
46	Actual Balances in Special Accounts	19.17	17.17	4.29	0.00	0.00	-4.29	-100.00
47	TOTAL FEDERATION ACCOUNT	8,675.24	10,139.46	2,534.86	1,439.76	1,345.92	-1,188.95	-46.90
E	TOTAL DISTRIBUTION							
1	Federation Account	8,675.24	10,139.46	2,534.86	1,439.76	1,345.92	-1,188.95	-46.90
2	VAT Pool Account	1,482.24	1,635.74	408.93	259.25	289.55	-119.38	-29.19
3	Net Amnesty	292.80	0.00	0.00	0.00	0.00	0.00	
4	Net Surcharge on Luxury Items	2.50	2.40	0.60	0.00	0.00	-0.60	-100.00
5	GRAND TOTAL	10,452.77	11,777.59	2,944.40	1,699.02	1,635.47	-1,308.93	-44.45

Source: OAGF and Budget Office of the Federation, 2019

Table 3.5: Actual Performance of Non-Oil Revenue Categories (First Quarter) 2009 – 2018

Description	FIRST QUARTER (ACTUAL)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10 - Year Average
	N'bn	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	148.54	65.20
Company Income Tax	47.19	61.57	58.69	57.93	73.72	82.93	81.45	82.04	158.95	256.86	96.13
Value Added Tax	15.24	18.71	19.81	22.98	24.94	28.73	26.30	26.42	222.00	270.06	67.52
FGN Independent Revenue	29.16	15.95	33.45	99.78	65.03	121.13	280.63	47.52	21.89	72.05	78.66

Source: OAGF and BOF, 2019

Further examination of first quarter non-oil revenue performance indicates 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 over the period (Tables 3.5 and 3.6).

Table 3.6: Percentage Growth in Non-Oil Revenue Performances (First Quarter) 2010 – 2018

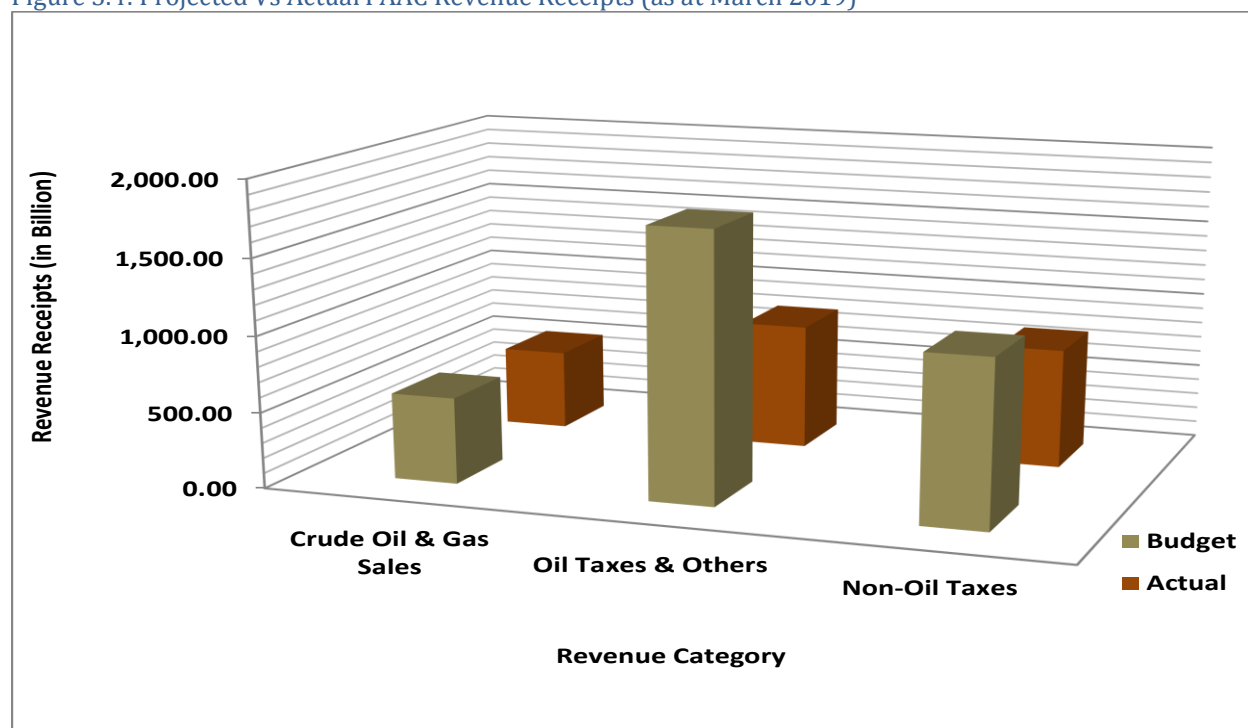
Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	9 - Year Average
Customs & Excise Duties	15.05%	27.21%	19.55%	0.61%	10.63%	9.50%	-6.19%	133.31%	12.98%	24.74%
Company Income Tax	30.47%	-4.68%	-1.29%	27.26%	12.49%	-1.78%	0.72%	93.75%	61.60%	24.28%
Value Added Tax	22.77%	5.88%	16.00%	8.53%	15.20%	-8.46%	0.46%	740.27%	21.65%	91.37%
FGN Independent Revenue	-45.30%	109.72%	198.30%	-34.83%	86.27%	131.68%	-83.07%	-53.94%	229.15%	59.77%

Source: OAGF and BOF, 2019

3.6 Comparative Revenue Performance Analysis

A breakdown of the actual performance of revenue categorizations compared with their budgeted estimates as at March 2019 reveal underperformance for crude oil sale, oil tax and other oil revenues as well as the non-oil tax (Figure 3.3).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at March 2019)



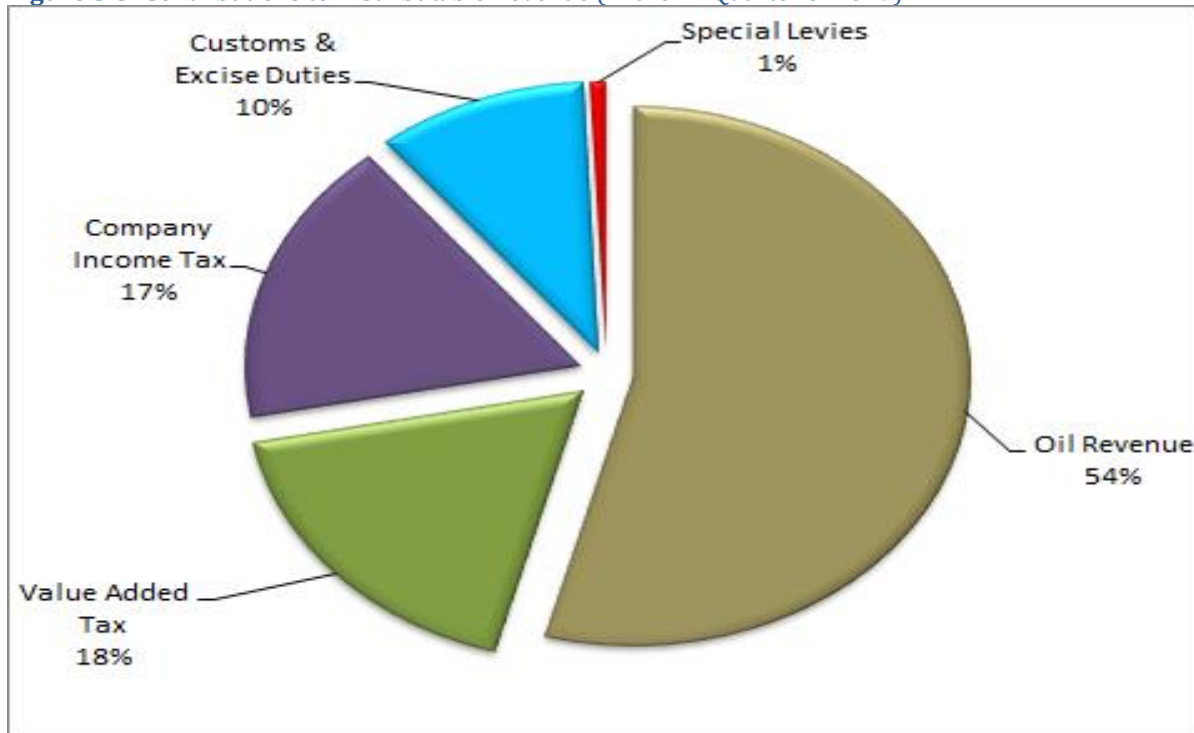
Source: Budget Office of the Federation, 2019

3.7 Distributable Revenue

The net distributable revenue of the Federation stood at ₦1,635.47 billion in the first quarter of 2019. This denoted a shortfall of ₦1,308.93 billion (44.45 percent) from ₦2,944.40 billion projected for the period. This was driven by significant reduction in the inflow into the Federation Account from both the oil and non-oil sector. Oil and Non-Oil sector revenue accruing to the Federation account fell by ₦1,014.18 billion (77.48 percent) and ₦294.75 billion (22.52 percent) respectively during the review period.

The percentage contribution of the different revenue classifications to distributable revenue in the first quarter of 2019 is presented in figure 3.5. Oil Revenue, VAT, CIT, Customs and Special Levies contributed 54.24 percent, 17.7 percent, 17.2 percent, 10.15 percent and 0.7 percent respectively.

Figure 3.5: Contributions to Distributable Revenue (in the 1st Quarter of 2019)



Source: Budget Office of the Federation, 2019

3.8 Excess Crude Account

The Excess Crude Account (ECA) witnessed no deposit during the review period. This reflects the lower average crude oil price and production recorded during the period under review. However, the sum of US\$450.92 million was withdrawn from the account while a total of US\$2.25 million being accrued interest on fund investment and exchange again on Paris Club refund was received into the ECA in the first quarter of 2019. In view of the above, the ECA had an opening balance of US\$631.45 million as at 1st January, 2019 and a closing balance of US\$182.77 million as at 31st March, 2019. These data are presented in Table 3.7.

Table 3.7: Net Excess Crude Account

Description	2018 Actual (N'bn)		2019 Actual (N'bn)
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Oil Account	0	US\$526.15 million	0
Accrued Interest on Fund Investment	0	US\$11.87 million	US\$2.25 million
Total Inflow	0	US\$538.02 million	US\$2.25 million
Outflows			
Consultancy Fee & Litigation Expenses	0	0	US\$350.0 million
NSIA Payment for Fertilizer Purchase	0	0	US\$14.55 million
Excess Loss on Transfers	0	0	US\$1.28 million
Amount approved by Mr. President as advance payment for the purchase of Super Tucano Aircraft	US\$496.37 million	0	0
Amount approved by Mr. President for the first batch of procurement of critical equipment for the Nigerian Army, Navy and Defence Intelligence Agency	0	US\$380.51 million	0
Paris Club Refund to States & FCT	0	US\$1,761.03 million	US\$68.28 million
States Matching Grants to UBEC	0	US\$233.29 million	US\$16.80 million
Total Outflow	US\$496.37 million	US\$2,374.83 million	US\$450.92 million
Net Excess Crude Account	(US\$496.37 million)	(US\$1,836.81 million)	(US\$448.67) million

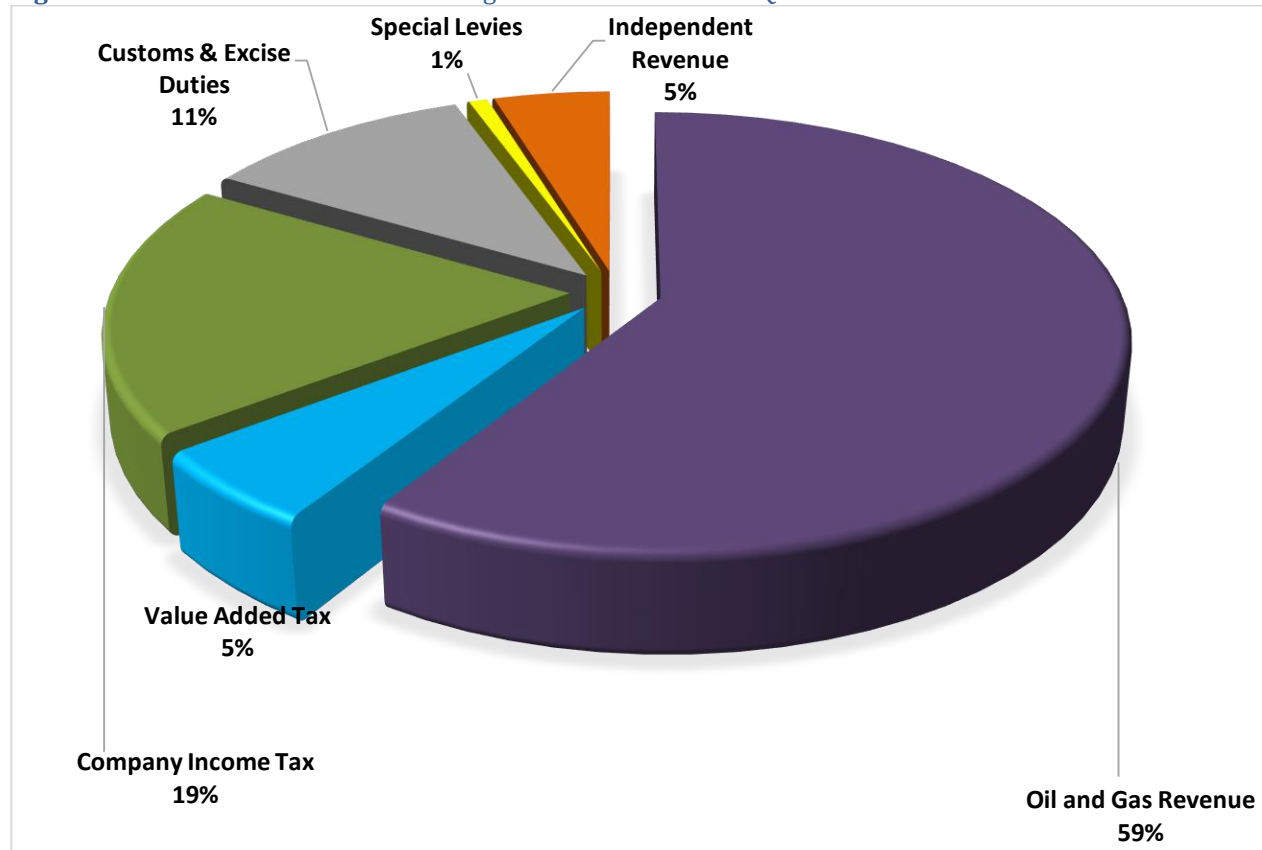
Source: Office of the Accountant General of the Federation, 2019

3.9 FGN Revenue Performance:

Based on the approved 2019 Budget Framework, the sum of ₦6,998.49 billion was projected to fund the Federal Budget, indicating a quarterly share of ₦1,749.62 billion. A total of ₦727.89 billion, excluding other funding sources, was received in the first quarter of 2019. This amount was ₦1,021.73 billion (58.4 percent) and ₦174.62 billion (19.35 percent) lower than the quarterly projection of ₦1,749.62 billion and ₦902.51 billion reported in the fourth quarter of 2018 respectively. The 2019 first quarter performance was also ₦78.74 billion (9.76 percent) below the ₦806.63 billion recorded in the first quarter of 2018. Total inflow available to fund the budget however stood at ₦988.89 billion indicating a ₦760.73 billion (43.48 percent) shortfall from the prorated budget

projection for the period.

Figure 3.6: Contributions to the FGN Budget Revenue in the First Quarter of 2019



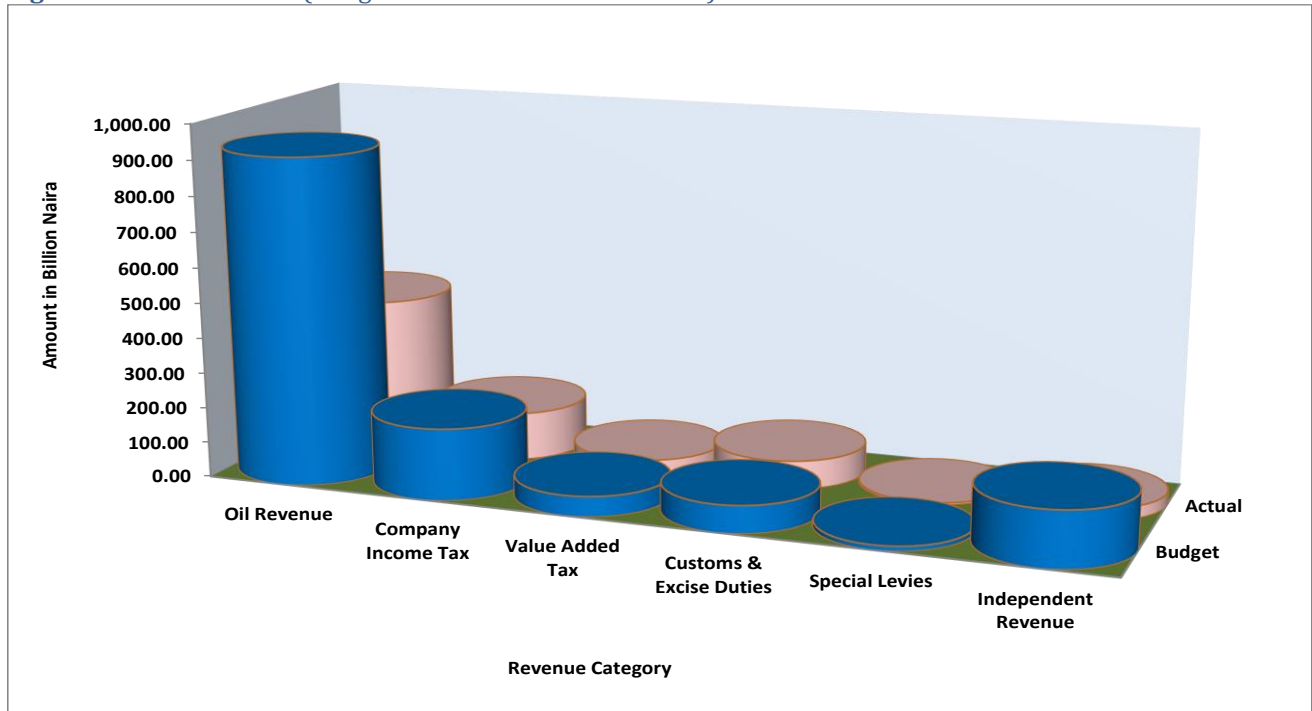
Source: The OAGF and Budget Office of the Federation, 2019

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

The sum of ₦430.19 billion received from Oil Sources in the first quarter of 2019 was lower than the quarterly estimate of ₦922.07 billion by ₦491.88 billion (53.34 percent). With the exception of FGN Share of Customs & Excise Duties of ₦80.53 billion which was above its quarterly budget estimate of ₦77.72 billion by ₦2.81 billion (3.62 percent), all other Non-Oil revenue items fell below their quarterly budget projections. FGN Share of VAT of ₦40.54 billion, Company Income Tax of ₦136.45 billion and Special Levies of ₦5.60 billion were below their corresponding quarterly budget estimates of ₦57.25 billion, ₦203.34 billion and ₦13.90 billion by ₦16.71 billion (29.19 percent), ₦66.89 billion (32.9 percent) and ₦8.30 billion (59.7 percent) respectively. On the other hand, FGN Share of Company Investment by FAAC, FGN Share of Solid Minerals Revenue,

FGN Share of Surcharge on Luxury Items, FGN Share of Signature Bonus 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 2019)



Source: The OAGF and Budget Office of the Federation, 2019

Table 3.8: Inflows to the 2019 Federal Budget as at March 2019

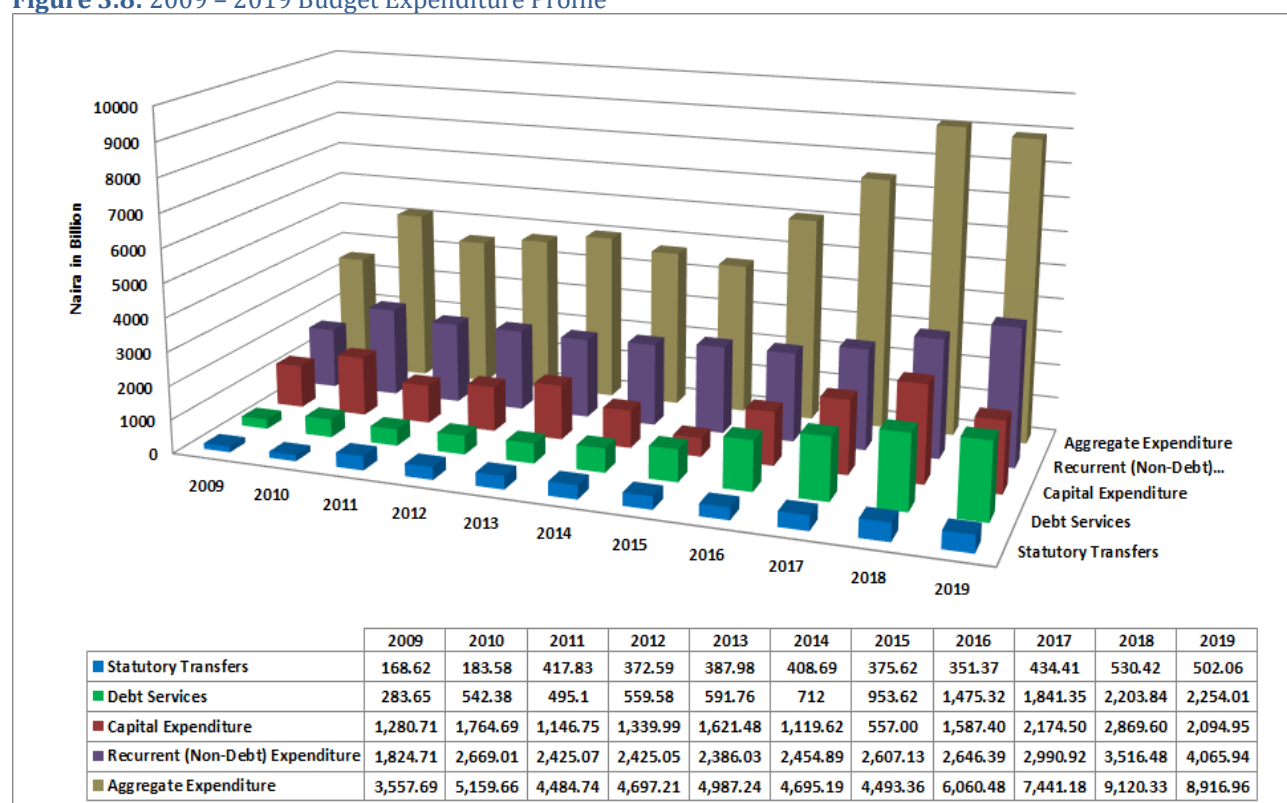
S/No	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2018 Budget	2019 Budget	2019 Quarterly Budget	2018 First Quarter	2019 First Quarter	2019 First Quarter Actual Vs Quarterly Budget	
1	Inflow for the Federal Budget (CRF)	₦b	₦b	₦b	₦b	₦b	₦b	%
2	FGN Share of Oil Revenue	2,988.35	3,688.28	922.07	510.04	430.19	(491.88)	(53.34)
3	Share of Non-Oil Revenue	1,629.14	1,542.92	385.73	224.55	263.11	(122.62)	(31.79)
4	FGN Share of Dividend of Companies/Investments Funded by FAAC	31.25	39.89	9.97	-	-	(9.97)	(100.00)
5	FGN Share of Solid Minerals & Other Mining Revenue	1.17	1.29	0.32	-	-	(0.32)	(100.00)
6	FGN Share of Value Added Tax (VAT)	207.51	229.00	57.25	36.30	40.54	(16.71)	(29.19)
7	FGN Share of Tax Amnesty	87.84	-	-	-	-	-	
8	FGN Share of Surcharge on Luxury Items	0.35	0.34	0.08	-	-	(0.08)	(100.00)
9	FGN Share of Company Income Tax (CIT)	794.69	813.37	203.34	116.80	136.45	(66.89)	(32.90)
10	FGN Share of Customs (Imports, Exports & Fees)	324.86	310.87	77.72	67.00	80.53	2.81	3.62
11	FGN Share of Special Levies (Federation Account)	57.87	55.62	13.90	4.46	5.60	(8.30)	(59.70)
12	FGN Share of Actual Balances in Special Accounts	9.30	8.33	2.08	-	-	(2.08)	(100.00)
13	FGN Share of Signature Bonus	114.30	84.23	21.06	-	-	(21.06)	(100.00)
14	FGN Independent Revenue	847.95	631.08	157.77	72.05	34.59	(123.18)	(78.08)
15	Unspent Balance from Previous Year	250.00	-	-	-	-	-	
16	FGN Balances in Special Levies Accounts	27.21	12.91	3.23	-	-	(3.23)	(100.00)
17	Domestic Recoveries + Assets + Fines	374.00	203.38	50.84	-	-	(50.84)	(100.00)
18	Other FGN Recoveries	138.44	-	-	-	-	-	
19	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	710.00	710.00	177.50	-	-	(177.50)	(100.00)
20	Grants and Donor Funding	199.92	209.92	52.48	-	-	(52.48)	(100.00)
21	TOTAL RETAINED REVENUE	7,165.01	6,998.49	1,749.62	806.63	727.89	(1,021.73)	(58.40)
22	Other Financing Sources	-	-	-	12.98	261.00	261.00	
23	Share from Excess PPT					21.10	21.10	
24	Exchange Rate Difference				12.98	1.07	1.07	
25	Revenues from Special Accounts					238.83	238.83	
26	TOTAL INFLOW	7,165.01	6,998.49	1,749.62	819.61	988.89	(760.73)	(43.48)

Source: Budget Office of the Federation and the OAGF, 2019

3.10 Expenditure Developments:

A total of ₦8,916.96 billion (excluding GOEs Budget & Project-tied Loans) was appropriated for expenditure in the 2019 Budget. This comprises of ₦4,065.94 billion (45.6 percent) for Recurrent (Non-Debt) Expenditure, ₦2,254.01 billion (25.28 percent) for Debt Services, ₦502.06 billion (5.63 percent) for Statutory Transfers and ₦2,094.95 billion (23.49 percent) for Capital Expenditure. This translates to prorate quarterly expenditure outlay of ₦2,229.24 billion in 2019. Actual expenditure outflow of ₦1,942.59 billion was recorded in the first quarter of 2019, translating to a shortfall of ₦286.65 billion (12.86 percent) expenditure over the quarterly budget projection for the year. The detail breakdown is presented in Figure 3.7.

Figure 3.8: 2009 – 2019 Budget Expenditure Profile



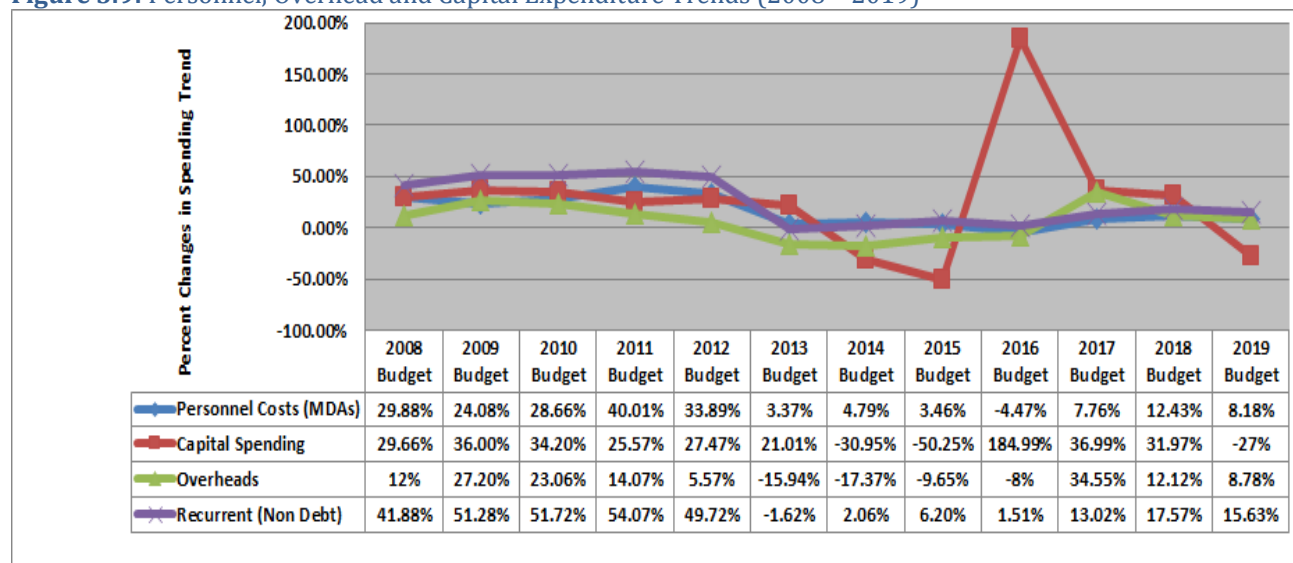
Source: Budget Office of the Federation, 2019

3.10.1 Non-Debt Recurrent Expenditure:

Government’s determination to cut down the growth in recurrent expenditures as stated in the 2019-2021 Fiscal Framework and Fiscal Strategy Paper continued to be pursued using the 2019 Budget implementation. The initiatives of the FGN 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 bring about some savings in personnel costs, activation of more module of the GIFMIS platform, the Presidential Initiative on Continuous Audit, as well as the use of the Treasury Single Account (TSA).

A total of ₦1,081.62 billion was spent on non-debt recurrent expenditure in the first quarter of 2019. This amount revealed an increase of ₦65.14 billion or 6.41 percent above the quarterly estimate of ₦1,016.48 billion (details in Figure 3.8).

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2019)



Source: BOF and OAGF, 2019

3.10.2 Debt Service:

Total Debt Services in the first quarter of 2019 stood at ₦746.10 billion reflecting

an increase of ₦182.60 billion or 32.40 percent above the ₦563.50 billion projected for the quarter. This was driven by an overshoot in the domestic debt service payment compared to prorated budget estimates. A total of ₦427.55 billion was proposed for domestic debt servicing in the quarter under review but ₦610.28 billion was actually used to service the debt. This indicated a difference of ₦182.73 billion or 42.74 percent above the quarterly estimate and may be credited to early maturity.

The sum of ₦108.45 billion was proposed for the servicing of external debt in the quarter under review. Actual external debt service payment however amounted to ₦97.04 billion or US\$357.26 million indicating a difference of ₦11.41 billion or 10.52 percent below the quarterly projection.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at March 2019

S/No	Item	BUDGET			ACTUAL		VARIANCE	
		2018 Budget	2019 Budget	2019 Quarterly Budget	2018 First Quarter	2019 First Quarter	2019 First Quarter Actual Vs Quarterly Budget	
		Nb	Nb	Nb	Nb	Nb	Nb	%
A	RETAINED REVENUE	7,165.01	6,998.49	1,749.62	806.63	727.89	(1,021.73)	(58.40)
B	Share from Excess PPT					21.10	21.10	
C	Exchange Rate Difference				12.98	1.07	1.07	
D	Revenues from Special Accounts					238.83	238.83	
E	TOTAL FGN REVENUE	7,165.01	6,998.49	1,749.62	819.61	988.89	(760.73)	(43.48)
F	EXPENDITURE:							
1	RECURRENT NON-DEBT:							
2	Personnel Costs (MDAs)	2,115.47	2,288.57	572.14	533.68	550.79	(21.35)	(3.73)
3	Pensions, Gratuities & Retirees Benefits	241.95	528.07	132.02	47.51	64.48	(67.53)	(51.15)
4	Overhead Costs (MDAs)	246.49	268.13	67.03	57.31	48.85	(18.18)	(27.12)
5	SWV Power Sector Reform Programme Other Service Wide Votes (+ Pension Redemption)	193.34	150.40	37.60		27.62	(9.98)	(26.54)
6		300.43	364.55	91.14	43.64	84.99	(6.15)	(6.75)
7	Presidential Amnesty Programme	65.00	65.00	16.25	12.50	10.83	(5.42)	(33.33)
8	Basic Healthcare Fund (1% of CRF)		51.22	12.80			(12.80)	(100.00)
9	Payments from Special Accounts					245.56	245.56	
10	Special Intervention (Recurrent)	350.00	350.00	87.50		48.50	(39.00)	(44.57)
11	Sub-Total (Non-Debt)	3,512.68	4,065.94	1,016.48	694.64	1,081.62	65.14	6.41
12	Domestic Debts Service	1,759.76	1,710.22	427.55	643.63	610.28	182.73	42.74
13	Foreign Debts	254.08	433.80	108.45	54.08	97.04	(11.41)	(10.52)
14	Total Debt Service	2,013.84	2,144.01	536.00	697.71	707.32	171.32	31.96
15	Interest on Ways & Means				6.74	38.78	38.78	
16	Sinking Fund to Retire Maturing Loans	190.00	110.00	27.50		0.00	(27.50)	(100.00)
17	Sub-Total (Debt)	2,203.84	2,254.01	563.50	704.45	746.10	182.60	32.40
18	Total Recurrent Expenditure	5,716.51	6,319.95	1,579.99	1,399.09	1,827.73	247.74	15.68
19	CAPITAL EXPENDITURE						0.00	
20	Capital Expenditure - 2017 in 2018				507.16		0.00	
21	Capital Expenditure - 2018 in 2019					455.23	455.23	
22	Capital Expenditure - 2019:							
23	Capital Development Fund (Main)	2,178.88	1,445.73	361.43		0.00	(361.43)	(100.00)
24	Capital Supplementation	374.60	289.30	72.33	59.04	0.00	(72.33)	(100.00)
25	Special Intervention (Capital)	150.00	150.00	37.50	69.07	0.00	(37.50)	(100.00)
26	Grants and Donor Funded Projects	169.92	209.92	52.48		0.00	(52.48)	(100.00)
27	Total Capital Expenditure	2,873.40	2,094.95	523.74	635.27	0.00	(523.74)	(100.00)
28	TRANSFERS							
29	Statutory Transfers	530.42	502.06	125.51	114.11	114.87	(10.65)	(8.48)
30	TOTAL FGN EXPENDITURE	9,120.33	8,916.96	2,229.24	2,148.47	1,942.59	(286.65)	(12.86)
31	Fiscal Deficit	(1,955.32)	(1,918.47)	(479.62)	(1,328.86)	(953.70)	(474.08)	98.85
H	FINANCING ITEMS							
1	Privitization Proceeds	306.00	210.00	52.50			(52.50)	(100.00)
2	Non-Oil Asset Sales	5.00						
3	Multi-lateral / Bi-lateral Project-tied Loans		92.84	23.21			(23.21)	(100.00)
4	Domestic Borrowing	793.79	802.82	200.70		285.00	84.30	42.00
5	Foreign Borrowing	849.67	802.82	200.70			(200.70)	(100.00)
6	Sub-Total	1,954.47	1,908.47	477.12		285.00	(192.12)	(40.27)
7	Net Deficit/Surplus	(0.86)	(10.00)	(2.50)	(1,328.86)	(668.70)	(666.20)	26,648.70
8	Grand-Total (Revenue + Financing)	9,119.48	8,906.96	2,226.74	819.61	1,273.89	(952.85)	(42.79)

NOTE: The Figures for Independent Revenue for the Month of February & March 2019 are yet to be Reconciled

Source: OAGF and Budget Office of the Federation, 2019

3.10.3 Statutory Transfers:

A total of ₦114.87 billion was released as statutory transfers in the first quarter of 2019 implying a decrease of ₦10.65 billion or 8.48 percent below the quarterly estimate of ₦125.51 billion. It is important to note that quarterly releases under this subhead are released to beneficiaries subject to budgetary provisions and availability of funds.

3.10.4 Capital Expenditure Performance:

Greater portion of Government's available budgetary resources were directed 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 ₦2,094.95 billion (excluding capital expenditure of top 9 GOEs and project tied loans) was allocated to capital spending in the 2019 Budget.

MDAs' Capital Vote Utilization:

No capital expenditure was released in the first quarter of 2019 under the 2019 Budget. A total of ₦455.23 billion capital expenditure was however released under the 2018 budget in the first quarter of 2019. The release was broken down into ₦389.66 billion as 2018 capital expenditure in 2019, ₦15.00 billion for Special intervention and ₦50.57 billion as capital supplementation. This releases were due to the extension of 2018 capital budget implementation to 30th June, 2019 and the late passage of the 2019 Budget.

3.10.5 Budget Deficit and Performance of the Financing Items:

The 2019 Fiscal Framework estimated a quarterly fiscal deficit of ₦479.62 billion to be financed through earnings from Privatization Proceeds of ₦52.50 billion, Foreign Borrowing of ₦200.70 billion, Domestic Borrowing (FGN Bond) of ₦200.70 billion and Multi-lateral/Bi-lateral Project-tied Loan of ₦23.21 billion. The inflow and outflow of fund for the Federal Government resulted in a fiscal deficit of ₦953.70 billion in the first quarter of 2018. This reflect a significant increase in deficit to the tune of ₦474.08 billion or 98.85 percent of the

projected deficit for the period. However, only ₦285.0 billion was realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦668.70 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 2.01 percent in the first quarter of 2019 with the oil sector recording a real growth of -2.4 percent (year-on-year). The non-oil sector grew by 2.47 percent in real terms during the first quarter of 2019 mainly sustained by the performance of Information & Communication Technology, Agriculture, Transportation & Storage, Trade and Construction, 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 2019 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 2019 Budget.

The Federal Government will remain committed to improved openness, transparency and accountability in budget preparation, implementation, monitoring & 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 2019.