2O23
FIRST QUARTER

BUDGET
IMPLEMENTATION REPORT

BUDGET OFFICE OF THE FEDERATION

Ministry of Finance, Budget and National Planning

FOREWORD

I am delighted to present to you, the 2023 First Quarter Budget Implementation Report (BIR). The Report provides extensive information on the distribution and utilization of public resources among contending socio-economic needs as well as the utilization by the Ministries, Departments and Agencies (MDAs) of Government during the period. The 2023 Appropriation was titled "Budget of Fiscal Consolidation and Transition''. Its key parameters and assumptions are as set out in the 2023-2025 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). Allocation to MDAs was guided by the core objectives of government as contained in the National Development Plan (NDP) 2021-2025. The principal objective of the Budget is to maintain fiscal viability, ensure smooth transition to the incoming Administration and reposition the Nigerian economy on the path of recovery, growth and resilience.

The publication of this report is required by Sections 30 and 50 of the Fiscal Responsibility Act, 2007 which mandates the Budget Office of the Federation to prepare and submit Budget Implementation Reports quarterly 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 BOF team, particularly the Budget Monitoring and Evaluation Department and other relevant Ministries, Departments and Agencies (MDAs) for their hard work and effort in preparing this report. I also wish to recognize the cooperation and commitment of the Fiscal Responsibility Commission (FRC) and the National Assembly's Joint Finance Committee to the production of the reports. I look forward to more of this in future

Lastly, I urge the general public and readers of this Report to sustain their active interest in tracking the utilization of public resources and the achievement of Government's goals and objectives. I look forward to your active participation in the entire budget process.

Mrs. (Dr.) Zainab Shamsuna Ahmed, CON
Honourable Minister of Finance, Budget and National Planning

PREFACE

The Fiscal Responsibility Act, 2007, mandates the Budget Office of the Federation (BOF) to monitor and evaluate the implementation of annual budgets of the Federal Government and to subsequently produce reports on the exercise. The 2023 First Quarter BIR is one of many in-year reports prepared by the BOF. The Report is part of the efforts of the Federal Ministry of Finance, Budget and National Planning (FMFB&NP) to ensure compliance with the FRA 2007 and more importantly, to promote budget transparency and accountability which are key elements of Nigeria's commitment to the Open Government Partnership.

The 2023 Budget was prepared amidst a very challenging world economy weakened by the lingering effects of the Covid-19 pandemic, high inflation, high crude oil prices and negative spillover effects of the Russia-Ukraine war. The resulting slow global growth and heightened global economic uncertainty had important implications for our economy, including headwinds from low revenues, high inflation, exchange rate depreciation and insecurity.

These factors were considered in making the assumptions underpinning the 2023 Budget estimates. Many of the ongoing capital projects in the 2022 Budget that could not be completed were rolled over to the 2023 Budget. This was in line with the Government's determination to fund capital projects to completion and the Administration's strong resolve to invest in critical infrastructures capable of sustaining growth and job creation.

The implementation of the 2023 Budget in the first quarter was very challenging. The Macroeconomic environment was significantly disrupted by the key global and domestic developments. Aggregate revenue for the quarter underperformed even though the world crude oil prices was higher than projected thus increasing the fiscal deficit of the federal government.

This Report is a product of the joint efforts of financial and statistical agencies of Government which provided necessary macro-economic and financial data, and the hard work of various departments of the BOF, particularly the Budget Monitoring and Evaluation Department. I applaud their efforts and wish them 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:	British Exit
CBN:	Central Bank of Nigeria
CIT:	Company Income Tax
COVID-19:	Corona Virus Disease - 2019
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
FMFBNP:	Federal Ministry of Finance, Budget and National Planning
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
MSMS:	Micro, Small and Medium Scale
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
SITC:	Standard International Trade Classification
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 Federal Budget is an important tool for achieving Government's strategic objectives and plans for the socio-economic development of the nation. It contains the allocation of resources to different sectors/agencies by the Government in its effort to deliver public goods/services to the people. The 2023 Budget was prepared taking into consideration the policies/strategies contained in the 2023-2025 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) which provided the economic framework for the 2023 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period.

The 2023 Budget was titled "Budget of Fiscal Consolidation and Transition''. The allocations MDAs were guided by the strategic objectives of the National Development Plan 2021 to 2025, which are: Diversifying the economy, with robust MSME growth; Investing in critical infrastructure; Strengthening security and ensuring good governance; Enabling a vibrant, educated and healthy populace; Reducing poverty; and minimizing regional, economic and social disparities.

Nigeria's Gross Domestic Product (GDP) grew by 2.31 percent (year-on-year) in real terms in the first quarter of 2023. This growth rate implies a decline of 0.8 percent points and 1.21 percent when compared with the 3.11 percent and 3.52 percent reported in the first and fourth quarters of 2022. The reduction in growth rate is attributed to the adverse effects of the cash crunch experienced during the quarter.

Headline inflation rate rose to 22.04 percent in March from 21.82 percent and 21.91 percent in January and February, 2023 respectively. Similarly, food inflation rate in March was 24.45 percent, higher than 24.32 percent and 24.35 percent reported in January and March, 2023 respectively. Core inflation, in inflation in the same trend rose from 24.32 percent in January to 24.45 percent in March, 2023.

Monetary aggregates increased in the review period relative to the fourth quarter of 2022. Broad Money Supply (M2) increased by ₦2,429.88 million (4.69 percent) from ₦51,761.78 million in December, 2022 to ₦54,191.66 million in March, 2023. The growth in M2 was mainly driven by the expansions in the Net Domestic Assets (NDA). Net Domestic Asset (NDA) rose by 1.54 percent (₦737.78 billion) from ₦47,903.38 billion in December, 2022 to ₦48,641.16 billion in January, 2023. The development in NDA was due to the expansions in Net Domestic Credit (NDC) during the period. It rose by 6.32 percent (₦4,197.83 million) from ₦66,458.42 million in December, 2022 to ₦70,596.12 million in March 2023. Net Credit to Government increased by 11.65 percent (₦2,873.13 million) from ₦24,656.59 million in December 2022 to ₦27, 529.72 million in March, 2023. Credit to Private Sector also increased by 3.17 percent (₦1,324.70 million) from ₦41,741.70 million in December, 2022 to ₦43,066.40 million in January, 2023 respectively.

Nigeria's total imports in the first quarter of 2023, stood at ₦5,559.88 billion showing an increase of 3.67% when compared to the value recorded in the fourth quarter of 2022 (₦5,362.83 billion) but then again declined by 25.83% when compared to the value recorded in the corresponding quarter of 2022 (₦7,495.67 billion). The value of exports stood at ₦6,487.04 billion indicating an increase of 2.00% but declined by 8.66% when compared to the amount recorded in the fourth quarter of 2022 (₦6,359.61billion) and the corresponding quarter in 2022 (₦7,102.11 billion) respectively.

Naira depreciated at the Investors and Exporters segment of the foreign exchange market from ₦450.71/US$ in December, 2022 to ₦460.99/US$ in January 2023. It however rose slightly to ₦460.84/US$ in February and but again dropped to ₦460.97/US$ in March 2023. There was no data for the Official/Inter-Bank segment and Bureau-de-Change (BDC) segments of the foreign exchange market following the suspension of the operations of the Bureau-de-Change segment by Central Bank of Nigeria. External reserve declined at the end of the first quarter of 2023. The Nigeria's gross reserve position increased from US$36.61 billion in December 2022 to US$39.61 billion in January, but declined to US$36.05 billion and US$35.14 billion in February and March, 2023 respectively.

The total public debt stock as at 31st March, 2023 stood at ₦49,853.69 billion (US$108,295.18 million). This indicates an increase 0f ₦8,249.63 billion (19.83 percent) when compared to the ₦41,604.06 billion (US$100,069.89

million) recorded at the end of March 2022. The breakdown comprised of ₦30,209.77 billion (US$65,623.48 million) or 60.60 percent for domestic debt stock while the balance of ₦19,643,916.84 billion (US$42,671.70 million) or 39.4 percent was for external debt stock. This translates to a net present value of total public debt/GDP ratio to GDP of 25.01 percent as at the end of March 2023. This is within the country's threshold of 25 Percent and well below the international threshold of 56 percent for comparator countries.

FGN Budget implementation in the quarter was positively impacted by the price of crude oil in the international market which averaged US$81.28 per barrel in the first quarter of 2023. This represents a decrease of US$19.65 per barrel (19.47 percent) below the US$100.93 per barrel reported in the fourth quarter of 2022. The performance also reflects a decrease of US$15.84 per barrel (16.31 percent) when compared to US$97.12 per barrel recorded in the first quarter of 2022 but an increase of US$6.28 per barrel (8.37 percent) over the US$75 per barrel budget benchmark for 2023.

Average oil production and lifting (including Condensates) in the first quarter of 2023 was 1.51mbpd and 0.74mbpd respectively. The oil production figure indicates a decrease of 0.18mbpd (10.65 percent) below the 1.69mbpd benchmark for the 2023 Budget. However, the volume of oil production in the period was 0.17mbpd (12.69 percent) and 0.02mbpd (1.34 percent) above the 1.34mbpd and 1.49mbpd recorded in the fourth and first quarters of 2022 respectively.

Gross Oil Revenue therefore stood at ₦1,991.46 billion representing a ₦354.73 billion (15.12 percent) shortfall below the ₦2,346.18 billion projected quarterly gross oil revenue in the 2023 Budget. It was however, ₦876.08 billion (78.55 percent) above the actual gross oil revenue of ₦1,115.38 billion generated in the corresponding period of 2022. The gross non-oil revenue of ₦1,612.23 billion received in the first quarters of 2023 signified a decrease of ₦305.79 billion (15.94 percent) below the quarterly estimate of ₦1,917.96 billion. The net distributable revenue for the three tiers of government after cost deductions therefore stood at ₦1,997.21 billion in the first quarter of 2023, representing a shortfall of ₦849.70 billion (29.85 percent).

The sum of ₦1,209.53 billion was received to fund the FGN budget in the first quarter of 2023. This comprises ₦234.66 billion (19.40 percent) oil revenue and ₦974.87 billion (80.60 percent) other revenues. The amount received was ₦946.97 billion (43.91 percent) below the quarterly budget projection and ₦272.53 billion (18.39 percent) below the ₦1,482.06 billion reported in the first quarter of 2022.

The FGN continued to pursue its goal of reducing the growth in its recurrent expenditure as stated in the 2023-2025 MTEF/FSP. Key initiatives aimed at reducing recurrent costs were therefore implemented vigorously during the period. This includes the embargo on unapproved recruitment by MDAs. All requests for recruitment and enrolment of staff into the FGN payroll are required to among others first seek clearance from Budget Office of the Federation.

Total expenditure of Government in the first quarter of 2023 stood at ₦3,917.01 billion representing a decrease of ₦492.16 billion (25.66 percent) over the ₦4,409.17 billion prorate quarterly budget for the period. It was however ₦641.92 billion (19.60 percent) above the ₦3,275.09 billion reported in the first quarter of 2022. A total of ₦1,243.13 billion was spent on non-debt recurrent expenditure in the first quarter of 2023. This represents a decrease of ₦443.28 billion (26.29 percent) from the quarterly estimate of ₦1,686.41 billion but ₦64.20 billion (5.45 percent) above ₦1,178.93 billion recorded in the first quarter of 2022. Statutory Transfer amounts to ₦269.03 billion during the review period.

Total Debt Service in the first quarter of 2023 stood at ₦1,317.08 billion, indicating an increase of ₦39.61 billion (3.10 percent) above the ₦1,227.47 billion projected for the quarter. The sum of ₦874.13 billion was used for domestic debt servicing while ₦442.95 billion was used for external debt service during the period under review. The amount used for domestic debt servicing was ₦50.35 billion (6.11 percent) above the projection for the quarter. A total of ₦175.45 billion was released and cash backed in the first quarter of 2023 for the implementation of 2023 capital projects and programmes of MDAs.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦2,707.49 billion during the quarter (5.28 percent of the prorate 2023 quarterly GDP). The first quarter deficit was ₦454.82 billion (20.19 percent) above the projected quarterly fiscal deficit of ₦2,252.67 billion. The 2023 fiscal deficit was however lower than the ₦3,033.33 billion deficit recorded in the first quarter of 2022. The deficit was financed through domestic borrowing of ₦2,030.00 billion.

Overall, the nation's economy grew by 2.25 percent in the first quarter of 2023, a sign that represents an improvement in economic performance and a gradual economic stability. In view of the various stimulus economic packages being implemented by the Federal Government, it is expected that the economy will continue to improve in subsequent quarters of 2023.

1.0 INTRODUCTION

The Federal Budget is an important instrument used in achieving Government's strategic objectives and plans for the socio-economic development of the nation. It shows the allocation of resources to different sectors/agencies by the Government in its effort to deliver public goods/services to the people. The Federal Budget is not all about expenditure allocations as it is often assumed by many. Revenue remains a critical and vital component of the FGN budget.

The 2023 Budget was titled "Budget of Fiscal Consolidation and Transition''. Allocations to MDAs were guided by the strategic objectives of the National Development Plan (NDP) 2021 to 2025, which are: Diversifying the economy, with robust MSME growth; Investing in critical infrastructure; Strengthening security and ensuring good governance; Enabling a vibrant, educated and healthy populace; Reducing poverty; and minimizing regional, economic and social disparities.

The 2023 Appropriation, was designed to further deliver on the reflationary policies of the 2021 and 2022 Budgets, which helped put the economy back on the path of recovery and growth. It was prepared taking into consideration the policies/strategies contained in the 2023-2025 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP). The Budget was prepared using the Zero-Based Budgeting (ZBB) approach and in line with the government's development priorities, as articulated in the National Development Plan (NDP) 2021 to 2025.

The 2023-2025 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) provided the economic framework for the 2023 Budget, along with fiscal policy objectives and spending priorities of the Government over the three-year period. It also shows the plans for achieving Government's defined objectives and highlights the key assumptions behind revenue estimates and fiscal targets as well as possible fiscal risks over the medium term.

Furthermore, it articulates the nature of the Federal Government's debt liabilities, their fiscal consequences, and measures aimed at reducing them. The MTEF also provides the foundation for the preparation of revenue and expenditure estimates of the annual federal budget. Hence, the MTEF represents efforts towards multi-year perspective in budgeting.

Revenue generation remains the main fiscal challenge of the Federal Government. The systemic resource mobilization problem has been compounded by recent economic recessions. Several measures are however being implemented under the Administration's Strategic Revenue Growth Initiatives to improve government revenue while efforts to create fiscal prudence is being prioritized with emphasis on achieving value for money.

These measures include: Improving the tax administration framework including tax filing and payment compliance; Evaluation of the process and policy effectiveness of Fiscal Incentives, including; Review of Sectors eligible for Pioneer Tax Holiday Incentives under the Industrial Development Income Tax Relief Act ('IDITRA'); Dimensioning the cost of tax waivers/concessions, and evaluating their policy effectiveness; Setting annual ceilings on Tax Expenditures to better manage their impact on already constrained government revenues; and Ensuring that MDAs appropriately account for and remit their internally generated revenue.

Others measures include: Identifying and plugging existing revenue leakages to enhance tax compliance and reduce tax evasion; Leveraging technology and automation; plugging fiscal drainers like subsidies. To further improve the Independent Revenue collection, Government aims to optimize the operational efficiencies of revenue generation and remittance of GOEs. Also, the introduction of new pro health taxes such as excise on carbonated drinks are being pursued and the review of existing rates.

The strategies to improve revenue mobilization is being sustained in 2023 with the goal of achieving the following objectives: Enhancing tax and excise revenues through policy reforms and tax administration measures; Reviewing the policy effectiveness of tax waivers and concessions; Boosting customs revenue through the e-Customs and Single Window initiatives; and

Safeguarding and growing revenues from the oil and gas sector. The target over the medium term is to grow the Revenue-to-GDP ratio from about 8 percent currently to 15 percent by 2025. At that level of revenues, the Debt-Service-to-Revenue ratio will cease to be worrying. In a simple term, Nigeria does not have a debt sustainability problem, but a revenue challenge which the present government is determined to tackle so as to ensure that public debts remain sustainable.

Very importantly, the government is augmenting available resources with loans to finance critical development projects and programmes aimed at improving the economic environment and ensuring effective delivery of public services to the people. Focus has been on: the completion of major road and rail projects; the effective implementation of power sector projects; the provision of potable water; construction of irrigation infrastructure and dams across the country; and critical health projects such as the strengthening of national emergency medical services and ambulance system, procurement of vaccines, polio eradication and upgrading of Primary Health Care Centre's across the six geopolitical zones.

Defence and internal security continue to be top priority of the FGN due to its promise to ensure the security of life, property and investment nationwide by assuring that our gallant men and women in the armed forces, police and paramilitary units are properly equipped, remunerated and well-motivated. The 2023 budget is also the first in our history, where MDAs were clearly advised on gender responsive budgeting. These are part of critical steps in FGN efforts to distribute resources equitably and also to reach out to the vulnerable groups of our society.

In 2023, Government continues to strengthen the frameworks for concessions and Public Private Partnerships (PPPs). Capital projects that are good candidates for PPP by their nature are being developed for private sector participation. Also, government is exploring available opportunities in the existing ecosystem of green finance including the implementation of the Sovereign Green Bond Programme and leveraging debt-for-climate swap mechanisms.

This Report provides detailed information on the 2023 First Quarter Budget Implementation. The other parts of the Report are arranged as follows: Following this introductory section, Section 2 reviews macroeconomic performance, highlighting the performance of the real, monetary and external sectors. Section 3 presents an analysis of Government's revenue receipts and expenditure in the period under review, while Section 4 is a brief conclusion of the Report.

2.0 MACROEONOMIC DEVELOPMENT AND ANALYSIS

2.1 Performance of the Global Economy

The global economy witnessed the Russia-Ukraine ongoing war which caused severe commodity and energy price shocks and trade disruptions in the review period. More contagious COVID-19 strains also emerged and spread widely affecting activity including in economies where strict lockdowns were implemented, such as in China. Global headline inflation has been declining since mid-2022 largely reflecting the tapering down in fuel and energy commodity prices, particularly for the United States, euro area, and Latin America. This could also be attributed to the interest rates hike by central banks around the world since 2021. This notwithstanding, both headline and core inflation rates remain at about double their pre-2021 levels on average and far above target among almost all inflation-targeting countries.

The global indebtedness has also worsened as a result of the pandemic and economic upheaval over the past three years. Private and public debt have reached levels not seen in decades in most economies. As a result, and with the Monetary policy tightening particularly by major advanced economies which has led to sharp increases in borrowing costs, there are increasing concerns about the sustainability of some economies' debts.

Despite the recovery of the global economy in the second half of 2022, uncertainty remains high, and the balance of risks has shifted firmly to the downside so long as the financial sector remains unsettled. Also, the fallout of the central banks' tight monetary stances to allay inflation, limited fiscal buffers to absorb shocks amid historically high debt levels, commodity price spikes and geoeconomic fragmentation has worsened outlook. Global output growth is therefore forecast to moderate further to 2.8 percent in 2023 before rising to 3.0 percent in 2024. This reflects significant growth decline for advanced economies to 1.3 percent, before rising to 1.4 percent in 2024 as well as for the EMDE to 3.9 percent in 2023 and projected to rise to 4.2 percent in 2024.

Though the global economy could prove more resilient than expected, with excess savings from the pandemic years and tight labor markets in a number of economies, as well as household consumption overshoot buoying economic activities, risks to the outlook are squarely to the downside. Policies are therefore to among others be tailored to those with Immediate Impact including ensuring a durable fall in inflation including ensuring that expectations stay anchored while containing financial market strains and minimizing the risk of further turbulence.

2.2 Domestic Macroeconomic Performance

2.2.1 Development in Real Sector

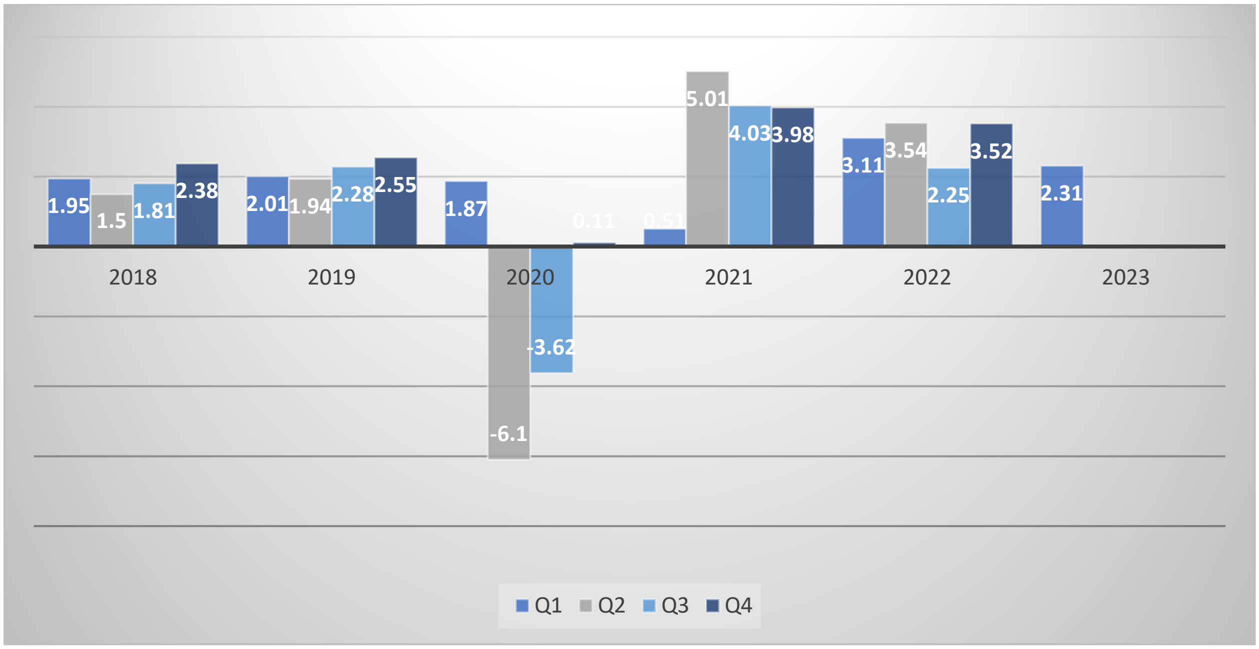
2.2.1.1 GDP Growth

Gross Domestic Product (GDP) grew by 2.31 percent (year-on-year) in real terms in the first quarter of 2023. This signifies a 0.8 percentage point decline from the 3.11 percent recorded in the first quarter of 2022, and 1.2 percentage point decline from the 3.52 percent growth in the fourth quarter of 2022. The reduction in growth is largely attributed to the adverse effects of the cash crunch experienced during the quarter.

The performance of the GDP in the first quarter of 2023 was driven mainly by the Services sector, which recorded a growth of 4.35 percent and contributed 57.29 percent to the aggregate GDP. The agriculture sector grew by -0.90 percent, lower than the growth of 3.16 percent recorded in the first quarter of 2022. The growth of the industry sector improved to 0.31 percent in the review period relative to -6.81 percent recorded in the first quarter of 2022. Consequently, the Agriculture and the Industry sectors contributed less to the aggregate GDP in the quarter under review compared to the first quarter of 2022.

In the quarter under review, aggregate GDP stood at N51,242,151.21 million in nominal terms. This performance is higher when compared to the first quarter of 2022 which recorded aggregate GDP of N45,317,823.33 million, indicating a year-on-year nominal growth of 13.07 percent. This mostly reflects increases in prices of good and services in the review period but also the rise in real GDP.

Figure 2.1 GDP Percentage Growth (Q1 2018 – Q1 2023)



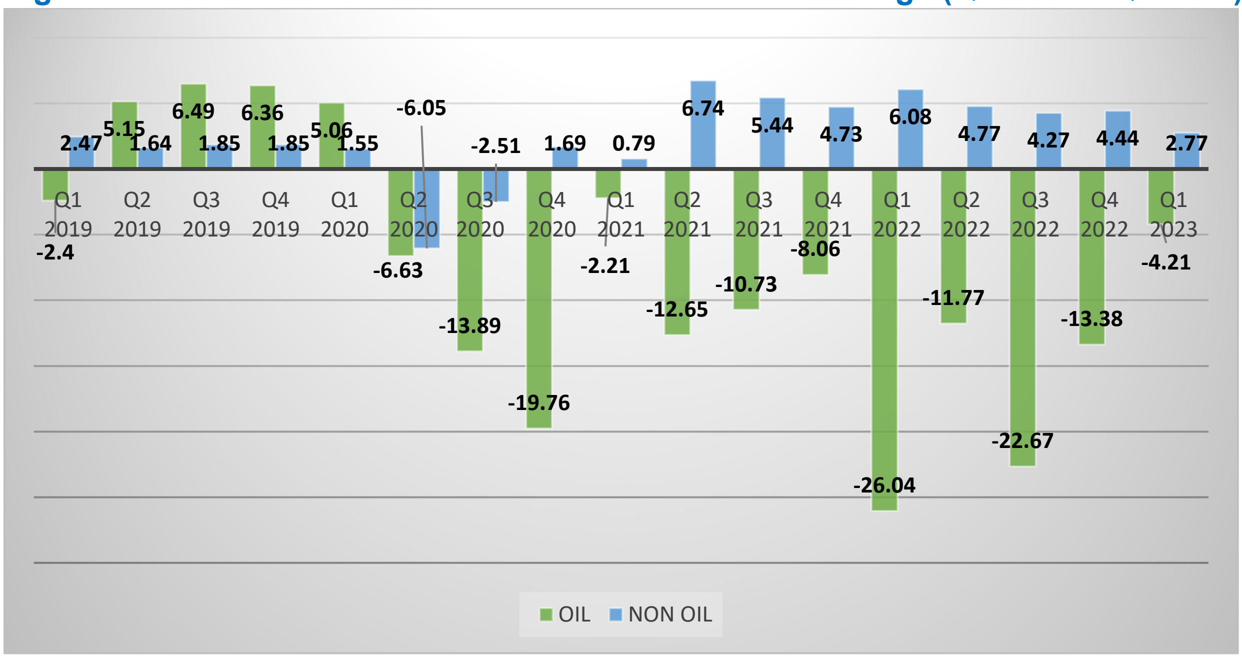
Source: National Bureau of Statistics

2.2.1.2 Oil Sector

The Oil sector contributed 6.21 percent to the total real GDP in Q1 2023, down from the 6.63 percent recorded in the corresponding period of 2022 but up from 4.34 percent in the preceding quarter. In real terms, the oil sector declined by 4.21 percent (year-on-year) in Q1 2023, indicating an improvement of 21.83 percent points relative to the -26.04 percent recorded in the corresponding quarter of 2022. The growth also indicates an improvement by 9.18 percentage points when compared to Q4 2022 which was –13.38 percent. On a quarter-on-quarter basis, the oil sector recorded a growth rate of 20.68 percent in Q1 2023.

In the first quarter of 2023, the nation recorded an average daily oil production of 1.51 million barrels per day (mbpd), higher than the daily average production of 1.49mbpd recorded in the same quarter of 2022 by 0.02mbpd and 1.34mbpd in the fourth quarter of 2022 by 0.17mbpd. It was however 0.18mbpb lower than the 1.69mbpb oil production benchmark for the fiscal year.

Figure 2.2 Oil and Non-Oil Real GDP Growth Rate Percentage (Q1 2019 – Q1 2023)



Source: National Bureau of Statistics, 2023

2.2.1.3 Non-Oil Sector

The non-oil sector grew by 2.77 percent in real terms during the reference quarter (Q1 2023). This rate was lower by 3.30 percentage points compared to the rate recorded in the same quarter of 2022 and 1.67 percentage points lower than the fourth quarter of 2022. This sector was driven during the period mainly by Information and Communication (Telecommunication); Financial and Insurance (Financial Institutions); Trade; Manufacturing (Food, Beverage & Tobacco); Construction; and Transportation & Storage (Road Transport), accounting for positive GDP growth. In real terms, the non-oil sector contributed 93.79 percent to the nation's GDP in the first quarter of 2023, higher than the share recorded in the first quarter of 2022 which was

93.37 percent and lower than the fourth quarter of 2022 recorded as 95.66 percent.

2.2.2 Development in Prices

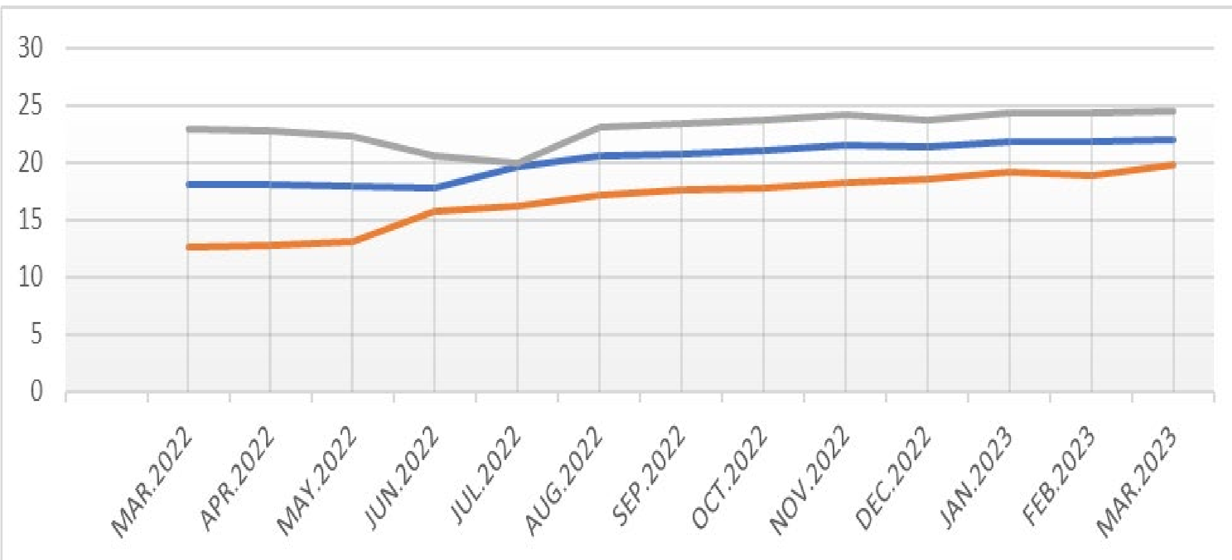
Headline inflation rate rose to 22.04 percent in March 2023 compared to February 2023 headline inflation rate which was 21.91%. Looking at the trend, the March 2023 inflation rate showed an increase of 0.13 percent points when compared to February 2023 headline inflation rate. On a year-on-year basis, the headline inflation rate was 6.13 percentage points higher compared to the rate recorded in March 2022 which was 15.92 percent. It also increased from 21.82 percent in January to 21.91 percent in February 2023.

The contributions of items on the divisional level to the increase in the headline index are food & non-alcoholic beverages (11.42 percent); housing, water, electricity, gas & other fuel (3.69 percent); clothing & footwear (1.69 percent); transport (1.43 percent); furnishings, household equipment & maintenance (1.11 percent); education (0.87 percent); health (0.66 percent); miscellaneous goods & services (0.37 percent); restaurant & hotels (0.27 percent); alcoholic beverage, tobacco & kola (0.24 percent); recreation & culture (0.15 percent) and communication (0.15 percent).

Food inflation rate in March 2023 was 24.45 percent on a year-on-year basis; which was 7.25 percentage points higher compared to the 17.20 percent recorded in March 2022. In a similar trend, it increased from 24.32 percent in January to 24.35 percent in February. The rise in food inflation on- year on year basis was caused by increases in prices of Oil and fat, Bread and cereals, Potatoes, Yam and other tubers, Fish, Fruits, Meat, Vegetables, and Spirits.

Core inflation stood at 19.86 percent in March 2023 on a year-on-year basis. The rate went up by 5.94 percent when compared to the 13.91 percent recorded in March 2022. The highest increases were recorded in prices of Gas, Passenger transport by Air, Liquid fuel, Fuels, and Lubricants for personal transport equipment, Vehicles spare parts, Maintenance, and repair of personal transport equipment, medical services, passenger transport by road, etc.

Figure 2.3: Inflation Rate (March 2022 – March 2023)



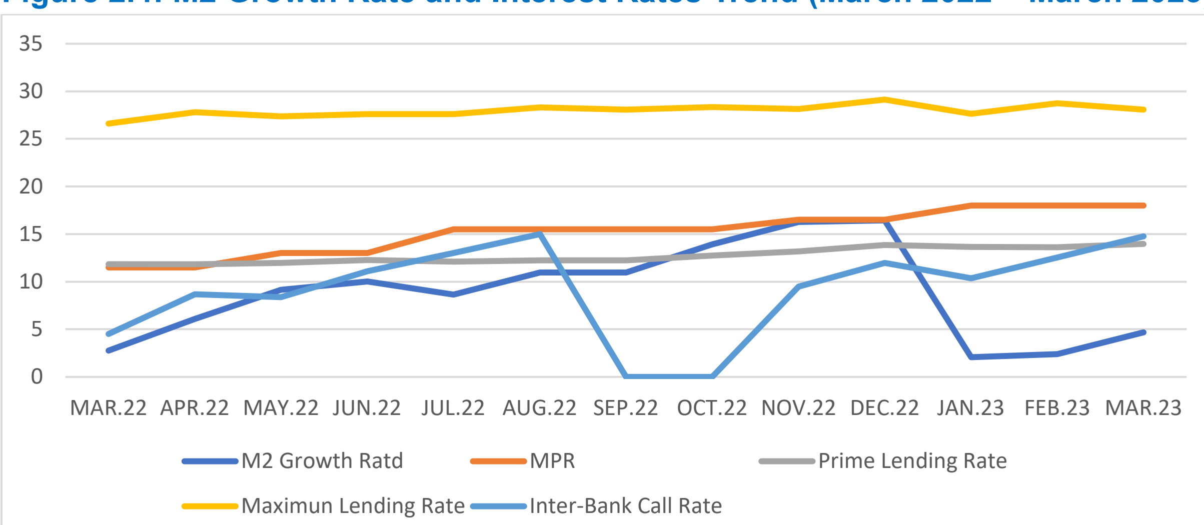
Source: National Bureau of Statistics, 2023

2.2.3 Developments in Money Market

Monetary aggregates increased in the review period relative to the fourth quarter of 2022. Broad Money Supply (M2) increased by ₦2,429.88 million (4.69 percent) from ₦51,761.78 million in December, 2022 to ₦54,191.66 million in March, 2023. The growth in M2 was mainly driven by the expansions in the Net Domestic Assets (NDA). Net Domestic Asset (NDA) rose by 1.54 percent (₦737.78 billion) from ₦47,903.38 billion in Dectember,2022 to ₦48,641.16 billion in January, 2023. The development in NDA was due to the expansions in Net Domestic Credit (NDC) during the period. Net Domestic Credit (NDC) rose by 6.32 percent (₦4,197.83 million) from ₦66,458.42 million in December, 2022 to ₦70,596.12 million in March 2023.

Similarly, the expansion in Net Domestic Credit (NDC) was due to the increases in both Net Credit to Government and Credit to Private Sector during the period under review. Net Credit to Government increased by 11.65 percent (₦2,873.13 million) from ₦24,656.59 million in December 2022 to ₦27,529.72 million in March, 2023. Credit to Private Sector also increased by 3.17 percent (₦1,324.70 million) from ₦41,741.70 million in December, 2022 to ₦43,066.40 million in March, 2023. When compared to the level at the end of first quarter of 2022, broad money supply expanded by ₦8,538.13 million (18.70 percent) in March, 2023.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (March 2022 – March 2023)



Source: Central Bank of Nigeria, 2022

The Central Bank of Nigeria increased the Monetary Policy Rate (MPR) from 16.5 percent to 18.0 percent in the review period. However, the asymmetric corridor around the MPR was retained at +100/-700 basis points. The Cash Reserve Ratio (CRR) remained at 32.5 percent while the Liquidity Ratio was also retained at 30.0 percent during the period.

The above developments led to increases in the deposit and lending rates in the economy even though the inter-bank rate declined from 11.56 percent in December 2022 to 10.35 percent in January, 2023. The rate increased to 12.54 percent and 14.75 percent in February and March, 2023 respectively. Similarly, the average prime lending rate declined from 13.85 percent in December 2022 to 13.67 percent and 13.62 percent in January and February before rising to 13.97 percent in March 2023.

On the other hand, the average maximum lending rate declined from 29.13 percent in December to 27.63 percent, 28.75 percent and 28.15 percent in January, February and March, 2023 respectively. The lower pressure on market rates is partly as a result of the higher liquidity in the economy.

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's total trade in the first quarter of 2023 stood at ₦12,046.92 billion of which total exports stood at ₦6,487.04 billion and total imports amounted to ₦5,559.88 billion. Total exports increased in the first quarter by 2.00 percent but declined by 8.66 percent when compared to the amount recorded in the fourth quarter of 2022 (₦6,359.61billion) and the corresponding quarter in 2022 (₦7,102.11 billion) respectively. In the same vein, total imports increased by 3.67% in the first quarter of 2023 compared to the value recorded in the fourth quarter of 2022 (₦5,362.83 billion) but then again declined by 25.83% when compared to the value recorded in the corresponding quarter of 2022 (₦7,495.67 billion).

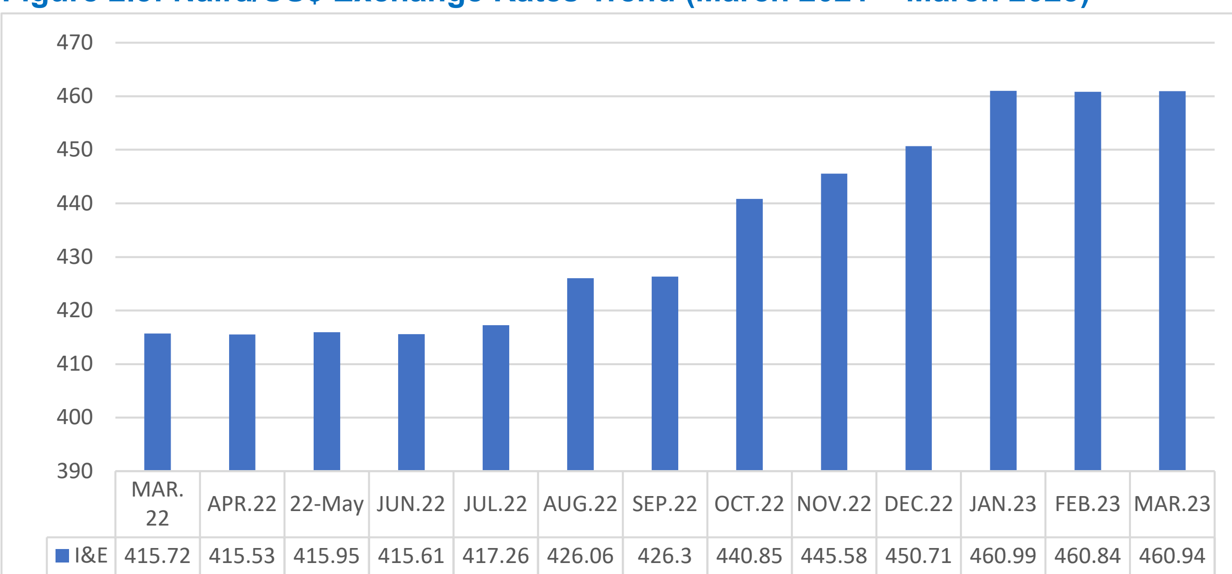
2.2.4.2 Balance of Trade

Nigeria total trade in the first quarter of 2023 stood at ₦12,046.92 billion which was higher than the ₦11,722.44 billion recorded in the fourth quarter of 2022 but lower than the ₦13,001.28 billion reported in the corresponding period of 2022, respectively. Total exports stood at ₦6,487.04 billion and total imports amounted to ₦5,559.88 billion thereby resulting in a trade balance of ₦927.16 billion in the quarter under review.

2.2.4.3 Exchange Rates

The Investors and Exporters segment of the foreign exchange market depreciated from ₦450.71/US$ in December, 2022 to ₦460.99/US$ in January 2023 then rose slightly to ₦460.84/US$ in February but again dropped to ₦460.97/US$ in March 2023. There was no data for the Official/Inter-Bank segment and Bureau-de-Change (BDC) segments of the foreign exchange market following the suspension of the operations of the Bureau-de-Change segment by Central Bank of Nigeria.

Figure 2.5: Naira/US$ Exchange Rates Trend (March 2021 – March 2023)



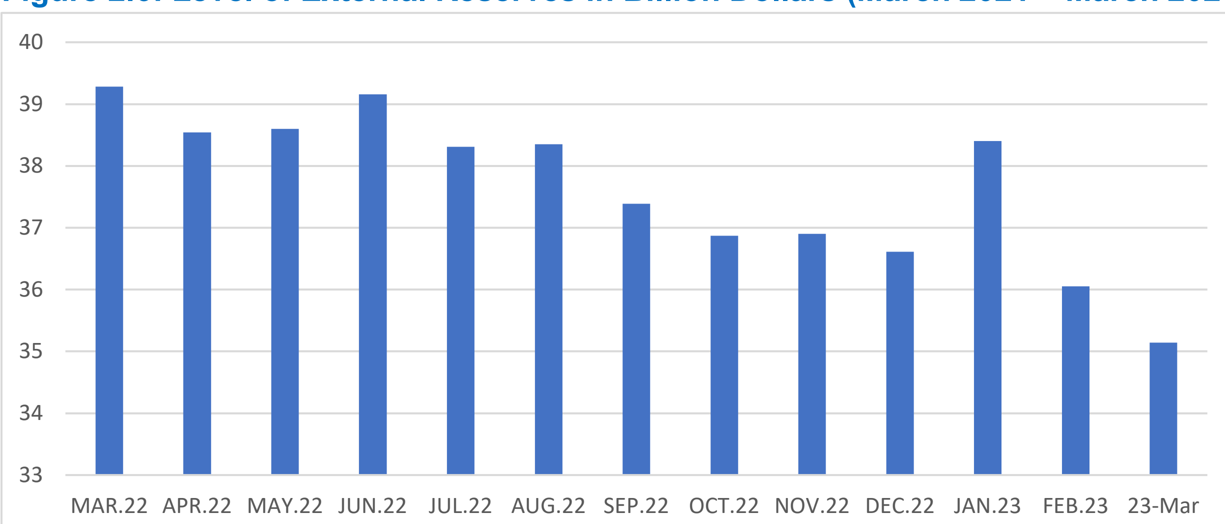
Source: Central Bank of Nigeria, 2023

2.2.4.4 External Reserves

Data from the CBN showed that Nigeria's gross external reserve declined at the end of the first quarter of 2023. The reserve position increased from US$36.61 billion in December 2022 to US$39.61 billion in January before declining to US$36.05 billion and US$35.14 billion in February and March, 2023 respectively.

The performance at the end of March 2023 represented a decrease of US$1.47 billion (4.02 percent) below the figure reported at the end of December 2022. It was also US$4.14 billion (10.54 percent) below the US$39.28 billion performance recorded at the end of first quarter of 2022. The level of external reserves is anticipated to increase in subsequent quarters due to expected improvement in crude oil production and prices in the near term.

Figure 2.6: Level of External Reserves in Billion Dollars (March 2021 – March 2023)



Source: Central Bank of Nigeria, 2022

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 31st March, 2023 stood at ₦49,853.69 billion (US$108,295.18 million). This indicates an increase of ₦8,249.63 billion (19.83 percent) when compared to the ₦41,604.06 billion (US$100,069.89

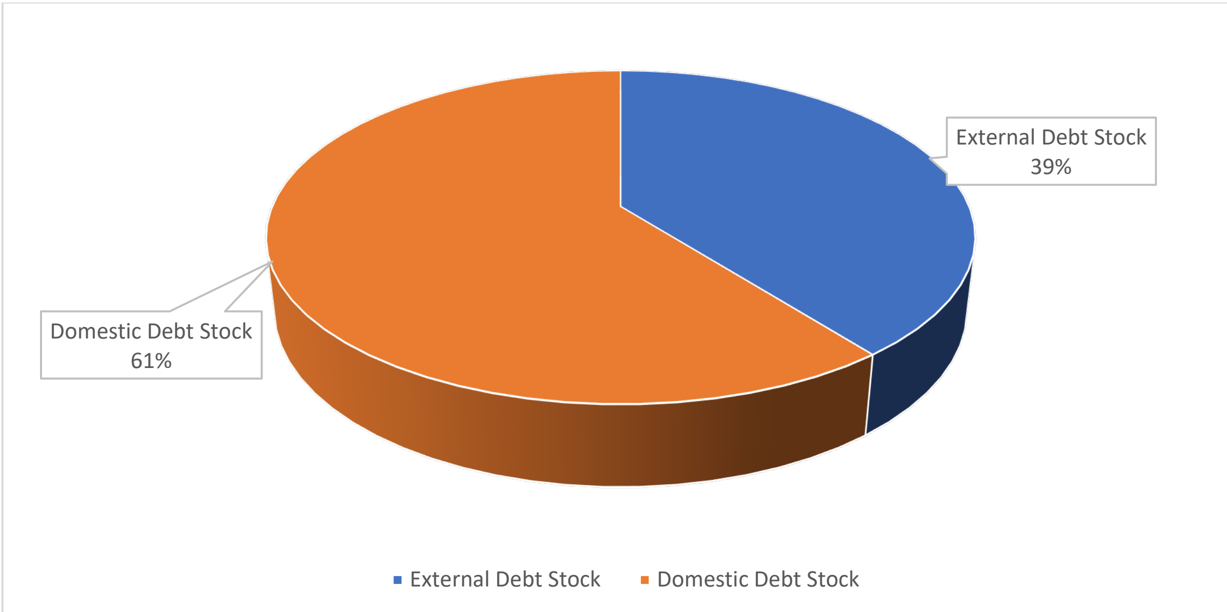
million) recorded at the end of March 2022. The breakdown comprised of ₦30,209.77 billion (US$65,623.48 million) or 60.60 percent for domestic debt stock while the balance of ₦19,643,916.84 billion (US$42,671.70 million) or 39.4 percent was for external debt stock. This translates to a net present value of total public debt/GDP ratio of 25.01 percent as at the end of March 2023. This is within the country's threshold of 25 percent and well below the international threshold of 56 percent for comparator countries.

2.2.5.2 Domestic Debt Stock

The federal Government's domestic debt stock stood at ₦24,730.77 billion as at the end of March 2023, representing an increase of ₦2,520.41 billion (11.35 percent) above the ₦22,210.36 billion recorded in the fourth quarter of 2022. It was also ₦4,586.74 billion (22.77 percent) above the ₦20,144.03 billion reported in the corresponding period of 2022. The increase in domestic debt relative to the fourth quarter of 2022 was due the new issuance of FGN bonds, Nigerian Treasury Bills, Promissory Notes and FGN Savings Bond during the period.

A breakdown of the domestic debt stock as at 31st December, 2022 reveal that ₦18,418.11 billion (74.47 percent) is for FGN Bonds, ₦4,722.72 billion (19.10 percent) is for Nigerian Treasury Bills (NTBs), ₦50.99 billion (0.23 percent) is for Nigerian Treasury Bonds, ₦27.83 billion (0.11 percent) is for FGN Savings Bonds, ₦742.56 billion (3.0 percent) is for FGN Sukuk, ₦15.00 billion (0.06 percent) is for Green Bond and ₦753.59 billion (3.05 percent) is for Promissory Notes.

Figure 2.7: Fourth Quarter 2022 Total Public Debt Stock



Source: Debt Management Office, 2023

2.2.5.3 External Debt Stock

Nigeria's external debt stock as at 31st March, 2023 stood at US$42,671.70 million indicating an increase of US$976.79 million (2.34 percent) and US$2,702.51 million (6.76 percent) above the US$41,694.91 million and US$39,969.19 million reported in the fourth and first quarters of 2022 respectively.A breakdown of the external debt stock as at 31st December, 2022 revealed that Multilateral Debts amounted to US$20,658.41 million (48.41 percent), commercial (Euro-Bond) amounted to US$15,618.35 million (36.60 percent), Bilateral Debts amounted to US$5,163.41 million (12.10 percent), Promissory notes amounted to US$931.26 million (2.18 percent) while Syndicated Loan accounted for US$300.00 million (0.70 percent)

3.0 FINANCIAL ANALYSIS OF THE 2023 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2023 Budget was based on the 2023-2025 Medium Term Fiscal Framework and Fiscal Strategy Paper (MTFF/FSP) which was in line with the Government's National Development Plan 2021-2025. Table 3.1 presents the key assumptions and targets over the period 2017-2023.

Table 3.1: Key Budget Assumptions and Targets, 2017 – 2023

KEY ASSUMPTION & TARGETS	2017	2018	2019	2020	2021	2022	2023
Projected production in mbpdA3:I22	2.2	2.3	2.3	1.86	1.86	1.6	1.69
budget Benchmark price (per barrel in US)	44.5	51	60	28	40	73	75
Technical Cost of JVC Pbl to oil Companies							
Operating Expenses (T1) in US$	10.43	11.24	20.45	11.3	10.68	14.3	27.57
Capital Expenses(T2) in US$	10.85	11.97	14.89	13.99	13.16	11.56	12.77
Petroleum Investment Allowance (10%)			0.51	0.34	0.25	0.35	0.28
Technical Cost of PSC Pbl to oil Companies							
Operating Expenses (T1) in US$	8.85	8.7	10.01	10.02	15.02	12.02	20.06
Capital Expenses(T2) in US$	17.86	11.01	10.04	8.19	8.27	7.51	7.09
Investment Tax Credit	2.85	2.13	1.54	2.38	2.26	1.28	3.83
Technical Cost of SC pbl to oil Company							
Operating Expenses (T1) in US$	18.62	22.79	29.49			27.08	24.73
Capital Expenses(T2) in US$	2.05	2.05	5.49			5.8	3.78
Investment Allowances	0.46	0.46	2.67			1.03	0.89
Technical Costs of Independent pbl to oil Company							
Operating Expenses (T1) in US$				12.43	11.74	15.73	15.73
Capital Expenses(T2) in US$				15.39	14.48	12.71	12.71
Investment Allowances				0.37	0.27	0.44	0.44
Weighted Average Rate of PPT-JV Oil	85%	85%	85%			85%	85%
Weighted Average Rate of PPT-PSC Oil	50.20%	50.20%	50.10%			50.10%	50%
Weighted Average Rate of PPT - SC Oil	85%	85%	85%	305		85%	85%
Weighted Average Rate of PPT- Independent (indigenous	85%	85%	85%			85%	85%
Weighted Average Rate of PPT- Marginal	51.60%	85%	85%			85%	85%
Royalty Rates							
Weighted Average Rate of Royalties- JV Oil	19.10%	18.67%	18.67%			19.70%	20%
Weighted Average Rate of Royalties - PSC	4.50%	2.30%	2.83%			10.40%	12%
Weighted Average Rate of Royalties -SC Oil	18.50%	18.50%	18.50%			20%	20%
Weighted Average Rate Of Royalties-Independent	19.30%	19.31%	19.31%			17.70%	18%
Weighted Average Rate Of Royalties-Marginal	9.30%	9.30%	9.29%			4.10%	3%
Average Exchange Rate(NGN/US$)	305	305		360	379	410	435.57
Vate Rate	5%	5%	5%	7.50%	7.50%	7.50%	7.50%
CIT Rate	30%	30%	30%	30%	30%	30%	30.00%

Source: BOF, NNPC, FIRS, and NCS, 2023

3.1.1 Budget Benchmark Oil Price and Production

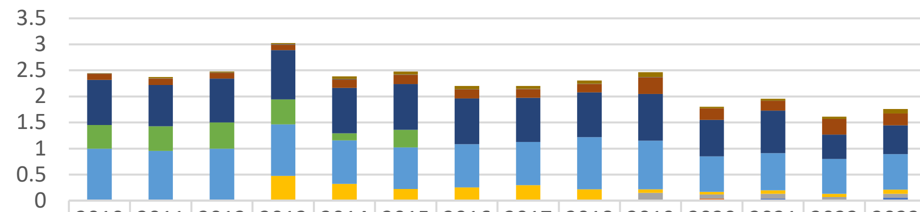
The benchmark price of oil for the 2023 Budget was pegged at US$75/barrel while benchmark oil production was estimated at 1.69mbpd. Government continues to use benchmark oil production and price for the yearly budget so as to insulate budget expenditures from the instabilities in domestic production and the price of oil in the global market.

Budgeted crude oil output was projected upward from 1.60mbpd in 2022 to 1.69mbpd in 2023 as well as an increase in the cost outlay projected against 2022. The Technical Cost comprising average of operating and capital expenses were reviewed upward in the 2023 fiscal year when compared to the rates in 2022 for both the Joint Ventures (JVs) and the Independent Contracts.

The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement increased from US$25.86 per barrel in 2022 to US$40.34 per barrel in 2023 indicating an increase of US$14.48 per barrel in the period. The average expense for the Independent Contracts was maintained at US$28.44 per barrel in 2023. On the other hand, the average expenses [Capital (T1) and Operating (T2)] for the Production Sharing Contracts were adjusted upward from U$19.53 per barrel in 2022 to U$27.15 per barrel in 2023.

The share of oil production by business arrangement remained relatively stable with the JVs and PSCs dominating at approximately 38.8 and 31.4 percent respectively. The share of Independent Contract dropped from 18.1 percent in 2022 to 12.9 percent in 2023. Information on expected contributions of oil production by business arrangement 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 2022 budget framework.

Figure 3.1: Budget Oil Production by Business Arrangements 2010 – 2023



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Marginal fields	0.01	0.022	0.02	0.019	0.053	0.059	0.059	0.055	0.06	0.09	0.03	0.035	0.04	0.086
Service Contracts	0.007	0.008	0.005	0.013	0.008	0.007	0.006	0.005	0.004	0.004	0	0.003	0.002	0
Independents	0.115	0.122	0.11	0.104	0.16	0.176	0.176	0.168	0.16	0.32	0.22	0.19	0.302	0.228
Prod. Sharing Contracts	0.868	0.793	0.843	0.947	0.875	0.876	0.878	0.843	0.86	0.9	0.7	0.812	0.469	0.554
Alternative Fundung	0.455	0.474	0.5	0.477	0.135	0.341	0	0	0	0	0	0	0	0
Joint Ventures	0.995	0.955	1	0.991	0.837	0.798	0.83	0.831	1	0.93	0.68	0.716	0.664	0.683
Modified Carry Arrangement				0.476	0.32	0.223	0.252	0.298	0.22	0.07	0.05	0.067	0.067	0.082
Repayment Arrears										0.15	0.08	0.09	0.067	0.069
Equity Financing											0.04			0
External Financing												0.041		0.06

Source: NAPIMS/NNPC,202

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018 - 2023)

Share of Production	2018 production volume	2018 percentage	2019 production volume	2019 percentage	2020 production volume	2020 percentage	2021 production volume	2021 percentage	2022 production volume	2022 Percentage	2023 Production Volume	2023 Percentage
Joint Ventures	1	43.48%	0.93	37.00%	0.68%	37.60%	0.716	36.64%	0.664	39.80%	0.683	38.76
Altetrnative Funding									0	0.00%	0	0.00
External Financing							0.041	2.10%	0.056	3.36%	0.06	3.41
Modified Carry	0.22	9.57%	0.07	2.00%	0.05%	2.92%	0.067	3.43%	0.067	4.02%	0.082	4.65
Production Sharimg	0.36	37.39%	0.9	36.70%	0.70%	39.03%	0.812	41.56%	0.469	28.13%	0.554	31.44
Idependents	0.16	6.96%	0.32	12.00%	0.22	11.96%	0.19	9.72%	0.302	18.12%	0.228	12.94
Service Contract	0.004	0.17%	0.004	0.20%	0.8	0.18%	0.003	0.15%	0.002	0.12%	0	0.00
Marginal	0.06	2.61%	0.09	3.50%	0.03	1.86%	0.035	1.79%	0.04	2.40%	0.086	4.88
Base Production	2.3	100%	2.3	100%					1.6	95.98%	1.693	96.08
Repayment Arrears	0.21	8.37%	0.15	6.20%	0.08	4.26%	0.09	4.61%	0.067	4.02%	0.069	3.92
Equity Financing					0.04	2.18%						0.00
Total oil Production	2.51	100%	2.45	100%	1.8	100%	1.954	100.00%	1.667	100%	1.762	100.00
PPT Rates												
weighed Average MAFIndependentMarginal		85%	85%			89%		85.00%		85%		85.00%
Weighed Average PSC		50.20%	50.10%			50.10%		50.12%		50.10%		50.10%
Weighed Average SC		85%	85%			85%		85.00%		85%		85.00%
Royalties Fares												
Weighed Average JV		18.67%	18.67%			18.67%		18.67%		19.70%		19.80%
Weighed Average-						19.31%		19.31%		17.70%		17.50%
Weighed Average-Marginal						9.29%		9.29%		4.10%		3.00%
Weighed Average PSC		2.30%	2.83%			3.15%		10.00%		10.40%		11.50%
Weighed Averag-SC Oil		19.31%	19.31%			18.50%		18.50%		20%		20.00%

Source: NNPC and BOF, 2023

3.2 Analysis of Revenue Performance

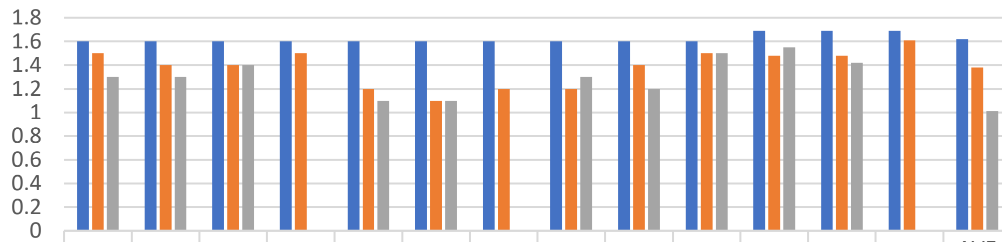
3.2.1 Performance of Key Oil Revenue Parameters

The price of crude oil in the international market averaged US$81.28 per barrel in the first quarter of 2023, indicating a decline of US$19.65 per barrel (19.47 percent) and US$15.84 per barrel (16.31 percent) from the US$100.93 and US$97.12 per barrel reported in the fourth and first quarter of 2022 respectively. The performance however reflects an increase of US$6.28 per barrel (8.37 percent) above the US$75.0 per barrel oil price benchmark for the 2023 budget.

The increase in crude oil price during the period relative to the budget benchmark could be attributed to the worsening Russia-Ukraine war and the impact of the numerous sanctions imposed by the United States and its allies against Russia which continued to disrupt global oil production/supply. It was also influenced by the general improvement in global economic activities.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) showed that the average oil production and lifting (including Condensates) in the first quarter of 2023 was 1.52mbpd and 0.99mbpd respectively. The oil production figure indicates a decrease of 0.17mbpd (10.06 percent) and 0.70mbpd (41.42 percent) below the 1.69mbpd benchmark for the 2023 Budget. The volume of oil production in the period was also 0.15mbpd (10.95 percent) and 0.03mbpd (2.01 percent) above the 1.37mbp reported in fourth quarter and 1.49mbpd recorded in the correspondent quarter of 2022 respectively.

Figure 3.2: Oil Production and Lifting March 2021 – March 2023



	MA R.22	APR. 22	MAY .22	JUN. 22	JUL. 22	AUG .22	SEP. 22	OCT. 22	NOV .22	DEC. 22	JAN. 23	FEB. 23	MA R.23	AVE RAG E
OIL PRO. BENCHMARK	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.69	1.69	1.69	1.62
AV. DAILY PRO.	1.5	1.4	1.4	1.5	1.2	1.1	1.2	1.2	1.4	1.5	1.48	1.48	1.61	1.38
AV. DAILY OIL LIFTING	1.3	1.3	1.4	0	1.1	1.1	0	1.3	1.2	1.5	1.55	1.42	0	1.01

Source: NNPC, 2023

The above translated to an average monthly oil production and lifting of 45.22 million barrels and 29.22 million barrels respectively in the first quarter of 2023. The decrease in the quantity of oil production during the quarter as against the projected budget figure could be ascribed to crude oil theft, vandalization of pipelines and other legacy issues in the sector.

3.3 Aggregate Revenue of the Federation

In the 2023 Fiscal Framework, Gross Federally Collectible Revenue is projected at ₦17,755.38 billion, comprising of ₦9,384.72 billion (52.86 percent) Oil Revenue and ₦8,370.66 billion (47.14 percent) Other Revenues. This translates to a prorate quarterly Gross Federally Collectible Revenue projection of ₦4,438.85 billion for 2023.

3.4 Oil Revenue Performance

Gross Oil Revenue stood at ₦1,991.46 billion in the first quarter of 2023. This translates to a ₦354.73 billion (15.12 percent) shortfall when compared with the 2023 quarterly budget estimate of ₦2,346.17 billion. The performance was however ₦144.25 billion (7.24 percent) and ₦876.08 billion (78.55 percent) above the ₦1,847.20 billion and ₦1,115.38 billion generated in the fourth and first quarters of 2022 respectively.

A breakdown of the oil revenue performance in the first quarter of 2023 showed that with the exception of Crude Oil and Gas Sales of ₦282.14 billion, Incidental Oil Revenue (Licenses & Early License Renewal) of ₦51.64 billion and Miscellaneous (Pipeline fees etc.) of ₦3.85 billion exceeded its quarterly budget estimate of ₦122.71 billion, ₦25.14 billion and ₦3.71 billion by ₦159.43 billion (129.92 percent), ₦26.50 billion (105.41 percent) and ₦0.14 billion (3.77 percent).

All other oil revenue items performed below their quarterly budget projections. Petroleum Profit and Gas Taxes of ₦1,015.62 billion, Royalties (Oil & Gas) of ₦602.78 billion, Gas Flared Penalty of ₦18.88 billion and Concessional Rentals of ₦0.45 billion fell below their quarterly estimate of ₦1,290.41 billion, ₦874.74 billion, ₦28.18 billion and ₦1.24 billion of by ₦274.79 billion (21.29 percent), ₦271.96 billion (31.09 percent), ₦9.30 billion (33.00 percent) and ₦0.83 billion (66.94 percent) respectively. On the other hand, Exchange Gain which had zero projection, yielded ₦16.09 billion in the quarter under review. Please see Table 3.4.

Table 3.3: Performance of Federation Revenue in the First Quarter of 2023 Vs 2022

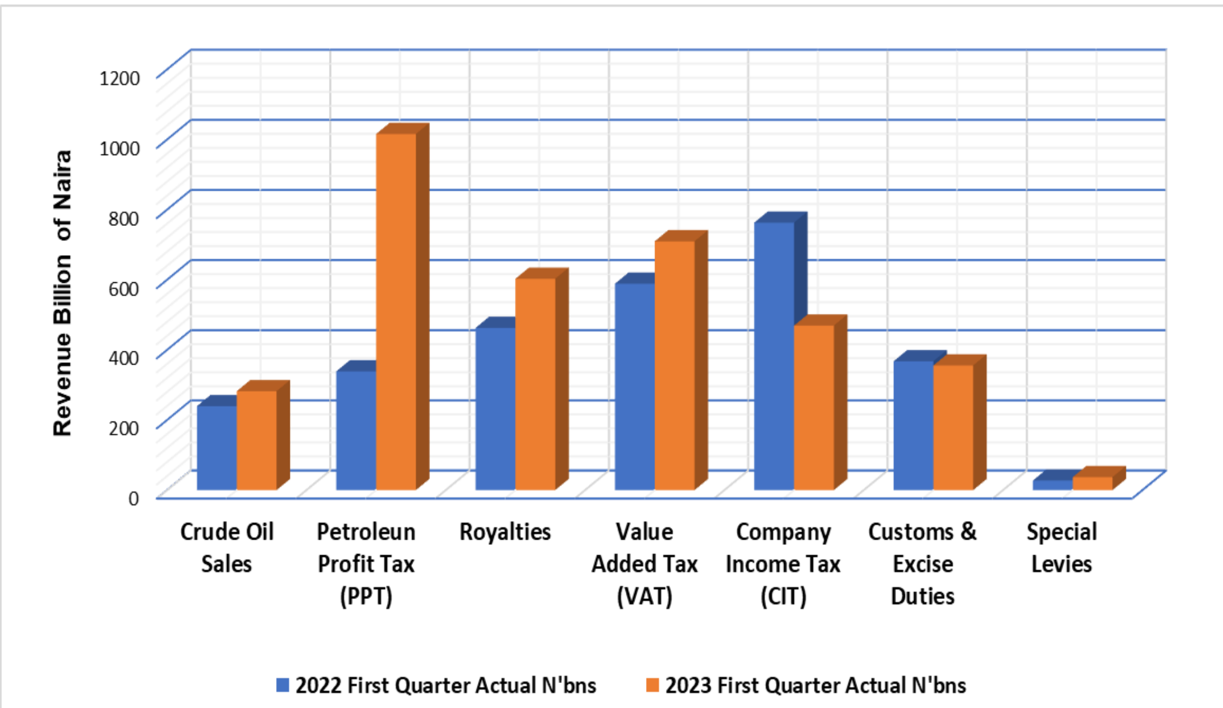
Revenue Items	2022	2023	Variance	
	First Quarter Actual	First Quarter Actual	1st Quarter 2023 Vs 1st Quarter 2022	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	239.43	282.14	42.71	17.84
Petroleun Profit Tax (PPT)	338.66	1,015.62	676.96	199.89
Royalties	462.72	602.78	140.06	30.27
Gross Oil Receipts	1,115.38	1,991.46	876.08	78.55
Net Oil Receipts	**274.2**	**486.26**	**212.06**	**77.34**
Non-Oil Revenue				
Value Added Tax (VAT)	588.6	709.59	120.99	20.56
Company Income Tax (CIT)	762.89	469.20	-293.69	-38.50
Customs & Excise Duties	367.38	355.49	-11.89	(3.24)
Special Levies	27.32	36.92	9.60	35.14
Gross Non-Oil Revenue	1,775.07	1,612.23	-162.84	-9.17
Net Non-Oil Receipts	**1,672.83**	**1,508.96**	**-163.87**	**-9.80**

Source: OAGF and Budget Office of the Federation, 2023

3.4.1 Net Oil Revenue

The actual Net Oil Revenue that accrued into the Federation Account in the first quarter of 2023 was ₦486.26 billion, depicting a decrease of ₦696.96 billion (58.90 percent) below the estimated quarterly budget of ₦1,183.23 billion. It was equally ₦73.86 billion (13.19 percent) lower than the ₦560.12 billion reported in the fourth quarter of 2022. The inflow was however ₦212.06 billion (18.86 percent) higher than the ₦274.20 billion net oil revenue recorded in the first quarter of 2022 (Table 3.4).

Figure 3.3: 2022 Vs 2023 Revenue Performance (First Quarter)



Source: OAGF and Budget Office of the Federation, 2023

The poor Net Oil Revenue performance in the first quarter of 2023 could be attributed to the fall in production and lifting due to persisting oil theft and vandalization of oil pipelines. It is also ascribed to the more than prorated Oil and Gas deductions. These data are presented in Table 3.4

3.5 Non-Oil Revenue Performance

A total of ₦1,612.23 billion gross federally collected non-oil revenue was generated in the first quarter of 2023. This indicated a decrease of ₦305.79 billion (15.94 percent) from the quarterly estimate of ₦1,917.96 billion. An examination of the non-oil revenue items showed that only Electronic Money Transfer Levy (EMTL) of 41.02 billion is higher than the quarterly projection of ₦34.26 billion by ₦6.76 billion (19.73 percent) in the review period.

On the hand, Company Income Tax of ₦469.20 billion, Value Added Tax of ₦709.54 billion Customs & Excise Duties of ₦355.49 billion and Special Levies of ₦36.92 billion performed below their quarterly estimates of ₦523.17 billion, ₦738.45 billion, ₦528.96 billion and ₦93.12 billion by ₦53.97 billion (10.32 percent), ₦28.91 billion (3.91 percent), ₦173.47 billion (32.79 percent) and ₦56.20 billion (60.35 percent) respectively.

The poor performance of some of the non-oil revenue sources could be attributed to the impacts of the Russia – Ukraine war which affected global and domestic economic activities during the period. However, non-oil revenue performance is expected to improve in subsequent quarters as measures put in place by the government to stimulate the economy would have started yielding positive results.

When compared with their corresponding 2022 first quarter figures, Value Added Tax, Electronic Money Transfer Levy (EMTL) and Special Levies were higher by ₦120.99 billion (20.56 percent), ₦12.14 billion (42.04 percent) and ₦9.60 billion (35.14 percent) respectively. On the other hand, Company Income Tax and Customs & Excise Duties fell below their respective 2022 first quarter performance by ₦293.69 (38.50 percent) and ₦11.89 billion (3.24 percent) in the quarter under review.

The enhanced performance of the non-oil revenue items in the first quarter of 2023 as against the 2022 first quarter figures is largely due to the recovery of domestic economic activities following the measures put in place by the government. The extension of the implementation of the 2022 capital budget and the improved performances of the various revenue generating agencies during the period are also some of the contributing factors. The full implementation of the 2023 capital projects/programmes is also expected to further enhance the performance of all non-oil revenue items subsequently.

Table 3.4: Distributable Revenue as at March, 2023 (Oil Revenue at Benchmark Assumptions)

S/NO	DESCRIPTION	BUDGET			ACTUAL		VARIANCE	
		2022 Budget	2023 Budget	2023 Quarterly Budget	2022 First Quarter	2023 First Quarter	2023 First Quarter Actual Vs Quarterly Budget	
A	**OIL REVENUE**	**₦b**	**₦b**	**₦b**	**₦b**	**₦b**	**₦b**	**%**
1	Gross Profit Oil from Crude Oil & Gas Sales	874.06	490.84	122.71	239.43	282.14	159.43	129.93
2	PPT & Gas Income @ 30% CITA	5,572.31	5,161.87	1,290.47	338.66	1,015.62	-274.84	-21.30
3	Oil & Gas Royalties	2,554.00	3,498.97	874.74	462.72	602.78	-271.96	-31.09
4	Concessional Rentals	6.41	4.95	1.24	1.36	0.45	-0.79	-63.95
5	Gas Flared Penalty	110.54	112.71	28.18	18.76	18.88	-9.30	-32.99
6	Incidental Oil Revenue (Royalty Recovery & Marginal Field Licences)	195.09	100.58	25.14	10.44	51.64	26.50	105.41
7	Miscellaneous (Pipeline Fees etc)	57.56	14.79	3.70	5.01	3.85	0.15	4.13
8	Exchange Gain	0.00	0.00	0.00	39.00	16.09	16.09	
9	**Sub-Total**	**9,369.96**	**9,384.72**	**2,346.17**	**1,115.38**	**1,991.46**	**-354.71**	**-15.12**
10	**Deductions**							
11	Fiscal Deductions (Base JV Cash Call + EF + MCA + RA)	0.00	0.00	0.00	306.80	392.23	392.23	
12	Other Federally Funded Upstream Projects	4,152.80	3,431.80	857.95	724.01	1,246.31	388.36	45.27
13	Gas Infrastructure Development & Other Gas Expenses	0.00	0.00	0.00	0.00	0.00	0.00	
14	NESS Fees	0.00	0.00	0.00	0.00	0.00	0.00	
15	NUPRC 4% Cost of Collection (Royalty,Concessional,Gas Flared & Miscellanous)	0.00	106.30	26.57	0.00	0.00	-26.57	-100.00
16	FIRS 4% Cost of Collection on Gas Income Tax	0.00	0.00	0.00	0.00	0.00	0.00	
17	**Total Deductions**	4,152.80	3,538.10	884.53	1,030.81	1,638.54	754.01	85.24
18	Net Oil Revenue after First Line Charges	5,217.16	5,952.91	1,488.22	391.37	745.15	-743.07	-49.93
19	13% Derivation	678.23	1,220.01	305.00	50.88	258.89	-46.11	-15.12
20	Net Oil Revenue after Derivation	**4,538.93**	**4,732.90**	**1,183.22**	**340.49**	**486.26**	**-696.96**	**-58.90**
21	**TO FEDERATION ACCOUNT (*OIL*)**	**4,538.93**	**4,732.90**	**1,183.22**	**340.49**	**486.26**	**-696.96**	**-58.90**
B	**SOLID MINERAL & OTHER MINING REVENUES**							
22	Total Solid Minerals Revenue	6.94	8.68	2.17	2.19	2.29	0.12	5.69
23	Less 13% Derivation	0.90	1.13	0.28	0.30	0.30	0.02	7.14
24	**Net Solid Minerals after Derivation**	**6.04**	**7.55**	**1.89**	**1.89**	**1.99**	**0.10**	**5.47**
C	**NON-OIL REVENUE**							
25	Corporate Tax	1,987.78	2,092.67	523.17	762.89	469.20	-53.97	-10.32
26	Value-Added Tax	2,441.80	2,953.77	738.45	588.60	709.59	-28.86	-3.91
27	Electronic Money Transfer Levy (EMTL)	210.82	137.03	34.26	28.88	41.02	6.76	19.73
28	Customs: Imports, Excise & Fees	1,858.57	2,115.87	528.96	367.38	355.49	-173.47	-32.79
29	Special Levies (Federation Account)	160.37	372.53	93.12	27.32	36.92	-56.20	-60.36
30	**Sub-Total**	**6,659.34**	**7,671.87**	1,917.96	1,775.07	1,612.23	**-305.73**	**-15.94**
31	FIRS Tax Refunds	25.00	75.00	18.75	12.00	4.00	-14.75	-78.67
32	4% Collection Cost (CIT, Stamp Duties & Capital Gains)	78.51	83.71	20.93	22.12	24.62	3.69	17.64
33	4% Collection Cost (VAT & Surcharge on Luxury Items)	97.67	85.07	21.27	23.54	25.89	4.62	21.74
34	3% Transfer to North East Development Commission (NEDC) from VAT	70.32	14.18	3.54	16.95	21.29	17.74	500.58
35	0.5% Transfer to Nigerian Police Trust Fund from VAT	11.72	0.00	0.00	0.00	0.00	0.00	
36	Value-Added Tax & Luxury Surcharge Net of Cost of Collection, and transfers to NEDC and Police Trust Fund	2,262.08	2,262.08	565.52	550.63	662.41	96.89	17.13
37	7% Cost of Collection (Duty, Excise & Fees)	130.10	148.11	37.03	25.72	24.88	-12.14	-32.80
38	7% Cost of Collection (Spec. Levies -Fed. Acct.)	11.23	26.08	6.52	1.91	2.58	-3.94	-60.36
39	NCS Refund				12.00		0.00	
40	**TO FEDERATION ACCOUNT (NON-OIL)**	**3,972.71**	**4,385.21**	**1,096.29**	**1,124.72**	**846.55**	**-249.74**	**-22.78**
41	**Total VAT Pool**	2,262.08	2,262.08	565.52	550.63	662.41	96.89	17.13
42	**Net Non-Oil**	**6,234.78**	**7,239.73**	1,809.92	1,672.83	1,508.96	-300.97	-16.63
43	**TO FEDERATION ACCOUNT**	**8,517.67**	**9,125.66**	**2,281.40**	**1,467.11**	**1,334.80**	**-946.59**	**-41.49**
D	**TOTAL DISTRIBUTABLE**							
1	Federation Account	8,517.67	9,125.66	2,281.40	1,467.11	1,334.80	-946.59	-41.49
2	VAT Pool Account	2,262.08	2,262.08	565.52	550.63	662.41	96.89	17.13
3	**GRAND TOTAL**	**10,779.75**	**11,387.74**	**2,846.92**	**2,017.74**	**1,997.21**	**-849.70**	**-29.85**

Source: OAGF and Budget Office of the Federation, 2023

Table 3.5: Actual Performance of Non-Oil Revenue Categories (First Quarter) 2012-2023

Description	FIRST QUARTER (ACTUAL)												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	12 - Year Average
	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn
Custom & Excise Duties	49.29	49.59	54.86	60.07	56.35	131.47	148.54	178.53	212.90	245.64	367.38	355.49	159.18
Company Income Tax	57.93	73.72	82.93	81.45	82.04	158.95	256.86	297.21	284.03	401.13	762.89	469.20	250.70
Value Added Tax	22.98	24.94	28.73	26.30	26.42	222.00	270.06	301.62	324.58	496.39	588.60	709.59	253.52
FGN Independent Revenue	33.45	65.03	121.13	280.63	47.52	21.89	72.05	34.59	47.73	391.07	222.73	309.52	137.28

Source: OAGF and Budget Office of the Federation, 2023

Further analysis of first quarter non-oil revenue performance showed increasing trend of key non-oil revenue subheads over the years, particularly VAT, CIT and Customs notwithstanding the fluctuations in some years, while Independent Revenue continued to be unstable over the period (Table 3.5 and 3.6).

Table 3.6: Percentage Growth in Non-Oil Revenue Performances (First Quarter) 2013-2023

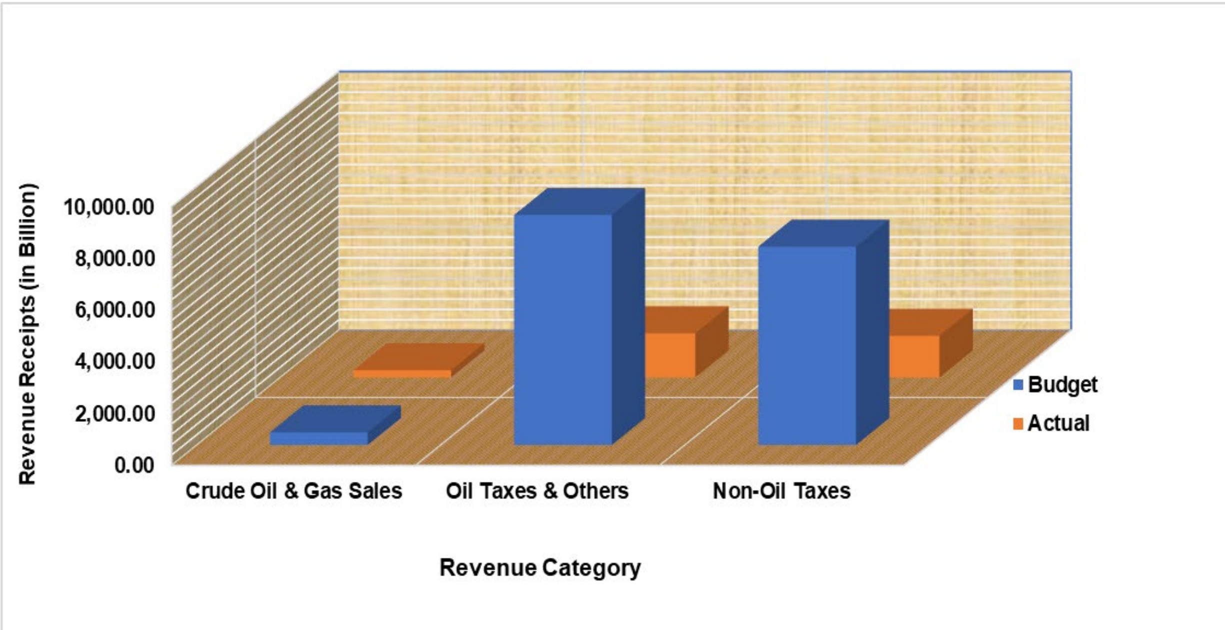
Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	11-Year Average
	%	%	%	%	%	%	%	%	%	%	%	%
Custom & Excise Duties	0.61	10.63	9.50	-6.19	133.31	12.98	20.19	19.25	15.38	49.56	-3.24	23.82
Company Income Tax	27.26	12.49	-1.78	0.72	93.75	61.60	15.71	4.43	41.23	90.19	-38.50	27.92
Value Added Tax	8.53	15.20	-8.46	0.46	740.27	21.65	11.69	7.61	52.93	18.58	20.56	80.82
FGN Independent Revenue	-34.83	86.27	131.68	-83.07	-53.94	229.15	-51.99	37.99	719.34	-43.05	38.97	88.77

Source: OAGF and Budget Office of the Federation, 2023

3.6 Comparative Revenue Performance Analysis

A breakdown of the actual performance of revenue compared with budgeted estimates as at March ending 2023 indicated an underperformance of crude oil & gas revenue while non-oil taxes improved slightly (Figure 3.4).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at March 2023)



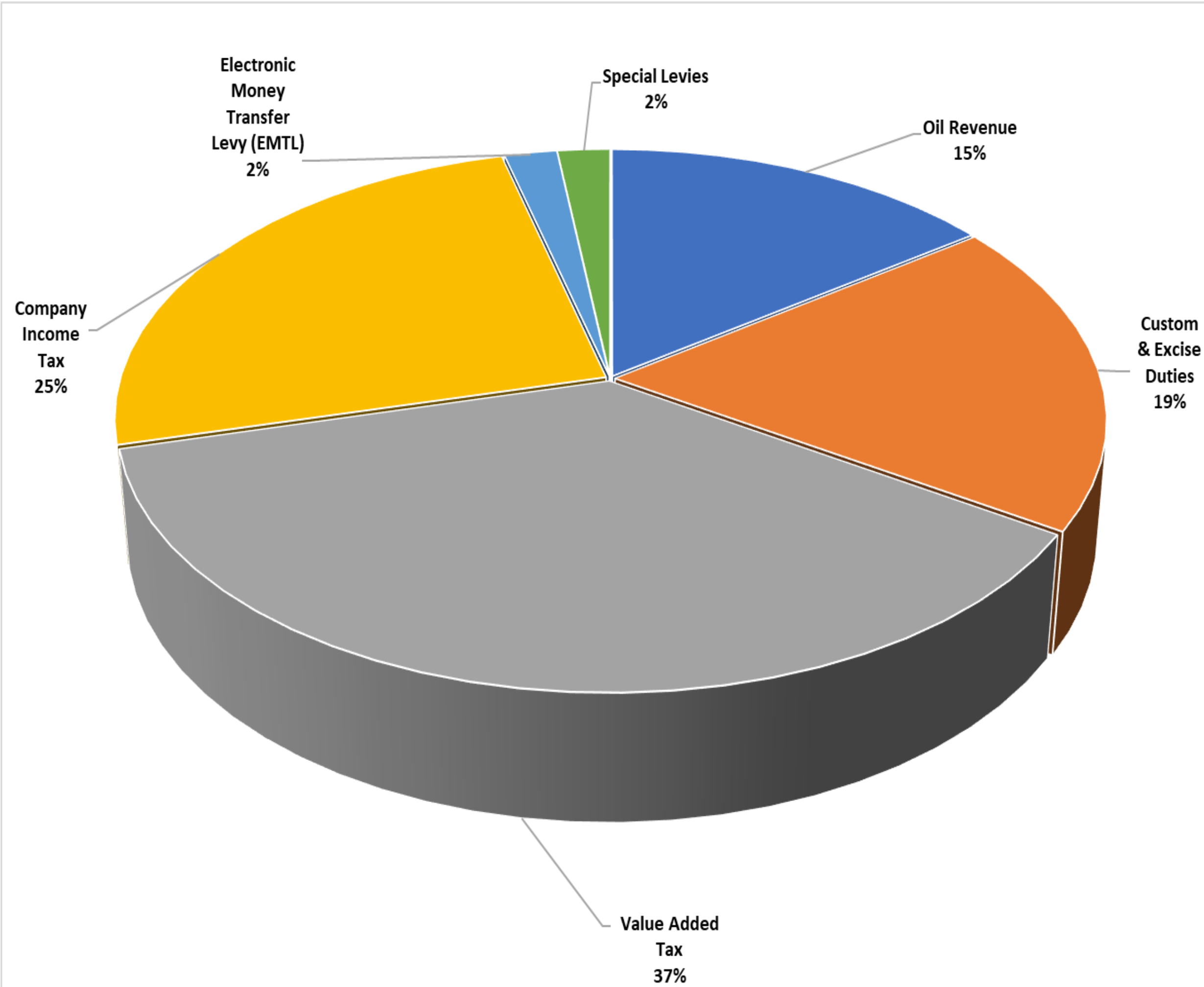
Source: Budget Office of the Federation, 2023

3.7 Distributable Revenue

The net distributable revenue of the Federation stood at ₦1,997.21 billion in the first quarter of 2023. This represents a shortfall of ₦849.70 billion (29.85 percent) from the ₦2,846.92 billion quarterly projection for the period. This was attributable to significant reduction in the Federation Account inflow from the oil sector. The non-oil revenue accruing to the Federation Account also decreased by ₦249.74 billion (22.78 percent) adding to the oil sector shortfall of ₦696.96 billion (58.90 percent) during the review period.

The percentage contribution of the different distributable revenue classifications in the first quarter of 2023 is presented in Figure 3.5. Oil Revenue, VAT, CIT, Electronic Money Transfer Levy (EMTL), Customs & Special Levies contributed 15 percent, 37 percent, 25 percent, 2 percent, 19 percent and 2 percent respectively.

Figure 3.5: Contributions to Distributable Revenue (in the 1st Quarter of 2023)



Source: Budget Office of the Federation, 2023

3.8 Excess Crude Account

Analysis of the reports of the Excess Crude Account (ECA) revealed an opening balance of US$0.47 million in the Account as at 1st January, 2023. The sum of US$0.002 million being accrued interest on fund investment (December 2022 - March 2023) was received into the account in the first quarter of 2023. No withdrawal was made from the account within the period under review. Thus, the closing balance was US$0.47 million as at 31st March, 2023 (Table 3.7).

Table 3.7: Net Excess Crude Account

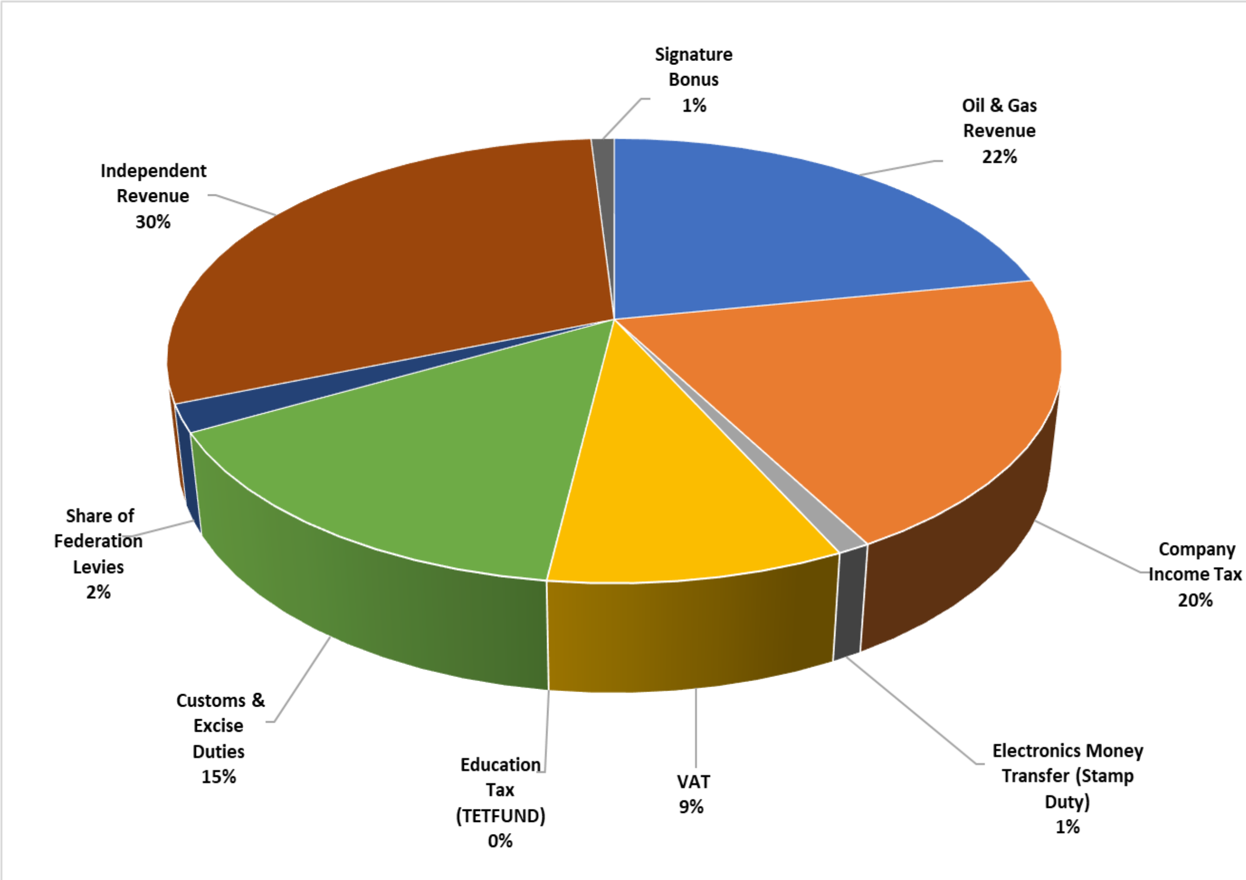
Description	2022 Actual		20233 Actual
	First Quarter	Fourth Quarter	First Quarter
Inflows			
Transfer to Excess Crude Account	0	0	0
Accrued Interest on Fund Investment	US$0.006 million	US$0.002 million	US$0.002 million
Reconciliation of Inflow and Outflow	0		0
Total Inflow	**US$0.006 million**	**US$0.002 million**	**US$0.002 million**
Outflows			
Procurement of 3 XAW 109 Brand New Helicopters	0	0	0
Procurement of 2X High Endurance Offshore Patrol Vessels	0	0	0
Total Outflows	0	0	0
Net Excess Crude Account	**US$0.006 million**	**US$0.002 million**	**US$0.002 million**

Source: Office of the Accountant General of the Federation, 2023

3.9 FGN Budget Revenue

Based on the 2023 Budget Framework, the sum of ₦8,626.00 billion was projected to fund the Federal Budget, indicating a quarterly share of ₦2,156.50 billion. A total of ₦1,209.53 billion was received in the first quarter of 2023 reflecting a ₦946.97 billion (43.91 percent) shortfall from the quarterly projection of ₦2,156.50 billion. It was also ₦272.52 billion (18.39 percent) lower than the ₦1,482.06 billion generated in the first quarter of 2022.

Table 3.6: Contribution to the FGN Budget Revenue in the First Quarter of 2023



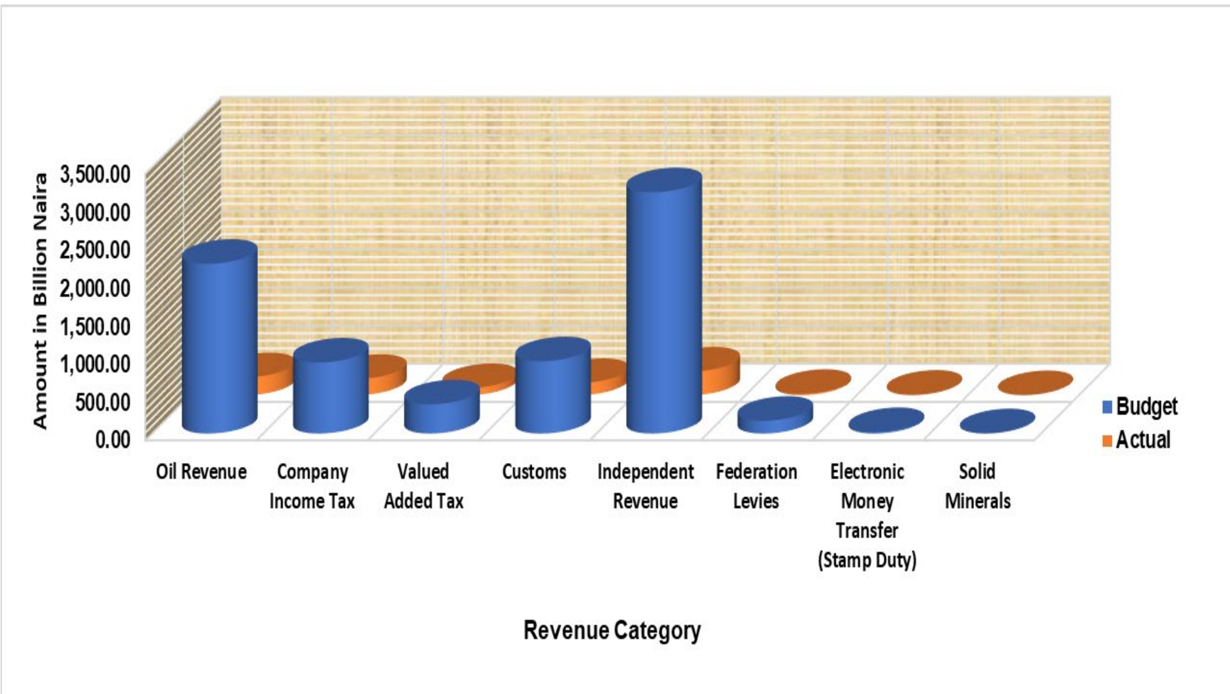
Source: The OAGF and Budget Office of the Federation, 2023

Note: This excludes FGN's Unspent Balances and FGN's Balances in Special Accounts and Other Funding Sources.

The sum of ₦234.66 billion that was received from oil sources in the first quarter of 2023 was lower than the quarterly estimate of ₦557.41 billion by ₦322.75 billion (57.90 percent). Similarly, Company Income Tax of ₦212.62 billion, VAT of ₦92.74 billion, Customs of ₦159.54 billion, Federation Levies Accounts of ₦16.57 billion, Independent Revenue of ₦309.52 billion and Signature Bonus of ₦11.83 billion were below their corresponding quarterly budget estimates of ₦233.32 billion, ₦95.77 billion, ₦237.40 billion, ₦41.80 billion, ₦792.27 billion and ₦14.26 billion by ₦20.70 billion (8.87 percent), ₦3.04 billion (3.17 percent), ₦77.86 billion (32.80 percent), ₦25.23 billion (60.36 percent), ₦482.75 billion (60.93 percent) and ₦2.43 billion (17.02 percent) respectively.

On the other hand, Electronics Money Transfer (Stamp Duties) and FGN's share of Minerals & Mining were above their corresponding quarterly estimate of ₦4.77 billion and ₦0.91 billion by ₦0.94 billion (19.74 percent) and ₦0.05 billion (5.49 percent) while no inflow was recorded under FGN's share of Dividend, Share of Oil Price Royalty, Draw Down from Special Levies Accounts, Domestic Recoveries, and Education Tax (TETFUND) in the quarter under review (Table 3.8).

Figure 3.7: FGN Revenue (Budget Vs Actual as at March 2023)



Source: OAGF and Budget Office of the Federation, 2023

Table 3.8: Federal Government Revenue Inflows as at March 2023

S/No	ITEMS	BUDGET			ACTUAL		VARIANCE	
		2022 Budget	2023 Budget	2023 Quarterly Budget	2022 First Quarter	2023 First Quarter	2023 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	3,362.01	2,229.64	557.41	156.71	234.66	-322.75	-57.90
3	FGN Share of Dividend (NLNG)	195.72	81.79	20.45	0.00	0.00	-20.45	-100.02
4	FGN Share of Minerals & Mining	2.92	3.64	0.91	0.92	0.96	0.05	5.49
5	FGN Share of Non-Oil	2,132.08	2,433.15	608.29	605.92	481.46	-126.82	-20.85
6	*FGN Share of Company Income Tax*	909.30	933.28	233.32	351.69	212.62	-20.70	-8.87
7	*FGN Share of VAT*	316.69	383.09	95.77	77.09	92.74	-3.04	-3.17
8	*FGN Share of Customs*	834.12	949.59	237.40	164.88	159.54	-77.86	-32.80
9	*FGN Share of Federation Levies*	71.97	167.19	41.80	12.26	16.57	-25.23	-60.36
10	Electronics Money Transfer (Stamp Duty)	29.37	19.09	4.77	4.04	5.71	0.94	19.74
11	Share of Oil Price Royalty	96.94	13.37	3.34	0.00	0.00	-3.34	-100.00
12	FGN Independent Revenue	2,216.22	3,169.07	792.27	222.73	309.52	-482.75	-60.93
13	Draw-Down from Special Levies Accounts	300.00	300.00	75.00	32.14	0.00	-75.00	-100.00
14	FGN Share of Signature Bonus	280.86	57.05	14.26	0.00	11.83	-2.43	-17.02
15	Domestic Recoveries+Assets+Fines	26.93	27.90	6.97	0.00	0.00	-6.97	-100.00
16	Grants and Donor Funding	63.38	43.03	10.76	455.09	154.73	143.98	1,338.42
17	Education Tax (TETFUND)	306.00	248.27	62.07	0.00	0.00	-62.07	-100.00
18	**AMOUNT AVAILABLE FOR FGN BUDGET (excluding GEOs)**	**9,012.41**	**8,626.00**	**2,156.50**	**1,477.55**	**1,198.88**	**-957.62**	-44.41
19	Other Financing Sources		0.00	0.00	0.00	0.00	0.00	100.00
20	Exchange Rate Different/Excess Bank Charges	0.00	0.00	0.00	4.51	10.64	10.64	100.00
21	**TOTAL INFLOW**	**9,012.41**	**8,626.00**	**2,156.50**	**1,482.06**	**1,209.53**	**-946.97**	-43.91

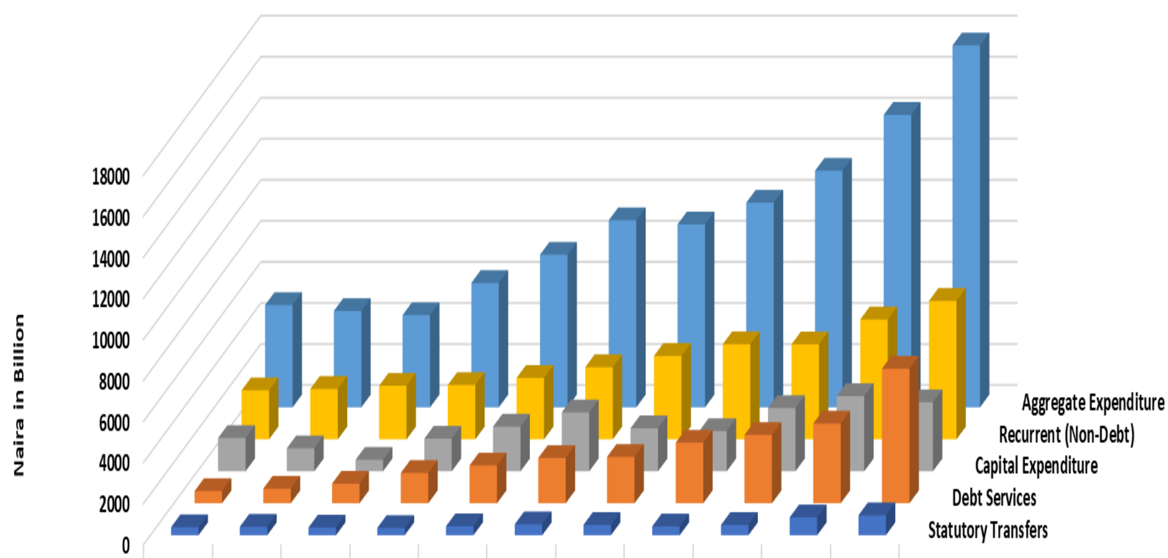
Source: Budget Office of the Federation and OAGF, 2023

3.10 Expenditure Developments

A total of ₦17,636.67 billion (excluding GOEs Budget & Project-tied Loans) was appropriated for expenditure in the 2023 Budget. This comprises of ₦6,745.64 billion (38.25 percent) for Recurrent (Non-Debt), ₦6,557.60 billion (37.18 percent) for Recurrent (Debt), ₦967.49 billion (5.49 percent) for

Statutory Transfers and ₦3,365.94 billion (19.08 percent) for Capital Expenditure. This translates to prorate quarterly expenditure outlay of ₦4,409.17 billion in 2023. Actual expenditure outflow of ₦3,917.01 billion was recorded in the first quarter of 2023, representing an underperformance of ₦492.16 billion (11.16 percent) over the quarterly budget projection for the year.

Figure 3.8: 2013 – 2023 FGN Budget Expenditure Profile



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutory Transfers	387.98	408.69	375.62	351.37	434.41	530.42	502.06	428.03	496.53	869.67	967.49
Debt Services	591.76	712.00	953.62	1,475.32	1,841.35	2,203.84	2,254.01	2,951.71	3,324.33	3,879.95	6,557.60
Capital Expenditure	1,621.48	1,119.62	557.00	1,587.40	2,174.50	2,869.60	2,094.95	1,960.32	3,079.92	3,664.50	3,365.94
Recurrent (Non-Debt)	2,386.03	2,454.89	2,607.13	2,646.39	2,990.92	3,516.48	4,065.94	4,633.85	4,628.73	5,841.12	6,745.64
Aggregate Expenditure	4,987.25	4,695.19	4,493.36	6,060.48	7,441.18	9,120.33	8,916.96	9,973.92	11,529.51	14,255.24	17,636.67

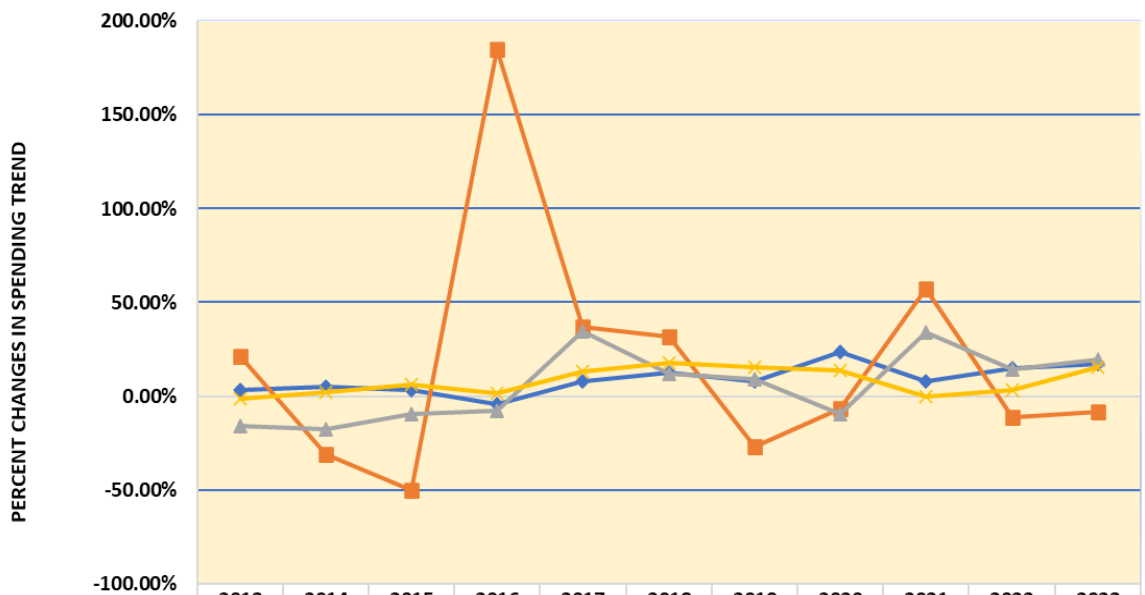
Source: Budget Office of the Federation, 2023

3.10.1 Non-Debt Recurrent Expenditure

The FGN continued to pursue on its goal of reducing the growth in its recurrent expenditure as stated in the 2023-2025 MTEF/FSP. Key initiatives aimed at reducing recurrent costs were therefore pursued vigorously during the period. This includes the embargo on unapproved recruitment by MDAs. All requests for recruitment and enrolment of staff into the FGN payroll are required to, among others, first seek financial clearance from Budget Office of the Federation. Another is the continuous roll out of the Integrated Payroll and Personnel Information System (IPPIS) to MDAs that are yet to be covered by the scheme.

A total of ₦1,243.13 billion was spent on non-debt recurrent expenditure in the first quarter of 2023. This amount revealed a decrease of ₦443.28 billion (26.29 percent) from the quarterly estimate of ₦1,686.41 billion (details in Figure 3.8).

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2013 – 2023)



	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Personnel Cost	3.37%	4.79%	3.46%	-4.47%	7.76%	12.43%	8.18%	23.56%	7.74%	14.70%	17.43%
Capital Spending	21.01%	-30.95%	-50.25%	184.99%	36.99%	31.97%	-27.00%	-6.43%	57.13%	-11.17%	-8.15%
Overheads	-15.94%	-17.37%	-9.65%	-8.00%	34.55%	12.12%	8.78%	-9.31%	34.01%	14.07%	19.25%
Recurrent (Non-Debt)	-1.62%	2.06%	6.20%	1.51%	13.02%	17.57%	15.63%	13.97%	-0.11%	3.53%	15.48%

Source: BOF and OAGF, 2023

3.10.2 Debt Service

Total Recurrent Debt expenditure in the first quarter of 2023 stood at ₦2,229.40 billion representing an increase of ₦590.00 billion (35.99 percent) above the ₦1,639.40 billion projected for the quarter. Domestic debt service payment was slightly higher than the prorate quarterly budget estimate of ₦823.78 billion by ₦50.35 billion (6.11 percent) during the period. Actual domestic debt service was ₦874.13 billion during the quarter under review. The sum of ₦453.69 billion was planned for external debt service in the first quarter of 2023. Actual external debt service payment however amounted to ₦442.95 billion (US$295.08 million) indicating a difference of ₦-10.74 billion (2.37 percent) from the quarterly projection.

3.10.3 Statutory Transfers

A total of ₦269.03 billion was released as Statutory Transfers in the first quarter of 2023 which was ₦27.16 billion (11.23 percent) above the quarterly projection of ₦241.87 billion. It is important to note that quarterly releases to beneficiaries under this subhead are determined by budgetary provisions, needs and availability of funds. A total of ₦175.45 billion was released as capital expenditure in the first quarter of 2023 which was ₦666.04 billion (79.15 percent) below the quarterly projection of ₦841.49 billion.

3.10.4 Capital Expenditure Performance

Government's available financial resources were also directed at 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 ₦3,365.94 billion (excluding capital expenditure of Statutory Transfers, GOEs and project tied loans) was allocated to capital spending in the 2023 Budget.

The detailed breakdown of expenditure in the first quarter of 2023 is presented in Table 3.9

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at March 2023

ITEMS	BUDGET			ACTUAL		VARIANCE	
	2022 Budget	2023 Budget	2023 Quarterly	2022 First Quarter	2023 First Quarter	2023 First Quarter Actual Vs Quarterly	
	₦b	₦b	₦b	₦b	₦b	₦b	%
AMOUNT AVAILABLE FOR FGN BUDGET (excluding GOEs)	9,012.41	8,626.00	2,156.50	1,477.55	1,198.88	-957.62	-44.41
Exchange Rate Difference/Excess Bank Charges	0	0	0.00	4.51	10.64	10.64	100.00
TOTAL INFLOW	**9,012.41**	**8,626.00**	**2,156.50**	**1,482.06**	**1,209.52**	**-946.98**	**-43.91**
EXPENDITURE:							
RECURRENT NON-DEBT:							
Personnel Cost	3,494.37	4,103.59	1,025.90	861.51	978.10	-47.80	-4.66
CRF Pensions	577.86	854.81	213.70	92.93	104.46	-109.24	-51.12
Overhead Cost	371.73	443.28	110.82	112.66	73.35	-37.47	-33.81
Other Service Wide Votes (+ Gavi/Immunization)	966.87	1,066.55	266.64	95.58	70.97	-195.67	-73.38
Presidential Amnesty Programme	65.00	65.00	16.25	16.25	16.25	0.00	100.00
Tetfund-Recurrent	15.30	12.41	3.10	0.00	0.00	-3.10	-100.00
Special Intervention (Recurrent)	350.00	200.00	50.00	0.00	0.00	-50.00	-100.00
Sub-Total (Non-Debt)	**5,841.12**	**6,745.64**	**1,686.41**	**1,178.93**	**1,243.13**	-443.28	-26.29
Domestic Debts Service	2,506.08	3,295.11	823.78	668.69	874.13	50.35	6.11
Foreign Debts	1,103.17	1,814.76	453.69	228.35	442.95	-10.74	-2.37
Sub-Total Debt Service	**3,609.24**	**5,109.87**	**1,277.47**	**897.03**	**1,317.08**	**39.61**	**3.10**
Interest on Ways & Means	0.00	1,200.00	300.00	348.92	912.32	612.32	204.11
Sinking Fund to Retire Maturing Loans	270.71	247.73	61.93	0.00	0.00	-61.93	-100.00
Total Recurrent Debts	**3,879.95**	**6,557.60**	**1,639.40**	**1,246.01**	**2,229.40**	**590.00**	**35.99**
Total Recurrent Expenditure	**9,721.08**	**13,303.24**	**3,325.81**	**2,424.93**	**3,472.53**	146.72	4.41
CAPITAL EXPENDITURE							
Capital Dev. Fund (Main)-2022 in 2023	0.00			1,240.31	1,689.10	1,689.10	
Capital Dev. Fund (Main)-2023	2,750.89	2,287.59	571.90	485.50	65.61	-506.29	-88.53
Capital Supplementation	455.59	779.10	194.78	147.24	109.84	-84.94	-43.61
Special Intervention (Capital)	7.00	7.00	1.75	0.00	0.00	-1.75	-100.00
TETFUND Capital Expenditure	290.70	235.85	58.96	0.00	0.00	-58.96	-100.00
Grants and Donor Funded Projects	63.38	43.03	10.76	0.00	0.00	-10.76	-100.00
FGN Share of Oil Price Royalty Transferred to NSIA	96.94	13.37	3.34	0.00	0.00	-3.34	-100.00
Total Capital Expenditure	**3,664.50**	**3,365.94**	**841.49**	**632.74**	175.45	-666.04	-79.15
TRANSFERS							
Statutory Transfers	869.67	967.49	241.87	217.42	269.03	27.16	11.23
TOTAL FGN BUDGET (Exclusive of GEOs Budget & Project-tied Loans)	**14,255.24**	**17,636.67**	**4,409.17**	**3,275.09**	**3,917.01**	**-492.16**	**-11.16**
Fiscal Deficit (Excluding GEOs Budget & Project-tied Loans)	**-5,242.83**	**-9,010.67**	**-2,252.67**	**-1,793.03**	**-2,707.49**	**-454.82**	**20.19**
FINANCING ITEMS							
Privitization Proceeds	90.73	206.18	51.55	0	0.00	-51.55	-100.00
Multi-lateral / Bi-lateral Project-tied Loans	1,155.82	1,771.40	442.85	0	0.00	-442.85	-100.00
Foreign Borrowing	2,569.76	1,760.90	440.22	0	0.00	-440.22	-100.00
Domestic Borrowing	2,569.76	7,043.59	1,760.90	950.00	2,030.00	269.10	15.28
Sub-Total	**6,386.07**	**10,782.08**	**2,695.52**	**950.00**	**2,030.00**	**-665.52**	**-24.69**
Sub Total (Exclusive Project-tied Loans)	**5,230.25**	**9,010.67**	2,252.67	**950.00**	**2,030.00**	-222.67	-9.88
Net Deficit/Surplus (Excluding GEOs Budget & Project-tied Loans)	-12.58	0.00	0.00	-843.03	-677.49	-677.49	
Grand Total (Revenue + Financing Items)	**14,242.66**	**17,636.67**	**4,409.17**	**2,432.06**	**3,239.52**	**-1,169.65**	**-26.53**

Source: OAGF and Budget Office of the Federation, 2023

MDAs' Capital Vote Utilization

The release of funds to the MDAs for capital expenditure in the first quarter of 2023 was done based on the "Bottom-up Cash Plan" arrangement introduced with effect from 2023, the availability of resources, and government priorities. Data from the Office of the Accountant General of the Federation (OAGF) on capital performance for MDAs as at 31st March, 2023 showed that a total of ₦175.45 billion was released to MDAs and cash-backed for their 2023 capital projects and programmes.

Performance as at 31st March, 2023

The utilization rates as at 31st March, 2023 was still very low due to the fact that some MDAs were still implementing their 2022 capital budget which was allowed to run till 30th June, 2023. It is expected that the utilization rates as well as releases will continue to increase in the subsequent quarters of the year.

3.10.5 Budget Deficit and Performance of the Financing Items:

In the 2023 Fiscal Framework, quarterly fiscal deficit is estimated at ₦2,252.67 billion (exclusive of GOEs and Multi-lateral/Bi-lateral Project-tied Loan of ₦442.85 billion). The quarterly deficit is expected to be financed through earnings from Privatization Proceeds of ₦51.55 billion, Foreign Borrowing of ₦440.23 billion and Domestic Borrowing (FGN Bond) of ₦1,760.90 billion.

The inflow and outflow of funds for the Federal Government resulted in a fiscal deficit of ₦2,707.49 billion (5.28 percent of prorated GDP) in the first quarter of 2023. This represents a significant increase in deficit to the tune of ₦454.82 billion (20.19 percent) of the projected deficit for the period. However, only ₦2,030.00 billion was financed through FGN Bond. This resulted in a ₦677.49 billion net deficit for the review period.

4.0 CONCLUSION

The macroeconomic variables in the review period were redefined by the heightening of downside risks to the recovery of the global economy following the Russia-Ukraine conflict and the sanctions against Russia. These was further worsened by uncertainties coming from lingering supply chain bottlenecks, due to the Russia-Ukraine war.

The economy grew by 2.31 percent in the first quarter of 2023 with the oil sector declining by 4.21 percent (year-on-year) in real terms while the non-oil sector recorded a real growth of 2.27 percent. The non-oil sector contributed significantly to the growth of the economy and was mainly driven by Information and Communication; Trade; Transportation; Financial and Insurance; Agriculture and Real Estate.

The Federal Government continued to prioritize and meet its non-discretionary expenditure requirements even as the budget execution continued to be affected by poor, though improving revenue outcomes. The performance of the economy during the quarter was commendable considering developments in the global economy and the performance of many other economies.

Nonetheless, Government would continue to fast-track efforts towards improving the economic growth and revenue generation performance. Improving revenue collections in the subsequent quarters of the year is critical to the successful execution of the 2023 Budget. Efforts to curb the growth in recurrent expenditure and particularly personnel expenditure in 2023 and beyond is important even as effective implementation of measures to address the security challenges continue to be a priority.

The Federal Government remains committed to the goals of improved openness, transparency and accountability in budget preparation, implementation, monitoring and evaluation and feedback. In view of this, Government will continue to ensure firm adherence to budget implementation guidelines and the governance framework on monitoring of capital budget implementation. Efforts would also be geared towards promoting efficiency in budget implementation, while guaranteeing effective project management in the succeeding quarter of 2023 and beyond.