



2019 SECOND QUARTER AND HALF YEAR BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION
Ministry of Finance, Budget and National Planning

FOREWORD

I am delighted to present to you the Second Quarter and Half-Year 2019 Budget Implementation Report (BIR), which analyses the budget performance for the period. The FGN Budget is a key policy instrument for delivering on the objectives of Government. As such, the 2019 Budget was titled “Budget of Continuity” and is the fourth full year budget by the present administration. The Budget, like the two preceding ones, continues to align with the Economic Recovery and Growth Plan (ERGP) designed to restore the Nigerian economy to the path of robust, sustainable and inclusive growth.

The publication of this report is mainly in fulfillment of Sections 30 and 50 of the Fiscal Responsibility Act (FRA), 2007 which requires the Budget Office of the Federation (BOF) to prepare quarterly Budget Implementation Reports. These Reports are to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also to be disseminated extensively to all stakeholders and the general public through electronic and other media. I congratulate the Budget Office of the Federation and the relevant Ministries, Departments and Agencies (MDAs) for their hard work and keen efforts in preparing this Report. I also appreciate the vital roles of both the Fiscal Responsibility Commission and the National Assembly’s Joint Finance Committee in promoting best practices in public financial management. I look forward to the continued strengthening of our cooperative work in this regard.

In conclusion, I urge readers of the budget implementation reports to uphold active interest in government public financial management in Nigeria. I also encourage you to use the various media provided by government to contribute towards the improvement of budgetary outcomes for the benefit of all Nigerians.

Zainab Shamsuna Ahmed (Mrs)

Honourable Minister of Finance, Budget and National Planning

PREFACE

The Budget Office of the Federation (BOF) carries out quarterly monitoring and evaluation of the implementation of Annual Budgets and produces the reports thereof in accordance with the Fiscal Responsibility Act 2007. This Second Quarter Budget Implementation Report (BIR) is one of the in-year reports to be prepared by the BOF for the assessment of the 2019 budget performance. In addition to adherence to the provisions of the FRA 2007, these reports are also designed to enhance budget transparency, accountability and credibility as a key component of Nigeria's commitment to the Open Government Partnership (OGP).

The budget preparation, execution, monitoring and evaluation system in Nigeria has continued to develop. The BOF has continued to implement critical reforms/initiatives that have progressively delivered more purposeful, implementable and fairly comprehensive budget in a more effective manner. Appropriate technology and models are being adopted to ensure timely and accurate budget preparation, implementation and evaluation. Revenue estimation and mobilization however remains a key challenge for budget implementation in Nigeria especially as the key source has historically remained concentrated in a very volatile oil sector. Revenue projections for 2019 have so far fallen considerably short of targets.

The execution of the 2019 Budget so far, as has been the case for several years now, was made further challenging due to its late passage and the extended implementation of the previous year's budget as well. Despite these challenges, Government was able to deliver ₦1,655.26 billion capital expenditure under the 2018 budget by end of second quarter of 2019. This considerably contributed to the positive GDP growth recorded in the period under review. The extension of the 2018 capital budget to 30th June, 2019 enabled the government to continue its reflationary expenditure programme.

This Report is a product of joint efforts of financial and statistical agencies of government which provided necessary macro-economic data. I am very pleased by the combined efforts of the various Departments of the Budget Office of the Federation in producing this report. I commend their hard work and wish them every success as they continue to carry out this important function.

Ben Akabueze

Director General (Budget Office of the Federation)

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.....	4
2.1 PERFORMANCE OF THE GLOBAL ECONOMY	4
2.2 DOMESTIC MACROECONOMIC PERFORMANCE	5
2.2.1 <i>Developments in Real Sector.....</i>	<i>5</i>
2.2.1.1 <i>GDP Growth:.....</i>	<i>5</i>
2.2.1.2 <i>Oil Sector:</i>	<i>6</i>
2.2.1.3 <i>Non-Oil Sector:</i>	<i>7</i>
2.2.2 <i>Developments in Prices.....</i>	<i>8</i>
2.2.3 <i>Developments in Money Market</i>	<i>9</i>
2.2.4 <i>Developments in the External Sector</i>	<i>11</i>
2.2.4.1 <i>External Trade.....</i>	<i>11</i>
2.2.4.2 <i>Balance of Payment.....</i>	<i>12</i>
2.2.4.3 <i>Exchange Rates.....</i>	<i>13</i>
2.2.4.4 <i>External Reserves</i>	<i>13</i>
2.2.5 <i>Debt Stock.....</i>	<i>15</i>
2.2.5.1 <i>Total Public Debt Stock.....</i>	<i>15</i>
2.2.5.1 <i>Domestic Debt Stock.....</i>	<i>15</i>
2.2.5.2 <i>External Debt Stock.....</i>	<i>16</i>
3.0 FINANCIAL ANALYSIS OF THE 2018 BUDGET IMPLEMENTATION.....	17
3.1 KEY ASSUMPTIONS AND PROJECTIONS	17
3.1.1 <i>Budget Benchmark Oil Price and Production:.....</i>	<i>16</i>
3.2 ANALYSIS OF REVENUE PERFORMANCE:	20
3.2.1 <i>Performance of Key Oil Revenue Parameters:.....</i>	<i>20</i>
3.3 AGGREGATE REVENUE OF THE FEDERATION:	21

3.4	OIL REVENUE PERFORMANCE:	21
3.4.1	<i>Net Oil Revenue:</i>	22
3.4.2	<i>Half Year Oil Revenue Performance:</i>	22
3.5	NON-OIL REVENUE PERFORMANCE:	24
3.5.1	<i>Half Year Non-Oil Revenue Performance:</i>	25
3.6	DISTRIBUTABLE REVENUE:	29
3.7	EXCESS CRUDE ACCOUNT	30
3.8	FGN BUDGET REVENUE.....	31
3.8.1	<i>Total Inflow of the Federal Government.....</i>	35
3.9	EXPENDITURE DEVELOPMENTS:	35
3.9.1	<i>Non-Debt Recurrent Expenditure</i>	36
3.9.2	<i>Debt Service:.....</i>	37
3.9.4	<i>Capital Expenditure Performance:</i>	40
3.9.5	<i>Budget Deficit and Performance of the Financing Items:.....</i>	40
4.0	CONCLUSION.....	42

TABLE OF ACRONYMS

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

LIST OF TABLES

Table 3.1: Key Assumptions and Targets for 2016 - 2019 Budget	15
Table 3.2: Detailed Assumptions for Oil Production and Taxes (2018 and 2019)	17
Table 3.3: Performance of Revenue in the Second Quarter of 2019 Vs 2018.....	21
Table 3.4: Net Distributable Revenue as at June 2019 (Oil Revenue at Benchmark Assumptions).....	24
Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2009 – 2018.....	25
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2010 – 2018.....	25
Table 3.7: Net Excess Crude Account	28
Table 3.8: Inflows to the 2018 Federal Budget as at June 2019.....	30
Table 3.9: FGN Budget Expenditure and Fiscal Account (in N’ Billion) as at June 2019.....	36

LIST OF FIGURES

Figure 2.1: GDP Percentage Growth (Q1 2015 - Q2 2019).....	5
Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate percent (Q1 2015 – Q2 2019).....	6
Figure 2.3: Inflation Rate (June 2018 – June 2019).....	8
Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2018 – June 2019).....	9
Figure 2.5: Naira/US\$ Exchange Rates Trend (June 2018 – June 2019).....	12
Figure 2.6: Level of External Reserves in Billion Dollars (June 2018 – June 2019).....	13
Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2019	17
Figure 3.2: Oil Production and Lifting January – June 2019.....	18
Figure 3.3: 2018 Vs 2019 Revenue Performance (Second Quarter)	22
Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2019)	26
Figure 3.5: Contributions to Distributable Revenue (in the 2 nd Quarter of 2019).....	27
Figure 3.6: Contributions to FGN Budget in the Second Quarter of 2019 (Excluding FGN's Unspent Balances in Special Accounts):	31
Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2019).....	32
Figure 3.8: 2009 – 2019 Budget Expenditure Profile.....	33
Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2019).....	34

EXECUTIVE SUMMARY

The 2019 Budget titled “Budget of Continuity” is planned to further place the economy on the track of comprehensive, diversified and sustainable growth in order to continue to lift substantial numbers of Nigerians out of poverty. The underlying drivers of the 2019 revenue projections was designed to reflect present realities. On the expenditure side, allocations to Ministries, Departments and Agencies of Government were guided by the 3 core objectives of the ERGP, which are; Restoring and Sustaining Growth; Investing in our People; and Building a Globally Competitive Economy.

Nigeria’s Gross Domestic Product (GDP) grew by 1.94 percent (year-on-year) in real terms in the second quarter of 2019. This reflects a 0.44 percentage points increase when compared to the second quarter of 2018 growth of 1.50 percent but a decline of 0.16 percentage points when compared to 2.10 percent recorded in the first quarter of 2019. This translates to an aggregate GDP stood of N34,944.15 billion in nominal terms, showing an increase of 13.83 percent over the performance recorded in the second quarter of 2018 and 9.8 percent above the preceding quarter of 2019.

The general changes in price level, though still high at the double-digit range, continued to moderate in the second quarter of 2019. Headline inflation (year-on-year) remained above the single digit target at 11.22 percent in June 2019 but reflects a moderation from 11.40 percent and 11.37 percent in May and April 2019 respectively. The moderation was attributed to the decline in the Food and Core Inflation components and reflects, among others, the stability in the FORX market, and the continued monetary tightening. Food Inflation moderated to 13.56 percent in June 2019 from 13.79 percent and 13.70 percent in May and April 2019 respectively. Similarly, Core Inflation moderated to 8.84 percent in June 2019 from 9.03 percent and 9.28 percent in May and April 2019 respectively.

Monetary aggregates grew in the second quarter relative to the first quarter of 2019. Broad Money Supply (M2) grew by 3.94 percent (N1,057.51 billion) from N26,834.82 billion in March 2019 to N27,892.33 billion in June 2019. The increase in M2 was mainly driven by Net Domestic Credit (NDC), which grew by 1.88 percent (N595.73 billion) from N31,736.90 billion in March 2019 to N32,332.63 billion in June 2019. This also reflected improvements in Credit to

Private Sector which grew by 3.15 percent (₦756.39 billion) from ₦23,994.74 billion in March 2019 to ₦24,751.13 billion in June 2019. On the other hand, Credit to Government declined by 2.08 percent (₦160.67 billion) from ₦7,742.16 billion in March 2019 to ₦7,581.49 billion in June 2019.

The Central Bank of Nigeria (CBN) maintained a Monetary Policy Rate (MPR) of 13.5 percent, adopted in March 2019, in the review period. Other key monetary policy instruments were equally retained during the review period as the Cash Reserve Ratio (CRR) and the Liquidity Ratio remained at 22.5 percent and 30 percent respectively. The average interbank call rate therefore rose from 10.80 percent in March to 13.98 percent in April before falling to 5.14 percent and 8.38 percent in May and June 2019 respectively. The average prime lending rate increased during the period under review, rising from 14.92 percent in March to 15.80 percent in June 2019. Similarly, the average maximum lending rate increased slightly from 30.83 percent in March to 31.04 percent in June 2019.

The Naira exchange rates witnessed consistent stability across all segments of the foreign exchange market during the review period. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets opened at a monthly average of ₦306.92/US\$ in March before depreciating slightly to ₦306.96/US\$ in April and ₦306.95/US\$ in both May and June 2019. On the other hand, the rate at the Bureau De-Change (BDC) appreciated slightly from ₦359.24/US\$ in March to ₦359.0/US\$ in April before depreciating to ₦359.75/US\$ and ₦359.94/US\$ in May and June 2019 respectively. Nigeria's gross official (external) reserve therefore declined at the end of the second quarter of 2019 on intervention of the CBN to fund increased imports. It fell from US\$44.79 billion at the end of March to US\$44.75 billion in June 2019.

Nigeria's total public debt outstanding as at June 30, 2019 was N25,701,645.74 million (US\$88,882.66 million), reflecting a 14 percent increase when compared to N22,428,802.94 million (US\$73,213.00 million) in the corresponding period of 2018. This comprises of N8,322,629.83 million or 32.38 percent of external debt and N17,379,015.91 million or 67.62 percent domestic debt. The actual solvency ratio (total public debt as a % of GDP) of Nigeria's total public debt outstanding as at 30th June, 2019 was 18.99 percent as against country specific and World Bank/IMF's comparator country thresholds of 25 percent and 56 percent respectively. Actual solvency ratio of external debt and domestic debt as percentages of GDP as at 30th June, 2019 were 6.15 percent and 12.84 percent respectively.

The implementation of the budget in the first half of 2019 was affected by the poor revenue outturn as oil production and exports remained below the Budget estimates while the performance of the economy, though improving, continued to limit non-oil revenue receipt. The price of crude oil at the international market however averaged US\$68.82 in the second quarter of 2019 depicting an average of US\$66.02 per barrel in first half of 2019 and an increase of US\$6.02 per barrel (or 10.03 percent) above the US\$60.0 per barrel oil price benchmark set for 2019 Budget. This could be ascribed to the trade tension between China and the United States of America (USA) and the implementation of OPEC agreement to cut down crude oil production. Domestic crude oil production however lagged at an average of 2.03mbpd in June 2019 and 2.06mbpd in the second quarter of 2019 below the 2.3 mbpd projected in the budget.

Revenue shortages therefore continued with Gross Oil Revenue of ₦2,833.61 billion in the first half of 2019. This translate to a ₦1,829.87 billion (39.24 percent) shortfall below the 2019 budget's half year projection. It was however above the ₦2,686.12 billion generated in the corresponding period of 2018. Gross non-oil revenue of ₦1,682.24 billion received in half year period of 2019 also signifies a shortfall of ₦457.97 billion (21.40 percent) below the half year estimate of ₦2,140.21 billion. A breakdown of the non-oil revenue items showed that with the exception of Customs & Excise Duties, all the remaining non-oil revenue items fell below their expected half year projections. The net

distributable revenue stood at ₦3,535.07 billion in the first half of 2019, representing a shortfall of ₦2,353.72 billion (39.97 percent).

A total of ₦2,017.89 billion, excluding other funding sources, was received to fund the budget in the first half of 2019. This comprises ₦938.08 billion (46.48 percent) oil revenue and ₦1,079.82 billion (53.31 percent) non-oil revenue. Total inflow for the period was ₦2,328.38 billion (33.46 percent) lower than the half year projection for 2019 but ₦639.80 billion (37.26 percent) higher than the ₦1,696.27 billion reported in the first half of 2018.

Actual expenditure in the first half of 2019 stood at ₦3,390.13 billion, indicating a shortfall of ₦743.74 billion (17.99 percent) below the proportionate budget projection. This was also ₦883.49 billion (35.25 percent) higher than the actual expenditure of ₦2,506.64 billion recorded in the first half of 2018. A total of ₦2,050.86 billion was spent as non-debt recurrent expenditure in the first half of 2019 implying an increase of ₦17.89 billion (or 0.88 percent) above the half year estimate of ₦2,032.97 billion. It was also above the non-debt recurrent expenditure of ₦1,204.17 billion reported in first half of 2018 by ₦846.69 billion (70.31 percent). Statutory Transfer was also allocated a total sum of ₦230.16 billion in the review period. No fund was however released for capital projects/programmes during the period due to the late passage of the 2019 Budget and the implementation of the 2018 capital budget up till 30th June, 2019. A total of ₦1,123.49 billion was however released for capital projects under the 2018 budget during the review period.

Total Debt Services in the half year of 2019 stood at ₦1,109.10 billion indicating a decrease of ₦17.90 billion (1.59 percent) below the ₦1,127.01 billion projected for the half year period. The sum of ₦800.73 billion was used for domestic debt servicing while ₦202.16 billion was spent for external debt servicing during the period under review. The amount used for domestic debt servicing revealed a difference of ₦54.38 billion (6.36 percent) below its half year projection.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦1,061.74 billion in the first half of 2019. This was ₦102.50 billion (10.69 percent) above the projected half year deficit of ₦959.24 billion. It was also, above the fiscal deficit of ₦771.0 billion recorded in first half of 2018. The

deficit was financed through domestic borrowing of ₦410.0 billion, thereby reflecting a negative net financing of ₦651.74 billion in the period under review.

Overall, the outlook for key macroeconomic indicators point to positive economic performance in the remaining half of 2019. The anticipation is premised on sustained robust level of external reserves, improved fiscal spending owing to the release of funds for 2019 capital projects, relative stability in the foreign exchange market and high level of activities, particularly at the Investors and Exporters (I&E) window, as well as increase in crude oil production and prices. These developments are highly inspiring, nevertheless, the GDP growth remained largely fragile with downside risks building up. The economy could therefore benefit from further structural and macroeconomic reforms.

1.0 INTRODUCTION

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

The 2019 Budget titled "Budget of Continuity" is planned to further place the economy on the track of comprehensive, diversified and sustainable growth in order to continue to lift substantial numbers of Nigerians out of poverty. The underlying assumptions for the 2019 revenue projections were designed to reflect present realities. On the expenditure side, allocations to Ministries, Departments and Agencies of Government were guided by the 3 core 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 on which the 2019 Budget was crafted, along with fiscal policy objectives and spending priorities of the government over the three-year period. It also specifies the plans for achieving 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 base for the preparation of revenue and expenditure estimates for the Annual Federal Budget. Hence, the MTEF represents efforts towards multi-year perspective budgeting.

In order to get full value for monies spent by the Government over time and to avoid duplication and waste, continued emphasis was placed on the completion of existing projects. Hence, 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, which are the focus of the government industrialization drive, funds were also

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 the EMSEs. 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) was also retained in the Budget, reflecting the Federal Government continued resolve to pursue wide-ranging gender-sensitive and pro-poor growth.

As a means of building modern, up-to-date infrastructure for economic development, the 2019 Budget continued to lay emphasis on power, roads and rail. In addition to completing the Ibadan-Kano rail line, provisions were made to also embark upon and move rapidly to complete 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 is also being funded to build a true national rail network that links all State capitals. The road projects is being given substantial 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 will be fast-tracked for early completion. Generation, transmission and distribution of power from the national grid will be expanded while developing innovative off grid solutions for schools, hospitals and markets.

The 2019 Budget benefited from widespread consultations and stakeholder meetings, reflecting the belief that all sectors have a critical role to play in the journey towards sustainable and inclusive development. It further validates the commitments to deliver the dividends of democracy to all Nigerians in a more comprehensive manner. It also signifies another important step in building the Nigeria of our dreams. A vision that is to be accomplished with the determination and support of all Nigerians.

This Report provides detailed information on the 2019 Second Quarter and Half Year 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 output growth remained fragile with persistent headwinds anticipated to continue for the rest of the year. Key amongst these headwinds is the growing trade and technology tensions, particularly between the US and its key trading partners in Europe, Canada, China and India; increasing debt levels in some Advanced Economies and Emerging Markets and Developing Economies (EMDEs) as well as mounting political uncertainties across several regions. Subsequently, the International Monetary Fund (IMF) downgraded its 2019 global growth forecast from 3.6 percent to 3.3 percent.

Analysis of other global developments indicate that growth in the 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 and Developing Asia. Inflation also remained subdued as a result of sluggish expansion in final demand. Core inflation has therefore softened across advanced economies while it has dropped further below historical averages in many EMDEs. As a result of the slower growth in global activities, supply influence continued to dominate commodity price movements especially for oil prices.

Global economy is however projected to recover to 3.5 percent in 2020. The projected growth recovery is predicated on financial market sentiment remaining generally supportive, continued fading of temporary growth drags especially in the Euro Area, stabilization in some stressed emerging economies, and avoiding even sharper collapse in others. Downside risks to global growth therefore include escalating trade and technology tensions, the possibility of a protracted risk-off episode that exposes financial vulnerabilities accumulated over the years from low interest rates, geopolitical tensions and mounting disinflationary pressures. Global growth therefore remains precarious and in addition to policies at global level, countries should aim to enhance inclusion, strengthen resilience and address constraints that inhibit growth of potential output.

2.2 DOMESTIC MACROECONOMIC PERFORMANCE

On the domestic economy, output growth in 2019 is expected to remain weak, peaking at 2.27 percent, while inflation is projected at 11.37 percent by the end of 2019. The projections are based on favourable oil prices; stable exchange rate; moderate inflationary pressures; enhanced flow of credit to the private sector; sustained Central Bank of Nigeria (CBN) interventions in the real sector; effective implementation of the Economic Recovery and Growth Plan (ERGP); building fiscal buffers; and improved security in the food producing areas of the country.

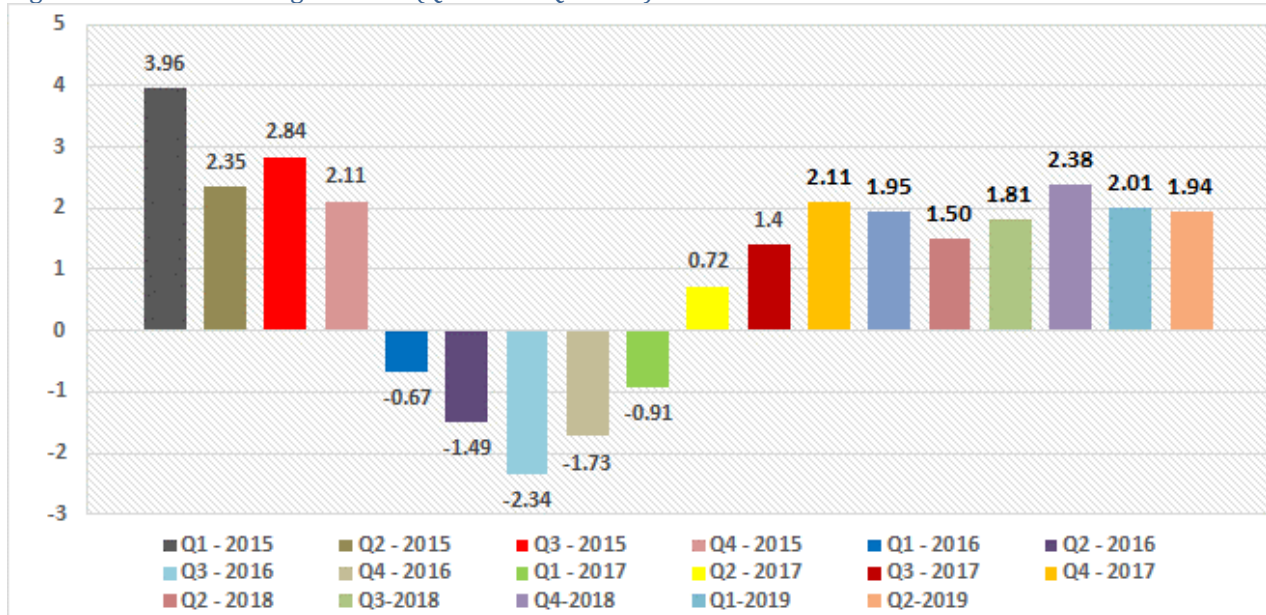
2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

Nigeria's Gross Domestic Product (GDP) grew by 1.94 percent (year-on-year) in real terms in the second quarter of 2019. When compared to the second quarter of 2018, which recorded a growth of 1.50 percent, the growth represents an increase of 0.44 percentage points. But when compared to 2.10 percent recorded in the first quarter of 2019, the real growth rate reflects a decline of 0.16 percentage points. In the quarter under review, aggregate GDP stood at N34,944.15 billion in nominal terms, showing an increase of 13.83 percent over the performance recorded in the second quarter of 2018 and 9.8 percent above the preceding quarter of 2019.

The performance reported in the second quarter of 2019 followed a correspondingly robust first quarter performance and was largely sustained by stability in oil output as well as the successful political transition. Overall, a total of 15 activities grew faster in the second quarter of 2019 relative to the second quarter of 2018, while 13 activities had higher growth rates relative to the preceding quarter of 2019. On a half year basis, real growth in the first half of 2019 stood at 2.02 percent as against 1.69 percent recorded in the first half of 2018. Quarter on quarter, real GDP increased by 2.85 percent compared to a decline of 13.69 percent reported in the preceding period of 2019.

Figure 2.1: GDP Percentage Growth (Q1 2015 - Q2 2019)



Source: National Bureau of Statistics, 2019

2.2.1.2 Oil Sector:

Oil sector performance in the second quarter of 2019 improved on an average daily oil production of 2.06 million barrel per day (mbpd). This figure was 0.07mbpd (3.52 percent) and 0.22mbpd (11.96 percent) higher than the daily average oil production of 1.99mbpd and 1.84mbpd recorded in the first quarter of 2019 and second quarter of 2018 respectively. The oil sector therefore posted a real growth rate of 5.15 percent (year-on-year) in the quarter under review, representing a 9.10 percentage points increase relative to the -3.95 percent rate recorded in the corresponding quarter of 2018. The performance also indicates an increase of 6.61 percentage points when compared to the later revised rate of -1.46 percent reported in the first quarter of 2019. Quarter-On-Quarter, the oil sector recorded a growth rate of -1.55 percent in second quarter of 2019. The sector also contributed 8.82 percent to total real GDP in the quarter, which was above the levels recorded in the corresponding period of 2018 but below the levels reported in the preceding quarter of 2019.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2015 – Q2 2019)



Source: National Bureau of Statistics, 2019

2.2.1.3 Non-Oil Sector:

The non-oil sector grew by 1.64 percent in real terms during the quarter under review. This represents a decrease of 0.40 percentage points and 0.83 percentage points below the rates recorded in the second quarter of 2018 and the first quarter of 2019 respectively. The non-oil sector was mainly driven by Information and communication, Mining & Quarrying, Agriculture, Transportation & Storage, as well as Other Services. In real terms, the non-oil sector contributed 91.18 percent to the nation’s GDP, as against 90.78 percent and 91.45 percent reported in the first quarter of 2019 and second quarter of 2018 respectively.

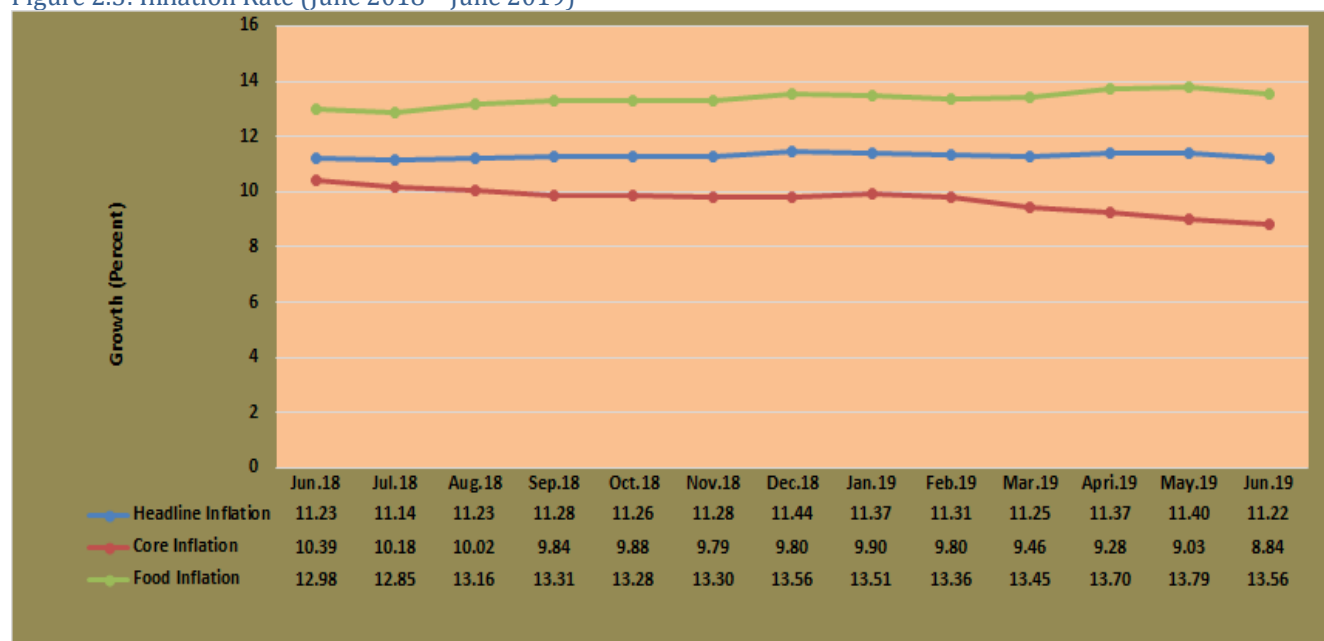
The agricultural sector grew by 1.79 percent (year-on-year) in real terms in the second quarter of 2019, indicating an increase of 0.60 percentage points and a decrease of 1.38 percentage points when compared with the performances of 1.19 percent and 3.17 percent recorded in the corresponding quarter of 2018 and the preceding quarter of 2019 respectively. The sector contributed 22.82 percent to overall GDP in real terms in the second quarter of 2019. This reflects an increase above the 21.89 percent but a decrease below the 22.86 percent rates reported in the first quarter of 2019 and second quarter of 2018 respectively.

2.2.2 Developments in Prices

The general changes in price level, though still high at the double-digit range, continued to moderate in the second quarter of 2019. Headline inflation (year-on-year) moderated to 11.22 percent in June 2019 from 11.40 percent and 11.37 percent in May and April 2019 respectively. The moderation was attributed to the decline in the Food and Core Inflation components. Food Inflation moderated to 13.56 percent in June 2019 from 13.79 percent and 13.70 percent in May and April 2019 respectively. Similarly, Core Inflation moderated to 8.84 percent in June 2019 from 9.03 percent and 9.28 percent in May and April 2019 respectively.

The development in inflation trend can be partially attributed to the Government's support to the real sector which has helped to boost production and the prevailing stability in the Nigerian foreign exchange market. The upward pressure on prices continues to be associated with structural factors such as the high cost of electricity, transport and production inputs. It is expected that with the commencement of the harvest season, food prices will go further downwards. However, security challenges in some parts of the country needs to be addressed urgently to increase agricultural produce as well as maintain orderly supplies.

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



Source: National Bureau of Statistics, 2019

Inflation forecast for the near-term points to further moderation in price level in the short term. However, the downside risks to inflation included: the impact of excess liquidity that could arise from the implementation of the approved 2019 FGN budget; post-election spending; new salaries and wages; security challenges; and monthly Federation Account Allocation Committee (FAAC) injections. Although these could boost aggregate demand, it would equally exert upward pressure on domestic prices for the rest of the year. There is therefore, the call for a coordinated fiscal, monetary and exchange rate policies to stem any upward build-up in price pressures.

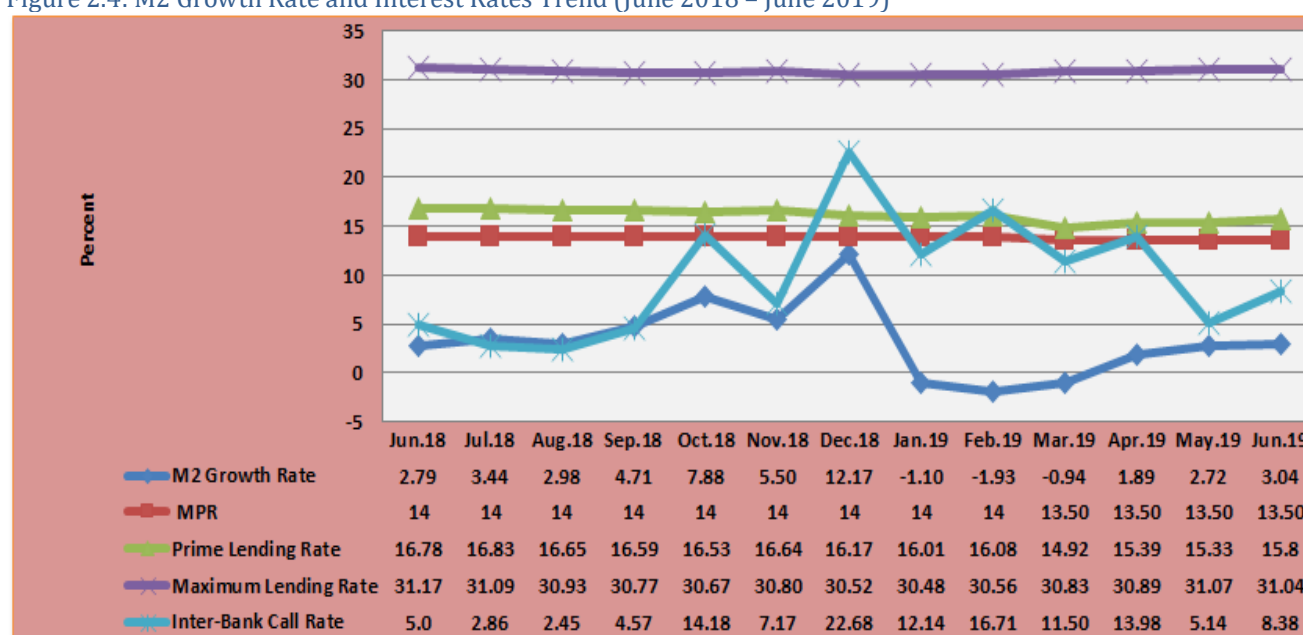
2.2.3 Developments in Money Market

Monetary aggregates grew in the second quarter relative to the first quarter of 2019. Broad Money Supply (M2) grew by 3.94 percent (₦1,057.51 billion) from ₦26,834.82 billion in March 2019 to ₦27,892.33 billion in June 2019. The increase in M2 was mainly driven by Net Domestic Credit (NDC), which grew by 1.88 percent (₦595.73 billion) from ₦31,736.90 billion in March 2019 to ₦32,332.63 billion in June 2019. The development in NDC reflected improvements in Credit to Private Sector which grew by 3.15 percent (₦756.39 billion) from ₦23,994.74 billion in March 2019 to ₦24,751.13 billion in June

2019. On the other hand, Credit to Government decreased during the period under review. Credit to Government fell by 2.08 percent (₦160.67 billion) from ₦7,742.16 billion in March 2019 to ₦7,581.49 billion in June 2019. When compared to the level at the end of second quarter of 2018, broad money supply expanded by 12.41 percent (or ₦3,078.33 billion) in June 2019.

Relative to the first quarter of 2019, Narrow Money Supply (M1) accelerated in the second quarter of 2019. The M1 registered a 1.97 percent (₦215.24 billion) growth from ₦10,943.88 billion in March 2019 to ₦11,159.12 billion at the end of the second quarter 2019. The increase in M1 is traceable to the growth in both the Demand Deposit and the Currency Outside Bank as at June 2019 from March 2019 rates.

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



Source: Central Bank of Nigeria, 2019

The Central Bank of Nigeria (CBN) maintained a Monetary Policy Rate (MPR) of 13.5 percent adopted in March 2019 in the review period. Other key monetary policy instruments were equally retained during the review period as the Cash Reserve Ratio (CRR) and the Liquidity Ratio remained at 22.5 percent and 30 percent respectively. The maintenance of the MPR at 13.5 percent while holding other policy parameters constant was informed by the conviction that key macroeconomic indicators were trending in the right

direction. The macroeconomic and financial environment appears fairly balanced with improvements in output growth and inflation. Holding policy at the current tight stance was therefore needed to support further moderate inflation.

The average interbank call rate therefore rose from 10.80 percent in March to 13.98 percent in April before falling to 5.14 percent and 8.38 percent in May and June 2019 respectively. The average prime lending rate increased during the period under review, rising from 14.92 percent in March to 15.39 percent, 15.33 percent and 15.80 percent in April, May and June 2019 respectively. Similarly, the average maximum lending rate increased slightly from 30.83 percent in March to 30.89 percent, 31.07 percent and 31.04 percent in April, May and June 2019 respectively. (Figure 2.4).

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's foreign trade rose by ~~N~~2.25 trillion or 15.43 percent to ~~N~~16.84 trillion as at June 2019, from ~~N~~14.59 trillion as at June of 2018. This represents a moderation in trade expansion from 31.77 percent in the corresponding period in 2017 and was driven by significant expansion in imports. Imports galloped by ~~N~~2.34 trillion or 43.63 percent to ~~N~~7.71 trillion as at June 2019, from ~~N~~5.37 trillion recorded in the corresponding period of 2018. Exports, however, moderated slightly by ~~N~~0.91 trillion or 0.99 percent from ~~N~~9.22 trillion in June 2018, to ~~N~~9.13 trillion in the corresponding period in 2019.

The above developments led to significant deterioration in the Nigerian trade balance, wiping out some of the gains since its recovery in the second half of 2016. The trade balance slumped to ~~N~~1.42 trillion indicating a ~~N~~2.43 trillion or 63.14 percent decline in net trade from ~~N~~3.85 trillion in the first half of 2018. The deterioration in trade balance was driven by the slowdown in exports as the slight gains from the non-oil exports were overwhelmed by the slide in non-crude and crude oil exports.

Analysis by export components indicates that the nation's exports continued to be dominated by crude oil at 80.02 percent of total exports. The growth of the non-oil exports however remains positive as the sector's exports expanded by ₦.35 trillion or 4.51 percent to ₦.83 trillion as at June 2019, from ₦0.80 trillion as at June 2018. This indicates a sustained and significant recovery, since the drop of ₦0.57 trillion or 80.58 percent in the first half of 2017. Non-crude and crude oil exports sub-components however moderated by ₦0.37 trillion or 0.50 percent and ₦0.54 trillion or 2.90 percent to ₦7.31 trillion and ₦82 trillion during the review period from ₦7.35 trillion and ₦1.87 trillion in the first half of 2018.

2.2.4.2 Balance of Payment

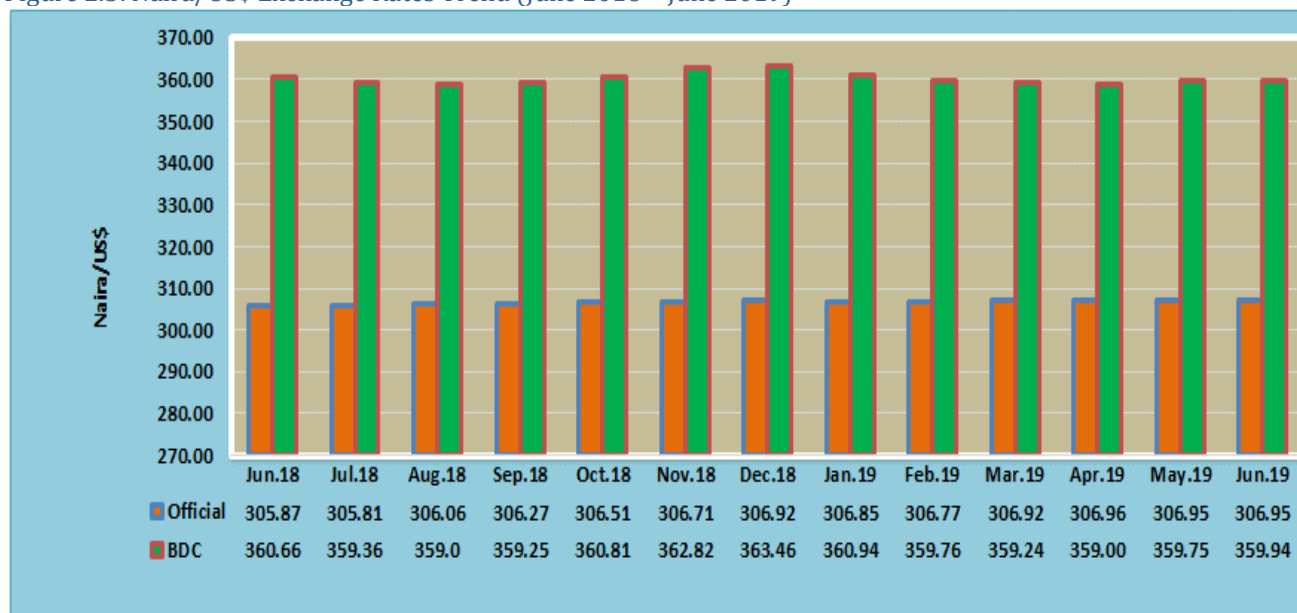
Overall, the Balance of Payments (BOP) recorded a surplus of US\$2.15 billion during the first half of 2019, lower than the surplus of US\$7.83 billion in the corresponding half of 2018. The reduction in the surplus may be attributed to the deficit recorded in the current account component of the BOP. Specifically, the current account recorded a deficit of US\$5.68 billion in the first half of 2019, compared to a surplus of US\$5.77 billion in the corresponding period of 2018. The deficit in the current account was mainly attributed to performance in trade and services (net). The surplus in the trade account declined significantly to US\$3.25 billion during the first half of 2019, compared to US\$11.78 billion in the corresponding period. Also, the deficit in Services (net) increased to US\$16.23 billion, from US\$10.67 billion during the same period.

The financial account recorded a net acquisition of financial assets of US\$7.99 billion or 3.7 percent of GDP compared to US\$1.38 billion or 0.7 percent of GDP in the corresponding half of 2018. This development was due to higher acquisition of financial assets during the period which outweighed the inflow of liabilities. Direct investment (net) doubled to US\$1.32 billion during the first half of 2019, from US\$0.55 billion in the corresponding half of 2018. Portfolio investment (net) increased by 23.7 percent to US\$11.60 billion, from US\$9.37 billion in the corresponding half of 2018. Other investments (net) increased by more than five folds to US\$18.75 billion, from US\$3.48 billion during the first half of 2018. The surge in financial flows was a reflection of improved investor confidence in the economy and the consequent stability in the foreign exchange market.

2.2.4.3 Exchange Rates

The Naira foreign exchange movement remained stable over the review period. This was due to considerable increase in inflow into the market as well as the strategic interventions of the CBN which made up for the increased outflow on higher demands for imports. The Naira exchange rates therefore witnessed consistent stability across all segments of the foreign exchange market during the review period. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets opened at a monthly average of ₦306.92/US\$ in March before depreciating slightly to ₦306.96/US\$ in April and ₦306.95/US\$ in both May and June 2019. On the other hand, the rate of the Naira/Dollar at the Bureau De-Change (BDC) appreciated slightly from ₦359.24/US\$ in March to ₦359.0/US\$ in April before depreciating to ₦359.75/US\$ and ₦359.94/US\$ in May and June 2019 respectively.

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



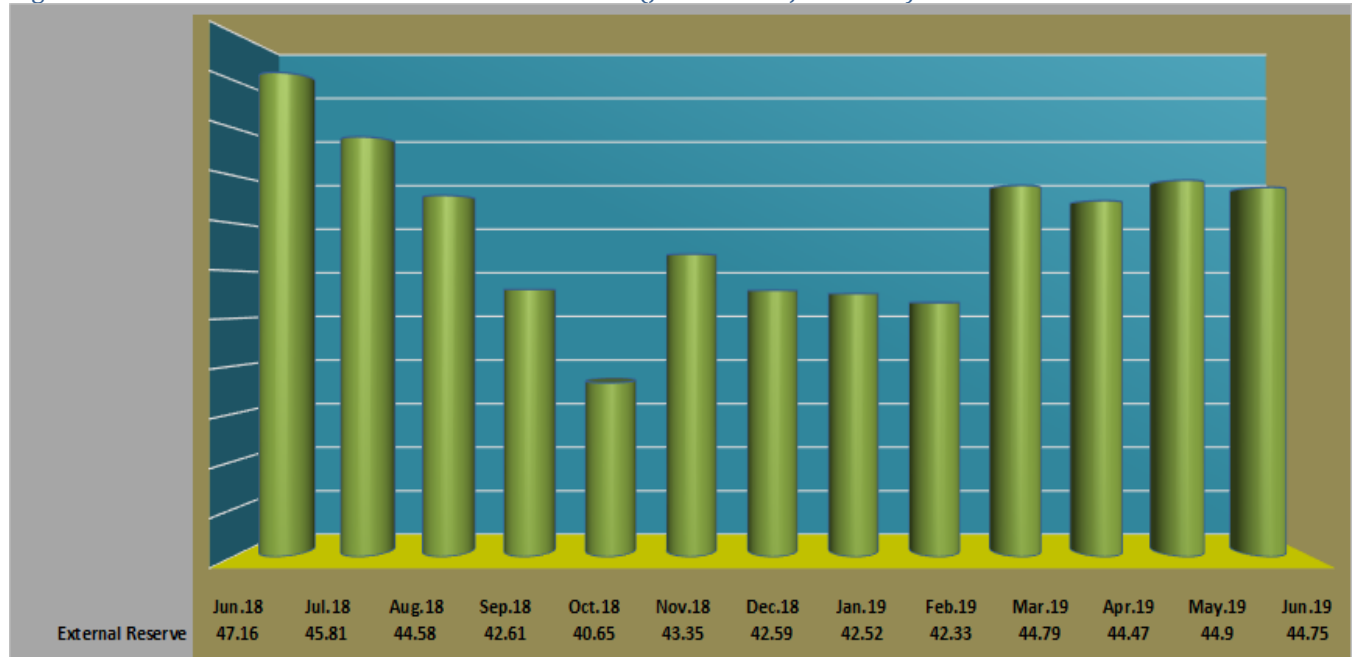
Source: Central Bank of Nigeria, 2019

2.2.4.4 External Reserves

Figures from the CBN showed that Nigeria's gross official (external) reserve decreased at the end of the second quarter of 2019. It fell from US\$44.79 billion at the end of March to US\$44.47 billion in April before rising to

US\$44.90 billion and US\$44.75 billion in May and June 2019 respectively. This performance at the end of June represents a decrease of US\$0.04 billion (0.09 percent) below the figure reported at the end of March 2019. Relative to the end of second quarter of 2018 level of US\$47.15 billion, it fell by US\$2.40 billion (5.09 percent). There are possibilities of expected further increase in the level of external reserves in the near term, on favourable crude oil prices. The buildup in reserve is critical to the Federal Government efforts to build fiscal buffers against possible oil price shocks in the future.

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



Source: Central Bank of Nigeria, 2019

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

Nigeria's total public debt outstanding as at June 30, 2019 was N25,701,645.74 million (US\$88,882.66 million), compared to N22,428,802.94 million (US\$73,213.00 million) in the corresponding period of 2018. This represents an increase of N3,272,842.80 million (US\$10,669.66 million) or 14.6 percent over the period. This also translates to an actual solvency ratio (total public debt as a % of GDP) of Nigeria's total public debt outstanding as at 30th June, 2019 of 18.99 percent as against country specific and World Bank/IMF thresholds of 25 percent and 56 percent respectively. Actual solvency ratio of external debt and domestic debt as percentages of GDP as at 30th June, 2019 were 6.15 percent and 12.84 percent respectively. Actual external debt as percentage of exports was 42.98 percent as against World Bank/IMF threshold of 150 percent while actual liquidity ratio of external debt service as percentage of exports as at 30th June, 2019 was 2.75 percent as against World Bank/IMF threshold of 20 percent.

2.2.5.1 Domestic Debt Stock

The Federal Government domestic debt stock stood at ₦13,412.80 billion as at end of June 2019, representing an increase of ₦299.38 billion (2.28 percent) above the ₦13,113.42 billion recorded in the first quarter of 2019. It was also ₦1,261.36 billion (10.38 percent) above the ₦12,151.44 billion reported in the same period of 2018. The increase in domestic debt relative to the first quarter of 2019 was due to the increases in net issuance of FGN Savings Bonds, Green Bond and Promissory Notes during the period. A breakdown of the domestic debt stock as at 30th June, 2019 revealed that ₦9,691.42 billion (72.26 percent) is for FGN Bonds, ₦2,651.51 billion (19.77 percent) is for Nigerian Treasury Bills (NTBs), ₦125.99 billion (0.94 percent) is for Nigerian Treasury Bonds, ₦10.43 billion (0.08 percent) is for FGN Savings Bond, ₦200.0 billion (1.49 percent) is for FGN Sukuk, ₦25.69 billion (0.19 percent) is for Green Bond and ₦707.76 billion (5.28 percent) is for Promissory Notes.

2.2.5.2 External Debt Stock

Nigeria's external debt stock stood at US\$27,162.64 million as at 30th June, 2019 indicating an increase of US\$1,553.01 million (6.06 percent) and US\$5,079.20 million (23.0 percent) above US\$25,609.63 million and US\$22,083.44 million recorded in the first quarter of 2019 and second quarter of 2018 respectively. A breakdown of the external debt stock as at 30th June, 2019 revealed that Multilateral Debts amounted to US\$12,715.49 million (46.81 percent), Non-Paris Club Bilateral Debts amounted to US\$3,278.80 million (12.07 percent) while Commercial (Euro-Bond) accounted for the balance of US\$11,168.35 million (41.12 percent).

3.0 FINANCIAL ANALYSIS OF THE 2019 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2019 Budget was based on the 2019-2021 Medium Term Fiscal Framework (MTFF) which was also aligned with the ERGP. As part of efforts to run an inclusive government, several consultations were held with relevant stakeholders within the economy in the course of formulating the Budget. Developments at the international level was also taken into consideration in arriving at some of the key assumptions in the framework. The key Assumptions and Targets of the 2019 Budget are as tabulated in table 3.1.

Table 3.1: Key Assumptions and Targets for 2016 - 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

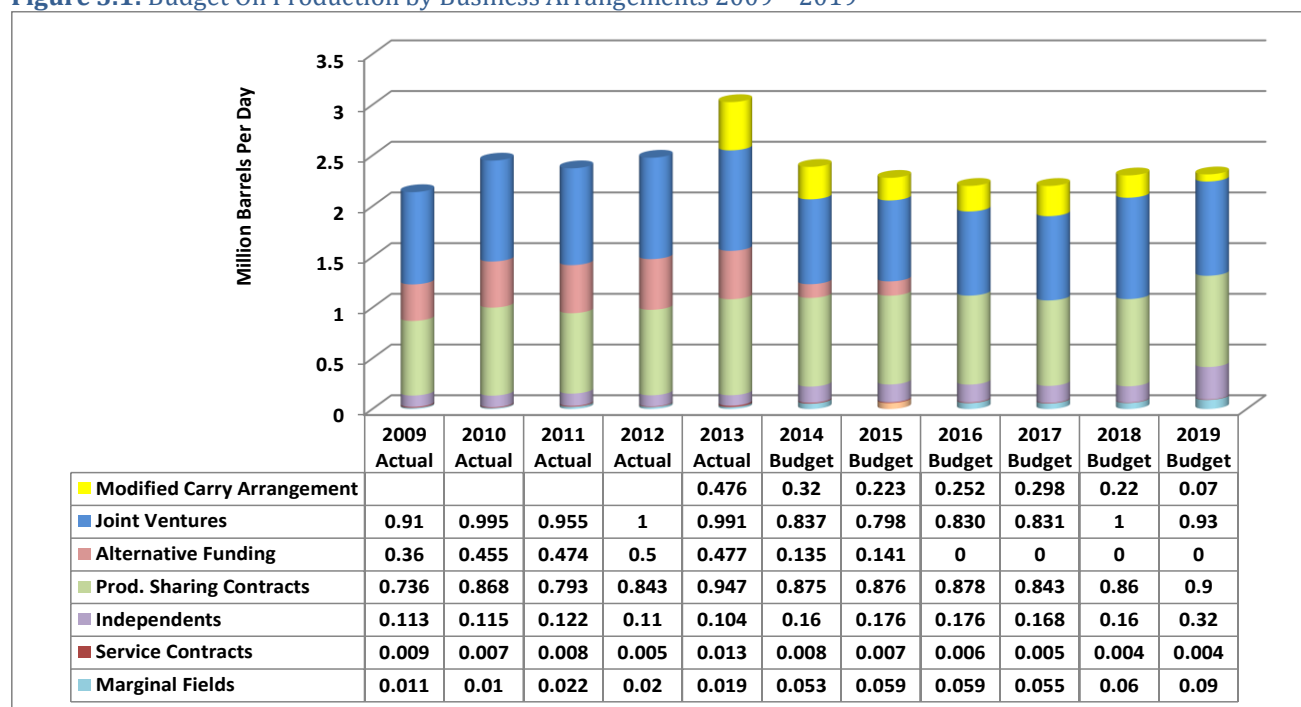
3.1.1 Budget Benchmark Oil Price and Production

The FGN continued the use of benchmark oil production and prices for its yearly budgets to minimize the impact of the volatility in oil revenue on expenditure. The budget benchmark price of oil for the 2019 Budget was therefore fixed at US\$60.0/barrel while oil production was pegged at 2.3 million barrels per day (mbpd).

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 (2018 and 2019)

	2018 Production Volume (mbpd)	2018 Percentage	2019 Production Volume (mbpd)	2019 Percentage
Share of Oil Production				
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%	
Weighed Average-PSC		2.3%	2.83%	
Weighed Average-SC Oil		19.31%	19.31%	

Source: NNPC and BOF, 2019

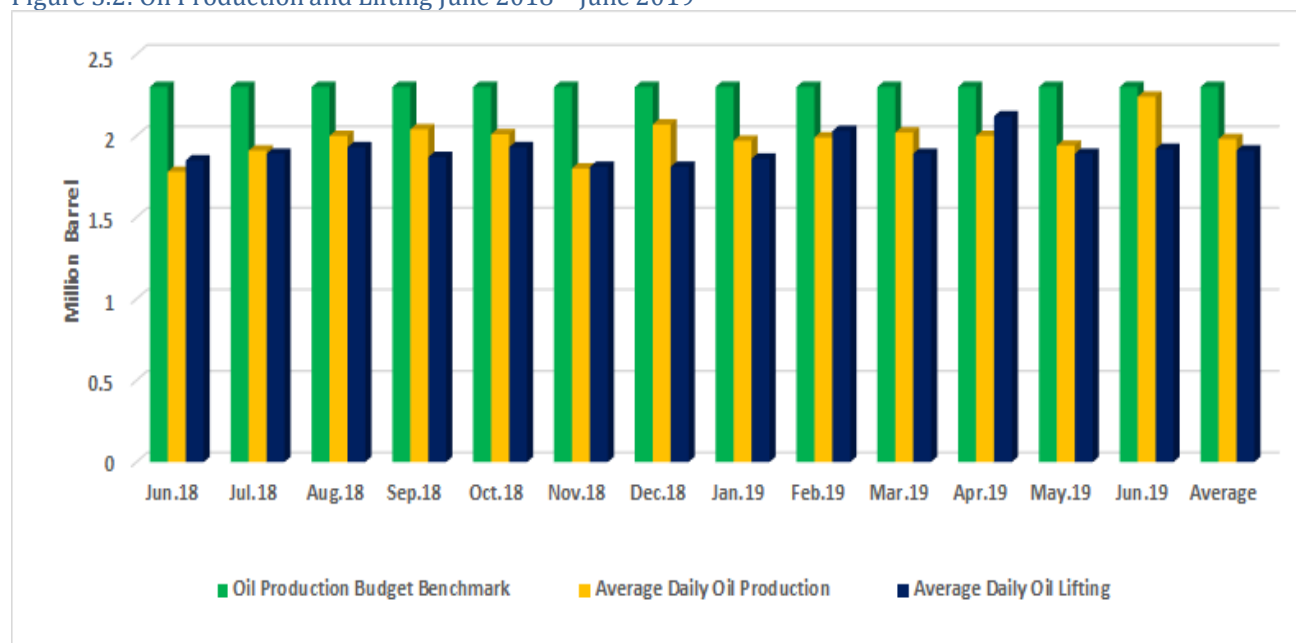
3.2 Analysis of Revenue Performance:

3.2.1 Performance of Key Oil Revenue Parameters:

The price of crude oil at the international market averaged US\$68.82 per barrel in the second quarter of 2019, indicating an increase of US\$5.61 per barrel (8.88 percent) above US\$63.21 per barrel and US\$5.53 per barrel (7.44 percent) below US\$74.35 per barrel reported in the first quarter of 2019 and second quarter of 2018 respectively. The rise in the price of crude oil during the period could be attributed to the trade tensions between the US and its trading partners as well as conflicts and sanctions in some oil producing countries.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) revealed that the average oil production and lifting (including Condensates) in the second quarter of 2019 was 2.06mbpd and 1.98mbpd respectively. The production figures indicate a shortfall of 0.24mbpd (10.43 percent) below the 2.3mbpd projected in the 2019 Budget. The volume of oil production in the period was however 0.07mbpd and 0.22mbpd above the 1.99mbpd and 1.84mbpd recorded in the first quarter of 2019 and second quarter of 2018 respectively.

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



Source: NNPC, 2019

The above translates to an average monthly oil production and lifting of 62.36 million barrels and 59.90 million barrels respectively in the second quarter of the year. The reduction in the quantity of oil production during the quarter as against the projected budget figure could be attributed to legacy issues of crude oil theft, illegal bunkering and pipeline vandalism as well as delay in repair of vandalized pipelines.

3.3 Aggregate Revenue of the Federation:

The 2019 Fiscal Framework projected a gross Federally Collectible Revenue of ₦14,950.16 billion, comprising of ₦9,326.95 billion (62.39 percent) oil revenue and ₦5,623.21 billion (37.61 percent) non-oil revenue. This translates to prorate quarterly projection of ₦2,331.74 billion and ₦1,405.80 billion in gross oil and non-oil revenue respectively.

3.4 Oil Revenue Performance:

Gross Oil Revenue stood at ₦1,496.18 billion in the second quarter of 2019. This translate to a ₦835.56 billion (35.83 percent) shortfall when compared with the quarterly budget estimate. The performance was also 158.75 billion (11.87 percent) and ₦98.12 billion (7.02 percent) above the ₦1,347.15 billion and ₦1,398.06 billion generated in the first quarter of 2019 and corresponding period of 2018 respectively.

A breakdown of the oil revenue performance in the second quarter of 2019 showed that Crude Oil Sales of ₦439.21 billion, Gas Flared Penalty of ₦6.58 billion and Licenses & Early License Renewal of ₦59.73 billion exceeded their quarterly estimate of ₦397.61 billion, ₦1.18 billion and ₦22.50 billion by ₦41.60 billion (10.46 percent), ₦5.40 billion (456.80 percent) and ₦37.23 billion (165.47 percent) respectively. Other oil revenue items fell below their respective quarterly projections. Gas Sales of ₦73.25 billion, Petroleum Profit and Gas Taxes of ₦502.99 billion, Royalties (Oil & Gas) of ₦352.67 billion, Other Oil & Gas Revenue of ₦1.25 billion and Rent of ₦0.03 billion fell below their quarterly

estimates of ₦171.41 billion, ₦1,075.30 billion, ₦549.52 billion ₦1.46 billion and ₦0.42 billion by ₦98.16 billion (57.27 percent), ₦572.31 billion (53.22 percent), ₦196.85 billion (35.82 percent), ₦0.02 billion (14.62 percent) and ₦0.39 billion (92.84 percent) respectively. Similarly, Exchange Gain yielded a revenue of ₦60.47 billion indicating a shortfall of ₦51.87 billion (46.17 percent) in the period. Please see *Table 3.4*.

3.4.1 Net Oil Revenue:

The actual Net Oil Revenue that accrued into the Federation Account in the second quarter of 2019, was ₦957.02 billion, depicting a decrease of ₦944.15 billion (49.66 percent) below the estimated quarterly budget of ₦1,901.18 billion. The inflow was also lower than the ₦977.16 billion and ₦998.61 billion net oil revenue recorded in the first quarter of 2019 and second quarter of 2018 by ₦20.13 billion (2.13 percent) and ₦41.59 billion (4.16 percent) respectively (Table 3.4). The poor Net Oil Revenue performance in the second quarter of 2019 when compared with the quarterly projection can be attributable to the higher than budgeted fiscal deductions during the review period especially for the Joint Venture cash call.

3.4.2 Half Year Oil Revenue Performance:

Gross Oil Revenue of ₦2,833.61 billion was collected in the first half of 2019 as against ₦4,663.48 billion prorated budget projection for the period. This reflects a decline of ₦1,829.87 billion (39.24 percent) the 2019 half year budget estimate but ₦148.29 billion (5.52 percent) above the half year actual gross oil revenue recorded in 2018. A breakdown of the revenue by sub-head indicates that only Gas Flared Penalty of ₦17.92 billion and Licenses and early License Renewal of ₦139.90 billion surpassed their half year projections of ₦2.36 billion and ₦45.00 billion by ₦15.56 billion (658.20 percent) and ₦94.90 billion (210.89 percent) respectively.

Other Oil Revenue items fell below their respective half year projections. Crude

Oil Sales of ₦784.51 billion, Gas Sales of ₦82.83 billion, Petroleum Profit & Gas Taxes of ₦996.21 billion, Royalties (Oil & Gas) of ₦699.16 billion, Exchange Gain of ₦110.09 billion, Rent of ₦0.03 billion and Other Oil and Gas revenue of ₦2.69 billion fell below their half year projections of ₦795.22 billion, ₦342.82 billion, ₦2,150.59 billion, ₦1,099.03 billion, ₦224.68 billion, ₦0.84 billion and ₦2.93 billion by ₦10.71 billion (1.35 percent), ₦259.99 billion (75.84 percent), ₦1,154.38 billion (53.68 percent), ₦399.87 billion (36.38 percent), ₦114.59 billion (51.00 percent), ₦0.54 billion (64.22 percent) and ₦0.24 billion (8.13 percent) respectively (Table 3.4).

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

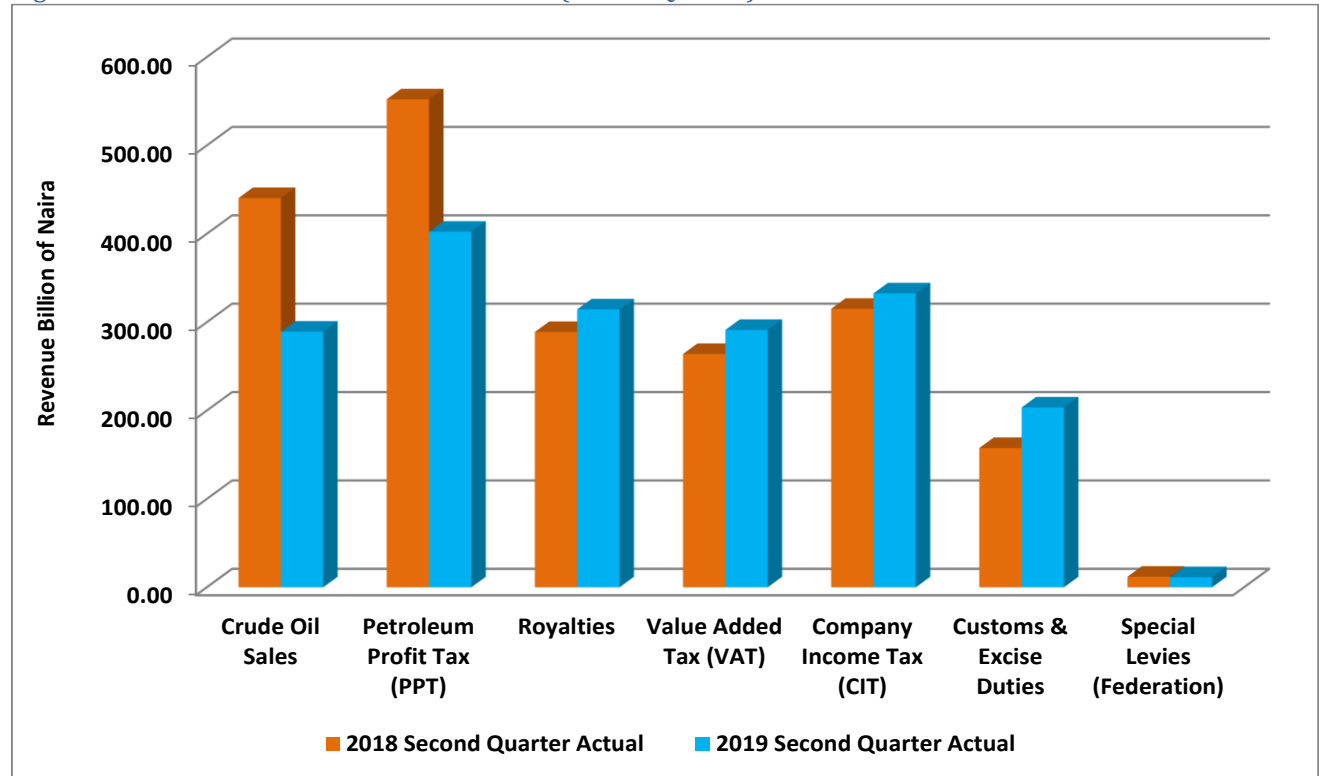
Revenue Items	2nd Quarter 2018 Actual	2nd Quarter 2019 Actual	Variance	
			N'bns	%
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	440.48	439.21	-1.27	-0.29
Petroleum Profit Tax (PPT)	552.14	502.99	-49.15	-8.90
Royalties	288.89	352.67	63.78	22.08
Gross Oil Revenue	1398.06	1496.18	98.12	7.02
Net Oil Receipt	998.61	957.02	-41.59	-4.16
Non-Oil Revenue				
Value Added Tax (VAT)	264.00	311.94	47.94	18.16
Company Income Tax (CIT)	315.13	442.38	127.25	40.38
Customs & Exercise Duties	157.62	199.36	41.74	26.48
Special Levies	11.98	11.78	-0.20	-1.67
Gross Federation Non-Oil Revenue	748.73	965.46	216.73	28.95
Net Federation Non-Oil Revenue	711.69	617.32	-94.37	-13.26

Source: OAGF and Budget Office of the Federation, 2019 (PRMRC)

Revenue performance increased when compared to the level in 2018 but moderately for most of the oil revenue sources and broad category in the second quarter of 2019 (Figure 3.3). Non-oil revenues however remained resilient and improved over the review period indicating success in revenue

diversification efforts of the government. It also justifies the call for further push and expansion of the current non-oil revenue base of the government.

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



Source: OAGF and Budget Office of the Federation, 2019

3.5 Non-Oil Revenue Performance:

Gross non-oil revenue of ₦965.46 billion was received in the second quarter of 2019 signifying a shortfall of ₦104.65 billion (9.78 percent) below the quarterly estimate of ₦1,070.11 billion. A breakdown of the non-oil revenue items showed that Customs & Excise Duties of ₦203.50 billion and Company Income Tax of ₦442.38 billion were above their quarterly estimate of ₦172.30 billion by ₦27.06 billion (15.70 percent) and ₦440.38 billion by ₦2.00 billion (0.45 percent) respectively. All other non-oil revenue items fell below their respective quarterly expectations. Value Added Tax of ₦311.94 billion, and Special Levies of ₦11.78 billion were below their quarterly estimates of ₦425.97 billion and ₦30.83 billion by ₦114.03 billion (26.77 percent) and ₦19.05 billion (61.78 percent)

respectively. Solid Minerals & Other Mining Revenue recorded a revenue of ₦1.00 billion depicting an increase of ₦0.24 billion or 31.15 percent over the quarterly projection of ₦0.76 billion. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC, and Surcharge on Luxury Items which had quarterly projections of ₦20.56 billion, and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding first quarter performances, Company Income Tax, Value Added Tax and Customs & Excise Duties grew by ₦215.67 billion (95.13 percent), ₦18.90 billion (6.45 percent), and ₦14.55 billion (7.87 percent) respectively while Special Levies fell by ₦0.07 billion (0.62 percent). The improved performances of some of the non-oil revenue items in the second quarter of 2019 could be credited to the increase in economic activities, expansion in the tax base and the improvement in the performance of the revenue collecting agencies during the period. Nevertheless, it is expected that this trend together with the other remaining non-oil revenue item will get better in the third quarter of 2019 following the expected release of funds for 2019 capital projects/programmes.

3.5.1 Half Year Non-Oil Revenue Performance:

The gross non-oil revenue in the first half of the year amounted to ₦1,682.24 billion depicting a shortfall of ₦457.97 billion (21.40 percent) below the half year's estimate of ₦2,140.21 billion. The outcome also reveals that only receipt Customs & Excise Duties of ₦382.03 billion was above its half year projection of ₦344.60 billion by ₦39.57 billion (11.48 percent). The remaining non-oil revenue items were below their corresponding estimates. Value Added Tax of ₦604.98 billion, Company Income Tax of ₦669.09 billion and Special Levies of ₦24.00 billion respectively fell short by ₦246.97 billion (28.99 percent), ₦211.67 billion (24.03 percent) and ₦37.65 billion (61.07 percent) when compared with their 2019 projected half year estimates. Solid Minerals & Other Mining Revenue recorded a revenue of ₦2.20 billion indicating an increase of ₦0.68 billion or 44.26 percent over the half year projection of ₦1.53 billion. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and

Surcharge on Luxury Items which had half year projections of ~~₦~~41.12 billion, and ~~₦~~1.25 billion respectively yielded nothing in the half year period.

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

S/NO	ITEMS	2019 APPROVED BUDGET			ACTUAL			VARIANCE					
		Annual	Quarterly Budget	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
A	OIL REVENUE	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
1	Crude Oil Sales (Export)												
2	Crude Oil Sales (Domestic)	1,590.45	397.61	795.22	345.30	439.21	784.51	41.60	10.46	93.91	27.20	-10.71	-1.35
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	685.64	171.41	342.82	9.58	73.25	82.83	-98.16	-57.27	63.67	664.61	-259.99	-75.84
4	PPT & Gas Income @ 30% CITA	4,301.18	1,075.30	2,150.59	493.22	502.99	996.21	-572.31	-53.22	9.77	1.98	-1,154.38	-53.68
5	Oil Royalties & Gas Royalties	2,198.06	549.52	1,099.03	346.49	352.67	699.16	-196.85	-35.82	6.18	1.78	-399.87	-36.38
6	Rent	1.68	0.42	0.84	0.27	0.03	0.30	-0.39	-92.84	-0.24	-88.89	-0.54	-64.22
7	Gas Flared Penalty	4.73	1.18	2.36	11.34	6.58	17.92	5.40	456.80	-4.76	-41.98	15.56	658.20
8	Licenses & Early License Renewal	90.00	22.50	45.00	80.17	59.73	139.90	37.23	165.47	-20.44		94.90	210.89
9	Exchange Gain	449.36	112.34	224.68	49.62	0.00	49.62	-112.34	-100.00	-49.62		-175.06	-77.92
10	Gas Royalty (Net of Cost Recovery)				9.72	8.49	18.21	8.49					
11	Other Oil and Gas Revenue	5.86	1.46	2.93	1.44	1.25	2.69	-0.21	-14.62	-0.19	-13.19	-0.24	-8.13
12	Sub-Total	9,326.95	2,331.74	4,663.48	1,347.15	1,444.20	2,791.35	-887.54	-38.06	97.05	7.20	-1,872.13	-40.14
13	Less Other Federally Funded Upstream Projects	585.91	146.48	292.96	201.03	337.90	538.93	191.42	130.68	136.87		245.98	83.96
14	Sub-Total	8,741.04	2,185.26	4,370.52	1,146.12	1,106.30	2,252.42	-1,078.96	-49.37	-39.82	-3.47	-2,118.10	-48.46
15	13% Derivation of Net Oil Revenue	1,136.34	284.08	568.17	139.78	140.68	280.46	-143.40	-50.48	0.90	0.64	-287.71	-50.64
16	DPR Cost of Collection				11.13	12.75	23.88	12.75		1.62		23.88	
17	FIRS Cost of Collection on Gas Income Tax				0.38	2.93	3.31	2.93		2.55		3.31	
18	Transfers to ECA				0.00	35.00	35.00	35.00		35.00		35.00	
19	TO FEDERATION ACCOUNT (OIL)	7,604.71	1,901.18	3,802.35	994.83	914.94	1,909.77	-966.24	-51.88	-79.89	-8.03	-1,892.58	-49.77
B	FAAC												
20	Dividend by Companies /Investments Funded by FAAC	82.25	20.56	41.12	0.00	0.00	0.00	-20.56	-100.00	0.00	-100.00	-41.12	-100.00
21	TO FEDERATION ACCOUNT (DIVIDEND OF COMPANIES/INVESTMENTS FUNDED BY FAAC)	82.25	20.56	41.12	0.00	0.00	0.00	-20.56	-100.00	0.00	-100.00	-41.12	-100.00
C	SOLID MINERALS & OTHER MINING REVENUE												
22	Total Solid Mineral Revenue	3.05	0.76	1.53	1.20	1.00	2.20	0.24	31.15	-0.20	-16.67	0.68	44.26
23	Less 13% Derivation	0.40	0.10	0.20	0.16	0.13	0.29	0.03	31.31	-0.03	-16.67	0.09	44.44
24	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.65	0.66	1.33	1.04	0.87	1.91	0.21	31.12	-0.17	-16.67	0.59	44.24
D	NON-OIL REVENUE												
25	Value Added Tax (VAT)	1,703.89	425.97	851.95	293.04	311.94	604.98	-114.03	-26.77	18.90	6.45	-246.97	-28.99
26	Surcharge on Luxury Items	2.50	0.63	1.25	0.00	0.00	0.00	-0.63	-100.00	0.00		-1.25	-100.00
27	Corporate Tax (CIT, Stamp Duties & CGT)	1,761.53	440.38	880.76	226.71	442.38	669.09	2.00	0.45	215.67	95.13	-211.67	-24.03
28	Customs: Import, Excise & Fees	689.21	172.30	344.60	184.81	199.36	384.17	27.06	15.70	14.55	7.87	39.57	11.48
29	Special Levies (Federation Account)	123.30	30.83	61.65	12.22	11.78	24.00	-19.05	-61.78	-0.44	-3.60	-37.65	-61.07
30	Sub-Total	4,280.43	1,070.11	2,140.21	716.78	965.46	1,682.24	-104.65	-9.78	248.68	34.69	-457.97	-21.40
31	Cost of Collection and Other Deductions	209.62	52.40	104.81	34.58	47.85	82.43	-4.55	-8.69	13.27	38.37	-22.37	-21.35
32	4% Cost of Collection (VAT & Surcharge on Luxury Items)	68.26	17.06	34.13	11.72	11.65	23.37	-5.42	-31.73	-0.07	-0.62	-10.76	-31.52
33	4% Cost of Collection (CIT)	59.48	14.87	29.74	9.07	13.16	22.23	-1.71	-11.52	4.09	45.10	-7.52	-25.27
34	7% Cost of Collection (Customs)	48.24	12.06	24.12	12.94	14.25	27.18	2.18	18.11	1.31	10.11	3.06	12.68
35	7% Cost of Collection (Special Levies)	8.63	2.16	4.32	0.86	0.80	1.66	-1.36	-62.94	-0.06	-6.52	-2.66	-61.65
36	FIRS Tax Refunds	25.00	6.25	12.50	0.00	8.00	8.00	1.75	28.00	8.00		-4.50	-36.00
37	TO FEDERATION ACCOUNT (NON-OIL)	2,432.67	608.17	1,216.34	682.20	917.61	1,599.81	309.44	50.88	235.41	34.51	383.47	31.53
38	Sub-Total: MAIN FEDERATION ACCOUNT	10,122.28	2,530.57	5,061.14	1,678.07	1,833.42	3,511.49	-697.15	-27.55	155.35	9.26	-1,549.65	-30.62
39	Total VAT Pool	1,638.14	409.53	819.07	281.32	299.46	580.78	-110.07	-26.88	18.14	6.45	-238.29	-29.09
40	Actual Balances in Special Accounts	17.17	4.29	8.59	0.00	0.00	0.00	-4.29	-100.00	0.00		-8.59	-100.00
41	TOTAL FEDERATION DISTRIBUTABLE REVENUE	11,777.59	2,944.40	5,888.80	1,959.39	2,132.88	4,092.27	-811.52	-27.56	173.49	8.85	-1,796.52	-30.51

Source: OAGF and Budget Office of the Federation, 2019 (PRMRC)

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

Description	SECOND 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	29.03	30.99	46.42	53.09	43.87	61.47	55.87	46.09	139.59	157.62	66.40
Company Income Tax	47.62	60.19	62.14	73.29	85.22	110.75	74.20	79.93	206.38	315.13	111.49
Value Added Tax	14.62	19.24	21.46	24.43	26.03	26.09	27.31	26.16	243.31	264.00	69.27
FGN Independent Revenue	25.12	49.25	59.48	28.78	17.19	12.88	10.31	59.10	97.49	147.58	50.72

Source: OAGF and BOF, 2019

Further analysis of second quarter non-oil revenue performance revealed that the key non-oil revenue sub-heads, had shown some trend of improvement especially in 2017 and 2018, notwithstanding some few years of fluctuations. Table 3.5 and 3.6.

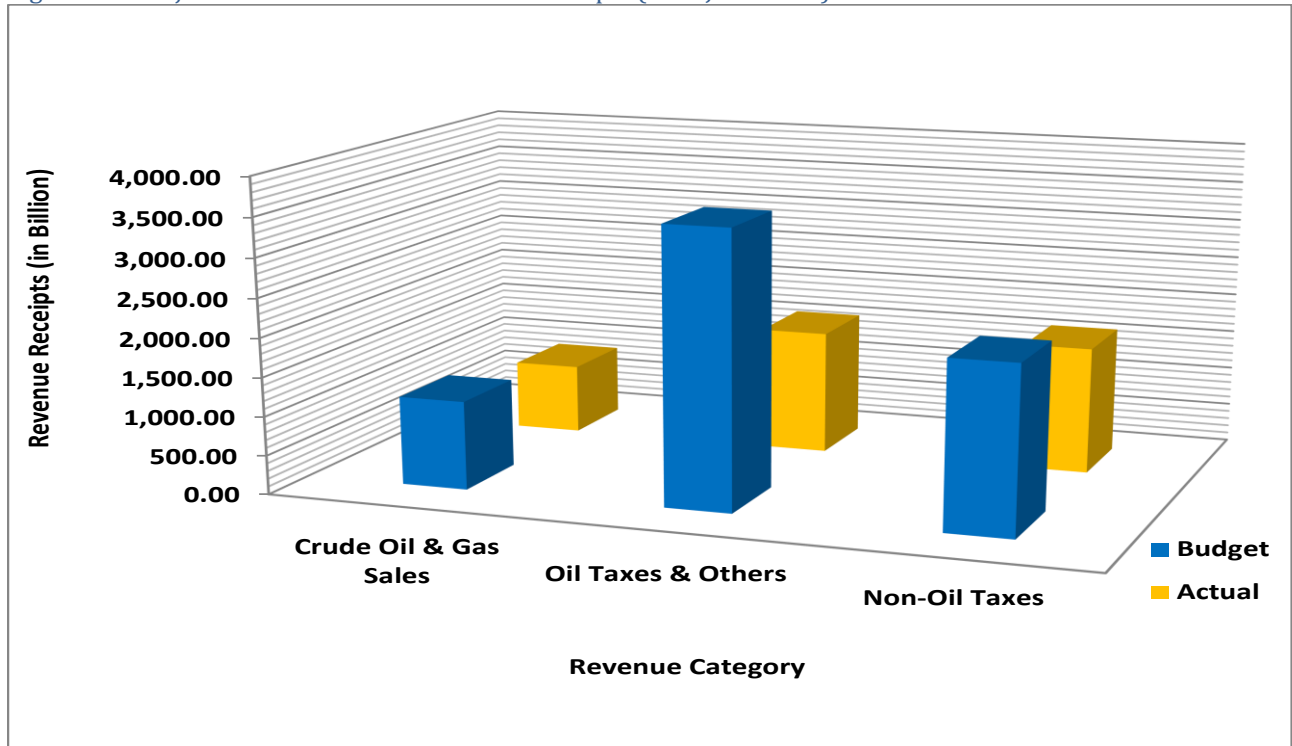
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2010 – 2018

Description	2010	2011	2012	2013	2014	2015	2016	2017	2018	9 - Year Average
Customs & Excise Duties	6.75%	49.79%	14.37%	-17.37%	40.12%	-9.11%	-17.50%	202.86%	12.92%	31.43%
Company Income Tax	26.4%	3.24%	17.94%	16.28%	29.96%	-33%	7.72%	158.20%	52.69%	31.05%
Value Added Tax	31.6%	11.54%	13.84%	6.55%	0.23%	4.68%	-4.21%	830.08%	8.50%	100.31%
FGN Independent Revenue	96.06%	20.77%	-51.61%	-40.27%	-25.07%	-19.95%	473.23%	64.96%	51.38%	63.28%

Source: OAGF and BOF, 2019

Overall, with the exception of Gas Flared Penalty, Other Oil & Gas Revenue and Customs & Excise Duties, the actual performances of other revenue categories were below their 2019 half year budgeted figures. The underperformance was however, more severe for Oil Taxes as well as Non-Oil Taxes (Figure 3.4).

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

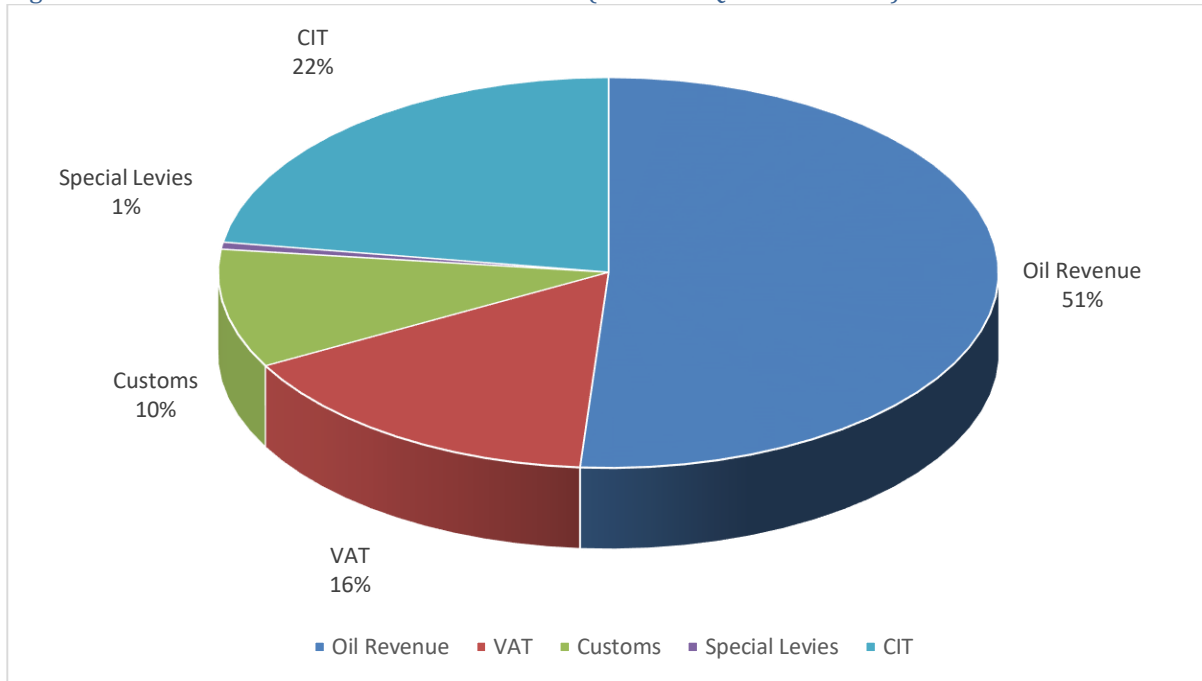


Source: Budget Office of the Federation, 2019

3.6 Distributable Revenue:

The net distributable revenue available for sharing among the three tiers of government (after the deduction of all costs) stood at ₦1,874.67 billion in the second quarter of 2019. This represented a shortfall of ₦1,069.72 billion (36.33 percent) when compared with the quarterly projection of ₦2,944.40 billion. A breakdown by sources indicated that oil revenue accounted for 51 percent of the distributable revenue but also of 88.26 percent of the shortfall. The balance of the revenue came from non-oil sources; 16 percent from VAT, 22 percent from CIT 10% from Customs and a percent from Special Levies etc. (Figure 3.5).

Figure 3.5: Contributions to Distributable Revenue (in the 2nd Quarter of 2019)



Source: Budget Office of the Federation, 2019

3.7 Excess Crude Account

Analysis of the reports of the Excess Crude Account (ECA) revealed that the sum of US\$105.76 million was transferred to the excess crude account as Accrued Interest on Fund Investment and Transfer from Good and Valuable Consideration in the second quarter of 2019. This performance might be related to the slight improvement in the price of oil at the international market during the period due, among others, to the trade war between China and USA. However, the sum of US\$225.52 was withdrawn from the account as Charges for Breaking Investment and Paris Club Refunds to States (Table 3.7).

Table 3.7: Net Excess Crude Account

Description	2018 Actual			2019 Actual		
	First Quarter	Second Quarter	Half Year	First Quarter	Second Quarter	Half Year
Inflows						
Transfer to Excess Crude Oil Account	0	0	0	0	US\$105.55 million	US\$105.55 million
Accrued Interest on Fund Investment	0	0	0	US\$2.25 million	US\$0.21 million	US\$2.46 million
Total Inflow	0	0	0	US\$2.25 million	US\$105.76 million	US\$108.01 million
Outflows						
Consultancy Fee & Litigation Expenses	0	0	0	US\$350.0 million	0	US\$350.0 million
NSIA Payment for Fertilizer Purchase	0	0	0	US\$14.55 million	0	US\$14.55 million
Excess Loss on Transfers	0	0	0	US\$1.28 million	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	US\$496.37 million	0	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	0	0	0	0	0
Paris Club Refund to States & FCT	0	0	0	US\$68.28 million	US\$225.22 million	US\$293.50 million
Bank Charges	0	US\$122.23	US\$122.23	0	0	0
Charges for Breaking Investment	0	0	0	0	US\$0.30 million	US\$0.30 million
States Matching Grants to UBEC	0	0	0	US\$16.80 million	0	US\$16.80 million
Total Outflow	US\$496.37 million	US\$122.23	US\$496.37 million	US\$450.92 million	US\$225.52 million	US\$676.44 million
Net Excess Crude Account	(US\$496.37 million)	(US\$122.23)	US\$496.37 million	(US\$448.67) million	(US\$119.76 million)	(US\$568.43) million

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

3.8 FGN Budget Revenue

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 ₦1,050.38 billion, excluding other funding sources, was received in the second quarter of 2019. This amount was ₦699.25 billion (39.97 percent) lower than the ₦1,749.62 billion quarterly budget projection but ₦160.74 billion (18.06 percent) higher than the ₦889.64 billion recorded in the second quarter of 2018. The performance was also ₦82.86 billion (8.56 percent) higher than the ₦967.52 billion reported in the preceding quarter of 2019. The aggregate inflow available to fund the budget however stood at ₦1,122.04 billion indicating a ₦627.59 billion (35.87 percent) shortfall from the quarterly budget projection for the period.

The sum of ₦464.16 billion received in the second quarter of 2019 from FGN Share of Oil Revenue was lower than the quarterly estimate of ₦922.07 billion by ₦457.91 billion (49.66 percent) for the period. The FGN Share of Customs & Excise Duties of ₦83.36 billion and Company Income Tax of ₦204.29 billion, were above their quarterly budget estimate of ₦77.72 billion and ₦203.34 billion, by ₦5.64 billion (7.26 percent) and ₦0.95 billion (0.47 percent) respectively. Apart from that, all other non-oil revenue items fell below their quarterly budget projections. FGN Share of VAT of ₦42.04 billion, Special Levies of ₦5.33 billion and Independent Revenue of ₦125.26 billion were below their corresponding quarterly budget estimates of ₦57.25 billion, ₦13.90 billion and ₦157.77 billion by ₦15.21 billion (26.57 percent), ₦8.58 billion (61.70 percent) and ₦32.51 billion (20.61 percent).

FGN Share of Solid Minerals Revenue of ₦0.42 billion and Share of Signature Bonus of ₦0.13 billion were also recorded in the quarter under review. On the other hand, FGN Share of Company Investment by FAAC, , Share of Surcharge on Luxury Items, Share of Actual Balances in Special Accounts, Domestic Recoveries, Earmarked Funds and Grant & Donor Funding yielded nothing in the quarter. Some of the above, mentioned followed the same pattern of their respective performances at the Federation Account level (*Table 3.8*).

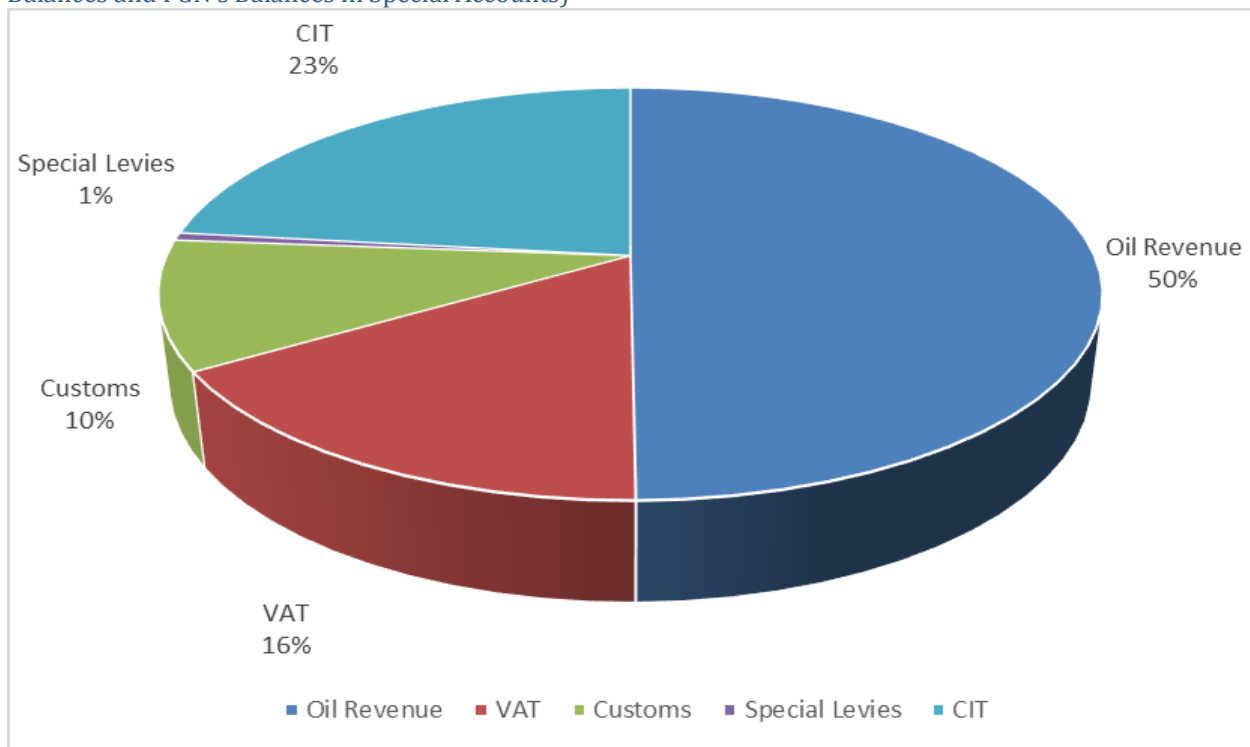
Table 3.8: Inflows to the 2019 Federal Budget as at June 2019

S/No	ITEMS	2019 BUDGET			ACTUAL			VARIANCE					
		Annual	Quarterly	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
1	Inflow for the Federal Budget	Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
2	FGN Share of Oil Revenue	3,688.28	922.07	1,844.14	482.49	443.75	926.24	(478.32)	(51.88)	(38.75)	(8.03)	(917.90)	(49.77)
3	FGN Share of Non-Oil Revenue	1,542.92	385.73	771.46	363.96	460.83	824.79	75.10	19.47	96.87	26.62	53.33	6.91
4	FGN Share of Dividend of Companies/Investments Funded by FAAC	39.89	9.97	19.94	-	-	-	(9.97)	(100.00)	-	-	(19.94)	(100.00)
5	FGN Share of Solid Minerals & Other Mining Revenue	1.29	0.32	0.64	0.51	0.42	0.93	0.10	31.12	(0.08)	-	0.28	44.24
6	FGN Share of Value Added Tax (VAT)	229.00	57.25	114.50	39.38	42.04	81.43	(15.21)	(26.57)	2.66	6.74	(33.08)	(28.89)
7	FGN Share of Surcharge on Luxury Items	0.34	0.08	0.17	-	-	-	(0.08)	(100.00)	-	-	(0.17)	(100.00)
8	FGN Share of Company Income Tax (CIT)	813.37	203.34	406.68	105.56	204.29	309.85	0.95	0.47	98.74	93.54	(96.83)	(23.81)
9	FGN Share of Customs (Imports, Exports & Fees)	310.87	77.72	155.43	83.36	83.36	166.72	5.64	7.26	-	-	11.28	7.26
10	FGN Share of Special Levies (Federation Account)	55.62	13.90	27.81	5.51	5.33	10.84	(8.58)	(61.70)	(0.19)	(3.38)	(16.97)	(61.03)
11	FGN Share of Actual Balances in Special Account	8.33	2.08	4.16	-	-	-	(2.08)	(100.00)	-	-	(4.16)	(100.00)
12	FGN's Share of Signature Bonus	84.23	21.06	42.11	1.57	0.13	1.70	(20.93)	(99.38)	(1.44)	-	(40.41)	(95.96)
13	FGN Independent Revenue	631.08	157.77	315.54	128.07	125.26	253.33	(32.51)	(20.61)	(2.81)	(2.19)	(62.21)	(19.72)
14	FGN's Balances in Special Levies Accounts	12.91	3.23	6.46	-	-	-	(3.23)	(100.00)	-	-	(6.46)	(100.00)
15	Domestic Recoveries + Assets + Fines	203.38	50.85	101.69	-	-	-	(50.85)	(100.00)	-	-	(101.69)	(100.00)
16	Earmarked Funds (Proceeds of Oil Assets Ownership Restructuring)	710.00	177.50	355.00	-	-	-	(177.50)	(100.00)	-	-	(355.00)	(100.00)
17	Grants and Donor Funding	209.92	52.48	104.96	-	-	-	(52.48)	(100.00)	-	-	(104.96)	(100.00)
18	TOTAL RETAINED REVENUE	6,998.49	1,749.62	3,499.24	974.52	1,029.84	2,004.36	(719.79)	(41.14)	55.32	5.68	(1,494.89)	(42.72)
22	Revenues from Special Accounts	-	-	-	238.83	71.66	310.49	71.66	-	(167.17)	(70.00)	310.49	-
23	TOTAL FGN REVENUE	6,998.49	1,749.62	3,499.24	1,213.35	1,101.50	2,314.84	(648.13)	(37.04)	(111.85)	(9.22)	(1,184.40)	(33.85)

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

Oil and Gas revenue continued to dominate revenue inflow of government accounting for 50.71 percent of total revenue in the review period. Other revenue sources are as depicted in figure 3.6.

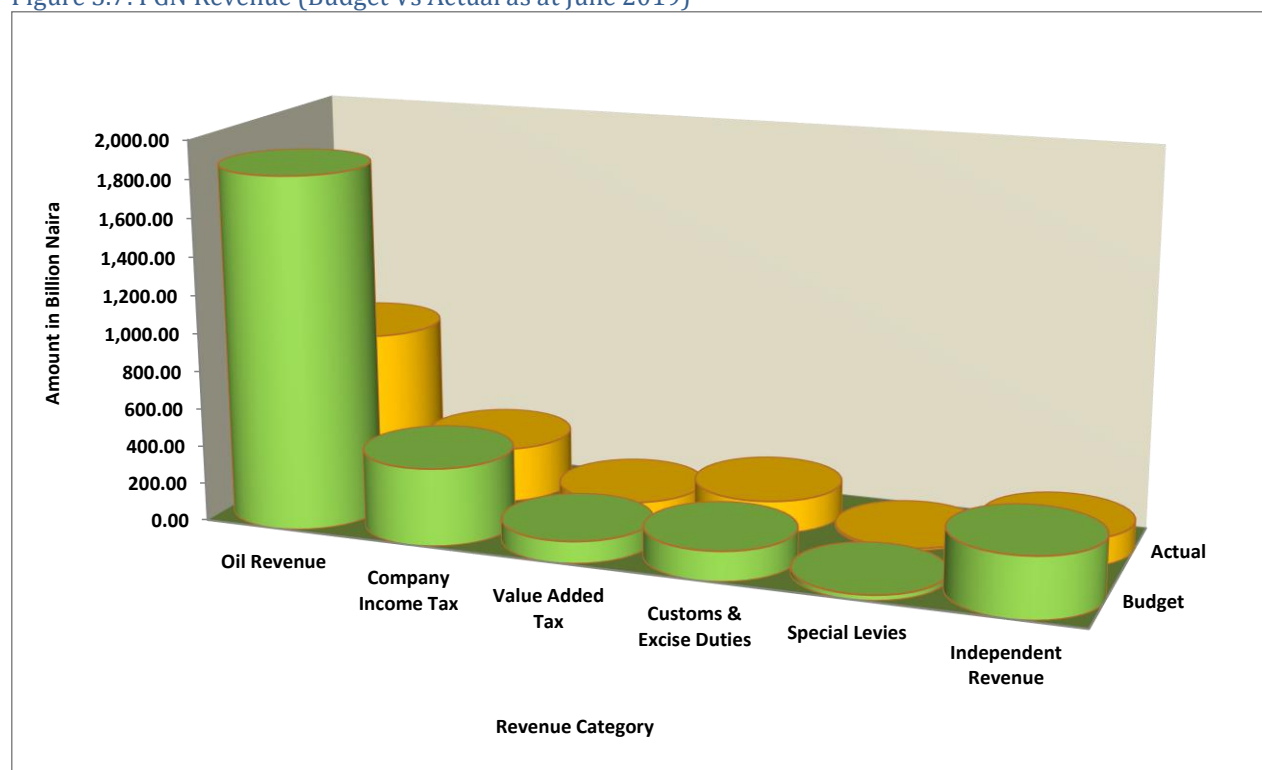
Figure 3.6: Contributions to the FGN Budget Revenue in the Second Quarter of 2019 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)



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

The oil revenue equally contributed largely to the revenue shortfall experienced by FGN in the quarter under review accounting for ₦454.33 (72.96 percent) of the entire revenue shortfall. Other major contributors included the Earmarked Fund accounting for ₦177.50 (28.28 percent), while the Independent Revenue CIT, Special Levies, Share of Signature Bonus and Unspent Balances make up for the revenue shortfall.

Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2019)



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

3.8.1 Total Inflow of the Federal Government

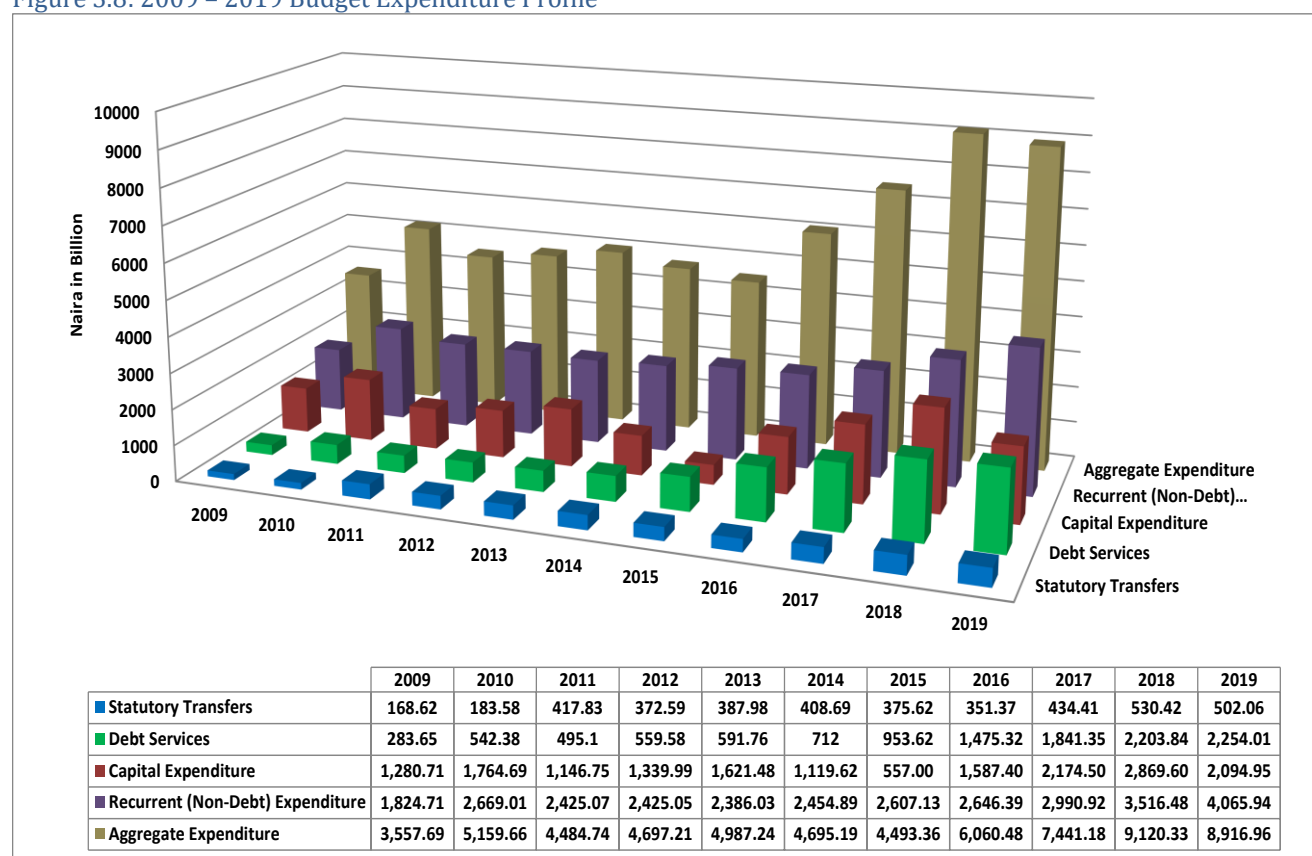
Total Retained Revenue of the Federal Government stood at ₦2,017.89 billion in the first half of 2019. This represents a ₦1,481.35 billion (42.33 percent) shortfall from 2019 half year budget estimate. This was however, augmented by Revenue from Special Account of ₦310.49 billion. Total inflow as at the end June 2019 therefore stood at ₦2,328.38 billion representing a shortfall of ₦1,170.86 billion (33.46 percent) of prorata budget estimate for the period.

3.9 Expenditure Developments:

A total of ₦8,916.96 billion (Total FGN Budget, 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 prorated quarterly expenditure outlay of ₦2,229.24 billion in 2019. Actual expenditure of ₦2,105.94 billion was recorded in the second quarter of 2019, translating to a ₦123.30 billion (or 5.53 percent) expenditure below the quarterly budget projection for the year. The detail breakdown is presented.

Figure 3.8: 2009 – 2019 Budget Expenditure Profile



Source: Budget Office of the Federation, 2019

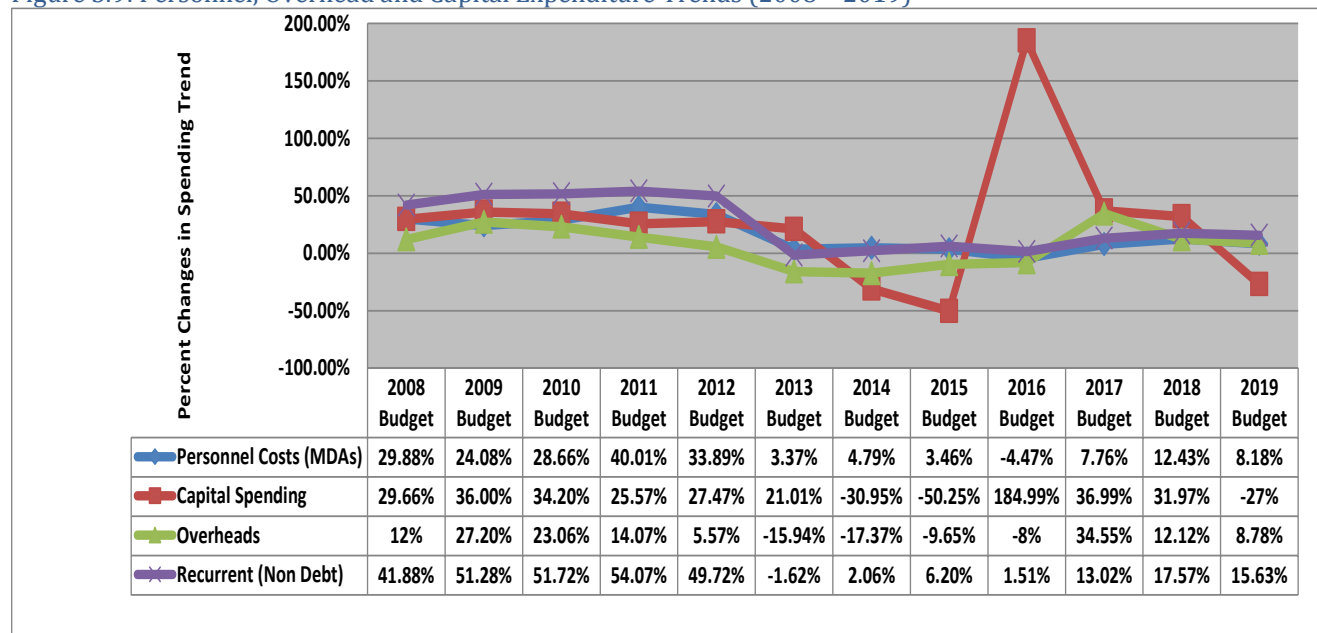
3.9.1 Non-Debt Recurrent Expenditure

Total non-debt recurrent expenditure of ₦961.41 billion was spent in the second quarter of 2019. This implies a decrease of ₦55.08 billion (5.42 percent) from the quarterly estimate of ₦1,016.49 billion. It is also ₦128.05 billion (11.75 percent) below ₦1,089.45 billion but ₦351.46 billion (57.62 percent) above ₦609.95 billion levels of expenditure reported in the first quarter of 2019 and

second quarter of 2018 respectively.

Government’s determination to cut down the growth in recurrent expenditures as stated in the 2019-2021 MTEF/FSP continued to be pursued using the 2019 Budget implementation. The initiatives of Government aimed at cutting down recurrent costs were vigorously pursued during the period. These 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, Presidential Initiative on Continuous Audit, as well as the use of the Treasury Single Account (TSA).

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



Source: BOF and OAGF, 2019

3.9.2 Debt Service:

Total Debt Services in the second quarter of 2019 stood at ₦360.98 billion indicating a decrease of ₦202.52 billion (35.94 percent) below the ₦563.50 billion projected for the quarter. A total of ₦427.56 billion was proposed for domestic debt service in the quarter under review but ₦190.45 billion was

actually used for the service of the debt. This indicated a difference of ₦237.11 billion (55.46 percent) below the quarterly estimate.

The sum of ₦108.45 billion was proposed for the service of external debt in the quarter under review. Actual external debt service payment however amounted to ₦103.10 billion (US\$252.30 million) indicating a difference of ₦5.35 billion (4.93 percent) below the quarterly projection.

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

S/NO	ITEMS	2019 BUDGET			ACTUAL			VARAIANCE					
		Annual	Quarterly Budget	Half Year	First Quarter	Second Quarter	Half Year	2nd Quarter Actual Vs Quarterly Budget		2nd Quarter Actual Vs First Quarter Actual		Half Year Actual Vs Half Year Budget	
		Nb	Nb	Nb	Nb	Nb	Nb	Nb	%	Nb	%	Nb	%
A	RETAINED REVENUE	6,998.49	1,749.62	3,499.25	974.52	1,029.84	2,004.36	(719.79)	(41.14)	55.32	5.68	(1,494.89)	(42.72)
D	Revenues from Special Accounts		0.00	0.00	238.83	71.66	310.49	71.66		(167.17)	(70.00)	310.49	
E	TOTAL FGN REVENUE	6,998.49	1,749.62	3,499.25	1,213.35	1,101.50	2,314.85	(648.13)	(37.04)	(111.85)	(9.22)	(1,184.40)	(33.85)
F	EXPENDITURE:												
1	RECURRENT NON-DEBT:												
2	Personnel Cost (MDAs)	2,288.58	572.14	1,144.29	550.79	572.51	1,123.31	0.37	0.06	21.72	3.94	(20.98)	(1.83)
4	Pensions, Gratuities & Retirees Benefits	528.07	132.02	264.03	73.68	73.68	147.36	(58.33)	(44.19)	0.00	0.01	(116.67)	(44.19)
6	Overhead Cost (MDAs)	268.13	67.03	134.06	48.85	66.92	115.77	(0.11)	(0.17)	18.07	36.99	(18.29)	(13.64)
7	SWV Power Sector Reform Programme	150.40	37.60	75.20	27.62	55.24	82.86	17.64	46.91	27.62	100.00	7.66	10.18
8	Other Service Wide Votes (+ Pension Redemption)	364.55	91.14	182.28	83.62	36.59	120.21	(54.54)	(59.85)	(47.03)	(56.24)	(62.06)	(34.05)
9	Presidential Amnesty Programme	65.00	16.25	32.50	10.83	16.25	27.09	0.00	0.01	5.42	50.00	(5.42)	(16.66)
10	Basic Healthcare Fund (1% of CRF)	51.22	12.81	25.61	0.00	0.00	0.00	(12.81)	(100.00)	0.00		(25.61)	(100.00)
11	Special Intervention (Recurrent)	350.00	87.50	175.00	48.50	72.69	121.19	(14.81)	(16.93)	24.19	49.87	(53.81)	(30.75)
12	Payments from Special Accounts	0.00	0.00	0.00	245.56	67.52	313.07	67.52		(178.04)	(72.50)	313.07	
13	Sub-Total (Non-Debt)	4,065.94	1,016.49	2,032.97	1,089.45	961.41	2,050.86	(55.08)	(5.42)	(128.05)	(11.75)	17.89	0.88
14	Domestic Debts Service	1,710.22	427.55	855.11	610.28	190.45	800.73	(237.11)	(55.46)	(419.84)	(68.79)	(54.38)	(6.36)
15	Foreign Debts	433.80	108.45	216.90	99.06	103.10	202.16	(5.34)	(4.93)	4.04	4.08	(14.73)	(6.79)
16	Total Debt Service	2,144.01	536.00	1,072.01	709.34	293.55	1,002.90	(242.45)	(45.23)	(415.79)	(58.62)	(69.11)	(6.45)
17	Interest on Ways & Means		0.00	0.00	38.78	67.43	106.21	67.43		28.65	73.88	106.21	
18	Sinking Fund to Retire Maturing Loans	110.00	27.50	55.00	0.00	0.00	0.00	(27.50)	(100.00)	0.00		(55.00)	(100.00)
19	Sub-Total (Debt)	2,254.01	563.50	1,127.01	748.12	360.98	1,109.10	(202.52)	(35.94)	(387.14)	(51.75)	(17.90)	(1.59)
20	Total Recurrent Expenditure	6,319.96	1,579.99	3,159.98	1,837.58	1,322.39	3,159.96	(257.60)	(16.30)	(515.19)	(28.04)	(0.02)	(0.00)
21	CAPITAL EXPENDITURE												
22	Capital Expenditure MDA Main	1,445.73	361.43	722.87	0.00	0.00	0.00	(361.43)		0.00		(722.87)	
24	Capital Supplementation	289.30	72.33	144.65	0.00	0.00	0.00	(72.33)	(100.00)	0.00	#DIV/0!	(144.65)	(100.00)
25	Special Intervention (Capital)	150.00	37.50	75.00	0.00	0.00	0.00	(37.50)	(100.00)	0.00	#DIV/0!	(75.00)	(100.00)
26	Grants and Donor Funded Projects	209.92	52.48	104.96	0.00	0.00	0.00	(52.48)	(100.00)	0.00		(104.96)	(100.00)
27	Total Capital Expenditure	2,094.95	523.74	1,047.48	0.00	0.00	0.00	(523.74)	(100.00)	0.00	#DIV/0!	(1,047.48)	(100.00)
28	TRANSFERS											0.00	
29	Statutory Transfers	502.06	125.51	251.03	114.87	115.30	230.16	(10.22)	(8.14)	0.43	0.38	(20.87)	(8.31)
30	TOTAL FGN EXPENDITURE - 2019 Budget	8,916.96	2,229.24	4,458.48	1,952.44	1,437.68	3,390.13	(629.25)	(28.23)	(514.76)	(26.36)	(1,068.36)	(23.96)
31	Total Fiscal Deficit	(1,918.47)	(479.62)	(959.24)	(739.09)	(336.19)	(1,075.28)	143.43	(29.90)	402.90	(54.51)	(116.04)	12.10
G	FINANCING ITEMS												
1	Privitization Proceeds	210.00	52.50	105.00	0.00	0.00	0.00	(52.50)	(100.00)	0.00		(105.00)	(100.00)
2	Multi-lateral / Bi-lateral Project-tied Loans	92.84	23.21	46.42	0.00	0.00	0.00	(23.21)	(100.00)	0.00		(46.42)	(100.00)
3	Foreign Borrowing	802.82	200.71	401.41	0.00	0.00	0.00	(200.71)	(100.00)	0.00		(401.41)	(100.00)
4	Domestic Borrowing	802.82	200.70	401.41	285.00	125.00	410.00	(75.70)	(37.72)	(160.00)	(56.14)	8.59	2.14
5	Sub-Total	1,908.48	477.12	954.24	285.00	125.00	410.00	(352.12)	(73.80)	(160.00)	(56.14)	(544.24)	(57.03)
6	Net Deficit/Surplus	(10.00)	(2.50)	(5.00)	(454.09)	(211.19)	(665.28)	(208.69)	8,348.39	242.90	(53.49)	(660.28)	13,206.94
7	Grand-Total (Revenue + Financing Items)	8,906.97	2,226.74	4,453.48	1,498.35	1,226.50	2,724.85	(609.25)	(44.92)	(271.85)	(56.14)	(1,728.54)	(38.82)

NOTE: 1.The Revenue figures are sourced from the PRMRC Report 2019

2. The sum of N110bn included in Domestic Borrowing was meant for year 2018 borrowing that came in January and February, 2019.

Source: OAGF and Budget Office of the Federation, 2019

3.9.3 Statutory Transfers:

Expenditures for the statutory transfers stood at ₦115.30 billion in the second quarter of 2019 as against ₦114.87 billion released in the first quarter of 2019. The amount released in the second quarter of 2019 translates to ₦10.22 billion (8.14 percent) decrease below the quarterly estimate of ₦125.51 billion in the 2019 budget.

3.9.4 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. This is expected to improve business environment and boost potential output in the economy. 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:

A total of ₦1,123.49 billion capital expenditure was released for MDAs as at 30th June, 2019 under the 2018 budget. The released amount was broken down into ₦1,022.88 billion as Capital Development Fund (Main); ₦79.75 billion as Capital Supplementation; and ₦20.85 billion as Special Capital Intervention. These releases were due to the extension of 2018 capital budget implementation to 30th June, 2019 and the late passage of the 2019 Budget.

3.9.5 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 ₦200.71 billion, Domestic Borrowing (FGN Bond) of ₦200.71 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 ₦315.65 billion in the second quarter of 2019. This reflect a lower deficit to the prorated budget to the tune of ₦163.97 billion (34.19 percent) of the projected ₦479.62 billion deficit for the period. However, only ₦125.0 billion was realized from Domestic Borrowing (FGN Bond) while other sources of financing items did not materialize. This resulted in a ₦190.65 billion net deficit financing for the review period.

4.0 CONCLUSION

The macroeconomic setting under which the economy's exited from recession has remained positive and is likely to continue in the near-term. The economy grew by 1.94 percent in the second quarter of 2019 with the oil sector recording a real growth of 5.15 percent (year-on-year). The non-oil sector grew by 1.64 percent in real terms during the second quarter of 2019 mainly sustained by the performance of Information & Communication Technology, Mining & Quarrying, Transportation & Storage as well as other services.

The Federal Government continued to meet its non-discretionary expenditures even as budget implementation continued to be adversely affected by poor revenue performance. The economic pointers 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 likely to improve in succeeding quarters and combined with the recovery in oil production and likely increase in price would result in sustainable implementation of the 2019 Budget.

The Federal Government will remain committed to an enhanced openness, transparency and accountability in budget preparation, implementation, monitoring & evaluation and feedback. In this regard, strict adherence to budget implementation guidelines and the governance framework on monitoring of capital budget implementation will continue to be followed. Efforts would also be directed at improving efficiency in budget implementation, while engendering effective project management planning geared towards improving the level of capital budget implementation in 2019 and beyond.