

ICAN SYMPOSIUM ON 2024 BUDGET OF RENEWED HOPE

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18TH JANUARY 2024



PRESENTATION OUTLINE

- Budget objectives
- Budget assumptions
- 2024-2026 Fiscal Framework
- Budget numbers – Expenditure and Revenue estimates
- 2023 Budget Performance
- Sectoral Budget Allocations

PRESENTATION OUTLINE

- Role of Subnationals
- Business Implications of the Budget
- Debt Sustainability
- Business Resilience Strategies
- Forex and Real Sector outlook
- Risks to the Economy
- Silver Lining in the current crisis

2024 BUDGET OBJECTIVES

JOB CREATING ECONOMIC GROWTH

MACROECONOMIC STABILITY

BETTER INVESTMENT ENVIRONMENT

ENHANCED HUMAN CAPITAL DEVELOPMENT

POVERTY REDUCTION



2024 BUDGET OBJECTIVES

DEEPENING PUBLIC PRIVATE PARTNERSHIP [PPP] IN
ENERGY AND TRANSPORTATION

REGIONAL LEADERSHIP IN GLOBAL MOVEMENT
TOWARDS CLEAN AND SUSTAINABLE ENERGY

ACCESS TO SOCIAL SECURITY

BETTER INTERNAL SECURITY

SUSTAINABLE FUNDING MODEL FOR TERTIARY
EDUCATION

BUDGET ASSUMPTIONS

INFLATION RATE	21.4%
OIL PRODUCTION	1.78mbd
OIL PRICE	\$77.98mbd
GDP GROWTH RATE	3.88%
EXCHANGE RATE	N800/\$

COMMENTS ON BUDGET ASSUMPTIONS

ASSUMPTION: INFLATION RATE OF 21.4%

Its rather optimistic, given that current headline inflation December 2023 was 28.9, with food inflation at 34%

Key inflation drivers remain exchange rate depreciation, high energy prices, high transportation cost.

However, there may be decline in the course of the year due to base effects in inflation computation.

INFLATION ASSUMPTION

Increased domestic refining of petroleum products may have a moderating effect on inflation.

The commitment of the CBN to comply strictly with the CBN Act with respect to Ways and Means financing of federal government expenditure may also have a moderating effect on inflation.

OIL PRODUCTION ASSUMPTION [1.78 MBD]

The oil output assumption of 1.78 mbd is on the optimist side.

Current production level has oscillated between 1m to 1.3 million barrels over the past few years.

However, the optimism may be anchored on the current onslaught on crude oil theft, if sustained.

The prospect of enhanced production also lies in the oil and gas policy reform as reflected in the Petroleum Industry Act.

OIL PRICE ASSUMPTION

[\$77.98/Barrel]

Oil price assumption of \$77.98 per barrel is optimistic.

Current crude oil price is around \$78 per barrel

Typically, there should be a headroom of about \$5 between the current price and budget assumption.

The assumption does not give room for oil price volatility.

A more conservative price assumption would offer opportunities to rebuild the excess crude account.

GDP GROWTH ASSUMPTION OF 3.76%

The 3.76 GDP growth rate is achievable if reforms are sustained and investment climate issues are addressed. GDP growth forecasts by other bodies are within the same threshold as follows:

World bank	3.3%
AfDB	3.3%
Fitch	2.9%
United Nations	3.1%
IMF	3%

KEY ASSUMPTIONS & MACRO-FRAMEWORK

REVISED 2024 – 2026 MTFF PROJECTIONS

- The key parameters as well as other macroeconomic projections driving the medium-term revenue and expenditure framework have been revised in line with the emergent realities. The new figures are presented in the table below.

Description	2023	2023 Revised Forecast (as at July 2023)	2024	2025	2026
Oil Price Benchmark (US\$/b)	75.0	75.0	77.96	73.76	69.90
Oil Production (mbpd)	1.69	1.72	1.78	1.80	1.81
Exchange Rate (N/\$)	435.57	700.00	750.00	665.61	669.79
Inflation (%)	17.16	17.16	21.40	20.30	18.60
Non-Oil GDP (N'bn)	214,049.5	214,049.5	223,989.2	249,188.0	278,251.7
Oil GDP (N'bn)	11,457.8	11,457.8	12,316.0	13,225.7	14,272.0
Nominal GDP (N'bn)	225,507	225,507	236,305.2	262,413.7	292,523.7
GDP Growth Rate (%)	3.75	3.75	3.76	4.22	4.78
Imports	24,385.6	24,385.6	32,453.5	33,401.3	34,515.4
Nominal Consumption (N'bn)	121,933.1	121,933.1	163,227.8	189,992.8	218,594.2

OVERVIEW OF THE 2024 – 2026 FISCAL FRAMEWORK

FGN Fiscal Deficit

- ❑ The budget deficit is projected to be **N9.18 trillion** in 2024, i.e., **N4.6 trillion** down from **N11.60 trillion** budgeted in 2023. The proposed deficit represents about **50%** of total FGN revenues and **3.88%** of the estimated GDP.
- ❑ The high projected level of fiscal deficit in 2024 is partly attributable to the proposed salary review of Federal workers across board, increased pension obligations and higher debt service cost.
- ❑ At **3.88%**, the projected level of deficit is higher than the **3%** threshold stipulated in the Fiscal Responsibility Act (FRA), 2007, but significantly lower than the 2023 level of **6.11%**; **FRA 2007** however allows government to exceed the 3% threshold if justified by threats to national security.

EXPENDITURE OUTLOOK

	2023	2024	INCREASE [%]
CAPITAL	5.97	9.99	67
NON-DEBT RECURRENT	8.33	8.76	5
DEBT SERVICE	6.56	8.28	26
STATUTORY TRANSFERS	0.97	1.74	79
TOTAL EXPENDITURE	21.83	28.77	32
DEFICIT	11.34	9.18	

COMMENTS ON EXPENDITURE

Though total budget is N28.77 trillion. But if we take out the debt service component, what is left for real spending is N20 trillion.

Capital expenditure exceeds recurrent non debt expenditure for the first time in many years.

But the question remains that what is the percentage of infrastructure spending in the capital expenditure.

Debt service continues to mount gulping N8.28 trillion

There is a reduction in the fiscal deficit. This has not happened in long time.

REVENUE OUTLOOK

	2023	2024	PERCENTAGE CHANGE
OIL REVENUE [NTrn]	2.23	9.21	313%
INDEPENDENT REVENUE/ OTHERS [Ntrn]	5.83	6.86	18%
NON-OIL TAXES [Ntrn]	2.43	3.52	87%

COMMENTS ON REVENUE OUTLOOK

Oil revenue projected to increase by a whopping 313%.

Looks ambitious

However, revenue outlook will be positively impacted by:

Fuel subsidy removal revenue gains

Expected increase in crude oil output on the back of efforts to curb crude oil theft.

PIA impact on investment in the sector

YEAR	BUDGET [NTrn]	EXCHANGE RATE [N/\$]	DOLLAR VALUE OF BUDGET [\$BILLION]
2020	10.8	360	30
2021	13.59	383	35.5
2022	17.3	410	42
2023	20.5	435	47
2024	28.7	800	35.9

OVERVIEW OF 2023 FGN REVENUE PERFORMANCE

		2023 Budget	Pro Rata (Jan-Sept)	Actual (Jan-Sept)	Variance	
		Billions of Naira			Billions of Naira	%
S/N	AGGREGATE FEDERAL GOVERNMENT REVENUE	11,045.11	8,283.83	8,653.45	369.62	4.5%
	FEDERAL RETAINED REVENUES (excl. GOEs)	8,626.00	6,469.50	7,152.84	683.34	10.6%
A						
1	Oil Revenue	2,229.64	1,672.23	1,416.32	(255.91)	-15.3%
2	Share of Dividend (NLNG & BOI)	81.79	61.34	46.22	(15.12)	-24.6%
3	Minerals & Mining Revenue	3.64	2.73	4.44	1.70	62.3%
4	Non-Oil Revenue:	2,465.61	1,849.21	2,497.29	648.08	35.0%
i	CIT	933.28	699.96	1,549.62	849.66	121.4%
ii	VAT	383.09	287.32	318.95	31.63	11.0%
iii	Customs Revenues	949.59	712.20	541.64	(170.56)	-23.9%
iv	Federation Account Levies	167.19	125.39	70.02	(55.38)	-44.2%
v	Share of Electronic Money Transfer Levy	19.09	14.32	17.07	2.75	19.2%
vi	Share of Oil Price Royalty	13.37	10.03	-		
B		6,264.43	4,698.32	4,689.17	(9.15)	-0.2%
1	FGN Independent Revenue	3,169.07	2,376.80	1,281.22	(1,095.59)	-46.1%
2	FGN Drawdowns from Special Accounts/Levies	300.00	225.00	38.00	(187.00)	-83.1%
3	Signature Bonus / Renewals / Early Renewals	57.05	42.79	230.83	188.04	439.5%
4	Domestic Recoveries + Assets + Fines*	27.90	20.92	-	(20.92)	-100.0%
5	Grants and Donor Funding	43.03	32.27	1,036.37	1,004.10	3111.4%
6	Education Tax (TETFUND)	248.27	186.20	602.14	415.94	223.4%

OVERVIEW OF 2023 FGN EXPENDITURE PERFORMANCE

Fiscal Items	2023 Budget	Pro Rata (Jan-Sept)	Actual (Jan-Sept)	Variance	
	Billions of Naira			Billions of Naira	%
AGGREGATE FGN EXPENDITURE	24,823.52	18,617.64	12,700.94	5,916.70	-31.8%
FGN EXPENDITURE (excl. GOEs and Project-tied Loans)	20,633.00	15,474.75	11,730.60	3,744.15	-24.2%
Statutory Transfers	985.49	739.11	711.36	27.76	-3.8%
Recurrent Expenditure	15,879.77	11,909.83	10,517.11	1,392.72	-11.7%
Non-Debt Recurrent Expenditure	9,322.17	6,991.63	4,729.53	2,262.09	-32.4%
Non-Debt Recurrent Expenditure (excl. GOEs)	7,738.45	5,803.84	3,982.31	1,821.53	-31.4%
Personnel Costs (MDAs)	4,139.21	3,104.40	2,988.03	116.37	-3.7%
Personnel Costs (GOEs)	912.32	684.24	452.94	231.30	-33.8%
Pensions & Gratuities including Service wide pension	854.81	641.11	339.66	301.45	-47.0%
Overheads (MDAs)	785.47	589.10	240.39	348.71	-59.2%
Overheads (GOEs)	671.40	503.55	294.29	209.26	-41.6%
Other Service Wide Votes	1,681.55	1,261.16	349.24	911.92	-72.3%
Presidential Amnesty	65.00	48.75	48.75	(0.00)	0.0%
TETFUND - Recurrent	12.41	9.31	16.23	(6.92)	
Special Intervention Programme	200.00	150.00	-	150.00	-100.0%
Debt Service	6,557.60	4,918.20	5,787.58	(869.38)	17.7%
Domestic Debt	3,295.11	2,471.33	2,901.60	(430.27)	17.4%
Foreign Debt	1,814.76	1,361.07	1,189.32	171.75	-12.6%
Sinking Fund	247.73	185.79	-	185.79	-100.0%
Interest on Ways & Means	1,200.00	900.00	1,696.65	(796.65)	
Aggregate Capital Expenditure	7,958.26	5,968.70	1,472.47	4,496.22	-75.3%
Capital Expenditure (MDAs + Others)	5,351.47	4,013.60	1,249.36	2,764.24	-68.9%

REVENUE PERFORMANCE IN 2023 [JAN-SEPT 2023]

Revenue exceeded budget by 4.5%

Non-oil revenue exceeded budget by 35%

Company Tax exceeded budget by 121%

Tertiary education tax exceeded budget by 223%

Independent revenue shortfall by 46%

EXPENDITURE PERFORMANCE 2023

Shortfall of 32% in overall expenditure compared to budget.

Recurrent expenditure shortfall of 11.7%

Debt service exceeded budget by 17.7%

Capital expenditure shortfall of 75%

CRITICAL SECTORAL ALLOCATIONS IN THE 2024 BUDGET

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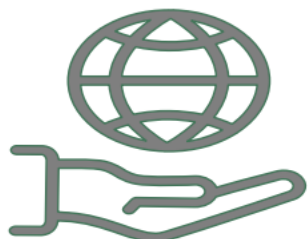
Critical Allocations in 2024 Budget

Education Sector N2.18 Trillion i.e. 7.9% of FGN Budget



N1.23 trillion

Amount provisioned for
**Federal Ministry of Education
and its agencies (Recurrent &
Capital expenditure)**



N251.47 billion

Amount provisioned for
**Universal Basic
Education Commission
(UBEC)**



N700.0 billion

Transfers to the Tertiary
Education Trust Fund
(TETFUND) for infrastructure
projects in Tertiary institutions

Critical Allocations in 2024 Budget

Health Sector N1.33 Trillion i.e. 5% of FGN Budget



N1.07 trillion

Amount provisioned for
**Federal Ministry of Health
and its agencies (Recurrent
& Capital expenditure)**



**N137.21
billion**

**Gavi/ Immunization funds,
including Counterpart Funding for
Donor Supported Programmes**



**N125.74
billion**

Transfer to Basic
Healthcare Provision
Fund (**BHCPF**)
1% of CRF



Defence & Security Sector (N3.25 trillion) — (12% of Budget)



Infrastructure (N1.32 trillion) 5% of Budget



Social Development & Poverty Reduction Programmes (N534 billion) - (2% of Budget)

Amount provisioned for
the Military, Police, Intelligence & Para-
Military (*Recurrent & Capital expenditure*)

This include provisions for Works & Housing,
Power, Transport, Water Resources,
Aviation.

Amount provisioned for Social
Investments / Poverty Reduction
Programmes

SPOTLIGHTING SUBNATIONALS IN BUDGET DISCOURSE

Revenue Allocation

Federal Government	52.68
State Governments	26.72%
Local Governments	20.6%

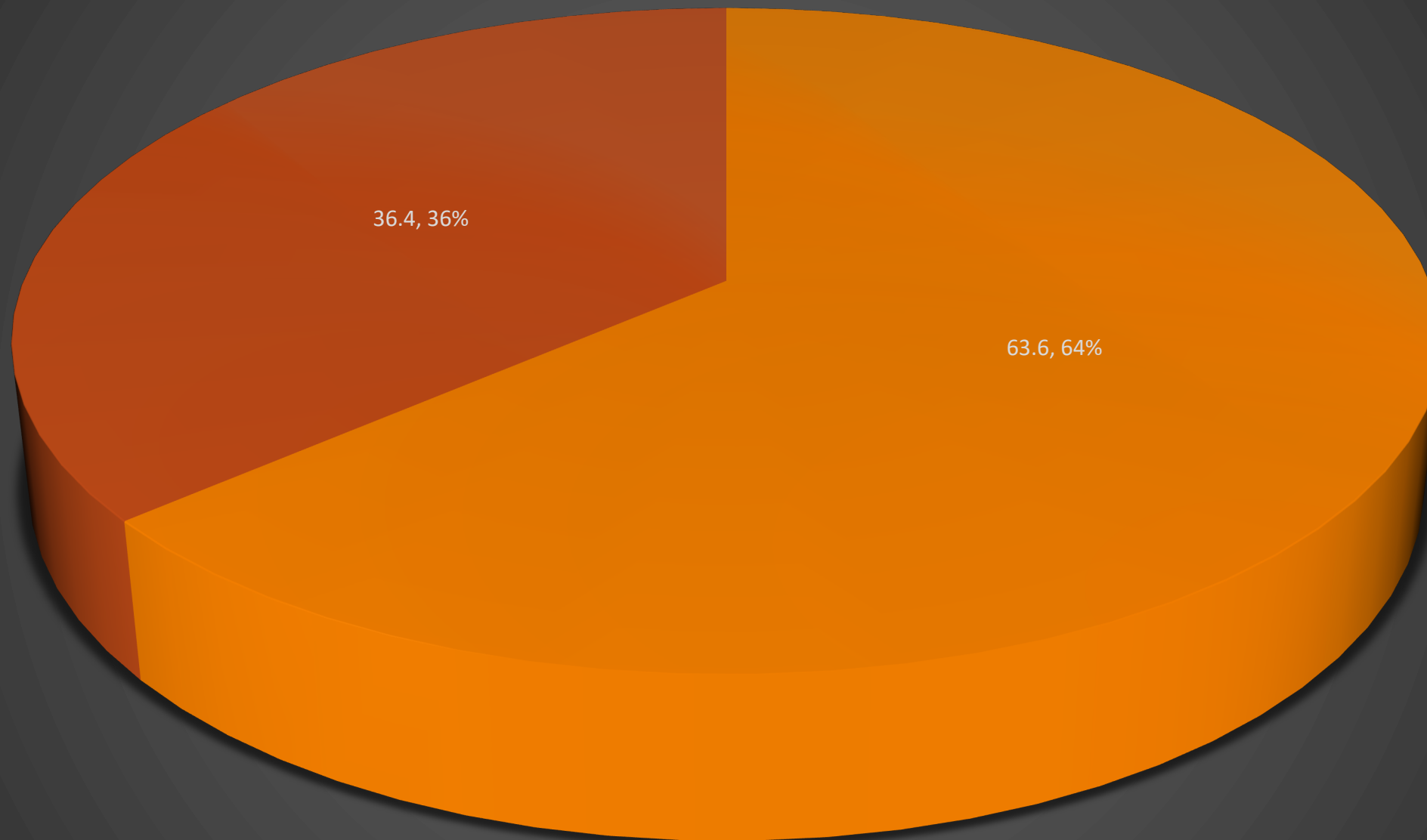
There is additional revenue to oil producing states on Derivation.

States also have internally generated revenue.

All these need to be interrogated as well for accountability.

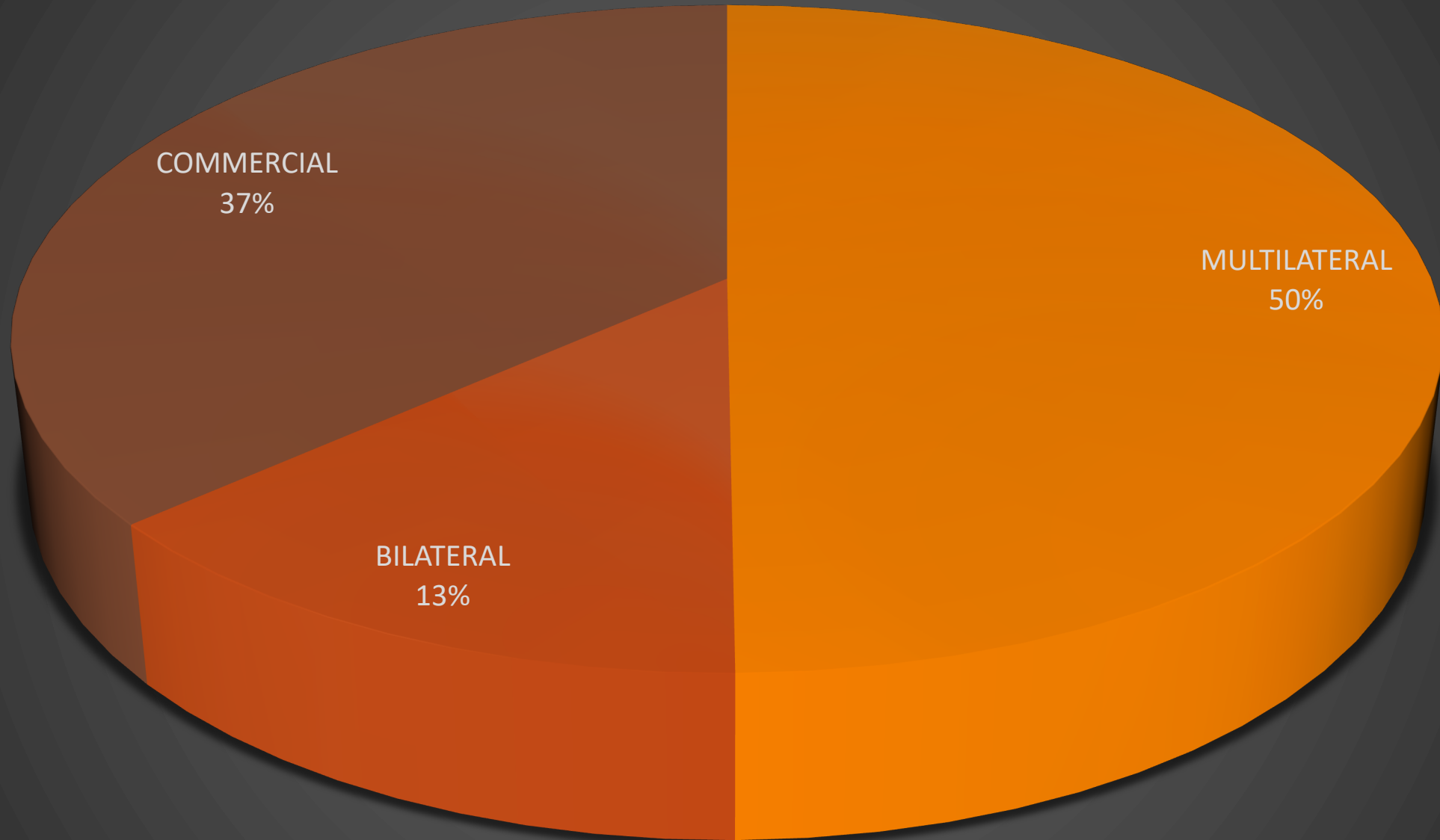
DEBT SUSTAINABILITY CONCERNS

NIGERIA PUBLIC DEBT [N89 TRILLION]



■ DOMESTIC DEEBT ■ EXTERNAL DEBT

EXTERNAL DEBT [\$41.6 BILLION]



■ MULTILATERAL ■ BILATERAL ■ COMMERCIAL

BUSINESS IMPLICATIONS OF THE BUDGET

Sectoral Appropriations give information on opportunities for the private sector either as service providers or contractors in various sectors.

Details of proposed spending should be useful for private sector service providers or contractors.

BUSINESS IMPLICATIONS OF THE BUDGET

The ambitious revenue targets may put pressure on the private sector. MDAs are under pressure raise more revenue and this may be transmitted to investors in the form of additional levies, fees, and taxes.

Finance Act normally comes with each budget. It is not clear yet whether there will be one this year. The policy component of the budget typically comes under the finance Act. It typically has implications for businesses in form of fiscal policy measures.

BUSINESS RESILIENCE STRATEGIES

Flexibility and nimbleness of business model to reflect current market dynamics.

Embracing innovation

Hedging against volatile macroeconomic variables, especially exchange rate.

Leveraging technology for better efficiency and cost effectiveness.

Collaboration and partnerships

BUSINESS RESILIENCE STRATEGIES

Deepening customer focus or customer centric business strategy

Cost containment

Minimizing forex exposure in business operations.

Minimizing exposition to bank credit because of interest rate risk.

Incorporate cost effective energy solutions in the business model.

Undertake scenario planning to ensure proactive strategic response.

Stakeholder engagement

FOREX OUTLOOK

The following are upsides for the forex outlook.

Commitment of the CBN to clearance of forex mature obligations.

The AFREXIM forex intervention deal to enhance forex liquidity.

Commitment to curbing crude oil theft to likely boost forex earnings from oil.

Oil sector reform as reflected in the Petroleum Industry Act [PIA] to incentive investment in the oil sector and boost forex earnings.

Domestic Refining of petroleum products and the import substitution effects to ease pressure on the forex market.

REAL SECTOR OUTLOOK

The following may continue to put pressure on the real sector in the fiscal year:

Foreign Exchange rate

High energy cost

High interest rate likely from monetary policy tightening to curb inflation.

Weak purchasing power of consumers.

But the pressures would moderate by middle of the year.

RISKS TO THE ECONOMY

Corruption and transparency issues in the management of public funds at all levels of government

High cost of governance

Insecurity in many parts of the country.

Debt sustainability concerns.

Social issues arising from the high cost of living.

Global geopolitical issues

OPPORTUNITIES IN THE CURRENT ECONOMIC CRISIS

Incredible opportunities for import substitution across all sectors – education, medical, vacations abroad, industrial raw materials, consumption of local foods, fabrications of spare parts.

High food prices are a great opportunity for investment in agriculture.

Greater opportunities for export business. \$1m is now over one billion naira. It's incredible.

Opportunities for diaspora Nigerians to invest at home.

OPPORTUNITIES IN THE CURRENT ECONOMIC CRISIS

Opportunities for export of services. India had \$125 billion remittances in 2023, Philippines \$40 billion; China \$50 billion; Mexico N67 billion , Nigeria \$22 billion in 2022.

There should be deliberate policy to promote migration abroad. Even our artisans, care givers, truck drivers can benefit.

Outsourcing opportunities for business abroad.

OPPORTUNITIES IN THE CURRENT CRISIS

- Bigger Investment opportunities in the petroleum refineries and related industries following the PIA and the deregulation of the sector.
- Opportunities in renewable energy investment, cheaper and more environment friendly.
- New opportunities in the use of CNG, LPG in transportation.

THANK YOU
