



# Highlights of Nigeria's 2021 Budget of Economic Recovery and Resilience

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Highlights (NGN'Billion)	2021 Proposed	*2020 Budget	% Change
<b>Aggregate Revenue</b>	<b>7,880</b>	<b>5,840</b>	<b>34.93%</b>
<b>Aggregate Expenditure</b>	<b>13,080</b>	<b>10,811</b>	<b>20.99%</b>
<b>Statutory Transfers (incl. capex)</b>	484	428	13.08%
<b>Recurrent Non-Debt</b>	5,650	4,942	14.33%
<b>Sinking Fund</b>	220	273	-19.41%
<b>Debt Service (excl. sinking fund)</b>	2,904	2,679	8.40%
<b>Capital Expenditure</b>	3,850	2,489	54.68%
<b>Capex % of total expenditure</b>	29.43%	23.02%	27.85%
<b>Projected budget deficit</b>	(5,200)	(4,980)	4.42%
<b>Assumptions</b>			
<b>Benchmark oil price per barrel</b>	\$40	\$28	42.86%
<b>Oil production (mbpd)</b>	1.86	1.8	3.33%
<b>Exchange rate (Naira to US\$1)</b>	379	360	5.28%
<b>Target inflation</b>	11.95%	14%	-13.15%
<b>GDP Growth rate</b>	3%	-4.41%	168.03%

\*The 2020 Budget numbers are based on the 2020 Appropriation (Repeal and Amendment) Act

Nigeria's President, Muhammadu Buhari presented the 2021 Budget on 8 October 2020, to the Joint Session of the National Assembly.

## Highlights

- The 2021 budget has a deficit of about N5.20tn approximately 3.64% of GDP. This is above the 3% threshold set by the Fiscal responsibility Act due to the economic challenges attributable to COVID-19.
- The deficit is expected to be financed by new borrowings, privatisation proceeds and drawdown on loans secured for specific projects.
- Non-debt recurrent expenditure includes N3.76tn relating to personnel costs, which constitutes the largest expense item. The President announced steps to improve expenditure efficiency including full implementation of the Integrated Personnel Payroll Information System ('IPPIS') platform for salary payments, and ensuring that Government Owned Enterprises obtain approvals before carrying out recruitment exercises.

- The capital expenditure budget of N3.85tn represents an increase of about 43% compared to 2020, and about 29% of total 2021 expenditure. The President indicated that there will be focus on completing ongoing projects across different sectors.

## 2020 Finance Bill

The President stated that the 2020 Finance Bill would be forwarded to the National Assembly in due course, for review and signing into law.

As stated, the objectives of the Bill include supporting the realisation of the 2021 revenue projections, adopting appropriate counter-cyclical fiscal policies and enhancing the efficiency of fiscal incentives.

## Petroleum Industry Bill

The President also inferred that the Petroleum Industry Bill (PIB) was being considered for prompt passage. It is expected that the PIB would boost confidence in the sector, attract investment and increase Nigeria's oil and gas revenues.

## Tax Expenditure Statement

A tax expenditure statement is expected to be published for 2019. This statement is expected to set out the estimated cost of tax exemptions, incentives and rebates provided in the year. This will assist with measuring the impact of tax incentives on socio-economic development.

## Takeaway

Revenue generation remains a challenge in the face of falling oil prices and economic contraction, especially as a result of the COVID-19 pandemic. Key concerns include the growing budget deficit and rising debt.

The focus on capital expenditure is expected to create the enabling environment and infrastructure for businesses to thrive and stimulate economic activities.

The annual presentation of Finance Bills and the introduction of Tax Expenditure Statement indicates government's increased focus on taxation and fiscal policies.

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