Highlights of Nigeria's 2018 Approved Budget

The Nigerian President on 20 June signed into law, the 2018 Appropriation Bill after several months of deliberations. The National Assembly increased the total budget expenditure by NGN508 billion over the initial NGN8.6 trillion as presented by the President in November 2017.

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President Muhammadu Buhari signed the Appropriation Bill into law on 20 June 2018. The initial revenue and expenditure estimates were revised upward by the National Assembly (***see link***).

Some of the changes made include an increase in the crude oil benchmark price resulting in higher revenue projection, adjustments to various capital projects cost with an overall increase in aggregate capital expenditure and a reduction in the amount earmarked for sinking fund.

HIGHLIGHTS (NGN' Bn)	2018 Approved	2018 Proposed	% Change
Revenue	**7,166**	**6,607**	**8**
Oil Revenue	3,001	2,442	23
Non-Oil Revenue	4,165	4,165	-
Aggregate Expenditure	**9,120**	**8,612**	**6**
Statutory Transfers (incl capex)	530	457	16
Recurrent Non-Debt	3,516	3,490	-
Debt Service	2,014	2,014	-
Sinking fund	190	224	-15
Capital Expenditure	2,873	2,428	18
Capex % of total expenditure	31.5%	30.8%	2.3
Budget Deficit	-1,954	-2,010	-2.8

Highlights of the Final 2018 Budget

- Benchmark for crude oil price increased from $45 to $51 per barrel while daily crude oil production of 2.3 mbpd million was maintained.
- Exchange rate of NGN305/US$
- Revenue is estimated to increase by NGN559 billion. This is primarily driven by an expected increase in oil revenue.
- Budget deficit reduced by NGN56 billion to NGN1.95 trillion as a result of the expected increase in revenue.
- Recurrent expenditure increased marginally by NGN26 billion.
- Capital expenditure reviewed upwards by over 400billion with the Ministry of Power, Works and Housing having the highest share.
- Sinking Fund used for the purpose of retiring maturing bonds was reduced by NGN34 billion to NGN190 billion.

Takeaway

Nigeria continues to face revenue challenges despite the relatively high crude oil price. This is reflected in the high ratio of debt to total revenue notwithstanding the low debt to GDP ratio. It is expected that there will be a supplementary budget to cater for other significant expenses such as fuel price subsidy, possible increase in minimum wage and spending by the Independent National Electoral Commission for the 2019 elections. These could result in more borrowing and increased pressure for tax revenue.