



2017 SECOND QUARTER AND MID-YEAR BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION
Ministry of Budget and National Planning

FOREWORD

I am delighted to present to you the second quarter Budget Implementation Report (BIR) which we have for the first time, extended to cover budget performance analysis for the Mid-Year of the fiscal period. This is the eighth time I am writing the foreword of the Federal Government Budget Implementation Report (BIR) and it is heart-warming to see how the Federal Budget has evolved as a key policy instrument for delivering on the objectives of government. The meticulous crafting and judicious implementation of the 2016 and 2017 budget was key to Nigeria's exit from economic recession. The 2017 Budget was entitled "Budget of Recovery and Growth" and is the second full year budget by the present administration. The Budget was closely aligned with the Economic Recovery and Growth Plan (ERGP) designed to ensure the restoration of the Nigerian economy to the path of robust and sustainable growth.

The publication of this report is principally in fulfillment of Sections 30 and 50 of the Fiscal Responsibility Act (FRA), 2007 which requires the Budget Office of the Federation to prepare periodic Budget Implementation Reports to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). These reports are also to be widely disseminated to other stakeholders and the general public through electronic and other media. I commend the Budget Monitoring and Evaluation Department in 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, and I look forward to continued strengthening of our cooperative work in this regard.

Finally, I urge the readers of the budget implementation reports, to maintain 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 budgeting system and therefore budgetary outcomes for the benefit of all Nigerians.

Sen. Udoma Udo Udoma

Honourable Minister of Budget and National Planning

PREFACE

The Budget Office of the Federation (BOF) carries out periodic monitoring and evaluation of the implementation of Annual Budgets and produce the report thereof in accordance with the Fiscal Responsibility Act 2007. This second quarterly Budget Implementation Report is one of many in-year reports to be prepared by the BOF on the evaluation of the 2017 budget implementation. They are part of the efforts of the Ministry of Budget and National Planning (MBNP) to comply with the FRA 2007 and more importantly to promote budget transparency and credibility as a key component of Nigeria's commitment to the Open Government Partnership.

Budget implementation in Nigeria is currently undergoing transformational change including in preparation, execution, monitoring and evaluation. Critical reform initiatives have continued to be applied leading to the budget increasingly being a critical tool for delivery of government objectives. In that regards, despite the socio-economic challenges that continued to face the Nigerian economy, government was able to deliver over ₦1.2 trillion in capital budget in 2016. This significantly contributed to a quicker exit from recession with a real GDP of 0.55 percent in the review period after a spell of five consecutive negative growths. The sustenance and strengthening of these reform initiatives is therefore the driving force of the 2017 budget implementation.

The execution of the 2017 Budget in the second quarter of the year was very challenging in several fronts, mainly due to the extension of the 2016 capital budget to 5th May, 2017, effectively halting execution of the 2017 capital budget in the first half of the fiscal year. The execution of the 2017 budget was also adversely impacted by the late passage of the Budget as well as the shortfall in expected oil and non-oil revenue receipts. Government however continued to meet its non-discretionary expenditures.

This Report is a product of joint efforts of financial and statistical agencies of government which provided necessary macro-economic data. I am extremely proud of the staff and management of the MBNP, especially the combined efforts of various departments of the Budget Office of the Federation in producing the report. I applaud their efforts 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 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	6
2.2.1 <i>Developments in Real Sector</i>	6
2.2.1.1 <i>GDP Growth</i> :.....	6
2.2.1.2 <i>Oil Sector</i> :	7
2.2.1.3 <i>Non-Oil Sector</i> :	8
2.2.2 <i>Developments in Prices</i>	9
2.2.3 <i>Developments in Money Market</i>	10
2.2.4 <i>Developments in the External Sector</i>	12
2.2.4.1 <i>External Trade</i>	12
2.2.4.2 <i>Balance of Payment</i>	14
2.2.4.3 <i>Exchange Rates</i>	14
2.2.4.4 <i>External Reserves</i>	15
2.2.5 <i>Debt Stock</i>	16
2.2.5.1 <i>Total Public Debt Stock</i>	16
2.2.5.2 <i>Domestic Debt Stock</i>	17
2.2.5.3 <i>External Debt Stock</i>	18
3.0 FINANCIAL ANALYSIS OF THE 2017 BUDGET IMPLEMENTATION.....	19
3.1 KEY ASSUMPTIONS AND PROJECTIONS	19
3.1.1 <i>Budget Benchmark Oil Price and Production</i>	19
3.2 ANALYSIS OF REVENUE PERFORMANCE:	22
3.2.1 <i>Performance of Key Oil Revenue Parameters</i> :.....	22
3.3 AGGREGATE REVENUE OF THE FEDERATION:	23
3.4 OIL REVENUE PERFORMANCE:	24

3.4.1	<i>Net Oil Revenue:</i>	24
3.4.2	<i>Half Year Oil Revenue Performance:</i>	25
3.5	NON-OIL REVENUE PERFORMANCE:	27
3.5.1	<i>Half Year Non-Oil Revenue Performance:</i>	27
3.6	DISTRIBUTABLE REVENUE:	31
3.7	EXCESS CRUDE ACCOUNT	32
3.8	FGN BUDGET REVENUE.....	33
3.8.1	<i>Total Inflow of the Federal Government</i>	37
3.9	EXPENDITURE DEVELOPMENTS:	37
3.9.1	<i>Non-Debt Recurrent Expenditure</i>	38
3.9.2	<i>Debt Service:</i>	39
3.9.4	<i>Capital Expenditure Performance:</i>	42
3.9.5	<i>Budget deficit and Performance of the Financing Items:</i>	42
4.0	CONCLUSION	44

TABLE OF ACRONYMS

A/C: Account	MTFF: Medium Term Fiscal Framework
AIE: Authority to Incur Expenditure	N: Naira
AF: Alternative Funding	NBS: National Bureau of Statistics
B: Billion	NDDC: Niger Delta Development Commission
BDC: Bureau De-Change	NHRC: National Human Rights Commission
BOF: Budget Office of the Federation	NJC: National Judiciary Commission
BREXIT: Britain Exist	NNPC: Nigerian National Petroleum Corporation
CBN: Central Bank of Nigeria	NTB: Nigerian Treasury Bills
CIT: Company Income Tax	OAGF: Office of the Account General of the Federation
DMO: Debt Management Office	ONSA: Office of National Security Adviser
ECA: Excess Crude Account	OPEC: Organization of Petroleum Exporting Countries
EMDEs: Emerging Markets and Developing Economies	OTC-FMDQ-OTC: Over the Counter Financial Market Dealer Quotation
EMEs: Emerging Markets Economies	PCC: Public Complaint Commission
FAAC: Federation Account Allocation Committee	PPT: Petroleum Profit Tax
FGN: Federal Government of Nigeria	PSC: Production Sharing Contracts
FMF: Federal Ministry of Finance	SC: Service Contracts
GDP: Gross Domestic Product	SWF: Sovereign Wealth Fund
IMF: International Monetary Fund	TSA: Treasury Single Account
INEC: Independent National Electoral Commission	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 Agencies	
MPR: Monetary Policy Rate	

LIST OF TABLES

Table 3.1: Key Assumptions and Targets for 2016 and 2017 Budget	19
Table 3.2: Detailed Assumptions for Oil Production and Taxes (2017).....	22
Table 3.3: Performance of Revenue in the Second Quarter of 2017 Vs 2016.....	26
Table 3.4: Net Distributable Revenue as at June, 2017 (Oil Revenue at Benchmark Assumptions).....	29
Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2009 – 2016	30
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2010 – 2016	30
Table 3.7: Net Excess Crude Account	33
Table 3.8: Inflows to the 2017 Federal Budget as at June 2017	35
Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at June 2017	41

LIST OF FIGURES

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q2 2017).....	7
Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate percent (Q1 2015 – Q2 2017).....	8
Figure 2.3: Inflation Rate (June 2016 – June 2017).....	10
Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2016 – June 2017).....	11
Figure 2.5: Growth in Export components in First Quarter of 2017.....	13
Figure 2.6: Growth in Export components in First Quarter of 2017.....	14
Figure 2.7: Naira/US\$ Exchange Rates Trend (June 2016 – June 2017).....	15
Figure 2.8: Level of External Reserves in Billion Dollars (June 2016 – June 2017).....	16
Figure 2.9: Second Quarter 2017 Total Public Debt Stock.....	17
Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2017.....	21
Figure 3.2: Oil Production and Lifting January – June 2017.....	23
Figure 3.3: 2016 Vs 2017 Revenue Performance (Second Quarter).....	26
Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2017).....	31
Figure 3.5: Contributions to Distributable Revenue (in the 2 nd Quarter of 2017).....	32
Figure 3.6: Contributions to the FGN Budget Revenue in the Second Quarter of 2017 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts).....	36
Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2017).....	37
Figure 3.8: 2009 – 2017 Budget Expenditure Profile.....	38
Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2017).....	39

EXECUTIVE SUMMARY

The 2017 Budget was themed “Budget of Recovery and Growth” and is closely linked to the policies and programmes of Government as detailed in the Economic Recovery and Growth Plan (ERGP) 2017-2020. The Budget was therefore designed to diversify the economy by using oil revenues to augment resources needed to revive agriculture and industries. It represents a major step in delivering on the current Administration’s desired goals, through a strong partnership with key public and private sectors stakeholders, to create inclusive growth. It would enhance the process of re-balancing the economy, exiting recession and insulating the economy from future shocks.

The Nigerian economy emerged from recession in the second quarter of 2017 after five successive quarters of negative growth that started since the first quarter of 2016. The nation’s Gross Domestic Product (GDP) grew by 0.55 percent (year-on-year) in real terms in the second quarter of 2017. This growth is 2.04 percentage points higher than the -1.49 percent growth rate recorded in the corresponding quarter of 2016 and also 1.46 percentage points higher than the -0.91 percent rate recorded in the preceding quarter. The oil and non-oil sectors both posted positive real growth rates of 1.64 percent and 0.45 percent (year-on-year) respectively in the review period.

The general price level, though still very high, continued to moderate in the second quarter of 2017. Headline inflation declined for the fifth consecutive month in June 2017. It dropped slightly from 17.26 percent in March 2017 to 17.24 percent, 16.25 percent and 16.1 percent in April, May and June 2017 respectively. Core inflation also moderated downward from 15.4 percent in March 2017 to 14.75 percent, 13.02 percent and 12.46 percent in April, May and June 2017 respectively. On the other hand, the food inflation index rose marginally from 18.44 percent in March 2017 to 19.91 percent in June 2017.

Monetary aggregates fell in the second quarter of 2017, relative to the first quarter of 2017. Broad Money decreased by ₦350.12 billion (or 1.59 percent) in June below the level in March 2017, from ₦22,024.33 billion in March to

₦21,674.21 billion in June 2017. The decline in M2 was driven by the fall in Net Domestic Credit (NDC) by ₦469.11 billion (or 1.71 percent) and Other Assets Net (OAN) by ₦203.87 or 1.57 percent while the Net Foreign Asset (NFA) improved by 11.01 percent from ₦7,628.54 billion in March 2017 to ₦8,468.08 billion in June 2017. The decline in Net Domestic Credit was driven by the decline in Net Credit to Government (NCG) by ₦328.04 billion (or 6.22 percent) and Net Credit to Private Sector by ₦141.07 billion (or 0.64 percent) in June from the rate in March 2017.

The Central Bank of Nigeria (CBN) maintained a Monetary Policy Rate (MPR) of 14 percent in the second quarter of 2017. Other key monetary policy instruments were equally retained during the review period to curb liquidity thus leading to general rise in money market interest rates. The average interbank call rate rose from 13.11 percent in March to 13.46 percent in June 2017 while the average time deposit rate remained broadly at the same level, only rising marginally to 9.87 percent in June from 9.71 percent in March 2017. The average Prime and Maximum Lending Rates increased slightly from 17.43 percent and 30.18 percent in March to 17.59 percent and 30.94 percent in June 2017 respectively. This led to the widening of the gap between the average time deposit rates and maximum lending rate from 20.5 percent in March to 21.1 percent in June while that with the prime lending rate remains the same.

There also noticeable and continuous improvements in the Naira exchange rates across all segments of the foreign exchange market. The Naira/Dollar exchange rate at the Official/Inter-Bank markets stood at an average of ₦306.40/US\$ in end-March and closed at ₦305.72/US\$ in June 2017. Similarly, the average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) appreciated from ₦429.48/US\$ in March to ₦366.25/US\$ in June 2017. Nigeria's gross official (external) reserve increased at the end of the second quarter of 2017 rising slightly from US\$30.0 billion at the end of March to US\$30.34 billion at the end of June 2017 enough to finance over six months import cover.

Available data from Debt Management Office (DMO) indicated that the total public debt stock as at 30th June, 2017 stood at US\$64,194.13 million (or

₦19,636.98 billion) representing an increase of US\$1,324.06 million (or ₦477.17 billion or 2.43 percent) when compared to the US\$62,870.07 million (or ₦19,159.81 billion) recorded at the end of first quarter of 2017. This comprises US\$15,047.0 million or ₦4,602.88 billion (23.44 percent) for external debt while the balance of US\$49,147.13 million or ₦15,034.10 billion (76.56 percent) was for domestic debt stock. This translates to a net present value of total public Debt/GDP (external and domestic) ratio of 18.41 percent as at the end of June 2017 which was below the country specific threshold of 19.39 percent and international threshold of 56 percent.

The implementation of the budget in the second quarter of 2017 continued to be adversely affected by the poor revenue outturn as oil production and exports remained low while the poor performance of the economy continued to impact non-oil revenue. Crude oil price averaged US\$49.83 per barrel in the second quarter of 2017, indicating a decrease of US\$3.95 per barrel (or 7.34 percent) below US\$53.78 per barrel recorded in the first quarter of 2017 but was US\$4.26 per barrel (or 9.35 percent) above the US\$45.57 per barrel recorded in the second quarters of 2016. The fall in the crude oil price during the period reflect strong inventory levels in the United States and a resurgence in global oil supply.

Revenue shortages therefore persisted with Gross Oil Revenue of ₦789.21 billion in the second quarter of 2017. This translate to a ₦544.40 billion or 40.82 percent shortfall in the prorated budget for the period but was above the ₦518.2 billion generated in the corresponding period in 2016. Gross non-oil revenue of ₦697.84 billion received in the second quarter of 2017 also signifies a shortfall of ₦654.82 billion (or 48.33 percent) below the quarterly estimate of ₦1,350.66 billion. A breakdown of the non-oil revenue items showed that all the non-oil revenue items fell below their quarterly expected projections. The net distributable revenue to the three tiers of government after cost deductions stood at ₦1,009.26 billion in the second quarter of 2017, representing a shortfall of ₦1,119.01 billion (or 52.58 percent).

A total of ₦506.39 billion, excluding other funding sources, was received to fund

the budget in the second quarter of 2017. This comprises ₦221.59 billion or 43.76 of oil revenue and ₦284.79 billion or 56.24 percent of non-oil revenue. The aggregate revenue receipt for the period was ₦764.71 billion (or 60.16 percent) lower than the quarterly projection but ₦126.38 billion (or 33.26 percent) higher than the ₦380.01 billion reported in the first quarter of 2017. It was also ₦123.60 billion (or 32.29 percent) above the ₦382.79 billion recorded in the second quarter of 2016. Total inflow for funding the FGN 2017 budget stood at ₦963.22 billion indicating a shortfall of ₦307.88 billion or 24.22 percent of the prorata budget estimate for the period.

Actual expenditure in the second quarter of 2017 stood at ₦1,099.91 billion, translating to a ₦760.39 billion or 40.87 percent expenditure shortfall for the period. Total non-debt recurrent expenditure of ₦686.22 billion was spent in the second quarter of 2017. This implies a decrease of ₦61.51 billion (or 8.23 percent) below the quarterly estimate of ₦747.73 billion. It was however above the level of expenditure for the sub-head of ₦636.84 billion in the first quarter of 2017 by ₦49.38 billion 7.75 billion. Statutory Transfer was also allocated a total sum of ₦110.10 billion in the review period.

Total Debt Services in the second quarter of 2017 stood at ₦303.59 billion signifying a ₦112.38 billion (or 27.02 percent) decrease from the ₦415.97 billion projected for the quarter. This comprises a total of ₦288.03 billion for domestic debt servicing indicating a difference of ₦83.97 billion (or 22.57 percent) and ₦15.56 billion of external debt servicing indicating a difference of ₦28.41 billion (or 64.61 percent) below their respective quarterly projection.

A total of ₦96.35 billion was released for capital expenditure in the second quarter of 2017 under the 2016 budget. Cumulatively, ₦259.45 billion capital expenditure have been expended under the 2016 budget during the first half of 2017. Funds were, however, not released for capital projects/programmes in the review period under the 2017 budget. The non-release of funds for capital projects was due to the extension of 2016 capital budget implementation to 5th May, 2017, the late passage of the 2017 Budget as well as the need for MDAs to finalize their procurement processes.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦144.98 billion in the second quarter of 2017. This was ₦444.22 billion or 75.39 percent lower than the estimated fiscal deficit of ₦589.19 billion for the review period. It was however lower than the fiscal deficit of ₦203.59 billion recorded in the first quarter of 2017. The deficit was financed to the tune of ₦322.21 billion in the second quarter of 2017 comprising ₦320.00 billion of domestic borrowings and ₦2.21 billion of miscellaneous credits.

Overall, the Nigerian economic performance improved with a provisional GDP growth of 0.55 percent in the second quarter of 2017. The economy is therefore out of economic recession. Revenue challenges remains and budget implementation in the remaining part of the year need to be given greater attention especially in areas of funding the capital projects and programmes to sustain and improve the performance of the review period. Legacy factors including infrastructure gap, particularly power supply; general poor business environment; as well as insecurity in parts of the country need to be addressed.

1.0 INTRODUCTION

The 2017 Budget was titled “Budget of Recovery and Growth” as its focus is on driving restoration of robust, inclusive and sustainable growth of the Nigerian economy. The budget was prepared at the time the global economy was showing signs of recovery especially in oil prices which is the major source of revenue and foreign exchange for the nation. This, as well as the expected efficiency measures, led to the increase in the expected revenue inflow to government and also reflected in higher expenditure outlay to help quicken the revamping of the economy.

The Budget was therefore closely linked with the Economic Recovery and Growth Plan (ERGP) with its underlying philosophy of infrastructure provision, optimizing the use of local content and empowering local businesses. The zero-based budgeting system, adopted in 2016, was sustained in 2017 to ensure Government expenditures are linked to the strategic objectives in the Plan. The Budget was designed to expand partnership between public and private sector as well as development capital to leverage and catalyze resources for growth. Government is to focus on facilitating, enabling and supporting the economic activities through proper and well aligned fiscal, monetary and trade policies.

The Budget was equally designed to diversify the economy by using oil revenues to revive agriculture and industries. Consequently, Government targets to steady crude oil production at a minimum of 2.2 million barrels per day in 2017. It therefore continued the Administration’s ongoing reforms to enhance the efficiency of the management of the oil and gas resources. To achieve this, Joint Venture cash-call regime was exited and a self-funding mechanism, which will allow for Cost Recovery, instituted. This is expected to boost exploration and production activities, with resultant net positive impact on government revenues.

Agriculture would remain at the heart of Government’s efforts to diversify the economy with the sector’s allocation being complemented by the existing productivity-boosting intervention funding at single digit interest rate. Accordingly, agricultural policy and budget were directed at the integrated

development of the agricultural sector by facilitating access to inputs, improving market access, providing equipment and storage as well as supporting the development of commodity exchanges. Emphasis was placed on industrialization and supporting SMEs through the expansion of existing, as well as the development of new Export Processing and Special Economic Zones in close partnership with the private sector. Greater importance was attached to integrated water resource management while more attention was also given to matters of the environment.

Government is also working with the private sector and State Governments to improve the skills of the labour force, especially young people to enable the creation of high quality and sustainable jobs. Government would also expand healthcare coverage through support to primary healthcare centres and expanding the National Health Insurance Scheme. Continuing cost containment was equally increasingly pursued through restricted travel costs, sitting allowances, and elimination of Ghost workers, among others.

Other key initiatives of the 2017 Budget include: focus on critical on-going infrastructure projects such as roads, railways, power, ICT, etc., that have quick positive effects on the economy; utilizing Special Economic Zones and Industrial Parks as vehicles to accelerate domestic economic activity for innovation and wealth creation; and contributing to food security and creating platform for agro-business in agriculture supply chains through the Agriculture Green Alternative Plan; among others. Capital expenditure was therefore significantly increased from ₦1,587.40 billion in the 2016 budget to ₦2,174.1 billion translating to 29.2 percent of the total budget exclusive of capital in Statutory Transfers.

The Budget, therefore, represents a major step in delivering on the current Administration's desired goals through a strong partnership across the arms of government and between the public and private sectors to create inclusive growth. It would enhance the process of re-balancing the economy, exiting recession and insulating it from future external and domestic shocks. The implementation is however being hampered by the late passage of the

budget.

This Report provides comprehensive information of the 2017 second quarter 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

The cyclical recovery of the global economy continued. Growth outturns in the first quarter of 2017 were higher than the April WEO forecasts in large emerging and developing economies such as Brazil, China, and Mexico, and in several advanced economies including Canada, France, Germany, Italy, and Spain. Strengthening in global activities is expected to continue with growth in global trade and industrial production remaining well above 2015–16 rates despite receding from the very strong stride recorded in late 2016 and early 2017.

The growth estimate in the United States has been reviewed down from 2.3 percent to 2.1 percent in 2017 and from 2.5 percent to 2.1 percent in 2018. While the reduction in the 2017 forecast reflected in part the weak growth outturn in the first quarter of the year, growth adjustments in 2018 was adversely affected by the expectations that fiscal policy will be less expansionary than previously assumed, given the uncertainties about the timing and nature of U.S. fiscal policy changes. Market expectations of fiscal stimulus had also regressed.

Emerging and developing economies are projected to see a continued pickup in activity, with growth rising from 4.3 percent in 2016 to 4.6 percent in 2017 and 4.8 percent in 2018. These projections reflect upward revisions, relative to April, of 0.2 percentage point for 2016, and 0.1 percentage point for 2017. The growths, as in the most recent WEO forecast, was primarily driven by commodity importers, but its pickup reflects, to an important extent, gradually improving conditions in large commodity exporters that experienced recessions in 2015–16, in many cases instigated or aggravated by declining commodity prices.

Oil prices had weakened, reflecting strong inventory levels in the United States and a pickup in supply. Headline inflation also generally moderated as the impact of the commodity price rebound of the second half of 2016 faded, and remains at levels well below central bank targets in most advanced economies. Core inflation has remained broadly stable in advanced economies and has largely been stable in emerging economies as well, with a few, such as Brazil and Russia, witnessing strong declines.

Long-term bond earnings in advanced economies, which had declined since March, recovered in late June. The U.S. Federal Reserve raised short-term interest rates in June, but markets still expected a very gradual path of U.S. monetary policy normalization. Bond spreads have contracted sharply in France, Italy, and Spain on reduced electoral uncertainty and firming signs of recovery. Equity prices in advanced economies remained robust, signaling continued market confidence regarding corporate earnings. Markets are also hopeful about emerging market prospects as reflected in strengthening equity markets and some further compression of interest rate spreads. Oil exporters provided an exception to this pattern, in light of the marked dwindling of oil prices since March.

The U.S. dollar has, as of end-June, depreciated by around 3.5 percent in real effective terms since March, while the euro has strengthened by a similar amount on increased confidence in the euro area recovery and a decline in political risk. Over the same period, exchange rate changes across emerging market currencies have been relatively modest, with some strengthening of the Mexican peso on tighter monetary policy and reduced concerns about U.S. trade frictions, and a depreciation of the Brazilian real on renewed political uncertainty. Capital flows to emerging economies have been robust in the first few months of 2017, with a notable pickup in non-resident portfolio inflows.

Overall risk remained broadly balanced in the near term but skewed to the downside in the medium term. The upside risk include cyclical rebound of growth becoming stronger and more sustained in Europe, where political risk has diminished; and implementation of a fiscal stimulus in US. On the downside, protracted policy uncertainty of US regulatory and fiscal policies, post Brexit arrangements as well as geopolitical risk which could dent spending and confidence especially in high financial vulnerable countries remains. Low commodity prices could also exacerbate macroeconomic strains and complicate adjustment needs in many commodity exporters. Others include inward looking policies and other noneconomic factors identified in April WEO.

Policies were to target lifting inflation expectations, closing output gap and in some cases external rebalancing in advanced economies. Many emerging economies were also to closely monitor their financial stability risk while

adjustments to lower revenue and continuous diversification of growth source need to be maintained in commodity export countries. Growth friendly fiscal consolidation should also be adopted while emerging market economies should allow exchange rates to buffer shocks. Other are accelerating repair of private sector balance sheet and ensuring sustainability of public debts; reduction of excess current account imbalances; long term sustenance of high and inclusive growth; strengthening fiscal positions and foreign reserves holding especially for commodity exporters; and strong international cooperation with critical focus on shared prosperity.

2.2 DOMESTIC MACROECONOMIC PERFORMANCE

The Nigerian economy recorded a growth of 0.55 percent for the second quarters of 2017. This indicates that the nation has exited the recession and is largely in line with global trend and projections for the economy. The recovering GDP for the period reflect a resurgence in growth of the oil sector as well as marked pick-up in several non-oil sub-sectors including the manufacturing sector that started contributing positively to growth in the second quarter of the year. It also includes the continued robust growth of the Agric and Solid Minerals sectors. The growth recovery has therefore enhanced macroeconomic stability including moderation of the inflation rates, increase in external reserve, and the stability of the Naira exchange rate, among others.

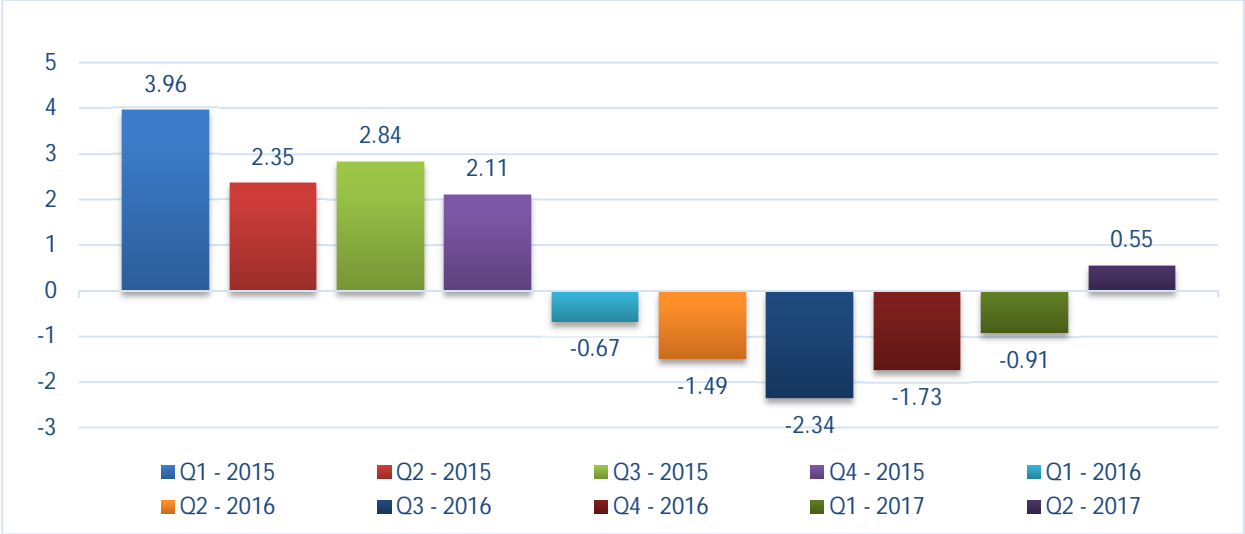
2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

Data from the National Bureau of Statistics (NBS) revealed that the nation's economy had emerged from recession after five consecutive quarter of negative growth that started since the first quarter of 2016. The nation's Gross Domestic Product (GDP) grew by 0.55 percent (year-on-year) in real terms in the second quarter of 2017. This growth is 2.04 percentage points higher than the -1.49 percent growth rate recorded in the corresponding quarter of 2016 and also 1.46 percentage points higher compared to the rate recorded in the preceding quarter. The growth improvements reflect a resurgence in growth

of the oil sector as well as marked pick-up in several non-oil sub-sectors including the manufacturing, Agriculture and Solid Minerals sectors. Quarter on quarter, real GDP growth was 3.23 percent.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q2 2017)

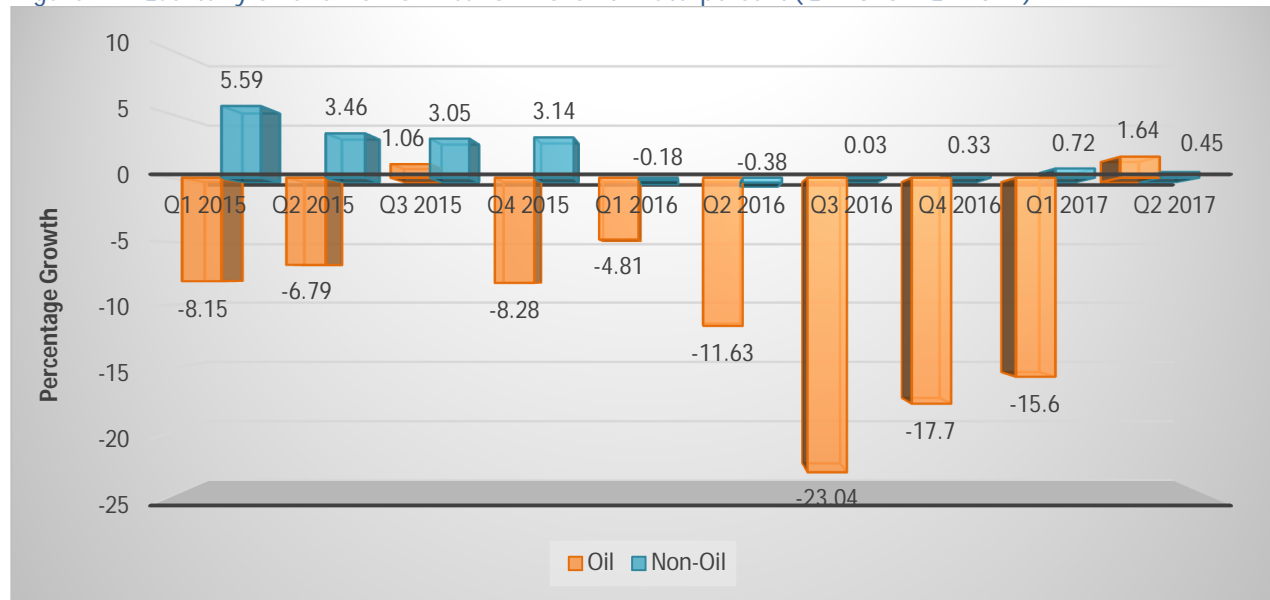


Source: National Bureau of Statistics, 2017

2.2.1.2 Oil Sector:

Real growth of the oil sector was 1.64 percent (year-on-year) in the second quarter of 2017. This represents an increase of 13.26 percent relative to the rate recorded in the corresponding quarter of 2016. Growth also increased by 17.24 percent when compared to Q1 of 2017. Quarter on quarter, the oil sector grew by 7.52 percent in the second quarter of 2017. As a share of the economy, the oil sector contributed 8.89 percent of total real GDP in the second quarter of 2017, up from the corresponding period of 2016 and first quarter of 2017, where it contributed 8.79 percent and 8.53 percent respectively.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate percent (Q1 2015 – Q2 2017)



Source: National Bureau of Statistics, 2017

2.2.1.3 Non-Oil Sector:

The major driver of growth in the non-oil sector was the agriculture sector (crop production), finance & insurance, electricity, gas, steam and air conditioning supply and other services. The non-oil sector grew by 0.45 percent in real terms during the quarter under review. This was 0.83 percentage point higher than the rate recorded in the second quarter of 2016 and -0.28 percentage point lower than the first quarter of 2017. In real terms, the non-oil sector contributed 91.11 percent to the nation's GDP, lower than the share recorded in the second quarter of 2016 (91.21 percent) and in the first quarter of 2017 (91.47 percent).

The agriculture sector grew by 12.53 percent year-on-year in nominal terms showing a drop from the same quarter of 2016 by -0.7 percentage points. However, an increase of 2.73 percentage points is recorded when compared to the preceding quarter's growth rate of 9.8 percent. Crop production (still the main driver of the sector) accounts for 88.41 percent of overall nominal growth of the sector. In the second quarter of 2017, agriculture contributed 19.31 percent to nominal GDP. This figure is lower than the rates recorded for the second quarter of 2016 at 19.66 percent but higher than the first quarter of 2017 at 18 percent. The real growth rate of the agricultural sector in the second

quarter of 2017 was 3.01 percent (year-on-year), a decline of -1.52 and -0.37 percentage points from the corresponding period of 2016 and a preceding quarter of 2017 respectively. The agriculture sector in the second quarter of 2017 contributed 22.97 percent to overall GDP in real terms and this is also higher than the contributions of 22.42 percent and 21.43 percent reported in the second quarter of 2016 and first quarter of 2017 respectively.

Though the recovery is expected to strengthen in the short to medium term, the economy remains at risk of relapsing into a more prolonged recession if solid and courageous monetary and fiscal policies are not initiated immediately to sustain growth. Thus, the expected fiscal stimulus and non-oil federal receipts, as well as improvements in economy-wide non-oil exports, especially agriculture, manufacturing, services and light industries which are expected to drive the growth impetus for the rest of the year must be pursued relentlessly. The for timely implementation of the 2017 Budget, improved management of foreign exchange, as well as security gains across the country, especially, in the Niger Delta and North Eastern axis, remained paramount and should be firmly anchored, to enhance confidence and sustainability of the economic recovery.

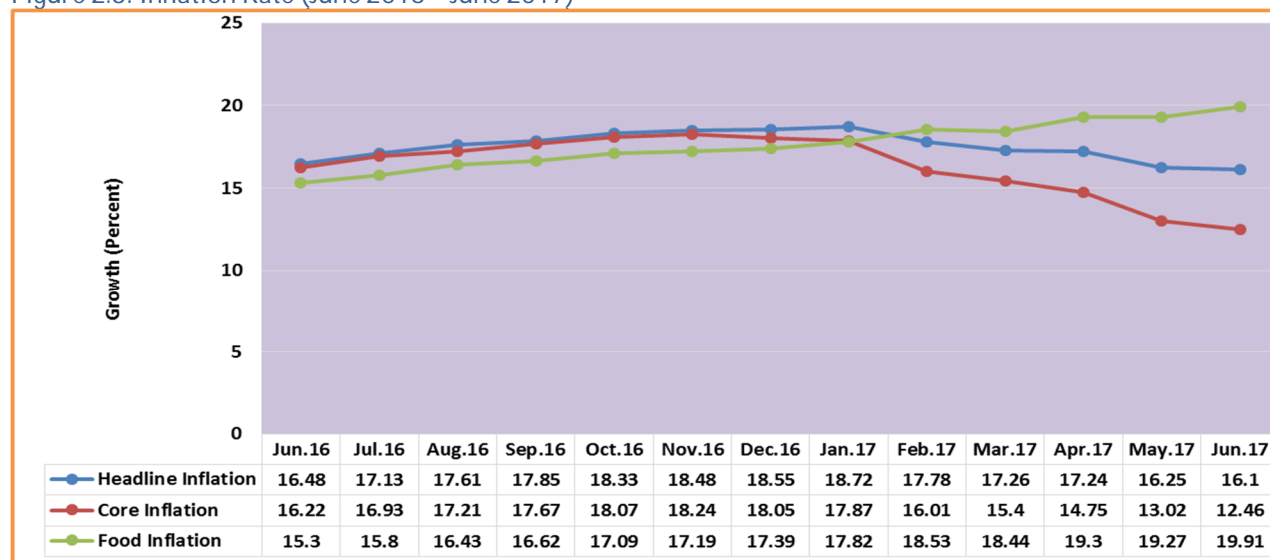
2.2.2 Developments in Prices

The general price level, though still very high, continued to moderate in the second quarter of 2017 in line with trends in the first quarter. Headline inflation declined for the fifth consecutive month in June 2017 slightly falling from 17.26 percent in March 2017 to 17.24 percent, 16.25 percent and 16.10 percent in April, May and June 2017 respectively. The 16.10 percent recorded at the end of the second quarter of 2017 was equally lower than the 16.48 percent reported at the end of the same quarter of 2016.

Core inflation also moderated downward from 15.4 percent in March 2017 to 14.75 percent, 13.02 percent and 12.46 percent in April, May and June 2017 respectively. On the other hand, the food inflation index rose marginally from 18.44 percent in March 2017 to 19.3 percent in April, dropped to 19.27 percent in May, before rising again to 19.91 percent in June 2017. This indicate that rising food prices ensured that inflation remained high and could be attributed to intermittent attacks by herdsmen on farming communities,

sporadic terrorist attacks in the North-East and other seasonal farming effects.

Figure 2.3: Inflation Rate (June 2016 – June 2017)



Source: National Bureau of Statistics, 2017

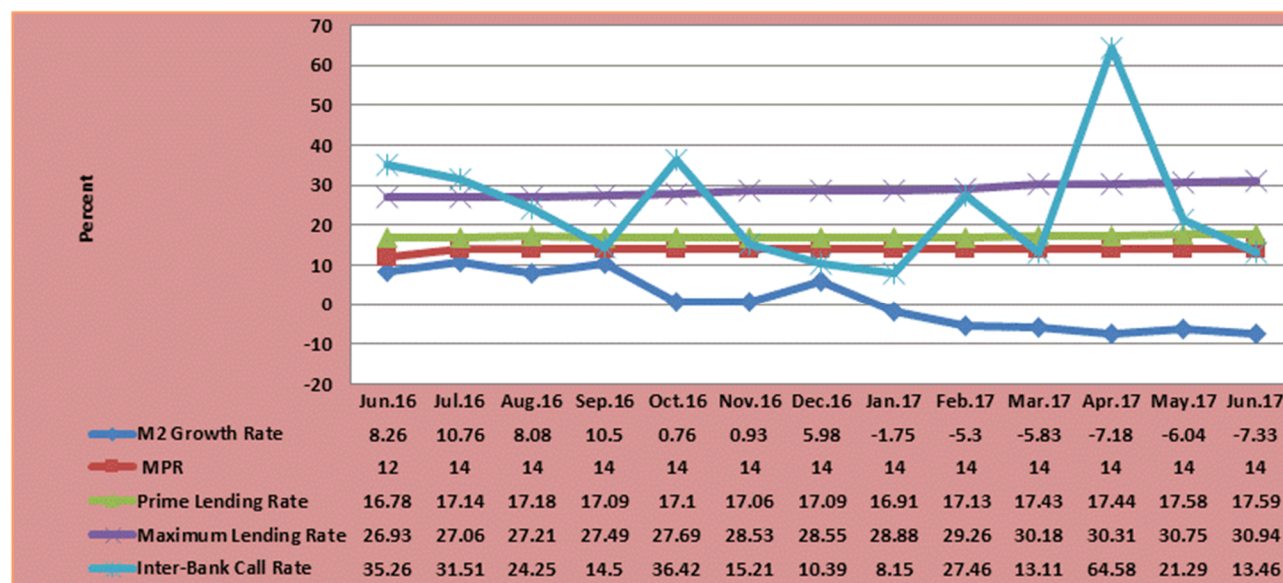
The unabating pressure from food inflation is a serious concern but there are hopes that the situation will start normalizing in the succeeding quarter as harvests begins to manifest. The moderation in headline and core inflations could partly be attributed to the effects of the relative stability in the foreign exchange market, stemming from improved FOREX management, and increased inflows. However, there are still dangers of prolonged effects of high energy and transportation costs as well as other infrastructural constraints on consumer price developments. It is expected that the government will fast-track its reform agenda to address these legacy issues.

2.2.3 Developments in Money Market

Monetary aggregates declined in the second quarter relative to the first quarter of 2017. Broad Money decreased by ₦350.12 billion (or 1.59 percent) from ₦22,024.33 billion in March to ₦21,674.21 billion in June 2017. The decline in M2 was driven by the fall in Net Domestic Credit (NDC) and Other Assets Net (OAN) while the Net Foreign Asset (NFA) improved to moderate the fall. NFA rose by 11.01 percent from ₦7,628.54 billion in March 2017 to ₦8,468.08 billion in June 2017.

Net Domestic Credit declined by ₦469.11 billion (or 1.71 percent) from ₦27,390.14 billion in March to ₦26,921.03 billion in June 2017. This was driven by the decline in Net credit to government and credit to private sector. Net Credit to Government fell by ₦328.04 billion (or 6.22 percent) from ₦5,270.50 billion in March to ₦4,942.46 billion in June 2017. Net Credit to Private Sector also dropped by ₦141.07 billion (or 0.64 percent) from ₦22,119.64 billion in March to ₦21,978.57 billion in June 2017. The drop in the growth of monetary aggregates reflect the monetary policy tightening of government and helped in curbing high inflation and exchange rate figures.

Figure 2.4: M2 Growth Rate and Interest Rates Trend (June 2016 – June 2017)



Source: Central Bank of Nigeria, 2017

The Central Bank of Nigeria (CBN) maintained a Monetary Policy Rate (MPR) of 14 percent in the review period, the rate since the second half of 2016. 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 resolution to maintain the MPR was based on the assumptions that easing it would further pull the real interest rate down into negative territory. It was also largely

premised on the need to safeguard the stability achieved in the foreign exchange market and to allow time for past policies to work through the economy. The high banking system liquidity level was also considered along with the need to continue to attract foreign investment inflow to support the foreign exchange market and economic activity. The expansive outlook for fiscal policy in the rest of the year and the prospective election related spending, which could cause a jump in system liquidity, were some of the factors that were also put into consideration.

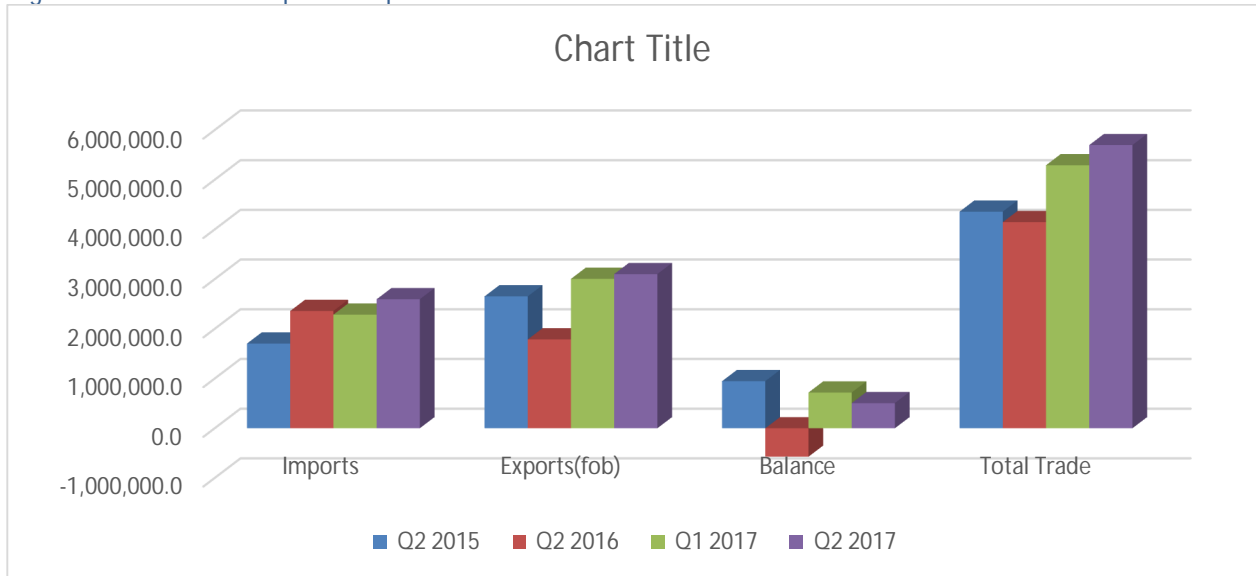
The average interbank call rate surged from 13.11 percent in March to 64.58 percent in April before closing at 21.29 percent and 13.46 percent in May and June 2017 respectively. The average time deposit rate remained broadly at the same level, only rising marginally to 9.87 percent in June from 9.71 percent in March 2017. This could be attributed to the high liquidity within the banking system over the period. The average Prime Lending Rate increased slightly from 17.43 percent in March to 17.44 percent, 17.58 percent and 17.59 percent in April, May and June 2017 respectively. In the same way, the average Maximum Lending Rate increased from 30.18 percent in March to 30.31 percent, 30.75 percent and 30.94 percent in April, May and June 2017 respectively. The above developments led to the widening of the gap between the average time deposit rates and maximum lending rate from 20.5 percent in March to 21.1 percent in June while that with the prime lending rate remains the same.

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Nigeria's external trade improved significantly in the second quarter of 2017. Total trade rose by ₦1,549.31 billion or 37.35 percent from ₦4,148.56 billion in the second quarter of 2016 to ₦5,697.51 billion in the second quarter of 2017. The increase was driven by significant expansion in exports, while import increased mildly during the review period. Imports increased slightly by ₦235.34 billion or 9.97 percent to ₦2,595.50 billion in the second quarter of 2017 compare with ₦2,360.16 billion in the corresponding period in 2016. Exports however galloped by ₦1,313.98 billion or 73.49 percent to ₦3,102.01 billion in the second quarter of 2017 from ₦1,788.04 billion in the corresponding period in 2016.

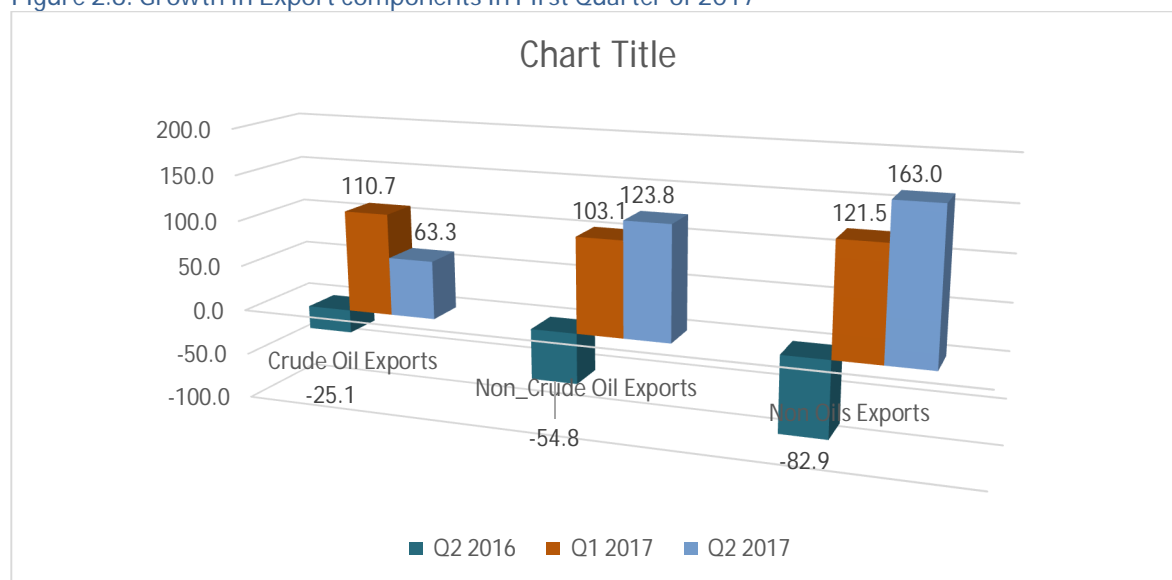
Figure 2.5: Growth in Export components in First Quarter of 2017



Source: NBS

The above developments led to further improvements in trade balance which recovered in the second half of 2016. Nigeria’s trade balance rose to ₦506.51 billion indicating a ₦1,078.64 billion or 188.53 percent expansion in net trade from ₦-572.13 billion recorded in the second quarter of 2016. Trade balanced rebound was driven by the recovery in exports from the third quarter of 2016, as oil export prices improves while non-oil export equally recovers.

Figure 2.6: Growth in Export components in First Quarter of 2017



Source: NBS

Analysis by export components indicates significant improvements in crude, and non-crude and non-oil exports during the review period. Crude oil export improved significantly by ₦939.64 billion or 63.25 percent to ₦2,425.20 billion in second quarter of 2017, from ₦1,485.56 billion in second quarter of 2016. This indicates a significant recovery from a drop of ₦498.71 billion or 25.13 percent in the second quarter of 2016. The non-crude and non-oil exports improved significantly by ₦374.33 billion or 123.76 percent and ₦102.20 billion or 163.04 percent from their levels in the corresponding period in 2016 to ₦676.81 billion and ₦164.88 billion during the review period.

2.2.4.2 Balance of Payment

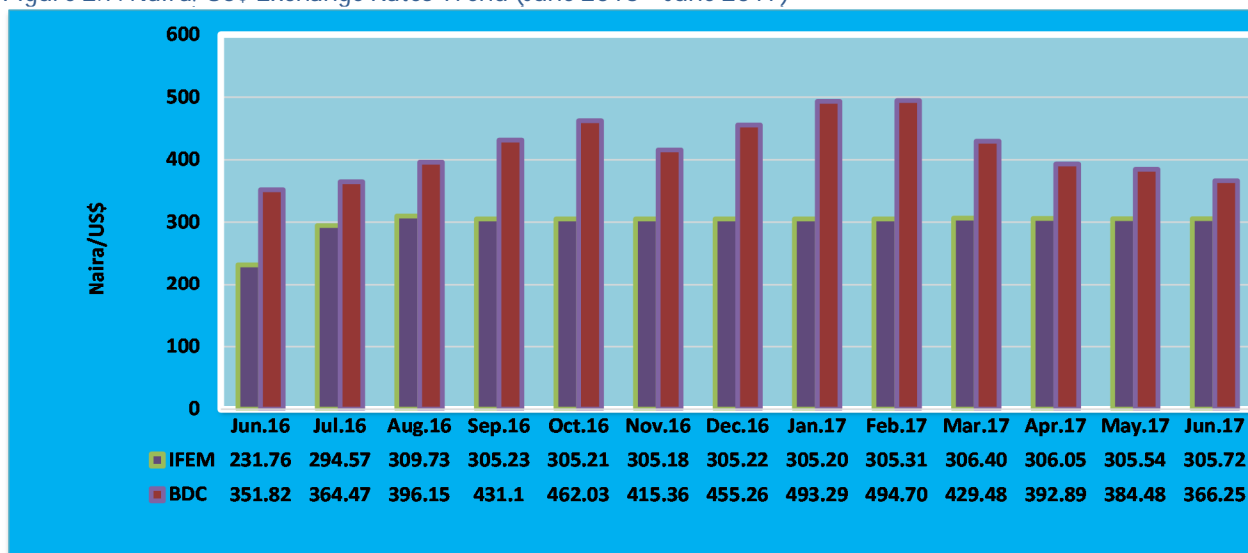
The external sector remained resilient in the second quarter of 2017, as the overall Balance of Payments (BOP) position recorded a surplus of US\$0.65 billion which is also equivalent to 0.8 percent of GDP. It is expected that the implementation of the 2017 budget and the Economic Recovery & Growth Plan (ERGP) will further strengthen growth and stimulate employment.

2.2.4.3 Exchange Rates

The Naira exchange rates registered significant and consistent improvements across all segments of the foreign exchange market during the review period.

Relative stability of average Naira exchange rate at the inter-bank segment of the foreign exchange market was also recorded with marginal convergence between the Bureau-De-Change (BDC) and Nigeria Autonomous Foreign Exchange (NAFEX) segment rates was equally achieved. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets opened at a monthly average of ₦306.40/US\$ in March and appreciated slightly to ₦306.05/US\$ and ₦305.54/US\$ in April and May respectively before falling to ₦305.72/US\$ in June 2017. Similarly, the monthly average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) appreciated from ₦429.48/US\$ in March to ₦392.89/US\$, ₦384.48/US\$ and ₦366.25/US\$ in April, May and June 2017 respectively. The recent gains in the Naira exchange rate can be credited in part to the improvement in the foreign exchange management by the CBN as well as increased inflows.

Figure 2.7: Naira/US\$ Exchange Rates Trend (June 2016 – June 2017)



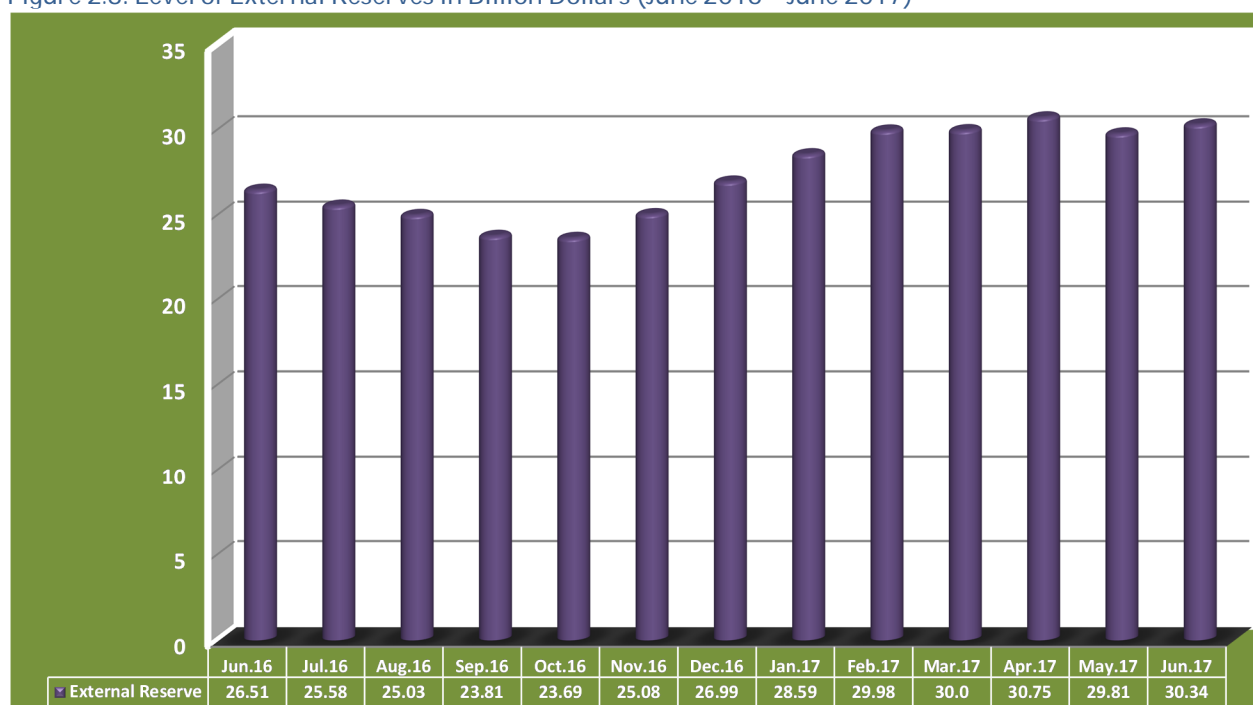
Source: Central Bank of Nigeria, 2017

2.2.4.4 External Reserves

Figures from the CBN showed that Nigeria's gross official (external) reserve increased at the end of the second quarter of 2017. It rose slightly from US\$30.0 billion at the end of March to US\$30.75 billion at the end of April before falling to US\$29.81 billion at the end of May and rising again to US\$30.34 billion as at the end of June 2017. This represents an increase of US\$0.34 billion (or 1.13 percent) above the figure reported at the end of March 2017. Relative to the end of second quarter of 2016 level of US\$26.51 billion, the external reserves at the end of second quarter of 2017 grew by

US\$3.83 billion (or 14.45 percent). This was buoyed by a net positive growth of foreign exchange inflow in the period under review. Total foreign exchange inflows through the CBN increased by 35.41 percent while total outflows decreased by 12.73 percent in June 2017 compared with the previous month. As a result, the pressure on CBN to intervene in the interbank foreign exchange market fell, leading to reduction in TSA (dollar) payments balances by 61.4 percent and therefore the observed improvement in the gross external reserves. The foreign reserves level as at the end of June 2017 could finance over six (6) months of imports cover which is well above the international threshold of 3-months import cover.

Figure 2.8: Level of External Reserves in Billion Dollars (June 2016 – June 2017)



Source: Central Bank of Nigeria, 2017

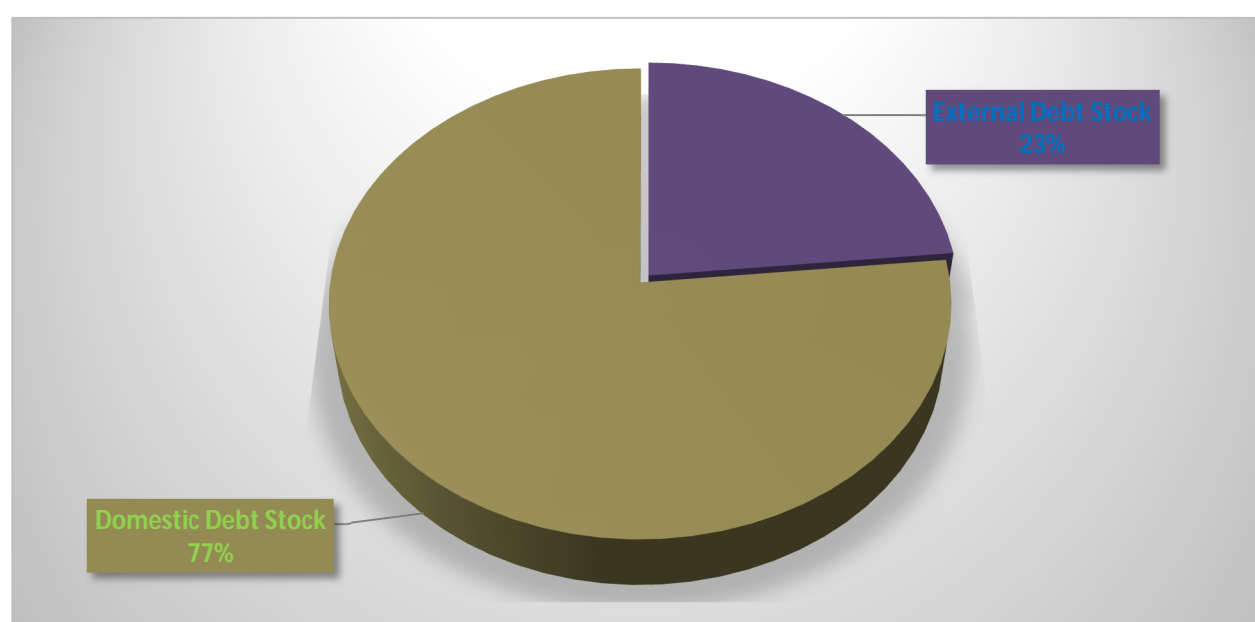
2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 30th June, 2017 stood at US\$64,194.13 million (or N19,636.98 billion) representing an increase of US\$1,324.06 million (or N477.17 billion or 2.43 percent) when compared to the US\$62,870.07 million (or N19,159.81 billion) recorded at the end of March 2017. The breakdown

consisted of US\$15,047.0 million (or ₦4,602.88 billion or 23.44 percent) for external debt while the balance of US\$49,147.13 million (or ₦15,034.10 billion or 76.56 percent) was for domestic debt stock. This translates to a net present value of total public Debt/GDP (external and domestic) ratio of 18.41 percent as at the end of June 2017 which was considerably below the country specific threshold of 19.39 percent and international threshold of 56 percent.

Figure 2.9: Second Quarter 2017 Total Public Debt Stock



Source: Debt Management Office, 2017

2.2.5.2 Domestic Debt Stock

The Federal Government domestic debt stock stood at ₦12,033.45 billion as at end-June 2017, signifying an increase of ₦62.11 billion (or 0.52 percent) above the ₦11,971.34 billion recorded in the first quarter of 2017. The 2017 second quarter debt figure was also ₦1,427.12 billion (or 13.46 percent) above the ₦10,606.33 billion reported in the same period of 2016. The increase in the stock of domestic debt was as a result of net issuances of Nigeria Treasury Bills and FGN Savings Bonds. A breakdown of the domestic debt stock as at 30th June, 2017 revealed that ₦8,134.88 billion (or 67.6 percent) is for FGN Bonds,

₦3,702.83 billion (or 30.77 percent) is for Nigerian Treasury Bills (NTBs), ₦190.99 billion (or 1.59 percent) is for Treasury Bonds and ₦4.75 billion (or 0.04 percent) is for FGN Savings Bond.

2.2.5.3 External Debt Stock

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 30th June, 2017, stood at US\$15,047.0 million indicating an increase of US\$1,239.41 million (or 8.98 percent) and US\$3,785.11 million (or 33.61 percent) above US\$13,807.59 million and US\$11,261.89 million recorded in the first quarter of 2017 and second quarter of 2016 respectively. A breakdown of the external debt stock as at 30th June, 2017 revealed that Multilateral Debts amounted to US\$9,674.0 million (or 64.29 percent), Non-Paris Club Bilateral Debts amounted to US\$2,073.01 million (or 13.78 percent) while Commercial (Euro-Bond) accounted for the balance of US\$3,300.0 million (or 21.93 percent).

3.0 FINANCIAL ANALYSIS OF THE 2017 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2017 Budget derives from the 2017-2019 Medium Term Fiscal Framework (MTFF) which provide the medium term fiscal and general macroeconomic direction of government. Developments in the local and international market were therefore taken into consideration in its preparation, especially in arriving at the key assumptions in the framework (Table 3.1).

Table 3.1: Key Assumptions and Targets for 2016 and 2017 Budget

KEY ASSUMPTION & TARGETS	2016	2017
Projected Production (in mbpd)	2.2	2.20
Budget Benchmark Price (per barrel in US)	38	44.50
Technical Cost of JVC Pbl to Oil Companies		
Operating Expenses (T1) in US \$	10.29	9.94
Capital Expenses (T2) in US \$	11.12	11.12
Technical Cost of PSC Pbl to Oil Companies		
Operating Expenses (T1) in US \$	8.22	9.20
Capital Expenses (T2) in US \$	19.62	18.46
Investment Tax Credit	4.94	5.80
Technical Costs of SC pbl to Oil Company		
Operating Expenses (T1) in US \$	18.62	22.09
Capital Expenses (T2) in US \$	2.44	3.04
Investment Allowances	2.996	1.18
Weighted Average Contribution Rates		
Weighted Average Rate of PPT - JV Oil	85%	85%
Weighted Average Rate of PPT - PSC Oil	50.17%	50.2%
Weighted Average Rate of PPT - SC Oil	85%	85%
Weighted Average Rate of PPT - Independent (Indigenous)	85%	85%
Weighted Average Rate of PPT - Marginal	51.6%	51.6%
Royalty Rates		
Weighted Average Rate of Royalties - JV Oil	19.1%	19.1%
Weighted Average Rate of Royalties - PSC	4.5%	4.5%
Weighted Average Rate of Royalties - SC Oil	18.5%	18.5%
Weighted Average Rate of Royalties -Independent	19.3%	19.3%
Weighted Average Rate of Royalties - Marginal	9.3%	9.3%
Average Exchange Rate (NGN/US\$)	197	305
VAT Rate	5%	5%
CIT Rate	30%	30%

Source: BOF, NNPC, FIRS and NCS, 2017

3.1.1 Budget Benchmark Oil Price and Production

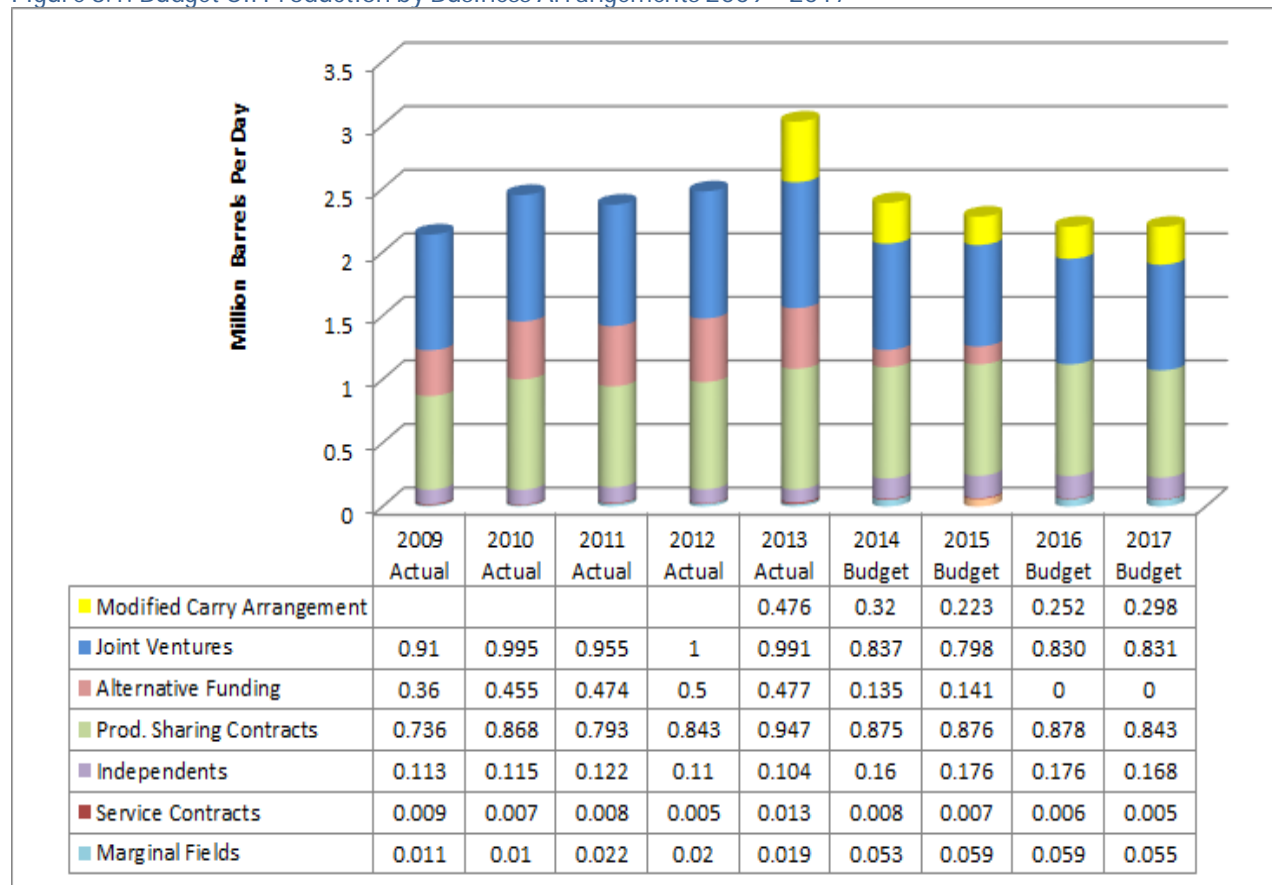
As a result of the volatile nature of oil price in the world market, Government

continued the use of benchmark oil production and prices for its yearly budgets. This was to insulate budget expenditures from the uncertainties in the price of oil at the global market. The budget benchmark price of oil for the 2017 Budget was therefore fixed at US\$44.50/barrel while oil production was pegged at the same level with that of the 2016 Budget of 2.2 million barrels per day (mbpd).

Government policy to increase efficiency and therefore reduce cost in the oil sector was reflected in the budget framework for 2017 fiscal year. The Technical Cost comprising average of operating expenses and capital expenses were moderated during the 2017 fiscal year compare to the rates in 2016 for both Joint Ventures (JVs) and Production Sharing Contracts (PSCs). The average expenses [Capital (T1) and Operating (T2)] for the JVs production arrangement fell from US\$21.41 per barrel in 2016 to 21.04 per barrel in 2017 indicating a US\$0.37 per barrel cost decline over the period. The average expenses for the PSC equally moderated mildly to USD27.66 in 2017 from 27.84 in 2016. This is expected to be further driven down in the near to medium term to complement efforts at increasing revenue inflow for the country.

The share of oil production by business arrangements remained relatively stable with the JVs and PSCs dominating at approximately 38 percent each. 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 2016 budget framework except for exchange rate. The projected exchange rate was increased to 305/US\$ in 2017 from 197/US\$ in 2016.

Figure 3.1: Budget Oil Production by Business Arrangements 2009 – 2017



Source: NAPIMS/NNPC, 2017

Table 3.2: Detailed Assumptions for Oil Production and Taxes (2017)

Share of Oil Production	2017 Production Volume (mbpd)	2017 Percentage
Joint Ventures	0.831	37.77%
Alternative Funding		
Modified Carry Arrangement	0.298	13.55%
Production Sharing Contracts	0.843	38.32%
Independents	0.168	7.64%
Service Contracts	0.005	0.23%
Marginal	0.055	2.50%
Total Production	2.200	100.00%
PPT Rates		
Weighted Average -JV/AF/Independent/Marginal		74%
Weighted Average -PSC		50.20%
Weighted Average -SC		85%
Royalties Rates		
Weighted Average-JV/AF/Independent/Marginal		15.9%
Weighted Average-PSC		4.5%
Weighted Average-SC Oil		19.3%

Source: NNPC and BOF, 2017

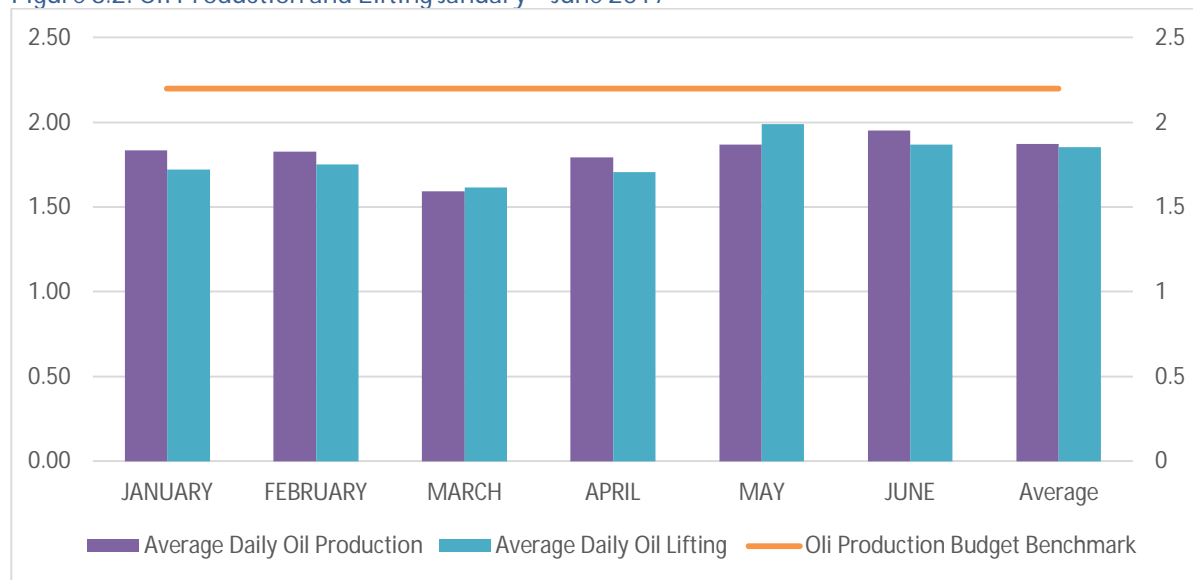
3.2 Analysis of Revenue Performance:

3.2.1 Performance of Key Oil Revenue Parameters:

The price of crude oil at the international market averaged US\$49.83 per barrel in the second quarter of 2017, indicating a decrease of US\$3.95 per barrel (or 7.34 percent) below US\$53.78 per barrel and US\$4.26 per barrel (or 9.35 percent) above the US\$45.57 per barrel recorded in the first quarter of 2017 and second quarters of 2016 respectively. The fall in the crude oil price during the period reflect strong inventory levels in the United States and a resurgence global oil supply.

Provisional data from the Nigerian National Petroleum Corporation (NNPC) revealed that the average oil production (including Condensates) in the second quarter of 2017 was 1.87mbpd. The average oil production figure revealed a shortfall of 0.33mbpd (or 15 percent) below the 2.2mbpd anticipated for the 2017 Budget. The volume of oil production in the period was also 0.12mbpd and 0.05mbpd above the 1.75mbpd and 1.82mbpd reported in the first quarter of 2017 and second quarter of 2016 respectively.

Figure 3.2: Oil Production and Lifting January – June 2017



Source: NNPC

The above translates to an average monthly oil production and lifting of 56.79 million barrels and 56.32 million barrels respectively in the second quarter of the year. The reduction in the quantity of oil production during the quarter as against the predicted budget figure could be ascribed to legacy issues of crude oil theft, illegal bunkering and pipeline vandalism that took place during the period under review.

3.3 Aggregate Revenue of the Federation:

Gross Federally Collectible Revenue was projected in the 2017 Fiscal Framework at ₦10,737.10 billion, consisting of ₦5,334.45 billion (or 49.68 percent) oil revenue and ₦5,402.65 billion (or 50.32 percent) non-oil revenue. This translates to prorate quarterly projection of ₦1,333.61 billion and 1,350.66

billion in gross oil and non-oil revenue respectively. Below are the breakdowns of the real performance of the oil and non-oil revenue earnings in the first quarter of 2017.

3.4 Oil Revenue Performance:

Gross Oil Revenue stood at ₦789.21 billion in the second quarter of 2017. This translate to a ₦544.40 billion or 40.82 percent shortfall in the prorated budget for the period but was above the ₦518.2 billion generated in the corresponding period in 2016. A breakdown of the oil revenue performance in the second quarter of 2017 revealed that only Other Oil and Gas Revenue of ₦3.01 billion which was above its quarterly estimate of ₦1.46 billion by ₦1.55 billion (or 105.6 percent). The other remaining oil revenue items fell below their respective quarterly projections. Crude Oil Sales of ₦419.32 billion, Gas Sales of ₦45.87 billion, Royalties (Oil & Gas) of ₦115.42 billion, Rent of ₦0.04 billion, Gas Flared Penalty of ₦0.48 billion and Petroleum Profit and Gas Taxes of ₦205.07 billion fell below their quarterly estimates of ₦420.82 billion, ₦136.12 billion, ₦224.96 billion, ₦0.42 billion, ₦1.18 billion and ₦312.21 billion by ₦1.50 billion (or 0.36 percent), ₦90.25 billion (or 66.3 percent), ₦109.54 billion (or 48.69 percent), ₦0.38 billion (or 91.1 percent), ₦0.70 billion (or 59.32 percent) and ₦107.14 billion (or 34.32 percent) respectively. While on the other hand, Licenses and Early License Renewal yielded nothing in the quarter. 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 2017, was ₦456.89 billion, depicting a decrease of ₦637.02 billion (or 58.23 percent) below the estimated quarterly budget projection of ₦1,093.90 billion. This notwithstanding, the net oil revenue inflow in the second quarter of 2017 was higher than the ₦396.95 billion net oil revenue recorded in the first quarter of 2017 by ₦59.94 billion (or 15.1 percent). The poor oil revenue performance in the second quarter of 2017 when compared with the quarterly projection can be ascribed to the relapse in oil price at the international market and as well as other supply challenges like crude oil theft, illegal bunkering and

destruction of pipelines that occurred during the period. These data are presented in *Table 3.4*.

3.4.2 Half Year Oil Revenue Performance:

Gross Oil Revenue of ₦1,587.70 billion was collected in first half of 2017 as against ₦2,667.22 billion prorated budget estimate for the period. This reflects a decline of ₦1,079.53 billion or 40.47 percent from the prorated budget estimate for the period but was above the ₦1,242.83 billion generated in the corresponding period in 2016. A breakdown of the revenue by sub-head indicates that only Crude Oil Sales of ₦880.27 billion and Other Oil and Gas Revenue of ₦4.14 billion surpassed their half year projections of ₦841.64 billion and ₦2.93 billion by ₦38.63 billion (or 4.59 percent) and ₦1.22 billion (or 41.53 percent) respectively.

All other oil revenue items fell below their respective half year projections. Gas Sales of ₦56.15 billion, Royalties (Oil & Gas) of ₦221.72 billion, Rent of ₦0.06 billion, Gas Flared Penalty of ₦1.21 billion and Petroleum Profit & Gas Taxes of ₦424.14 billion fell below their half year projected estimates of ₦272.23 billion, ₦449.91 billion, ₦0.84 billion, ₦2.36 billion and ₦624.41 billion by ₦216.09 billion (or 79.38 percent), ₦228.19 billion (or 50.72 percent), ₦0.78 billion (or 92.81 percent), ₦1.15 billion (or 48.69 percent) and ₦200.27 billion (or 32.07 percent) respectively (Table 3.4). While on the other hand, Licenses and Early License Renewal yielded nothing in the half year period. These low performances were as a result of the dynamics in the price and demand of oil at the international market during the period.

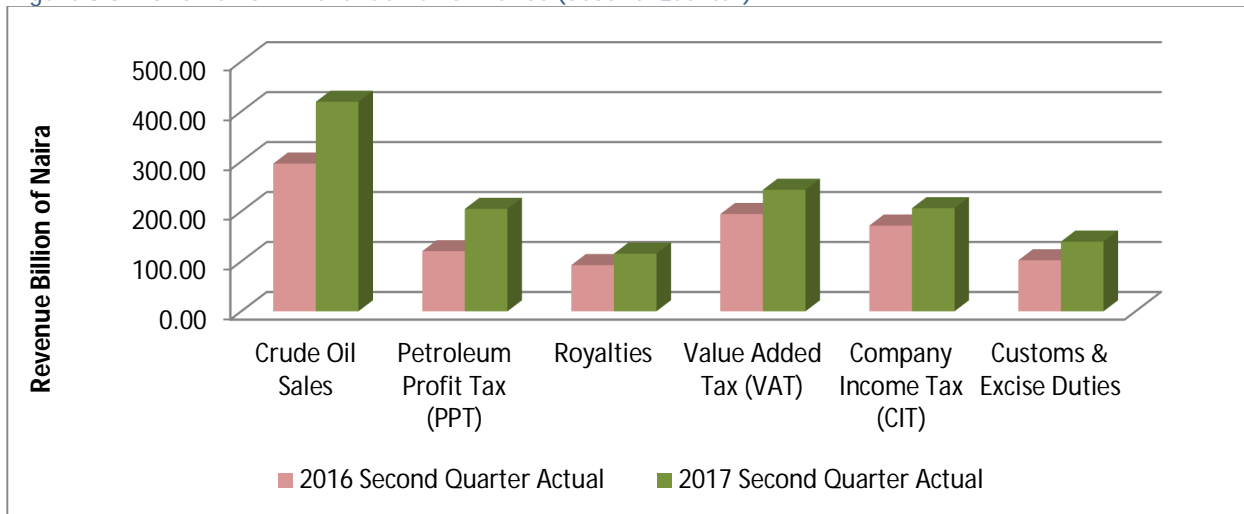
Table 3.3: Performance of Revenue in the Second Quarter of 2017 Vs 2016

Revenue Items	2016	2017	Variance	
	2nd Quarter Actual	2nd Quarter Actual	2nd Quarter 2017 Vs 2nd Quarter 2016	
Oil Revenue	N'bns	N'bns	N'bns	%
Crude Oil Sales	295.66	419.32	123.66	41.83
Petroleum Profit Tax (PPT)	120.33	205.07	84.74	70.42
Royalties	92.46	115.42	22.96	24.83
Gross Oil Revenue	518.20	789.21	271.01	52.3
Net Oil Receipts	349.56	456.89	107.33	30.7
Non-Oil Revenue	-	-		
Value Added Tax (VAT)	194.61	243.31	48.7	25.02
Company Income Tax (CIT)	171.71	206.38	34.67	20.19
Customs & Excise Duties	102.18	139.59	37.41	36.61
Gross Non-Oil Revenue	472.86	600.35	127.49	26.96
Net Non-Oil Receipts	450.74	552.37	101.63	22.55

Source: OAGF and Budget Office of the Federation, 2017

Revenue performance significantly increased when compared to the level in 2016 for all revenue sources and broad category in the second quarter of 2017 (Figure 3.3). This reflect the stronger revenue drive of government and is going to be sustained going forward.

Figure 3.3: 2016 Vs 2017 Revenue Performance (Second Quarter)



Source: OAGF and Budget Office of the Federation, 2017

3.5 Non-Oil Revenue Performance:

Gross non-oil revenue of ₦697.84 billion was received in the second quarter of 2017 signifying a shortfall of ₦654.82 billion (or 48.33 percent) below the quarterly estimate of ₦1,350.66 billion. A breakdown of the non-oil revenue items showed that all the non-oil revenue items fell below their quarterly expected projections. Value Added Tax of ₦243.31 billion, Company Income Tax of ₦206.38 billion, Customs & Excise Duties of ₦139.59 billion Independent Revenue of ₦97.49 billion and Special Levies of ₦11.08 billion were below their quarterly estimates of ₦450.0 billion, ₦435.51 billion, ₦153.84 billion, ₦201.89 billion and ₦25.44 billion by ₦206.69 billion (or 45.93 percent), ₦229.14 billion (or 52.61 percent), ₦14.25 billion (or 9.26 percent) ₦104.40 billion (or 51.71 percent) and ₦14.37 billion (or 56.47 percent) respectively. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and Solid Minerals & Other Mining Revenue which had quarterly projections of ₦15.25 billion and ₦0.63 billion respectively yielded nothing in the quarter.

When compared with their corresponding first quarter performances, Value Added Tax, Company Income Tax, Customs & Excise Duties grew by ₦21.31 billion (or 9.6 percent), ₦47.42 billion (or 29.83 percent) and ₦8.12 billion (or 6.18 percent) respectively while Special Levies fell by ₦1.63 billion (or 12.8 percent). The improved performances of some of the non-oil revenue items in the second quarter of 2017 can be attributed 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 2017 following the expected release of funds for 2017 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 ₦1,244.86 billion depicting a shortfall of ₦1,456.46 billion (or 53.92 percent) below the half year estimate of ₦2,701.32 billion. The outcome also revealed that receipts from

all the non-oil revenue items were below their corresponding estimates. Value Added Tax of ₦465.31 billion, Company Income Tax of ₦365.33 billion, Customs & Excise Duties of ₦271.06 billion Independent Revenue of ₦119.38 billion and Special Levies of ₦23.78 billion respectively fell short by ₦434.69 billion (or 48.3 percent), ₦505.70 billion (or 58.06 percent), ₦36.63 billion (or 11.9 percent), ₦284.40 billion (or 70.43 percent) and ₦27.11 billion (or 53.27 percent) when compared with their projections for half year of 2017. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC and Solid Minerals & Other Mining Revenue which had half year projections of ₦30.50 billion and ₦1.26 billion respectively yielded nothing in the half year period.

Table 3.4: Net Distributable Revenue as at June, 2017 (Oil Revenue at Benchmark Assumptions)

S/NO	DESCRIPTION	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		Half Year Actual Vs Half Year Budget	
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
A	OIL REVENUE												
1	Crude Oil Sales Export												
2	Crude Oil Sales Domestic	1,683.29	420.82	841.64	460.95	419.32	880.27	(1.50)	(0.36)	(41.62)	(9.03)	38.63	4.59
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	544.47	136.12	272.23	10.27	45.87	56.15	(90.25)	(66.30)	35.60	346.48	(216.09)	(79.38)
4	Oil Royalties & Gas Royalties	899.82	224.96	449.91	106.30	115.42	221.72	(109.54)	(48.69)	9.11	8.57	(228.19)	(50.72)
5	Rent	1.68	0.42	0.84	0.02	0.04	0.06	(0.38)	(91.10)	0.01	62.25	(0.78)	(92.81)
6	Gas Flared Penalty	4.73	1.18	2.36	0.73	0.48	1.21	(0.70)	(59.32)	(0.25)	(34.32)	(1.15)	(48.69)
7	PPT & Gas Income @ 30% CITA	1,248.83	312.21	624.41	219.07	205.07	424.14	(107.14)	(34.32)	(14.00)	(6.39)	(200.27)	(32.07)
8	Licenses & Early License Renewal	945.78	236.45	472.89	-	-	-	(236.45)	(100.00)	-	-	(472.89)	(100.00)
9	Other Oil and Gas Revenue	5.86	1.46	2.93	1.13	3.01	4.14	1.55	105.60	1.88	165.43	1.22	41.53
10	Sub-Total	5,334.45	1,333.61	2,667.22	798.49	789.21	1,587.70	(544.40)	(40.82)	(9.27)	(1.16)	(1,079.53)	(40.47)
11	DEDUCTIONS	-	-	-	-	-	-	-	-	-	-	-	-
12	DPR Cost of Collection	-	-	-	6.60	7.29	13.89	7.29		0.70	10.58	13.89	
13	Transfer of Lagos State 13% Derivation	-	-	-	0.09	0.11	0.20	0.11		0.02	25.29	0.20	
14	Joint Venture Cash Calls	-	-	-	237.65	223.00	460.65	223.00		(14.65)	(6.17)	460.65	
15	National Domestic Gas Development	-	-	-	-	-	-	-		-	-	-	
16	Gas Infrastructure Development & Other Gas Expenses	289.75	72.44	144.88	-	-	-	(72.44)	(100.00)	-	-	(144.88)	(100.00)
17	NESS Fees	15.25	3.81	7.63	-	-	-	(3.81)	(100.00)	-	-	(7.63)	(100.00)
18	Transfer to Excess Crude Oil, on PPT from Oil	-	-	-	97.89	19.28	117.17	19.28		(78.61)	(80.31)	117.17	
19	Transfer to Excess Crude on Royalty Proceeds ACCT.	-	-	-	-	14.37	14.37	14.37				14.37	
20	Sub-Total	5,029.45	1,257.36	2,514.72	456.26	525.16	981.42	(732.20)	(58.23)	68.90	15.10	(1,533.30)	(60.97)
21	13% Derivation of Net Oil Revenue	653.83	163.46	326.91	59.31	68.27	127.59	(95.19)	(58.23)	8.96	15.10	(199.33)	(60.97)
22	TO FEDERATION ACCOUNT (OIL)	4,375.62	1,093.90	2,187.81	396.95	456.89	853.84	(637.02)	(58.23)	59.94	15.10	(1,333.97)	(60.97)
B	DIVIDEND BY COMPANIES / INVESTMENTS FUNDED BY FAAC												
23	Dividend by Companies / Investments Funded by FAAC	61.00	15.25	30.50	-	-	-	(15.25)	(100.00)	-	-	(30.50)	(100.00)
24	TO FEDERATION ACCOUNT (DIVIDEND BY COMPANIES / INVESTMENTS)	61.00	15.25	30.50	-	-	-	(15.25)	(100.00)	-	-	(30.50)	(100.00)
C	SOLID MINERALS & OTHER MINING REVENUE												
25	Total Solid Mineral Revenue	2.52	0.63	1.26	-	-	-	(0.63)	(100.00)	-	-	(1.26)	(100.00)
26	Less 13% Derivation	0.33	0.08	0.16	-	-	-	(0.08)	(100.00)	-	-	(0.16)	(100.00)
27	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.20	0.55	1.10	-	-	-	(0.55)	(100.00)	-	-	(1.10)	(100.00)
D	NON-OIL REVENUE												
28	Value Added Tax (VAT)	1,800.00	450.00	900.00	222.00	243.31	465.31	(206.69)	(45.93)	21.31	9.60	(434.69)	(48.30)
29	Corporate Tax (CIT, Stamp Duties & CGT)	1,742.05	435.51	871.02	158.95	206.38	365.33	(229.14)	(52.61)	47.42	29.83	(505.70)	(58.06)
30	Customs: Import, Excise & Fees	615.37	153.84	307.69	131.47	139.59	271.06	(14.25)	(9.26)	8.12	6.18	(36.63)	(11.90)
31	Special Levies (Federation Account)	101.77	25.44	50.89	12.70	11.08	23.78	(14.37)	(56.47)	(1.63)	(12.80)	(27.11)	(53.27)
32	Sub-Total	4,259.19	1,064.80	2,129.60	525.12	600.35	1,125.48	(464.45)	(43.62)	75.23	14.33	(1,004.12)	(47.15)
33	Cost of Collection and Other Deductions	198.63	49.66	99.32	32.16	47.98	80.14	(1.68)	(3.38)	15.82	49.19	(19.18)	(19.31)
34	Cost of Collection (VAT)	72.00	18.00	36.00	8.88	9.73	18.61	(8.27)	(45.93)	0.85	9.59	(17.39)	(48.30)
35	4% Cost of Collection (CIT)	56.43	14.11	28.22	6.86	8.56	15.42	(5.55)	(39.35)	1.69	24.68	(12.80)	(45.35)
36	Less 7% Cost of Collection (Customs and Special Levies)	50.20	12.55	25.10	10.17	10.52	20.68	(2.03)	(16.20)	0.35	3.46	(4.42)	(17.60)
37	FIRS Tax Refunds	20.00	5.00	10.00	6.25	19.17	25.42	14.17	283.42	12.92	206.74	15.42	154.21
38	TO FEDERATION ACCOUNT (NON-OIL)	2,332.56	583.14	1,166.28	279.84	318.80	598.64	(264.34)	(45.33)	38.95	13.92	(567.64)	(48.67)
39	Total VAT Pool	1,728.00	432.00	864.00	213.12	233.58	446.70	(198.42)	(45.93)	20.46	9.60	(417.30)	(48.30)
40	Net Non-Oil Revenue	4,060.56	1,015.14	2,030.28	492.97	552.37	1,045.34	(462.77)	(45.59)	59.41	12.05	(984.94)	(48.51)
41	Sub-Total: FEDERATION ACCOUNT	6,771.38	1,692.84	3,385.69	676.79	775.69	1,452.48	(917.16)	(54.18)	98.89	14.61	(1,933.21)	(57.10)
42	Actual Balances in Special Accounts	13.70	3.42	6.85	-	-	-	(3.42)	(100.00)	-	-	(6.85)	(100.00)
43	TOTAL FEDERATION ACCOUNT	6,785.07	1,696.27	3,392.54	676.79	775.69	1,452.48	(920.58)	(54.27)	98.89	14.61	(1,940.06)	(57.19)
E	TOTAL DISTRIBUTION												
1	Federation Account	6,785.07	1,696.27	3,392.54	676.79	775.69	1,452.48	(920.58)	(54.27)	98.89	14.61	(1,940.06)	(57.19)
2	VAT Pool Account	1,728.00	432.00	864.00	213.12	233.58	446.70	(198.42)	(45.93)	20.46	9.60	(417.30)	(48.30)
3	GRAND TOTAL	8,513.07	2,128.27	4,256.54	889.91	1,009.26	1,899.18	(1,119.01)	(52.58)	119.35	13.41	(2,357.36)	(55.38)

Source: OAGF and Budget Office of the Federation, 2017

Table 3.5: Actual Performance of Non-Oil Revenue Categories (Second Quarter) 2009 – 2016

Description	SECOND QUARTER (ACTUAL)								
	2009	2010	2011	2012	2013	2014	2015	2016	8 - Year Average
	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	45.85
Company Income Tax	47.62	60.19	62.14	73.29	85.22	110.75	74.20	79.93	74.17
Value Added Tax	14.62	19.24	21.46	24.43	26.03	26.09	27.31	26.16	23.17
FGN Independent Revenue	25.12	49.25	59.48	28.78	17.19	12.88	10.31	59.10	32.76

Source: OAGF and BOF, 2017

Further analysis of second quarter non-oil revenue performance indicate that the key non-oil revenue sub-heads, apart from the dip in 2016, have significant improvement over the past decade particularly in areas of Customs, CIT and VAT, while independent revenue moderated in in 2013 to 2015 before resurging in 2016 Table 3.5 and 3.6.

Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Second Quarter) 2010 – 2016

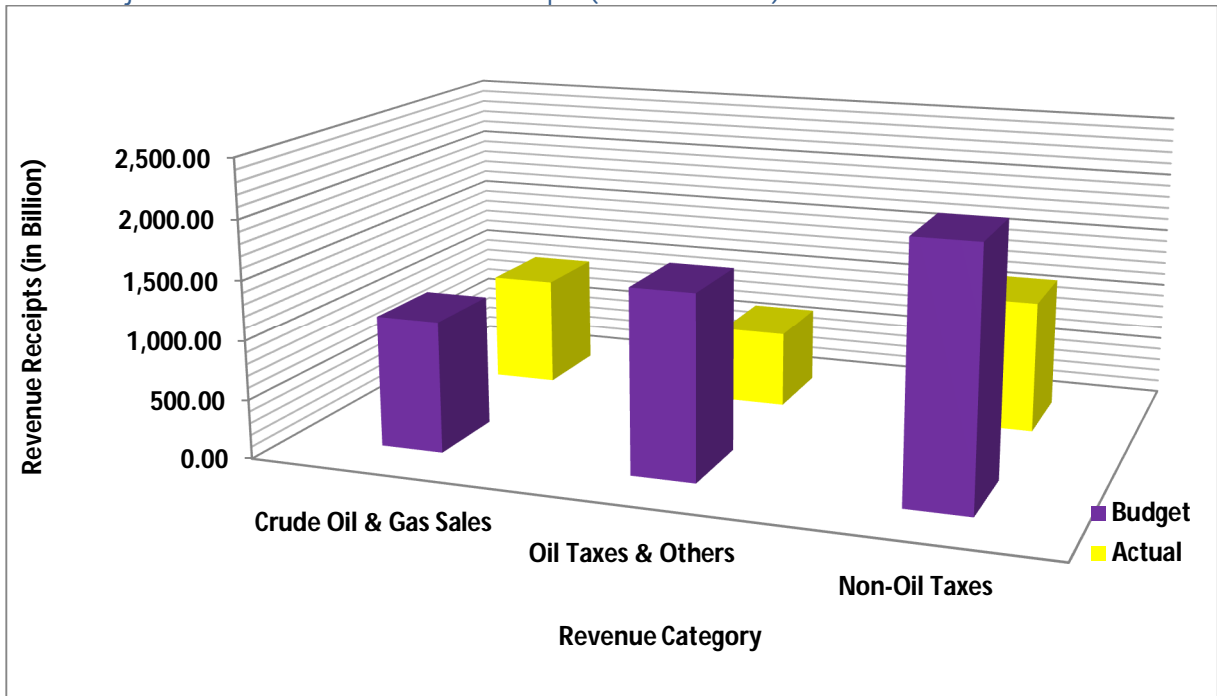
Description	2010	2011	2012	2013	2014	2015	2016	7 - Year Average
Customs & Excise Duties	6.75%	49.79%	14.37%	-17.37%	40.12%	-9.11%	-17.50%	9.58%
Company Income Tax	26.4%	3.24%	17.94%	16.28%	29.96%	-33%	7.72%	9.79%
Value Added Tax	31.6%	11.54%	13.84%	6.55%	0.23%	4.68%	-4.21%	9.17%
FGN Independent Revenue	96.06%	20.77%	-51.61%	-40.27%	-25.07%	-19.95%	473.23%	64.74%

Source: OAGF and BOF, 2017

Overall, actual performance by revenue categorizations compared with their budgeted estimates as at June 2017 indicate underperformance across board. The underperformance is however more severe for oil tax and others as well as

non-oil taxes (Figure 3.4).

Figure 3.4: Projected Vs Actual FAAC Revenue Receipts (as at June 2017)

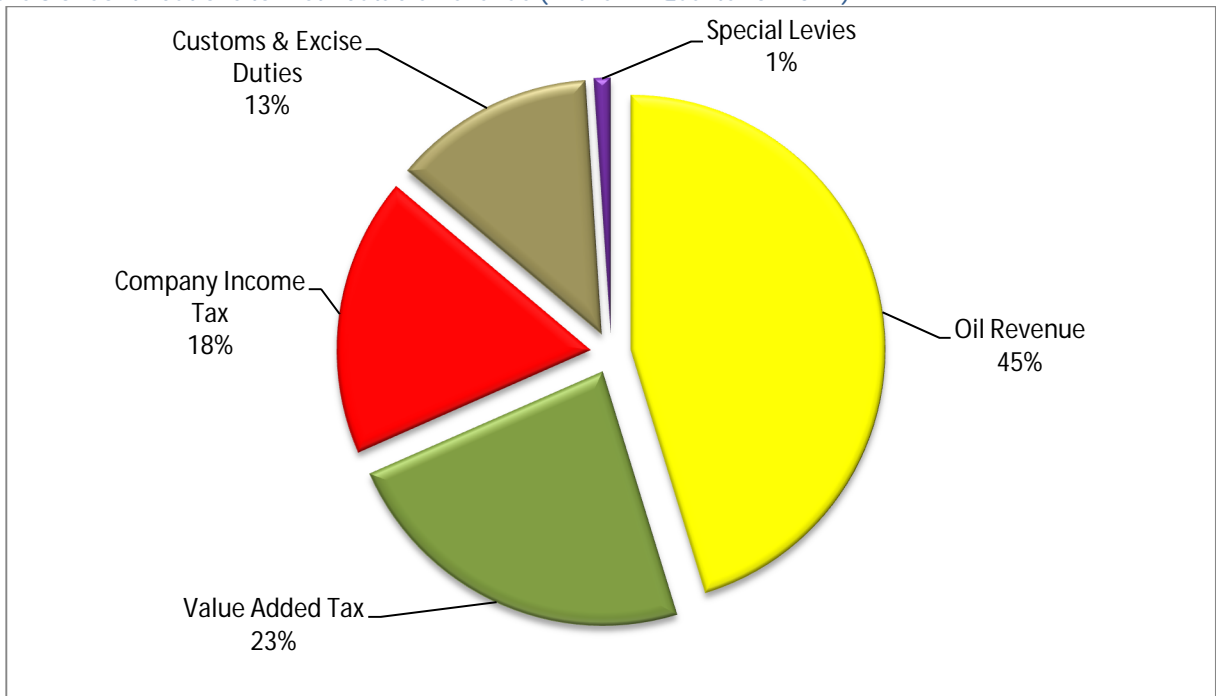


Source: Budget Office of the Federation, 2017

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 ₦1,009.26 billion in the second quarter of 2017. This represented a shortfall from prorated budget estimate of ₦1,119.01 billion (or 52.58 percent). A breakdown by sources indicate that oil revenue accounted for 45 percent while the balance composed of 23 percent VAT, 18 percent CIT, 13 percent Customs and Special Account of a percent (Figure 3.5).

Figure 3.5: Contributions to Distributable Revenue (in the 2nd Quarter of 2017)



Source: Budget Office of the Federation, 2017

3.7 Excess Crude Account

The Excess Crude Account (ECA) was set up to serve as a stabilization and savings account for the excess oil revenue accruing from the sales of crude in the world market. In view of the improvement in the price of oil in the world market which started since the second half of 2016, the sum of N33.65 billion was transferred to the ECA in the second quarter of 2017. There was no withdrawal from the account within the period but a total of US\$93.22 million being accrued interest and excess royalty in March 2017 was received into the ECA between April and June 2017. The ECA had an opening balance of US\$2,209.86 million as at 1st April, 2017 and a closing balance of US\$2,303.09 million as at 30th June, 2017. These data are presented in Table 3.7.

Table 3.7: Net Excess Crude Account

Description	2016 Actual (N'bn)			2017 Actual (N'bn)		
	First Quarter	Second Quarter	Half Year	First Quarter	Second Quarter	Half Year
Inflows						
Transfer to Excess Crude Oil Account	0	0	0	97.89	33.65	131.54
Outflows						
Payment for Petroleum Product Subsidy	0	0	0	0	0	0
Augmentation: Distribution among tiers of Govt.	0	0	0	0	0	0
Transfer for Special Intervention Fund	0	0	0	0	0	0
Transfers Int. trf - SWF	0	0	0	0	0	0
Transfer to Nigeria Sovereign Investment Authority	0	0	0	US\$250.0 million (or N76.25 billion)	0	US\$250.0 million (or N76.25 billion)
Total Outflow	0	0	0	US\$250.0 million (or N76.25 billion)	0	US\$250.0 million (or N76.25 billion)
Net Excess Crude Account	0	0	0	21.64	33.65	55.29

Source: Office of the Accountant General of the Federation, 2017

3.8 FGN Budget Revenue

The sum of ₦5,084.40 billion was projected to fund the Federal Budget, translating to a quarterly share of ₦1,271.10 billion. A total of ₦506.39 billion, excluding other funding sources, was received in the second quarter of 2017. This amount was ₦764.71 billion (or 60.16 percent) lower than the quarterly projection and ₦126.38 billion (or 33.26 percent) higher than the ₦380.01 billion reported in the first quarter of 2017. The aggregate revenue in the second quarter of 2017 was also ₦123.60 billion (or 32.29 percent) above the ₦382.79 billion recorded in the second quarter of 2016.

The sum of ₦221.59 billion received in the second quarter of 2017 from oil sources was lower than the quarterly estimate of ₦530.54 billion by ₦308.95 billion (or 58.23 percent) for the period. Likewise, all the non-oil revenue items fell below their quarterly budget projections. FGN Share of VAT of ₦32.70 billion, Customs & Excise Duties of ₦62.96 billion, Special Levies of ₦5.0 billion Independent Revenue of ₦97.49 billion and Company Income Tax of ₦86.64 billion were below their corresponding quarterly budget estimates of ₦60.48

billion, ₦69.39 billion, ₦11.48 billion, ₦201.89 billion and ₦201.96 billion by ₦27.78 billion (or 45.93 percent), ₦6.43 billion (or 9.26 percent), ₦6.48 billion (or 56.47 percent), ₦104.40 billion (or 51.71 percent) and ₦115.31 billion (or 57.1 percent). On the other hand, FGN Share of Company Investment by FAAC, FGN Share of Solid Minerals Revenue and Share of Actual Balances in Special Accounts yielded nothing in the quarter. The above, mentioned followed the same pattern of their respective performances at the Federation Account level. The data are presented in *Table 3.8*.

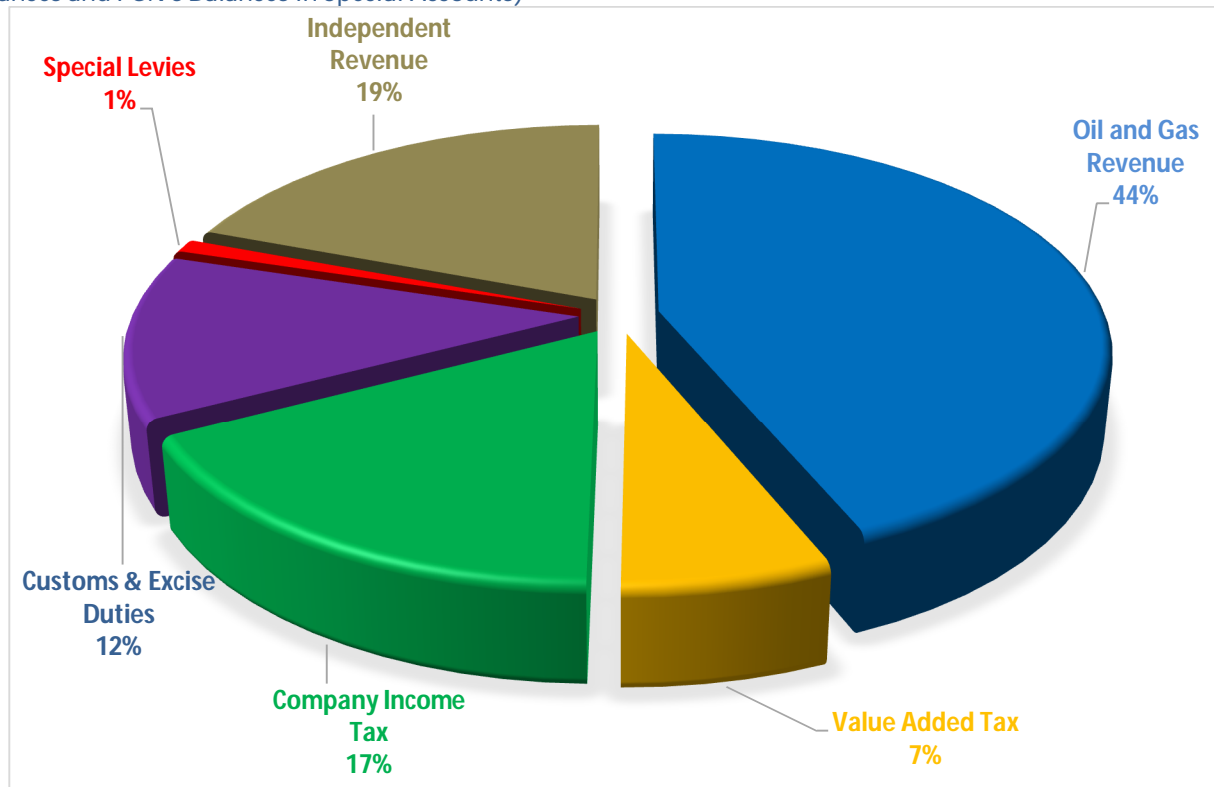
Table 3.8: Inflows to the 2017 Federal Budget as at June 2017

S/NO	DESCRIPTION	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		Half Year Actual Vs Half Year Budget	
1	Inflow for the Federal Budget (CRF)	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
2	FGN Share of Oil Revenue	2,122.18	530.54	1,061.09	192.52	221.59	414.11	(308.95)	(58.23)	29.07	15.10	(646.98)	(60.97)
3	FGN Share of Non-Oil Revenue	1,410.51	352.63	705.25	165.60	187.30	352.90	(165.32)	(46.88)	21.71	13.11	(352.35)	(49.96)
4	FGN Share of Company / Investment FAAC	29.59	7.40	14.79	-	-	-	(7.40)	(100.00)	-	-	(14.79)	(100.00)
5	FGN Share of Solid Minerals Revenue	1.06	0.27	0.53	-	-	-	(0.27)	(100.00)	-	-	(0.53)	(100.00)
6	FGN Share of Value Added Tax (VAT)	241.92	60.48	120.96	29.84	32.70	62.54	(27.78)	(45.93)	2.86	9.60	(58.42)	(48.30)
7	FGN Share of Customs	277.56	69.39	138.78	59.30	62.96	122.26	(6.43)	(9.26)	3.66	6.18	(16.52)	(11.90)
8	FGN Share of Special Levies (Federation Account)	45.90	11.48	22.95	5.73	5.00	10.73	(6.48)	(56.47)	(0.73)	(12.80)	(12.23)	(53.27)
9	FGN Share of Company Income Tax (CIT)	807.82	201.96	403.91	70.73	86.64	157.38	(115.31)	(57.10)	15.91	22.50	(246.54)	(61.04)
10	FGN Share of Actual Balances in Special Accounts	6.64	1.66	3.32	-	-	-	(1.66)	(100.00)	-	-	(3.32)	(100.00)
11	FGN Independent Revenue	807.57	201.89	403.79	21.89	97.49	119.38	(104.40)	(51.71)	75.60	345.39	(284.40)	(70.43)
12	FGN Balance of Special Accounts as at 31/12/15:	14.79	3.70	7.40	-	-	-	(3.70)	(100.00)	-	-	(7.40)	(100.00)
13	Unspent Balance from Previous Fiscal Year	50.00	12.50	25.00	-	-	-	(12.50)	(100.00)	-	-	(25.00)	(100.00)
14	FGN Recoveries	565.06	141.27	282.53	-	-	-	(141.27)	(100.00)	-	-	(282.53)	(100.00)
15	FGN Share of Signature Bonus	114.30	28.58	57.15	-	-	-	(28.58)	(100.00)	-	-	(57.15)	(100.00)
16	Sub-Total	5,084.40	1,271.10	2,542.20	380.01	506.39	886.39	(764.71)	(60.16)	126.38	33.26	(1,655.81)	(65.13)
17	Other Financing Sources	-	-	-	403.07	438.05	841.12	438.05		34.98	8.68	841.12	
18	NNPC Refund to FGN	-	-	-	17.48	5.83	23.31	5.83		(11.66)	(66.67)	23.31	
19	Share from Excess PPT	-	-	-	71.67	43.71	115.38	43.71		(27.96)	(39.01)	115.38	
20	Exchange Rate Difference	-	-	-	60.88	73.52	134.39	73.52		12.64	20.76	134.39	
21	Settlement of State Component of Coupon Payment	-	-	-	41.57	-	41.57	-		(41.57)	(100.00)	41.57	
22	Transfer from Capital Development Account to CRF & TSA	-	-	-	211.48	315.00	526.48	315.00		103.53	48.95	526.48	
23	TOTAL RETAINED REVENUE	5,084.40	1,271.10	2,542.20	783.08	944.44	1,727.52	(326.66)	(25.70)	161.36	20.61	(814.68)	(32.05)
24	Miscellaneous Credits	-	-	-	1.46	2.23	3.69	2.23		0.77	52.78	3.69	
25	TSA/Pool A/C	-	-	-	9.98	16.55	26.53	16.55		6.57	65.89	26.53	
26	Refund of Paris Club Overdeduction to CRF	-	-	-	466.82	-	466.82	-		(466.82)	(100.00)	466.82	
27	TOTAL INFLOW	5,084.40	1,271.10	2,542.20	1,261.34	963.22	2,224.55	(307.88)	(24.22)	(298.12)	(23.64)	(317.65)	(12.50)

Source: Budget Office of the Federation and the OAGF, 2017

Oil and Gas revenue continued to dominate revenue inflow of government accounting for 44 percent of total revenue in the review period. Other revenue sources are as depicted in figure 3.6.

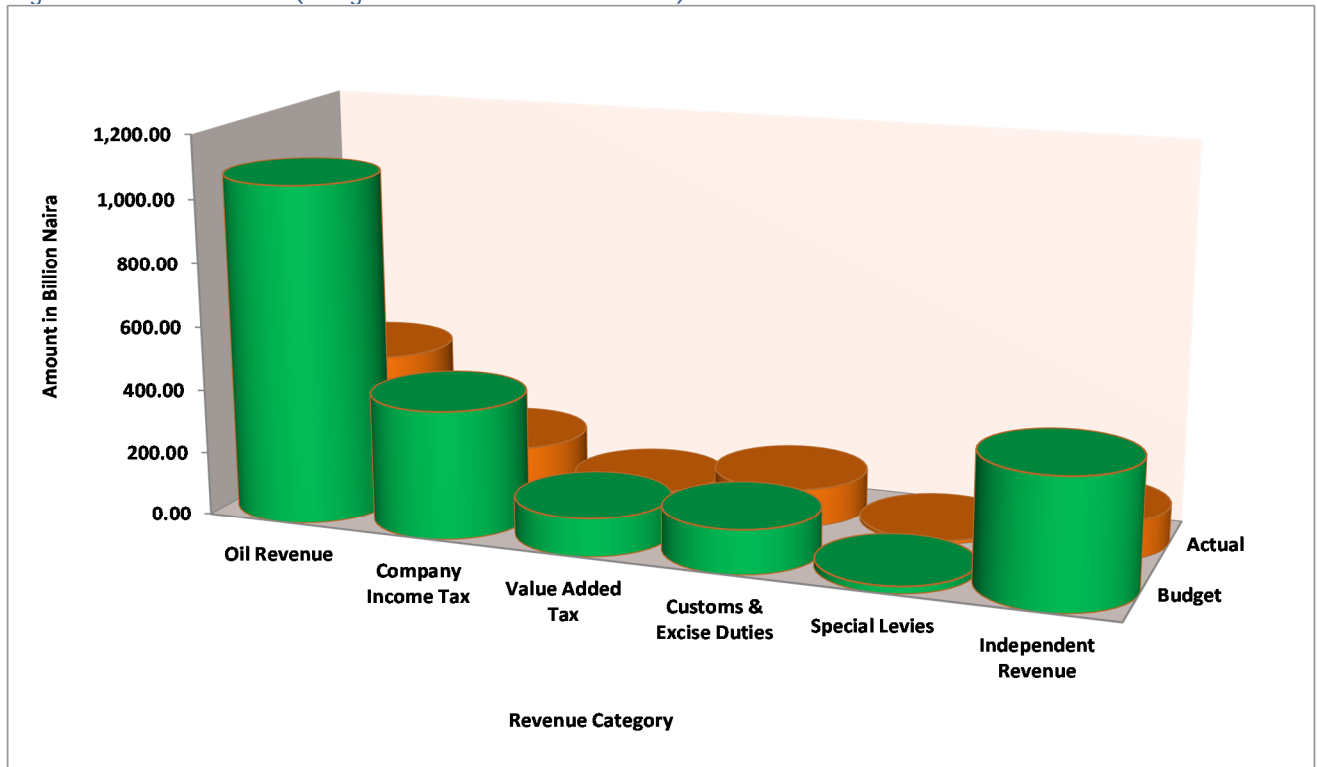
Figure 3.6: Contributions to the FGN Budget Revenue in the Second Quarter of 2017 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)



Source: The OAGF and Budget Office of the Federation, 2017

The oil revenue contributed largely to the revenue shortfall experienced in the quarter under review accounting for ₦308.95 or 40.40 percent of the entire revenue shortfall. Other major contributors include the Independent Revenue and CIT with combined share of ₦219.71 billion or 28.73 percent of the revenue shortfall (Figure 3.7).

Figure 3.7: FGN Revenue (Budget Vs Actual as at June 2017)



Source: The OAGF and Budget Office of the Federation, 2017

3.8.1 Total Inflow of the Federal Government

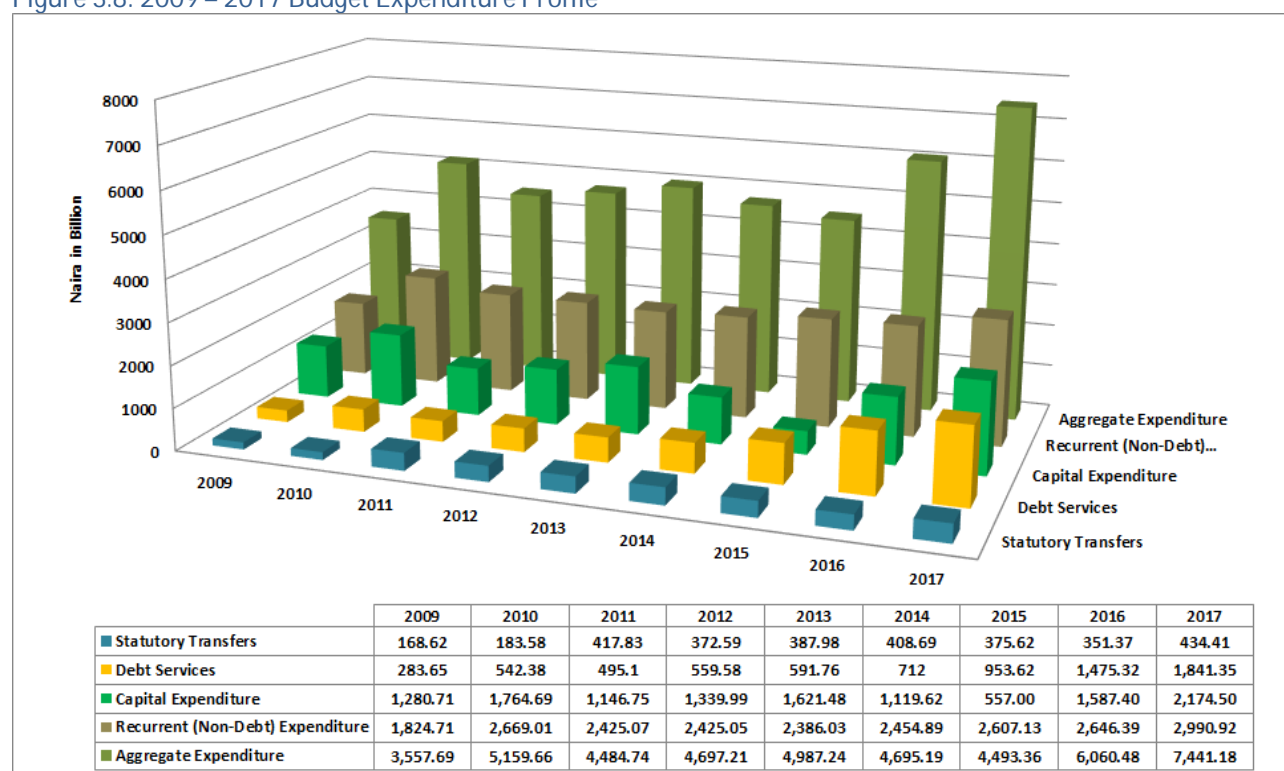
Total Retained Revenue of the Federal Government stood at ₦1,727.52 billion buoyed by Other Financing sources totaling ₦438.05 billion. The retained revenue was augmented by total inflow ₦3.69 billion, ₦26.53 billion and ₦466.82 billion from Miscellaneous Credits, TSA/Pool A/C, and Refund of Paris Club Over Deduction to CRF respectively. Total inflow in the second quarter of 2017 therefore stood at ₦2,224.55 billion representing a shortfall of ₦307.88 billion or 24.22 percent of prorata budget estimate for the period.

3.9 Expenditure Developments:

A total of ₦7,441.18 billion was appropriated for expenditure in the 2017 Budget. Of this amount, ₦2,990.92 billion (or 40.19 percent) was for Recurrent (Non-Debt) Expenditure, ₦1,841.35 billion (or 24.75 percent) was for Debt Services,

₦434.41 billion (or 5.84 percent) was for Statutory Transfers and ₦2,174.50 billion (or 29.22 percent) was for Capital Expenditure. The aggregate Federal Government expenditure for the period translates to a prorated quarterly expenditure outlay of ₦1,860.29 billion in 2017. Actual expenditure in the second quarter of 2017 stood at ₦1,108.20 billion, translating to a ₦752.10 billion or 40.43 percent expenditure shortfall for the period. The detail breakdown is presented in Table 3.10.

Figure 3.8: 2009 – 2017 Budget Expenditure Profile



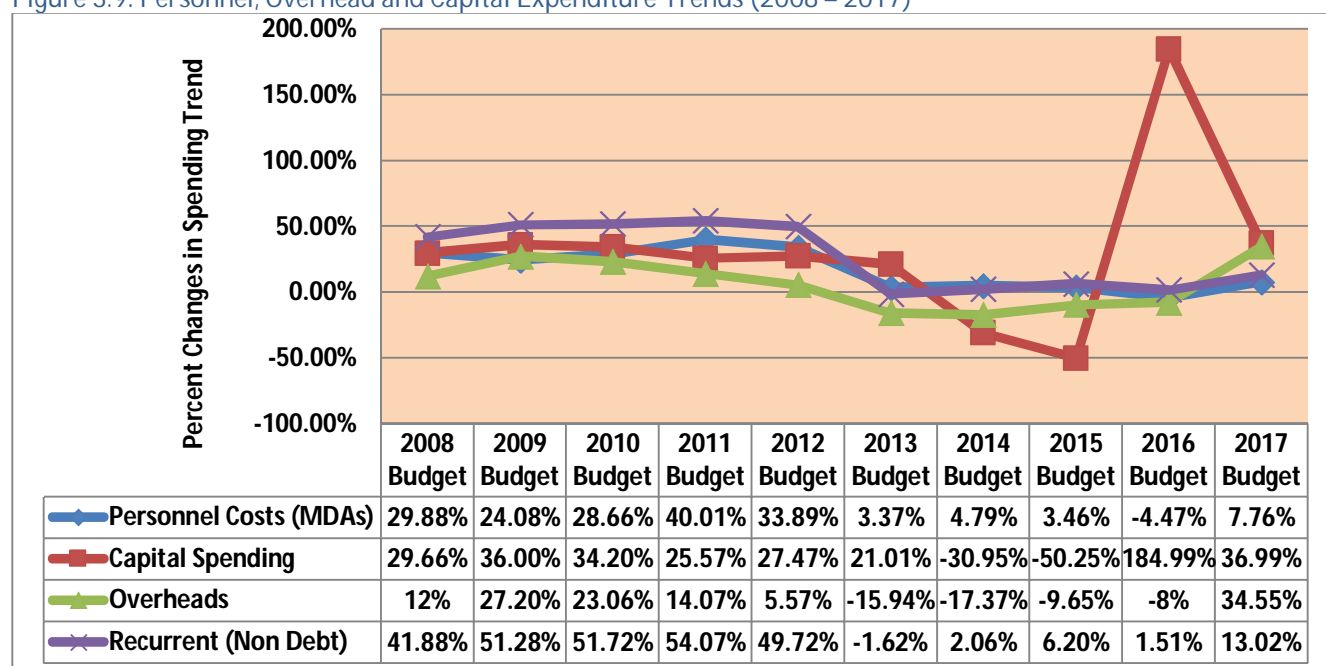
Source: Budget Office of the Federation, 2017

3.9.1 Non-Debt Recurrent Expenditure

Total non-debt recurrent expenditure of ₦686.22 billion was spent in the second quarter of 2017. This implies a decrease of ₦61.51 billion (or 8.23 percent) below the quarterly estimate of ₦747.73 billion. It is however above the level of expenditure for the sub-head of ₦636.84 billion in the first half of 2017 by ₦49.38 billion 6.60 percent. Government continued to prioritize capital expenditure over nonessential recurrent non-debt expenditure like overtime in the face of

continuing revenue constraint. The strategic initiatives of Government aimed at cutting down recurrent costs were therefore vigorously pursued during the period. This include the continued roll-out of the Integrated Payroll and Personnel Information System (IPPIS) across MDAs, activation of more module of the GIFMIS platform as well as the use of the Treasury Single Account (TSA). The above efforts have also enabled government to halt further increases in overhead as well as considerable increases in capital expenditure from the 2016 fiscal year (Figure 3.9).

Figure 3.9: Personnel, Overhead and Capital Expenditure Trends (2008 – 2017)



Source: BOF and OAGF, 2017

3.9.2 Debt Service:

Total Debt Services in the second quarter of 2017 stood at ₦303.59 billion signifying a ₦112.38 billion (or 27.02 percent) decrease from the ₦415.97 billion projected for the quarter. A total of ₦372.0 billion was proposed for domestic debt servicing in the quarter under review but ₦288.03 billion was actually used for the servicing of the debts. This indicated a difference of ₦83.97 billion (or 22.57 percent) below the quarterly estimate.

The sum of ₦43.97 billion was proposed for the servicing of external debt in the quarter under review. Actual external debt service payment however amounted to US\$15.56 million indicating a difference of ₦28.41 billion (or 64.61 percent) below the quarterly projection.

Table 3.9: FGN Budget Expenditure and Fiscal Account (in N' Billion) as at June 2017

S/NO	ITEMS	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		Half Year Actual Vs Half Year Budget	
		N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	N'bn	%	N'bn	%	N'bn	%
A	TOTAL RETAINED REVENUE	5,084.40	1,271.10	2,542.20	783.08	944.44	1,727.52	(326.66)	(25.70)	161.36	20.61	(814.68)	(32.05)
B	Miscellaneous Credit				1.46	2.23	3.69	2.23		0.77	52.74	3.69	
C	TSA/Pool A/C				9.98	16.55	26.53	16.55		6.57	65.83	26.53	
D	Refund of Paris Club Overdeduction to CRF				466.82		466.82	-		(466.82)	(100.00)	466.82	
E	TOTAL INFLOW	5,084.40	1,271.10	2,542.20	1,261.34	963.22	2,224.56	(307.88)	(24.22)	(298.12)	(23.64)	(317.64)	(12.49)
F	EXPENDITURE:												
1	RECURRENT (NON-DEBT):												
2	Personnel Cost	1,884.07	471.02	942.03	330.33	393.56	723.89	(77.46)	(16.45)	63.23	19.14	(218.15)	(23.16)
3	Pension & Gratuities including Service Wide Pension	281.61	70.40	140.80	57.68	85.60	143.28	15.19	21.58	27.92	48.40	2.47	1.75
4	Overhead Cost	219.84	54.96	109.92	38.95	35.60	74.55	(19.36)	(35.22)	(3.34)	(8.59)	(35.37)	(32.18)
5	Other Service Wide Vote including Presidential Amnestv (Bal Fia)	215.40	53.85	107.70	209.88	171.46	381.34	117.61	218.40	(38.42)	(18.31)	273.64	254.08
6	Refund to Special Accounts	40.00	10.00	20.00	-	-	-	(10.00)	(100.00)	-	-	(20.00)	(100.00)
7	Special Intervention (Recurrent)	350.00	87.50	175.00	-	-	-	(87.50)	(100.00)	-	-	(175.00)	(100.00)
8	Sub-Total (Non-Debt)	2,990.92	747.73	1,495.46	636.84	686.22	1,323.06	(61.51)	(8.23)	49.38	7.75	(172.41)	(11.53)
9	Domestic Debts & Int. on Ways & Means	1,488.00	372.00	744.00	583.91	288.03	871.94	(83.97)	(22.57)	(295.88)	(50.67)	127.94	17.20
10	Foreign Debts	175.88	43.97	87.94	40.24	15.56	55.80	(28.41)	(64.61)	(24.68)	(61.33)	(32.14)	(36.55)
11	Sub-Total (Debt Services)	1,663.89	415.97	831.94	624.15	303.59	927.74	(112.38)	(27.02)	(320.56)	(51.36)	95.80	11.52
12	Sinking Fund to Retire Maturing Loans	177.46	44.37	88.73	-	-	-	(44.37)	(100.00)	-	-	(88.73)	(100.00)
13	Sub-Total (Debt)	1,841.35	460.34	920.67	624.15	303.59	927.74	(156.74)	(34.05)	(320.56)	(51.36)	7.07	0.77
14	Total (Recurrent)	4,832.27	1,208.07	2,416.13	1,260.99	989.81	2,250.80	(218.26)	(18.07)	(271.18)	(21.51)	(165.34)	(6.84)
15	CAPITAL EXPENDITURE:												
16	Capital in Special Intervention	150.00	37.50	75.00	-	-	-	(37.50)	(100.00)	-	-	(75.00)	(100.00)
17	*Capital Releases 2017+ Cap Supp.	2,024.50	506.12	1,012.25	-	-	-	(506.12)	(100.00)	-	-	(1,012.25)	(100.00)
18	Sub-Total (Capital)	2,174.50	543.62	1,087.25	-	-	-	(543.62)	(100.00)	-	-	(1,087.25)	(100.00)
19	TRANSFERS:												
20	Niger Delta Development Commission (NDC)	64.02	16.01	32.01	10.23	-	10.23	(16.01)	(100.00)	(10.23)	(100.00)	(21.78)	(68.05)
21	National Judicial Council (NJC)	100.00	25.00	50.00	10.83	-	10.83	(25.00)	(100.00)	(10.83)	(100.00)	(39.17)	(78.33)
22	Universal Basic Education Commission (UBEC)	95.19	23.80	47.59	15.41	-	15.41	(23.80)	(100.00)	(15.41)	(100.00)	(32.18)	(67.62)
23	Independent National Electoral Commission (INEC)	45.00	11.25	22.50	7.50	-	7.50	(11.25)	(100.00)	(7.50)	(100.00)	(15.00)	(66.67)
24	National Assembly (NASS)	125.00	31.25	62.50	19.17	-	19.17	(31.25)	(100.00)	(19.17)	(100.00)	(43.33)	(69.33)
25	Public Complaint Commission (PCC)	4.00	1.00	2.00	0.67	-	0.67	(1.00)	(100.00)	(0.67)	(100.00)	(1.33)	(66.65)
26	National Human Right Commission (NHRC)	1.20	0.30	0.60	0.20	-	0.20	(0.30)	(100.00)	(0.20)	(100.00)	(0.40)	(66.83)
27	Transfers (Grouped)				34.92	110.10	145.02	110.10		75.18	215.30	145.02	
28	Sub-Total (Transfers)	434.41	108.60	217.21	98.92	110.10	209.02	1.49	1.38	11.18	11.30	(8.19)	(3.77)
29	TOTAL ACTUAL EXPENDITURE	7,441.18	1,860.29	3,720.59	1,359.91	1,099.91	2,459.82	(760.39)	(40.87)	(260.00)	(19.12)	(1,260.77)	(33.89)
30	Refund to MDAs and Banks				16.69	0.32	17.00	0.32		(16.37)	(98.11)	17.00	
31	Reimbursement of Paris Club				88.33	7.97	96.30	7.97		(80.36)	(90.98)	96.30	
32	TOTAL OUTFLOW	7,441.18	1,860.29	3,720.59	1,464.93	1,108.20	2,573.12	(752.10)	(40.43)	(356.73)	(24.35)	(1,147.47)	(30.84)
33	Fiscal Deficit	(2,356.78)	(589.19)	(1,178.39)	(203.59)	(144.98)	(348.56)	444.22	(75.39)	58.61	(28.79)	829.83	(70.42)
G	FINANCING ITEMS:												
1	Privitization Proceeds	10.00	2.50	5.00	-	-	-	(2.50)	(100.00)	-	-	(5.00)	(100.00)
2	Foreign Borrowing	1,067.50	266.88	533.75	300.00	-	300.00	(266.88)	(100.00)	(300.00)	(100.00)	(233.75)	(43.79)
3	Domestic Borrowing (FGN Bond)	1,254.27	313.57	627.14	510.00	320.00	830.00	6.43	2.05	(190.00)	(37.25)	202.86	32.35
4	Proceed of Sale of Government Properties	25.00	6.25	12.50	-	-	-	(6.25)	(100.00)	-	-	(12.50)	(100.00)
5	Miscellaneous Credit				2.06	2.21	4.27	2.21		0.14	6.94	4.27	
6	Sub-Total	2,356.77	589.19	1,178.39	812.06	322.21	1,134.27	(266.99)	(45.31)	(489.86)	(60.32)	(44.12)	(3.74)
7	Net Deficit / Surplus	(0.00)	(0.00)	(0.00)	608.48	177.23	785.71	177.23		(431.25)	(70.87)	785.71	

Source: OAGF and Budget Office of the Federation, 2017

3.9.3 Statutory Transfers:

Expenditures for the statutory transfers stood at ₦110.10 billion in the second quarter of 2017. This translates to ₦1.50 billion or 1.38 percent and ₦11.18 billion or 10.29 percent increases from the prorated budget estimate for the period and the actual transfers in the first quarter of 2017 respectively. It is good to note that quarterly releases under this subhead are made on request by the beneficiaries and also subject to budgetary provisions and availability of funds. All releases are expected to be reconciled at the end of the year

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. In view of this, a total of ₦2,174.50 billion was allocated to capital spending in the 2017 Budget.

MDAs' Capital Vote Utilization:

A total of ₦96.35 billion was released for capital expenditure in the second quarter of 2017 under the 2016 budget. Cumulatively, ₦259.45 billion capital expenditure have been expended under the 2016 budget during the first half of 2017. Funds were, however, not released for capital projects/programmes under the 2017 budget. This was due to the extension of 2016 capital budget implementation to 5th May, 2017, the late passage of the 2017 Budget as well as the need for MDAs to finalize their procurement processes.

3.9.5 Budget Deficit and Performance of the Financing Items:

The 2017 Fiscal Framework projected a quarterly fiscal deficit of ₦589.19 billion to be financed through prorated earnings from Privatization Proceeds of ₦2.50 billion, Foreign Borrowing of ₦266.88 billion, Domestic Borrowing (FGN Bond) of ₦313.57 billion and Sale of Government Properties of ₦6.25 billion.

The revenue and expenditure outturn of the Federal Government resulted in a

fiscal deficit of ₦144.98 billion in the second quarter of 2017. This was ₦444.22 billion or 75.39 percent lower than the estimated fiscal deficit of ₦589.19 billion for the review period. It was however lower than the fiscal deficit of ₦203.59 billion recorded in the first quarter of 2017. The deficit was financed to the tune of ₦322.21 billion in the second quarter of 2017 comprising ₦320.00 billion of Domestic Borrowings and ₦2.21 billion of Miscellaneous Credits. This also reflects a positive net financing of ₦177.24 billion in the period under review.

4.0 CONCLUSION

The nation's economy emerged from recession after five consecutive quarters of contraction since the first quarter of 2016. The economy grew by 0.55 percent (year-on-year) in real terms in the second quarter of 2017 buoyed by a 1.64 percent and 0.45 percent growth for the oil and non-oil sectors. The oil sector GDP rebounded in positive territory while the non-oil sector performance, driven largely by the Agriculture (Crop Production), Finance & Insurance, Electricity, Gas, Steam and Air Conditioning Supply and Other Services remain strong.

Government revenue fell grossly behind approved prorated budget estimate during the review period. Net distributable sum of ₦1,009.26 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, signifying a shortfall of ₦1,119.01 billion when compared with ₦2,128.27 billion projected for the quarter. This follows from the shortfall in net oil and non-oil revenues of ₦637.02 billion and ₦462.77 billion respectively.

Despite the fact that budget implementation was being adversely affected by poor revenue performance, budget implementation remained on course as the Federal Government continued to meet its non-discretionary expenditures. The macroeconomic performance in the quarter improved reflected an enhanced outlook and prospects for revenue and therefore raise expectations for a reasonable implementation of the 2017 budget in the remaining half of the year.

To sustain this growth and achieve government strategic objectives, solid and courageous monetary and fiscal policies are to be sustained and judiciously implemented in the remaining half of the fiscal year. Fiscal stimulus and non-oil federal receipts, as well as improvements in economy-wide non-oil exports, especially agriculture, manufacturing, services and light industries, which are expected to drive the growth impetus for the rest of the year, must be pursued persistently.