2017 THIRD QUARTER

BUDGET IMPLEMENTATION REPORT



BUDGET OFFICE OF THE FEDERATION

Ministry of Budget and National Planning

FOREWORD

It is with great pleasure that I present to you the third quarter Budget Implementation Report (BIR). This is the ninth 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 had developed into a key policy tool for delivering on the objectives of government. The careful crafting and prudent implementation of the 2016 and 2017 budget were very significant 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 carefully aligned with the Economic Recovery and Growth Plan (ERGP) designed to ensure the reestablishment of the Nigerian economy to the path of strong 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 (BOF) to prepare periodic Budget Implementation Reports (BIRs). These Reports are expected to be submitted to the Joint Finance Committee of the National Assembly (NASS) and the Fiscal Responsibility Commission (FRC). They are also to be widely disseminated to other stakeholders and the general public through electronic and other media. I applaud 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 encouraging best practices in public financial management, and I look forward to the continued strengthening of our cooperative work in this regard.

Finally, I enjoin the readers of the budget implementation reports, to uphold active interest in government public financial management in Nigeria. I also encourage you to use the various medium provided by government to contribute towards the entrenchment of credible and effective budgeting system and therefore budgetary outcomes for the benefit of all Nigerians.

Sen. Udoma Udo Udoma
Honourable Minister of Budget and National Planning

PREFACE

Pursuant to Section 30 of the *Fiscal Responsibility Act, 2007,* the Budget Office of the Federation (BOF) carries out quarterly monitoring and evaluation of the implementation of the Annual Budgets and produces the report thereof. This Third Quarter Budget Implementation Report is one of many in-year reports 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 significantly to encourage budget transparency and credibility as key components of Nigeria's commitment to the Open Government Partnership (OGP).

Budget implementation in Nigeria is presently undergoing transformational changes in terms of preparation, execution, monitoring and evaluation. Critical reform initiatives have continued to be applied leading to the budget increasingly being an important tool for delivery of government objectives. In this regard, despite the socio-economic challenges that continued to face the Nigerian economy, government was able to deliver ₦370.13 billion capital budget expenditure in the third quarter of 2017. This significantly contributed to the positive GDP growths witnessed in the second and third quarters of the year after a spell of five consecutive negative growths. The sustenance and consolidation of these reform initiatives are therefore the driving force of the 2017 budget implementation.

The execution of the 2017 Budget in the third quarter of the year was very challenging in numerous fronts, mainly due to the extension of the 2016 capital budget to 5th May, 2017, effectively halting the execution of the 2017 capital budget until the tail-end of the second quarter 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. However, the government had continued to meet its non-discretional expenditures.

This Report is the outcome of joint efforts of financial and statistical agencies of government which provided necessary macro-economic data. I am very 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 congratulate 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)

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A/C: *Account*

AIE: *Authority to Incur Expenditure*

AF: *Alternative Funding*

B: *Billion*

BDC: *Bureau De-Change*

BOF: *Budget Office of the Federation*

BREXIT: *Britain Exist*

CBN: *Central Bank of Nigeria*

CIT: *Company Income Tax*

DMO: *Debt Management Office*

ECA: *Excess Crude Account*

EMDEs: *Emerging Markets and Developing Economies*

EMEs: *Emerging Markets Economies*

FAAC: *Federation Account Allocation Committee*

FGN: *Federal Government of Nigeria*

FMF: *Federal Ministry of Finance*

GDP: *Gross Domestic Product*

IMF: *International Monetary Fund*

INEC: *Independent National Electoral Commission*

JVC: *Joint Venture*

LNG: *Liquefied Natural Gas*

M2: *Money Supply*

MB&NP: *Ministry of Budget and National Planning*

MBPD: *Million Barrels Per Day*

MDAs: *Ministries, Departments and Agencies*

MPR: *Monetary Policy Rate*

MTFF: *Medium Term Fiscal Framework*

N: *Naira*

NBS: *National Bureau of Statistics*

NDDC: *Niger Delta Development Commission*

NHRC: *National Human Rights Commission*

NJC: *National Judiciary Commission*

NNPC: *Nigerian National Petroleum Corporation*

NTB: *Nigerian Treasury Bills*

OAGF: *Office of the Account General of the Federation*

ONSA: *Office of National Security Adviser*

OPEC: *Organization of Petroleum Exporting Countries*

OTC-FMDQ-OTC: *Over the Counter Financial Market Dealer Quotation*

PCC: *Public Complaint Commission*

PPT: *Petroleum Profit Tax*

PSC: *Production Sharing Contracts*

SC: *Service Contracts*

SWF: *Sovereign Wealth Fund*

TSA: *Treasury Single Account*

UBEC: *Universal Basic Education Commission*

US: *United States*

VAT: *Value Added Tax*

WEO: *World Economic Outlook*

ZBB: *Zero Base Budgeting*

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EXECUTIVE SUMMARY

The 2017 budget was prepared at a time the Nigerian economy was experiencing recession. The global economy was however showing signs of recovery at the time especially in oil price which is the major source of revenue and foreign exchange for the nation. The 2017 Budget was therefore themed “Budget of Recovery and Growth” as its emphasis is on driving restoration of robust, inclusive and sustainable growth of the Nigerian economy. This, as well as the expected efficiency measures, informed the anticipated increases in revenue inflow to the government and was also replicated in higher spending outlay to help hasten the revamp of the economy.

The Nigerian economy therefore emerged from recession in the second quarter of 2017 with a GDP growth of 0.72 percent. This was sustained with a GDP growth of 1.4 percent (year-on-year) in the third quarter of 2017. The GDP growth in the third quarter of 2017 was 3.74 percent points higher than the -2.34 percent recorded in the corresponding quarter of 2016 and 0.68 percentage points above the 0.72 percent recorded in the preceding quarter.

Inflationary pressures in the economy, although still very high, continue to moderate in the third quarter of 2017, following similar pattern with that of the preceding quarter. Headline inflation (year-on-year) declined for the eight consecutive months by September 2017, falling slightly from 16.1 percent in June to 16.05 percent, 16.01 percent and 15.98 percent in July, August and September 2017 respectively. Core inflation also moderated downward from 12.46 percent in June 2017 to 12.21 percent in July, but rose slightly to 12.3 percent in August before falling again to 12.12 percent in September 2017. On the other hand, food inflation index rose marginally from 19.91 percent in June to 20.28 percent in July, fell slightly to 20.25 percent in August before rising again to 20.32 percent in September 2017.

Monetary aggregates declined in the third quarter relative to the second quarter of 2017. Broad Money (M2) decreased by ₦26.59 billion (or 0.12 percent) from ₦21,980.58 billion in June to ₦21,953.99 billion in September 2017. The development in M2 is largely due to the 0.92 percent contraction in Net Domestic Credit (NDC) despite the significant expansion of both the

Net Foreign Asset (NFA) by 18.69 percent and the Other Assets Net (OAN) by 9.89 percent in September 2017. The contraction in Net domestic credit (NDC) was mainly driven by the decline in Net credit to government sector which fell by ₦287.08 billion (or 5.47 percent) from ₦5,250.49 billion in June to ₦4,963.41 billion in September 2017. Net Credit to Private Sector however, increased by ₦35.95 billion (or 0.16 percent) from ₦21,985.95 billion in June to ₦22,021.90 billion in September 2017.

The Central Bank of Nigeria (CBN) retained a Monetary Policy Rate (MPR) of 14 percent in the review period, thus the rate had remained constant since the second half of 2016. Other key monetary policy instruments were equally upheld during the review period as the Cash Reserve Ratio (CRR) and the Liquidity Ratio remained at 22.5 percent and 30 percent respectively. The high MPR was consistent with the tight monetary stance of Government and also based on the expectations that easing it would further pull the real interest rate down into negative territory. It was also largely premised on the need to protect the stability achieved in the foreign exchange market, moderate the rate of price increases, maintain adequate banking system liquidity level and also attract higher foreign investment inflow to support the foreign exchange market and economic activity.

Appreciable convergence between the rates at the Bureau-De-Change (BDC) and the Nigeria Autonomous Foreign Exchange (NAFEX) segments, as well as the stability of the exchange rate at the inter-bank segment of the foreign exchange market were therefore achieved during the review period. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets remained constant at a monthly average of ₦305.72/US$ in June and July before depreciating slightly to ₦305.86/US$ and ₦305.89/US$ in August and September 2017 respectively. Similarly, the monthly average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) remained constant at ₦366.25/US$ in June and July before appreciating slightly to ₦365.38/US$ and ₦365.55/US$ in August and September 2017 respectively.

The nation's gross official (external) reserve increased at the end of the third quarter of 2017. It rose from US$30.34 billion at the end of June to US$33.16 billion in September 2017 representing an increase of US$2.82 billion (or 9.29 percent). This also, could finance over six (6) months of imports cover which is well above the international threshold of 3-months import cover.

Total public debt stock as at 30th September, 2017 stood at US$66,634.27 million (₦20,373.43 billion) representing an increase of US$2,440.14 million (₦736.45 billion or 3.75 percent) when compared to the US$64,194.13 million (₦19,636.98 billion) recorded at the end of June 2017. The breakdown consisted of US$15,352.13 million (₦4,693.91 billion or 23.04 percent) for external debt while the balance of US$51,282.14 million (₦15,679.52 billion or 76.96 percent) was for domestic debt stock. This translates to a net present value of total public Debt/GDP ratio of 19.1 percent as at the end of September 2017 which was below the country specific threshold of 19.39 percent and international threshold of 56 percent for comparative countries.

The implementation of the budget in the third quarter of 2017 continued to be adversely affected by the poor revenue outturn as oil production and exports remained below the Budget estimates while the performance of the economy, though improving, continued to impact negatively on non-oil revenue. The price of crude oil at the international market averaged US$52.09 per barrel in the third quarter, representing an increase of US$7.59 per barrel or 17.06 percent above the US$44.5 per barrel oil price benchmark for the 2017 Budget. This could be ascribed to the increase in demand of oil at world market and the implementation of OPEC agreement to cut down crude oil production. Domestic crude oil production however lagged at an average of 1.99 mbpd as at September 2017.

Revenue shortages therefore persisted with Gross Oil Revenue of ₦1,270.62 billion in the third quarter of 2017. This translate to a ₦62.99 billion or 4.72 percent shortfall below the quarterly budget but was significantly above the ₦798.49 billion generated in the corresponding period of 2016. Gross non-oil revenue of ₦952.97 billion received in the third quarter of 2017 also signifies a shortfall of ₦111.83 billion (or 10.5 percent) below the quarterly estimate of ₦1,064.80 billion. A breakdown of the non-oil revenue items showed that with the exception of Company Income Tax all other non-oil revenue items fell below their expected quarterly projections. The net distributable revenue to the three tiers of government after cost deductions therefore stood at ₦1,596.56 billion in the third quarter of 2017, representing a shortfall of ₦531.71 billion (or 24.98

percent).

A total of ₦728.81 billion, excluding other funding sources, was received to fund the budget in the third quarter of 2017. This comprises ₦335.81 billion or 46.08 of oil revenue and ₦393.0 billion or 53.92 percent of non-oil revenue. The aggregate revenue receipt for the period was ₦542.30 billion or 42.66 percent lower than the quarterly projection but ₦222.42 billion or 43.92 percent higher than the ₦506.39 billion reported in the second quarter of 2017. It was also ₦211.67 billion or 40.93 percent above the ₦517.14 billion recorded in the third quarter of 2016. Total inflow for funding the FGN 2017 budget stood at ₦930.47 billion indicating a shortfall of ₦340.65 billion or 26.8 percent of the prorata budget estimate for the period.

Actual expenditure outlay in the third quarter of 2017 stood at ₦1,685.71 billion, indicating a shortfall of ₦174.58 billion or 9.38 percent of the prorata budget estimate for the period. It was however ₦585.80 billion or 53.26 percent higher than the expenditure level recorded in the second quarter of 2017. Total non-debt recurrent expenditure of ₦616.11 billion was spent in the third quarter of 2017 implying a decrease of ₦131.62 billion or 17.6 percent below the quarterly estimate of ₦747.73 billion. It was also below the level of expenditure for the sub-head of ₦686.22 billion reported in the second quarter of 2017 by ₦70.11 billion or 10.22 percent. Statutory Transfer was also allocated a total sum of ₦79.37 billion in the review period.

Total Debt Services in the third quarter of 2017 stood at ₦613.21 billion indicating an increase of ₦197.24 billion or 47.42 percent from the ₦415.97 billion projected for the quarter. All the amount spent was used for domestic debt servicing while nothing was spent for external debt servicing during the period under review. The whole amount used for domestic debt servicing revealed a difference of ₦241.21 billion or 64.84 percent above its quarterly projection.

The analysis of Capital Performance for MDAs as at 30th September, 2017 showed that only ₦377.02 billion was released and cash backed to MDAs for their 2017 capital projects and programmes implementation. The poor release was due to the late passage of the 2017 Appropriation Bill, the extension of the implementation of the 2016 capital budget to 5th May, 2017, as well as the shortfall in expected revenue.

The revenue and expenditure outturn of the Federal Government resulted in a fiscal deficit of ₦755.24 billion in the third quarter of 2017. This was ₦166.06 billion (or 28.19 percent) higher than the projected quarterly deficit of ₦589.18 billion. It was also higher than the fiscal deficit of ₦144.98 billion recorded in the second quarter of 2017. The deficit was financed to the tune of ₦777.59 billion in the third quarter of 2017. This comprises ₦421.98 billion, ₦350.00 billion and ₦5.62 billion of external borrowings, domestic borrowings and miscellaneous credits respectively. This also reflects a positive net financing of ₦22.35 billion in the period under review.

Generally, the nation's economy recorded another positive growth of 1.4 percent in the third quarter of 2017, the second consecutive quarterly growths in real GDP following five quarters of contraction. This implies that the Nigerian economy had sustained the exit from recession which started in the first quarter of 2016 and ended in the second quarter of 2017. However, revenue challenges remains and budget implementation in the last quarter of the year needed to be given greater consideration especially in areas of funding the capital projects and programmes so as to sustain and improve the performances recorded during the review period. Legacy factors including infrastructure gap, particularly power supply; general poor business environment; as well as insecurity in parts of the country needs to be addressed.

1.0 INTRODUCTION

The 2017 budget was prepared at a time the Nigerian economy was experiencing recession while the global economy was showing signs of recovery especially in oil price which is the major source of revenue and foreign exchange for the nation. The Budget was themed “Budget of Recovery and Growth” as its emphasis is on driving restoration of robust, inclusive and sustainable growth of the Nigerian economy. This, as well as the expected efficiency measures, led to the increase in the anticipated revenue inflow to the government and was also replicated in higher spending outlay to help hasten the revamping of the economy.

The Budget was therefore closely linked with the Economic Recovery and Growth Plan (ERGP) which aims to achieve sustained inclusive growth of the Nigerian economy through the provision of infrastructure, optimizing the use of local content and empowering local businesses. In order to ensure that Government expenditures are linked to its strategic plan objectives, the 2017 Budget continued with the zero-based budgeting system which was introduced in 2016. The Budget also serves as a tool that will advance the partnership between the public and private sectors as well as help to attract resources that will stimulate economic growth. This will be carried out through well aligned and articulated fiscal, monetary and trade policies that will facilitate and support economic activities.

The Budget was equally developed to serve as an instrument that will advance the present administration’s ongoing reforms to enhance the efficiency of the management of the oil and gas resources. In doing this, oil revenues will be used to revive the agriculture and industrial sectors of the economy with focus on optimizing the fiscal regime of the oil production in Nigeria for enhanced benefit for the country. This strategy is expected to boost oil exploration and production activities at a steady minimum target of 2.2 million barrels per day and consequently an enhanced government revenue.

Agriculture remained the main trust of Government’s efforts in diversifying the economy with the sector's allocation being complemented by the current productivity-boosting intervention funding which is given at a single digit interest rate. Consequently, agricultural policy and the budget focused more at the integrated development of the agricultural sector by easing access to inputs, improved market, providing equipment and storage as well as supporting the development of commodity exchanges. Working in close partnership with the organized private sector, importance was placed on industrialization and supporting SMEs through the improvement of existing, as well as the development of new Export Processing and Special Economic Zones. Prominence was also committed to integrated water resource management and matters concerning the environment.

The federal government in conjunction with the states and private sector are doing the needful to improve the skills of the labour force, especially among young people so as to enable the creation of high quality and sustainable jobs. The government also intend to increase healthcare coverage through support to primary healthcare centres and the expansion of the National Health Insurance Scheme. Adequate measures were also in place to curtail the cost of governance through efficiency measures such as restricted travel costs, sitting allowances, and elimination of ghost workers, among others.

Other key initiatives of the 2017 Budget included among others: focus on critical on-going infrastructure projects such as roads, railways, power, and ICT, that would have quick positive effects on the economy; utilizing Special Economic Zones and Industrial Parks as vehicles to fast-track domestic economic activities for innovation and wealth creation; and contributing to food security as well as creating platform for agro-businesses in agriculture supply chains through the Agriculture Green Alternative Plan; etc. In view of these, capital expenditure in the 2017 budget was 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 2017 Budget, therefore, represents a major step in delivering on the present Administration's desired goals through strong partnerships across the arms of government and between the public and private sectors to create comprehensive growth. It is designed to improve the processes of re-balancing the economy, exiting recession and protecting it from future external and internal shocks. The implementation is however being hindered by the late passage of the budget and shortfalls of projected revenue inflows.

This Report provide comprehensive information on the status of the implementation of the 2017 Budget in the third quarter of the year. The Report is arranged as follows: Following this, introductory section, section 2 reviews the macroeconomic performance, highlighting performance of the real, monetary and external sectors. Section 3 provides an analysis of government's revenue receipts and expenditure in the quarter under review, while section 4 is a brief conclusion of the Report.

2.0 MACROECONOMIC DEVELOPMENTS AND ANALYSIS

2.1 Performance of the Global Economy

Global cyclical upturn continued to strengthen with world GDP forecast to grow 0.1 percentage points higher than 3.6 percent and 3.7 percent previously projected for 2017 and 2018 respectively. The recovery is driven by notable pickups in investments, trade, and industrial production supported by strengthening business and consumer confidence. The broad upward revisions to growth forecast was undertaken after the stronger than expected growth in quarter one of 2017, notable in Euro Area, China, Japan, Emerging Euro and Russia. These more than offset downward revisions of growth in US, UK and India. Growth however remain weak in many countries even though baseline outlook is better.

Global commodity prices weakened between February and August 2017 especially for oil product which experienced an 8.1 percent fall over the period. The decline in oil prices over the period was on higher US shale oil production, higher than expected recovery in production in Libya and Nigeria, and higher exports from OPEC countries even with the cut in production. Prices have however strengthened towards the end of the third quarter. Natural gas and agricultural product prices equally declined while coal and metal prices increased over the period.

Inflation have softened with the diminished impact of the oil price rebound in late 2016 and the recent fall in major commodity prices exerting downward pressure on general prices. Consumer confidence have also diminished especially in EMDEs and core inflation have particularly failed to increase in advanced economies even with higher domestic demand and lower unemployment. Nominal wage growth was muted reflecting low growth in productivity but also spare capacity. Inflation was also impacted by diminished pass-through effect of exchange rate depreciation in EMDEs and country specific factors including one-off price drop in India and excess capacity in Brazil.

Market sentiments remain strong coupled with low financial market volatility even as US fiscal easing diminished while monetary policy stance remained broadly unchanged. Equity earnings continued to rise in both the AEs and the EMDEs while the US dollar weakened in real effective terms. Capital flow to emerging market therefore remained resilient and continued to recover.

World output is therefore projected to increase from 3.2 percent in 2016 to 3.6 percent and 3.7 percent in 2017 and 2018 respectively with pickup expected for all regions except the Middle East. AEs' growth rate was revised upward to 2.2 percent in 2017 from 1.7 percent in 2016 given more than expected growth performance in the first three quarters of 2017. Outlook for the group improved but growth was still being held back by persisting slacks including weak productivity growth, and rising old-age dependency ratio.

Strong growth increases of 4.6 percent and 4.9 percent in 2017 and 2018 is forecast for EMDEs from 4.3 percent in 2016. This reflect a positive revision on expectations of stronger activities in China and Emerging Europe. Growth in the group is however driven by commodity exporters including Russia and Brazil that experienced macroeconomic strains during 2015 to 2016. Prospects for many EMDEs remain lackluster with several experiencing stagnant per capita incomes especially for fuel exporters who continued to adjust to lower commodity revenues.

Global fiscal policy is projected to remain neutral in 2017 and 2018 with variations across countries but moderate policy tightening is projected for AEs in 2018. Financial conditions are projected to remain accommodative as easing of lending condition in major economies are expected to offset the anticipated rising in long-term interest rates, while the normalization in US and UK are expected to proceed without triggering strong financial market volatility. Commodity prices are also expected to firm-up in 2017 before slightly falling in 2018.

Risks are therefore broadly balanced in the short-term but skewed to the downside in the medium term. Growths are projected to increase in the short term on stronger confidence and market conditions but setbacks including policy uncertainty and other shocks are possible. Medium term growth would be shaped by ability to tackle financial challenges, prevent sharp downturn in China, maintain stronger financial stability buffers for many countries, avoid persistent low inflation in AEs as well as minimized non-economic risks including geopolitical tensions and conflicts.

Reform opportunities include structural reforms that aligns with growth friendly fiscal policies and ensures that public debts are placed on sustainable path, accommodative monetary policies in AEs, supportive monetary policy in countries with low fiscal space, exchange rate flexibility, improved governance and investment climate and growth enhancing reforms including durable fiscal adjustments and reduced financial vulnerabilities in developing countries, among others.

2.2 Domestic Macroeconomic Performance

The nation's economy recorded another positive growth of 1.4 percent in the third quarter of 2017. This represents the second consecutive quarterly growth in real GDP following five quarters of contraction and implies that the Nigerian economy remained out of recession that started in the first quarter of 2016 and ended in the second quarter of 2017. This development followed a revised GDP growth of 0.72 percent reported in the second quarter of 2017. Quarter on quarter, real GDP grew by 8.97 percent. While year to date real GDP growth stood at 0.43 percent. Overall, the economy had begun to show strong signs of recovery as public investment had picked up with increased housing construction at the federal and state levels, as well as shipping activities at the ports. The emergence of the Nigerian economy from the recession is encouraging but the desired growth target is yet to be achieved therefore, complementary fiscal and monetary policies are required to sustain and advance the growth momentum.

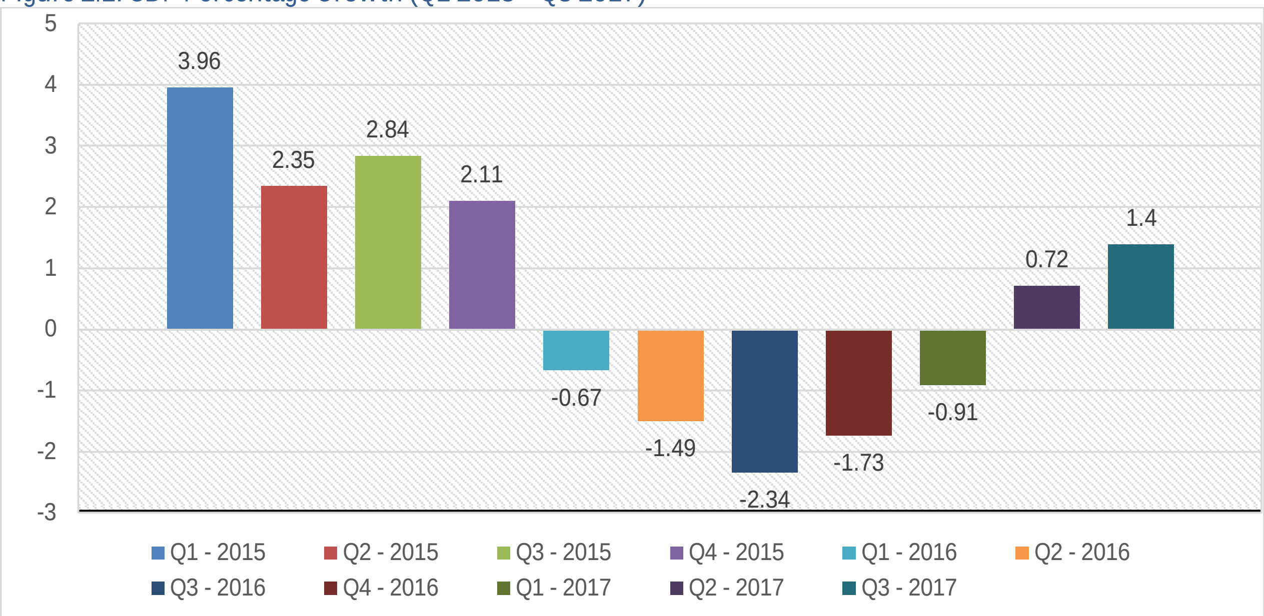
2.2.1 Developments in Real Sector

2.2.1.1 GDP Growth:

Data from the National Bureau of Statistics (NBS) showed that the nation's economy had officially emerged from recession after recording another positive GDP growth in the third quarter of 2017. The nation's Gross Domestic Product (GDP) grew by 1.4 percent (year-on-year) in real terms in the third quarter of 2017. The GDP growth in the third quarter of 2017 was 3.74 percentage points higher than the -2.34 percent rate recorded in the corresponding quarter of 2016 and 0.68 percent points above the 0.72 percent recorded in the preceding quarter. This was a revised GDP numbers from the 0.55 percent earlier estimated for the quarter following revisions of oil output by NNPC and hence a revision to Oil GDP.

Aggregate GDP stood at ₦29,451,303.99 million in nominal terms, in the quarter under review which was higher when compared to ₦26,537,651.01 million recorded in the third quarter of 2016, resulting in a Nominal GDP growth of 10.98 percent. This growth was also higher than the 9.15 percent growth reported in the third quarter of 2016.

Figure 2.1: GDP Percentage Growth (Q1 2015 – Q3 2017)

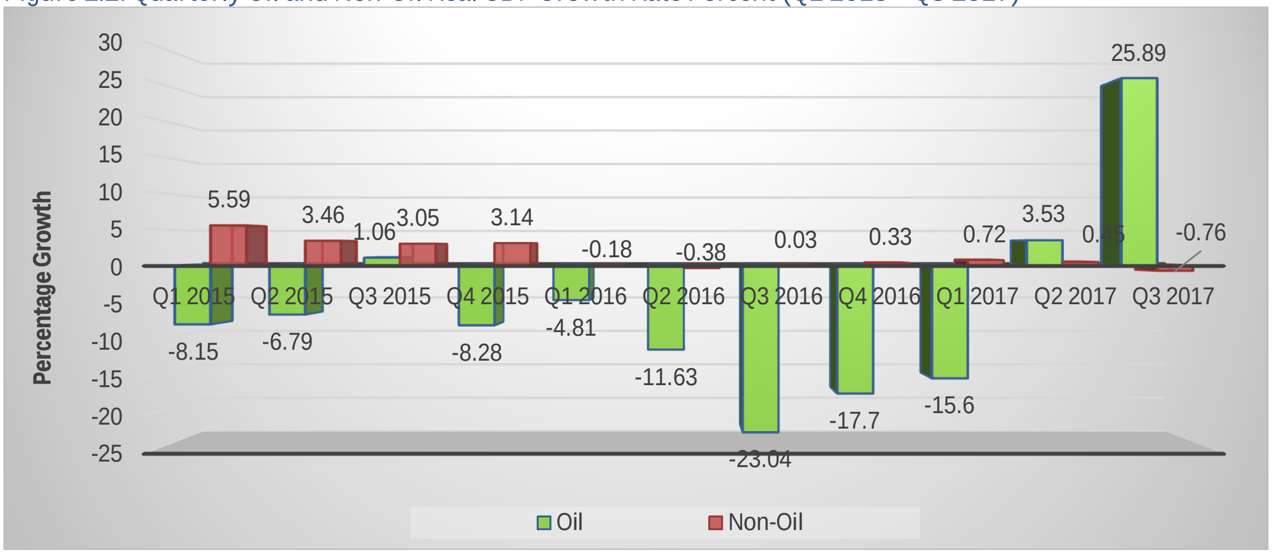


Source: National Bureau of Statistics, 2017

2.2.1.2 Oil Sector:

Real growth of the oil sector was 25.89 percent (year-on-year) in the third quarter of 2017. This represents an increase of 48.92 percent relative to the rate reported in the corresponding quarter of 2016. Growth also increased by 22.36 percent when compared to the second quarter of 2017 which was revised from 1.64 percent to 3.53 percent. Quarter- on - Quarter, the oil sector grew by 21.1 percent in the third quarter of 2017. As a share of the economy, the oil sector contributed 10.04 percent of total real GDP in the third quarter of 2017, as against 8.09 percent and 9.04 percent contributions reported in the corresponding period of 2016 and the preceding quarter of 2017 respectively.

Figure 2.2: Quarterly Oil and Non-Oil Real GDP Growth Rate Percent (Q1 2015 – Q3 2017)



Source: National Bureau of Statistics, 2017

2.2.1.3 Non-Oil Sector:

The non-oil sector grew by -0.76 percent in real terms during the quarter under review. This was lower by -0.79 percent point when compared to the rate recorded in the same quarter of 2016 and -1.21 percent point lower than in the second quarter of 2017. The major contributors to the poor performance of the sector was the negative growths in about 25 sub-sectors particularly in Trade, Telecommunications and Oil Refining. The agriculture sector (crop), other services and electricity, gas, steam and air conditioning supply all recorded positive growths to minimize the negative growth of the non-oil sector. The contribution of the non-oil sector remained robust at 89.96 percent of the nation's GDP but this was lower than the 91.91 percent and 90.96 percent contributions in the third quarter of 2016 and in the second quarter of 2017 respectively.

The agricultural sector in the third quarter of 2017 grew by 3.06 percent (year-on-year) in real terms thereby depicting a decrease of -1.47 percentage points from the corresponding period of 2016 and an increase of 0.05 percentage points over the preceding quarter of 2017. The sector in the current quarter contributed 29.15 percent to overall GDP in real terms which was higher than the 28.68 percent and 22.93 percent contributions recorded in the third quarter of 2016 and second quarter of 2017 respectively.

The crop production sub-sector grew by 12.5 percent year-on-year in nominal terms, showing an increase of 5.13 percentage points over the corresponding quarter of 2016 but declined slightly by -0.03 percentage points when compared to the growth rate of 12.53 percent recorded in the preceding quarter of 2017. Crop Production remains the major driver of the sector as it accounts for 91.97 percent of overall nominal growth of the sector. The sub-sector also contributed 24.44 percent to nominal GDP in the third quarter of 2017. This was higher than the 24.11 percent and 19.28 percent rates reported in the corresponding quarter of 2016 and the preceding quarter of 2017 respectively.

The modest growth of the economy was attributed to fiscal injections from the implementation of the Economic Recovery and Growth Plan (ERGP), and enhanced supply of foreign exchange arising from improved crude oil prices. Although the recovery is expected to strengthen in the short to medium term, the economy remains in danger of relapsing into a more prolonged recession if solid and appropriate monetary and fiscal policies that are already in place are not continued. 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 persistently. Additional releases of funds for the implementation of the 2017 capital projects/programmes is also required to boost aggregate demand and employment.

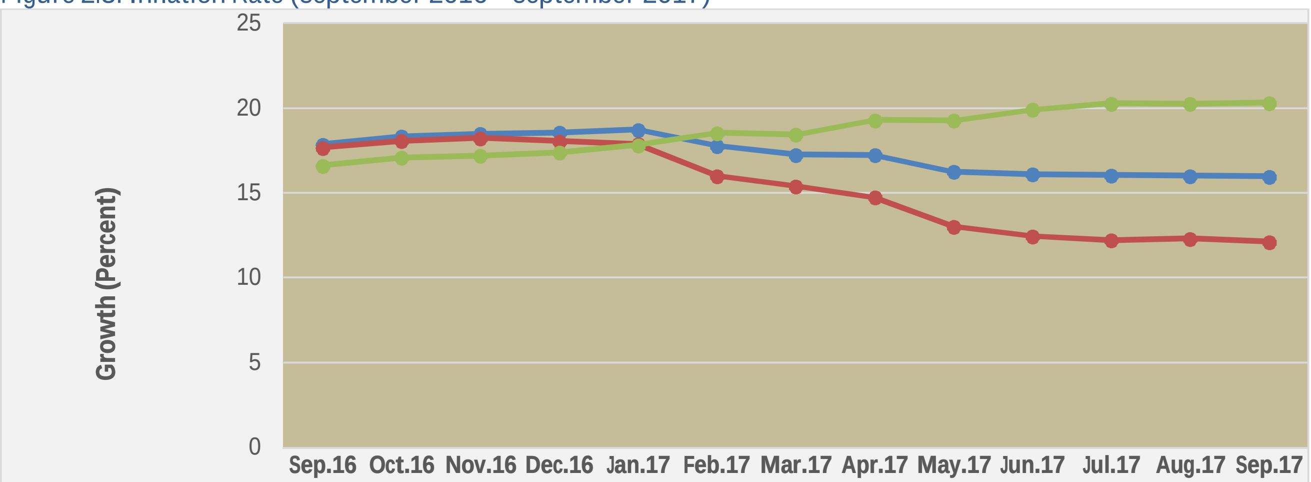
2.2.2 Developments in Prices

Inflationary pressures in the economy, although still remained very high, continue to moderate in the third quarter of 2017, following similar pattern with that of the preceding quarter. Headline inflation (year-on-year) declined for the eight consecutive month in September 2017, falling slightly from 16.1 percent in June to 16.05 percent, 16.01 percent and 15.98 percent in July, August and September 2017 respectively. The 15.98 percent inflation rate recorded at the end of the third quarter of 2017 was equally lower than the

17.85 percent reported at the end of the same quarter of 2016.

Core inflation also moderated downward from 12.46 percent in June 2017 to 12.21 percent in July, rose slightly to 12.3 percent in August before falling again to 12.12 percent in September 2017. On the other hand, food inflation index rose marginally from 19.91 percent in June to 20.28 percent in July, fell slightly to 20.25 percent in August before rising again to 20.32 percent in September 2017. The development in the inflation rates was attributed to the contraction in money supply, decline in imported food and non-food prices as well as the base effect.

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



	Sep.16	Oct.16	Nov.16	Dec.16	Jan.17	Feb.17	Mar.17	Apr.17	May.17	Jun.17	Jul.17	Aug.17	Sep.17
Headline Inflation	17.85	18.33	18.48	18.55	18.72	17.78	17.26	17.24	16.25	16.1	16.05	16.01	15.98
Core Inflation	17.67	18.07	18.24	18.05	17.87	16.01	15.4	14.75	13.02	12.46	12.21	12.3	12.12
Food Inflation	16.62	17.09	17.19	17.39	17.82	18.53	18.44	19.3	19.27	19.91	20.28	20.25	20.32

Source: National Bureau of Statistics, 2017

The high food inflation was traceable to rising prices of farm inputs and supply shortages, intermittent clashes between farmers and herdsmen, as well as weak harvest, due to increased flooding of farmlands. This has resulted in public apprehensions on the sustained pressure on food prices with notable risks posed by floods, and insurgencies in various parts of the country to food production and distribution.

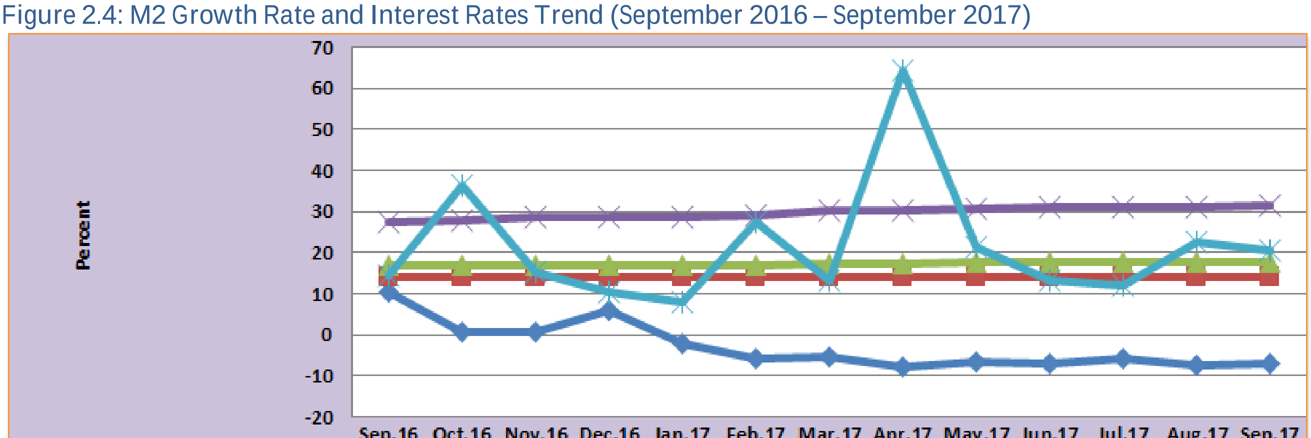
2.2.3 Developments in Money Market

Monetary aggregates declined in the third quarter relative to the second quarter of 2017. Broad Money (M2) decreased by ₦26.59 billion (or 0.12 percent) from

₦21,980.58 billion in June to ₦21,953.99 billion in September 2017. Similarly, M1 contracted in September 2017. The development in M2 is largely due to the contraction in Net Domestic Credit (NDC) despite the significant expansion in both the Net Foreign Asset (NFA) by 18.69 percent and the Other Assets Net (OAN) by 9.89 percent in September 2017. The contraction in Net domestic credit (NDC) was driven majorly by the contraction of Net Credit to Government (NCG), which offset the marginal growth of Credit to Private Sector(CP).

Net Domestic Credit declined by ₦251.12 billion (or 0.92 percent) from ₦27,236.43 billion in June to ₦26,985.31 billion in September 2017. This was driven by the decline in Net credit to government sector which fell by ₦287.08 billion (or 5.47 percent) from ₦5,250.49 billion in June to ₦4,963.41 billion in September 2017. Net Credit to Private Sector however, increased by ₦35.95 billion (or 0.16 percent) from ₦21,985.95 billion in June to ₦22,021.90 billion in September 2017. The contraction in the growth of monetary aggregates replicate the monetary policy tightening of government and this assisted in restricting high inflation and exchange rate depreciation (figures 2.4).

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



	Sep.16	Oct.16	Nov.16	Dec.16	Jan.17	Feb.17	Mar.17	Apr.17	May.17	Jun.17	Jul.17	Aug.17	Sep.17
M2 Growth Rate	10.5	0.76	0.93	5.98	-2.1	-5.85	-5.46	-7.73	-6.54	-6.83	-5.92	-7.38	-6.94
MPR	14	14	14	14	14	14	14	14	14	14	14	14	14
Prime Lending Rate	17.09	17.1	17.06	17.09	16.91	17.13	17.43	17.44	17.58	17.59	17.65	17.69	17.88
Maximum Lending Rate	27.49	27.69	28.53	28.55	28.88	29.26	30.18	30.31	30.75	30.94	30.94	31.2	31.39
Inter-Bank Call Rate	14.5	36.42	15.21	10.39	8.15	27.46	13.11	64.58	21.29	13.46	12.28	22.63	20.44

Source: Central Bank of Nigeria, 2017

The Central Bank of Nigeria (CBN) retained a Monetary Policy Rate (MPR) of 14 percent in the review period, indicating that the rate had remained constant since the second half of 2016. Other key monetary policy instruments were equally left unchanged 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 expectations that easing it would further pull the real interest rate down into negative territory. It was also largely premised on the need to protect the stability achieved in the foreign exchange market, sustain the reduction in inflation 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 activities. The expansive outlook for fiscal policy in the rest of the year and the likely election related spending, which could cause a jump in system liquidity, were some of the factors that were also put into contemplation.

Money market interest rates fluctuated in tandem with the moderating level of liquidity in the banking system. The average interbank call rate declined from 13.46 percent in June to 12.28 percent in July before surging upward to 22.63 percent and 20.44 percent in August and September 2017 respectively. The average Prime Lending Rate increased slightly from 17.59 percent in June to 17.65 percent, 17.69 percent and 17.88 percent in July, August and September 2017 respectively. On the other hand, the average Maximum Lending Rate remained constant at 30.94 percent in both June and July before rising to 31.2 percent and 31.39 percent in August and September 2017 respectively. The movement in net liquidity positions and flows reflected the effects of Open Market Operation (OMO) sales; foreign exchange interventions; statutory revenue payments to states and local governments; remittances by Nigerian Customs and Federal Inland Revenue Services for FAAC meetings; and the maturity of CBN Bills.

2.2.4 Developments in the External Sector

2.2.4.1 External Trade

Total exports in the third quarter of 2017 amounted to ₦3,573.32 billion, which showed a 15.19 percent growth compared to the second quarter of the same year and a 53.85 percent growth compared to the third quarter in 2016. Total imports in the quarter under review, on the other hand, decreased to ₦2,348. 64 billion indicating a decline of 9.41 percent quarter on quarter and 4.47 percent on a year on year basis. Nigeria's aggregate trade for the third quarter of 2017 stood at ₦5,921.96 billion showing a 3.94 percent and 23.86 percent rise over the value posted in the second quarter of 2017 and third quarter of

2016 respectively. This resulted in a trade balance of ₦1,224.68 billion, more than doubled the sum of ₦506.5 billion recorded in the second quarter of 2017. It is also the first time that trade balance exceeded ₦1,000 billion since the last quarter of 2014.

Exports in the third quarter were still oil dependent. Crude oil exports recorded ₦2,971.94 billion in the third quarter and it accounted for 83.17 percent of total exports. Crude oil exports grew faster than non-crude oil exports as crude oil exports accounted for 78.18 percent in the second quarter of 2017. Non-oil products only contributed to 3.54 percent of total exports in the quarter. Nigeria's imports trade stood at ₦2,348. 64 billion in the third quarter of 2017, out of which ₦648.83 billion imports were for machinery & transport equipment accounting for 27.63 percent of total import and ₦602.89 billion imports were for Mineral fuel (or 25.67 percent).

Exports by section revealed that Nigeria exported mainly mineral products, which accounted for ₦3,475.01 billion or 97.2 percent of the total export value. The second largest component was "prepared foodstuffs; beverages, spirits and vinegar, tobacco" which contributed to ₦25.81 billion or 0.7 percent of the total exports. Nigeria also exported most products to Europe (₦1,292.94 billion), Asia (₦1,034.81 billion) and America (₦826.98 billion) in the third quarter. Value of Exports to Africa only recorded ₦367.28 billion, among which ₦114.93 billion of goods were exported to ECOWAS countries. India remained the top exporting partner for Nigeria in the quarter under review with export valued at ₦623.21 billion or 17.44 percent. Others are U.S.A, Spain, Netherland, and France, whose values stood at, ₦497.52 billion or 13.92 percent, ₦355.93 billion or 9.96 percent, ₦242.79 billion or 6.79 percent and ₦225.71 billion or 5.32 percent respectively. These five countries accounted for 54.44 percent of the total exports in the third quarter of 2017.

2.2.4.2 Balance of Payment

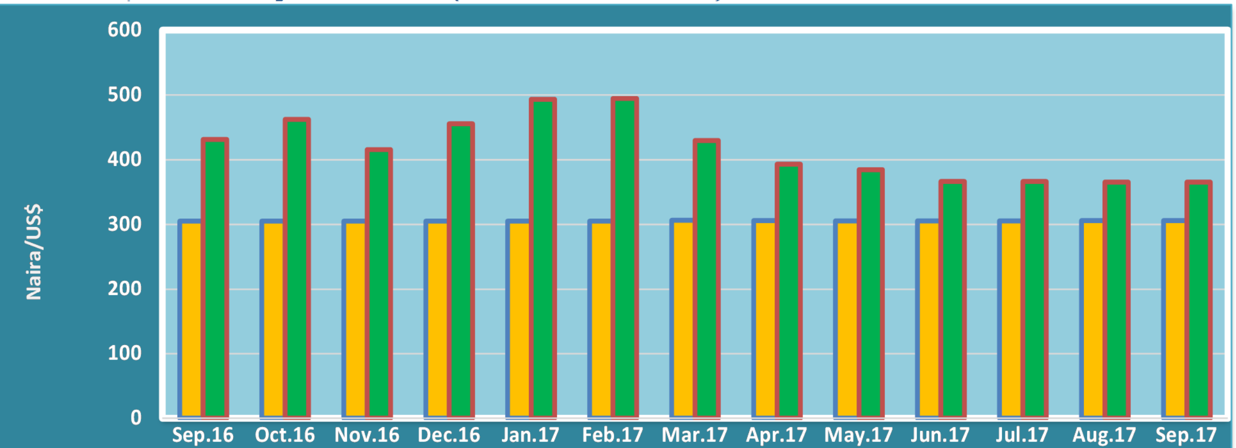
The current account recorded a surplus of US$2.29 billion during the review compared to a deficit of US$0.03 billion in the in the third quarter of 2016. The performance of the current account was due to the surplus recorded in the trade balance and increase in current transfers on account of increased remittances. The surplus in trade balance was due to the rise in exports, mainly on account of the sizeable increase in oil and gas exports during the period.

The Financial Account recorded a net incurrence of liabilities of US$3.1 billion in the third quarter of 2017 from a net incurrence of liabilities of US$7.6 billion in the corresponding period of 2016, mainly reflecting the increase in portfolio investment (net). Portfolio Investments surged to US$3.32 billion in the review period relative to US$0.79 billion in the third quarter of 2016. Other Investments and Direct Investment remained robust at US$1.04 billion and US$0.80 billion respectively in the review period. This could be attributed to increased confidence in the economy following the availability of foreign exchange and the relative stability in the foreign exchange market.

2.2.4.3 Exchange Rates

There was a notable trend towards the convergence between the rates at the Bureau-De-Change (BDC) and the Nigeria Autonomous Foreign Exchange (NAFEX) segments, as well as the stability of the exchange rate at the inter-bank segment of the foreign exchange market during the review period. Similarly, there was a remarkable success of the Investor and Exporters' window (I&E) of the foreign exchange market which is traceable not only to foreign investor confidence but also to the zeal and commitment of Nigerian exporters who have demonstrated preference for the window to the parallel market. It was observed that the I&E window has increased liquidity and boosted confidence in the market with over US$7.0 billion inflow in the last five months. It is expected that the Central Bank of Nigeria will continue to introduce policies that will improve the confidence of foreign investors in the country's macroeconomic management regime. Specifically, the Naira/Dollar exchange rate at the Official/Inter-Bank markets remained constant at a monthly average of ₦305.72/US$ in June and July before depreciating slightly to ₦305.86/US$ and ₦305.89/US$ in August and September 2017 respectively. Similarly, the monthly average exchange rate of the Naira/Dollar at the Bureau De-Change (BDC) remained constant at ₦366.25/US$ in June and July before appreciating slightly to ₦365.38/US$ and ₦365.55/US$ in August and September 2017 respectively.

Figure 2.5: Naira/US$ Exchange Rates Trend (June 2016 – June 2017)



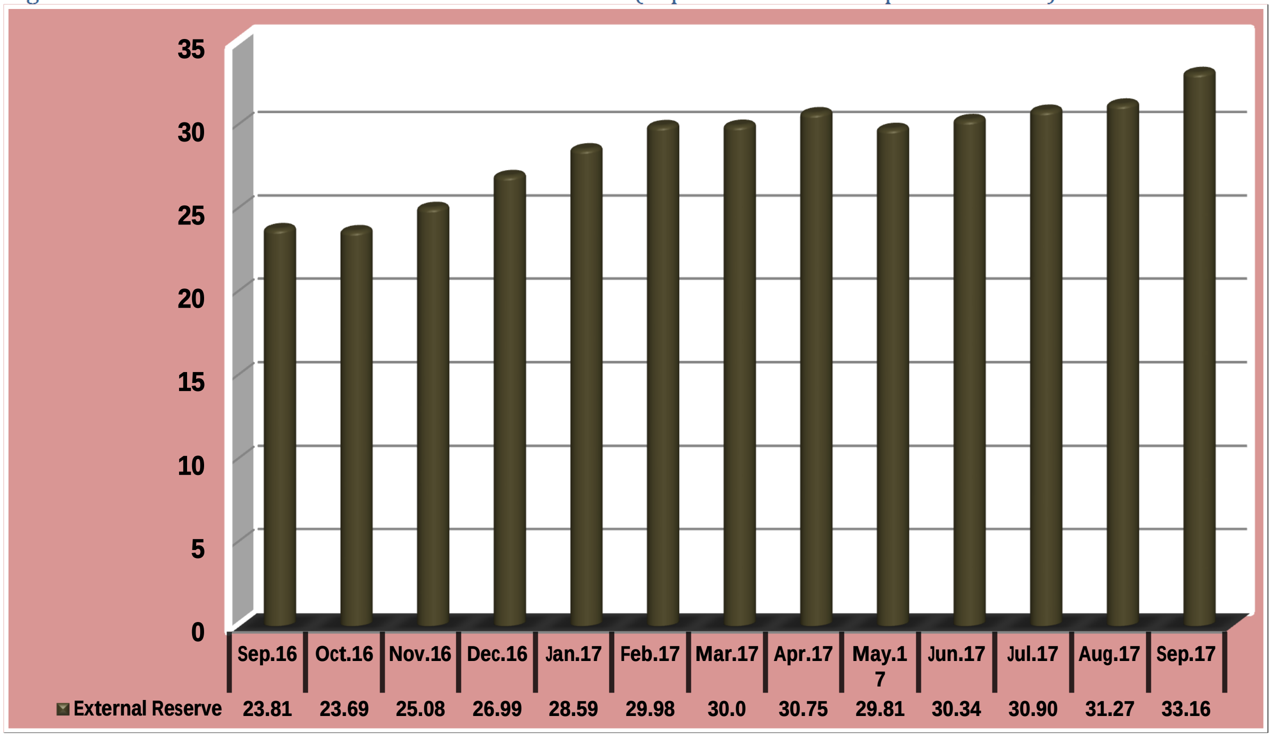
	Sep.16	Oct.16	Nov.16	Dec.16	Jan.17	Feb.17	Mar.17	Apr.17	May.17	Jun.17	Jul.17	Aug.17	Sep.17
IFEM	305.23	305.21	305.18	305.22	305.20	305.31	306.40	306.05	305.54	305.72	305.72	305.86	305.89
BDC	431.1	462.03	415.36	455.26	493.29	494.70	429.48	392.89	384.48	366.25	366.25	365.38	365.55

Source: Central Bank of Nigeria, 2017

2.2.4.4 External Reserves

Nigeria's gross official (external) reserve position continued to improve in the review period. The reserve increased at the end of the third quarter of 2017 from US$30.34 billion at the end of June to US$30.90 billion, US$31.27 billion and US$33.16 billion at the end of July, August and September 2017 respectively. This represented an increase of US$2.82 billion (or 9.29 percent) above the figure reported at the end of June 2017. Relative to the end of third quarter of 2016 level of US$23.81 billion, the external reserves at the end of third quarter of 2017 grew by US$9.35 billion (or 39.27 percent). This was sustained by a net positive growth of foreign exchange inflow in the period under review. Total foreign exchange inflows through the Central Bank of Nigeria (CBN) rose by 1.98 percent while outflows decreased by 7.03 percent in September 2017 when compared with the performance of the previous month. This improved performance was as a result of increased international remittances, inclusive of public sector and JVC payments; which rose by 58.59 percent in the period under review. The foreign reserves level as at the end of September 2017 could finance over six (6) months of imports cover which is well above the international threshold of 3-months import cover.

Figure 2.6: Level of External Reserves in Billion Dollars (September 2016 – September 2017)



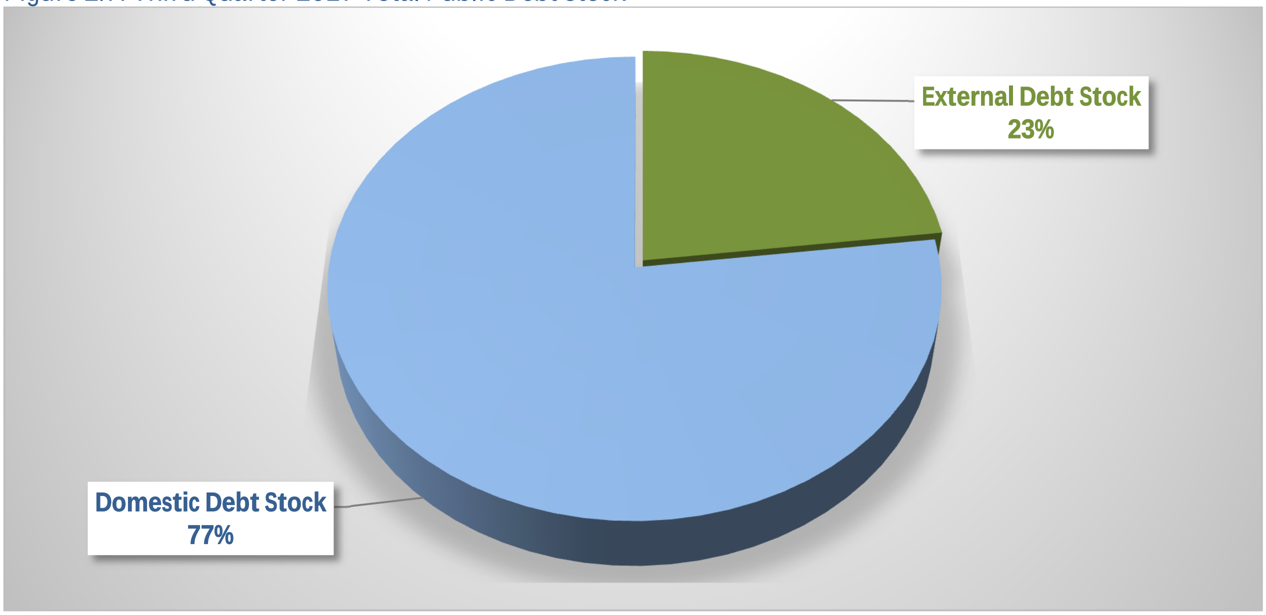
Source: Central Bank of Nigeria, 2017

2.2.5 Debt Stock

2.2.5.1 Total Public Debt Stock

The total public debt stock as at 30th September, 2017 stood at US$66,634.27 million (or N20,373.43 billion) representing an increase of US$2,440.14 million (or ₦736.45 billion or 3.75 percent) when compared to the US$64,194.13 million (or ₦19,636.98 billion) recorded at the end of June 2017. The breakdown consisted of US$15,352.13 million (or ₦4,693.91 billion or 23.04 percent) for external debt while the balance of US$51,282.14 million (or ₦15,679.52 billion or 76.96 percent) was for domestic debt stock. This translates to a net present value of total public Debt/GDP (external and domestic) ratio of 19.1 percent as at the end of September 2017. This was well below the country specific threshold of 19.39 percent and international threshold of 56 percent.

Figure 2.7: Third 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 ₦12,495.78 billion as at end-September 2017, signifying an increase of ₦462.33 billion (or 3.84 percent) above the ₦12,033.45 billion reported in the second quarter of 2017. The 2017 third quarter debt figure was also ₦1,650.56 billion (or 15.22 percent) above the ₦10,845.22 billion reported in the same period of 2016. The increase in the domestic debt stock was as a result of net issuances of FGN Bonds, Nigeria Treasury Bills, FGN Savings Bonds and a new loan, FGN Sukuk. A breakdown of the domestic debt stock as at 30th September, 2017 showed that ₦8,420.66 billion (or 67.39 percent) is for FGN Bonds, ₦3,777.83 billion (or 30.23 percent) is for Nigerian Treasury Bills (NTBs), ₦190.99 billion (or 1.53 percent) is for Treasury Bonds, ₦6.31 billion (or 0.05 percent) is for FGN Savings Bond and ₦100.0 billion (or 0.8 percent) is for FGN Sukuk.

2.2.5.3 External Debt Stock

Nigeria's external debt stock (mostly low interest funds from multilateral financial institutions) as at 30th September, 2017, stood at US$15,352.13 million signifying an increase of US$305.13 million (or 2.03 percent) and US$3,769.54 million (or 32.54 percent) above US$15,047.0 million and US$11,582.59 million recorded in the second quarter of 2017 and third quarter of 2016 respectively. A breakdown of the external debt stock as at 30th September, 2017 revealed that Multilateral Debts amounted to US$9,900.41 million (or 64.49 percent), Non-Paris Club Bilateral Debts amounted to US$2,151.72 million (or 14.02 percent) while Commercial (Euro-Bond) accounted for the balance of US$3,300.0 million (or 21.5 percent).

3.0 FINANCIAL ANALYSIS OF THE 2017 BUDGET IMPLEMENTATION

3.1 Key Assumptions and Projections

The 2017 Budget is a product of the 2017-2019 Medium Term Fiscal Framework (MTFF) which provides the medium term fiscal and general macroeconomic direction of government. Activities in the domestic and international markets were 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

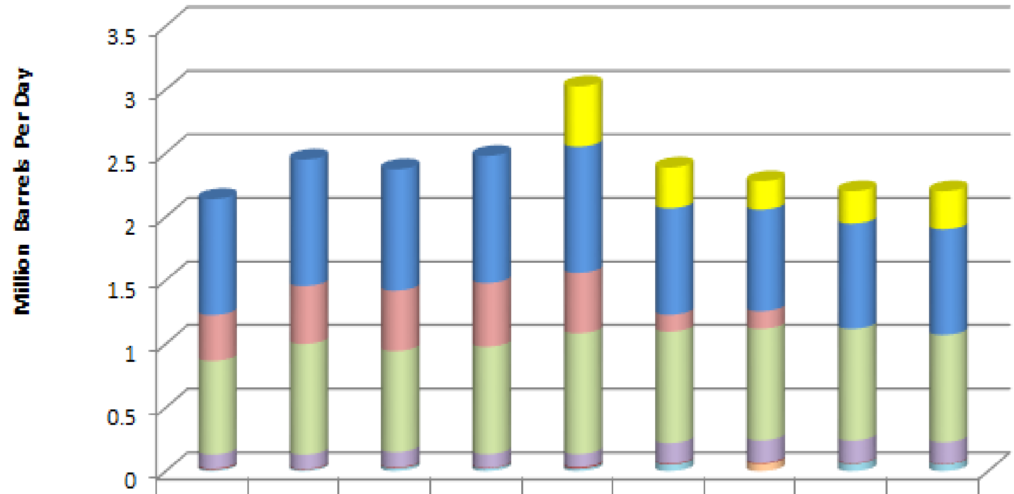
In view of the unstable nature of oil price in the world market, the Government continued to the use benchmark oil production and prices for its yearly budgets.

This was to protect 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 2.2 million barrels per day (mbpd) which is also the same level with that of the 2016 Budget.

Government policy to increase efficiency and therefore reduce cost of production in the oil sector was reflected in the fiscal framework for 2017 budget. The Technical Cost consisting of average operating and capital expenses for both Joint Ventures (JVs) and Production Sharing Contracts (PSCs) were slightly reduced in the 2017 fiscal year as against the rates in the 2016 budget. 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 representing a cost decrease of US$0.37 per barrel over the period. The average expenses for the PSC equally declined slightly to US$27.66 in 2017 from US$27.84 in 2016. These cost reductions are expected to be driven down further in the near to medium term so as 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 proposed 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



	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Modified Carry Arrangement					0.476	0.32	0.223	0.252	0.298
Joint Ventures	0.91	0.995	0.955	1	0.991	0.837	0.798	0.830	0.831
Alternative Funding	0.36	0.455	0.474	0.5	0.477	0.135	0.141	0	0
Prod. Sharing Contracts	0.736	0.868	0.793	0.843	0.947	0.875	0.876	0.878	0.843
Independents	0.113	0.115	0.122	0.11	0.104	0.16	0.176	0.176	0.168
Service Contracts	0.009	0.007	0.008	0.005	0.013	0.008	0.007	0.006	0.005
Marginal Fields	0.011	0.01	0.022	0.02	0.019	0.053	0.059	0.059	0.055

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		
Weigthed Average -JV/AF/Independent/Marginal		74%
Weigthed Average -PSC		50.20%
Weigthed Average -SC		85%
Royalties Rates		
Weigthed Average-JV/AF/Independent/Marginal		15.9%
Weigthed Average-PSC		4.5%
Weigthed Average-SC Oil		19.3%

Source: NNPC and BOF, 2017

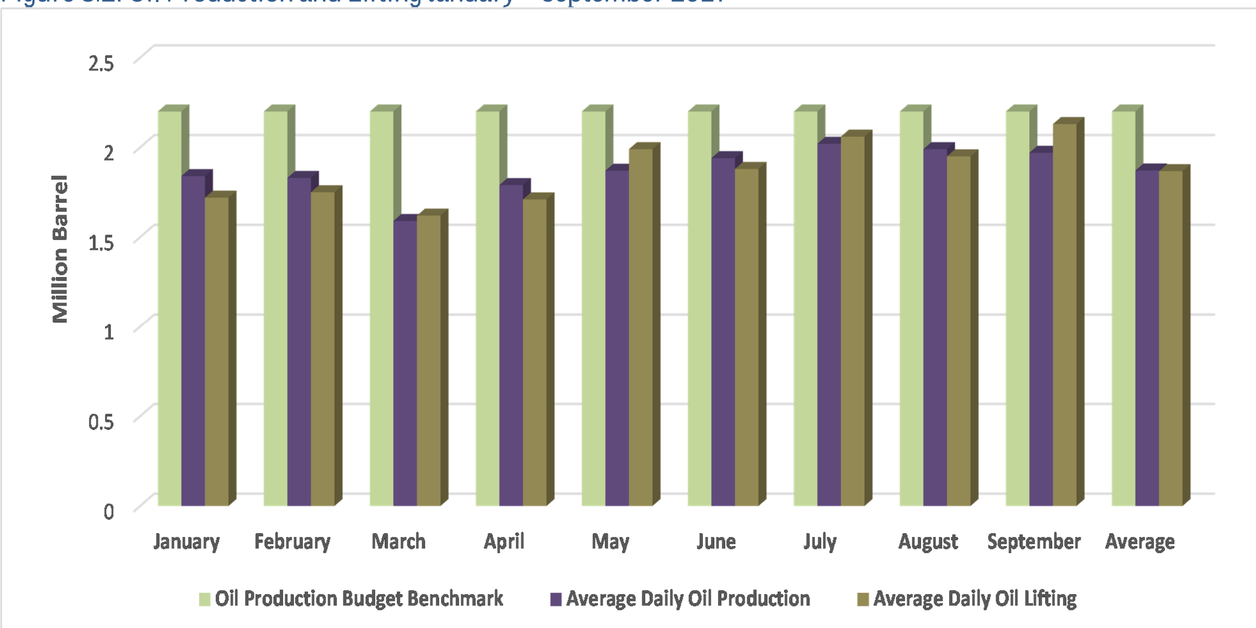
3.2 Analysis of Revenue Performance:

3.2.1 Performance of Key Oil Revenue Parameters:

The price of crude oil at the international market averaged US$52.09 per barrel in the third quarter, representing an increase of US$2.26 per barrel (or 4.54 percent) and US$6.23 per barrel (or 13.58 percent) above the US$49.83 per barrel and US$45.86 per barrel reported in the second quarter of 2017 and third quarter of 2016 respectively. It also represents an increase of US$7.59 per barrel or 17.06 percent above the US$44.5 per barrel oil price benchmark for the 2017 Budget. The rise in crude oil price during the period can be ascribed to the increase in demand of oil at world market and the greater effectiveness of the implementation of the agreement reached by OPEC member countries to cut down crude oil production.

Average oil production and lifting (including Condensates) in the third quarter of 2017 was 1.99mbpd and 2.05mbpd respectively. The average oil production figure illustrated a shortfall of 0.21mbpd (or 9.55 percent) below the 2.2mbpd projected for the 2017 Budget. The volume of oil production in the period was also 0.12mbpd and 0.39mbpd below the 1.87mbpd and 1.60mbpd recorded in the second quarter of 2017 and third quarter of 2016 respectively.

Figure 3.2: Oil Production and Lifting January – September 2017



Source: NNPC

The above translates to an average monthly oil production and lifting of 61.12million barrels and 62.75 million barrels respectively in the third 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 delays in restoration of production in areas affected by crude oil theft, illegal bunkering and pipeline vandalism.

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 projections of ₦1,333.61 billion and 1,350.66 billion in gross oil and non-oil revenue respectively. Below are the breakdown of the real performance of the oil and non-oil revenue earnings in the third quarter of 2017.

3.4 Oil Revenue Performance:

A total of ₦1,270.62 billion was realized as Gross Oil Revenue in the third quarter of 2017. This reveals a shortfall of ₦62.99 billion (or 4.72 percent) and an increase of ₦472.13 billion (or 59.13 percent) when compared with the quarterly projection of ₦1,333.61 billion and ₦798.49 billion generated in the third quarter of 2016. A breakdown of the oil revenue performance in the third quarter of 2017 showed that only Crude Oil Sales of ₦666.94 billion, Gas Flared Penalty of ₦2.18 billion, Petroleum Profit and Gas Taxes of ₦362.23 billion and Other Oil and Gas Revenue of ₦7.67 billion performed above their quarterly estimates of ₦420.82 billion, ₦1.18 billion, ₦312.21 billion and ₦1.46 billion by ₦246.12 billion (or 58.49 percent), ₦0.99 billion (or 84.12 percent), ₦50.02 billion (or 16.02 percent) and ₦6.21 billion (or 424.04 percent) respectively. The other remaining oil revenue items fell below their respective quarterly projections. Gas Sales of ₦104.24 billion, Royalties (Oil &Gas) of ₦127.18 billion and Rent of ₦0.18 billion fell below their quarterly estimates of ₦136.12 billion, ₦224.96 billion and ₦0.42 billion by ₦31.88 billion (or 23.42 percent), ₦97.78 billion (or 43.46 percent) and ₦0.24 billion (or 56.58 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 third quarter of 2017 was ₦692.40 billion, portraying a decrease of ₦401.51 billion (or 36.7 percent) below the quarterly estimated budget of ₦1,093.90 billion. Despite this, the net oil revenue inflow in the third quarter of 2017 was higher than the net oil revenue of ₦456.89 billion reported in the second quarter of 2017 by ₦235.51 billion (or 51.55 percent). The poor oil revenue performance in the third quarter of 2017 when compared with the quarterly projection can be attributed to supply challenges as some of the facilities affected by crude oil theft, illegal bunkering and destruction of pipelines remained inactive. These data are presented in *Table 3.4*.

3.4.2 Year to Date Oil Revenue Performance:

A total of ₦2,858.31 billion was collected as Gross Oil Revenue during the three quarter of the year period as against the ₦4,000.84 billion projected for the same period. This depicts a shortfall of ₦1,142.52 billion (or 28.56 percent) below the three-quarter of the year projection but ₦816.98 billion (or 40.02 percent) above ₦2,041.33 billion realized within the same period of 2016. A breakdown of the revenue by sub-head indicated that only Crude Oil Sales of ₦1,547.22 billion and Other Oil and Gas Revenue of ₦11.82 billion surpassed their three-quarter of the year projections of ₦1,262.47 billion and ₦4.39 billion by ₦284.75 billion (or 22.55 percent) and ₦7.42 billion (or 169.03 percent) respectively. The performance of crude oil sales reflects the gains of oil price over its 2017 budget benchmark.

All other remaining oil revenue items fell below their respective three-quarter of the year projections. Gas Sales of ₦160.38 billion, Royalties (Oil & Gas) of ₦348.90 billion, Rent of ₦0.24 billion, Gas Flared Penalty of ₦3,39 billion and Petroleum Profit & Gas Taxes of ₦786.37 billion fell below their three-quarter of the year estimates of ₦408.35 billion, ₦674.87 billion, ₦1.26 billion, ₦3.55 billion and ₦936.62 billion by ₦247.97 billion (or 60.72 percent), ₦325.97 billion (or 48.3 percent), ₦1.02 billion (or 80.73 percent), ₦0.16 billion (or 4.42 percent) and ₦150.25 billion (or 16.04 percent) respectively (Table 3.4). While on the other hand, Licenses and Early License Renewal yielded nothing in the three quarter of the 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.

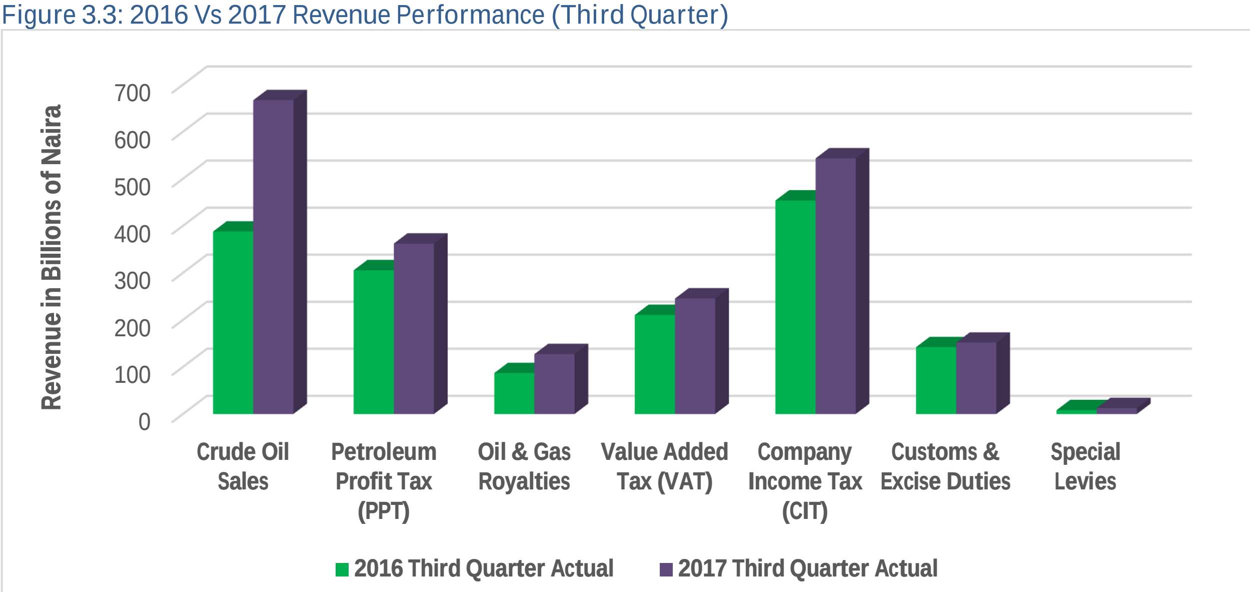
Table 3.3: Performance of Revenue in the Third Quarter of 2017 Vs 2016

Revenue Items	2016	2017	Variance	
	3rd Quarter Actual	3rd Quarter Actual	3rd Quarter 2017 Vs 3rd Quarter 2016	
Oil Revenue	**N'bns**	**N'bns**	**N'bns**	**%**
Crude Oil Sales	**387.8**	**666.94**	**279.14**	**71.98**
Petroleum Profit Tax (PPT)	**305.44**	**362.23**	**56.79**	**18.59**
Royalties	**86.95**	**127.18**	**40.23**	**46.27**
Gross Oil Revenue	**798.49**	**1,270.62**	**472.13**	**59.13**
Net Oil Receipts	**201.37**	**692.40**	**491.03**	**243.84**
Non-Oil Revenue	**-**	**-**		
Value Added Tax (VAT)	**210.35**	**245.42**	**35.07**	**16.67**
Company Income Tax (CIT)	**453.74**	**543.40**	**89.66**	**19.76**
Customs & Excise Duties	**141.96**	**151.68**	**9.72**	**6.85**
Special levies	**8.19**	**12.47**	**4.28**	**52.26**
Gross Non-Oil Revenue	**814.24**	**952.97**	**138.73**	**17.04**
Net Non-Oil Receipts	**777.17**	**904.17**	**127**	**16.34**

Source: OAGF and Budget Office of the Federation, 2017

Revenue performance considerably increased when compared with their corresponding levels in 2016 for all revenue sources and broad category in the third quarter of 2017 (Figure 3.3). This reflect a stronger revenue drive by the government and it is expected that the tempo will be sustained going forward.

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



Source: OAGF and Budget Office of the Federation, 2017

3.5 Non-Oil Revenue Performance:

The sum of ₦988.73 billion was realized as Gross Non-Oil Revenue in the third quarter of 2017 portraying a shortfall of ₦361.93 billion (or 26.80 percent) below its quarterly projection of ₦1,350.66 billion. A breakdown of the non-oil revenue items showed underperformance of all non-oil revenue sources with the exception of Company Income Tax of ₦543.40 billion which surpassed its quarterly projection of ₦435.51 billion by ₦107.89 billion (or 24.77 percent). The remaining Non-Oil Revenue items fell short of their quarterly estimates. Value Added Tax of ₦245.42 billion, Customs & Excise Duties of ₦151.68 billion, Independent Revenue of ₦35.76 billion and Special Levies of ₦12.47 billion were below their quarterly projections of ₦450.0 billion, ₦153.84 billion, ₦201.89 billion and ₦25.44 billion by ₦204.58 billion (or 45.46 percent), ₦2.16 billion (or 1.41 percent), ₦166.13 billion (or 82.29 percent) and ₦12.98 billion (or 51 percent) respectively. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC, Solid Minerals & Other Mining Revenue and Actual Balances in Special Accounts which had quarterly projections of ₦15.25 billion, ₦0.63 billion and ₦3.42 billion respectively yielded nothing in the quarter.

When compared with their corresponding second quarter performances, all the Non-Oil Revenue items in third quarter exceeded their second quarter figures. Value Added Tax, Company Income Tax, Customs & Excise Duties and Special Levies grew by ₦2.11 billion (or 0.87 percent), ₦337.03 billion (or 163.31 percent), N12.09 billion (or 8.66 percent) and ₦1.39 billion (or 12.55 percent) respectively. The improved performances of the non-oil revenue items in the third quarter of 2017 can be ascribed 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. Nonetheless, it is expected that this trend will continue in the last quarter of 2017 following the releases of funds and the implementation of the 2017 capital projects/programmes.

3.5.1 Year to Date Non-Oil Revenue Performance:

The Gross Non-Oil Revenue collected during the first three quarters of the year amounted to ₦2,078.44 billion representing a shortfall of ₦1,115.95 billion (or

34.93 percent) below the three-quarter of the year estimate of ₦3,194.39 billion. The result also revealed that receipts from all the non-oil revenue items within the period were below their corresponding projections. Value Added Tax of ₦710.73 billion, Company Income Tax of ₦908.73 billion, Customs & Excise Duties of ₦422.74 billion and Special Levies of ₦36.24 billion respectively fell short by ₦639.27 billion (or 47.35 percent), ₦397.81 billion (or 30.45 percent), ₦38.79 billion (or 8.4 percent) and ₦40.09 billion (or 52.52 percent) when compared with their estimates for the first three quarter of 2017. On the other hand, Revenue Dividend by Companies / Investments Funded by FAAC, Solid Minerals & Other Mining Revenue and Actual Balances in Special Accounts which had three-quarter of their 2017projections of ₦45.75 billion, ₦1.89 billion and ₦10.27 billion respectively yielded nothing in the review period.

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

S/NO	DESCRIPTION	2017 BUDGET Annual	2017 BUDGET Quarterly	2017 BUDGET 3QRTS	ACTUAL First Quarter	ACTUAL Second Quarter	ACTUAL Third Quarter	ACTUAL 3QRTS	VARIANCE 3RD Quarter Actual Vs Quarterly Budget		VARIANCE 3RD Quarter Vs 2ND Quarter (Actual)		VARIANCE Actual Vs Budget (3QRTS)	
A	OIL REVENUE	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	%	₦'bn	%	₦'bn	%
1	Crude Oil Sales Export	1,683.29	420.82	1,262.47	460.95	419.32	666.94	1,547.22	246.12	58.49	247.62	59.05	284.75	22.55
2	Crude Oil Sales Domestic													
3	Gas Sales (NLNG Feedstock Sales & Upstream Liquid Gas)	544.47	136.12	408.35	10.27	45.87	104.24	160.38	(31.88)	(23.42)	58.37	127.24	(247.97)	(60.72)
4	Oil Royalties & Gas Royalties	899.82	224.96	674.87	106.30	115.42	127.18	348.90	(97.78)	(43.46)	11.76	10.19	(325.97)	(48.30)
5	Rent	1.68	0.42	1.26	0.02	0.04	0.18	0.24	(0.24)	(56.58)	0.14	388.09	(1.02)	(80.73)
6	Gas Flared Penalty	4.73	1.18	3.55	0.73	0.48	2.18	3.39	0.99	84.12	1.70	352.57	(0.16)	(4.42)
7	PPT & Gas Income @ 30% CITA	1,248.83	312.21	936.62	219.07	205.07	362.23	786.37	50.02	16.02	157.16	76.63	(150.25)	(16.04)
8	Licenses & Early License Renewal	945.78	236.45	709.34	-	-	-	-	(236.45)	(100.00)	-		(709.34)	(100.00)
9	Other Oil and Gas Revenue	5.86	1.46	4.39	1.13	3.01	7.67	11.82	6.21	424.04	4.66	154.88	7.42	169.03
10	Sub-Total	5,334.45	1,333.61	4,000.84	798.49	789.21	1,270.62	2,858.31	(62.99)	(4.72)	481.41	61.00	(1,142.52)	(28.56)
11	DPR Cost of Collection	-	-	-	6.60	7.29	5.49	19.38	5.49		(1.81)	(24.75)	19.38	
12	Tranfer of Lagos State 13% Derivation		-	-	0.09	0.11	-	0.20	-		(0.11)	(100.00)	0.20	
13	Joint Venture Cash Calls		-	-	237.65	223.00	469.27	929.93	469.27		246.27	110.44	929.93	
14	Gas Infrastructure Development & Other Gas Expenses	289.75	72.44	217.31	-	-	-	-	(72.44)	(100.00)	-		(217.31)	(100.00)
15	NESS Fees	15.25	3.81	11.44	-	-	-	-	(3.81)	(100.00)	-		(11.44)	(100.00)
16	Transfer to Excess Crude Oil, on PPT from Oil		-	-	97.89	19.28	-	117.17	-		(19.28)	(100.00)	117.17	
17	Transfer to Excess Crude on Royalty Proceeds Account		-	-	-	14.37	-	14.37	-		(14.37)	(100.00)	14.37	
18	Sub-Total	5,029.45	1,257.36	3,772.09	456.26	525.16	795.86	1,777.28	(461.51)	(36.70)	270.70	51.55	(1,994.81)	(52.88)
19	13% Derivation of Net Oil Revenue	653.83	163.46	490.37	59.31	68.27	103.46	231.05	(60.00)	(36.70)	35.19	51.55	(259.32)	(52.88)
20	TO FEDERATION ACCOUNT (OIL)	4,375.62	1,093.90	3,281.71	396.95	456.89	692.40	1,546.23	(401.51)	(36.70)	235.51	51.55	(1,735.48)	(52.88)
B	DIVIDEND BY COMPANIES / INVESTMENTS FUNDED BY FAAC		-	-				-	-		-		-	
21	Divident by Companies / Investments Funded by FAAC	61.00	15.25	45.75	-	-	-	-	(15.25)	(100.00)	-		(45.75)	(100.00)
22	TO FEDERATION ACCOUNT (DIVIDEND FUNDED BY COMPANIES / INVESTMENTS FUNDED BY FAAC)	61.00	15.25	45.75	-	-	-	-	(15.25)	(100.00)	-		(45.75)	(100.00)
C	SOLID MINERALS & OTHER MINNING REVENUE		-	-				-	-		-		-	
23	Total Solid Mineral Revenue	2.52	0.63	1.89	-	-	-	-	(0.63)	(100.00)	-		(1.89)	(100.00)
24	Less 13% Derivation	0.33	0.08	0.25	-	-	-	-	(0.08)	(100.00)	-		(0.25)	(100.00)
25	TO FEDERATION ACCOUNT (SOLID MINERALS)	2.20	0.55	1.65	-	-	-	-	(0.55)	(100.00)	-		(1.65)	(100.00)
D	NON-OIL REVENUE		-	-				-	-		-		-	
26	Value Added Tax (VAT)	1,800.00	450.00	1,350.00	222.00	243.31	245.42	710.73	(204.58)	(45.46)	2.11	0.87	(639.27)	(47.35)
27	Corporate Tax (CIT, Stamp Duties & CGT)	1,742.05	435.51	1,306.54	158.95	206.38	543.40	908.73	107.89	24.77	337.03	163.31	(397.81)	(30.45)
28	Customs: Import, Excise & Fees	615.37	153.84	461.53	131.47	139.59	151.68	422.74	(2.16)	(1.41)	12.09	8.66	(38.79)	(8.40)
29	Special Levies (Federation Account)	101.77	25.44	76.33	12.70	11.08	12.47	36.24	(12.98)	(51.00)	1.39	12.55	(40.09)	(52.52)
30	Sub-Total	4,259.19	1,064.80	3,194.39	525.12	600.35	952.97	2,078.44	(111.83)	(10.50)	352.62	58.73	(1,115.95)	(34.93)
31	Cost of Collection and Other Deductions		-	-				-	-		-		-	
32	4% Cost of Collection (VAT)	72.00	18.00	54.00	8.88	9.73	9.82	28.43	(8.18)	(45.46)	0.08	0.87	(25.57)	(47.35)
33	4% Cost of Collection (CIT)	56.43	14.11	42.32	6.86	8.56	21.50	36.92	7.39	52.36	12.94	151.20	(5.41)	(12.78)
34	7% Cost of Collection (Customs and Special Levies)	50.20	12.55	37.65	10.17	10.52	11.49	32.17	(1.06)	(8.45)	0.97	9.25	(5.48)	(14.55)
35	FIRS Tax Refunds	20.00	5.00	15.00	6.25	19.17	6.00	31.42	1.00	20.00	(13.17)	(68.70)	16.42	109.47
36	TO FEDERATION ACCOUNT (NON-OIL)	2,332.56	583.14	1,749.42	279.84	318.80	668.56	1,267.20	85.42	14.65	349.76	109.71	(482.22)	(27.56)
37	Total VAT Pool	1,728.00	432.00	1,296.00	213.12	233.58	235.61	682.30	(196.39)	(45.46)	2.03	0.87	(613.70)	(47.35)
38	Net Non-Oil Revenue	4,060.56	1,015.14	3,045.42	492.97	552.37	904.17	1,949.50	(110.98)	(10.93)	351.79	63.69	(1,095.92)	(35.99)
39	Sub-Total: FEDERATION ACCOUNT	6,771.38	1,692.84	5,078.53	676.79	775.69	1,360.96	2,813.43	(331.89)	(19.61)	585.27	75.45	(2,265.10)	(44.60)
40	Actual Balances in Special Accounts	13.70	3.42	10.27	-	-	-	-	(3.42)	(100.00)	-		(10.27)	(100.00)
41	TOTAL FEDERATION ACCOUNT	6,785.07	1,696.27	5,088.81	676.79	775.69	1,360.96	2,813.43	(335.31)	(19.77)	585.27	75.45	(2,275.37)	(44.71)
E	TOTAL DISTRIBUTION		-	-				-	-		-		-	
1	Federation Account	6,785.07	1,696.27	5,088.81	676.79	775.69	1,360.96	2,813.43	(335.31)	(19.77)	585.27	75.45	(2,275.37)	(44.71)
2	VAT Pool Account	1,728.00	432.00	1,296.00	213.12	233.58	235.61	682.30	(196.39)	(45.46)	2.03	0.87	(613.70)	(47.35)
3	GRAND TOTAL	8,513.07	2,128.27	6,384.81	889.91	1,009.26	1,596.56	3,495.74	(531.71)	(24.98)	587.30	58.19	(2,889.07)	(45.25)

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

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

Description	THIRD 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	35.47	36.53	50.91	57.26	43.95	68.35	57.10	62.15	51.47
Company Income Tax	89.23	99.24	119.64	185.61	221.20	131.34	187.71	209.37	155.42
Value Added Tax	17.08	19.80	23.88	23.33	26.13	25.99	27.16	28.27	23.96
FGN Independent Revenue	9.84	15.63	45.06	(5.33)	150.47	98.88	23.47	108.03	55.76

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 2013 to 2015 before resurging in 2016 (Table 3.5 and 3.6).

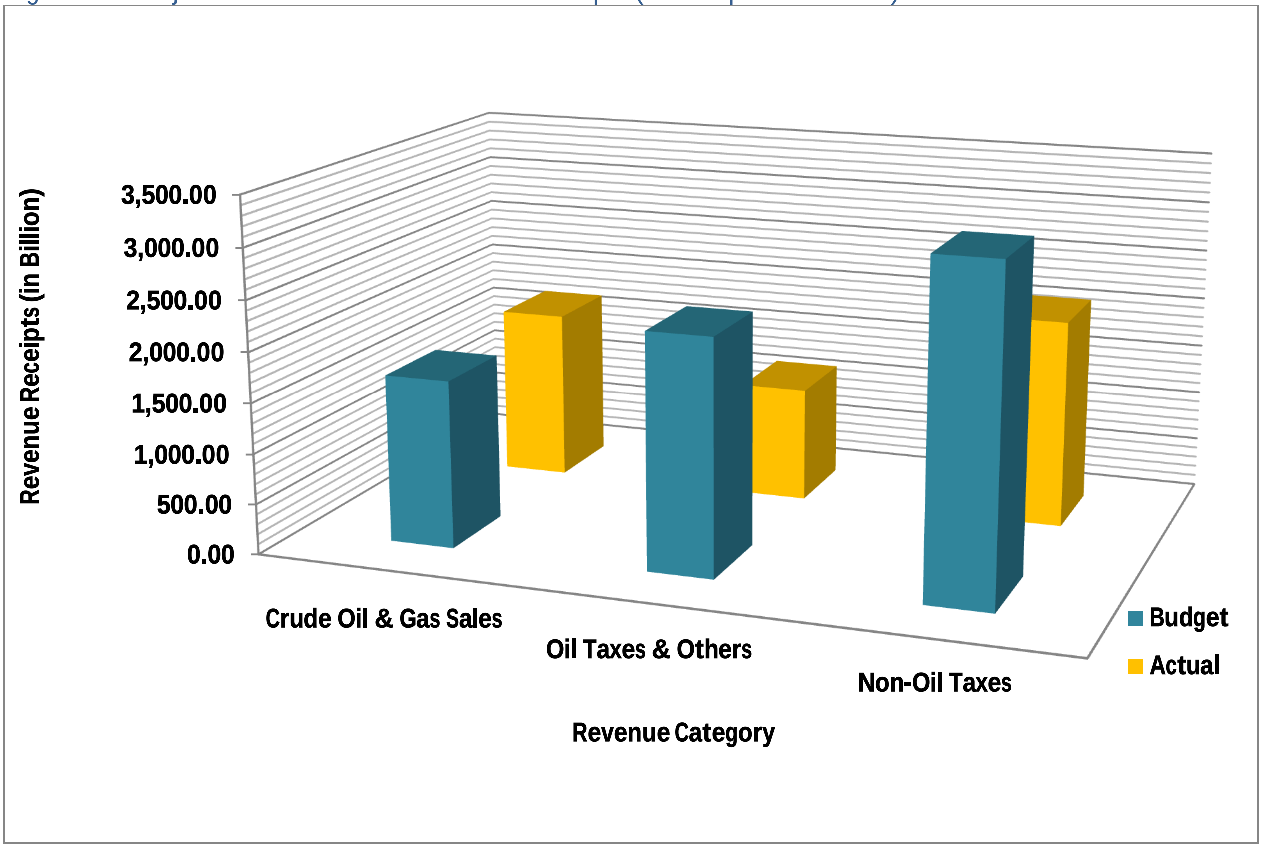
Table 3.6: Percentage Growth in Non-Oil Revenue Performances (Third Quarter) 2010 – 2016

Description	2010	2011	2012	2013	2014	2015	2016	7 - Year Average
Customs & Excise Duties	2.99%	39.36%	12.47%	-23.24%	55.52%	-16.46%	8.84%	11.35%
Company Income Tax	11.22%	20.56%	55.14%	19.17%	-40.62%	42.92%	11.54%	17.13%
Value Added Tax	15.93%	20.61%	-2.30%	12.00%	-0.54%	4.50%	4.09%	7.75%
FGN Independent Revenue	58.84%	188.29%	-111.83%	-2923.08%	-34.29%	-76.26%	360.29%	-362.58%

Source: OAGF and BOF, 2017

Overall, actual performance by revenue categorizations compared with their budgeted estimates as at September 2017 revealed that apart from Crude Oil & Gas Sales surpassed its target, while other receipts items (Oil Taxes & Others and Non-Oil Taxes) underperformed. (Figure 3.4).

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

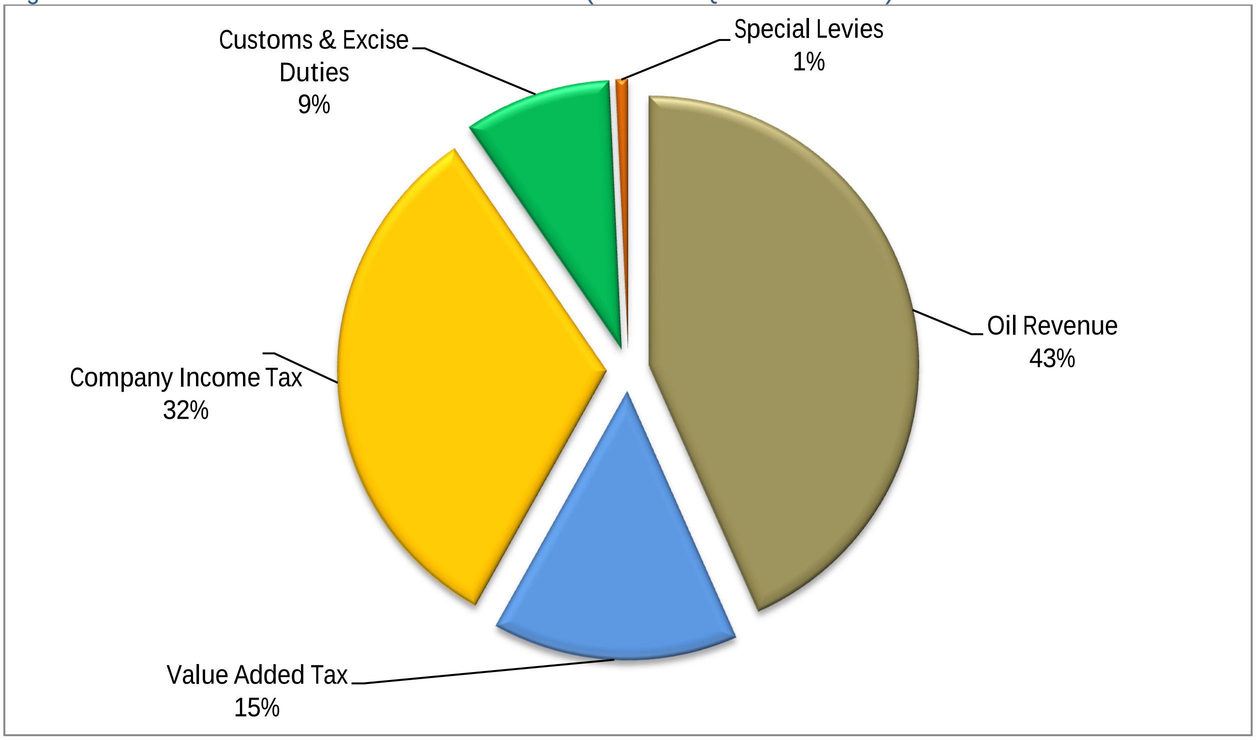


Source: Budget Office of the Federation, 2017

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 ₦1,596.56 billion in the third quarter of 2017. This represents a shortfall of ₦531.71 billion (or 24.98 percent) when compared with the quarterly budget estimate. A breakdown by sources indicated that Oil Revenue accounted for 43 percent while the balance composed of 15 percent for Value Added Tax, 32 percent for Company Income Tax, 9 percent for Customs & Excise Duties and a percent for Special Levies, (Figure 3.5).

Figure 3.5: Contributions to Distributable Revenue (in the 3rd 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. Despite the noticeable improvement in the price of oil in the international market which started since the second half of 2016, no transfer was made to the ECA in the third quarter of 2017. This could be attributed to the lower production which means that gross oil revenue had remained below budget estimates. There was also no withdrawal from the account within the period but a total of US$6.49 million being accrued interest from May to July 2017 was received into the ECA within July and September 2017. The ECA had an opening balance of US$2,303.09 million as at 1st July, 2017 and a closing balance of US$2,309.58 million as at 30th September, 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	Third Quarter	Jan - Sept	First Quarter	Second Quarter	Third Quarter	Jan - Sept
Inflows								
Transfer to Excess Crude Oil Account	0	0	145.48	0	97.89	33.65	0	131.54
Outflows								
Payment for Petroleum Product Subsidy	0	0	0	0	0	0	0	0
Augmentation: Distribution among tiers of Govt.	0	0	85.17	0	0	0	0	0
Transfer for Special Intervention Fund	0	0	0	0	0	0	0	0
Transfers Int. trf - SWF	0	0	0	0	0	0	0	0
Transfer to Nigeria Sovereign Investment Authority	0	0	0	0	US$250. 0 million (or N76.25 billion)	0	0	US$250. 0 million (or N76.25 billion)
Total Outflow	0	0	85.17	0	US$250. 0 million (or N76.25 billion)	0	0	US$250. 0 million (or N76.25 billion)
Net Excess Crude Account	0	0	60.31	0	21.64	33.65	0.00	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 ₦728.81 billion, excluding other funding sources, was received in the third quarter of 2017. This amount was ₦542.30 billion (or 42.66 percent) lower than the quarterly projection but ₦222.42 billion (or 43.92 percent) higher than the ₦506.39 billion reported in the second quarter of 2017. The aggregate revenue in the third quarter of 2017 was also ₦211.67 billion (or 40.93 percent) above the ₦517.14 billion received in the third quarter of 2016.

The sum of ₦335.81 billion received in the third quarter of 2017 from Oil Revenue Sources was lower than the quarterly estimate of ₦530.54 billion by ₦194.73 billion (or 36.7 percent) for the period. With the exception of FGN Share of Company Income Tax of ₦250.21 billion which exceeded its quarterly projection of ₦201.96 billion by ₦48.26 billion (or 23.9 percent). All other Non-Oil Revenue items fell below their quarterly budget estimates. FGN Share of

VAT of ₦32.98 billion, Customs & Excise Duties of ₦68.41 billion, Special Levies of ₦5.62 billion and Independent Revenue of ₦35.76 billion were below their corresponding quarterly budget projections of ₦60.48 billion, ₦69.39 billion, ₦11.48 billion and ₦201.89 billion by ₦27.50 billion (or 45.46 percent), ₦0.98 billion (or 1.41 percent), ₦5.85 billion (or 51 percent) and ₦166.13 billion (or 82.29 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, FGN Balances of Special Accounts, Unspent Balance from Previous Fiscal Year, FGN Recoveries and FGN Share of Signature Bonus 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.*

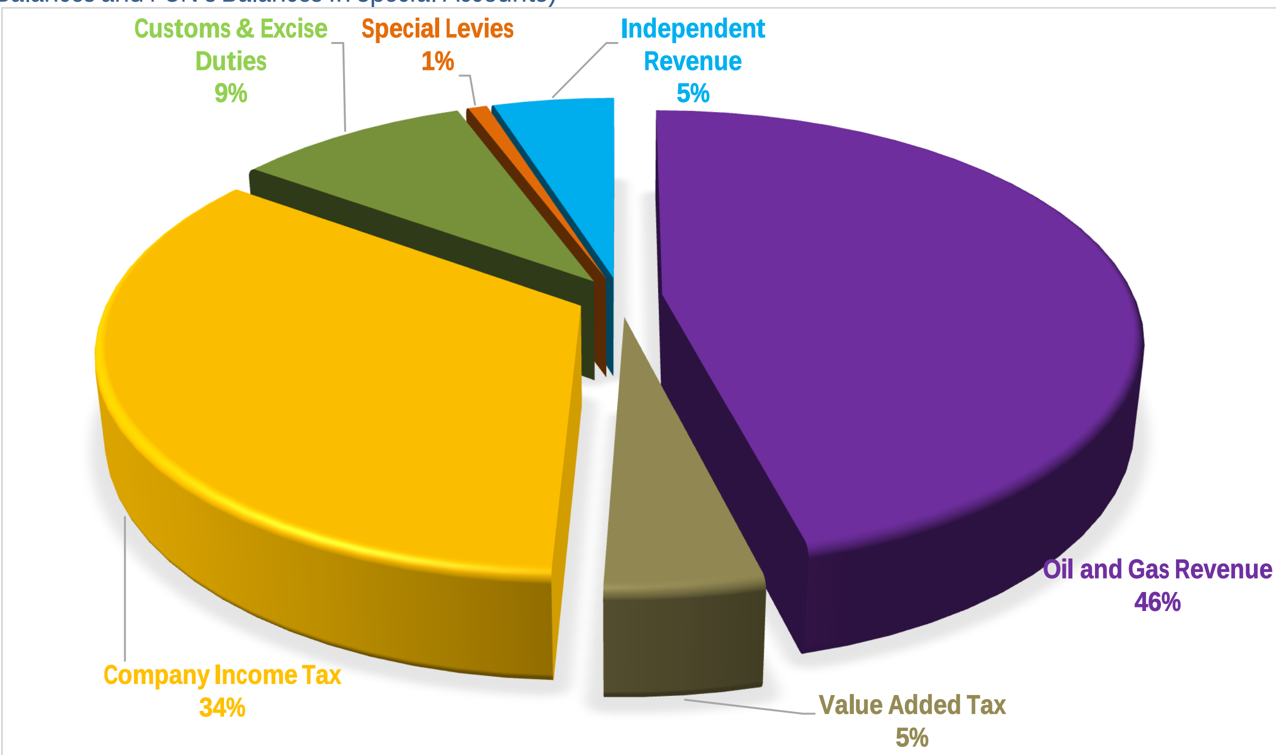
Table 3.8: Inflows to the 2017 Federal Budget as at September 2017

S/NO	DESCRIPTION	2017 BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget		3RD Quarter Vs 2ND Quarter (Actual)		Actual Vs Budget (3QRTS)	
1	Inflow for the Federal Budget (CRF)	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	₦'bn	%	₦'bn	%	₦'bn	%
2	FGN Share of Oil Revenue	2,122.18	530.54	1,591.63	192.52	221.59	335.81	749.92	(194.73)	(36.70)	114.22	51.55	(841.71)	(52.88)
3	FGN Share of Non-Oil Revenue	1,410.51	352.63	1,057.88	165.60	187.30	357.24	710.14	4.61	1.31	169.93	90.73	(347.74)	(32.87)
4	FGN Share of Company / Investment Funded by FAAC	29.59	7.40	22.19	-	-	-	-	(7.40)	(100.00)	-		(22.19)	(100.00)
5	FGN Share of Solid Minerals Revenue	1.06	0.27	0.80	-	-	-	-	(0.27)	(100.00)	-		(0.80)	(100.00)
6	FGN Share of Value Added Tax (VAT)	241.92	60.48	181.44	29.84	32.70	32.98	95.52	(27.50)	(45.46)	0.28	0.87	(85.92)	(47.35)
7	FGN Share of Customs	277.56	69.39	208.17	59.30	62.96	68.41	190.68	(0.98)	(1.41)	5.45	8.66	(17.50)	(8.40)
8	FGN Share of Special Levies (Federation Account)	45.90	11.48	34.43	5.73	5.00	5.62	16.35	(5.85)	(51.00)	0.63	12.55	(18.08)	(52.52)
9	FGN Share of Company Incom Tax (CIT)	807.82	201.96	605.87	70.73	86.64	250.21	407.59	48.26	23.90	163.57	188.78	(198.28)	(32.73)
10	FGN Share of Actual Balances in Special Accounts	6.64	1.66	4.98	-	-	-	-	(1.66)	(100.00)	-		(4.98)	(100.00)
11	FGN Independent Revenue	807.57	201.89	605.68	21.89	97.49	35.76	155.14	(166.13)	(82.29)	(61.73)	(63.32)	(450.53)	(74.39)
12	FGN Bal of Special Accts as at 31/12/16:	14.79	3.70	11.09	-	-	-	-	(3.70)	(100.00)	-		(11.09)	(100.00)
13	Unspent Balance from Previous FY	50.00	12.50	37.50	-	-	-	-	(12.50)	(100.00)	-		(37.50)	(100.00)
14	FGN Recoveries	565.06	141.27	423.80				-	(141.27)	(100.00)	-		(423.80)	(100.00)
15	FGN Share of Signature Bonus	114.30	28.58	85.73				-	(28.58)	(100.00)	-		(85.73)	(100.00)
16	Sub-Total	5,084.40	1,271.11	3,813.30	380.01	506.39	728.81	1,615.20	(542.30)	(42.66)	222.42	43.92	(2,198.10)	(57.64)
17	Other Financing Sources	-	-	-	403.07	438.05	148.87	989.99	148.87		(289.19)	(66.02)	989.99	
18	NNPC Refund to FGN		-	-	17.48	5.83	7.87	31.18	7.87		2.04	35.07	31.18	
19	Share from Excess PPT		-	-	71.67	43.71	-	115.38	-		(43.71)	(100.00)	115.38	
20	Exchange Rate Difference		-	-	60.88	73.52	-	134.39	-		(73.52)	(100.00)	134.39	
21	Settlement of State Component of Coupon Payment		-	-	41.57	-	40.99	82.56	40.99		40.99		82.56	
23	Transfer from Capital Development Account to CRF & TSA		-	-	211.48	315.00	100.00	626.48	100.00		(215.00)	(68.25)	626.48	
24	TOTAL RETAINED REVENUE	5,084.40	1,271.11	3,813.30	783.08	944.44	877.68	2,605.19	(393.44)	(30.95)	(66.76)	(7.07)	(1,208.11)	(31.68)
25	Miscellaneous Credits	-	-	-	1.46	2.23	29.53	33.22	29.53		27.30	1,224.72	33.22	
26	TSA/Pool A/C	-	-	-	9.98	16.55	23.26	49.79	23.26		6.71	40.54	49.79	
27	Refund of Paris Club Overdeduction to CRF		-	-	466.82	-	-	466.82	-		-		466.82	
28	TOTAL INFLOW	5,084.40	1,271.11	3,813.30	1,261.34	963.22	930.46	3,155.02	(340.65)	(26.80)	(32.75)	(3.40)	(658.29)	(17.26)

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

Oil and Gas Revenue continued to dominate revenue inflow of the Federal Government accounting for 46 percent of total revenue in the review period. Other revenue sources are as depicted in *figure 3.6.*

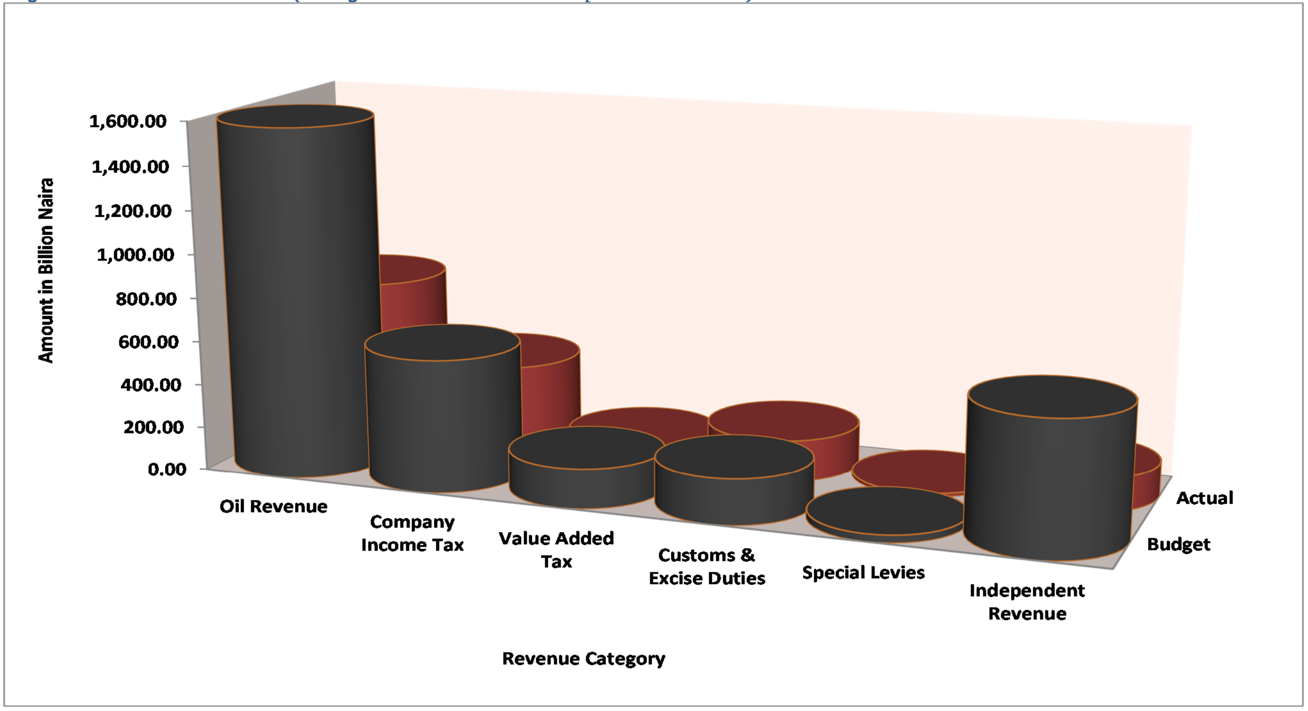
Figure 3.6: Contributions to the FGN Budget Revenue in the Third Quarter of 2017 (Excluding FGN's Unspent Balances and FGN's Balances in Special Accounts)



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 ₦194.73 (or 36.7 percent) of the entire revenue shortfall. Other major contributors include the Independent Revenue and VAT with combined share of ₦193.63 billion (or 35.71 percent) of the revenue shortfall (*Figure 3.7*).

Figure 3.7: FGN Revenue (Budget Vs Actual as at September 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 in the quarter stood at ₦877.68 billion indicating a decline of ₦393.42 billion or 30.95 percent from ₦944.44 billion the prorata budget estimate. It also represents ₦66.76 billion or 7.07 percent short of the ₦783.08 billion recorded in the second quarter of 2017. Retained revenue as at September 2017 stood at ₦2,605.19 billion propped up by Other Financing sources totaling ₦989.99 billion. The retained revenue was augmented by ₦33.22 billion, ₦49.79 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 three quarter of the year therefore, stood at ₦3,155.02 billion signifying a shortfall of ₦658.29 billion (or 17.26 percent) below the estimate for the period.

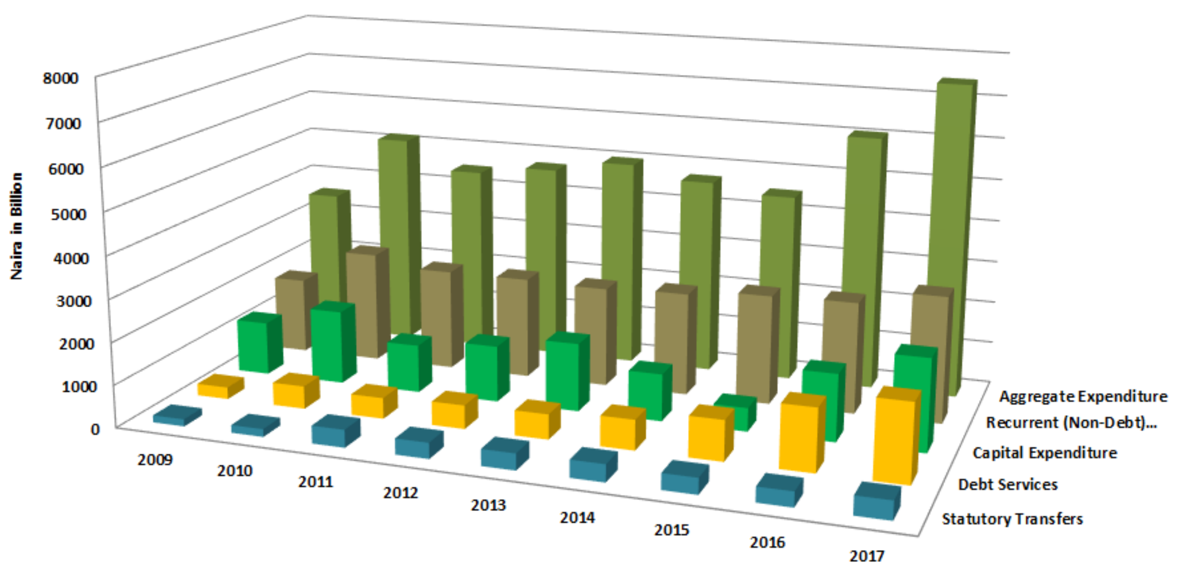
3.9 Expenditure Developments:

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 translates to a prorate quarterly expenditure outlay of ₦1,860.29 billion in 2017. Actual expenditure outlay in the third quarter of 2017 stood at ₦1,685.71 billion, indicating a shortfall of ₦174.58 billion or 9.38 percent from the prorata budget estimate for the period. It was however ₦585.80 billion or 53.26 percent higher than the expenditure level recorded in the second quarter of 2017. The detail breakdown is presented in *Table 3.9.*

Figure 3.8: 2009 – 2017 Budget Expenditure Profile



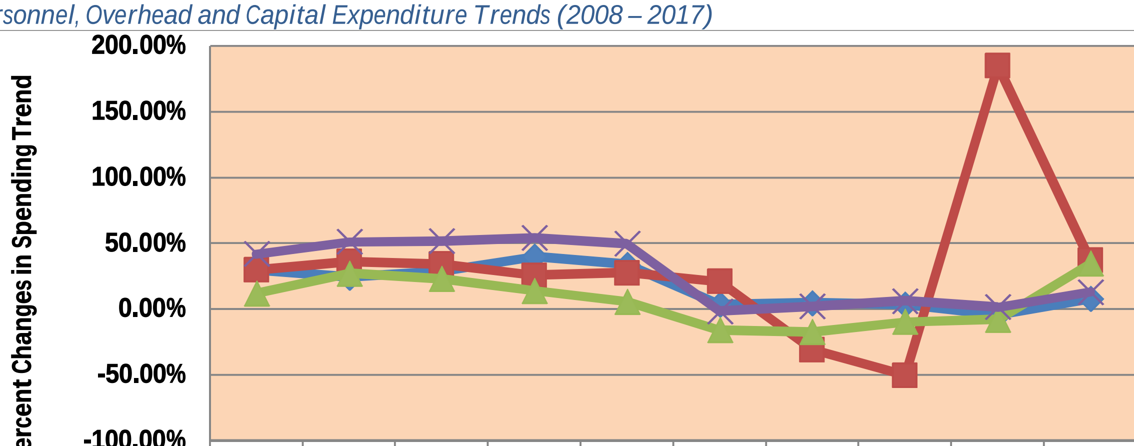
	2009	2010	2011	2012	2013	2014	2015	2016	2017
Statutory Transfers	168.62	183.58	417.83	372.59	387.98	408.69	375.62	351.37	434.41
Debt Services	283.65	542.38	495.1	559.58	591.76	712	953.62	1,475.32	1,841.35
Capital Expenditure	1,280.71	1,764.69	1,146.75	1,339.99	1,621.48	1,119.62	557.00	1,587.40	2,174.50
Recurrent (Non-Debt) Expenditure	1,824.71	2,669.01	2,425.07	2,425.05	2,386.03	2,454.89	2,607.13	2,646.39	2,990.92
Aggregate Expenditure	3,557.69	5,159.66	4,484.74	4,697.21	4,987.24	4,695.19	4,493.36	6,060.48	7,441.18

Source: Budget Office of the Federation, 2017

3.9.1 Non-Debt Recurrent Expenditure

The sum of ₦616.11 billion was spent as recurrent non-debt expenditure in the third quarter of 2017. This implies a decrease of ₦131.62 billion or 17.6 percent below the quarterly estimate of ₦747.73 billion. The third quarter non-debt recurrent expenditure was also below the ₦686.22 billion reported in the second quarter of 2017 by ₦70.11 billion or 10.22 percent. Government continued to prioritize capital expenditure over recurrent non-debt expenditure like overtime in the face of persistent revenue constraint. The strategic initiatives of Government aimed at cutting down recurrent costs were therefore vigorously pursued during the period. This include the continued increase in the number of MDAs enrolled in the Integrated Payroll and Personnel Information System (IPPIS), activation of more modules under the GIFMIS platform as well as the use of the Treasury Single Account (TSA). The above efforts had also assisted the government in halting further increase in overhead cost while boosting capital expenditure as had been observed since 2016 fiscal year (*Figure 3.9*).

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



	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget
Personnel Costs (MDAs)	29.88%	24.08%	28.66%	40.01%	33.89%	3.37%	4.79%	3.46%	-4.47%	7.76%
Capital Spending	29.66%	36.00%	34.20%	25.57%	27.47%	21.01%	-30.95%	-50.25%	184.99%	36.99%
Overheads	12%	27.20%	23.06%	14.07%	5.57%	-15.94%	-17.37%	-9.65%	-8%	34.55%
Recurrent (Non Debt)	41.88%	51.28%	51.72%	54.07%	49.72%	-1.62%	2.06%	6.20%	1.51%	13.02%

Source: BOF and OAGF, 2017

3.9.2 Debt Service:

Total Debt Services in the third quarter of 2017 stood at ₦613.21 billion signifying a ₦197.24 billion (or 47.42 percent) increase above the ₦415.97 billion projected for the quarter. A quarterly projection of ₦372.0 billion was made for domestic debt services but the sum of ₦613.21 billion was actually spent in the third quarter of 2017. This portrayed an increase of ₦241.21 billion (or 64.84 percent) above the quarterly estimate.

The sum of ₦43.97 billion was proposed for the servicing of external debt in the quarter under review. External debt service payment was however not made during the review period.

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

S/NO	ITEMS	2017 BUDGET			ACTUAL				VARIANCE					
		Annual	Quarterly	3QRTS	First Quarter	Second Quarter	Third Quarter	3QRTS	3RD Quarter Actual Vs Quarterly Budget		3RD Quarter Vs 2ND Quarter (Actual)		Actual Vs Budget (3QRTS)	
		₦b	₦b	₦b	₦b	₦b	₦b	₦b	₦b	%	₦b	%	₦b	%
A	TOTAL RETAINED REVENUE	5,084.40	1,271.11	3,813.30	783.08	944.44	877.68	2,605.19	(393.44)	(30.95)	(66.76)	(7.07)	(1,208.11)	(31.68)
B	Miscellaneous Credits	-	-	-	1.46	2.23	29.53	33.22	29.53		27.30	1,224.72	33.22	
C	TSA/Pool A/C	-	-	-	9.98	16.55	23.26	49.79	23.26		6.71	40.54	49.79	
D	Refund of Paris Club Overdeduction to CRF		-	-	466.82	-	-	466.82	-		-		466.82	
E	TOTAL INFLOW	5,084.40	1,271.11	3,813.30	1,261.34	963.22	930.46	3,155.02	(340.65)	(26.80)	(32.75)	(3.40)	(658.29)	(17.26)
F	EXPENDITURE:							-	-		-		-	
1	RECURRENT (NON-DEBT)							-	-		-		-	
2	Personnel Cost	1,884.07	471.02	1,413.05	330.33	393.56	200.15	924.04	(270.86)	(57.51)	(193.40)	(49.14)	(489.01)	(34.61)
3	Pension & Gratuities including Service Wide Pension	281.61	70.40	211.21	57.68	85.60	43.25	186.53	(27.15)	(38.57)	(42.35)	(49.47)	(24.68)	(11.69)
4	Overhead Cost	219.84	54.96	164.88	38.95	35.60	64.34	138.89	9.38	17.07	28.74	80.72	(25.99)	(15.76)
5	Other Service Wide Vote including Presidential Amnesty (bal fig)	215.40	53.85	161.55	209.88	171.46	308.36	689.71	254.51	472.64	136.90	79.84	528.16	326.93
6	Refund to Special Accounts	40.00	10.00	30.00	-	-	-	-	(10.00)	(100.00)	-		(30.00)	(100.00)
7	Special Intervention (Recurrent)	350.00	87.50	262.50				-	(87.50)	(100.00)	-		(262.50)	(100.00)
8	Sub-Total (Non-Debt)	2,990.92	747.73	2,243.19	636.84	686.22	616.11	1,939.17	(131.62)	(17.60)	(70.11)	(10.22)	(304.02)	(13.55)
9	Domestic Debts & Int. on Ways & Means	1,488.00	372.00	1,116.00	583.91	288.03	613.21	1,485.15	241.21	64.84	325.18	112.90	369.15	33.08
10	Foreign Debts	175.88	43.97	131.91	40.24	15.56	-	55.80	(43.97)	(100.00)	(15.56)	(100.00)	(76.11)	(57.70)
11	Sub-Total (Debt Services)	1,663.89	415.97	1,247.91	624.15	303.59	613.21	1,540.95	197.24	47.42	309.62	101.98	293.04	23.48
12	Sinking Fund to Retire Maturing Loans	177.46	44.37	133.10	-	-	-	-	(44.37)	(100.00)	-		(133.10)	(100.00)
13	Sub-Total (Debt)	1,841.35	460.34	1,381.01	624.15	303.59	613.21	1,540.95	152.87	33.21	309.62	101.98	159.94	11.58
14	Total (Recurrent)	4,832.27	1,208.07	3,624.20	1,260.99	989.81	1,229.32	3,480.12	21.25	1.76	239.51	24.20	(144.08)	(3.98)
15	CAPITAL EXPENDITURE:								-		-		-	
16	Capital in Special Intervention	150.00	37.50	112.50	-	-	-	-	(37.50)	(100.00)	-		(112.50)	(100.00)
17	*Capital Releases 2017+ Cap Supp.	2,024.50	506.12	1,518.37	-	-	377.02	377.02	(129.10)	(25.51)	377.02		(1,141.35)	(75.17)
18	Sub-Total (Capital)	2,174.50	543.62	1,630.87	-	-	377.02	377.02	(166.60)	(30.65)	377.02		(1,253.85)	(76.88)
19	TRANSFERS:							-	-		-		-	
20	Niger Delta Development Commission (NDDC)	64.02	16.01	48.02	10.23	-	-	10.23	(16.01)	(100.00)	-		(37.79)	(78.70)
21	National Judicial Council (NJC)	100.00	25.00	75.00	10.83	-	-	10.83	(25.00)	(100.00)	-		(64.17)	(85.56)
22	Universal Basic Education Commission (UBEC)	95.19	23.80	71.39	15.41	-	-	15.41	(23.80)	(100.00)	-		(55.98)	(78.41)
23	Independent National Electoral Commission (INEC)	45.00	11.25	33.75	7.50	-	-	7.50	(11.25)	(100.00)	-		(26.25)	(77.78)
24	National Assembly (NASS)	125.00	31.25	93.75	19.17	-	-	19.17	(31.25)	(100.00)	-		(74.58)	(79.56)
25	Public Complaint Commission (PCC)	4.00	1.00	3.00	0.67	-	-	0.67	(1.00)	(100.00)	-		(2.33)	(77.77)
26	National Human Right Commission (NHRC)	1.20	0.30	0.90	0.20	-	-	0.20	(0.30)	(100.00)	-		(0.70)	(77.89)
27	Transfers (Bulk)				34.92	110.10	79.37	224.39	79.37		(30.73)	(27.91)	224.39	
28	Sub-Total (Transfers)	434.41	108.60	325.81	98.92	110.10	79.37	288.39	(29.23)	(26.92)	(30.73)	(27.91)	(37.42)	(11.48)
29	TOTAL ACTUAL EXPENDITURE	7,441.18	1,860.29	5,580.88	1,359.91	1,099.91	1,685.71	4,145.53	(174.58)	(9.38)	585.80	53.26	(1,435.36)	(25.72)
30	Refund to MDAs and Banks		-	-	16.69	0.32	-	17.00	-		(0.32)	(100.00)	17.00	
31	Reimbursement of Paris Club Overdeduction		-	-	88.33	7.97	-	96.30	-		(7.97)	(100.00)	96.30	
32	TOTAL OUTFLOW	7,441.18	1,860.29	5,580.88	1,464.93	1,108.20	1,685.71	4,258.83	(174.58)	(9.38)	577.51	52.11	(1,322.05)	(23.69)
33	Fiscal Deficit	(2,356.77)	(589.18)	(1,767.58)	(203.59)	(144.98)	(755.24)	(1,103.82)	(166.06)	28.19	(610.27)	420.93	663.76	(37.55)
G	FINANCING ITEMS:							-	-		-		-	
1	Privitization Proceeds	10.00	2.50	7.50	-	-	-	-	(2.50)	(100.00)	-		(7.50)	(100.00)
2	Foreign Borrowing	1,067.50	266.88	800.63	300.00	-	421.98	721.98	155.10	58.12	421.98		(78.65)	(9.82)
3	Domestic Borrowing (FGN Bond)	1,254.27	313.57	940.71	510.00	320.00	350.00	1,180.00	36.43	11.62	30.00	9.38	239.29	25.44
4	Proceed of Sale of Government Properties	25.00	6.25	18.75	-	-	-	-	(6.25)	(100.00)	-		(18.75)	(100.00)
	Miscellaneous Credits				2.06	2.21	5.62	9.88	5.62		3.41	154.74	9.88	
5	Sub-Total	2,356.77	589.19	1,767.58	812.06	322.21	777.59	1,911.86	188.40	31.98	455.39	141.34	144.28	8.16
6	Net Deficit / Surplus	0.00	0.01	0.00	608.47	177.23	22.35	808.04	22.34		(154.88)	(87.39)	808.04	

Source: OAGF and Budget Office of the Federation, 2017

3.9.3 Statutory Transfers:

A total ₦79.37 billion was spent as Statutory Transfers in the third quarter of 2017. This translates to ₦29.23 billion (or 26.92 percent) and ₦30.73 billion (or 27.91 percent) decrease from the quarterly estimate of ₦108.60 billion and ₦110.10 billion recorded in the second quarter of 2017 respectively. It is worthy 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 therefore expected to be within budgetary provision at the end of the fiscal 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:

The late passage of the 2017 Appropriation Bill, the extension of the implementation of the 2016 capital budget to 5th May, 2017, the shortfall in expected revenue as well as the increasing non-discretionary expenditures of government affected the implementation of capital projects for 2017 Budget in the third quarter of the year. An analysis of the data from the Office of the Accountant General of the Federation on 2017 Capital Performance for MDAs as at 30th September, 2017 showed that only ₦377.02 billion was released and cash backed to MDAs for their 2017 capital projects and programmes.

Performance as at 30th September, 2017:

The level of utilizations by various MDAs was not captured in the data from OAGF due to the short period between the releases and the collation of the report. However, teams of budget monitors from the Ministry of Budget and National Planning in conjunction with representatives from the MDAs had been composed to visit different MDAs in the six geo-political zones of the country to verify the level of their capital budget utilizations and projects/programmes implementations. The findings from this exercise will be included in Chapter Four of this report. *Table 3.10* is a highlight of the rates/percentage of releases of Thirteen MDAs considered to be critical to the actualization of the Federal Government's objectives.

Table 3.10: Capital Budget Releases by MDAs (as at 30th September, 2017)

MDA	Annual Appropriation	Total Amount Released	Total Amount Cash Backed	Percentage of Release
Works, Power & Housing	553,713,857,113	94,300,000,000	94,300,000,000	17.03
Transport	241,709,000,000	33,650,000,000	33,650,000,000	13.92
Agriculture	103,793,201,010	33,256,520,994	33,256,520,994	32.04
Water Resources	104,245,803,117	18,351,793,197	18,351,793,197	17.6
Education	56,720,969,147	8,115,721,695	8,115,721,695	14.31
Health	55,609,880,120	13,488,516,307	13,488,516,307	24.26
Science & Technology	41,699,655,490	7,340,958,962	7,340,958,962	17.6
Niger Delta	34,201,500,001	4,000,000,000	4,000,000,000	11.7
FCTA	30,397,122,872	3,000,000,000	3,000,000,000	9.87
Defence	139,294,920,350	70,771,314,810	70,771,314,810	50.81
ONSA	47,209,203,765	11,700,000,000	11,700,000,000	24.78
Interior	63,760,562,487	11,912,297,194	11,912,297,194	18.68
Trade and Investment	81,726,971,059	7,144,319,189	7,144,319,189	8.74

Source: OAGF and BOF, 2017

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 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 ₦755.24 billion in the third quarter of 2017. This was ₦166.58 billion (or 28.19 percent) higher than the projected quarterly deficit of ₦589.19 billion. It was also higher than the fiscal deficit of ₦144.98 billion recorded in the second quarter of 2017. The deficit was financed to the tune of ₦777.59 billion in the third quarter of 2017. This comprises ₦421.98 billion, ₦360.00 billion and ₦5.62 billion of External Borrowings, Domestic Borrowings and Miscellaneous Credits respectively. This also reflects a positive net financing of ₦22.35 billion in the period under review.

4.0 CONCLUSION

The nation's economy recorded another positive growth and sustained the exit from recession after five consecutive quarters of contraction that started in the first quarter of 2016. The economy grew by 1.4 percent (year-on-year) in real terms in the third quarter of 2017 buoyed by a 25.89 percent growth of the oil sector. The oil sector GDP continued on a positive note as in the preceding quarter while the non-oil sector which constituted a drag to GDP in the quarter posted positive performance in areas of the agriculture (crop production), other services and electricity, gas, stem and air conditioning supply.

Government revenue fell grossly behind approved prorate budget estimate during the review period. Net distributable sum of ₦1,596.56 billion accrued to the Federation Account for distribution among the three tiers of government in the quarter, signifying a shortfall of ₦531.71 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 ₦401.51 billion and ₦130.20 billion respectively.

Despite the adverse impact of the poor revenue performance in the review period, budget implementation remained on course as the Federal Government continued to meet its obligatory expenditures. The improved macroeconomic performance in the quarter reflected a position of an enhanced prospects for revenue and therefore raise hopes for a reasonable implementation of the 2017 budget in the remaining period for its implementation.

To sustain this growth and achieve government objectives, solid and courageous monetary and fiscal policies are to be continued and judiciously implemented in the remaining quarter 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, are expected to drive the growth stimulus for the near to medium term.