



**NIGERIA
ECONOMIC
UPDATE**

Weekly

Digest

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President Tinubu unveils 2024 budget of N27.5 trillion

President Bola Ahmed Tinubu, on the 29th of November 2023, presented the [2024 budget](#) before the joint session of the National Assembly. The budget is the largest in Nigeria's history with a size of N27.5 trillion and a revenue projection of N18.32 trillion resulting in a budget deficit of N9.18 trillion. Revenue comprises oil revenue of N7.69 trillion, non-oil revenue of N3.52 trillion and Independent and other revenue sources of N6.86 trillion. The expenditure consists of capital expenditure of N8.72 trillion, non-debt recurrent expenditure of N9.92 trillion, debt service of N8.49 trillion and statutory transfer of N1.38 trillion. These estimates imply that debt service is 30% of total expenditure and 95% of capital expenditure. Debt service also accounts for 45% of the projected revenue. Nigeria's debt service burden is unsustainable and highly detrimental to its economic growth and development. It increases the risk of debt distress and affects the confidence and credibility of the country before investors. To overcome Nigeria's lingering debt challenge, the government should increase the country's revenue generation capacity by expanding the tax base and enforcing tax compliance. Also, there is a need to strengthen the efficiency of government spending and remove non-essential expenditure items. Hence, the principle of value for money needs to be adopted to ensure that scarce government resources are spent to foster productivity and encourage citizens and firms to voluntarily pay their taxes.

VAT collection increases by 21.34% in Q3 2023

According to the recent Value Added Tax (VAT) [report](#) by the National Bureau of Statistics (NBS), revenue from Value Added Tax (VAT) increased to N980.07 billion in the third quarter of 2023 (Q3 2023). This is a 21.34% quarter-on-quarter increase from N781.35 billion recorded in Q2 2023 and a 51.60% year-on-year increase from N625.39 billion recorded in Q3 2022. Decomposed by source, Foreign VAT payments, Import VAT and local payments stood at N204.58 billion, N221.41 billion and N522.08 billion, respectively. Disaggregating by sector, the largest contributor was manufacturing which accounted for 26.51% indicating a relatively ease of collecting tax on manufactured goods in the country. This is followed by Information and Communication contributing 19.04% and Financial and Insurance activities contributing 12.31%. The growth in VAT revenue is almost twice the inflation rate suggesting that VAT increases in real terms. Also, the 51.6% y-o-y growth in VAT implies an improvement in VAT collection and an increase in economic activities. It is pertinent for the government to sustain this significant increase in VAT revenue to garner sufficient funds to support growing expenditures without recourse to large public borrowing. However, the country is still challenged by a narrow VAT base which reduces the number of taxable transactions and the amount of VAT collected. The inefficient and corrupt collection and remittance system also allows for leakages and evasion of VAT by some taxpayers. To eradicate these loopholes, digital and automated platforms as well as stronger accountability and oversight mechanisms should be implemented. This will reduce the opportunities and incentives for VAT leakages and evasion.

Nigeria records Trade Surplus of N1.8 trillion in Q3 2023

In Q3 2023, Nigeria recorded a total trade surplus of N1.8 trillion. This was revealed in the recent Foreign Trade in Goods Statistics [report](#) of the National Bureau of Statistics (NBS). According to the report, Nigeria's total trade with the rest of the world stood at N18.8 trillion in Q3 2023, a 54.62% increase over N12.2 trillion recorded in Q2 2023. The increase in total trade should be interpreted with caution because of the devaluation recorded during the period. Total exports stood at N10.3 trillion and imports at N8.5 trillion, indicating a trade surplus of N1.8 trillion. Compared to their figures in the preceding quarter, total exports and imports witnessed a whopping increase in Q3 2023 – exports increased by 60.78% and imports rose by 47.70%. The trade surplus for the quarter can be traced to the significant increase in crude oil exports which accounted for 82.5% of total exports, reflecting the high demand and prices of oil in the global market. Although healthy for the economy, Nigeria's trade surplus is still highly dependent on oil. The manufacturing sector contributed only 1.93% to the total exports. It has become increasingly important to increase the contribution of manufactured goods to exports. This can be achieved by improving the business environment. The current power situation and high cost of borrowing increase the cost of production of manufacturing firms, which in turn, makes them less competitive in the global market.

ECONOMIC SNAPSHOT		
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Quarterly Indicators	'23Q2	'23Q3
GDP Growth Rate (%)	2.51	2.54
Oil GDP Growth Rate (%)	-13.43	-0.85
Non-oil GDP Growth Rate (%)	3.58	2.75
Unemployment Rate (%)	NA	NA
Foreign Direct Investment (US \$ Million)	86.03	NA
Portfolio Investment (US \$Millions)	106.85	NA
Other Investment (US \$Million)	837.34	NA
External Debt (FGN & States- N'Trillion)	33.25	NA
Domestic Debt (FGN + States & FCT N'Trillion)	54.13	NA
Manufacturing Capacity utilization (%)	NA	NA
Monthly Indicators	October '22	October '23
Headline Inflation (%)	21.09	27.33
Food Sub-Index (%)	23.72	31.52
Core Sub-Index (%)	17.46	22.58
External Reserves (End Period) (US\$ Billion)	37.39	33.39
Official Rate Approx. (N/US\$)	438.52	824.99
BDC Rate Approx. (N/US\$)	NA	NA
Manufacturing PMI	NA	NA
Non-Manufacturing PMI	NA	NA
Average Crude Oil Price (US\$/Barrel)	96.57	94.90
Petrol (PMS-N/litre)	195.29	630.63
Diesel (AGO -N/Litre)	801.09	1004.98
Kerosene (HHK -N/Litre)	809.52	1,272.40
Liquefied Petroleum Gas (Cooking Gas) (N/5Kg)	4,483.75	4,562.51
MPR (%)	15.5	18.75
CRR (%)	32.5	32.5
T-Bill Rate (%)	5.68	5.29
Savings Deposit Rate (%)	4.08	5.26
Prime Lending (%)	12.23	14.32
Maximum Lending (%)	28.06	27.24
Narrow Money (N'Trillion)	21.19	25.36
Broad Money (N'Trillion)	65.44	67.18
Net Domestic Credit (N'Trillion)	63.34	92.72
Credit to the Government (Net) (N'Trillion)	22.83	34.12
Credit to the Private Sector (N'Trillion)	40.52	58.6
Currency in Circulation (N'Trillion)	3.228	2.761
FAAC (N'Trillion)	1.26	0.907

NA: Not Available

The September figures for CRR, Narrow money, broad money, T-Bill rate (%), Savings Deposit Rate (%), Prime Lending (%), maximum lending(%), Net domestic credit, credit to the government, and credit to other sectors (exception of FAAC that retained its August figure) are retained due to unavailability of data.

Highlights of Nigeria's 2024 Budget

Budget Assumption/Fiscal Parameters (NGN' Trillion)	2023 Approved Budget	2024 Proposed Budget	Change (%)
Crude oil price per barrel (\$pb)	75	77.96	3.95%
Crude oil production (mbpd)	1.69	1.78	5.33%
Real GDP growth (%)	3.75	3.76	0.27%
Exchange rate (₦/US\$)	435.57	750	72.19%
Inflation (%)	17.16	21.5	25.29%
Statutory Transfer (N Trillion)	0.99	1.38	39.39%
Debt Servicing (N Trillion)	6.31	8.25	30.74%
Capital Expenditure (N Trillion)	8.43	8.7	3.20%
Recurrent Expenditure (Non-debt) (N Trillion)	9.32	9.92	6.44%
Total Revenue (N Trillion)	11.05	18.32	65.79%
Total Expenditure (N Trillion)	24.82	27.5	10.80%
Fiscal Deficit (N Trillion)	11.34	9.18	-19.05%

REFERENCES

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