

Budget

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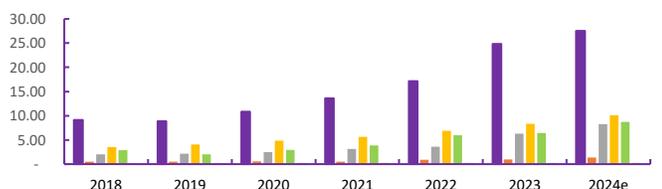
Nigeria's 2024 budget of renewed hope

During the week, the President of the Federal Republic of Nigeria, Bola Ahmed Tinubu presented the 2024 budget themed "budget of renewed hope" to the national assembly. As part of the 2024 – 2026 medium term expenditure framework and fiscal strategy paper, the 2024 budget is focused on achieving macro-economic stability, a better investment environment, enhanced human capital development, poverty reduction, and greater access to social security. The budget projects expenditure of N27.5tn, which is N2.68tn higher than the estimated budget expenditure of N24.82tn for 2023 (inclusive of the N2.96bn supplementary provision) and projects revenue of N18.32tn in 2024 which is N7.28tn more than the N11.04tn projected revenue in the 2023 budget, leaving a budget deficit of N9.18tn.

The 2024 aggregate expenditure includes capital expenditure of N8.70tn which is 3.2% y/y higher than N8.43tn estimated for 2023 while statutory transfers, non-debt recurrent and sinking fund will take up the sum of N1.38tn, N10.26tn, N243.66bn (vs N985.49bn, N9.32tn and N247.73bn in 2023) respectively. Debt service is expected to gulp the sum of N8.25tn from an estimated N6.31tn in 2023. The budget projects revenue of N18.32tn in 2024. It is expected that the sum of N7.94tn from oil-related sources will contribute 43.34% to the nation's budget's revenue. The balance of N10.39tn will come from non-oil sources which include the FGN share of non-oil tax (N3.52tn), minerals and mining (N4.56tn), independent revenue (N1.91tn), grants and donors (N685.63bn), dividends from the Nigerian LNG Limited (NLNG), Bank of Agriculture and others (N357.92bn) and education tax, oil price royalty, drawdowns from special accounts and others (N1.05tn).

The 2024 budget assumes an oil price benchmark of US\$77.96/bbl. and oil production of 1.78mbpd. The exchange rate was pegged at N750/US\$ while the headline inflation and Gross Domestic Product (GDP) rates were estimated at 21.40% and 3.76% respectively in 2024. While we believe the oil price assumption is realistic, we struggle to believe the country can raise production to 1.78mpd in 2024. According to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Nigeria's oil production (with condensates) increased to 1.57 mbpd in September 2023, the highest level in 2023. We remain concerned about the country's increasing expenditure amidst significantly low revenue generation capacity. Though we believe the fiscal position will likely improve next year, owing to expected savings on subsidies, the impact of currency devaluation on FX revenue, and expectations of growth in tax revenue from new taxes introduced in the new Finance Act, we still believe the government needs to either cut down expenditure significantly or find ways to significantly boost revenue.

Historical budget expenditures (Ntn)



Source: CSL Research

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NSE-Index	53,086.86	51,251.06	71,365.25
Naira/US \$	415.63	461.50	823.26
Brent US\$/bbl	119.51	85.91	82.90
MPR	13.00	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index

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News headlines:

IMF looks to debt for climate swap to help indebted countries: The International Monetary Fund (IMF) has said it is considering setting up a debt-to-climate swaps deal to help indebted countries cut their debt in return for protecting the ecosystem. Kristalina Georgieva, managing director of IMF, who disclosed this during an interview with journalists at COP28, said the international institution is yet to have a clear mechanism on how the debt for climate swap deal will operate. "Decarbonisation is very difficult for countries with high levels of debt. Climate is one problem, and debt is another problem for the same countries. We are very interested in debt for climate swaps," Georgieva said on the sidelines of the ongoing COP28.

Source: BusinessDay

<https://businessday.ng/news/article/imf-looks-to-debt-for-climate-swap-to-help-indebted-countries/>

LCCI urges FG to improve CapEx budget performance, look beyond oil revenues: Director-General of the Lagos Chamber of Commerce and Industry (LCCI), Dr Chinyere Almona, has urged the federal government to, as a matter of urgency, improve its budget performance in terms of capital expenditure in 2024. Speaking in Lagos, Almona said the performance of the capital expenditure has been very low relative to the recurrent expenditure, with serious implications for the country's infrastructure sector. Describing the situation as worrisome, the DG said it demands urgent solutions. She added that the proposed 2024 budget of N27.5 trillion (\$33.4 billion) is the biggest in the country's history, representing a 21.4 per cent increase compared to 2023's N22.65 trillion. Source: Guardian

<https://www.thisdaylive.com/index.php/2023/11/30/despite-growth-in-global-internet-connectivity-disparities-persist-as-itu-moves-to-close-gaps>

New Strategy in UK that Undermines Airline Competition: There has been a history of UK using airport authorities to undermine Nigerian airlines in their bid to operate from Nigeria to the UK. The London-Lagos route is the most lucrative route out of Nigeria and it is the route where an airline can have high number of passengers on direct flights. Nigerian airlines do well on the route, from Nigeria Airways Limited, the nation's erstwhile national carrier, to others that operated the route. Over the years, there have been attempts by UK authorities to constrict Nigerian operators using all kinds of strategies to stop them from coming to the UK, despite the fact that the Bilateral Air Service Agreement (BASA) signed between Nigeria and the UK gave both countries 21 frequencies and allow each country to have three airlines operating seven times a week flights between the two friendly nations. Source: Thisday

<https://www.thisdaylive.com/index.php/2023/12/01/new-strategy-in-uk-that-undermines-airline-competition>

Flood leaves 69.2% households in hunger – NBS Survey: The survey report, titled: "Nigeria Flood Impact, Recovery and Mitigation Assessment Report for 2022-2023", released yesterday also showed that 52 percent of households in the flood affected areas recorded total loss of business and income. The NBS report stated: "Overall, 49 percent of the households reported having had their main source of food affected by the floods, with households in rural areas (60%) more impacted than those in urban areas (23%). "For many households, the floods caused food insecurity, with 60 percent reported experiencing hunger, 69.2 percent experiencing food shortage and 84.9 percent unable to eat a healthy nutritious meal due to the impact of the floods." Source: Vanguard

<https://www.vanguardngr.com/2023/12/flood-leaves-69-2-households-in-hunger-nbs-survey/>

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% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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