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BUHARINOMICS & 2016 BUDGET

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“With depleted foreign reserves, falling oil prices, leakages and debts the Nigerian economy is in deep trouble and will require careful management to bring it round..”

President M. Buhari

May 29, 2015

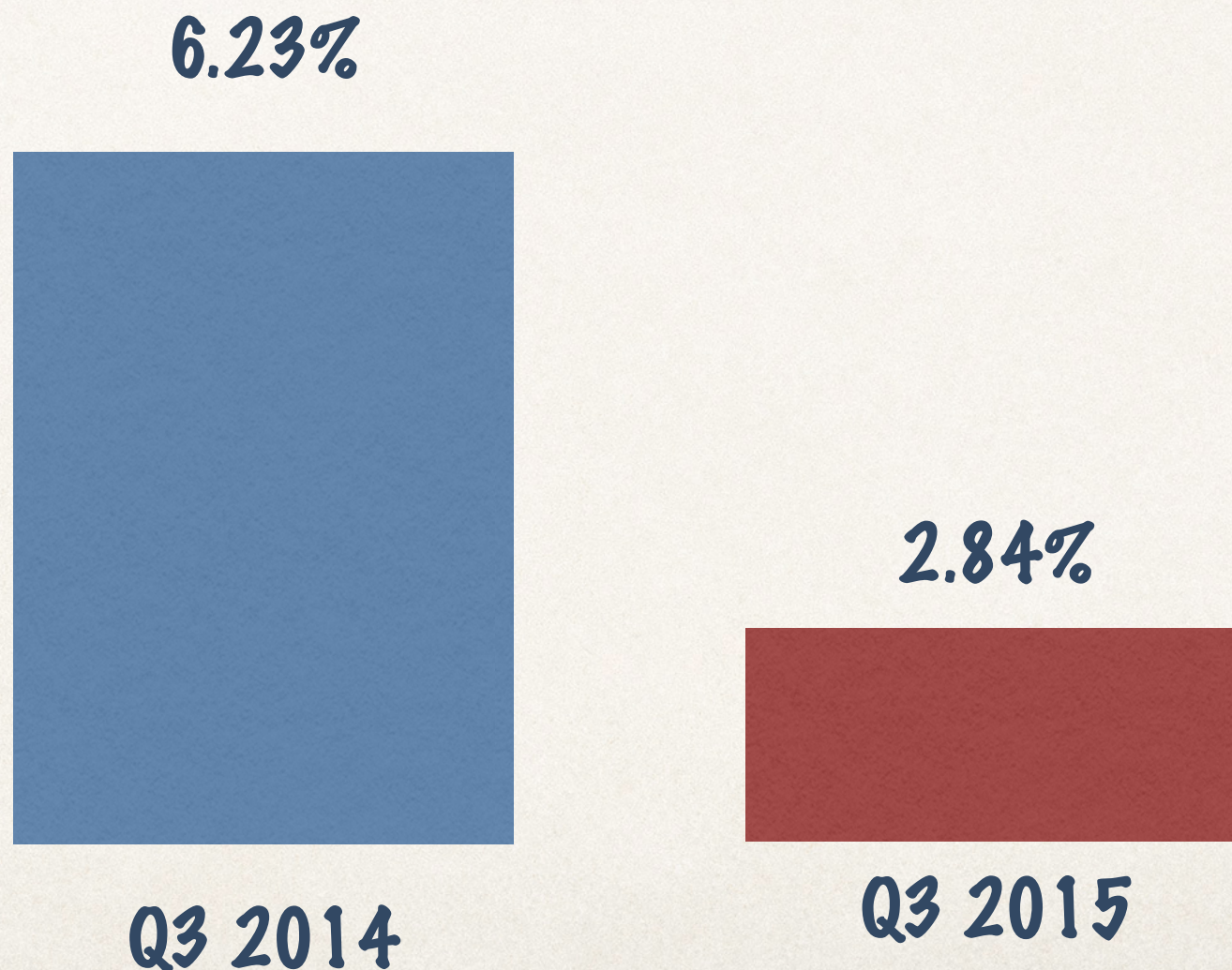
Nigerian economy faces

7 major issues

1

Slowing economic growth

While it is agreed that Nigeria's growth has not been inclusive and data showed that growth has been slowing down



2

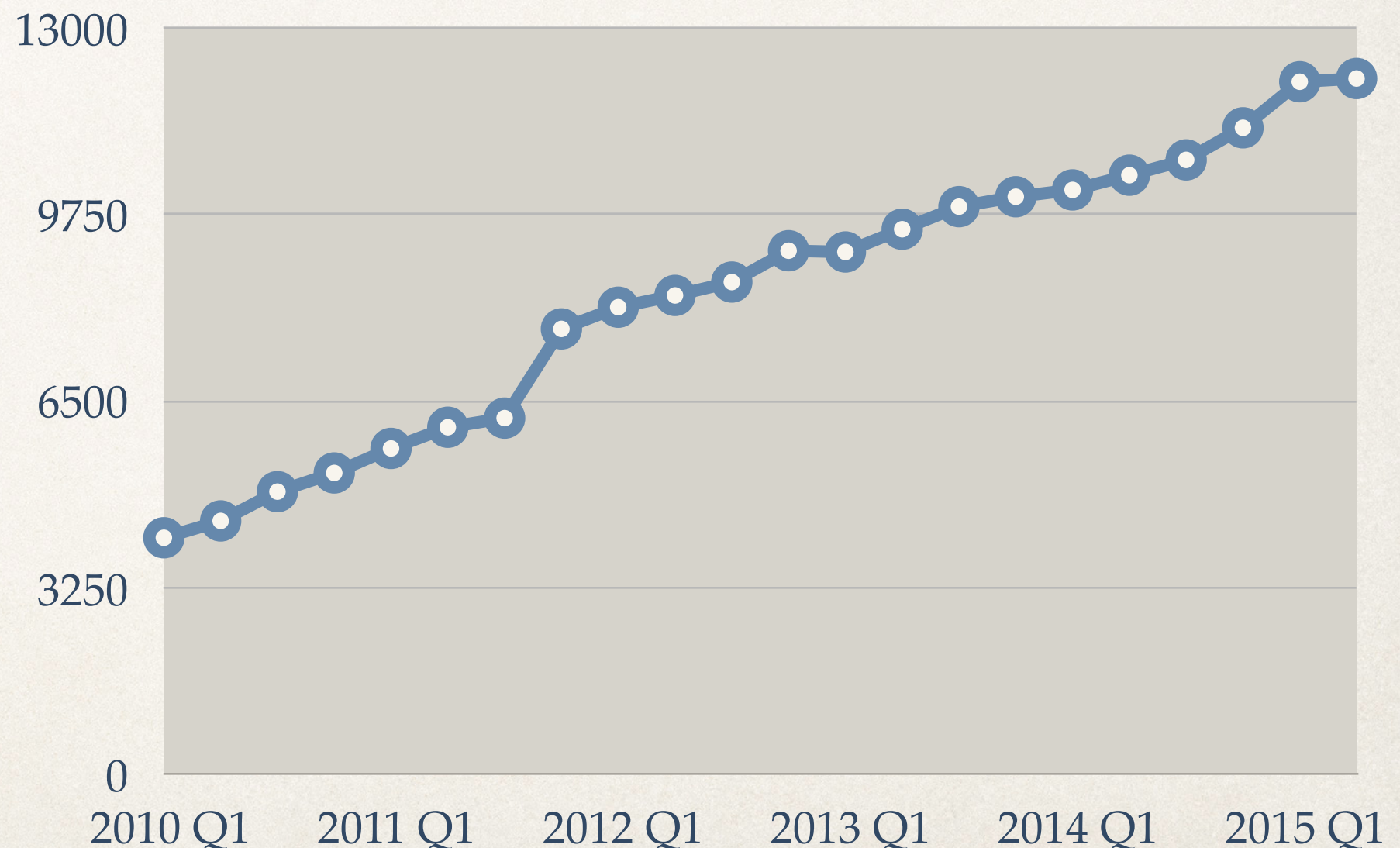
Fast growing debt stock- relative to government revenue

Nigeria's debt stock keeps rising and also the cost of servicing. Deficit hits a projected record high of N2.2tn

35%

Nigeria's debt service to revenue projected to reach 34% in 2016

Nigeria Debt Stock (NGN Millions)



3

Inflation rising mildly

Inflation is on a mild rise and already beyond CBN target band

9.6%

Inflation figure YoY as
at December 2016;
currently at a
3-year high



4

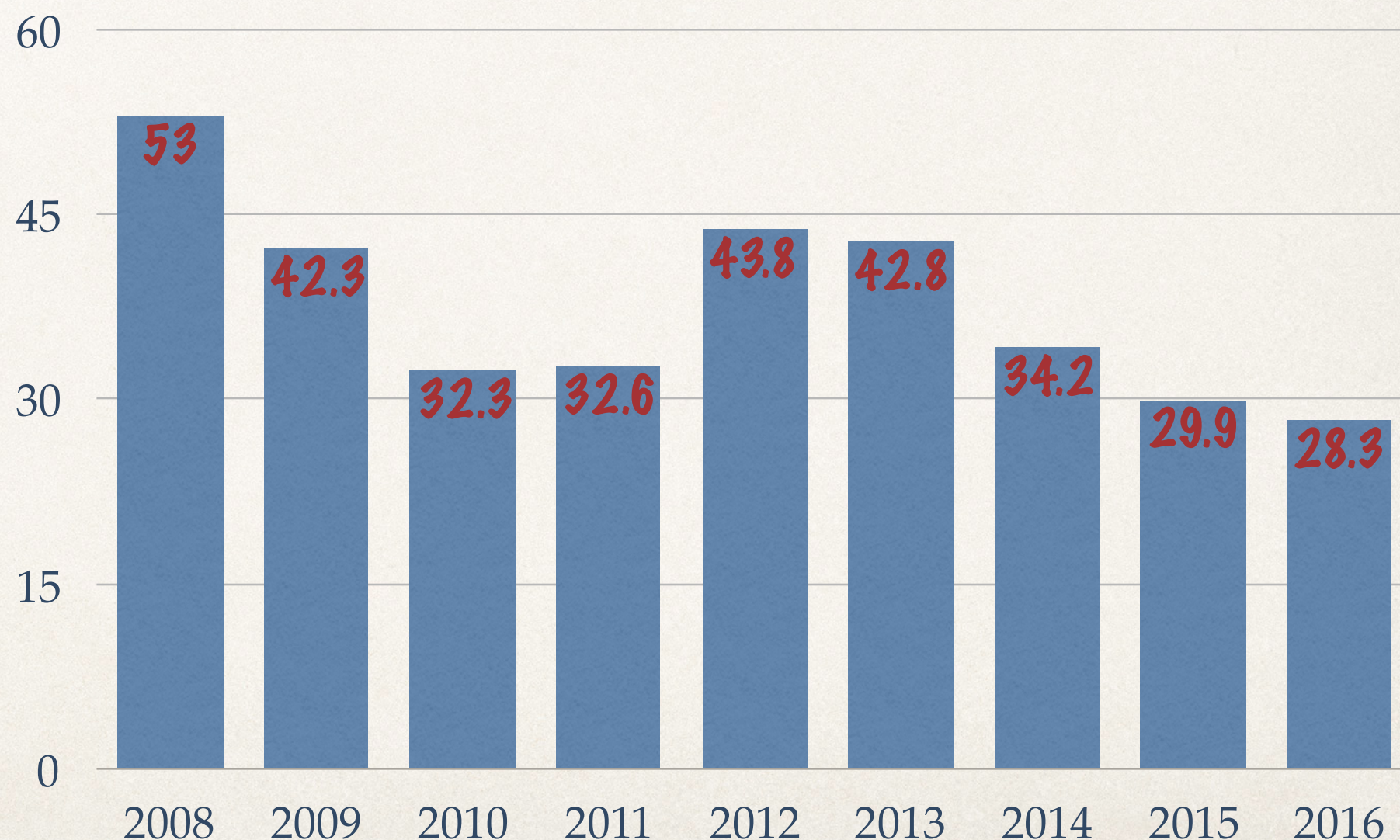
Falling external reserves

The country's external reserves dipped from \$43.5bn (£30bn) in January 2014 to \$28.3bn, a ten-year low.

\$27bn

Nigeria's external reserves need \$27bn to cover six month imports

External Reserves (USD Billions)



5

Falling government revenue

Oil contribution to matrix slows down

-N1.1tn

With oil prices tumbling, Nigeria's revenue has taken hit on every angle. As at September 2015, FG Retained earnings still had a N1.1 2tn gap.

Gross Monthly FAAC (NGN millions)



6

Collapse in Asset Class

Nigeria's stock market has been facing decline since the Buhari bounce in early April 2015 signifying capital flight from portfolio investors

-N1.2tn

“Nigeria lost N1.2tn in the first eight trading days in 2016. The third largest exchange loss in the world after China and Saudi Arabia”

The Cable NG

7 Competitiveness

124

NIGERIA'S COMPETITIVENESS
RANKINGS

The Nigerian economy despite the incentives for local market investment faces acute inability to compete globally. Despite liquidity in the domestic market, asset creation at the private sector is not rising fast. Nigeria economy is not still competitive enough.

the Proposed 2016 Budget

What is the Policy Direction of
the Nigerian Government?

The current Nigerian government seems to be in a hurry to **expand debt**, unwilling to apply **austerity**, diversify revenues & also has interest in **social intervention programmes**

Buharinomics so far



N500bn social Intervention
Fund

Loot Recovery

Not ready to devalue the currency

Setting up Efficiency Unit

Propose record deficit at N2.2tn

Unwilling to remove fuel
subsidies

The Treasury Single Account with
N2tn balance

Improved Transparency at NNPC

N600bn capital fund for Works, Power, Housing & Transport

Diversification - firm leadership at FIRS, Customs & Solid Minerals

Raise liquidity for banking sector-specific
investments

2016 Budget:

Is the “**ungolden**” era of oil over?

This 2016 budget is not based on oil.
Oil related revenue accounts for **13%**
of proposed FG Budget Expenditure

How will 2016 Budget be funded?

FG share of oil related revenue
projection tumbles
from N1.64tn in 2015
to N820bn in 2016

N1.64tn



N820bn



N3.86tn



Oil

N820bn



Non-oil

N1.45tn



Independent Revenue

N1.5tn

How feasible is Revenue?

Oil Price keeps tumbling down per barrel and how feasible is 2.2m barrels per day?

₦38



₦28



Independent Revenue
N1.5tn

Independent Revenue presents the biggest opportunity due to efficiency driven by the Treasury Single Account

N977bn

FX policy is hurting non-oil export as Customs revenue dips from N977bn in 2014 to N903bn in 2015

The Staggering Deficit

N2.2tn

The Deficit, which is equivalent to 2.16% of Nigeria's GDP
or 36.51% of total government 2016 spending plan

2016

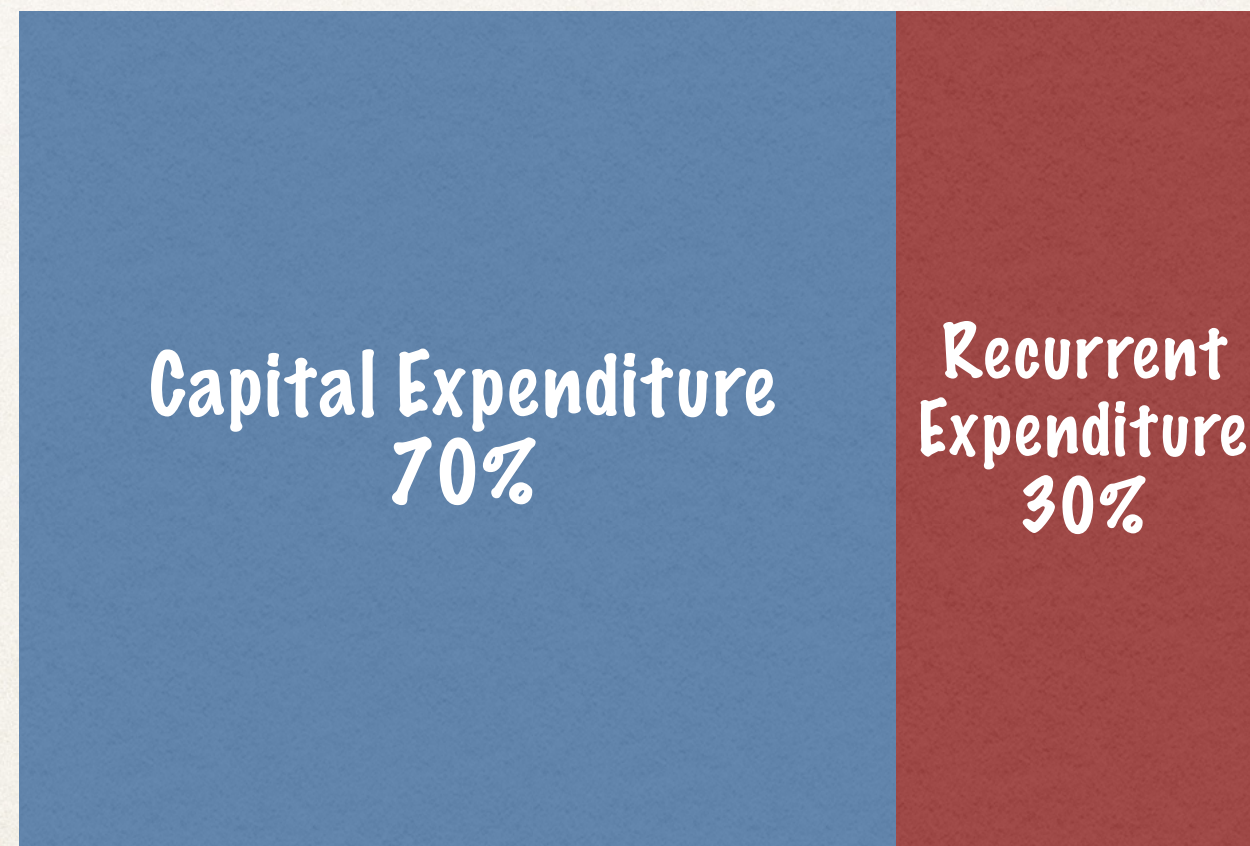
N2.2tn

2015

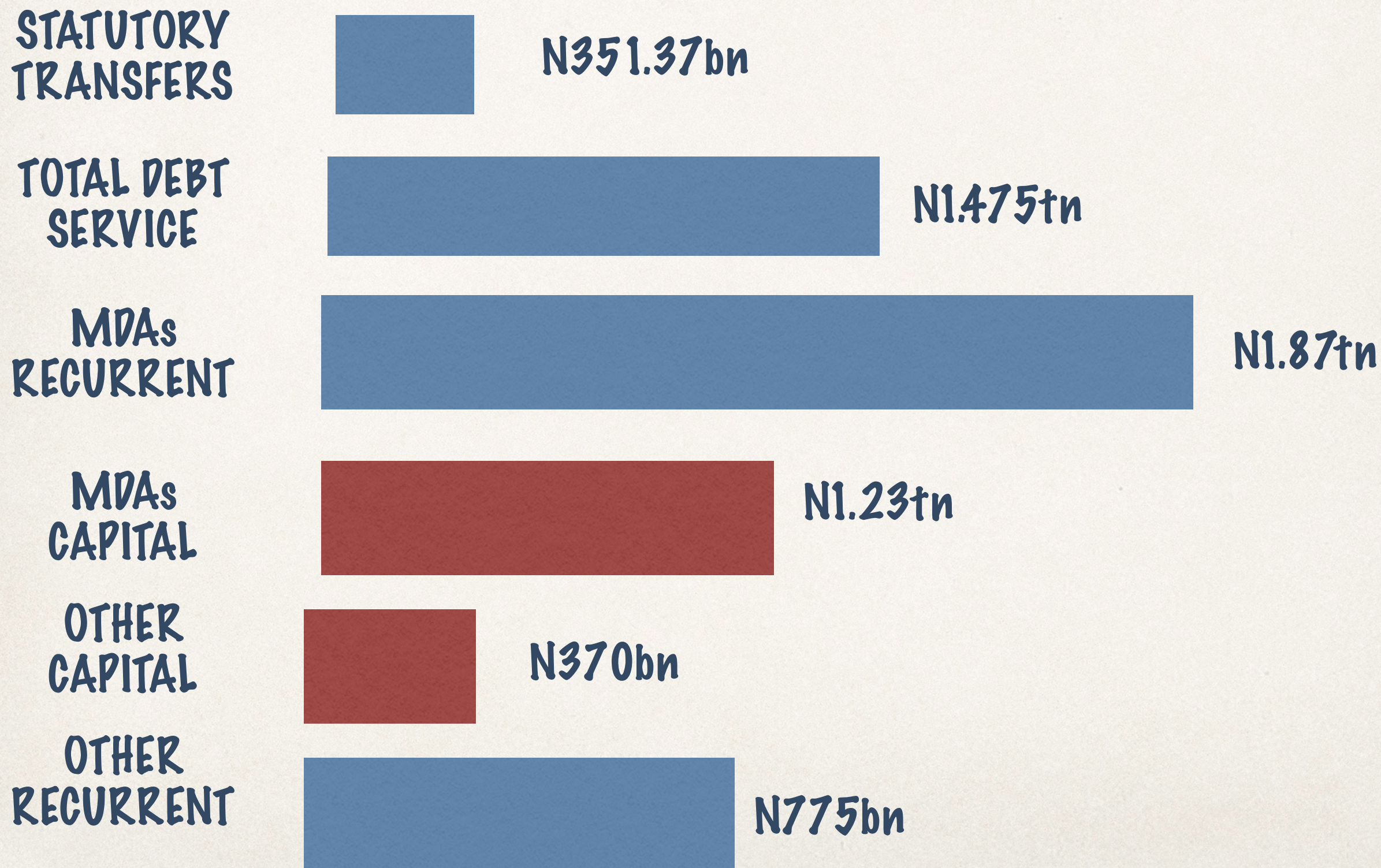
N1.04tn

Expenditure

N6.08tn



The N6.08tn Expenditure



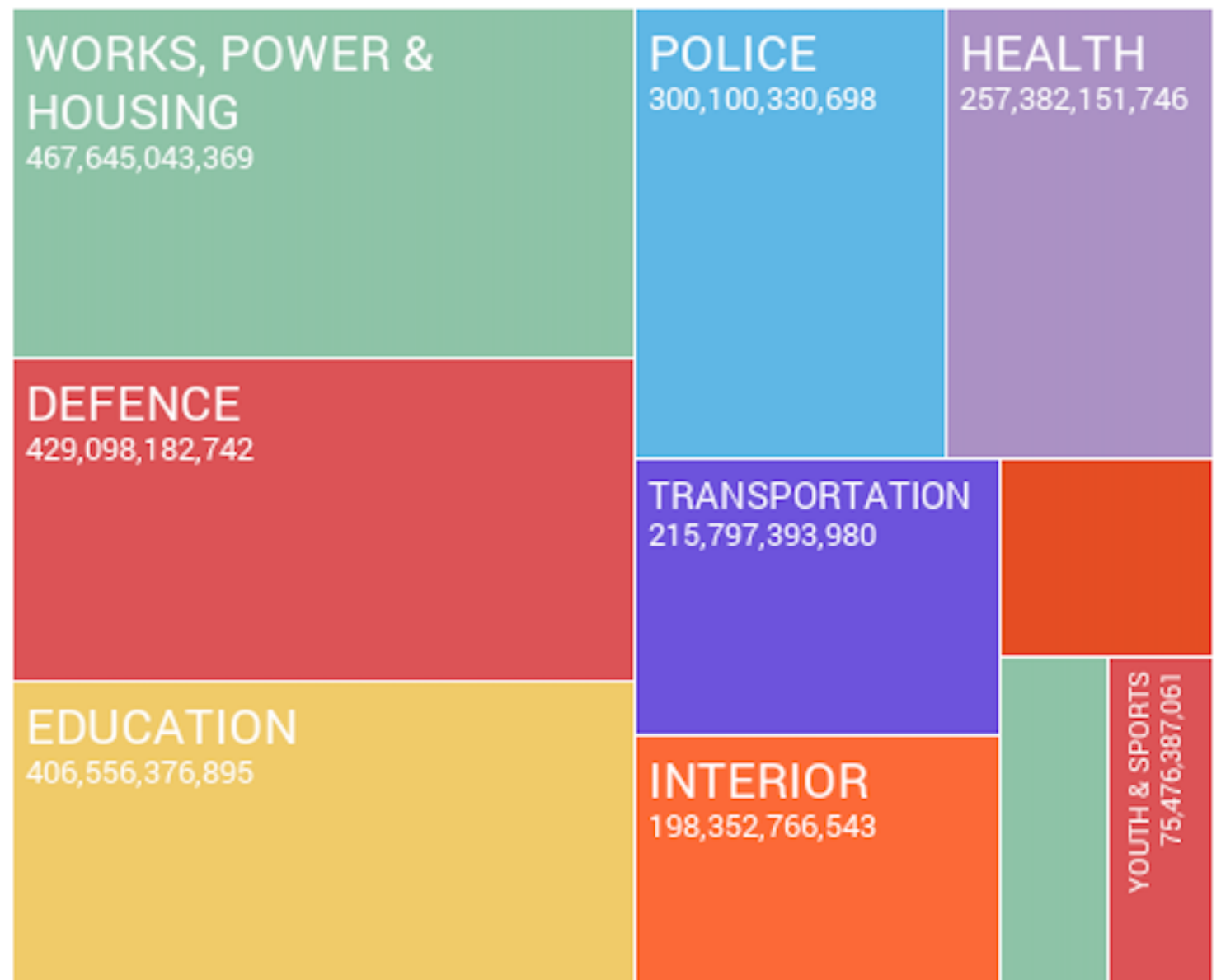
The N6.08tn Expenditure

KEY MINISTERIAL ALLOCATIONS

Social Spending of N500bn is the highest component in the budget.

However, the “Super” Ministry of Works, Power & Housing got huge share of the budget.

Education and Health budgets are huge but are mainly for personnel costs - doctors & teachers

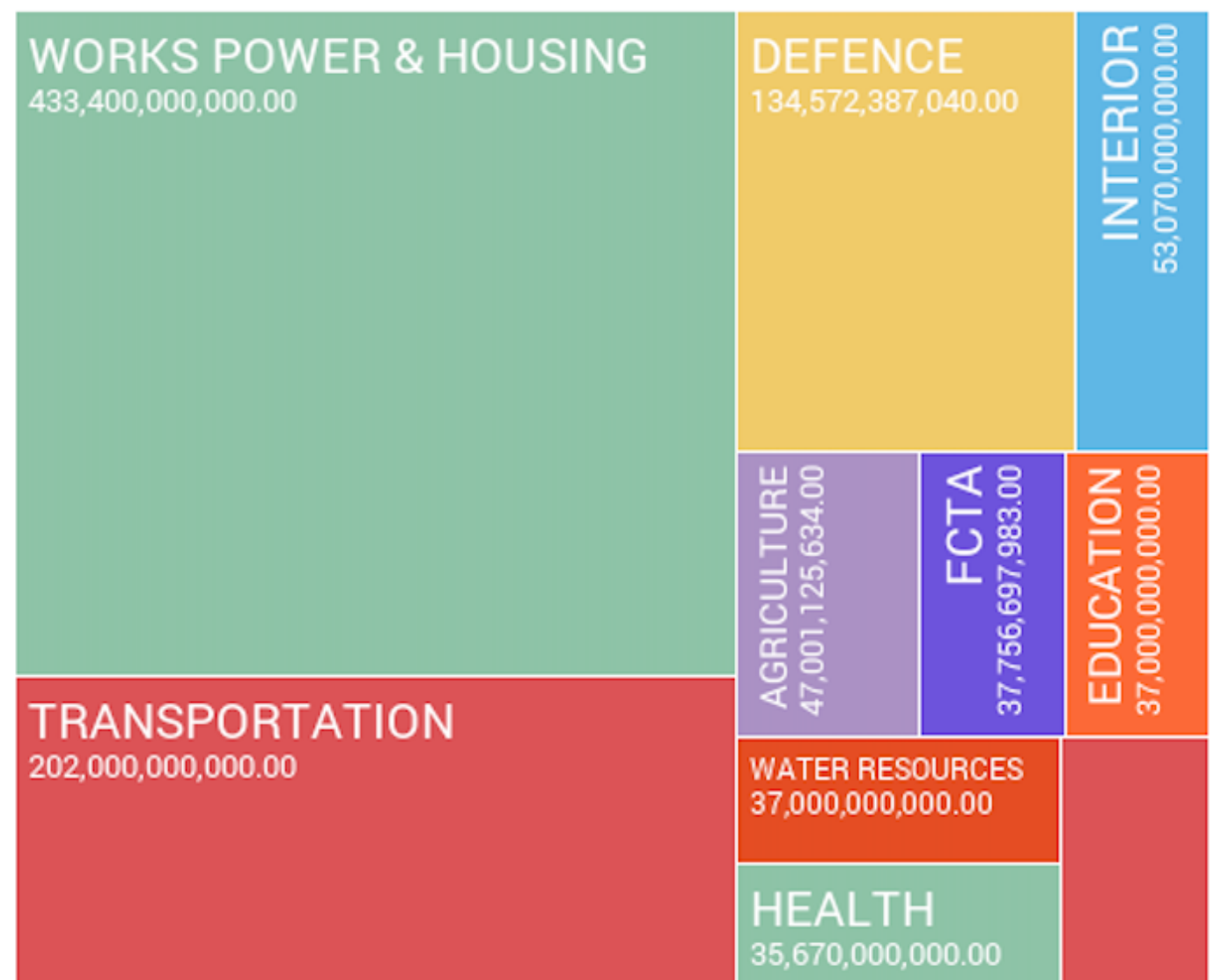


The N6.08tn Expenditure

KEY **CAPITAL** ALLOCATIONS

Key capital allocations jumps are for Works and Housing, Transport, Defence and Interior.

Capital allocations to social sectors such as education & health did not rise, showing government lack of concern to boost infrastructure in such sectors.



The N6.08tn Expenditure

2016 KEY BUDGET PRIORITIES & OPPORTUNITIES

1. Buying Government Bonds with domestic offering put at N984bn

2. Railway Sector to see N90bn investment

3. Inland Waterways proposed spending up to N50bn

4. Housing
7,068 Units stated in the budget up to N44.5bn

5. Roads
Massive expansion on roads to gulp N224bn

6. Computers & Software Acquisitions
Every Ministry still wants to buy software and computers. Total proposed spending at N22bn

7. N500bn
The Federal Government to embark on massive social spending including school feeding programs

8. N167bn
Defence Infrastructure with huge capital spending at NSA & Defence Ministry.

THANK YOU