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CORPORATE DIGEST

HIGHLIGHTS OF THE 2023 BUDGET: Budget of Fiscal Consolidation and Transition

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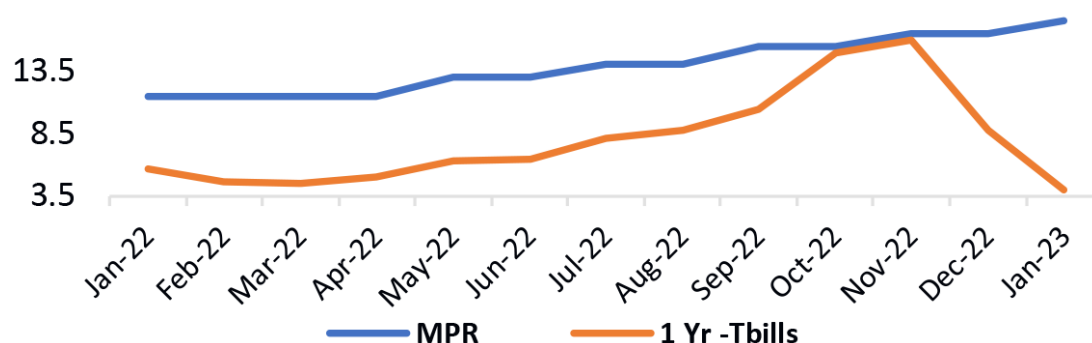
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Macroeconomic Updates

Rates (%)



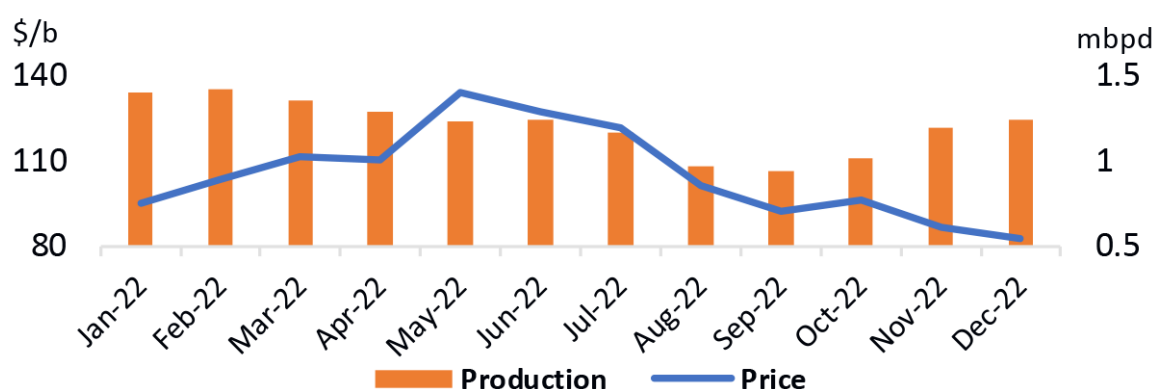
The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) maintained a hawkish stance, raising its Monetary Policy Rate (MPR) by 100 basis points (bps) to 17.5% at its first meeting for 2023.

This marks the 5th consecutive rate increase within 1 year. Curbing inflationary pressures while moderating growth

remains the priority of the MPC. All other parameters were left unchanged.

The 270-Day Treasury Bills (T-Bills) declined in January 2023 to 4.01% from 8.8% posted in the previous month.

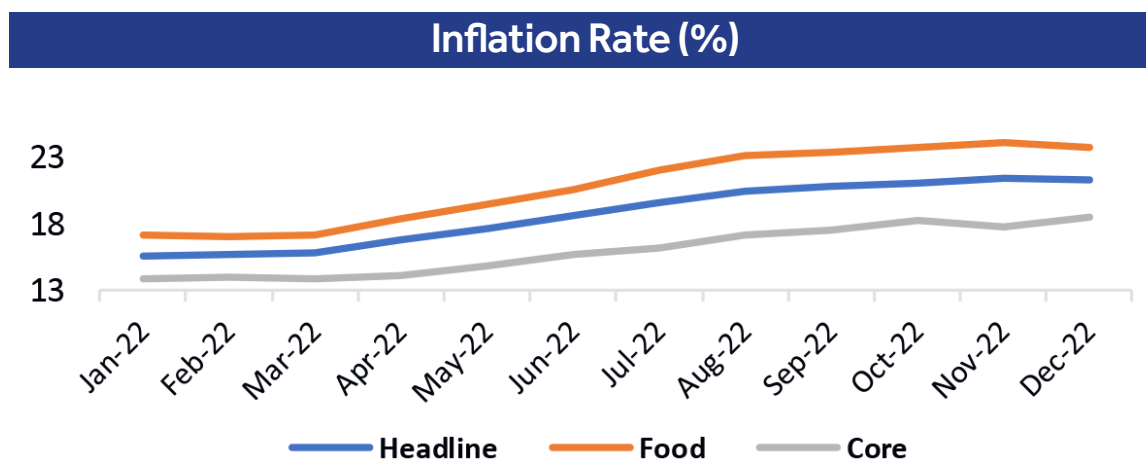
Bonny Light Crude Oil



Oil prices closed at \$87.7 per barrel on the 26th of January 2023 from \$82.58 per barrel at the end of 2022.

Increase in oil prices was fueled by the Russia-Ukraine crisis. However, fear of a global recession continue to depress price growth.

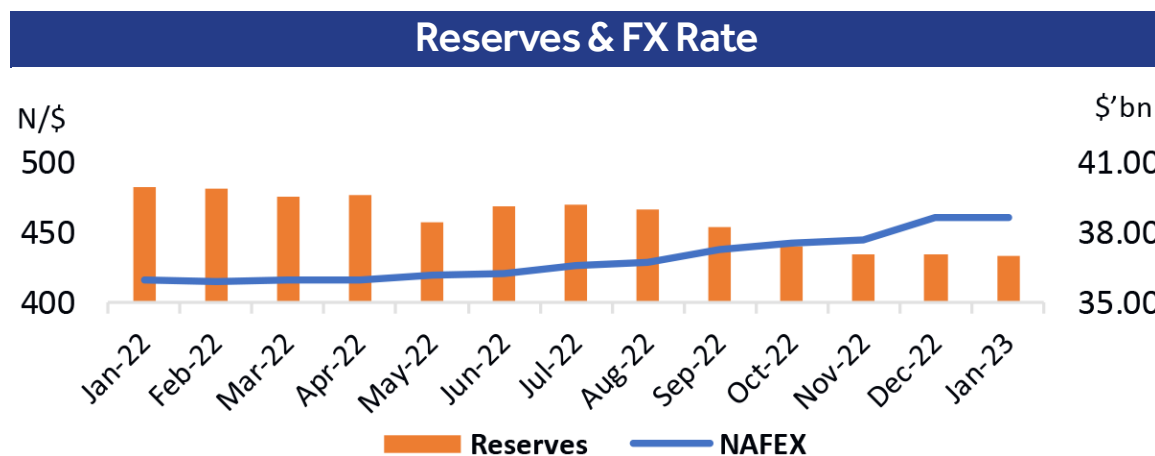
Crude oil production reached 1.24mbpd in December 2022 compared to 1.19mbpd posted in the previous month. The government is intensifying efforts to curb oil theft which is a drag on oil revenue.



The annual inflation rate for the Nigerian economy slowed to 21.34% in December 2022 from 21.47% recorded in the preceding month.

This decline, which came after 10 consecutive months of increase, could be attributed to base effect.

Food inflation rate eased to 23.75% from 24.13% posted in the previous month. On the other hand, core inflation rose to a near 16-year high of 18.5% compared to 18.2% recorded in the previous month.



External reserves settled at c.\$37.00 billion at the end of January 2023. This was \$80mn lower than the figure posted in the previous month.

Burgeoning demand for the Greenback amidst its weak supply dampened accretion to reserves.

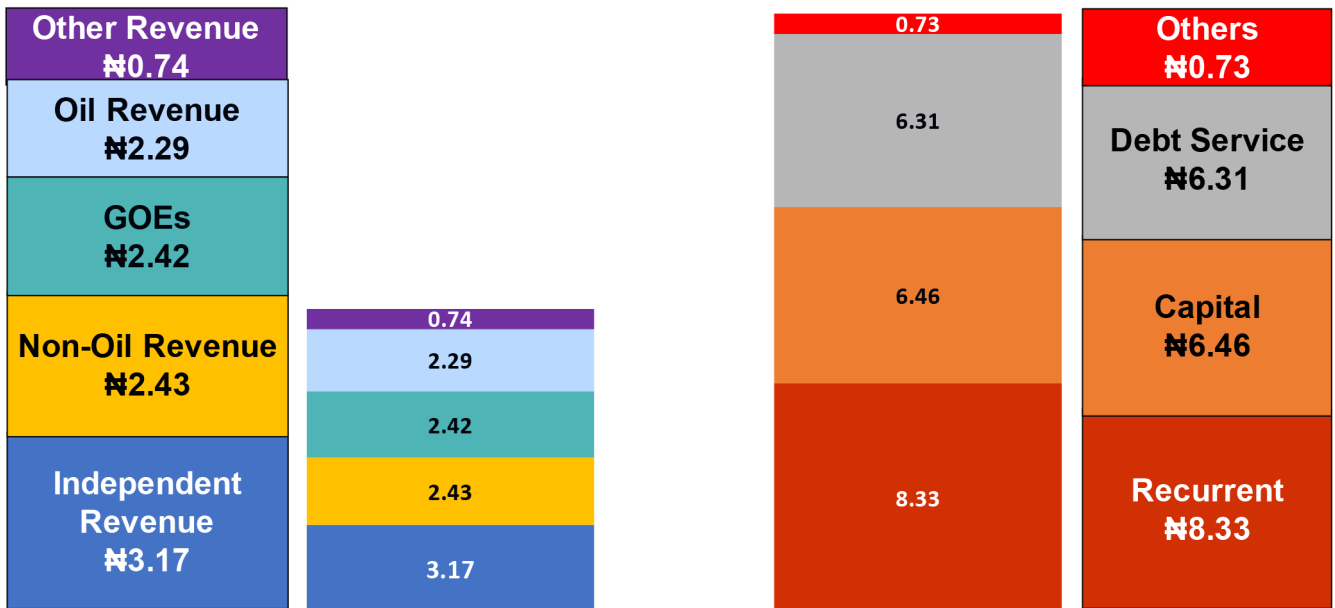
The Naira depreciated in January 2023, closing at N461.3/\$ from N461.1/\$ recorded in the previous month at the NAFEX window. This showed a 0.04% depreciation.

Highlights of the 2023 Budget

**₦11.05trn
Total Revenue**

**₦10.78t
Deficit**

**₦21.83trn
Total Expenditure**



Key Assumptions

Oil Price
\$75/b

Oil Production
1.69mbpd

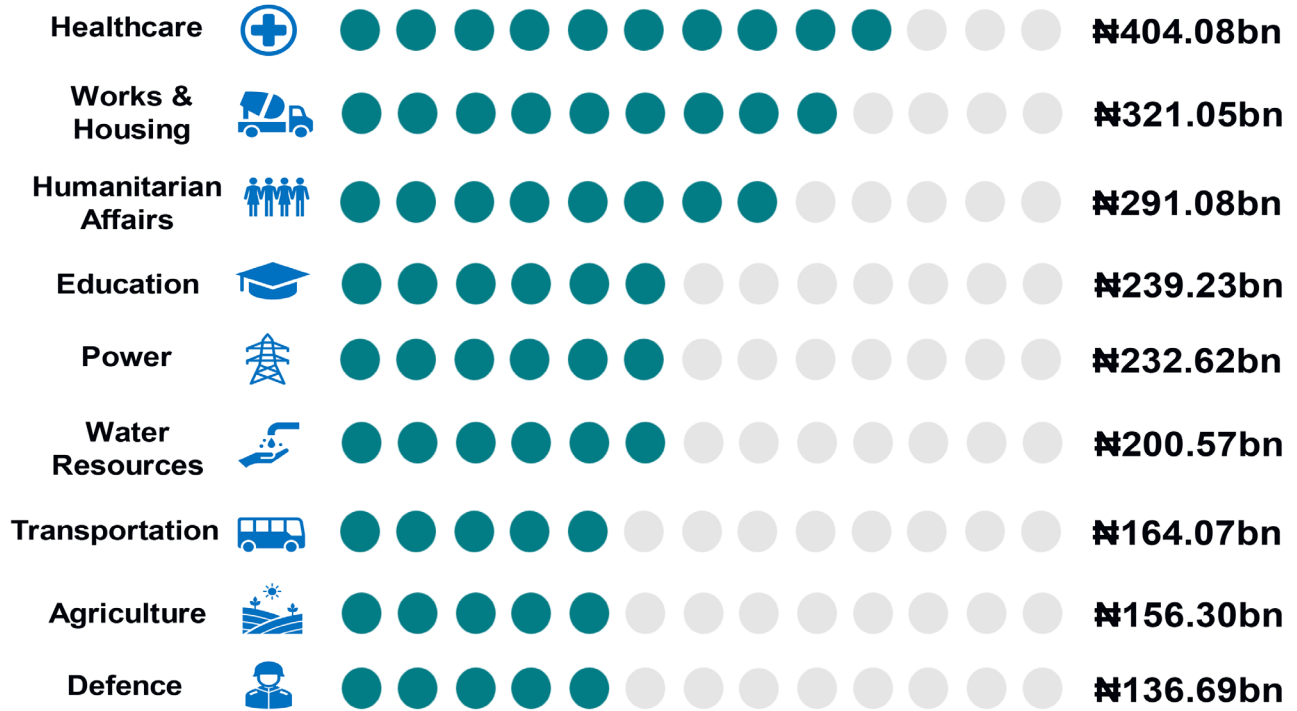
Exchange Rate
₦435.57

Inflation Rate
17.16%

GDP Growth
3.75%

Source: Budget Office of the Federation

Sectors with the highest capital expenditure



Source: Budget Office of the Federation

Key Takeaways

- Moderating growth while improving the welfare of Nigerians remain a top priority for the government.
- The 2023 budget was increased by 26.04%, compared to the 2022 budget, to achieve set economic targets. However, weakened revenue amidst rising expenditure bloated the fiscal deficit.
- The 2023 deficit rose by 46.67% relative to ₦7.35 trillion budgeted for 2022. Bulk of the deficit will be financed from domestic sources, while the rest will be from foreign sources, multi-lateral /bi-lateral loan drawdowns, and privatization proceeds.
- Allocations have been made to key economic sectors to spur the desired growth. Businesses can leverage these opportunities to become increasingly productive and agents of employment, thus stimulating economic growth.
- The government hopes to create an enabling business environment while sustaining growth via the 2023 budget. However, given that the budget will be implemented by the new incoming administration, businesses should be watchful of policy tweaks and mentally prepared to adjust operations to suit these policies.