



Analysts Monthly Review

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Delayed Passage of Nigeria’s 2018 Budget: Worst in Two Decades?

A budget is a framework for revenue and expenditure outlays over a specified period usually one year. It serves as an instrument by which a government allocates, distributes and redistributes benefits, burdens and losses among groups, communities, segments of a society and socio-economic sectors. Nigeria’s return to civil rule in 1999 has given budget its constitutional status as against the military era when budgets were only read to the nation.

Under the civilian rule however, budgeting involves a wider consultation. It commences with the Budget Office issuing call circulars to all ministries, agencies and extra-ministerial departments for their inputs to the budget. Upon receipt of these inputs, the Budget Office collates and analyzes the proposal and hold inter-ministerial meeting for harmonization. A draft copy is then submitted to the President who submits to the National Assembly (NASS) as an Appropriation Bill. Upon approval by both arms of the NASS, the budget becomes an Appropriation Act which then becomes a law when the President appends his signature.

An examination of historical facts shows that the Nigerian budgetary system is characterized by delays in preparation, submission and appropriation owing to many factors, one being the relationship between the executive and the legislature. Recently, there is a growing concern over the delayed passage of 2018 budget which was submitted to the NASS in November 2017. This is in sharp contrast to the current administration’s promise to regularize the budget cycle to the January and December period.

Against this backdrop and in a bid to gain a wider perspective of the budgeting scenario in Nigeria, we critically analysed the time lags between when budget is prepared and signed by the President in Nigeria from 2000 till date employing data sourced from our ANASTAT data bank.



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Time Lag between Receipt of Budget by National Assembly and Senate’s Passage

For the period of study (2000-2018), it took the Senate an average of 110 days to pass the budget after receiving it. From Figure I, this time lag was seen to be higher than the average time lag for 11 years over the study period but below the average for the remaining years.

Figure I further shows that in 2001, 2006, 2007, 2009 and 2013, time lags were notably below average at 40, 72, 75, 16 and 71 days respectively. On the other hand, remarkable long durations were documented in 2002, 2005, 2011, 2015, 2017 and 2018 at 139, 155, 161, 132, 148 and 189 days respectively.

The lowest duration between budget receipt by NASS and Senate’s passage was recorded in 2009 while the highest in recent history will likely be in 2018 since the budget has not been passed by NASS even at the end of April, 2018.

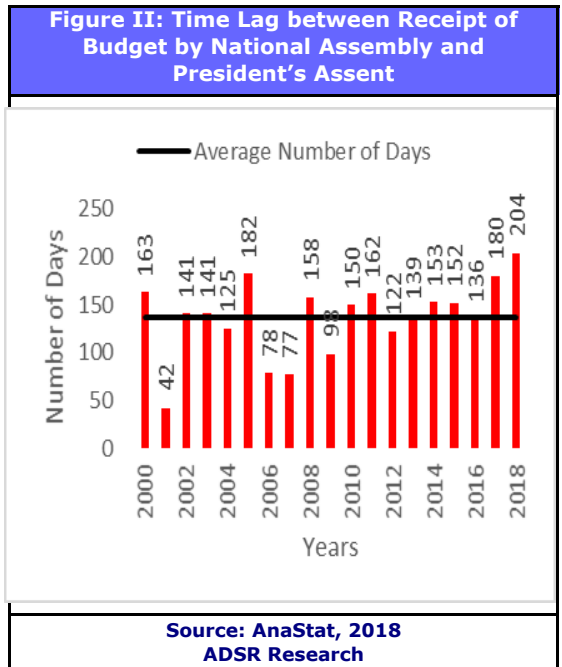
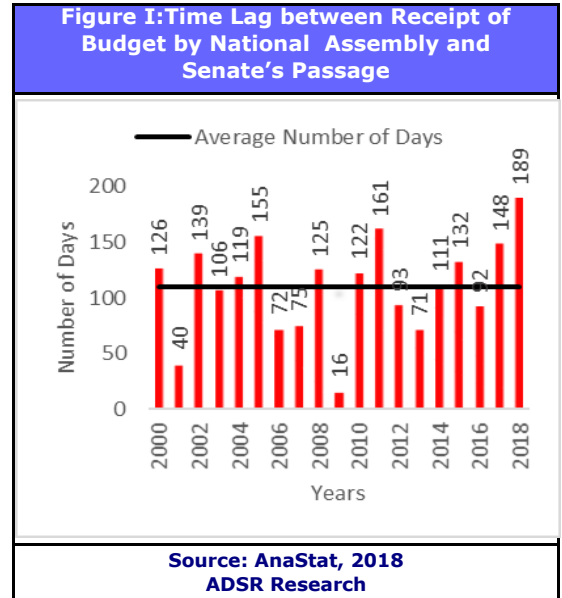
Time Lag between Receipt of Budget by National Assembly and President’s Assent

The results of analysis presented in Figure II shows that the average duration it takes from when the budget is received by NASS to when the President finally signs it into law is 137 days. It was also seen that time lags above this average were experienced in 12 years while other years of the study period had time lags below the average.

The years when the time lags were particularly above average include 2000, 2005, 2008, 2011, 2017 and 2018 at 163, 182, 158, 162, 180 and 204 days respectively. In 2001, 2006, 2007 and 2009, time lags were notably below average at 42, 78, 77 and 98 days respectively. The least duration which was 42 days was recorded in 2001. However, the 2018 time lag appeared the lengthiest in history at 204 days with the assumption that the budget will be passed in mid May and the President will sign at the end of May.

In addition, a closer look at the figures reveals that each remarkably lengthy time lag is usually succeeded by a shorter duration which may be as a result of learning from the past. However, this lessons has not birth sustained decline in the time lag over time.

The foregoing undoubtedly depicts that the completion of Nigeria’s budgeting process often takes a long period of time. This leads to inadequate execution, as well as poor coordination and implementation of projects. Having this understanding, it is requisite for us to learn from history and avert subsequent delays by critically assessing the budgeting process and cycle, appraise the actors in the budgeting process and most significantly review the constitutional hold on budget preparation and appropriation.



FGN Shared N647.39bn in March 2018

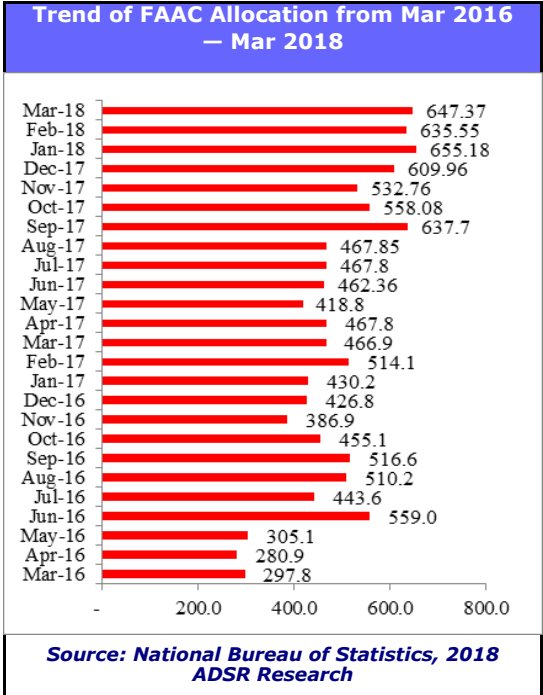
Federation Account Allocation Committee (FAAC) data for March 2018 reveals that FAAC disbursed a sum of N647.39bn from the revenue generated in February 2018. The amount disbursed comprised N557.29 from the Statutory Account, N89.45bn from Valued Added Tax (VAT) and N654.49m excess bank charges.

As regards distribution among the three tiers of government, Federal government received a total of N270.81bn. States received N173.76bn while Local government received N130.91bn. The sum of N57.49bn was shared among the oil producing states as 13% derivation.

Further breakdown of revenue allocation distribution to the Federal Government of Nigeria revealed that the sum of N230.33bn was disbursed to the FGN consolidated revenue account; N4.89bn shared as share of derivation and ecology; N2.45bn as stabilization fund; N8.23bn for the development of natural resources; and N5.72bn to the Federal Capital Territory, Abuja.

In addition, Revenue generating agencies such as Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR) received N3.82bn, N5.64bn and N2.97bn respectively as cost of revenue collections.

As the FAAC allocation picks up from the decline recorded in February, more efficient tax collection measures and system are needed to sustain this increase. Additional attention should be given to Non-oil revenue generating sectors as this will help sustain the increase in allocation. However, observed issues of discrepancies in projected and actual revenue need to be firmly addressed among the relevant



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Nigeria's Inflation Rate Continues on a Downward Trend

The National Bureau of Statistics (NBS) reported a further drop in inflation rate to 13.34 percent year on year in March 2018. This denotes a 0.84% month on month decline compared to 14.33% recorded in February 2018. This is the 14th consecutive disinflation since January 2017.

In the same vein, the core index increased by 11.18 percent (year-on-year) in March which is down by 0.84 percent points from the rate recorded in February. In addition, all major food sub-indexes increased during the month as the Food Index increased by 16.08 percent (year on year) which is down by 0.90 percent points from the rate of 17.59 percent reported in February. The Urban and Rural Index stood at 13.75 percent and 12.99 percent in March respectively.

This continuous decline in inflation rate no doubt, has a positive implication for the Nigerian economy. As we expect monetary authorities to continue to balance its roles of price and currency stability, downward trend in inflation spells good for investments, firms profitability, equities performance and economic growth.

However, inflation in April is projected to also drop when the statistical authority releases the figure.

	2017 Mar	2017 Dec	2018 Feb	2018 Mar
Headline	17.26	15.37	14.33	13.34
Core	15.40	12.09	11.70	11.18
Food	18.44	19.42	17.59	16.08
Urban	18.27	15.78	14.76	13.75
Rural	16.47	15.02	13.96	12.99

Source: National Bureau of Statistics, 2018;
ADSR Research

This is the 14th consecutive month of decline.

Nigeria's Capital Market Indices Declined in April 2018

The All Share Index of the Nigerian Stock Exchange closed the month of April 2018 at 41268.01 representing a loss of 0.57% from 41,504.51 in March 2018. The equities market capitalization at the end of March also fell to N14.94trn from N14.99trn in March, which denotes a 0.30% decline on month-on-month basis.

However, Foreign Portfolios Investment (FPIs) increased by 28.50% from N212.05bn recorded in February 2018 to N272.48bn in March 2018. Similarly, Total domestic transactions increased by 8.90% from N128.83bn recorded in February to N140.27bn in March 2018. In the domestic market, retail and institutional transactions stood at N49.00bn and N91.27bn respectively. This indicates a lower participation by retail investors and higher participation by institutional participation in the stock market.

In the Unlisted Securities Market, the index finished the month of April 2018 at 699.37 points, gaining 5.4% month-on-month. However, the Index gained 17.8% year-on-year and 10.9% year-to-date. In the same vein, Market Capitalization for the Unlisted Securities Market ended the month at N473.28bn which is a rise of 5.4% month-on-month while it gained 17.8% year-on-year and 10.9% year-to-date.

In addition, monthly rates on the FMDQ showed that the Open Buy Back (OBB) and Overnight (O/N) rate stood at 1.92% and 2.42% respectively for the month of April 2018 which represents 73.22% and 70.00% decrease from the rates recorded in March 2018.

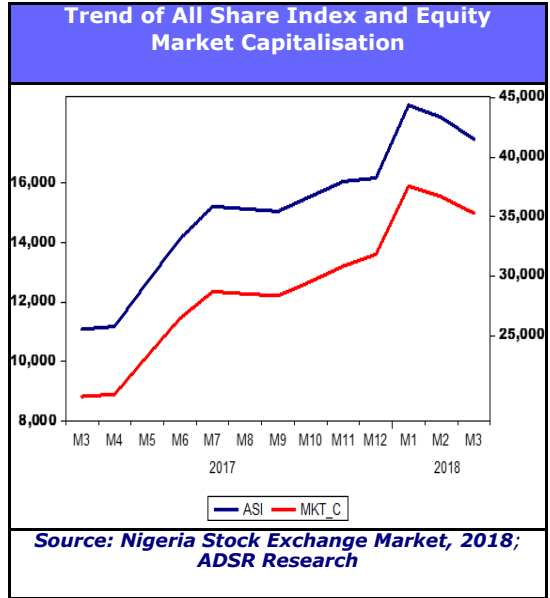
Against this backdrop, it is evident that trading activities in the Nigerian Stock Market continued to slow down in April 2018. However, we expect that the market will improve as companies expect and work towards improved results.

External Reserves Further Rises to \$47.36bn in April 2018

Nigeria's external reserves continue to advance in the year 2018. At the end of April 2018, it rose to \$47.36 billion at 2.38% on month-by-month basis in April 2018. The rise in the external reserves is attributed to the rising exports, foreign exchange management by CBN, increased external borrowing and increased foreign portfolio inflow. This rising foreign reserves is a crucial macroeconomic mechanism for improved external sector performance.

At the interbank market, the naira closed the month of March 2018 at N305.74/US\$ while the parallel market closed at N362.07/US\$. The interbank market appreciated by 0.05% during the month. Similarly, the parallel market appreciated by 0.11% at the end of March 2018.

Accretion to Nigeria's external reserve will continue to stabilize the value of the naira as the monetary authority also continues its currency management efforts. However, the portfolio and debt components of the reserves remain risk items.



Trading activities in the Nigerian Stock Exchange Market continued to slow down in March 2018.

	2018 Jan	2018 Feb	2018 Mar
Interbank EXR	305.78	305.90	305.74
Parallel EXR (AVR)	363.20	362.48	362.07
	2018 Feb	2018 Mar	2018 Apr
Ext. Res.(\$ Billion)	42.49	46.26	47.36

Source: National Bureau of Statistics, 2018; ADSR Research

The portfolio and debt components of the reserves remain risk items

How Socially Responsible are Nigerian Corporates to Youths and Sports

In recent times, there is heightened concerns about Nigerian youths and the challenges they faced which include but not limited to unemployment, restricted access to business support fund and functional education. Consequently, the government has established certain programmes to surmount these challenges. Three of the most prominent programmes include the Subsidy Reinvestment and Empowerment Programme (SURE-P), the Youth Enterprise With Innovation in Nigeria (YOU-WIN) and N-Power. In the same vein, investment in sports has also been seen as a pathway to find solution to the problems of Nigerian youths. It also plays a significant role in promoting social integration, social capital development, raising healthy generations, building social peace and harmony among others.

Firms are also conscious of the fact that the participation of young people in economic and social capacities has substantial impact on the country’s development. Therefore, the need to support the personal and social development of young people. Against this backdrop, we reviewed the corporate social responsibility (CSR) expenditure of Nigerian listed companies on the Youth and Sports from 1990 to 2016.

The assessment revealed that a total of N2.92tr went to Youths and Sports over the study period. A total of N53.0m was allotted to Youth and Sports between 1990 and 1999. This represents an average of 11.81% of the total CSR expenditure in this period. During this period, allocation was highest (N16.0m) in 1995 and lowest in 1990 (N0.11m). For the period of 2000 - 2009, the total expenditure that went to Youth and Sports stood at N671.4m which represents an average of 12.03% of the total CSR expenditure. For this period, the highest expenditure was recorded in 2009 at N218.7m whereas the lowest was noted in 2000 at N7.3m. The total expenditure on Youths and Sport stood at N2.20tr for the period of 2010 – 2016. This represent an average of 8.40% of the total CSR expenditure for this period. While the lowest expenditure for this period was documented in 2012 at N207.6m, the highest expenditure was noted in 2014 at N518.6.

From the foregoing, there seems to be a nominal increase in the CSR expenditure on Youth and Sports over the study period but this may be attributed to inflation overtime. This analysis however reveals a decline in the percentage of CSR expenditure on Youths and Sports to the overall CSR expenditure. Therefore, CSR expenditure on Youth and Sports should be revisited and further augmented in a bid to achieve the aforementioned benefits in line with national interest.

In which State of the Country do Companies hold their AGMs?

The Annual General Meeting (AGM) is held once a year in order to allow the members of the company to ask questions, meet the directors, approve the accounts and get information about the company. It is also a setting where directors’ vacancies can be filled, dividends declared, auditors appointed, among others. In Nigeria, AGMs of companies are held in any State of the country depending on the unanimous agreement of the directors and members and the location of companies’ headquarters.

We examined the States of the country where companies hold their AGMs. From 1980-2016, we tracked these information on 3,186 AGMs. Results showed that more than three-fifths (61.6%) of the AGMs over the study period were held in Lagos State followed by more than one-tenth (13.5%) of the AGMs which were held in Abuja. About 4.5% of the meetings were held in Ogun State. Only 2.9% of the meetings were held in Oyo State. Furthermore, 2.6% of the AGMs were held in Kano whereas less than 2.0% of the meetings were held in each of the following states: Rivers, Anambra, Imo, Edo and Cross River States. In addition, about 8.2% of the meetings were held in others States other than those mentioned.

To this end, it suffices to say that most AGMs are held in Lagos, one reason being that Lagos is a commercial heartbeat of the country where majority of these Companies’ corporate headquarters are located.

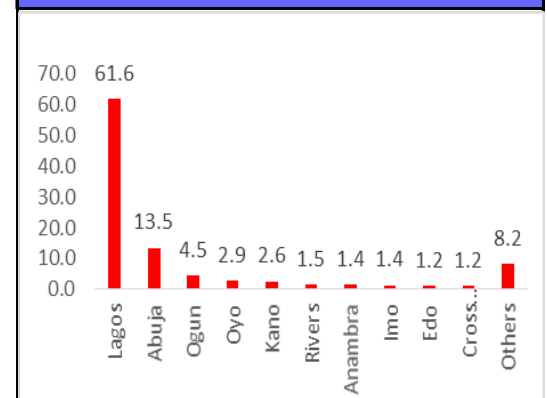
CSR Expenditure in Youths and Sports Sector (₦ Million)

	CSR Expenditure	Percent of Total Expenditure
1990-1999	53,015,020	11.81
2000-2009	671,464,902	12.03
2010-2016	2,201,588,605	8.40
TOTAL	2,926,068,527	10.74

Source: AnaStat, 2018
ADSR Research

CSR expenditure on Youth and Sports should be revisited and further augmented in a bid to achieve the aforementioned benefits

State of the Country Companies hold their AGMs



Source: AnaStat, 2018
ADSR Research

To this end, it suffices to say that most AGMs are held in Lagos State.

Refined Petroleum Prices Further Dips in March 2018

The National Bureau of Statistics (NBS) released the average price paid by consumers for Petroleum Products for March 2018. The price of premium motor spirit (petrol) fell from N172.5 in February to N163.40 in March 2018. This denotes a 5.3% month-on-month decrease and 9.4% year-on-year increase. On state-by-state basis, States with the highest average price of premium motor spirit (petrol) were Taraba (N184.38), Jigawa (N180.93) & Ekiti (N173.89) while States with the lowest average price of premium motor spirit (petrol) were Kaduna (N147.29), Bauchi (N145.57) & Abuja (N145.00).

Similarly, the average price paid by consumers for diesel witnessed a 1.7% month-on-month decrease from N209.89 in February to N206.41 in March 2018 and an 11.9% year-on-year decrease from N234.55 in March 2017 to N206.41 in March 2018. In addition, average price per litre paid for kerosene fell by 6.8% month-on-month and 13.7% year-on-year from N311.56 March 2017 to 268.99 March 2018. In the same way, there were declines in the average prices paid by consumers for refilling 5kg and 12.5kg cylinders for cooking. About 3.0% month-on-month and 16.2% year-on-year decrease were recorded for average price of refilling 5kg cylinder.

Against this backdrop, it is evident that the prices of petroleum products continue to decline as World Oil Prices hikes and the economy continues to recover from recession. It is expected that the prices will keep declining with decreasing rate of inflation and economic conditions stabilizes.

Average Prices of Petroleum Products (₦)			
	2017 Mar	2018 Feb	2018 Mar
PMS (Petrol)	149.39	172.5	163.40
AGO (Diesel)	234.55	209.89	206.41
HHK (kerosene) Per litre	311.56	288.57	268.99
HHK (kerosene) Per gallon	1172.78	1,030.33	943.27
Cooking gas 5kg	2493.59	2155.97	2090.64
Cooking gas 12.5kg	4923.47	4,333.27	4253.73

*Source: National Bureau of Statistics, 2018
ADSR Research*

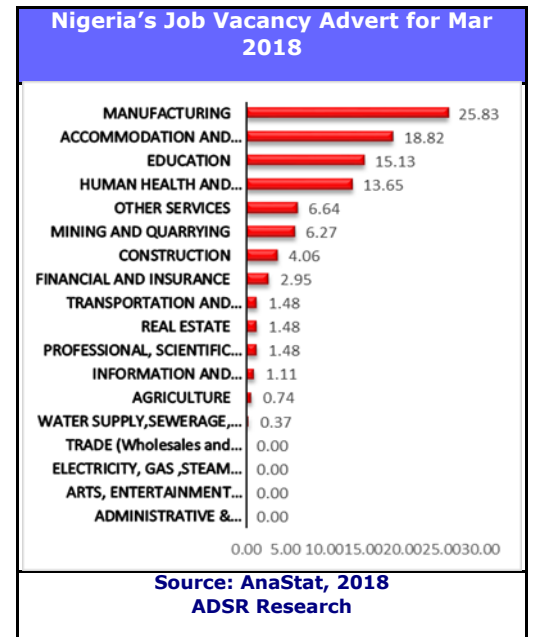
It is expected that petroleum product prices will keep declining with fall in rate of inflation.

Nigeria's Job Vacancies Dipped in March 2018

The Anastat databank records a decrease of 10.86% in the number of job vacancy advertisement in Nigeria newspapers to 271 in March from 308 in February, 2018 Result shows the trend, type and pattern of jobs advertised during this period.

Manufacturing Sector tops the list of the first three (3) sectors with 25.8% of the total number of job advertisement placed and this is followed by Accommodation Sector with 18.8%. During the month, Education Sector takes the third highest rank with 15.1% of the total job advertised. The sector with the least number of job advertisement is the Water supply, Sewerage, Waster Management and Remediation Sector representing only 0.37% of job advertised in March. No job vacancy is available in the Trade Sector, Electricity, Gas, Steam and Air Conditioning supply Sector, Arts, Entertainment and Recreation Sector, and Administrative and Support Services. However, Manufacturing sector experiences an increase of 12.9% and 42.9.0% month on month and year on year respectively while Accommodation Sector records an increase of about 30.8% month on month and a decrease of about 17.7% year on year. In addition, it is observed that the Education Sector witness a 24.1% month on month decrease and a 17.1% year on year increase.

Furthermore, the skills most sought by companies in March 2018 were the professionals which accounts for 32.1% of the job advertisement for the month under review. Other major skills advertised include Managers and Technicians and Associate Professionals which constitute 19.2% and 15.1% of job advertisement in the month. Analysis of data shows that job advertisements in Nigeria continues to reduced from what was recorded last month. Thus, unemployment still remains a major problem in Nigeria.



The total number of job openings decreased from 271 in January to 304 in March 2018

Wise Quotes

- “Success is going from failure to failure without losing your enthusiasm.”
-Winston Churchill
- “There is only one success: to be able to spend your life in your own way.”
-Christopher Morley
- “There are no traffic jams along the extra mile.”
-Roger Staubach
- “To avoid criticism, do nothing, say nothing, be nothing.”
-Elbert Hubbard
- “The best way out is always through.”
-Robert Frost
- “The power of imagination makes us infinite.”
-John Muir
- “The best way to predict the future is to invent it.”
-Alan Kay
- “Never let your memories be greater than your dreams.”
-Doug Ivester
- “If you have everything under control, you’re not moving fast enough.”
-Mario Andretti
- “If you aren’t going all the way, why go at all?”
-Joe Namath
- “Obsessed is just a word the lazy use to describe the dedicated.”
-Russell Warren
- “Believe and act as if it were impossible to fail.”
-Charles Kettering
- “Even if you’re on the right track, you’ll get run over if you just sit there.”
-Will Rogers
- “Do what you can, where you are, with what you have.”
-Teddy Roosevelt
- “The price of anything is the amount of life you exchange for it.”
-Henry David Thoreau



Jokes

A thief stuck a pistol in a man's ribs and said, "Give me your money." The gentleman, shocked by the sudden attack, said, "You cannot do this, I'm a congressman!" The thief replied, "In that case, give me MY money!"

A lawyer runs a stop sign and gets pulled over by a sheriff. He thinks he's smarter being a big shot lawyer from New York and has a better education than an sheriff from West Virginia. The sheriff asks for license and registration. The lawyer asks, "What for?" The sheriff responds, "You didn't come to a complete stop at the stop sign." The lawyer says, "I slowed down and no one was coming." "You still didn't come to a complete stop. License and registration please," say the sheriff impatiently. The lawyer says, "If you can show me the legal difference between slow down and stop, I'll give you my license and registration and you can give me the ticket. If not, you let me go and don't give me the ticket." The sheriff says, "That sounds fair, please exit your vehicle." The lawyer steps out and the sheriff takes out his nightstick and starts beating the lawyer with it. The sheriff says, "Do you want me to stop or just slow down?"

Analysts

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Our services include: Economic Research and Advisory, Economic and Statistical Modelling, Postgraduate Thesis Support, Training, Data Processing and Analytics and AnaStat Data Platform.

Contributors:

Damola R. Aderonmu
Data Management & Analytics

Peace D. Olubere
IT & Publications

Phillips C. Francis
Research & Training

Contacts:

Corporate Head Office:	38, Oyo Road, (Sango-U.I Road), Old Airport, Samonda, Ibadan, Oyo State, Nigeria.
Phones:	+234 703 747 0047, +234 807 186 6887 +234 809 876 4491
Website:	www.adsrng.com
E-mails:	info@adsrng.com , mail.adsr@gmail.com ,
Facebook:	www.facebook.com/ADSRLtd
Twitter:	https://twitter.com/ADSRLtd
LinkedIn:	www.linkedin.com/company/analysts-data-services-&-resources-adsr-ltd

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