2016 Budget

The Federal Government proposed a budget of N6.08 trillion for 2016, with an interesting split of 70:30 between recurrent and capital expenditure. This is a bold step with the increase in capital expenditure from N557 billion in 2015 to N1.8 trillion in the 2016 budget. Capital expenditure is not just 30% of the budget, but represents an increase of 223% over prior year budget.

**Increasing Debt Burden**

Revenue projection for 2016 was N3.86 trillion, with a deficit encumbrance of N2.22 trillion representing 57.5 percent. It may be appropriate to state that the level of borrowing is not the real issue but the purpose for which the debts are procured and judicious utilization. The deficit is about 2.16% of Nigeria’s GDP and will take Nigeria’s overall debt profile to 14% of GDP.

To finance the deficit, government intends to borrow a total of N1.84 trillion from within and outside the country. Domestic and foreign borrowings are projected at N984 billion and N900 billion respectively. All of the borrowings are said to have been earmarked for financing capital projects.

Revenue from oil is the major growth factor in the Nigerian economy. Virtually all capital projects in the country are funded from resources generated from oil. The fall in the price of oil has always impacted on the monolithic economy like Nigeria in the past and 2016 is no exemption. Economists have always called for Nigeria state to look inwards amidst the abundance of its untapped natural resources to diversify the economy of the nation, and increase export with a view to checkmating the insidious impact of the oil price fall on the economy. Impressively, however for the first time in many years, a high ratio was proposed and expected from non-oil sector. The sum of N 1.54trilion representing 38 percent was proposed as revenue from non-oil sources, an improvement of 26.5 percent over 2015 year on year record of N1.21trillion. N1.51trillion representing 39 percent from other independent was also expected to fund the budget. This was a landmark 163.6 percent increase over the same budget for 2015. The promise to revamp the agricultural sector so as boost food security and also establish it as replacement as oil as the biggest source of revenue received improved funding for 2016. The summary for critical ministries is depicted in the chart below.

Escalating commodity prices and a deepening value of the naira against the other international currencies are part of the brunt that consumers have to bear. Not only have prices of imported goods soared, even locally manufactured household goods and consumables have seen their prices hit the roof and out of reach for the generality of the people. The overwhelming burden of Islamic insurgency, spearheaded by Boko Haram, the violent terrorist group causing havoc across the country’s North East area, transportation, climate change are other reason attributed for the rise, especially of the prices of domestic product. Despite desperate measures taken by the Central Bank of Nigeria (CBN) to put strategic monetary policies in place, the prices continued in its steady rise throughout the country just as the value of naira continues to stumble. In January 2016 the exchange rate averaged about N199 to the dollar but by the end of the third quarter, the naira had fallen to N311 naira against the dollar, a 64 percent reduction [1].