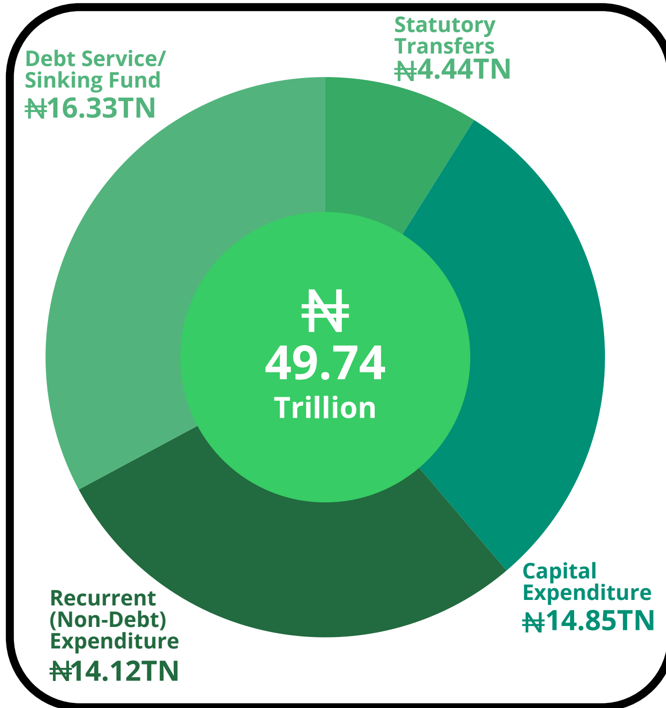
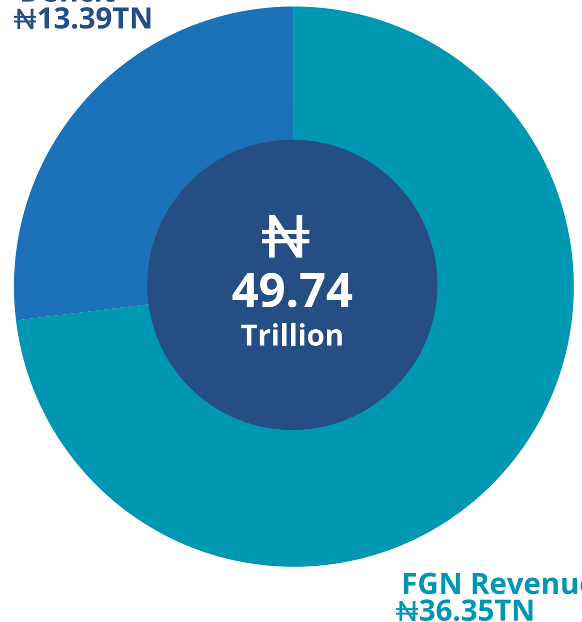
2025 Federal Government of Nigeria Proposed Budget

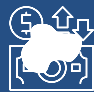
Expenditure





BUDGET ASSUMPTIONS

2.06 million
barrels per day (mbpd).

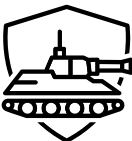


N1,500 to US$1.

15%,
average for the year

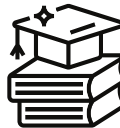
Data Source:
Draft Appropriation Bill, 2025 Budget Office of the Federation

DEFENCE & SECURITY



₦3.89TN 137.2%
2024 Approved Budget

EDUCATON

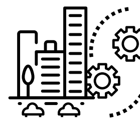


₦2.52TN 59.9%
2024 Approved Budget

HEALTH

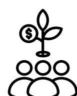
₦1.96TN 46.3%
2024 Approved Budget

INFRASTRUCTURE



₦1.14TN 11.8%
2024 Approved Budget

SOCIAL INTERVENTIONS



₦0.35TN 34.6%
2024 Approved Budget

Key Highlights

- The proposed 2025 budget is set at N49.74 Trillion, with N13.39 Trillion to finance the deficit. This deficit level represents approximately 3.89 percent of the projected GDP.

- A set of ambitious macroeconomic assumptions has been projected to provide a strong foundation for the government's proposed fiscal spending in 2025. These assumptions include:
    - Crude oil production level of 2.06 million barrels per day (mbpd).
    - Exchange rate was estimated at N1,500 to US$1.
    - Inflation is expected to decrease significantly and settle at 15 percent in 2025.

- Sectoral breakdown of the proposed budget showed that Defence & Security sector has the largest share of the total (7.83 percent), followed by the social sectors (Education at 5.07 percent and Health at 3.94 percent).

Some Key Takeaways

- The exchange rate assumption of N1500/US$ appears ambitious and stronger than current economic fundamentals. However, fostering a stable macroeconomic environment and implementing strategies to increase foreign exchange supply could create favourable conditions for the Naira to strengthen over time.

- Inflation, projected at 15.0 percent in 2025, may prove difficult to achieve unless non-monetary drivers of inflationary pressure, like supply chain disruptions and rising production costs, are effectively addressed.

- The crude oil production target of 2.06 Million barrels per day (bpd) appears ambitious but could be achievable if security challenges and investment constraints are effectively addressed. This target represents a 35.5 percent increase from the average production of 1.5 mbpd recorded in the first nine months of 2024 and is significantly higher than the recent three-year production trend.

- Proposed expenditure is heavily skewed towards recurrent components, which are typically fully disbursed. The Debt Service/Sinking Fund is projected to consume one-third of the total budget, while non-debt recurrent expenditure, including the new minimum wage, is expected to account for nearly 30 percent of the total budget. Also, debt servicing is higher than non-debt recurrent and capital expenditure, suggesting limited fiscal space for social services and infrastructure development.

- Maintaining higher capital expenditure (CAPEX) than the recurrent expenditure (non-debt) is commendable, but the government must improve implementation to around 90 percent in 2025, as it has historically stayed below 70 percent.

- The federal government's revenue target of N36.35 Trillion for 2025 remains unlikely to be fully met owing to constraints associated with achieving optimal oil revenue and the country's low tax base. However, robust implementation of proposed tax reforms may push the government close to achieving its Non-oil revenue targets for the year.

- The 2025-2027 MTEF commendably emphasises reduced reliance on external borrowing, with 69% of fiscal deficits to be financed domestically. However, in a high-interest environment driven by the CBN's monetary tightening, this approach implies increased debt servicing, higher borrowing costs, reduced investments, and constraints on private sector growth and economic activity.

- Budgetary allocations to social interventions are so meagre that it is difficult, if not impossible, for the government to realise its poverty reduction objective. Hence, there is a need to improve fund allocation to existing social protection programmes.

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