Nigeria's Debt Watch: Q1 2022

MPR:13% Inflation Rate: 16.82%

Q1 Real GDP Growth Rate: 3.11%

No respite in debt levels as Nigeria's total public debt hits N41.6trn in Q1….

The recently published data from the Debt Management Office (DMO) shows Nigeria's total public debt is now at N41.60 trillion or $100.07 billion. This points to a 5.2%q/q or N2.04 trillion increase from the N39.56 trillion ($95.78 billion) reported as at December 31, 2021 and also a 25.6% y/y surge from N33.11 trillion in the corresponding period of 2021.

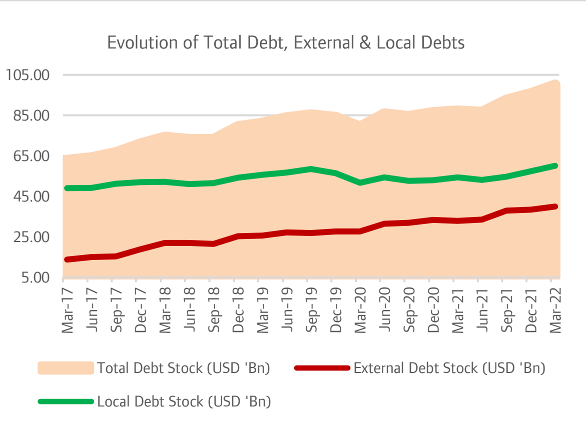
The increase in total public debt is buoyed by federal government's external debt stock (commercially loans) which increased. The data further points that the total debt includes new borrowing by FG to finance the 2022 budget deficit, disbursements from multilateral ($18.96 billion) and bilateral ($4.50 billion) lenders and the $1.25 billion Eurobond which was issued in March 2022.

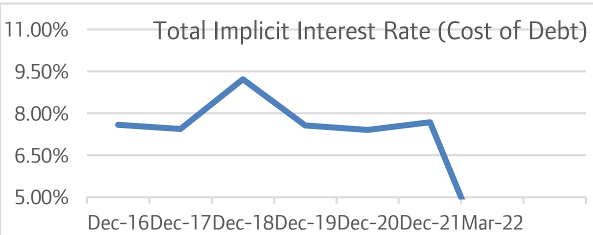
Specifically, the DMO said in Q1'22, Nigeria had outstanding multilateral loans which accounts for 47.43% of total debt. This includes $3.4 billion from the IMF, $12.23 billion from the IDA, and $486.1 million from the IBRD. Other loans include $1.55 billion from the African Development Bank, $4.72 million from the Africa Growing Together Fund, African Development Fund ($956.12 million), Arab Bank for Economic Development in Africa ($5.7 million), European Development Fund ($43.6 million) Islamic Development Fund ($45.3 million) and the International Fund for Agricultural Development which stood at $238.14 million.

Also, the bilateral loans which accounted for 11.25% of the total loans came from Exim Bank of China at $3.63 billion and France was $0.56 billion as of 2021. Commercial loans accounted for 38.21% ($14.67 billion) of which Eurobonds was $14.37 billion while Diaspora bond was $0.30 billion and then Promissory notes accounted for 1.50% ($0.60 billion). Elsewhere, local debt stock during the quarter increased by 21.08% y-o-y to N24.99 trillion in Q1 2022 from N20.64 trillion in Q1 2021 while breakdown of the domestic debt figure showed that FG's domestic debt stock accounted for 48.42% (N20.14 trillion and the states and FCT debts constitutes 11.64% or N4.84 trillion.

Interestingly, Nigeria's debt to GDP ratio is still within accommodative levels of 23.27% below FG's self-imposed limit of 40% and efforts by the debt office in the debt market has been lauded in the drive to fund FG's deficit through deficit financing. On the other hand, the aggressive momentum by the government to grow and diversify revenues remain a major

Cowry Research sees no respite in the total public debt stock when we consider the proposed N6.39 trillion loan to finance the 2022 budget deficit as a result of FG's need for cash in the face of subsidy payment at a time when energy cost is high and coupled with the need to fund capital projects ahead of the election year. We note that if the current trend of borrowing spree continues, may trap Nigeria in a debt cycle as it borrows to finance its recurrent expenditure without a corresponding increase in revenues. We assert that FG should cut governance cost, expenditure and scale down size of government to accommodate effective fund utilisation while it increases its revenue sources.





Total Debt Service as %age of FGN Retained Revenue (TDSRR)

Year	FGN Retained Revenue (N 'Bn)	Total Debt Service (N' Bn)	TDSRR
2019	4,530.28	1,661.30	36.67%
2020	3,660.02	1,878.12	51.31%
2021	2,322.59	1,145.97	118.32%

Stock of External Debt as %age of Total Exports

Year	Exports (USD' Bn)	External Debt Service (USD' Bn)	Stock of External Debt/Exports
2019	64.79	1.33	2.06%
2020	39.62	1.51	3.81%
2021	46.69	2.11	4.52%

Debt Management Performance (Q1 2022)

Debt Indicator	Actual (%age)	Target (%age)
Domestic to External Debt	60.1-39.9	70 max-30 min
Long term to Short term Debt	78-22	75 min-25 max
Concessional to Non-Concessional	58.7:41.3	To Maximize
Debt to GDP (annualized)	50	40

Sources: Debt Management Office, National Bureau of Statistics, Central Bank of Nigeria, Cowry Research