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FLASHNOTE:

NIGERIA'S PUBLIC DEBT STOCK

REPORT- Q2 2025



Cowry Research

Ticking Fiscal Clock: Nigeria's Debt Stock Hits N152.4tn as FG's Borrowing Binge Continues....

According to the Debt Management Office (DMO), Nigeria's total public debt rose to N152.40 trillion as of June 30, 2025, representing a N3.01 trillion (2.01%) increase from the previous quarter. In dollar terms, the debt stock stood at \$99.66 billion, up 2.49% quarter-on-quarter. The DMO also noted a 13.47% year-on-year increase, underscoring the Federal Government's continued reliance on borrowing to finance fiscal deficits amid weak revenue growth and mounting expenditure pressures. This trend highlights growing fiscal vulnerabilities and dependence on debt to sustain public spending.

The quarterly increase was primarily driven by domestic borrowing, as the government intensified issuance of naira-denominated instruments to mitigate exposure to currency risks and global interest rate hikes.

On the local front, domestic debt rose by 2.27% to N80.55 trillion, while external debt increased modestly by 1.72% to N71.85 trillion despite the appreciation of the Naira. Between Q1 –Q2 2025, Naira appreciated and signals the first quarter-on-quarter appreciation since June 2023. This modest strengthening, supported by improved FX liquidity and increased inflows from foreign portfolio investors, helped to soften the naira-equivalent value of Nigeria's dollar-denominated debt.

The increase in the total local debt was driven largely by increased issuances of FGN bonds and Treasury Bills to finance fiscal operations and refinance maturing obligations during the period.

The preference for local borrowing reflects a cautious approach to external financing in light of tight global credit conditions and the government's strategy to deepen the domestic debt market.

Nigeria's debt composition remained relatively balanced between domestic and external obligations, with the former accounting for 52.86% and the latter 47.14% of the total. The Federal Government dominates both segments, holding N64.49 trillion in external and N76.59 trillion in domestic debt, while states and the Federal Capital Territory (FCT) collectively account for N11.31 trillion of the total debt stocks.

This concentration of debt at the federal level signals the limited borrowing space available to subnational governments and their heavy dependence on federal allocations.

With Nigeria's debt-to-GDP ratio currently standing at 42%, comfortably below the revised 60% ceiling, suggesting room for additional borrowing under the new debt limit. However, the fiscal space remains constrained by ballooning debt service obligations, which continue to consume a significant portion of government revenue.

According to recent Budget Office data, debt servicing accounted for over 70% of total revenue in the first half of 2025, leaving limited headroom for capital expenditure and social spending.

Meanwhile, Nigeria's multilateral and commercial loans continue to form the backbone of its external debt portfolio. The World Bank's International Development Association (IDA) remains the largest creditor at \$18.04 billion, followed by bilateral loans worth \$6.20 billion—largely from China's Exim Bank—and commercial obligations totalling \$17.32 billion, mainly Eurobonds.

On the domestic side, Federal Government bonds remain dominant at N60.65 trillion (79.2%), supported by treasury bills, Sukuk, savings bonds, and promissory notes, reflecting a diversified but government-heavy debt structure.

At the subnational level, Lagos State remains Nigeria's most indebted state with N1.04 trillion in domestic borrowings, primarily for infrastructure and capital projects. Rivers and Delta followed with N364.4 billion and N204.67 billion, respectively.

In contrast, Jigawa recorded the lowest debt at N852.49 million, followed by Ondo (N10.65 billion) and Kebbi (N14.97 billion). The wide disparity in debt levels reflects varying fiscal capacities, investment priorities, and internally generated revenue potential across states.

Against this backdrop, the Federal Government has announced plans to re-enter the international debt market in Q4 2025, with intentions to raise \$2.3 billion through Eurobond issuance and an additional \$500 million via global Sukuk.

The move follows Nigeria's successful \$2.2 billion Eurobond issuance in December 2024, which was oversubscribed amid improving investor sentiment. With the U.S. Federal Reserve's 25bps rate cut in September 2025 and easing global monetary conditions, analysts believe Nigeria could take advantage of the favourable window to secure relatively cheaper financing compared to 2023 levels.

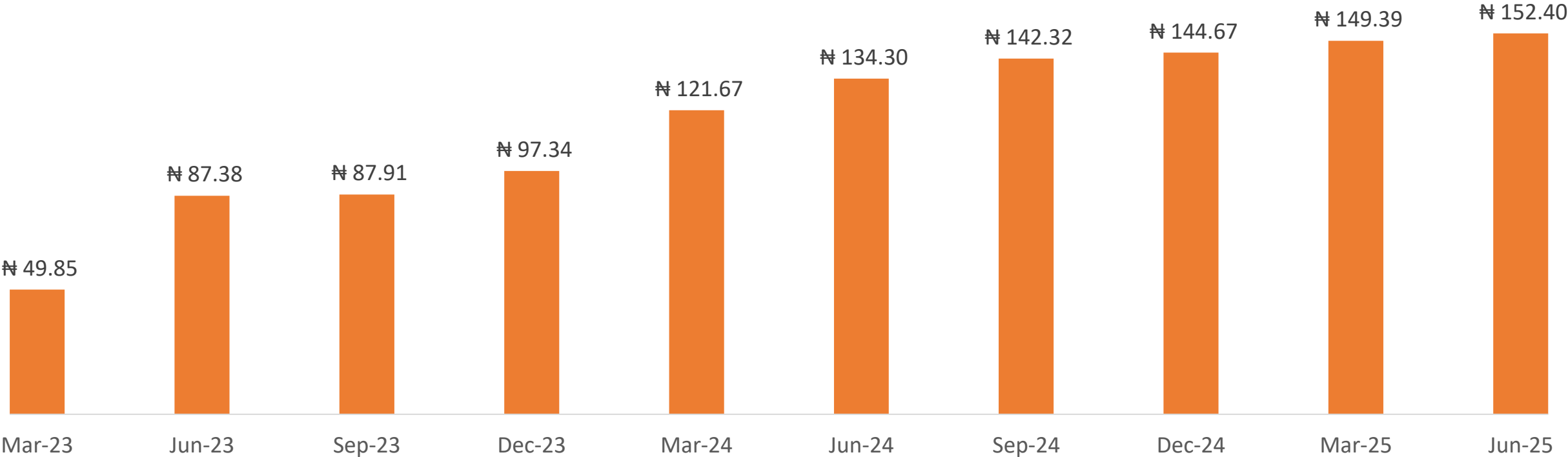
Cowry Research sees no respite in the debt levels as we expect a moderate increase in the total public debt in the near terms considering the government plans to take up more loan obligations amid Naira stability.

That said, while the moderation in external borrowing costs and exchange rate stability provide short-term relief, Nigeria's debt trajectory remains a cause for cautious optimism. The widening fiscal deficit, persistent revenue underperformance, and reliance on oil receipts expose the debt portfolio to refinancing and FX risks.

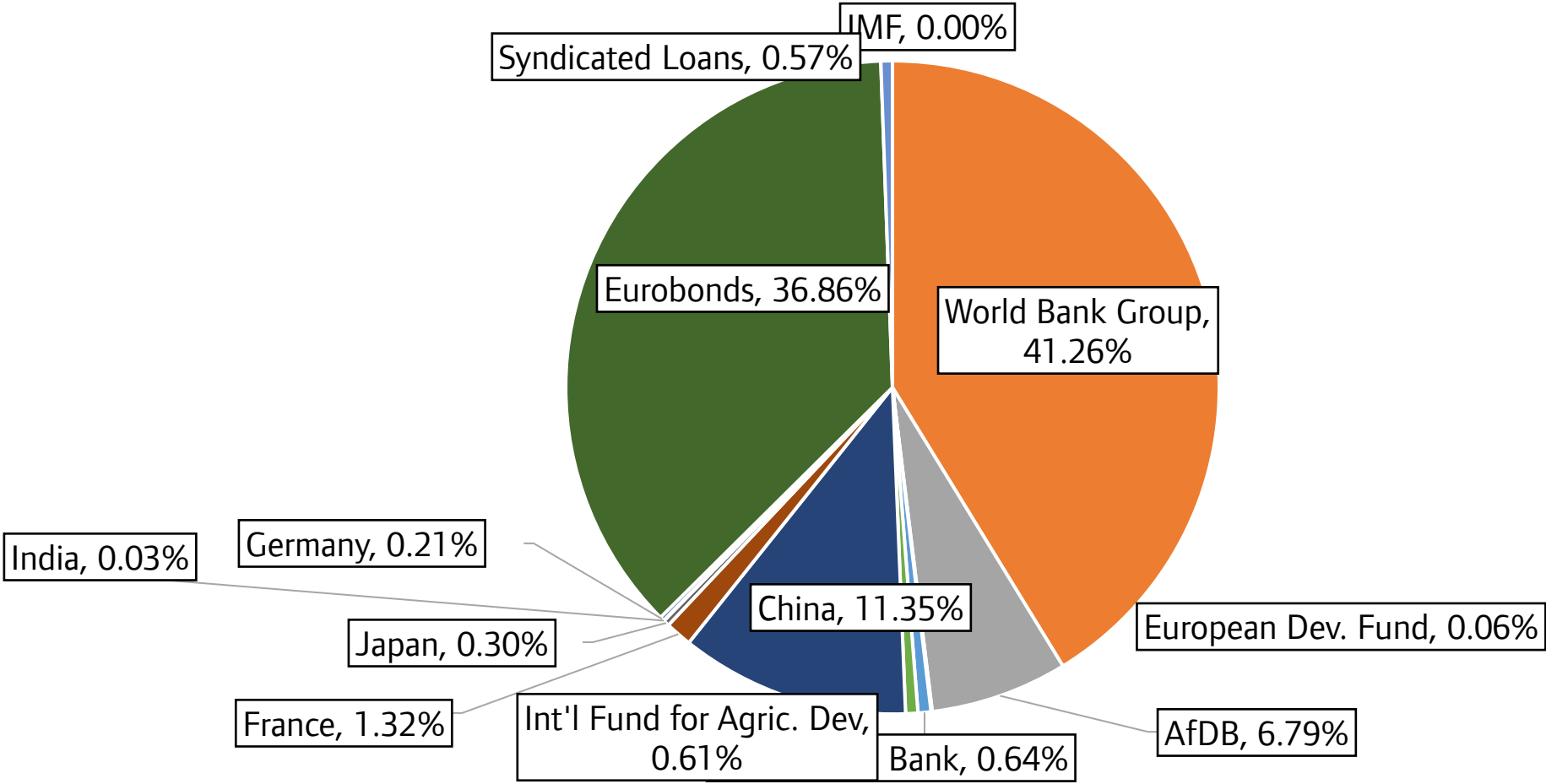
Nonetheless, recent fiscal and structural reforms — particularly those aimed at expanding non-oil revenue, rationalising subsidies, and improving fiscal transparency — could enhance debt sustainability in the medium term.

In our view, the success of Nigeria's planned Eurobond and Sukuk issuances will hinge on investor confidence in the ongoing reform momentum and the Central Bank's ability to sustain FX market stability.

Chart of Nigeria's Total Public Debt Stock (in 'trillion Naira)



Nigeria's External Debt Profile by Credit Institutions (% share)



Source: Debt Management Office, Cowry Research

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