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FLASHNOTE:

NIGERIA'S TOTAL PUBLIC DEBT – FY'2025



Cowry Research

N159.3tn: Nigeria's Rising Debt Masks Deeper Strain from Costly Servicing and Weak Revenue Base.....

Nigeria's total public debt rose to ₦159.28 trillion (about \$110.98 billion) as of December 31, 2025, reflecting a 10.10% increase from ₦144.67 trillion at the end of 2024. While this growth appears measured, it continues a steady upward trend in the country's borrowing profile. Also, Nigeria's total public debt stock increased by 4% quarter-on-quarter from N153.3 trillion as at end-September 2025.

It is also important to note that this figure does not fully capture all obligations, as quasi-fiscal liabilities such as AMCON debts, power sector obligations, and contractor arrears remain outside the official debt stock, suggesting that the broader fiscal exposure is higher than reported.

A closer look at the composition shows a near-even split between domestic and external debt. Domestic debt stood at ₦84.85 trillion (53.27%), largely driven by Federal Government borrowings through instruments like bonds and treasury bills. This form of borrowing is relatively easier to access but comes at a cost, especially in a high-interest rate environment.

External debt, which stood at ₦74.43 trillion (46.73%), is made up of multilateral, bilateral, and commercial loans. While concessional multilateral loans from institutions like the World Bank and African Development Bank provide some relief due to lower interest rates, commercial borrowings such as Eurobonds carry higher costs and expose the country to global market conditions.

In addition, exchange rate movements continue to inflate the naira value of external debt, increasing repayment pressures. Although Nigeria's debt-to-GDP ratio is estimated at about 30.8%, which is below the 60% benchmark set in the Medium-Term Debt Strategy, this metric alone does not fully reflect the country's debt sustainability.

The more pressing issue lies in the cost of servicing the debt relative to government revenue. In 2025, domestic debt servicing reached about ₦8.61 trillion, largely due to high interest rates and the need to frequently refinance short-term borrowings at elevated yields.

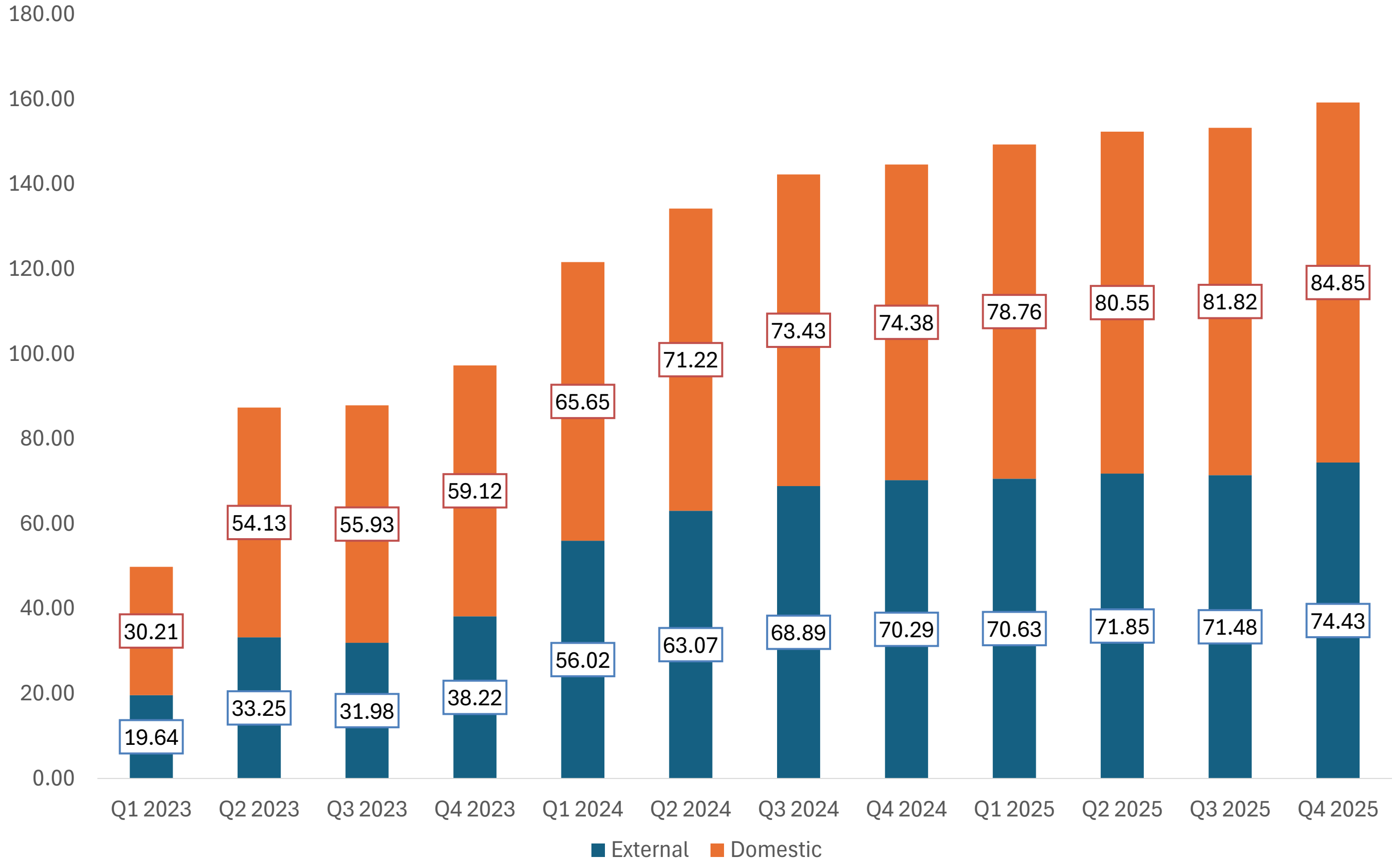
Federal Government bonds accounted for the bulk of this cost at ₦5.49 trillion, followed by treasury bills at ₦2.55 trillion. Other instruments such as Sukuk bonds, promissory notes, savings bonds, and green bonds contributed smaller portions. On the external side, debt servicing was estimated at \$5.15 billion, further adding pressure to public finances.

This rising cost of debt servicing highlights a key vulnerability. The 2026 budget projects total revenue of ₦36.9 trillion against debt service obligations of ₦15.8 trillion, implying a debt service-to-revenue ratio of about 42.9%.

Although this is an improvement from the estimated 65% in 2025, it still indicates that a significant portion of government earnings is being used to service debt, leaving limited room for capital expenditure and social investments. In simple terms, a large share of what the government earns is already committed before new spending decisions are made.



NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO (N'trn)



Source: Debt Management Office, Budget Office, Cowry Research

Looking ahead, Nigeria's debt level is expected to continue rising in the near term due to ongoing fiscal deficits, infrastructure financing needs, and relatively weak revenue generation. However, the key concern is not just how much the country owes, but how easily it can meet its repayment obligations. Exchange rate volatility remains a major risk for external debt, while tight monetary conditions could keep domestic borrowing costs elevated.

To maintain fiscal stability, efforts will need to focus on improving revenue mobilization through a broader tax base, better compliance, and increased non-oil earnings while also ensuring that public spending is more efficient and targeted. Recent reforms in revenue generation and the foreign exchange market are steps in the right direction, but sustaining these gains will be crucial. Over time, a balance between prudent borrowing, stronger revenues, and disciplined spending will determine whether Nigeria's debt remains manageable or becomes a more significant constraint on economic growth.



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