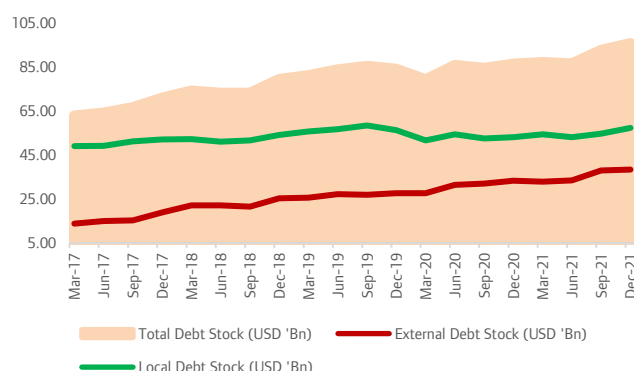




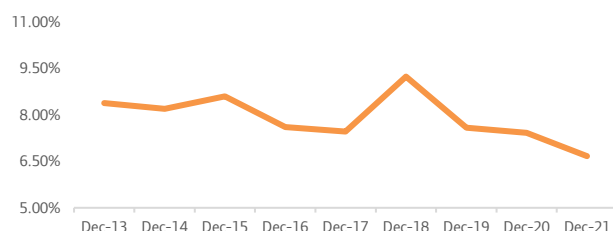
Nigeria's Debt Watch: Q4 2021

MPR: 11.50%
February Inflation Rate: 15.70%
Q4 2021 GDP Growth Rate: 3.98%

Evolution of Total Debt, External & Local Debts



Total Implicit Interest Rate (Cost of Debt)



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%
H1 2021	2,322.59	1,145.97	49.34%

Stock of External Debt as %age of Total Exports

Year	Exports (USD 'Bn)	External Debt Service (USD 'Bn)	Stock of External Debt/Exports
2018	61.22	1.47	2.40%
2019	64.79	1.33	2.06%
2020	39.62	1.51	3.81%

Debt Management Performance (FY 2021)

Debt Indicator	Actual (%age)	Target (%age)
Domestic to External Debt	60-40	70 max-30 min
Long term to Short term Debt	76-24	75 min-25 max
Concessional to Non-Concessional	60:40	To Maximize
Debt to GDP (annualized)	55	40

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

Nigeria's Debt Spikes to N40 Trillion on Rising External Borrowings

The Debt Management Office (DMO), in its recently released data, showed that Nigeria's total public debt stock increased year on year (y-o-y) by 20.17% to N39.56 trillion as at December 2021 (from N32.92 trillion as at December 2020). The y-o-y rise in the country's total debt stock was chiefly due to the increase in external debt (especially, commercial credit). Specifically, external debt rose y-o-y by 24.79% to N15.86 trillion (or USD38.39 billion at N412.99/USD) as at December 2021 from N12.71 trillion (or USD33.35 billion at N381.00/USD) in December 2020. Within the year, Nigeria took additional USD4 billion worth of commercial loans (Eurobonds) while about USD0.5 billion was paid. More so, the depreciation of the Naira against the greenback had negative impact on external debt – hence increasing foreign loans; y-o-y, Naira depreciated further against the USD by 8.40% to close at N412.99/USD as at December 2021. Despite the significant rise in foreign loans, external debt service payments rose marginally to N580.43 billion (or USD1.44 billion) in FY 2021 from N560.36 billion (or USD1.51 billion) in FY 2020 – we observed that most of the amount raised in the review period was done at a relatively lower coupon and almost at the close of the year. Thus, we expect to see higher external debt service in Q2 2022 as interest payment falls due. Further breakdown of the total external debt stock in FY 2021 showed that Multilateral loans accounted for 48.60% (USD18.67 billion) of which loans from International Development Association (IDA) was USD11.97 billion, loan from IMF was USD3.44 billion while others stood at USD3.26 billion. Bilateral loan accounted for 11.63% (USD4.47 billion) of which loan from China (Exim Bank of China) was USD3.63 billion and loan from France was USD0.56 billion in FY 2021. Commercial loans accounted for 38.21% (USD14.67 billion) of which Eurobonds was USD14.37 billion while Diasporal bond was USD0.30 billion. Promissory notes accounted for 1.59% (USD0.60 billion). Meanwhile, local debt stock increased by 5.66% to N23.70 trillion in 2021 (from N20.21 trillion in 2020). Breakdown of the domestic debt figure showed that FC's domestic debt stock rose to N19.24 trillion in 2021 (from N16.03 trillion in 2020).

Cowry Research feels that the federal government is not likely to reduce its borrowing spree because of the need for cash amid subsidy payment, especially in this time of higher energy costs, which will continue to mount pressure on budget deficit as FG finds ways and means to fund it. For us, the need to tie capital projects to new borrowings and also develop right policies that would enhance revenue generation appears imperative now.

IMPORTANT DISCLOSURES: This report is produced by the Research Desk, Cowry Asset Management Limited (COWRY) as a guideline for Clients that intend to invest in securities on the basis of their own investment decision without relying completely on the information contained herein. The opinion contained herein is for information purposes only and does not constitute any offer or solicitation to enter into any trading transaction. While care has been taken in preparing this document, no responsibility or liability whatsoever is accepted by any member of COWRY for errors, omission of facts, and any direct or consequential loss arising from the use of this report or its contents