



# Nigeria's Debt Watch: Q1 2022

MPR:13% May Inflation:17.71%  
Q1 Real GDP Growth Rate: 3.11%

## Shrinking FG's revenues, widening debt service: A world with two halves

Nigeria's domestic debt service is on the rise with a 9% year-on-year increase to N668.7 billion in the first quarter of 2022, according to the latest quarterly data series on public debt published by the Debt Management Office (DMO). But given the widening public debt stock and paucity of revenues, it is a no-brainer that interest payments for these debts will eat up a larger chunk of the federal government's revenues in 2022 and beyond.

The latest announcement by the Debt Management Office (DMO) showed that during the first three months of 2022, Nigeria's total external and domestic debt stock printed N41.6 trillion and indicates a 25.6% year-on-year surge from N33.11 trillion in Q1'2021. However, further breakdown of the domestic debt figure showed that FG's domestic debt stock was at N20.14 trillion after it rose 22% year-on-year while the states and FCT debts constituted N4.84 trillion.

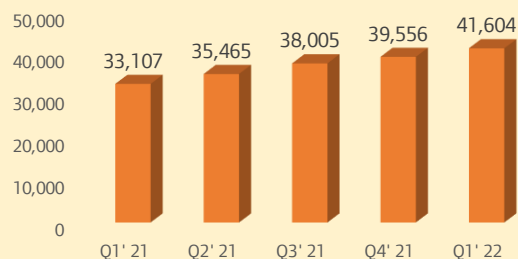
From the report by the DMO, we saw that debt service cost for FGN bonds accounted for the bulk of the payments (N630.54 billion) at a little over 94% of the total while the Nigerian Treasury Bills (NTB) accounted for around 4% (N29.64 billion), and then the balance consisted of slighter sums for savings bonds and sukuks at N340 million and N8.17 billion respectively.

Similarly, the debt service for bonds increased by 17% year-on-year while the service cost for Nigerian Treasury Bills declined by 15% year-on-year to N30 billion, mirroring fairly lower yields within the fixed income space in recent times but then, FG's finances remain to be strained by rising debt payment costs.

In a related development, the International Monetary Fund (IMF) has predicted that Nigeria's debt servicing may gulp 100% of its total revenues by 2026. To buttress the assertion is the statement from Nigeria's finance minister that petrol subsidy is hurting FGN's ability to service its debts. Meanwhile, the latest report by the World Bank in its Nigeria's Development Update (NDU) for June 2022, estimates that Nigeria's debt will hit 36% of 2022 GDP while debt service will stay high with interest payments expected to reach 45% of total government consolidated revenues in 2022.

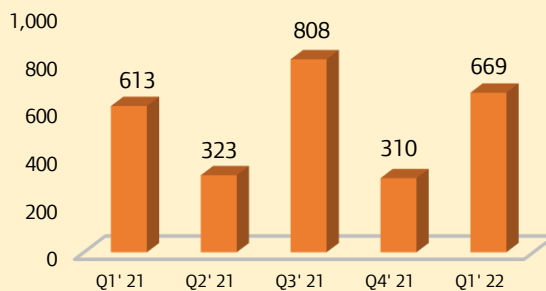
Cowry Research sees Nigeria's debt levels and debt service costs staying unabated in some years to come as parts of FG's revenues continue to be eaten up by interest payments due to revenue shortcomings of FG. This further counter the view of the CBN at its Monetary Policy Committee assembly in May, where it noted that its monetary tightening stance may support the moderation of government's domestic borrowing following the rise in the cost of debt on the international capital market.

Total Public Debt(Bn)



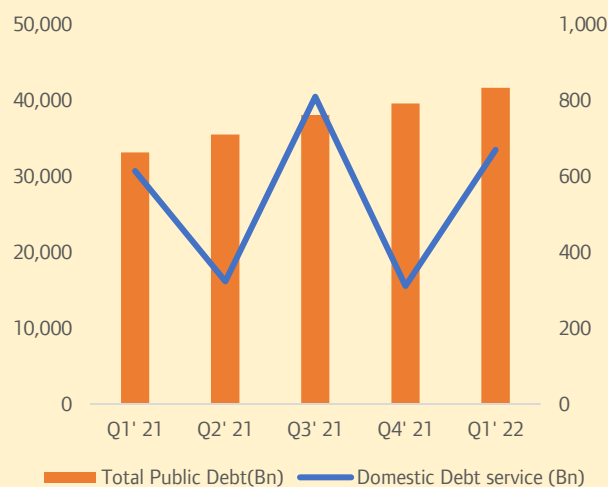
Source: DMO, Cowry Research

Domestic Debt Service (N'bn)



Source: DMO, Cowry Research

Total Public Debt vs Debt Service Cost



Source: DMO, Cowry Research

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