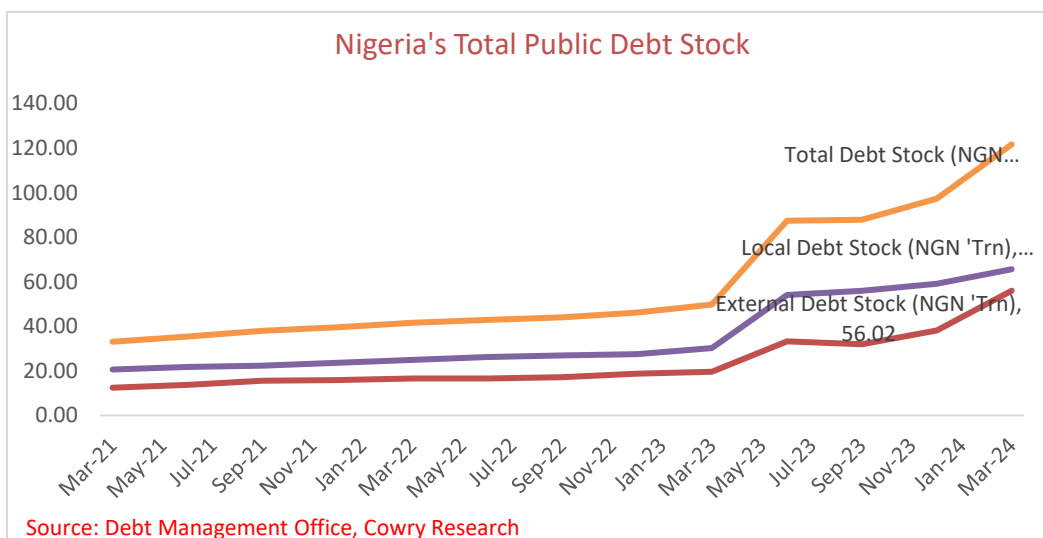


## Analyst's Note on: Nigeria's Public Debt – March 2024

### Nigeria's Fiscal Woes Deepens as Total Public Debt Hit N121.67trn in Q1 2024...

The latest public debt statistics published by the Debt Management Office showed that Nigeria is facing escalating debt levels, with the federal and state governments total debts rising by N24.33 trillion, a 24.99% quarter-on-quarter increase within the first three months of 2024, reaching N121.67 trillion (\$91.46 billion) as at March 31, 2024, up from N97.34 trillion (\$108.23 billion) in December 31, 2023. This surge was driven by the effects of naira depreciation and voracious borrowing by the federal government to partially finance the 2024 budget deficit, placing Nigeria on the brink of a fiscal cliff.

Accordingly, total domestic debt stood at N65.65 trillion (\$46.29 billion), accounting for 54% of the total public debt, while external debt printed at N56.02 trillion (\$42.12 billion), representing 46%. Additionally, the 36 states and the FCT have an external debt of \$3.1 billion and a domestic debt of N4.068 trillion.



Over the past 12 months, Nigeria has secured \$4.95 billion in loans from the World Bank, despite growing worries about the increasing costs associated with servicing its external debt. The government anticipates additional loan approvals worth \$4.4 billion from the international financial institution and the African Development Bank over the next year. Meanwhile, the Bank, before now, has approved funding for six projects in Nigeria, including \$750 million for power sector financing, \$500 million for women's empowerment, \$700 million for the girl-child education, \$750 million for renewable energy solutions, \$750 million for resource mobilisation reforms, and \$1.5 billion for economic stabilization reforms. These projects have contributed to the country's increasing debt levels.

The local currency devaluation by the CBN contributed significantly to the increase in Nigeria's total public debt. Regardless the exchange rate effects, the domestic debt component of the total public debt rose by 11.05% (N6.53 trillion), from N59.12 trillion on December 31, 2023, to N65.65 trillion on March 31, 2024. According to the DMO, the increase was from new borrowing to part-finance the 2024 budget deficit and securitization of a portion of the N7.3 trillion Ways and Means advances at the Central Bank of Nigeria.

For Cowry Research, the underlying driver of escalating debt levels stems from Nigeria's constrained revenue base, prompting concerns regarding the government's ability to fulfill its debt obligations. Notably, the high cost associated with servicing this debt, which is further hinged on the Naira devaluation, has resulted in a significant allocation of government revenues towards debt payments, intensifying the fiscal challenge.

As we have noted in our 2024 Outlook report, these challenges are further compounded by the foreign exchange harmonisation and revaluation efforts by the Central Bank of Nigeria, heightening the cost of debt servicing. Given that Nigeria's debt is denominated in both domestic and foreign currencies, the nation is vulnerable to external shocks, including fluctuations in interest rates and exchange rates. These dynamics underscore the critical imperative for a sustainable debt management strategy and the urgency of diversifying revenue sources to bolster fiscal resilience and mitigate risks associated with the expanding debt burden. Despite ongoing reforms, such as the removal of fuel subsidies and aggressive revenue generation efforts, the gradual uptick in the total debt stock, especially in external debt, underscores the persistent reliance on borrowing to meet budgetary shortfalls and financial obligations.



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