

## Debt

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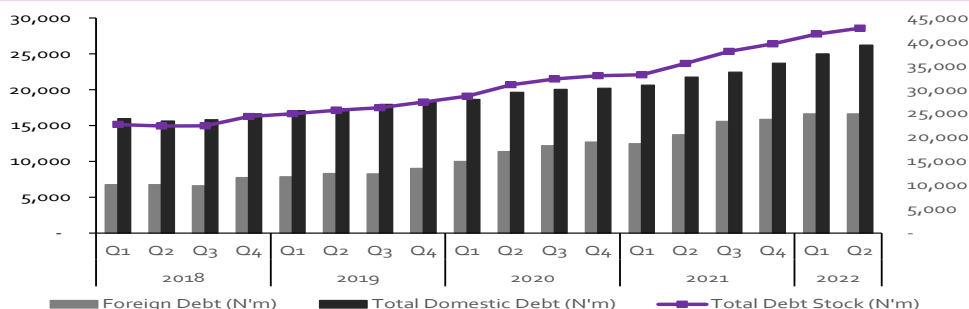
### Nigeria's ballooning public debt stock at N42.85tn in June 2022

The Debt Management Office (DMO) in its latest debt profile released stated that Nigeria's total public debt stock increased to N42.85tn in the second quarter of the year from N41.60tn in the first quarter of 2022 and N39.56tn as of December 2021. The public debt stock covers the total domestic and external borrowings of the Federal Government and State Governments, including the Federal Capital Territory. Based on the data obtained, the increase in total public debt stock includes new domestic borrowing by the FGN to partly finance the 2022 budget deficit and new domestic borrowings by state governments and the FCT. The absence of new external borrowings in the review period (Q2 2022) is a testament to the unfavorable international debt market, limiting the government's access to it.

Based on FY 2021 GDP data at current prices, the debt to GDP ratio comes to about 24.7%, below Nigeria's self-imposed limit and IMF benchmark of 40% and still significantly below those of African peers like Ghana (78.3%) and Kenya (69.1%). However, with the inclusion of borrowings from the CBN (Ways and means- estimated at 19.91trn as of June 2022) and the stock of AMCON debt (estimated at about N4.4trn), the debt profile would be about N67.2tn, and debt to GDP ratio comes to c.38.7%. This raises strong debt sustainability concerns. The relatively moderate debt level of the country has increasingly become vulnerable due to high-interest payments, which continue to absorb a significant portion of Federal Government revenues. As of April 2022, Nigeria's debt service to revenue was estimated at 118.9%, now showing that the country is borrowing to refinance existing debt obligations.

Nigeria's fiscal deficit has surpassed the target by an average of c.65% over the last 5 years due to ambitious revenue estimates and volatile crude oil prices. Government expenditure for 2022 was estimated at an all-time high of N17.32 trillion (inclusive of supplementary budget), and revenue projected at Ng.97 trillion will likely underperform estimate. Persistent fiscal spillage has resulted in debt servicing to revenue averaging 70% over the last 5 years. This trend will likely persist and calls for fiscal consolidation. We reiterate the need for the government to cut expenditure by proposing reforms that could scale down the cost of governance.

### Nigeria's total public debt stock



Source: DMO, CSL Research.

### MARKET UPDATE

|                 | 1 year    | 31-Dec-21 | 1 day     |
|-----------------|-----------|-----------|-----------|
| NSE - Index*    | 38,943.87 | 42,716.44 | 49,440.21 |
| Naira/ US\$     | 412.88    | 435.00    | 436.50    |
| Brent, US\$/bbl | 75.34     | 77.78     | 92.00     |
| MPR %           | 11.50     | 11.50     | 14.00     |

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. \*Nigerian Stock Exchange All-Share Index.

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## News headlines:

**NESG, marketers fear crisis as fuel subsidy gulps N2.04tn:** The Nigerian Economic Summit Group and oil marketers, under the aegis of the Petroleum Retail Outlet Owners Association of Nigeria, are worried of an impending fiscal crisis in Nigeria following the continued rise in subsidy on Premium Motor Spirit, popularly called petrol. NESG expressed its concern in the group's September 2022 report titled, "The State of Nigeria's Economy," obtained in Abuja on Monday, as figures from the Nigerian National Petroleum Company Limited indicated that petrol subsidy gulped N2.04tn between January and July this year. NNPC said its under-recovery of PMS/value shortfall, otherwise called fuel subsidy, was N210.38bn, N219.78bn, N245.77bn and N271.59bn in January, February, March and April 2022 respectively.

Source: punchng.com

<https://punchng.com/nesc-marketers-fear-crisis-as-fuel-subsidy-gulps-n2-04tn/>

**MPR Hike: 13 Banks Generates N2.04trn Interest from Customers Loans, Securities investment:** A total of 13 banks generated N2.04trillion interest from customers loans, Securities investments, among others in first half year ended June 30, 2022 on the back of Central Bank of Nigeria (CBN) hike in the Monetary Policy Rate (MPR) to 13 per cent as at June from 11.5 per cent in January 2022. This represents an increase of 23 per cent from N1.66trillion generated by these 13 banks in the corresponding half year ended June 30, 2021. In response to happenings in major global economies, Central Bank of Nigeria (CBN) joined other African economies to raise their benchmark rate to curb inflationary pressures.

Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/19/mpr-hike-13-banks-generates-n2-04trn-interest-from-customers-loans-securities-investment/>

**After Kenya, Tunisia Moves to Remove Energy Subsidies:** Tunisia said at the weekend said that it was raising the price of cooking gas cylinders by 14 per cent and petrol by 3 per cent as part of a plan to reduce energy subsidies, a policy change wanted by the country's international lenders. The Energy Ministry said the cooking gas price will increase to 8.800 dinars from 7.750 dinars, in the first raise in 12 years. It is coming after the Kenyan President, William Ruto, days ago followed up on a pledge to remove a fuel subsidy that has further depleted the state's already strained coffers. Just a day after Ruto's September 13 swearing in, Kenya's Energy & Petroleum Regulatory Authority said it had scrapped a subsidy on gasoline, raising the price by 13 per cent. But the regulator retained diesel and kerosene subsidies, helping cushion low-income earners who use the latter fuel for lighting and cooking, and rely on public transport. Source: thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/09/20/after-kenya-tunisia-moves-to-remove-energy-subsidies/>

**FG will review minimum wage, says Ngige:** The Federal Government, on Monday, said there are plans to increase the N30,000 minimum wage in the light of inflation raving the world. The Minister of Labour and Employment, Dr Chris Ngige, revealed this at the Nigeria Labour Congress public presentation titled, "Contemporary history of working-class struggle" in Abuja. According to him, the adjustment had become important to reflect what was happening globally. He said, "The inflation is worldwide, we shall adjust the minimum wage in conformity with what is happening now. The 2019 Minimum Wage Act has a new clause for a review. The adjustment has started with the Academic Staff Union of University because the stage they are with their primary employers, Ministry of Education, is a collective bargaining agreement negotiations. Source: punchng.com

<https://punchng.com/fg-will-review-minimum-wage-says-ngige/>

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|----------------------------|-----|------|------|-----------|-------|
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| % distribution             | 49% | 29%  | 14%  | 9%        |       |
| Investment banking clients | 0   | 1    | 1    | 0         | 2     |
| % distribution             | 0%  | 50%  | 50%  | 0%        |       |

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|                          |   |
|--------------------------|---|
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