

## Public Debt

**Comment on recent news** – this page

Today's headlines – page twos

**Recommendations and valuations** – page three

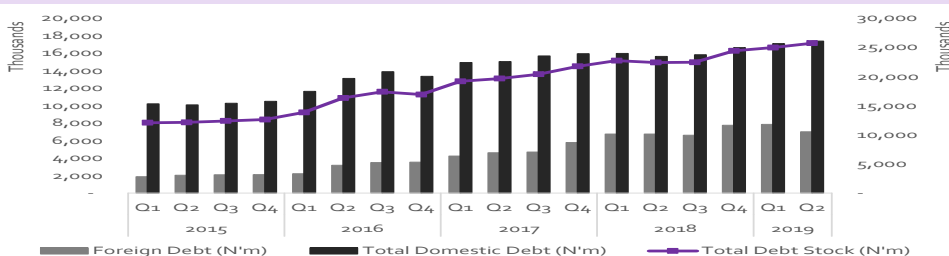
### CBN's "ways and means"

Business Day Newspaper reports plans by the Nigerian government to convert at least N20trn (US\$45.4 billion) of loans taken from the Central Bank of Nigeria (CBN) to 40-year bonds amidst pressured public finance. These loans are not added to the nation's debt stock. President Muhammadu Buhari approved the plan to convert the debt, which were mostly taken during his tenure to plug spending shortfalls after revenue collapsed on lower oil prices and production. This is the highest amount the government has ever borrowed from the CBN. Patience Oniha, head of the country's debt management office, said in a text message to Bloomberg that It is a one-time restructuring repayable over 40 years with a moratorium. She noted that the timing of the conversion will be announced after the government seeks approval from the cabinet and lawmakers later this year.

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 the government's borrowings from the CBN (Ways and means- estimated at 19.91trn as of June 2022), the debt profile would be about N62.8tn, and debt to GDP ratio comes to c.36.2%. 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 June 2022, Nigeria's debt service to revenue was estimated at 107.7%.

### Nigeria's total public debt stock



Source: DMO, CSL Research

### MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	41,704.11	42,716.44	44,332.21
Naira / US\$	415.07	435.00	441.13
Brent, US\$/bbl	84.61	77.78	92.38
MPR %	11.50	11.50	15.50

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

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## Today's news headlines:

**2023 budget at risk as FG borrowings miss target:** There are fresh danger signs ahead for the draft 2023 appropriation bill following indications from the last debt auction, which was marred by low participation, resulting in the federal government raising only a part of what it went to the market to raise to plug its deficit. The Debt Management Office's (DMO) monthly bond auction, which was held on Monday, fell far short of the agency's target, according to a report by analysts at FBNQuest. It is made worse by emerging data showing that the federal government is falling far behind in revenue collections this year.....Source: [businessday.ng](https://businessday.ng)

<https://businessday.ng/business-economy/article/2023-budget-at-risk-as-fg-borrowings-miss-target/>

**Nigeria to convert vast CBN loans to 40-Year Bonds:** Nigeria's government plans to convert at least 20 trillion naira (\$45.4 billion) of loans taken from the central bank to 40-year bonds, the first time it's resorted to such a move as public finances come under pressure. These loans which some have called printing of money by the apex bank, have not been added to the nation's debt. President Muhammadu Buhari approved the plan to convert the debt, which has mostly been taken one since he was elected in 2015 to plug spending shortfalls after revenue collapsed on lower oil prices and production. It's the most the government of Africa's biggest economy has borrowed from the bank..... Source: [punchng.com](https://punchng.com)

<https://businessday.ng/business-economy/article/nigeria-to-convert-vast-cbn-loans-to-40-year-bonds/>

**Inflation: Nigeria, others risk political instability, says IMF:** The International Monetary Fund has said Nigeria and other countries in the Sub-Saharan African region risk social and political instability and worsening food insecurity because of rising inflation. According to the IMF, inflation has nearly doubled pre-pandemic levels in the region, adding that while there is a significant difference between countries, the median inflation rate in the region increased to almost nine per cent in August. It said, "And even though the rise has been less dramatic than in other parts of the world, and the drivers are different, inflation is nearly double pre-pandemic levels, risking social and political instability and worsening food insecurity."..... Source: [Thisdaylive.com](https://thisdaylive.com)

<https://punchng.com/inflation-nigeria-others-risk-political-instability-says-imf/>

**Relief as Shell Resumes Crude Oil Export at 400,000bpd Forcados Terminal:** Hope for addition of 500,000 barrels per day (bpd) of crude oil to Nigeria's output by the end of November, to earn more revenue to finance the 2022 budget, has risen as Shell Petroleum Development Company Limited (SPDC) yesterday resumed crude oil exports at the Forcados Oil Terminal. The resumption of operations at the 400,000 bpd export terminal came ahead of the October 30 schedule, when the oil giant had stated that the essential repairs would be completed. A spokesman of Shell Nigeria, Mr. Bamidele Odugbesan, confirmed last night "that essential repairs at Forcados Oil Terminal are complete and export operations have resumed on October 20, 2022"..... Source: [Thisdaylive.com](https://thisdaylive.com)

<https://www.thisdaylive.com/index.php/2022/10/21/relief-as-shell-resumes-crude-oil-export-at-400000bpd-forcados-terminal-2/>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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