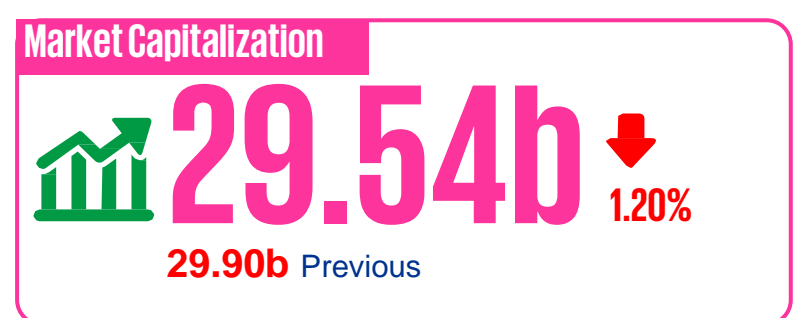
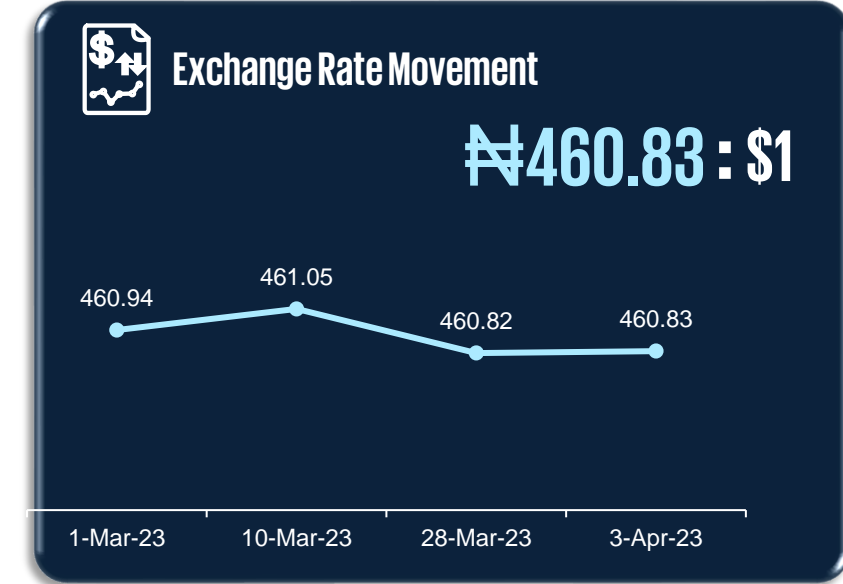
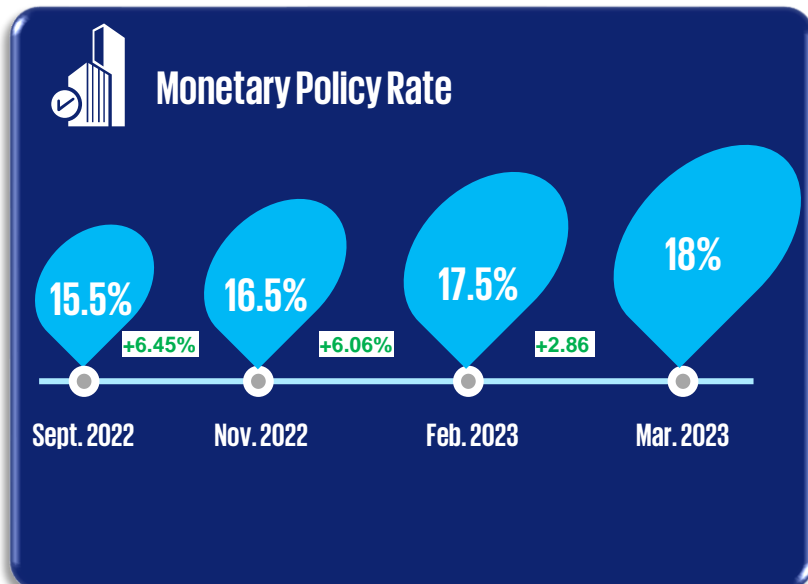
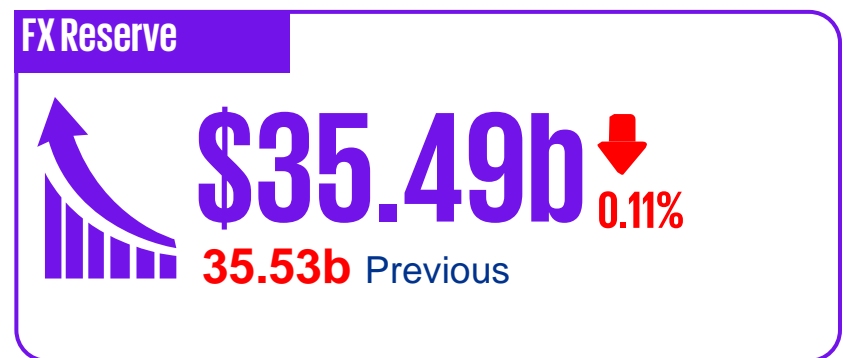


Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Tuesday 4th April, 2023



This week's News Focus

This week we highlight the reported increase in Nigeria's total public debt stock to N46.25 trillion in the fourth quarter of 2022 from N39.56 trillion in the previous year. This does not include the N23.72 trillion loans, reported at 19.5% that the Central Bank has extended to the government in recent years through a facility called "Ways and Means Advances". Given that the most efficient way to deal with these ways and means loans is to securitise them, we might be looking at a total national debt of more than N77 trillion by the end of 2023 especially in view of the additional borrowing in the Federal and several States 2023 budget as well as the likelihood of new borrowings not already contained in the 2023 budgets by incoming administrations at the State and Federal level.

While Nigeria's debt to GDP ranges at a healthy 30-35%, its tax and revenue to GDP falls between 6-8%, contributing to a revenue to GDP that has rose to as high as 80% at some point. The government will need to consider reforms in its expenditure framework which might include discussions on what to do with its subsidy regime in which N3.36 trillion has been set aside for the first 6 months of 2023 and this is more than the combined budgets for health, education and infrastructure for the whole of 2023. With the recent OPEC cuts which have caused a rise in crude oil prices, the government might even need a lot more than budgeted. At the same time, without substantial fiscal reforms aimed at reducing deficit financing and improve revenue generation to increase its revenue/tax to GDP ratio to at least 15% and/or grow the economy from the current 3% to at least 10-15%, Nigeria will continue to face enormous challenges from debt including the following:

- Absence of adequate Fiscal buffers making the economy vulnerable to economic shocks in a global economy still struggling and susceptible to another recession.
- Potentially high debt servicing costs which could crowd our much-needed funding for infrastructure, social works, and other economic and social sectors.
- Loss of investors' confidence in a country with high debt-to-GDP ratio and high revenue to debt ratio. Already, Moody's has downgraded the country's fiscal and debt position stating it expects it to keep deteriorating, while Standards and Poor's affirmed Nigeria's credit rating, but turned negative on its outlook citing similar issues with debt serving capacity.
- Low foreign exchange accretion because of reduced foreign investment which can make it more strenuous for Nigeria to finance imports and can worsen Cost Push Inflation. Capital importation figures from CBN, for example, already show a persistent decline in capital imported into Nigeria from \$23.9 billion in 2019, \$9.65 billion in 2020, \$6.70 billion in 2021, and \$5.32 billion in 2023.
- Higher inflation may in turn instigate higher interest rates and slower economic and employment

Other Stories

- [Nigeria's public debt rises, hits N46.25 trillion](#)
- [Banks raise cash withdrawal limits to reduce queues](#)
- [Despite N8trn Subsidy Payment, Petrol Price Jumps 54% in One Year](#)
- [Foreign portfolio investments drop 49% in 2 months of 2023](#)
- [External reserves fall by \\$1.46bn in two months- CBN](#)
- [Nigeria earned N1.8tn from oil export in March – Report](#)
- [Nigeria Loses \\$1bn Annually to Non-certification of Agri-produce for Export](#)
- [Nigeria Under-produces OPEC's Crude Oil Quota by 30.6M Barrels in Two Months](#)

Sources: CBN, NBS, NGX & KPMG Research

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