

Public Debt

Comment on recent news – this page

Today's headlines – page two

Recommendations and valuations – page three

Nigeria's total public debt still rising.

Nigeria's public debt has been growing steadily in recent years, reaching a significant level of N97.34tn (US\$108.23bn pegged at N899.39/\$) as of 31 December 2023, according to the Debt Management Office (DMO). The total public debt stock includes the combined domestic and external borrowings of the Federal Government of Nigeria (FGN), state governments, and the Federal Capital Territory (FCT). The public debt reported in Q4 2023 is 110.46% y/y and 10.73% q/q higher than N46.25tn (US\$103.11bn at N448.08/\$) and N87.91tn (US\$114.35bn at N768.76/\$) reported in Q4 2022 and Q3 2023 respectively. The significantly higher debt level reflects the securitization of the Ways and Means facility and the impact of the currency devaluation on external debt. At current levels, the country's debt-to-GDP ratio comes to 41.5% in 2023 from 22.9% in 2022 and higher than the 40.0% benchmark set by the DMO.

The total domestic debt of N59.12tn in Q4 2023 (vs N55.93tn and N27.55tn in Q3 2023 and Q4 2022 respectively) made up 60.74% of the nation's total debt while the total external debt of N38.22tn (vs N31.98tn in Q3 2023 and N18.70tn in Q4 2022) made up 39.26%. The nation's 2024 budget deficit of N9.18tn is expected to increase the country's borrowings further in 2024. The expected Eurobond issuance in June 2024 is expected to add another layer of pressure in 2024. On the revenue front, the government is pushing for higher oil revenue, with the budget premised on a 1.78mbpd oil output and oil price benchmark of US\$77.96/barrel. We believe the oil estimate is ambitious, given that oil production remains constrained by theft and Nigeria might not be able to pump oil beyond 1.56mbpd in 2024.

Though the IMF still views Nigeria's debt as sustainable, with minimal risk of default, debt servicing cost continues to rise, partly due to the weaker currency on external debt financing and the still elevated interest rate environment, indicating that the country continues to spend a significant portion of its revenue on debt servicing, limiting its fiscal space. We believe that, while the country's revenues remain constrained, the elimination of fuel subsidies, which accounted for more than 75% of gross oil revenue in 2022, will free up additional revenues in 2024.

Nigeria's Total External and Domestic Debt in Ntn (Last two years)



Source: CSL Research, NBS

MARKET UPDATE

Indicators	1 Year	30-Dec-22	1 Day
NGX-Index	53,086.86	51,251.06	104,387.4
Naira/US \$	415.63	461.50	1,431.49
Brent US\$/bbl	119.51	85.91	85.64
MPR	13.00	16.50	22.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index

CONTACT INFORMATION

Head of Research: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmf.com

Banks: Gloria Fadipe

+234 (1) 448 5436 ext.4516

gloria.fadipe@fcmf.com

FMCGs: Sunmisola Ikoli-Oluwo

+234 (1) 448 5436 ext.4457

sunmisola.ikoli@fcmf.com

Brewers: Goke Adetoyinbo

+234 (1) 448 5436 ext.4457

adegoke.adetoyinbo@fcmf.com

Industrials: Mustapha Umaru

+234 (1) 448 5436 ext.4512

mustapha.umaru@fcmf.com

Research Team: csresearch@fcmf.com

Retail Team: cslsu@fcmf.com

Sales Team: cslrmt@fcmf.com

<https://csportal.fcmf.com>



News headlines:

Export: Shippers express concerns over inconsistent exchange rate: The National Shippers Association of Nigeria (NASAN) has expressed concerns over the federal government's inconsistent exchange rate policies, noting that it is making the cost of doing business unbearable especially in the export market. The president General, NASAN, Innocent Akuvue, stated this on the sidelines of a press briefing to formally announce the association's activities in the country. According to him, the inconsistent nature of the exchange rate is having a negative impact on businesses even as the Nigerian Customs Service (NCS) is yet to implement the Central Bank of Nigeria's (CBN's) directive on Form M. Source: ThisDay
<https://www.thisdaylive.com/index.php/2024/03/25/export-shippers-express-concerns-over-inconsistent-exchange-rate>

FG allocates 675 hectares for diaspora city project: The Minister of Housing and Urban Development, Ahmed Dangiwa, has disclosed that the Federal Government has allocated 675 hectares of land for the diaspora city project situated at Maitama 2 in the Federal Capital Territory. According to a statement signed by the Director of Information, Badamasi Salisu Haiba, the minister revealed this when a delegation from the African Descendants in Diaspora Union, led by the Union's Diplomatic Administrator for Nigeria, Dr Abraham Onwubuya, visited him in his office recently in Abuja. He assured Nigerians living in the diaspora of an enabling environment for participation in Nigeria's housing market ecosystem, by putting in place the right frameworks for secured homeownership. Source: Punch
<https://punchng.com/fg-allocates-675-hectares-for-diaspora-city-project/>

FG asks applicants to submit NINs for trade grants: The Ministry of Industry, Trade, and Investment has directed applicants of the Presidential Conditional Grant Scheme to submit their National Identification Numbers (NIN) as part of the necessary requirements to obtain a grant earmarked to cushion the effect that recent economic reforms have had on businesses in the country. The government through the Bank of Industry had said it would be disbursing three categories of funding totalling N200bn to support manufacturers and businesses across the country. It said the new rule was based on the new regulations from the Central Bank of Nigeria directing Nigerians to link their National Identification Numbers with their bank accounts. Source: Punch
<https://punchng.com/fg-asks-applicants-to-submit-nins-for-trade-grants/>

CPS: PenCom empowers employees to report non-compliance: The Pension Reform Act 2014 (PRA 2014) provides that every eligible employee shall maintain a Retirement Savings Account (RSA) with any PFA of choice. Once an RSA is opened, it is the responsibility of the employee to inform the employer by submitting the RSA Personal Identification Number (PIN) issued by the PFA. Subsequently, the employer is required to remit an amount comprising at least eight percent employee and 10 percent employer contribution to the Pension Fund Custodian (PFC) specified by the PFA of the employee. Additionally, the PRA 2014 mandates employers to remit pension contributions not later than seven working days from the day salaries are paid to employees. Source: ThisDay
<https://www.thisdaylive.com/index.php/2024/03/25/cps-pencom-empowers-employees-to-report-non-compliance>

Analyst Certification

Each research analyst principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed in this research report accurately reflect his/her personal views about those issuer(s) or securities that the research analyst covers in this research report. Each research analyst also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this research report.

Important disclosures

Analysts' compensation is based upon activities and services intended to benefit the investor clients of CSL Stockbrokers Limited, Lagos and the affiliates of FCMB Group, Lagos, Nigeria ("the Group"). Analysts receive compensation that is impacted by overall profitability of the Group, which includes revenues from, among other business units, Institutional Sales and Trading and Capital Markets/Investment Banking.

CSL Research Ratings Distribution

	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%	

Explanation of CSL Research's equity research rating system

Buy:	The analyst expects the stock to outperform the Benchmark over the next 12 months or the stated investment horizon.
Hold:	The analyst expects the stock to perform in line with the Benchmark over the next 12 months or the stated investment horizon.
Sell:	The analyst expects the stock to underperform the Benchmark over the next 12 months or the stated investment horizon.
Not Rated:	The rating and price target have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when CSL Capital UK or the Group is acting in an advisory capacity in a merger or strategic transaction involving the company or due to factors which limits the analysts ability to provide forecasts for the company in question.
Benchmark:	The benchmark is the trailing three-year average yield of the 12-month T-Bill plus one standard deviation rounded to the nearest %.
Price targets:	Price targets, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimates.
Asset allocation:	Asset allocation is the responsibility of the strategy team. The recommended weight (Buy, Hold and Sell) for equities, cash and fixed income instruments is based on a number of metrics and does not relate to a particular size change in one variable.

Important Risk Warnings and Disclaimers

CSL Stockbrokers Limited ("CSLS") is regulated by the Securities and Exchange Commission, Nigeria. CSLS is a member of the Nigerian Stock Exchange. CSL Capital (UK) Ltd (Firm Reference Number: 913994, Registered Number: 11818051), trading in the name of 'CSL Stockbrokers' for its activities, is authorised by the Financial Conduct Authority (FCA).

Both CSLS and CSL Capital (UK) Ltd are members of the FCMB Group ("the Group") of Nigeria, a group of companies which also includes First City Monument Bank Ltd.

RELIANCE ON THIS PUBLICATION FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE YOU TO A SIGNIFICANT RISK OF LOSS. By receiving this document, you will not be deemed a client or provided with the protections afforded to clients of CSLS and CSL Capital (UK) Ltd. When distributing this document, CSLS, or any member of the Group is not acting for any recipient of this document and will not be responsible for providing advice to any recipient in relation to this document. Accordingly, CSLS or any member of the Group will not be responsible to any recipient for providing the protections afforded to its clients.

If you are in the UK, you are a person to whom either Articles 19 or 49 of the Financial Services and Markets 2000 (Financial Promotion) Order 2005 apply or a person to whom this communication may otherwise be lawfully made.

In the United Kingdom, this document is available only to such persons described above and persons of any other description should not rely on this document. Transmission of this document to any other person in the United Kingdom is unauthorized and may contravene the Financial Services and Markets Act 2000 (FSMA). If you are not such a person or if the distribution of this document is otherwise unlawful where you are, you are required to return the document immediately to CSLS. This document is not intended for Retail Clients in the UK.

This document is not an offer to buy or sell or to solicit an offer to buy or sell any securities. This document does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances and objectives. The investments and shares referred to in this document may not be suitable for all investors.

CSLS or any other member of the Group may effect transactions in shares mentioned herein and may take proprietary trading positions in those shares and may receive remuneration for the publication of its research and for other services. Accordingly, this document may not be considered as objective or impartial. Additionally, information may be available to CSLS, or the Group, which is not reflected in this material. Further information on CSLS' policy regarding potential conflicts of interest in the context of investment research and CSLS' policy on disclosure and conflicts in general are available on request.

This document is based on publicly available information obtained from sources which CSLS believes are reliable, but which it has not independently verified. Neither CSLS, or their advisors, directors or employees make any guarantee, representation, or warranty as to the accuracy, reasonableness or completeness of this information and neither CSLS or their advisors, directors or employees accepts any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The opinions contained in this document are subject to change without notice and are not to be relied upon and should not be used in substitution for the exercise of independent judgment.

Past performance is not a guarantee of future performance. Investments may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of an investment for which there is no recognised market it may be difficult for investors to sell their investment or to obtain reliable information about their value or the extent of the risk to which they are exposed.



The information contained in this document is confidential and is solely for use of those persons to whom it is addressed and may not be reproduced, further distributed to any other person, or published, in whole or in part, for any purpose.

@Copyright CSL Stockbrokers Limited, 2022. All rights reserved.

CSL Stockbrokers Limited

Member of the Nigerian Stock Exchange

PO Box 9117

Lagos State, NIGERIA

CSL Stockbrokers

A trading name of CSL Capital (UK) Ltd

43-44 New Bond Street

London

W1s 2SA

United Kingdom