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Nigeria's Debt Profile

Lagos Chamber of Commerce and Industry

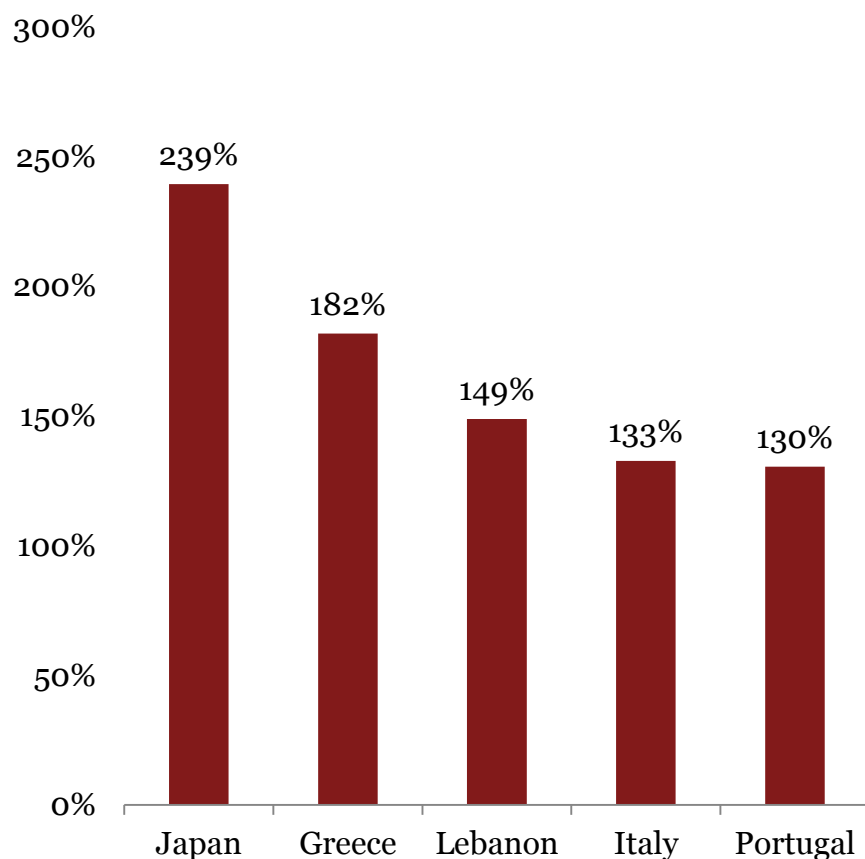
*Strictly Private
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16 November 2018

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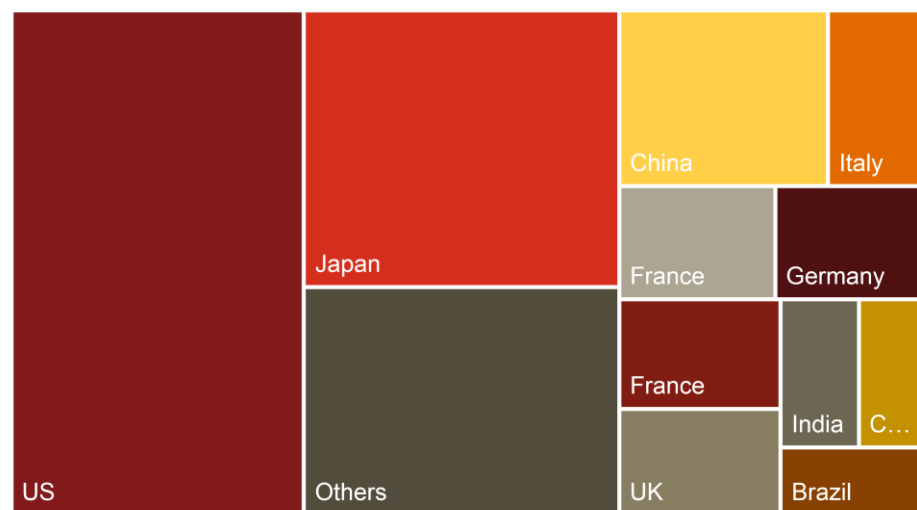
Is there a looming financial crisis in 2019?

Top 5 Highest Government Debt-to-GDP Ratios in the World



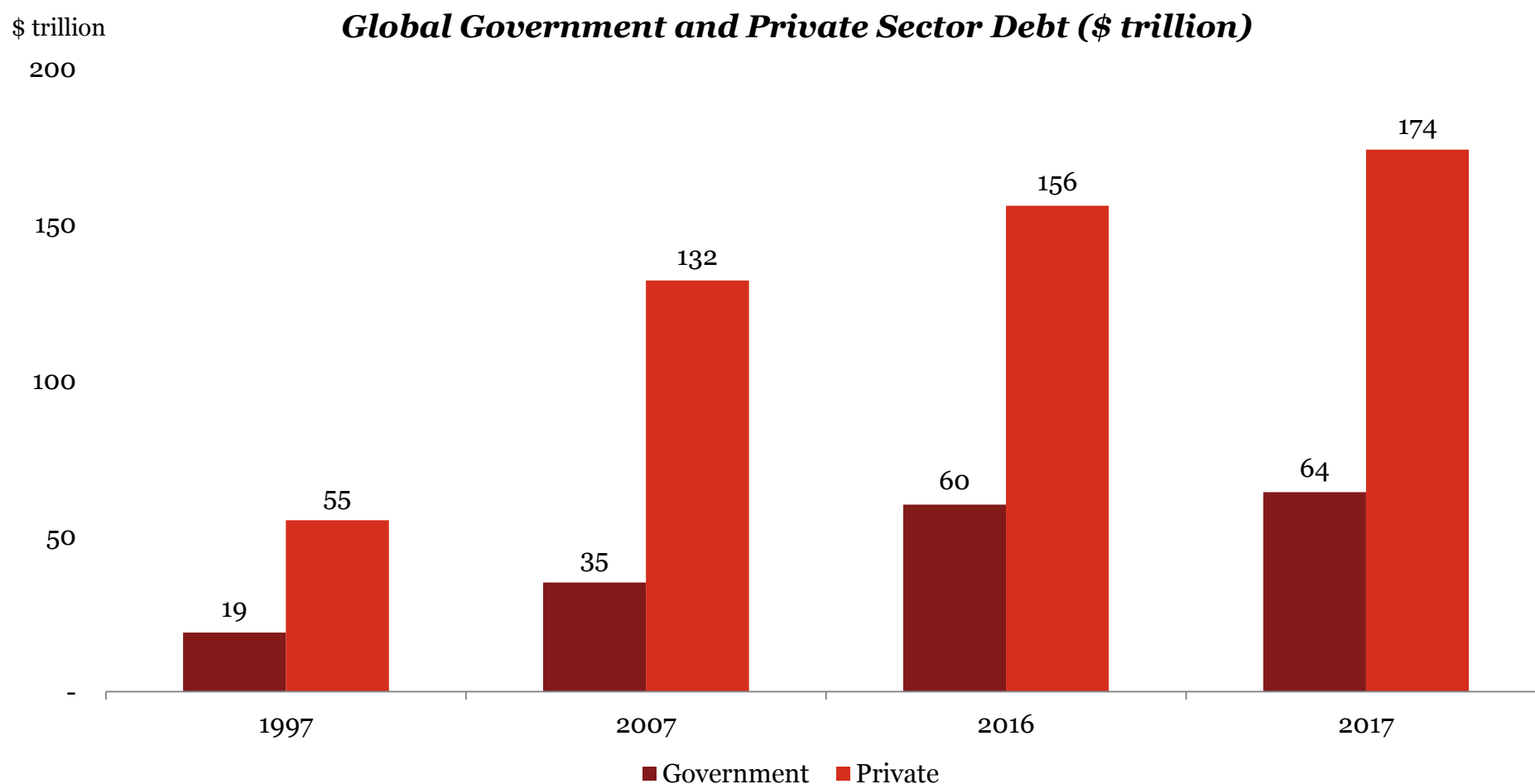
- ✓ Global debt hit a record \$164 trillion in 2016 and is set to trigger the next financial crisis
- ✓ Slowing demand in China has caused a slow down in production around the globe, raising the question of how countries will repay their debts.
- ✓ The United States is the world's largest debtor, contributing 30% to global debt.

Percentage of World Debt by Country



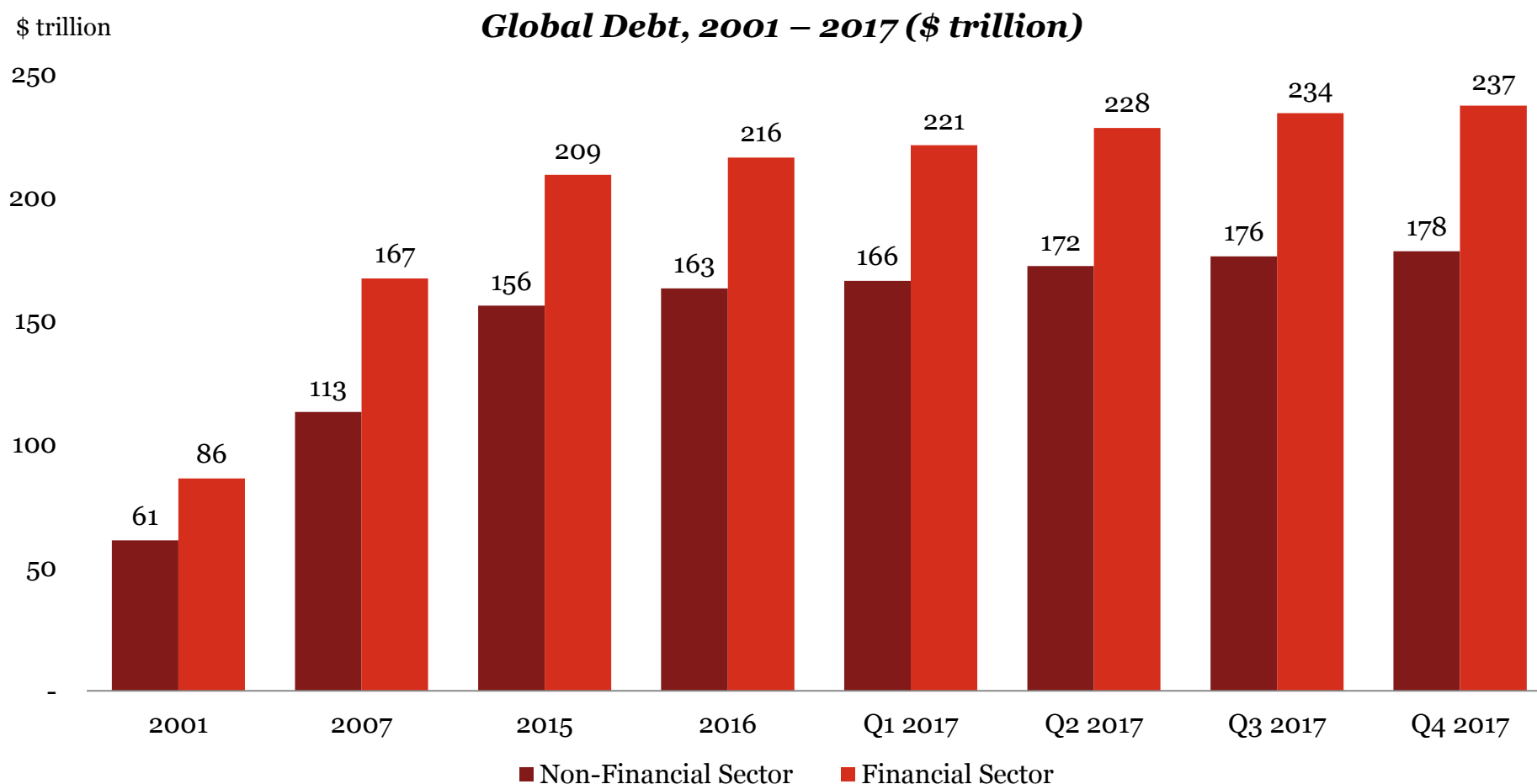
Source: Institute of International Finance

Global debt is largely driven by private borrowing – corporate and household debt...



Source: Institute of International Finance

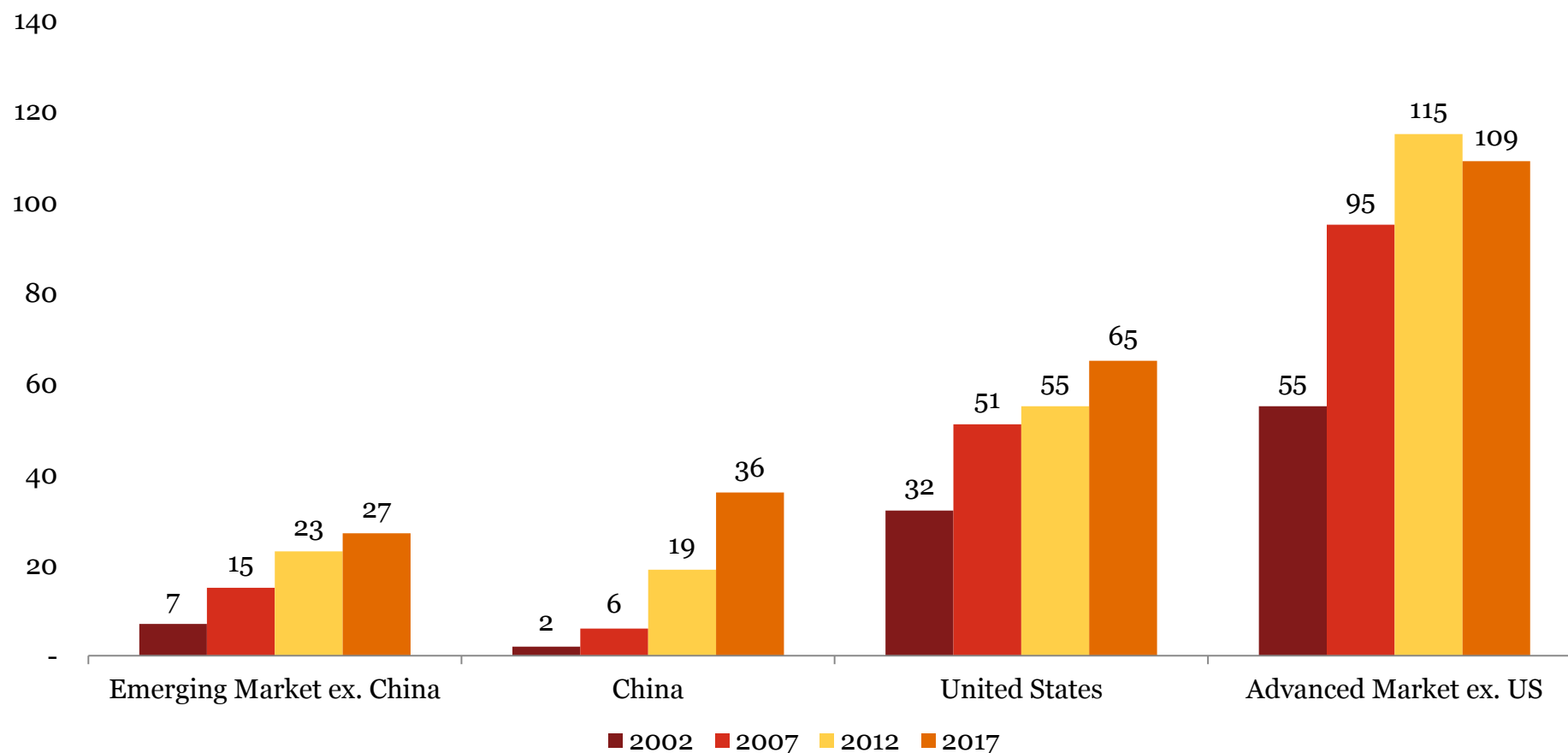
...and the financial sector holds majority of private debt



Source: Institute of International Finance

China has grown to be the largest debtor in Emerging Markets over the last 15 years, while the US is the largest debtor in advanced markets and the world

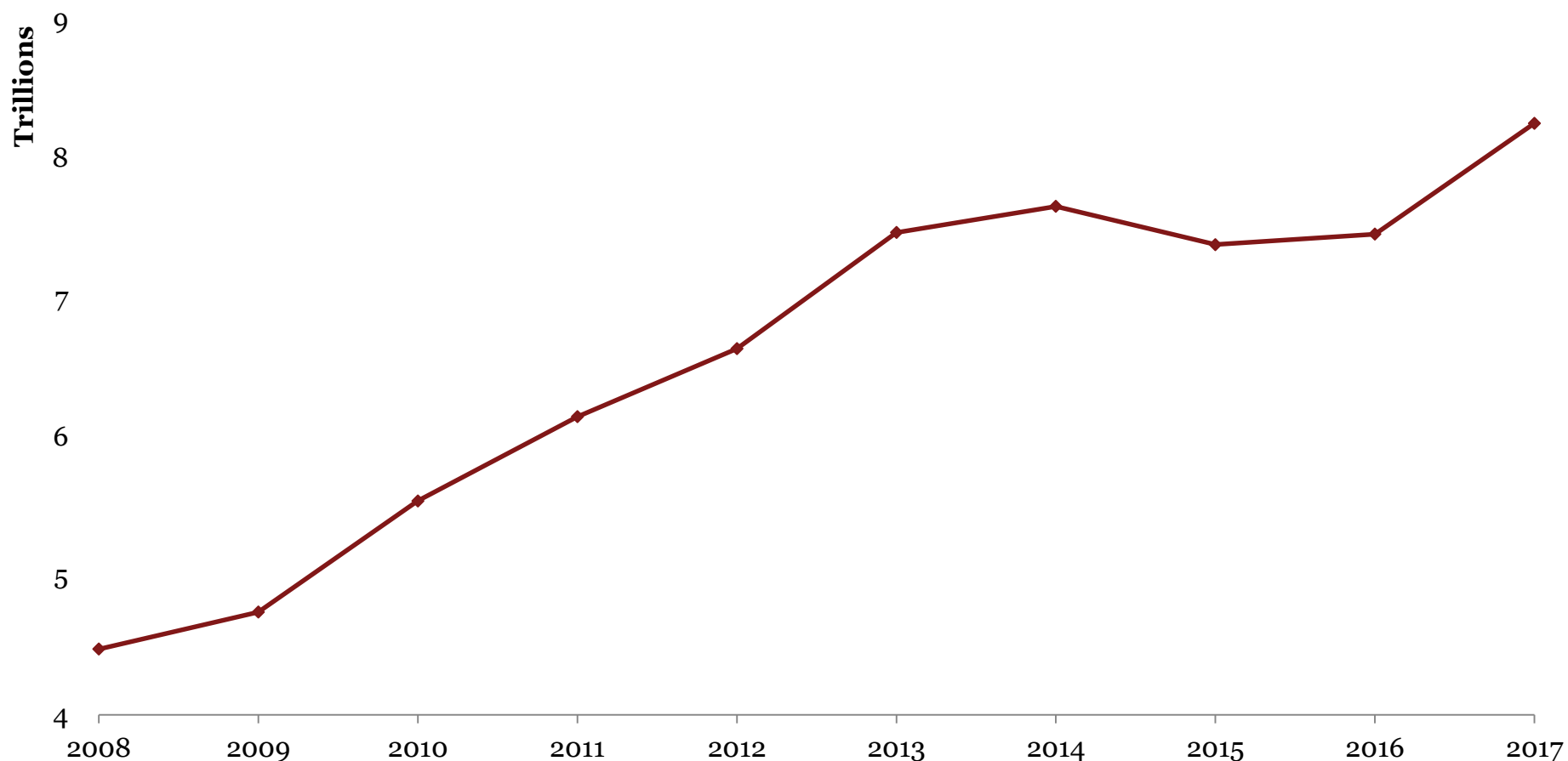
Global Debt in Emerging and Advanced Markets, 2002 – 2017 (\$ trillion)



Source: Institute of International Finance

Emerging market debt has doubled over the last decade, exceeding \$8 trillion in 2017

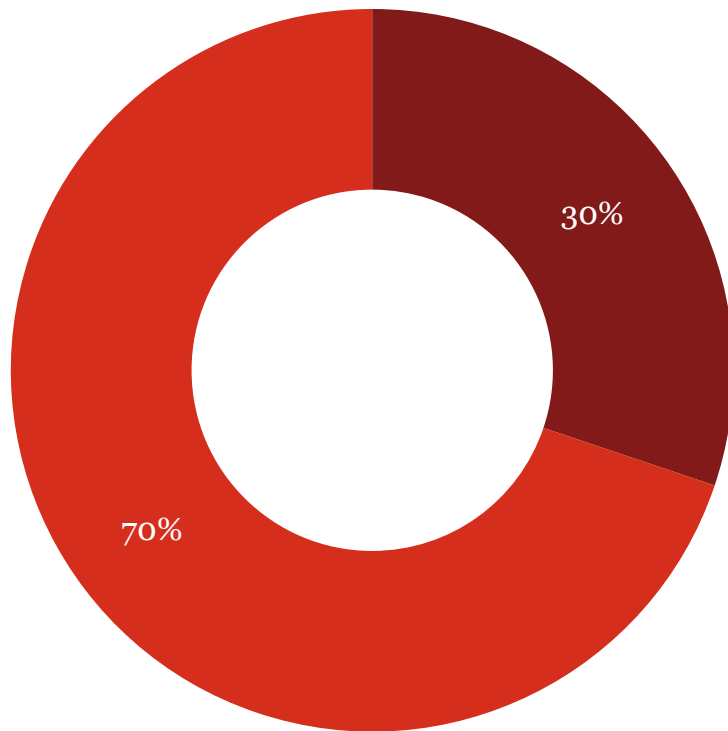
Emerging Market Foreign Currency Debt, 2008 - 2017



Source: Institute of International Finance

Nigeria's public debt portfolio is heavily exposed to domestic debt which is more expensive to service

Nigeria's Public Debt Stock as at 30 June 2018



■ External Debt ■ Domestic (FGN + States)

	Domestic Debt (N'trillion)	External Debt (\$'billion)
FGN	12.1	22.08
36 states and the FCT	3.4	
Total	15.6	22.08
Contribution (%)	70%	30%

Source: DMO

With government expenditure exceeding revenue, the federal deficit is on the rise, which fuels more government borrowing

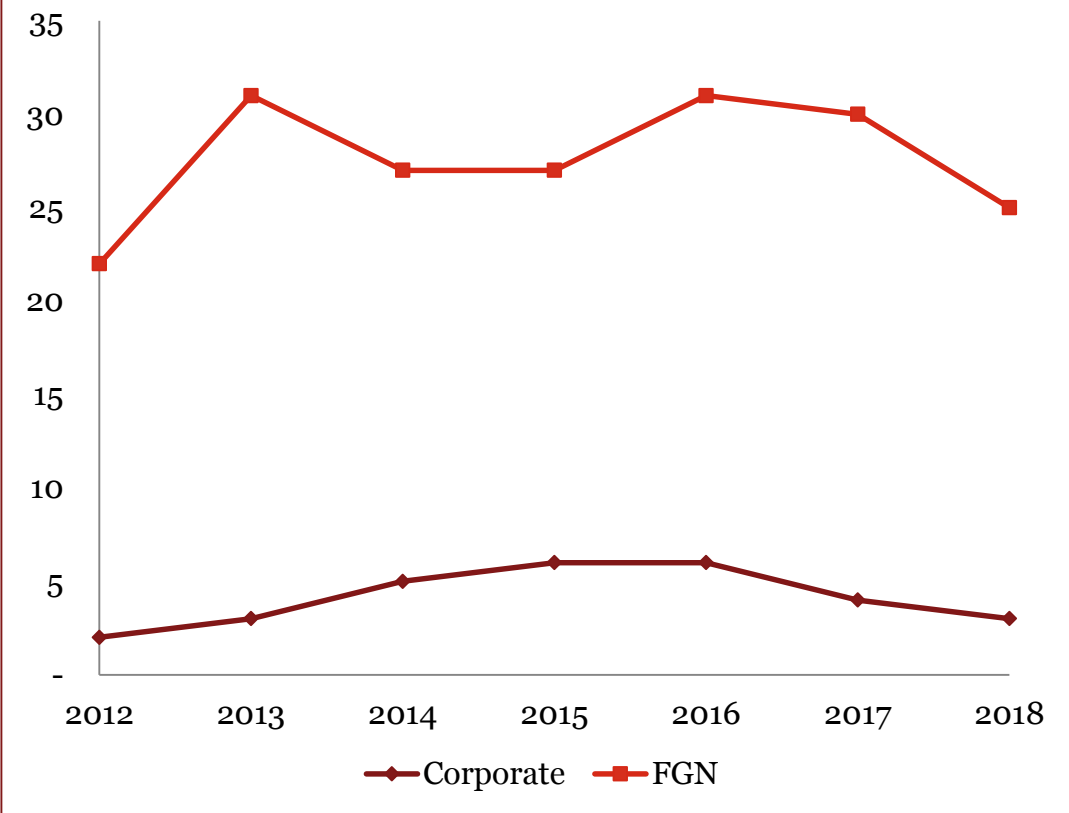
Federal Budget 2017 - 2018

	2017 Approved (N trillion)	2017 Proposed (N trillion)	2018 Approved (N trillion)	2018 Proposed (N trillion)
Expenditure	7.44	7.29	9.12	8.61
Revenue	5.08	4.94	6.61	6.61
Deficit	2.35		2.51	

Source: Budget Office of the Federation

Unlike other emerging markets, the government is the dominant borrower in the Debt Capital Market, with bonds exceeding N12 trillion in 2017

Volume of Corporate and FGN Bonds, 2012 - 2018

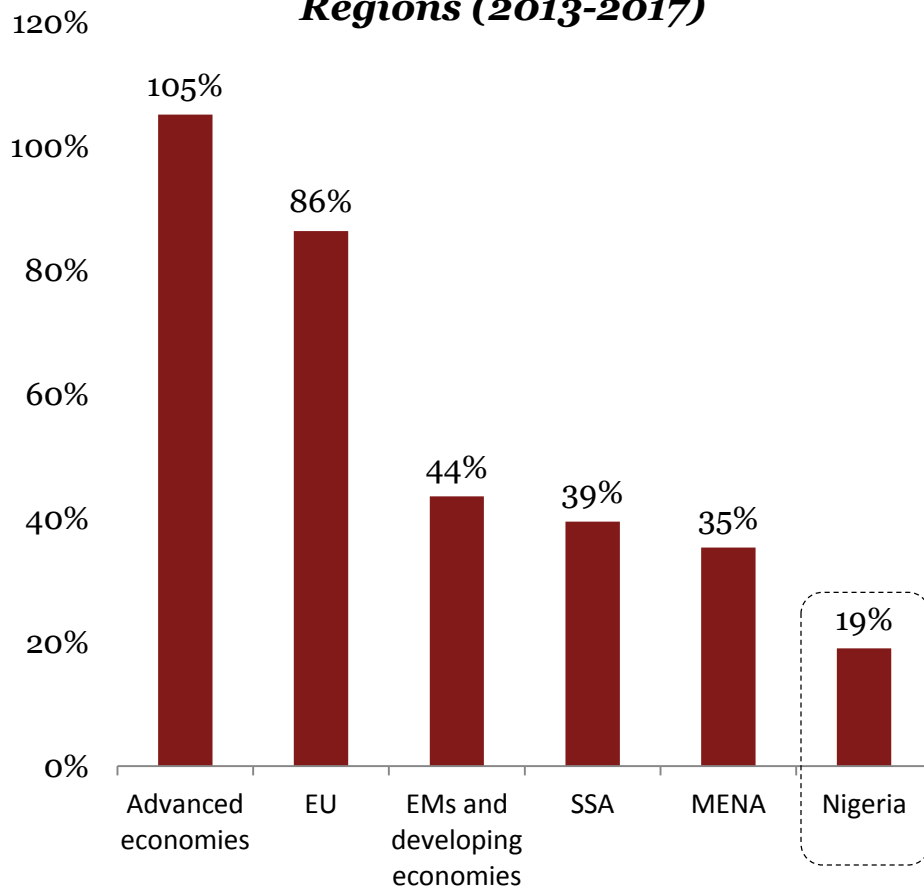


- ✓ Heavy government borrowing has caused corporate bond yields to increase to levels nearly equivalent to regular bank financing, discouraging corporate issuers from seeking credit through the bond market

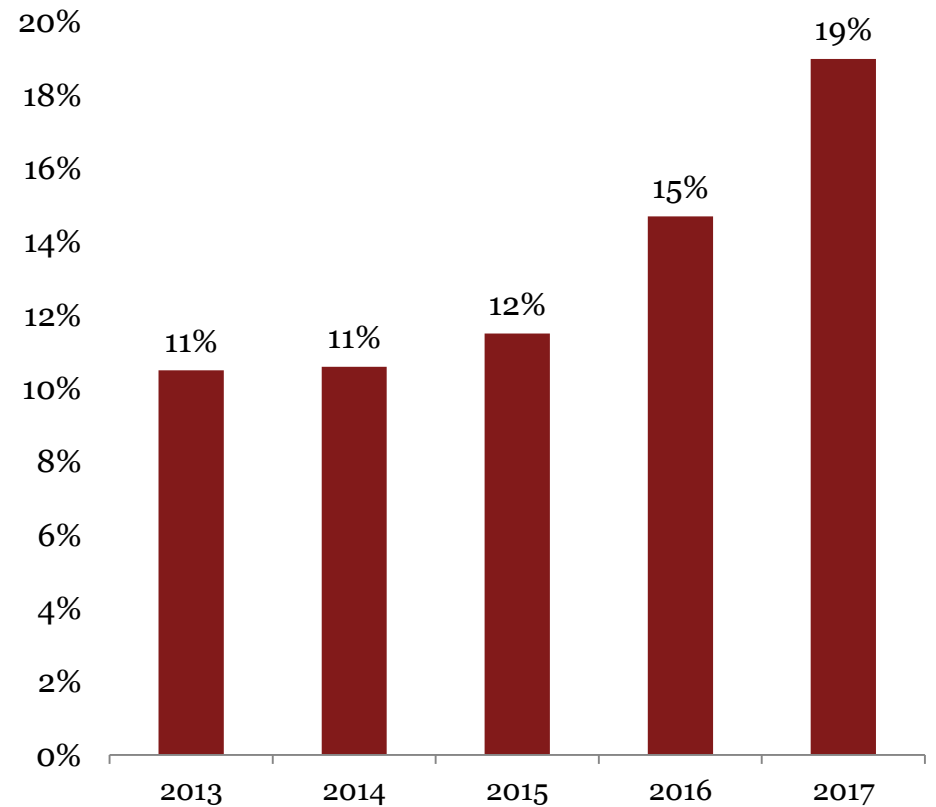
Source: CBN, FMDQ, PwC Analysis

Despite increased borrowing, Nigeria's debt to GDP remains low relative to other governments

Average Debt to GDP across Global Regions (2013-2017)



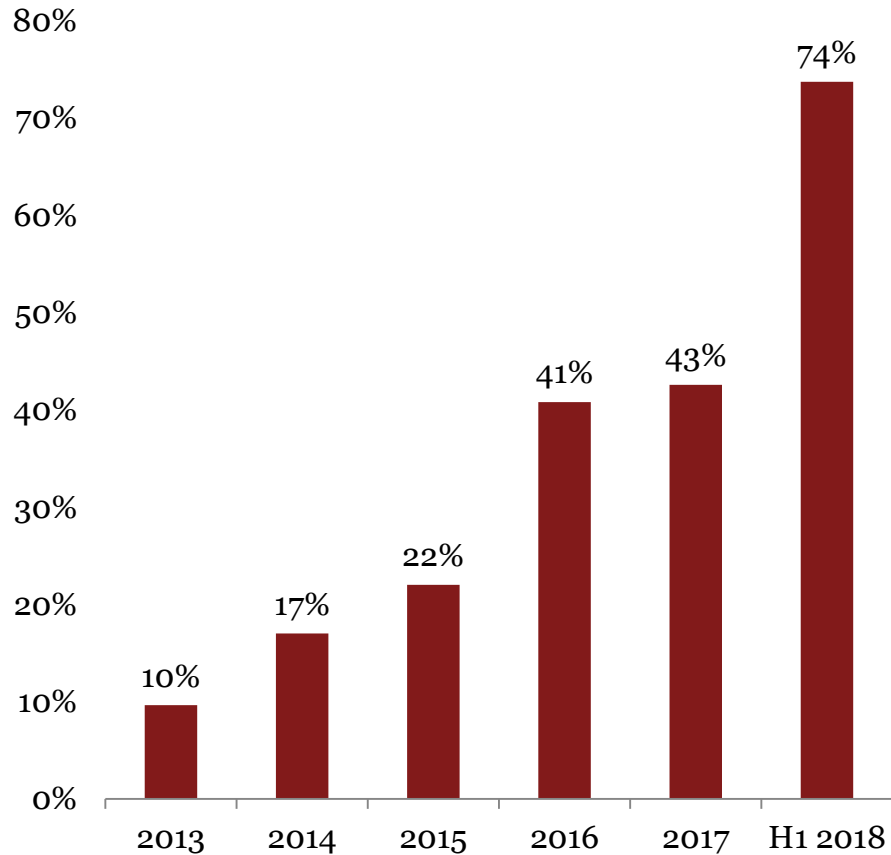
Nigeria – Debt to GDP



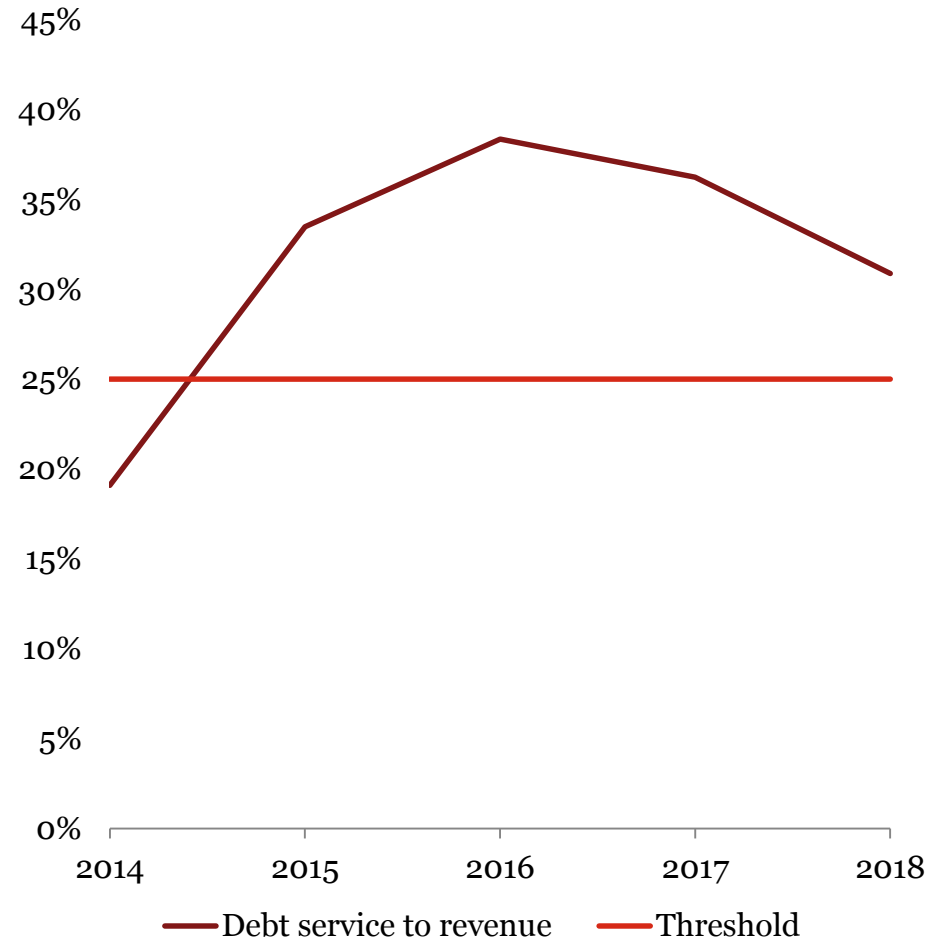
Source: IMF, DMO

However, external debt to exports rose to 74% in the first half of 2018, while the national debt service ratio of 31% exceeds the 25% threshold recommended by the IMF

External Debt to Exports, 2013 – H1 2018



Debt Service to Revenue, 2014 - 2018



Source: DMO, NBS, PwC Analysis

Thank you.

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