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Nigeria’s Debt: Where are we Going?

The total public debt of Nigeria stood at N39.56trn at the end of 2021. This has risen considerably by over 300% in the last ten years. If the projected deficit of N6.39trn in the FGN 2022 budget and those of the States and FCT, estimated at N1.6trn, are debt-financed, Nigeria’s total public debt at the end of this year is projected to be about N47.54trn (see figure 1a).

During the first quarter of the 2022, the FGN raised additional USD1.25Billion via Eurobonds, and this further raised the country’s external debt. Also, consideration of stock of debt at the CBN and AMCON indicates that Nigeria’s total debt stock is well above these figures.

This trend appear worrisome; but as often argued, when compared with the size of the economy, Nigeria’s debt-GDP ratio, estimated at around 22.65% at the end of this year, is still far below the 70% distress threshold (see figure 1b).

However, since debts are not paid with GDP, it is important to ensure that a country’s revenue is able to, at the minimum, service its debt. Based on this, figure 1c clearly shows that the current trend is not sustainable for the country as it used over 90% of its revenue to service debts in the last two years. Although this is projected to fall to 70% in the year 2022, the ratio is still high.

There are arguments for accumulating debt. A major one being that for a developing economy like Nigeria, with much infrastructure deficit, government needs to borrow to jumpstart the economy and invest in critical areas. Therefore, higher debt is expected to reflect in increased developmental capital projects.

The Nigerian government has, in recent times, made significant effort in this direction. There are visible investments in many infrastructure projects across the country, such as rail and road projects. It is however crucial to evaluate the extent to which new borrowings are deployed towards critical infrastructure projects.

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Specifically, the volume of new debt incurred should be comparable to the level of capital projects in the country, to guarantee that debts are not incurred for mere recurrent expenditure items. Figure 1d shows that the ratio of capital expenditure to budget deficit fell precipitously in 2016 to 7.88% and has fluctuated widely since then. At the end of 2021, it is estimated that 46.5% of FGN new borrowing were spent on capital project and the forecast is that this will rise to around 50% in 2022.

Not all capital expenditure is spent on infrastructure and/or on productive projects. Thus, while Nigeria needs to increase the trend shown in figure 1d, the share of capital expenditure spent of key infrastructure also needs to increase.

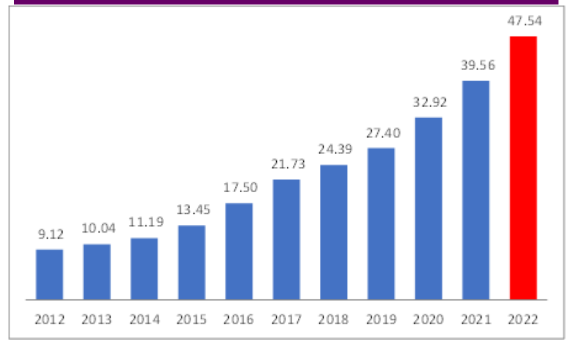
So, where are we going? If history is anything to go by, Nigeria's debt will keep mounting. Given the current uncertain global environment, wide adoption of technology and environment-friendly processes as well as domestic economic challenges including low productivity and constrained government revenue, Nigeria needs to avoid falling into a debt crisis.

The pertinent issue with debt is beyond the figure itself, but the impact felt on the economy. For an economy that is challenged on many fronts, mounting debt levels may add to Nigeria's problem; thereby requiring urgent actions.

Fortunately, there are existing plans to reduce unproductive government expenditure, implement innovative ways of financing infrastructure and free government budget for other key social services. These plans need to be duly implemented, monitored and evaluated by the government.

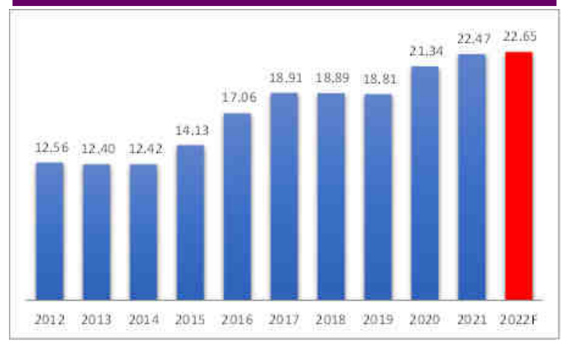
A glance at any government document, be it yearly budgets, development plans, sector strategies, regulatory frameworks, among others, shows detailed policies to tackle many of the country's problems, debt inclusive. However, the country is in need of judicious implementation, albeit in a manner that is effective, yet inclusive.

Figure 1a: Trend of Public Debt (Nbn)



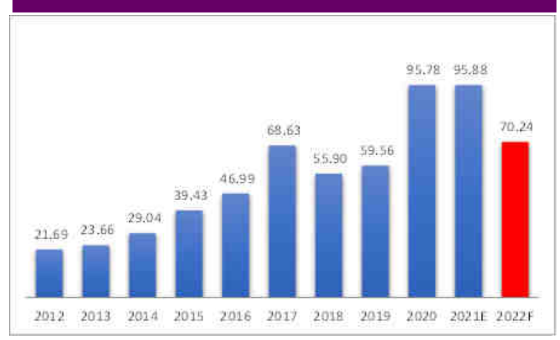
Source: DMO, ADSR Research

Figure 1b: Debt—GDP Ratio (%)



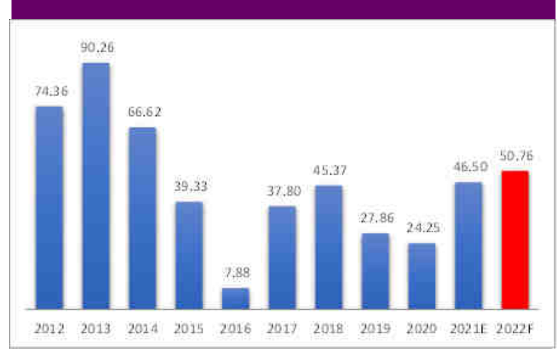
Source: DMO, NBS, ADSR Research

Figure 1c: Debt Service—Revenue Ratio (%)



Source: DMO, BoF, NBS, ADSR Research

Figure 1d: Capital Expenditure— Deficit Ratio (%)



Source: DMO, BoF, NBS, ADSR Research

Nigeria's Aggregate Output: Rising Nominally, Weak in Real and Dollar Terms

Nigeria's GDP recorded a growth of 3.98% in the 4th quarter of 2021, ending the year with a 3.4% growth against a contraction of -1.92% recorded in 2020. Figure 2a shows that Nigerian GDP has been growing in nominal terms (current basic prices) for every year in the last ten years, ranging from 13.87% growth in 2012 to 13.92% in 2021. Cumulatively, nominal growth has been 107.08%, indicating the country's size has more than doubled, on the average, during this period.

But large GDP size, specifically at N173.53trn (current basic price) and N176.08trn (current market price) will not say much about the growth of any economy and the welfare of its citizens; particularly in a high inflation environment like Nigeria. The country's real GDP (at 2010 constant basic price) grew from N59.93trn in 2012 to N72.39trn) in 2021. Figure 2b shows that the real growth of the economy ranged between 4.21% in 2012 and 3.40% in 2021. During the ten-year period, growth was negative in 2016 (-1.58%) and 2020 (-1.92%). Adding up the growth figures during this period gives a cumulative value of 23.60%.

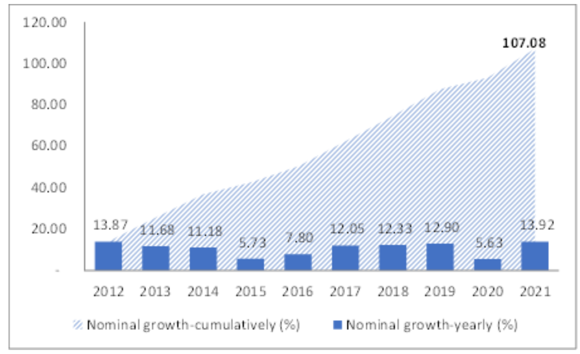
When the country's GDP is expressed in dollar term, figure 2c shows that the cumulative nominal growth reduces from 107.08% shown in figure 2a to 10.69%. It is also shown that movement in the country's GDP fluctuates widely with exchange rate, such that gains in one period may be eroded in another period, due to a relatively weak currency, given the import-dependence nature of the country and low capacity to export.

Nigeria's large GDP value has not been successfully translated to improved export value; as only a sector, oil, accounting for less than 10% of the GDP contributes over 90% of the country's export value. This has made Nigeria susceptible to fluctuations in the price and production of oil with their attendant impacts on the country's external reserves and exchange rate.

Further, the IMF projects a growth of 2.7% for the country in 2022, while the year's budget assumption and the National Development Plan (2021-2025) have a growth projection of 4.2% for 2022. We estimated a growth of around 2.2% for 2022'Q1 when the nation's statistical authority releases the GDP for the 1st quarter. This will underscore the current weak growth trajectory of the economy, especially as the crisis between Russian and Ukraine affects global growth and the country still struggles with the challenges of domestic supply of refined petroleum products

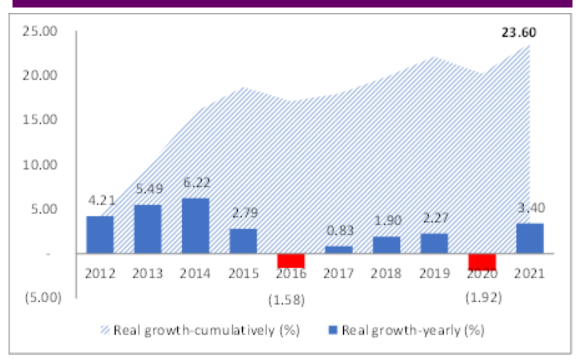
In the medium to long-term, the country needs to be successful at implementing policies that raise productivity and link its production base with export sector as well as government revenue. This will be necessary for it to grow in a sustainable manner and improve the lives of the citizens.

Figure 2a: Nominal GDP Growth (%)



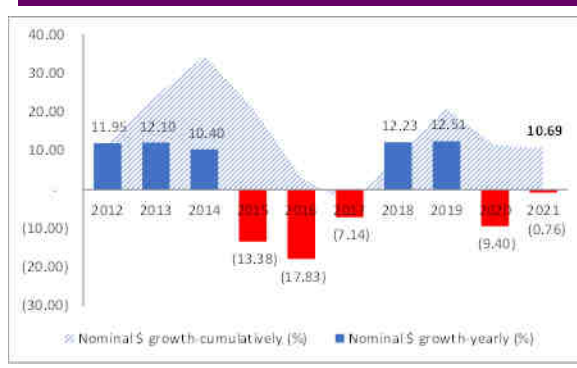
Source: NBS, ADSR Research

Figure 2b: Real GDP Growth (%)



Source: NBS, ADSR Research

Figure 2c: GDP Growth in $ terms (%)



Source: NBS, ADSR Research

Nigeria to Witness Increased Capital Importation in 2022'Q1

Data released by the NBS show that the capital inflow into the country by the end of the previous year stood at $6.7 billion which is about 33% lower than the total amount of inflow realized in 2020. Inflow of direct and portfolio investment into the country stood at $0.69 billion (10%) and $3.39 billion (51%) respectively. Inflows in the form of other investments, comprising largely loans, also recorded $2.62 billion (39%). The data also shows that most of the capital imported into the nation was from Mauritius, United States of America, Republic of South Africa and the United Kingdom with Lagos State attracting average of 80% of the total capital being imported into the nation last year.

Further, foreign direct investment in 2021 is almost half of 2020's value while portfolio investment fell short of 2020 inflow by almost $2 billion. Over 90% of portfolio inflows are into bonds and money market instruments, leaving little as equity investment. Therefore, about 85% of capital imported into the country in 2021 was investment in debt-related instruments as against direct and portfolio equity investments.

With the recent domestic and global development, we estimate that capital importation into the country will be about $2.52bn when NBS releases the figure for 2022'Q1. This slight increase will continue to be driven majorly by portfolio investment into the country and loans. In the medium to long term, it is critical for the country to create an enabling environment that attracts and retain more long-term and patient capital.

Capital importation into Nigeria

		FDI ($ million)	FPI ($ million)	Other Investments ($ million)	Total ($ million)
2020	Q1	214.25	4,309.47	1,330.65	5,854.37
	Q2	148.59	385.32	761.03	1,294.94
	Q3	414.79	407.25	639.44	1,461.48
	Q4	250.04	35.15	760.13	1,045.32
	Total	**1,027.67**	**5,137.19**	**3,491.25**	**9,656.11**
2021	Q1	154.76	974.14	776.99	1,905.89
	Q2	77.97	551.37	246.27	875.61
	Q3	107.81	1,217.21	406.35	1,731.37
	Q4	358.23	642.87	1,186.53	2,187.63
	Total	**698.77**	**3,385.59**	**2,616.14**	**6,700.50**
2022E	**Q1E**	**509.33**	**1154.42**	**852.03**	**2,515.78**

Source: NBS, ADSR Estimate

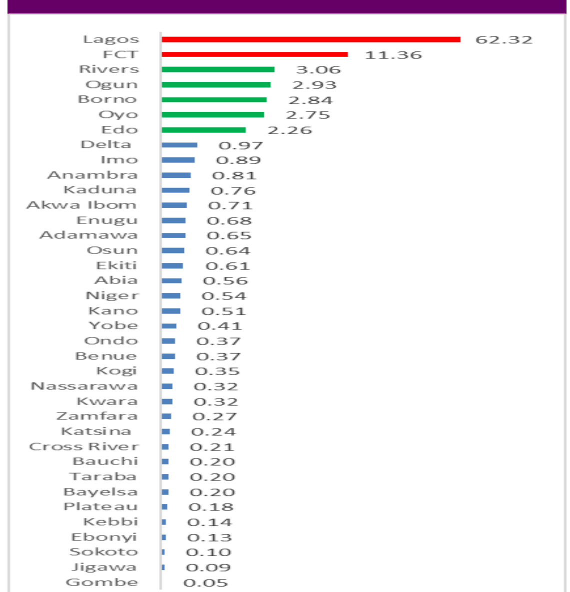
With the recent domestic and global development, we estimate that capital importation into the country will be about $2.52bn when NBS releases the figure for 2022'Q1.

How Nigerian States Performed in Advertised Job Vacancy

The number and composition of declared job vacancies can be used to gauge the level of economic activities and outlook. According to data from the Anastat Database, a total of 21,972 jobs advertised online were captured in 2021, representing 112.13% increase over the online advertised jobs captured in 2020. Of this, Lagos state accounted for 62% of the jobs advertised while Abuja (FCT) accounted for approximately 11%. Hence, Lagos and FCT accounted for about 73% of the job vacancies advertised online in the previous year.

The chart below presents the relative ranking of Nigerian States by the percent of jobs advertised in the 2021. It can be observed, on one hand, that following Lagos and FCT, Rivers, Ogun, Borno, Oyo, and Edo accounted for 3.06%, 2.93%, 2.84%, 2.75% and 2.26% of vacancies advertised online in 2021. The case of Borno State stood out as most of the advertised jobs are humanitarian and developmental-related and they are specific on location in the advertisement. On the other side, Gombe (0.05%), Jigawa (0.09%), Sokoto (0.10%), Ebonyi (0.13%), and Kebbi (0.14%%) had the lowest number of job vacancies advertised on various online media throughout 2021. States in Nigeria need to create enabling environment that create and attract job to their localities

Online Job Vacancy by State (%)



Source: Anastat, ADSR Research

Implications of the Russia-Ukraine War on Nigeria

The ongoing war between Russia and Ukraine, lingering into the sixth week, has continued to raise so much concern for the global economy as trade suffers setbacks and has since resulted into rising prices of commodities in the global market. This is because the waring countries account for a significant portion of the global exports of major commodities including oil and wheat.

Russia is known to be one of the major actors in the global economy, a significant supplier of fossil fuels, the largest exporter of oil to the European Union and the second largest exporter of oil in the world. Similarly, Ukraine wheat production has been halted and other exports of the country greatly affected since they cannot process them for shipment.

Economic sanctions and restrictions on the exports of Russia, which happens to be an influential nation in the world economy, combined with the inability of Ukraine to export its produce have impacted the global prices of commodities. Wheat reached an all-time high and price of Brent crude oil has been trading for above $100/barrel for the first time since 2014.

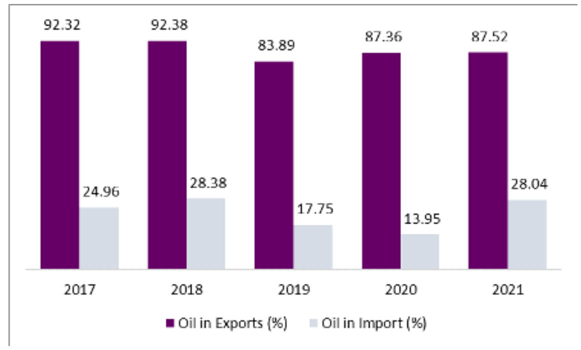
Recent developments in the trade sector of the Nigerian economy have proved that the country is also not immune from the effect of the ongoing war despite the distance between the country and the black sea region.

The surge in crude oil price is expected to be a fortune for the Nigerian economy as oil takes a large proportion of the country's export. Unfortunately, the economy cannot produce as much oil to reap the full benefit of the increase in oil price and it is also heavily dependent on imported fuel. Figure shows that, on the average, the oil sector accounted for close to 90% of Nigerian exports in the last five years and 23% of the country's import. This implies the economy is at the risk of importing further inflationary pressures into the economy as she lacks functional refineries to produce more so as to gain from the development.

As an importer of refined petroleum products, the country is experiencing fuel shortage and subsequently, a surge in the price of Diesel which is not subsidized. This has, in turn, become a major challenge for the Nigerian economy as producers lament an increase in operating cost, leading to a shift of the burden of the increased cost of production to the consumers in form of higher prices as well as significant reduction in producers' profit. This development came at a time when the country experienced shortage of fuel after some quantities of adulterated fuel were found and subsequently withdrawn from the economy.

Moving on, the economy is also experiencing rising consumer and producer good prices as the country majorly imports raw materials for production and the on-going war has affected this negatively. Table shows top 5 items that Nigeria imports from Russia in 2020 and it is expected that the price and supply of these items will continue to be affected as well as those of items that can serve as their substitutes and complements.

Share of Oil and Gas in Nigeria's Exports and Imports.



Source: CBN, ADSR Research

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Top 5 Items Imported from Russia in 2020

Rank	Items	Value ($ mn)
1	Cereals	403.65
2	Mineral fuels, oils, distillation products	315.37
3	Fish, crustaceans, molluscs, aquatics invertebrates	221.86
4	Iron and Steel	112.46
5	Fertilizers	87.90

Source: Trading Economics, ADSR Research

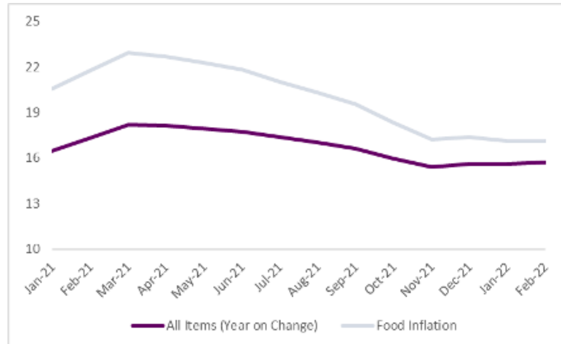
Nigeria's Inflation to Further Increase in March 2022

When the NBS releases the inflation figure for March, 2022, it is expected that the Headline figure will rise from 15.70% recorded in February to 16.15% by the end of the first quarter due to the recent developments in the global and domestic economy. The high inflation rate will still be maintained given the weak macroeconomic environment, variance between official and parallel market exchange rates, increase fuel prices and shortage in supply of raw materials, especially imported items.

Rising inflation has been a year-long menace for the Nigerian economy. The first quarter of the year 2022 has witnessed rising food prices with February's inflation rate standing at 15.7% and food inflation at 17.11% with bread and cereals, food product, potatoes, yam, and other tubers, oils, and fat and fruit contributing more to the price increase.

Contributing to rising prices in the economy is also the on-going war in the black sea region as it has affected global supply chain and for a country that is import-dependent, the economy may suffer high imported inflationary pressures.

Nigeria Inflation Rates from January 2021



Source: NBS, ADSR Research

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Unemployment remains a huge threat to Nigeria's Growth and Development

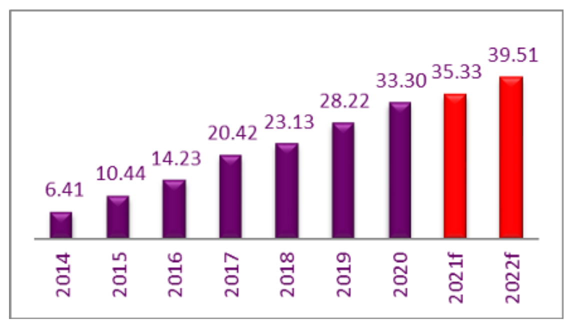
From the data available at the end of 2020'Q4, Nigeria's unemployment rate stood at 33.3% and underemployment at 22.8%, implying 56.1% of Nigeria's labour force has been involved in no or few jobs. More specifically, unemployment is highest among Nigerians with A level qualifications (50.7%), young (45.26%) as well as first-degree and higher diploma holders (40.1%).

Unemployment rate has risen drastically from 6.41% in 2014 to 33.3%; at this rate of increase, we forecast that at the end of 2022, Nigeria's unemployment rate will be in the range of 39.51%.

In the current National Development Plan (2021-2025), Nigeria plans to reduce the unemployment rate to 22.78% by the end of 2025 through various policies and interventions. But given the current uncertain global and weak domestic economic environments, it will require a lot more conscious efforts to address this problem; especially as much attention is now being directed towards the election year and activities.

No doubt, if Nigeria must grow, it needs to find innovative and efficient ways to utilize its resources. A high unemployment rate implies unutilised human resources. It also suggests that other physical and financial resources are underutilized as the country is operating below its potential with few bearing the burden of many. People are at the centre of economic development, but when many are jobless, it is difficult to claim to have performed well on most measures of development.

Unemployment rate in Nigeria from 2014 to 2020 and projections for 2021 and 2022.



Source: NBS, ADSR Research

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Breaking the Bias: Women Inclusiveness on Boards of Companies

Having an effective board of directors is crucial to any organization. Quality of board members has a strong impact on how an organization runs, makes decisions, and ultimately, on its success. Therefore, bringing in a variety of perspectives, backgrounds, and experiences can be pivotal to an organization's success. A good method of promoting these diversity opinions is through a gender diverse board.

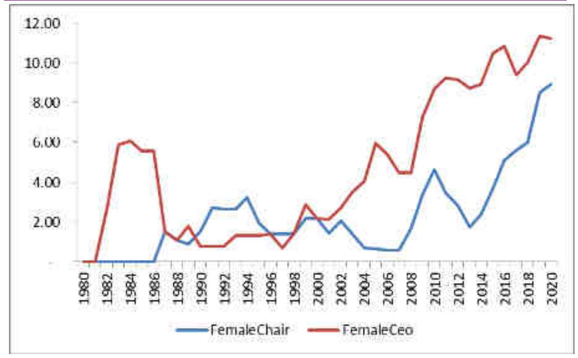
The benefits accrued from gender mixed boards are enormous and have been proved true by various research carried out across the globe; ranging from increased performance, productivity, revenue and fewer instances of fraud.

But women, from various statistics, occupy a very small percentage of boards across the globe. The percentage of women on boards across the United States is between 11 and 12 percent and has barely increased in the last decade. This is clearly shown in the 15% of Fortune 500 *board* members being *women.* Deloitte Global latest Women in the boardroom report reveals that only 6.7% of board chairs are women and even fewer CEOs (5%) are women. A global average of 19.7% of board seats are held by women. This numbers are far below the population of women in the work force of various countries. While a slight increase in global female board representation occurred in 2021, progress at the chair and CEO levels is still limited.

Looking at the Nigerian trend, women participation as Board Chair and CEOs has been on an upward trend. However, a lot still needs to be done on gender diversity and inclusiveness as only 8.51% and 11.35% of Board chair and CEOs were women respectively at the end of 2021.

In line with the theme for the recently celebrated International Women's Day, "Gender equality today for a sustainable tomorrow", policies advocating for women leadership and inclusiveness should be propagated and revisited in order to raise the figures we have currently.

Female Chair and CEO of Companies



Source: Anastat, ADSR Research

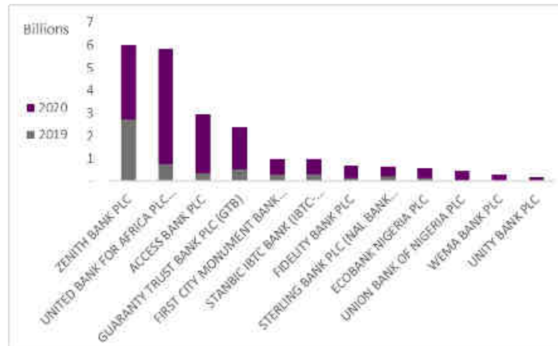
Looking at the trend in the Nigerian perspective, we can say that women participation and inclusion on the boards of corporate bodies, both as Board Chair and Organisation CEOs, has been on an upward trend in Nigeria .

Responsiveness of Nigerian Banks' CSR to COVID-19

The first case of COVID-19 pandemic was discovered on the 27th of February, 2020 in Lagos state. The outbreak of the virus in the country pushed many organisations to contribute more to health and humanitarian outreaches which forms part of their corporate social responsibility. Background analysis of 12 commercial banks from our database, shows that on the average, CSR increased by over 200% between 2019 and 2020 with Union bank, Access Bank and UBA increasing their CSR by over 500% relative to the total CSR for 2019.

Further analysis shows that a total of N16.4billion was spent as CSR in 2020 representing an increase of 190% over the value of N5.6billion spent as CSR by these 12 banks in 2019. The chart below shows the relative amount spent on CSR by these 12 banks and it can be observed that Zenith Bank and UBA did so much in terms of CSR in 2020. While Zenith bank did more than other banks in 2019, the data further revealed that UBA took the lead in 2020.

Banks' CSR in 2019 and 2020.



Source: Anastat, ADSR Estimate

… a total of N16.4billion was spent as CSR in 2020 representing an increase of 190% over the value of N5.6billion spent as CSR by these 12 banks in 2019.

Summary of Financial Variables for the Quarter

- The table below shows the financial variables for the quarter. The exchange rate differential between the parallel and the I&E window remained above N150/$ throughout the quarter.
- Inflation rate increased from 15.65% in January to 15.7% in February while it is projected that the inflation rate by the end of the quarter will be about 16.4% due to the recent development in the global and domestic economy.
- The interest rate was retained at 11.5% by the MPC at its last meeting on 22nd of March.
- Commodities prices have also been affected by recent global development, especially the crisis in the black sea region.
- The Y-o-Y change shows that all variables, except inflation rate and MPR (which has remained the same since it was adjusted from 12.5% to 11.5% in September, 2020), gained relative to the average of the corresponding quarter in the previous year.

Summary of financial variables

	Jan	Feb	Mar	Quarter Average	Y-o-Y Δ (%)
Parallel market rate (N/$)	568.00	580.00	587.00	578.33	19.82
I & E Window (N/$)	415.53	416.17	416.17	415.96	3.33
Inflation (%)	15.60	15.70	16.15	15.82	-1.51
Money Supply (N'billion)	44,581.24	44,745.85	44,911.07e	44,746.05	15.47
Interest rate - MPR (%)	11.50	11.50	11.50	11.50	0.00
Interbank Call Rate (%)	14.31	9.30	4.53	9.38	0.74
NGX-All Share Index	46,624.67	47,394.53	46,965.48	46,994.89	16.27
AFEX Commodity Index	505.59	481.02	487.43	491.35	27.58
FMDQ Bond Index	584.76	606.45	618.76	603.32	5.38
External Reserve ($'million)	39,546.76	39,863.41	40,039.16	39,816.44	13.72
Cocoa ($/MT)	2,540.20	2,686.95	2,591.35	2,606.17	4.02
Wheat(cent/bushel)	772.26	811.17	1,107.75	897.06	38.21
Cotton (cent/bushel)	119.32	122.23	125.30	122.28	44.65
Gold ($/toz)	1,816.62	1,860.20	1,951.63	1,876.15	4.28
Brent($/barrel)	85.57	94.10	112.46	97.38	59.37
Petrol (N/litre)	166.40	170.42	200.50e	179.11	6.82

Source: Anastat, ADSR Research

Wise Quotes

"By three methods we may learn wisdom: First, by reflection, which is noblest; Second, by imitation, which is easiest; and third by experience, which is the bitterest."

Confucius

"You do not write your life with words...You write it with actions. What you think is not important. It is only important what you do."

Patrick Ness

"Half of seeming clever is keeping your mouth shut at the right times."

Patrick Rothfuss

"Many of life's failures are people who do not realise how closed they were to success when they gave up"

Thomas A. Edison

"The secret of success is learning how to use pain and pleasure instead of having pain and pleasure use you. If you do that, you are in control of your life. If you don't, life controls you"

Tony Robbins

Jokes

Son: Dad, what is an alcoholic?

Dad: son, you see those 4 cars? An alcoholic would see 8

Son: But Dad there are only two

Dad: …………………………….

****

Interviewer: How long did work during your last job?

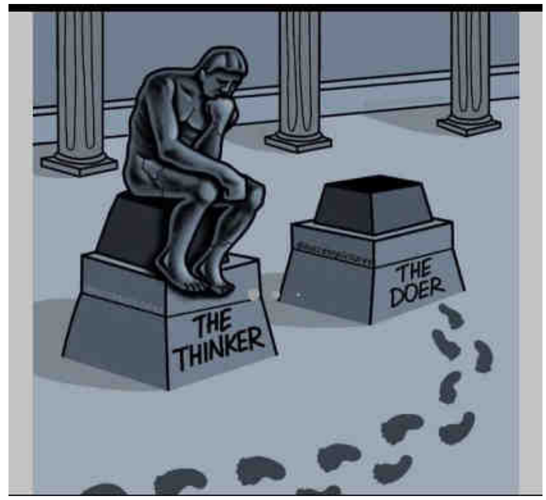
Man: 30 years.

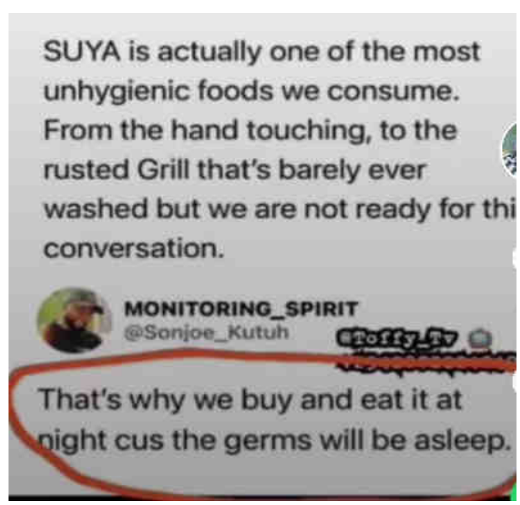
Interviewer: What's your age?

Man: 20 years

Interviewer: You are 20 and have 30 years of experience. How's that possible?

Man: Overtime...





Analysts

Analysts Data Services and Resources (ADSR) is a Data and Research Company in the vanguard of transforming the way data is seen, stored, used and delivered on the African continent.

As an academic authority, ADSR is a partner of choice to researchers and postgraduate candidates for dissertation advisory. As an advisor, ADSR works with corporates, governments and supranationals to deliver data and intelligence support that cuts through complex decision making issues thus unearthing intrinsic value in a way that builds public confidence.

ADSR is fixated on altering the perception of data and accentuating the place of intelligence in order to fuel growth and development across the African continent.

Our services include:

- Economic Advisory
- Economic Research
- Data Processing and Analytics
- Anastat Subscription and Database Construction
- Research Publications
- Capacity Development

Our research publications include:

- Analysts' Monthly Review (AMR)
- Analysts' Quarterly Review (AQR)
- Analysts' Yearly Review (AYR)
- Analysts' Rapid Response (ARR)
- Analysts' Presentations and Speeches (APS)
- Analysts' Policy Brief (APB)
- Analysts' Working Paper (AWP)
- Analysts' Journal (AJ)

Contributors:

Thelma Achidi

Idris Tijani

Research & Capacity Development

Peace D. Olubere

Database & Archival Services

Pelumi Ojelade

Data Entry & Management

Contact Us:

Analysts' House, Opp. University of Ibadan 2nd Gate, Ibadan, Nigeria

+234 7037470047

mail.adsr@gmail.com, info@adsrng.com

www.adsrng.com

www.facebook.com/ADSRLtd

https://twitter.com/ADSRLtd

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