



**DEBT MANAGEMENT OFFICE
NIGERIA**

Press Release

DMO READY FOR THE NEXT STAGE OF REFINANCING DOMESTIC DEBT

The Purpose of the External Financing

The Debt Management Office wishes to inform the General Public that the planned external financing of USD2.50 billion is for the refinancing of maturing domestic debt obligations of the Federal Government. It is not a new or incremental debt because it will not lead to an increase in the public debt stock.

The purpose is to rebalance the Federal Government's debt portfolio by increasing the external component while reducing the domestic component in line with Nigeria's Debt Management Strategy, which has a target of a 40:60 ratio for external to domestic debt from the current position of about 25:75, respectively.

Use of Proceeds and Benefits of the Refinancing Plan

The proceeds of the planned USD2.50 billion will be converted to Naira and be used to redeem relatively more expensive domestic debt. This is expected to save about ₦64 billion per annum in interest cost which will help to reduce the Debt Service/Revenue ratio and free up the fiscal space for other priorities of Government.

In December 2017, the Government redeemed matured Nigerian Treasury Bills (NTBs) with proceeds of USD500 million Eurobonds issued in November 2017. Apart from saving about ₦17 billion per annum in debt service cost, there was also a significant drop in the Bid Rates at the Auctions of both NTBs and FGN Bonds in December 2017 and January 2018 from a range of 16% to about 13.5%.

This translates to savings for Government on new borrowings, reduction of pressure on lending rates in the economy with positive impact on job creation and poverty reduction.

The debt substitution will also help to lengthen the maturity profile of the portfolio and leave more borrowing space for the private sector to access credit to grow the real sector, including export which will increase the foreign exchange earning capacity of the economy.

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