

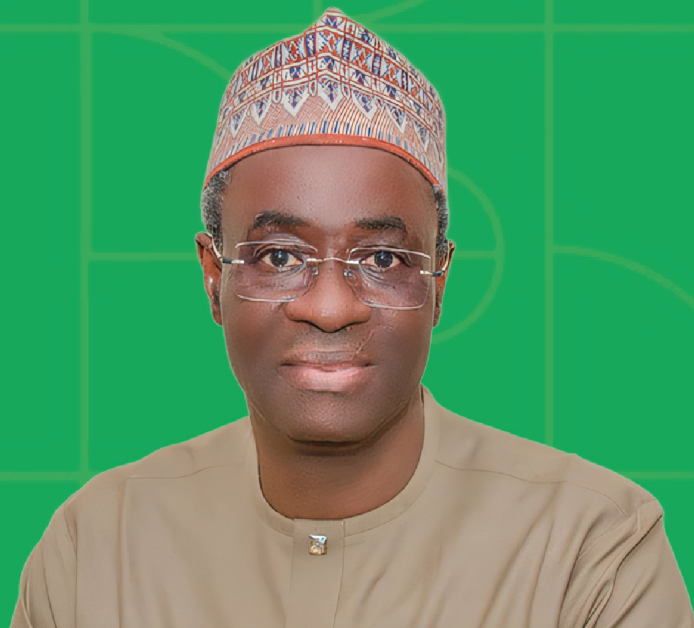


Budget Office Of The Federation
Ministry of Budget and Economic Planning

THE
#109
TRILLION
MISUNDERSTANDING

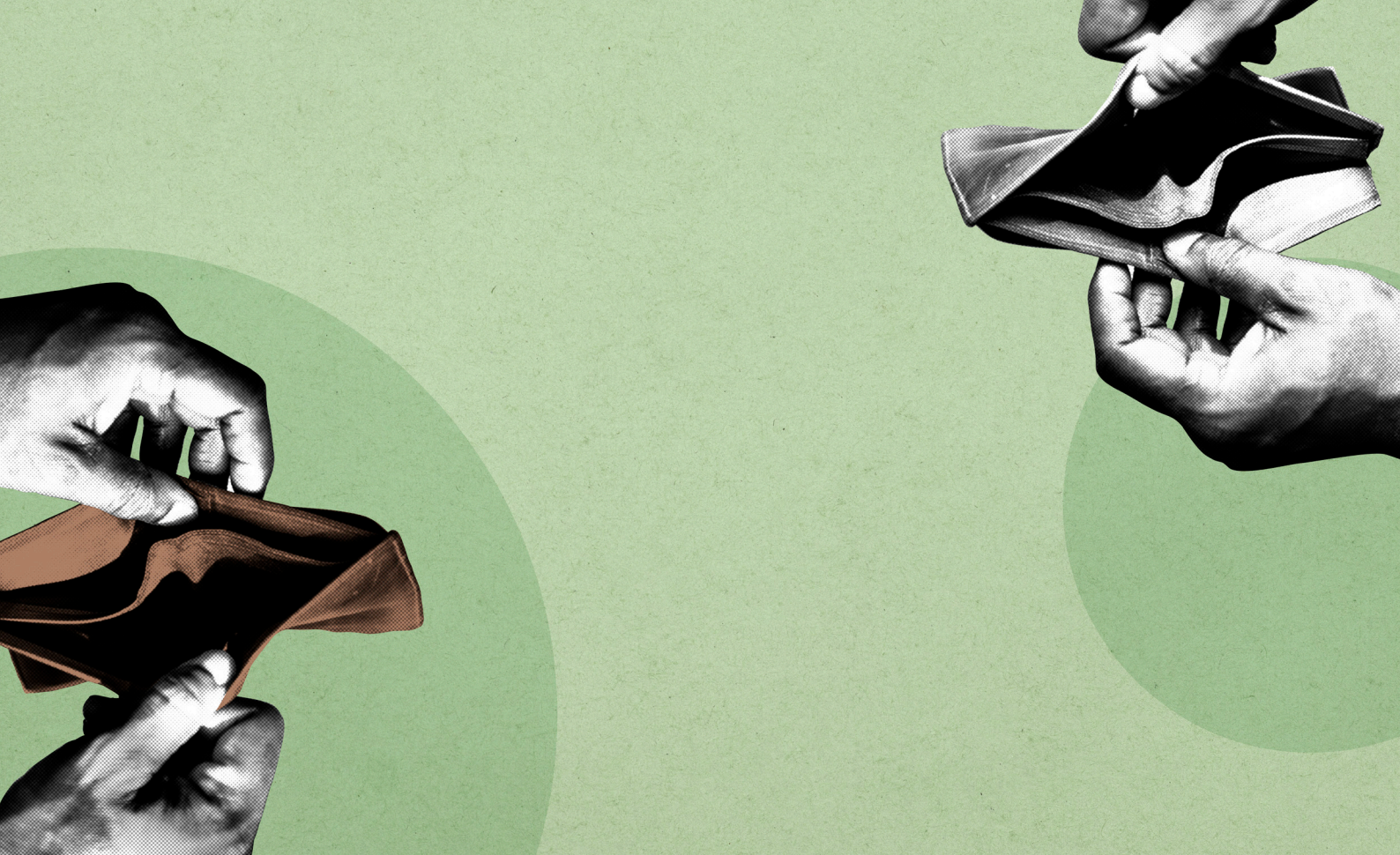
How Nigeria's Debt Story Has Been Misread

9 June 2026



BY
TANIMU YAKUBU

Director-General, Budget Office of the Federation



EXECUTIVE SUMMARY

Recent commentary on Nigeria's public debt has frequently interpreted the increase in the reported debt stock as evidence of extraordinary new borrowing by the current administration. While the reported figures are correct, the conclusions often drawn from them are not.

A substantial portion of the increase in the debt stock reflects the formal recognition of historical obligations and the revaluation of existing external debt following exchange-rate reforms. These developments increased reported debt without creating equivalent new borrowing. The central argument of this paper is therefore simple: the increase in Nigeria's reported debt stock should not be confused with the amount of actual borrowing undertaken during the period.

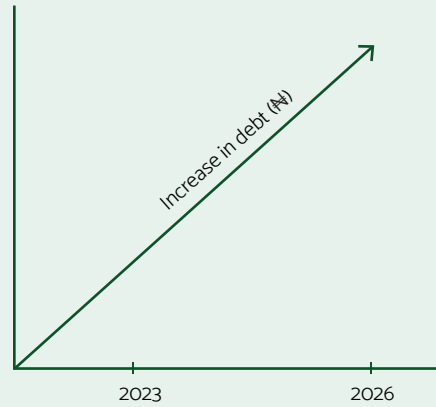
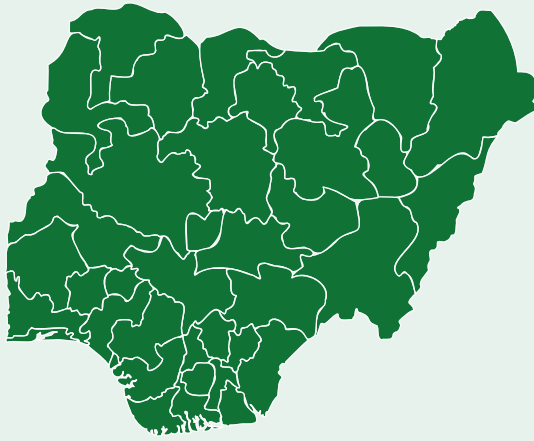
DEBATE OVER THE NUMBERS

Public debate is best served when fiscal statistics are interpreted accurately. Since 2023, Nigeria's reported debt stock has increased significantly in naira terms. This has led to the widespread belief that the current administration borrowed the entirety of the increase. That interpretation overlooks two critical developments: the recognition of pre-existing Ways and Means obligations and the revaluation of external debt resulting from exchange-rate reforms. Once these are isolated, a markedly different picture emerges.

When fiscal statistics are misinterpreted, they do more than distort public debate, they risk driving poor policy choices. Treating accounting recognition and valuation effects as evidence of reckless borrowing can lead to inappropriate austerity prescriptions, misplaced market anxiety, and a weakening of reform credibility at precisely the moment when fiscal transparency is improving.

THE SOURCE OF THE MISUNDERSTANDING

The principal source of misunderstanding is the assumption that every increase in the reported debt stock represents new borrowing. In reality, debt statistics can increase for several reasons. New borrowing is one. The formal recognition of previously unrecorded obligations is another. Changes in exchange rates can also raise the domestic currency value of existing external obligations even where no additional borrowing has taken place.

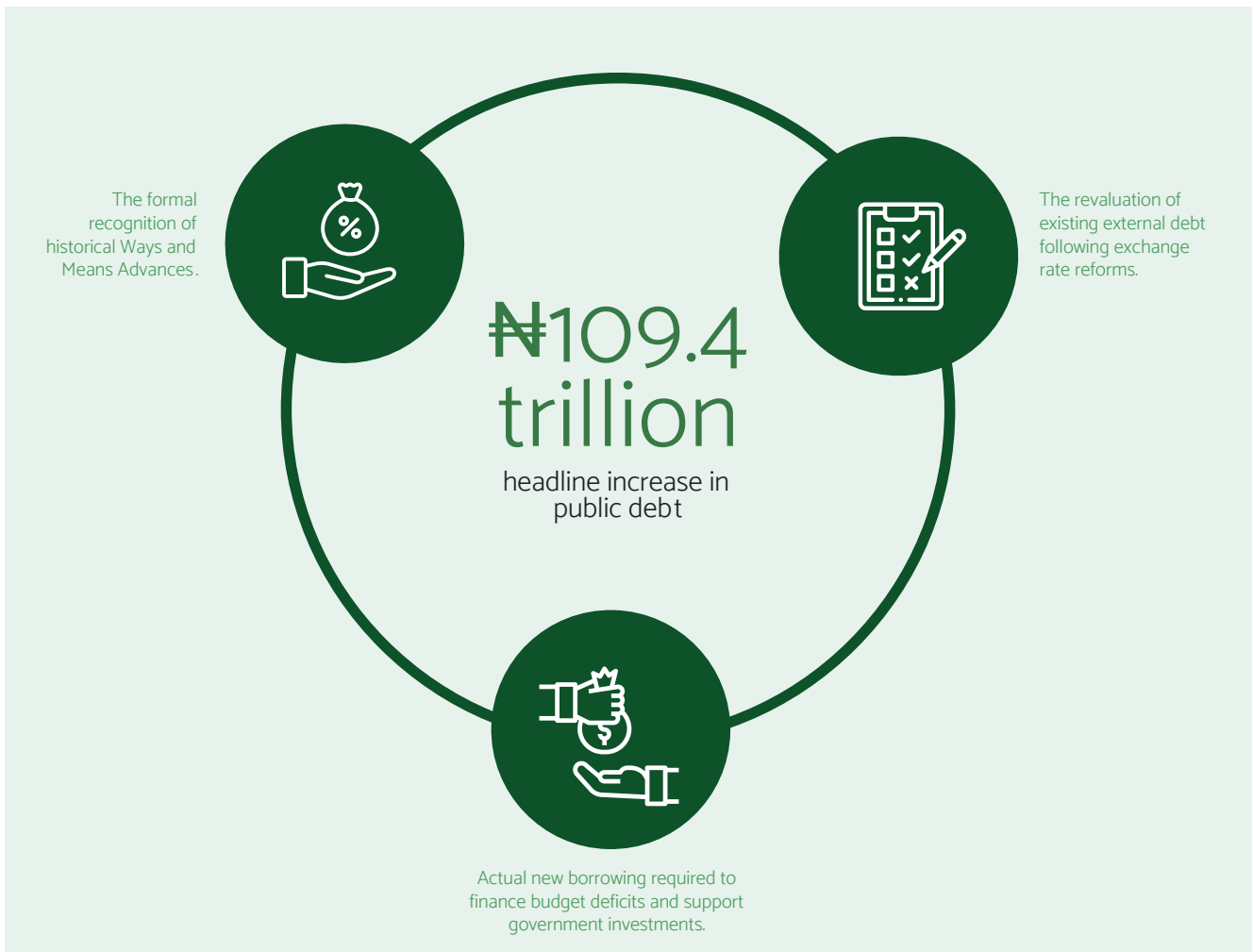


Since 2023, Nigeria's reported debt stock has increased significantly in naira terms.

An increase in reported debt therefore does not automatically imply that government has borrowed an equivalent amount of new resources. This distinction is neither technical nor academic. It is fundamental. Failure to appreciate it leads inevitably to misleading conclusions about the state of the public finances.

WHAT ACTUALLY INCREASED THE DEBT STOCK?

A careful decomposition of the data reveals that the ₦109.4 trillion headline increase in public debt, which jumped from approximately ₦49.9 trillion in Q1 2023 to ₦159.3 trillion by the end of 2025, was driven principally by three factors:



Public commentary frequently assumes that the current administration borrowed the entirety of this difference. The facts, however, are far more nuanced. Crucially, historical Ways and Means recognition and exchange rate revaluations combined account for exactly 65.45% of this reported increase. Because these two major transparency and valuation adjustments do not represent fresh borrowing undertaken during this period, the headline debt stock substantially overstates the scale of actual new indebtedness.

As the institution responsible for budget formulation and fiscal reporting, the Budget Office is uniquely positioned to distinguish between changes in reported debt arising from policy decisions, accounting recognition, and macroeconomic revaluation effects.

THE CHRONOLOGY OF WAYS AND MEANS ADVANCES

One of the most important components of the increase in reported debt was the **formal recognition and securitisation of approximately ₦30 trillion in historical Ways and Means Advances**.

These obligations accumulated over several years before the current administration assumed office. They represented liabilities that already existed, even though they were not fully reflected within the conventional debt stock statistics.

The decision to securitise and formally recognise these obligations strengthened transparency and aligned public accounts more closely with fiscal reality. It improved reporting; it did not create new borrowing. Accordingly, attributing the entirety of this amount to borrowing by the current administration confuses the recognition of a liability with the creation of a liability.

THE EFFECT OF EXCHANGE-RATE REVALUATION

The second major contributor to the increase in reported debt was exchange-rate revaluation. External debt is denominated in foreign currencies. When the domestic exchange rate changes, the naira equivalent of those obligations also changes. The underlying foreign-currency liability, however, remains the same.

Following exchange-rate reforms, the naira value of Nigeria's external debt increased substantially. Estimates indicate that this valuation effect accounted for **approximately ₦41.6 trillion of the increase in the reported debt stock**. This increase reflects a change in reporting value rather than the contracting of additional debt.

DECOMPOSING THE INCREASE IN DEBT

This decomposition demonstrates that more than **₦70 trillion of the increase resulted from transparency and valuation adjustments** rather than fresh borrowing.

ACTUAL NEW BORROWING

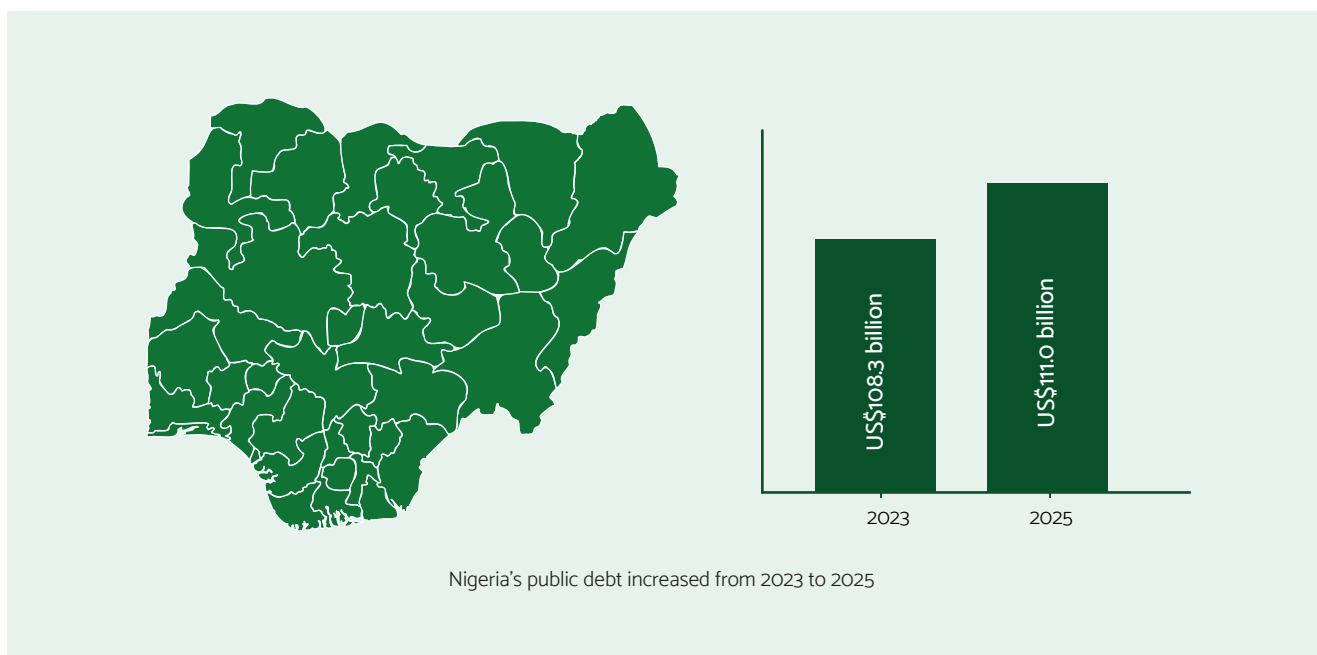
Once the effects of Ways and Means recognition and exchange-rate revaluation are removed, actual new borrowing during the period is estimated at **approximately ₦37.8 trillion**.

This figure is substantially lower than the increase implied by headline debt statistics and provides a more accurate indication of the extent of additional financing undertaken during the period.

THE US DOLLAR PERSPECTIVE

An even clearer picture emerges when debt is viewed in the currency in which the obligations exist. **Nigeria's public debt stood at approximately US\$108.3 billion in the first quarter of 2023 and approximately US\$111.0 billion by the end of 2025.**

The increase was therefore approximately US\$2.7 billion. This comparison highlights the extent to which exchange-rate effects influenced the apparent increase in debt when expressed in naira terms.



WHAT THE FIGURES ACTUALLY SHOW

The evidence supports four principal conclusions:

- The increase in reported debt should not be equated with equivalent new borrowing.
- Historical Ways and Means obligations contributed significantly to the increase.
- Exchange-rate valuation effects materially increased the naira value of external debt.
- Actual new borrowing was substantially lower than the headline increase in debt stock.

THE STRUCTURAL BASELINE: REVENUE AND CAPACITY

True fiscal sustainability cannot be evaluated by nominal numbers alone, as debt is serviced entirely from revenue rather than the size of the debt stock itself. Historically, Nigeria's primary vulnerability has been a revenue mobilization challenge rather than a structural spending problem, meaning that current fiscal reforms targeting tax administration and leakages are directly addressing the root cause of fiscal health. Consequently, comparing nominal debt across different nations is economically misleading; a large economy with strong revenue pipelines can easily sustain higher debt than a smaller economy with weak collection capacity. The relevant standard for Nigeria must therefore remain its structural relationship between actual income and debt-service capacity.

LEGITIMATE FISCAL CHALLENGES

None of the foregoing implies that Nigeria faces no fiscal challenges. Revenue mobilisation remains a priority. Debt-service costs remain significant. Infrastructure financing requirements remain substantial.

These challenges are real and require continued fiscal discipline. However, they are analytically distinct from the claim that the entirety of the increase in reported debt arose from new borrowing by the current administration.

DEBT STOCK IS NOT DEBT SUSTAINABILITY

It is critical to distinguish between the static stock of debt and the dynamic concept of debt sustainability. While a debt stock represents the total accumulated value of government obligations at a specific point in time, debt sustainability refers to the long-term capacity to service those obligations without undermining economic growth, macroeconomic stability, or the provision of essential public services. High nominal debt does not inherently signal fiscal distress; rather, sustainability is assessed through a structural relationship of indicators, including debt-service capacity, revenue performance, economic growth, debt composition, and refinancing risk.

The primary purpose of this paper is not to provide a comprehensive macroeconomic sustainability assessment, but to clarify the exact composition of the recent increase in Nigeria's reported debt. Nevertheless, an accurate analysis must always look beyond absolute numbers and distinguish between actual debt accumulation and temporary valuation effects to determine whether the economy's capacity to support its obligations is improving or deteriorating.

TECHNICAL ANNEX

Debt Sustainability Analysis (DSA) is the internationally accepted framework used by global institutions like the IMF and World Bank to evaluate a country's long-term fiscal health. Instead of focusing solely on the nominal debt stock, this framework measures a government's true capacity to service its obligations across various economic scenarios while maintaining stability and growth. Crucially, it establishes that headline spikes driven by accounting recognition or exchange rate valuation adjustments must be separated from actual new borrowing, which is a distinction that remains fundamental to accurately evaluating Nigeria's current fiscal position.

CONCLUSION

Public debate is best served when statistics are interpreted in a manner consistent with the realities they measure. The increase in Nigeria's reported public debt stock since early 2023 has frequently been cited as evidence that the current administration borrowed the entirety of that increase. The figures are correct. The conclusion is not.

Nigeria's reported public debt stock increased from approximately ₦49.9 trillion in the first quarter of 2023 to approximately ₦159.3 trillion by the end of 2025—an increase of approximately ₦109.4 trillion. Yet approximately ₦30 trillion of that increase arose from the recognition of historical Ways and Means obligations accumulated before the current administration assumed office, while a further ₦41.6 trillion reflected the revaluation of existing external debt following exchange-rate reforms. Together, these two factors accounted for approximately ₦71.6 trillion of the increase in the reported debt stock without constituting new borrowing during the period.

Once these effects are isolated, actual new borrowing amounted to approximately ₦37.8 trillion. The same reality is evident when the debt is viewed in the currency in which the obligations actually exist: total public debt increased from approximately US\$108.3 billion to US\$111.0 billion, an increase of approximately US\$2.7 billion.

The issue, therefore, is not whether Nigeria's debt stock increased. It did. The issue is why it increased.

The answer can be captured in four figures:

₦109.4 trillion – the increase in the reported debt stock.

₦71.6 trillion – the portion explained by historical liabilities and exchange-rate revaluation.

₦37.8 trillion – the estimated amount of actual new borrowing.

US\$2.7 billion – the increase in debt measured in the currency in which the obligations exist.

Those figures tell a story markedly different from the one often conveyed by the headline debt statistics. Once the effects of historical obligations and exchange-rate valuation adjustments are separated from actual borrowing, a clearer picture emerges. The debt stock increased. But most of what appears to be new debt was not new debt at all.

Correctly interpreting the drivers of Nigeria's reported debt increase is not an exercise in narrative control; it is a prerequisite for credible fiscal planning. Only by separating real borrowing from accounting effects can policymakers, investors, and citizens accurately assess fiscal risks, evaluate reform progress, and make informed judgments about the sustainability of public finances.

Nigeria's Debt Increase: What the Numbers Actually Show (2023–2025)



N109.4T

The increase in the reported debt stock.



N71.6T

The portion explained by historical liabilities and exchange-rate revaluation.



N37.8T

The estimated amount of actual new borrowing.



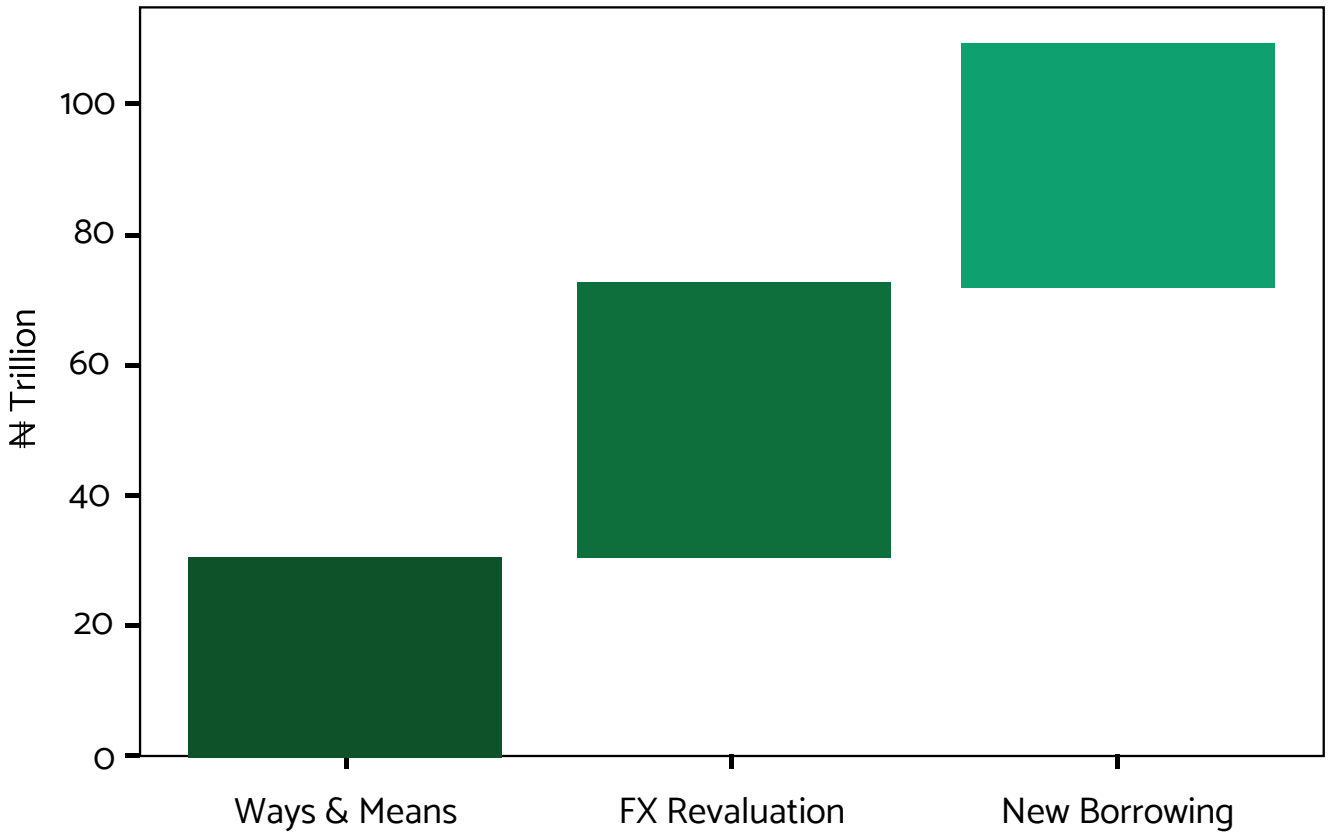
\$2.7B

The increase in debt measured in the currency in which the obligations exist.

The debt stock increased. But most of what looks like new debt was not new debt at all.

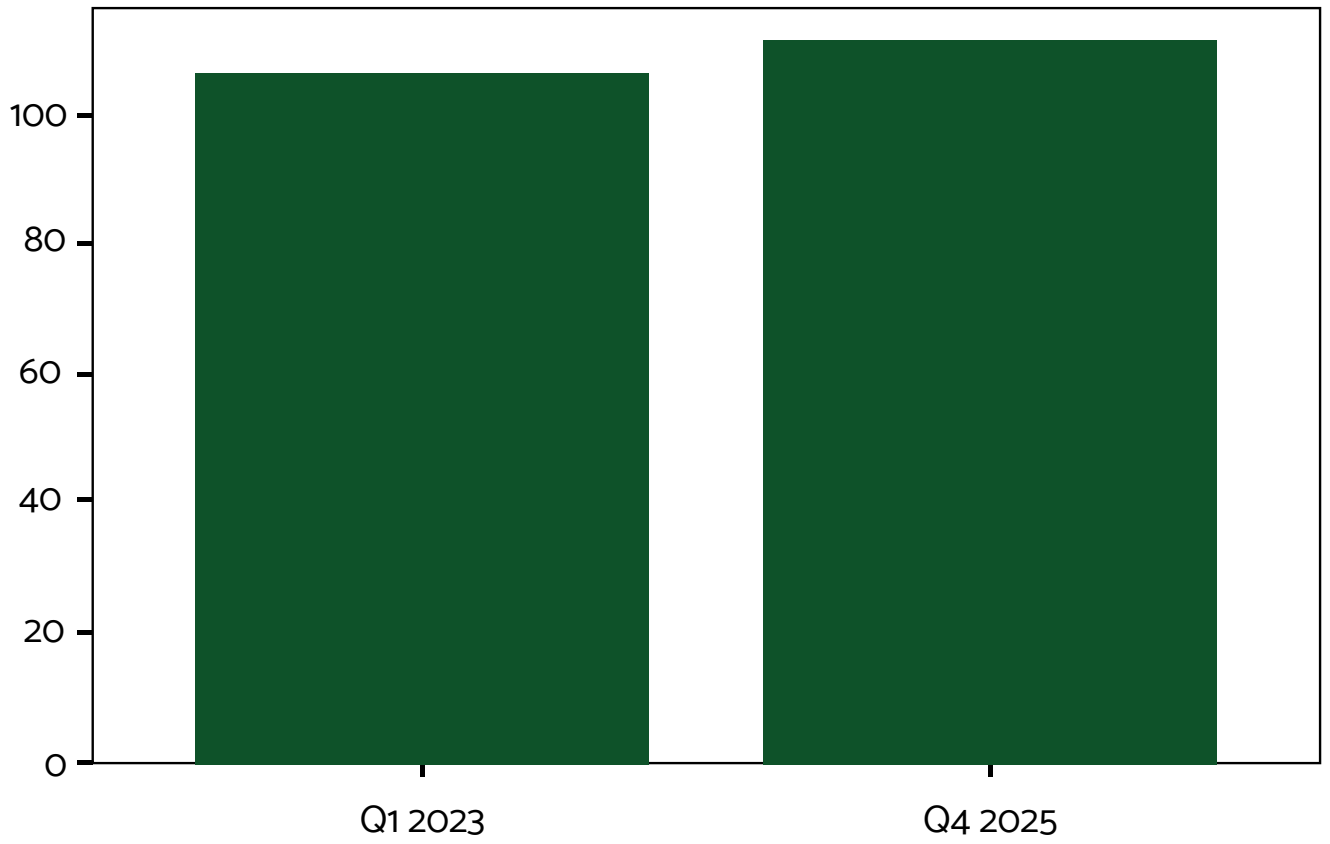
ANNEX I: DEBT DECOMPOSITION CHART

Debt Decomposition Waterfall Chart



ANNEX II: DOLLAR-DEBT COMPARISON CHART

Debt in US\$ Terms





Budget Office Of The Federation
Ministry of Budget and Economic Planning