

Subnational Revenue Expansion: Optimizing the windows of the Nigerian Capital Market.

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Introduction.



Introduction

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- A Capital Market is a set of institutional financial arrangements that enable economic entities (private & public) to raise medium to long-term funds either as equity or debt or a combination of both

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❶ Nigeria's capital market consists of:

- The Securities & Exchange Commission (SEC)
- Capital Market Operators (Brokers, Traders, Advisors, Auditors, Accountants, Solicitors, etc.)
- Companies listed on an official Exchange (NGX, NASD (OTC), FMDQ, AFEX, LCFE, etc.)
- Federal and State Governments Debt Instruments

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P Size of Nigeria's capital market :

- Debt Market- N42trn (85% FGN, 15% Sub-nationals)
- Equity Market (Market Value)- between N25trn and N27trn

Introduction

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- Nigeria's sole reliance on oil exports has caused revenue fluctuation for decades, leading to frequent economic shocks. Each tier of government is responsible for generating the finances to meet its fiscal duties aside from the monthly statutory allocation.

Introduction Contd

- ❶ Over the years, revenue shortage has restrained the actualization of subnational developmental goals.
- ❷ The statutory allocation (FAAC) and internally generated revenue recently cover only recurrent obligations, thereby crippling its ability to execute developmental projects.
- ❸ The Nigerian capital market is a viable source to be explored, seeing that the federal government and companies have consistently utilized the instruments.

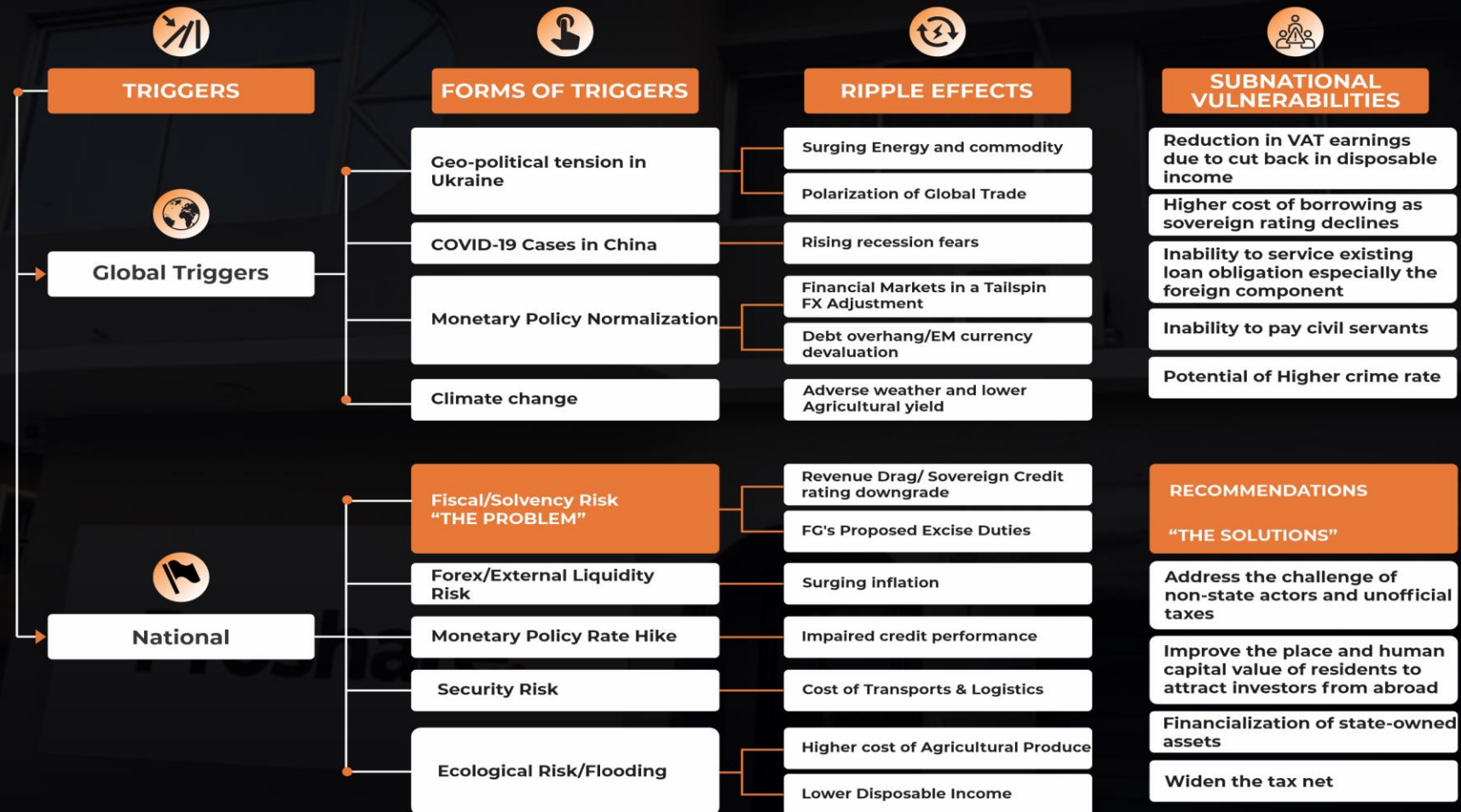


The Current State of the Nigerian Economy & Key Indicators for the Markets

- Inflation rose to a record high of 21.09% in October 2022 from the 16.98% recorded in FY 2021 due to the current economic headwind
- However, the Economy expanded with the GDP growing by 2.25% in Q3 2022, following a more improved Q1 2022 growth of 3.11% and a 3.54% growth in Q2 2022.
- MPC raised the interest rate to 16.5% in November while the PMI also increased to 55 in November 2022.
- Foreign reserves decreased from US\$ 40.52bn as of 2021 to US\$ 37.19bn as of November 2022 due to reduced NNPC remittances and CBN intervention

Introduction Contd

ECONOMIC HEADWINDS AND THE IMPLICATIONS FOR THE FISCAL POSITION OF SUBNATIONALS



Source: Proshare Research.

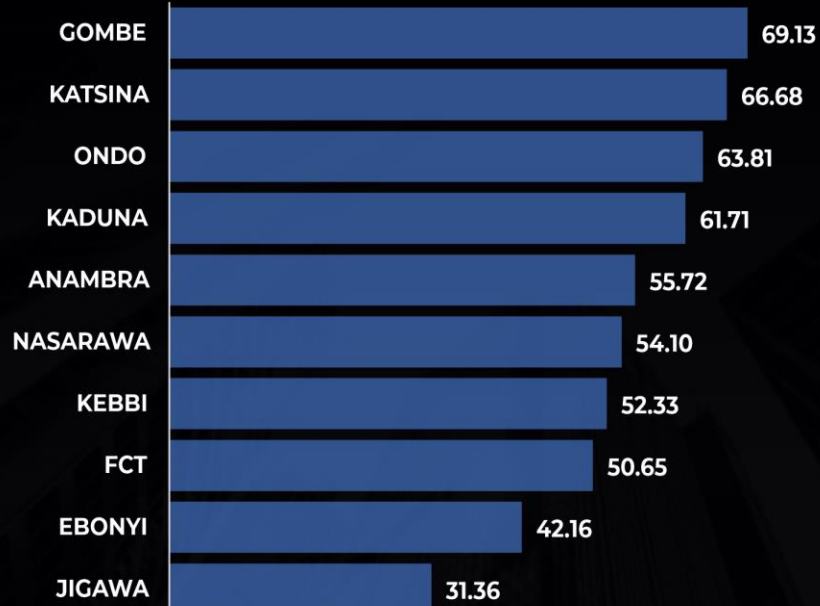
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Optimizing the windows of the Nigerian Capital Market

- The Nigerian capital market is known for its ability to generate a pool of funds through bond issuances and equity listing.
- Sub-nationals can raise funds by issuing bonds to finance developmental project that can generate future income through the debt market.
- Over the years, 28 states have issued bonds to finance projects with Lagos state being the most frequent issuer and the highest volume (see illustration 1)

Subnationals with Lowest Domestic and External Debt

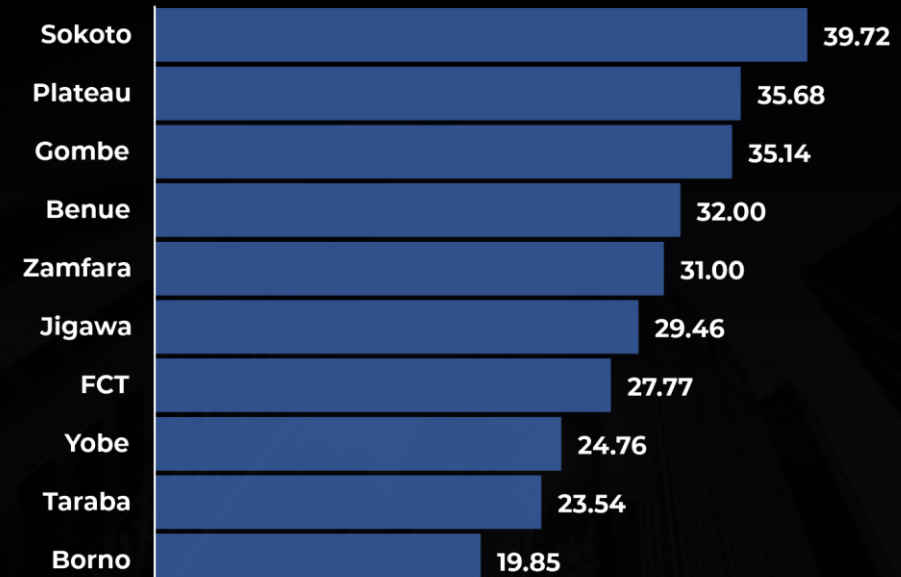
SUBNATIONALS WITH THE LOWEST DOMESTIC DEBT (N'BN)



Source: Proshare Research

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SUBNATIONAL WITH THE LOWEST EXTERNAL DEBT (US\$'M)



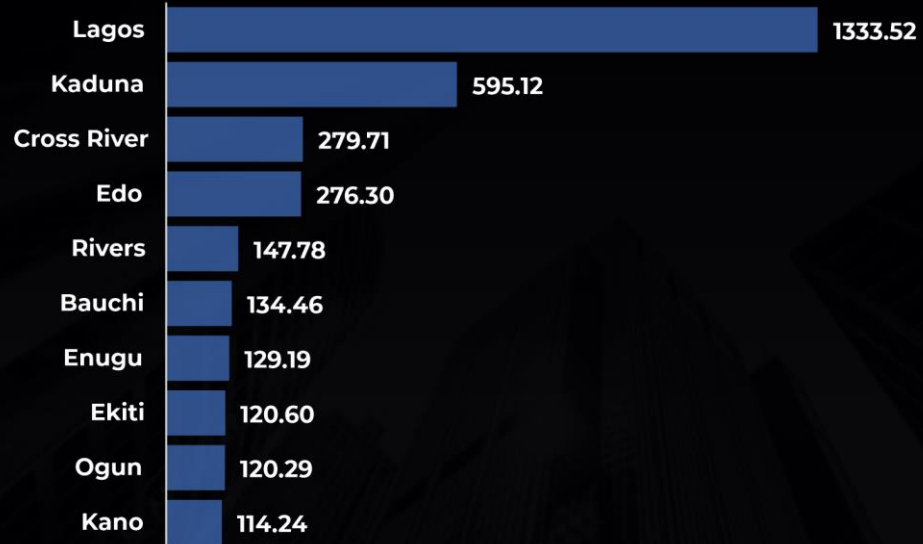
Source: Proshare Research

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Subnationals with the Highest Domestic and External debts

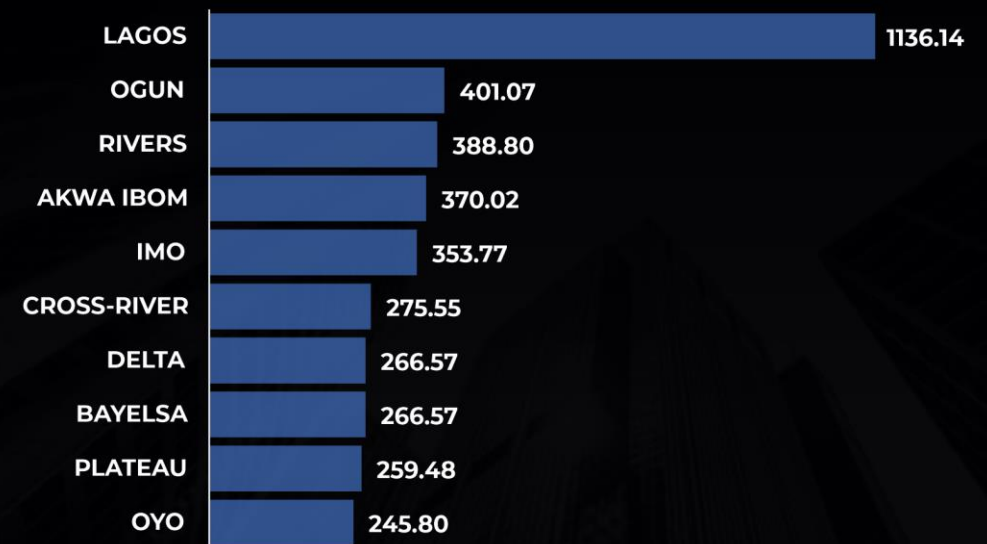
SUBNATIONAL WITH THE HIGHEST EXTERNAL DEBT (US\$'M)



Source: Proshare Research

Proshare.

SUBNATIONALS WITH THE HIGHEST DOMESTIC DEBT (US\$'M)

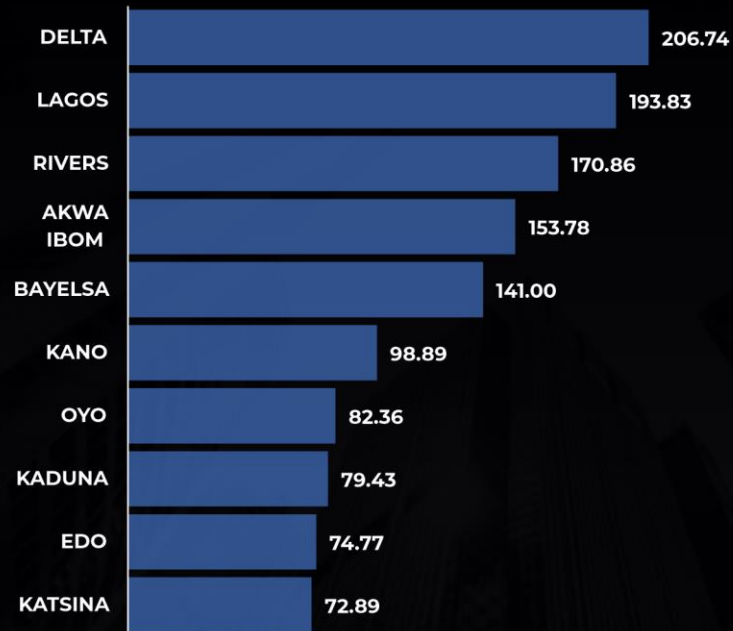


Source: Proshare Research

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Highest States by FAAC and IGR in 2021

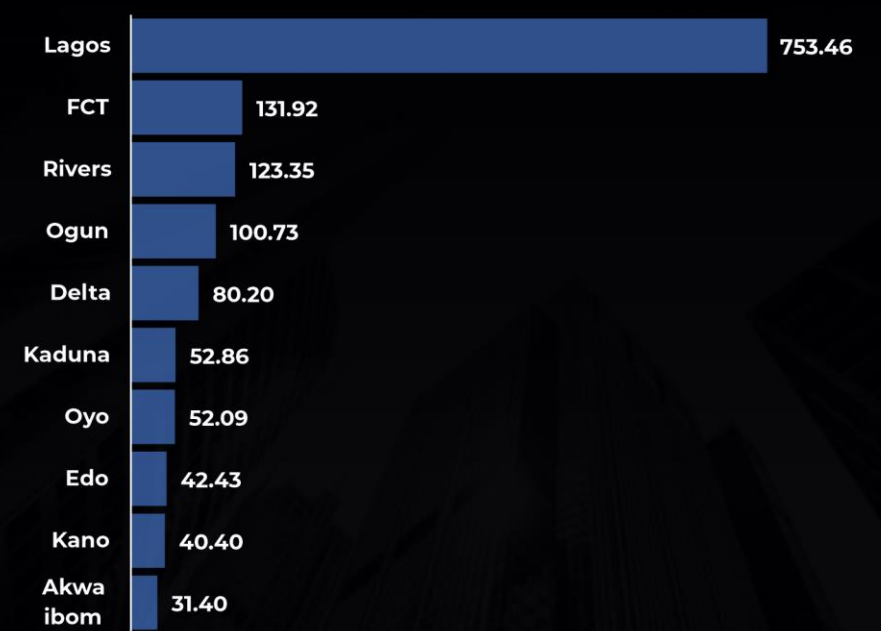
10 HIGHEST STATES BY FAAC (N'BN) IN 2021



Source: Proshare Research

Proshare.

10 HIGHEST STATES BY IGR (N'BN) IN 2021



Source: Proshare Research

Proshare.

Lowest States by FAAC AND IGR

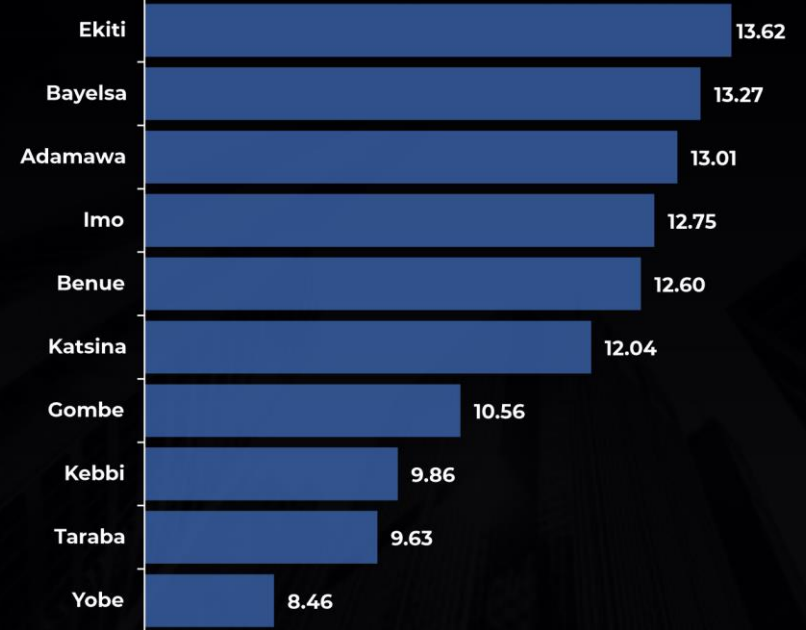
10 LOWEST STATES BY FAAC (N'BN) IN 2021



Source: Proshare Research

Proshare.

10 LOWEST STATES BY IGR (N'BN) IN 2021



Source: Proshare Research

Proshare.

Sub-national Issuances in Nigeria

SUB-NATIONAL ISSUANCES IN NIGERIA



State	Amount Issued (N'M)	Average of Coupon Rate (%)
Lagos State	766,890.00	14.15%
Edo State	51,000.00	14.67%
Bayelsa State	50,000.00	15.50%
Gombe State	32,500.00	15.75%
Osun state	30,000.00	14.75%
Plateau state	30,000.00	17.50%
Ondo State	27,000.00	15.50%
Imo State	18,500.00	15.50%
Benue State	18,000.00	15.25%
Niger State	18,000.00	14.00%
Kwara State	17,000.00	14.00%
Ebonyi State	16,600.00	13.00%
Cross River State	15,000.00	20.50%
Bauchi state	15,000.00	15.50%
Kaduna State	8,500.00	12.50%
Kogi State	8,000.00	16.00%
Ekiti State	7,500.00	19.50%
Zamfara State	7,000.00	17.00%
Akwa Ibom State	6,000.00	19.50%
Nassarawa State	5,000.00	15.00%
Delta State	5,000.00	16.05%
Kebbi State	3,500.00	14.00%
Yobe State	2,500.00	23.00%
Ekiti State	2,500.00	24.50%
Kaduna State	30.00	17.00%
Kaduna State	30.00	21.00%
Oyo State	30.00	16.50%
Bendel State	20.00	7.00%
Ogun State	15.00	12.00%

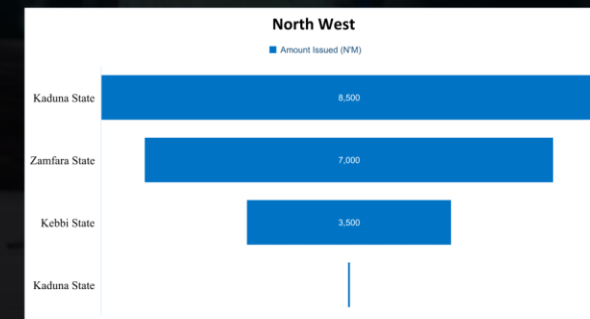
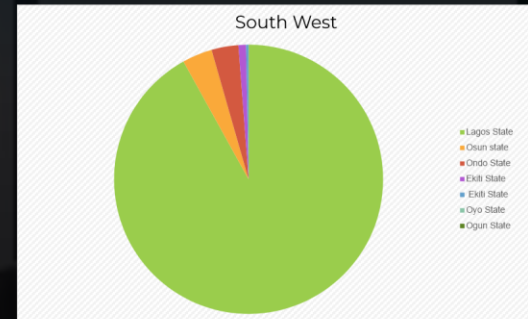
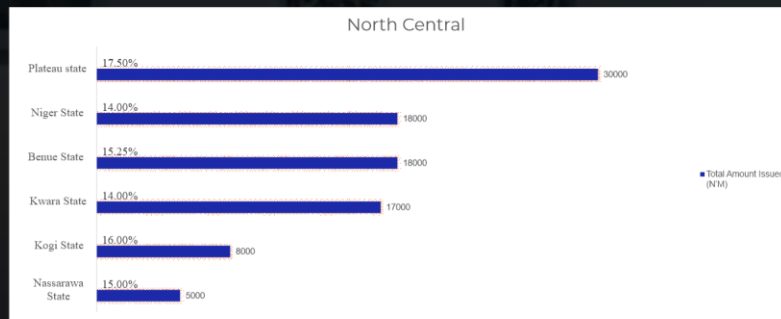
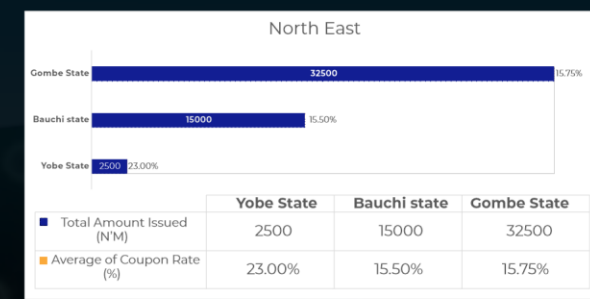
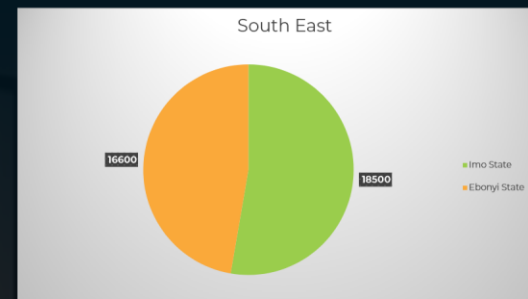
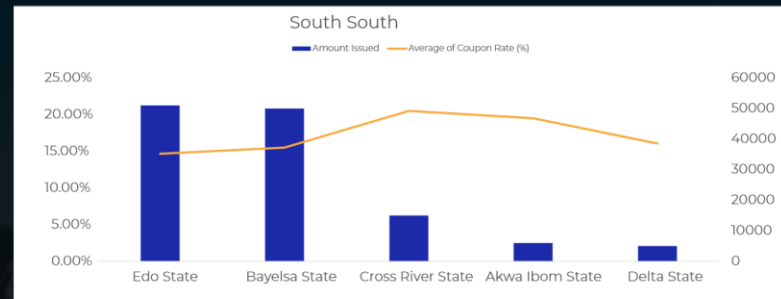
Source: Proshare Research

Proshare.



Sub-national Issuances in Nigeria based on Regions

BOND ISSUANCES BASED ON REGION



Source: Dangote cement financial statement, **Proshare** Research

Proshare.

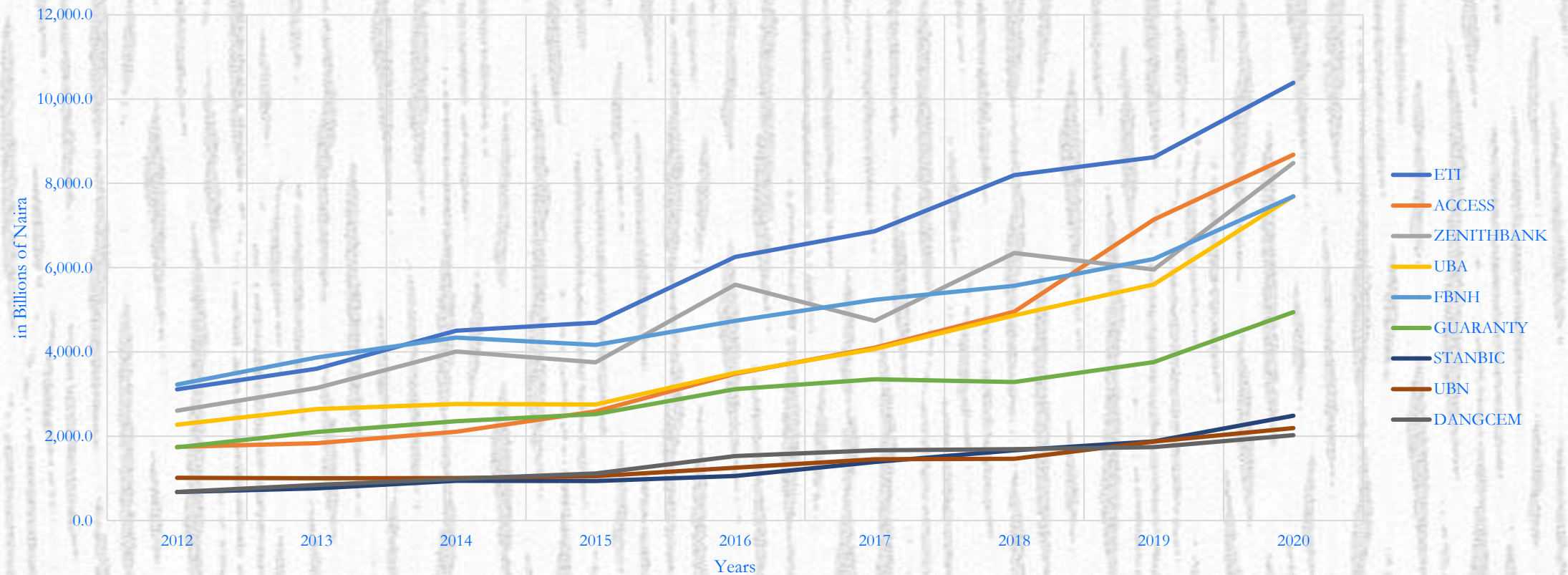


Optimizing the windows of the Nigerian Capital Market

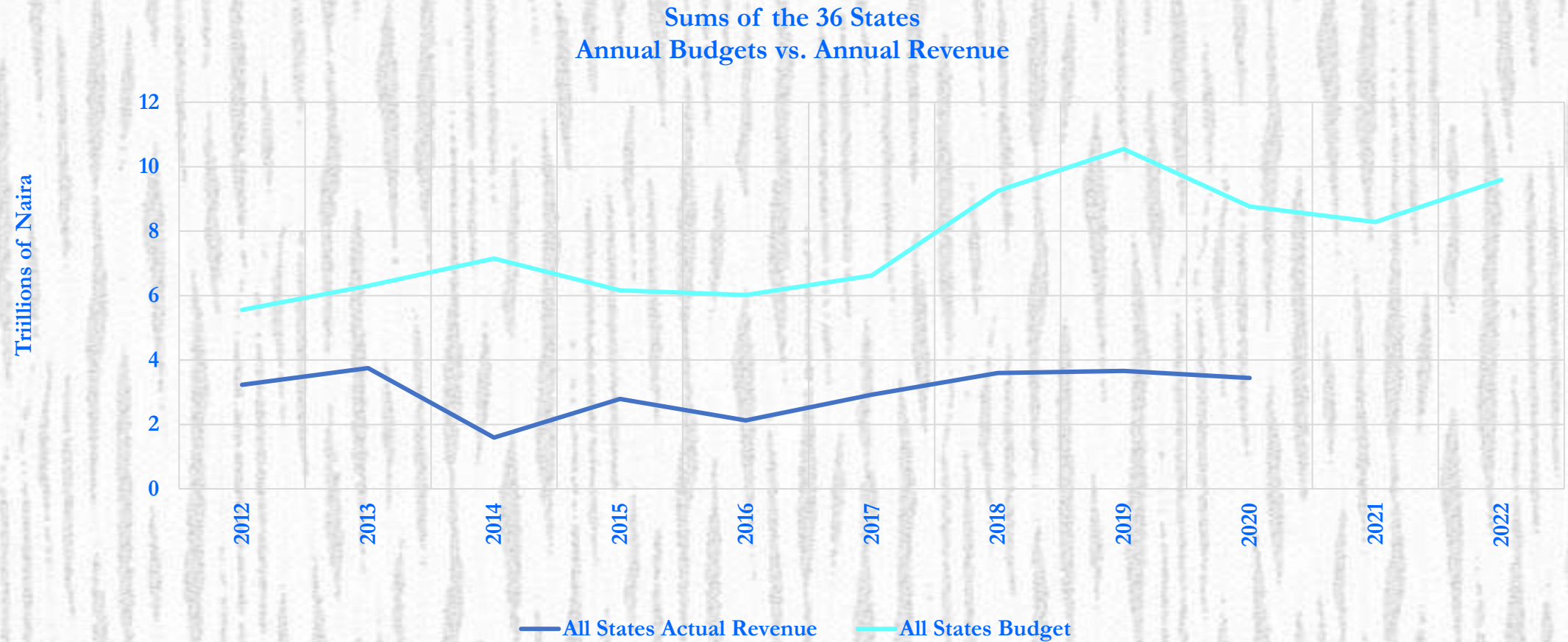
- ❶ Listing state-owned enterprises on the stock exchange generates market value for the assets that will attract investors
- ❷ Allocation of the state's revenue to invest in stocks can generate income and dividends.
- ❸ Royalties earned from state-owned assets

Optimizing the windows of the Nigerian Capital Market (Cont'd)

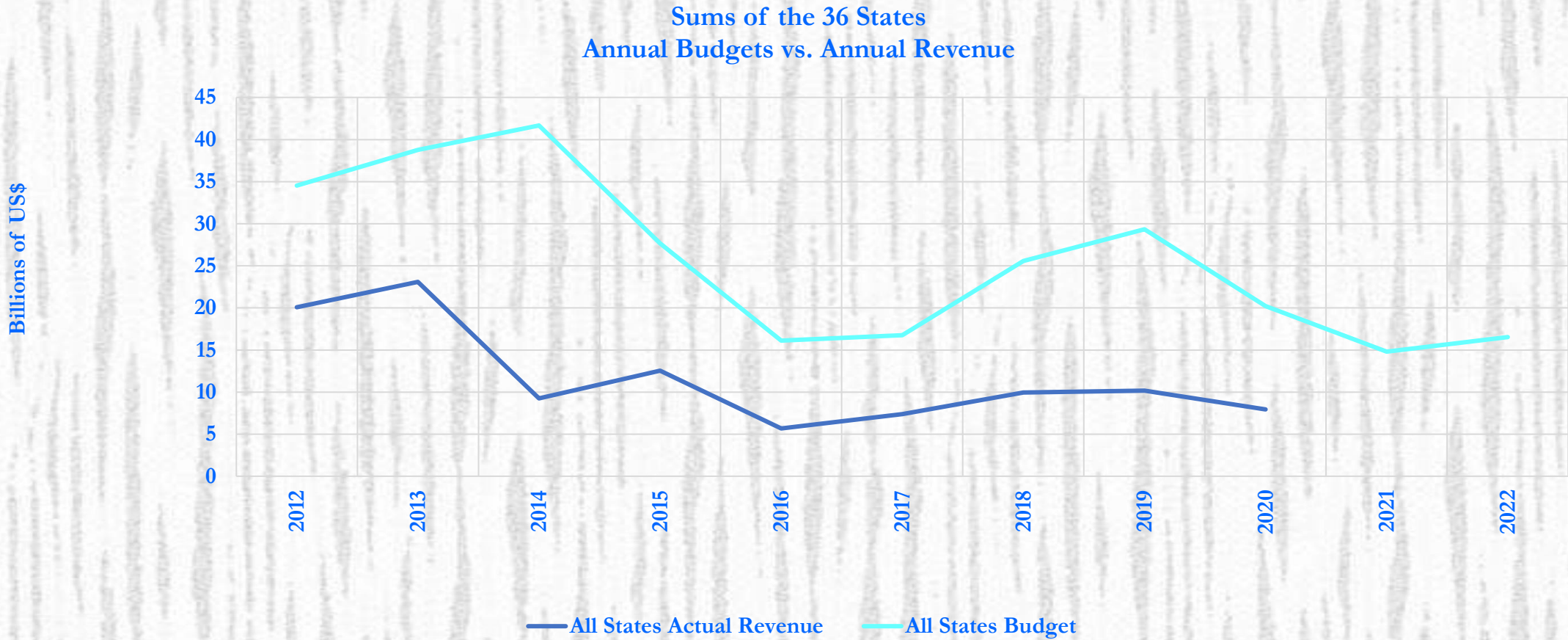
Companies' Assets 2012- 2022



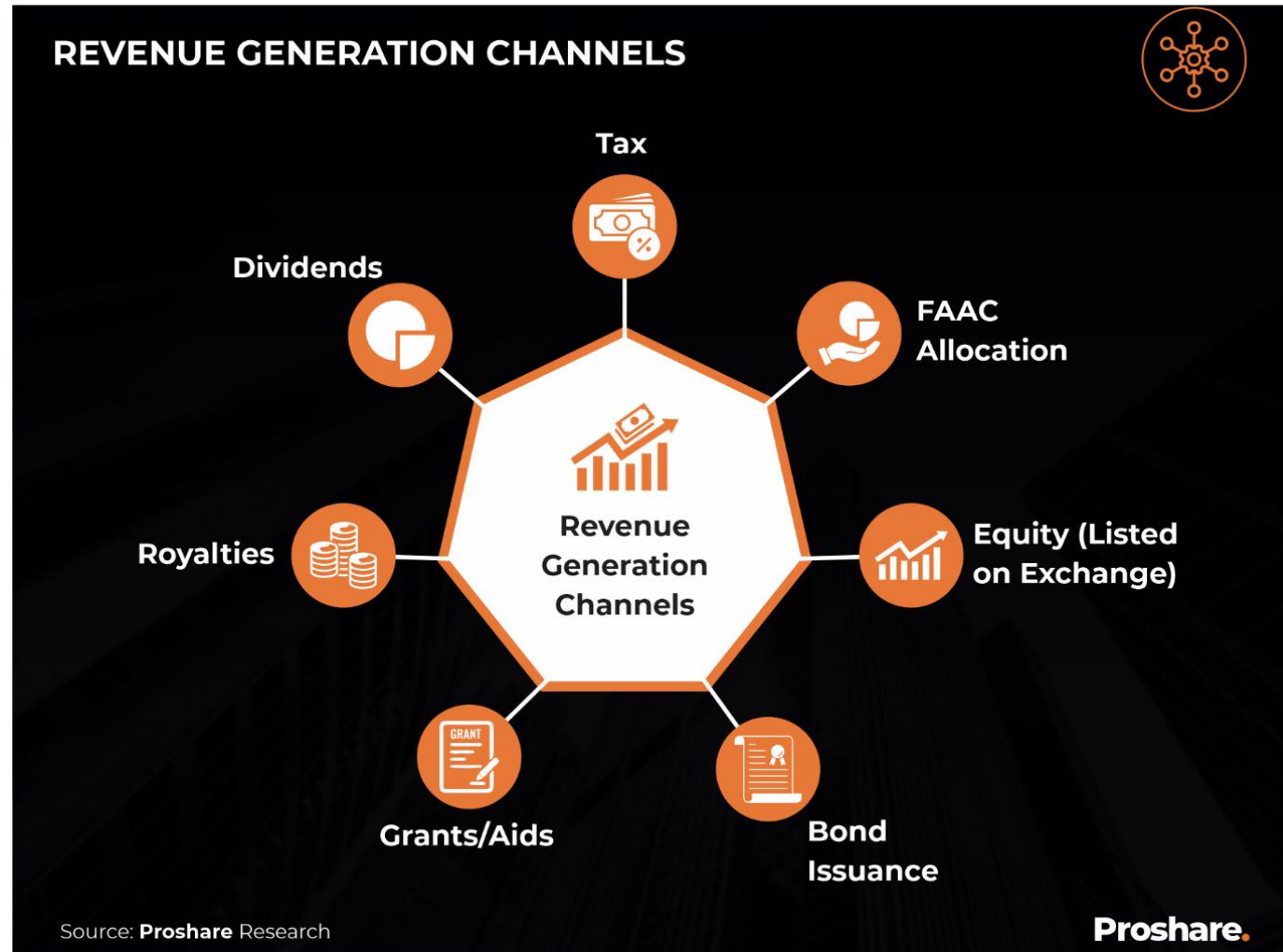
Optimizing the windows of the Nigerian Capital Market (Cont'd)



Optimizing the windows of the Nigerian Capital Market (Cont'd)



Revenue Generation Channels



Close.





Enlightenment brings about
innovation to achieve **impact**.
But
For innovation to be
meaningful it must be
inclusive, equitable, and
reliable. Nigeria's capital
market and its operators
must come to terms with this
soft rule

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Thank You.



**Market
Intelligence.**



**Impact
Research.**



**Digital
Media.**



**Strategic
Advisory.**



**Stakeholder
Relations.**

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