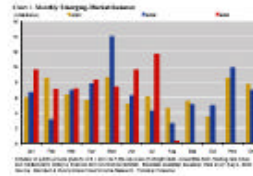




Emerging  
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## ***Nigeria's Elimination of Public Debt Lessons for Oil Exporters***

Nigeria, an oil rich country in Sub-Saharan Africa, has taken advantage of record high oil prices to virtually eliminate its onerous public debt in an impressive move towards more fiscally prudent management of revenues that has caught markets by surprise. Surely there are pertinent lessons from this experience for other oil exporters including Trinidad & Tobago where concerns abound about budgetary spending.

To many observers, Nigeria seems a paradox. It is oil rich but considered one of the most indebted countries as well as one of the poorest countries of the world. Nigeria's public debt stood at about 95% of GNP whilst its per capita income was less than US\$300. Nearly 60% of its population lives in poverty. However, even these conditions were considered insufficient for Nigeria to become eligible for debt relief through the Heavily Indebted Poor Countries (HIPC) program since it earns an annual US\$20 billion in oil revenues. As such, the international financial community including the IMF and World Bank felt that Nigeria was fully capable of servicing its own debt.

Fortunately, in response to the relatively recent high oil revenues, Nigeria has managed to write-off its Paris Club debt of US\$18 billion and to buy-back the balance of US\$12 billion. This, in effect, brought down the total debt from US\$35 billion to US\$5 billion, which would result in external government debt totaling just 7% of current account receipts in 2006, down from almost 60% at the end of 2005. The Paris Club debt agreement provides a tremendous relief on the budget as the interest payment burden has been significantly severed by over 59% from nearly US\$130 billion in 2005 to \$US53 billion in 2006. Full effect of this agreement is expected to leave Nigeria with an external public debt of just over 4% of GDP by the end of this year compared to 57.2% in 2003. This has translated into the rebuilding of foreign exchange reserves to an estimated US\$29 billion from US\$17 billion in 2004, all in the re-configuration of the Nigerian economy.

With the price per oil barrel hovering over US\$70, Nigeria attained a hefty current account surplus of more than 12.5% of GDP in 2005 and the surplus is expected to climb to over 14% of GDP in 2006. The 2006 Budget plans to direct all newly available federal government resources of \$US75.8 billion to poverty reduction expenditures in Health, Power, Education, Agriculture, and other social amenities. Keen attention is focused on providing job opportunities through diversification of the non-energy sector to reach a prime growth rate of 8%

through the major sectors of agriculture, manufacturing and construction. The Nigerian President proudly reported in his '2006 Budget Speech' that a further US\$11 billion was added to the government's savings at end-2005.

Perhaps the major lesson for oil exporters is that it is possible for any country to pull back from the precipice of heavy spending once there is vision and strong commitment on the part of its leadership. Using a significant part of excess energy revenues to either reduce debt or to build up international reserves in a special fund are two feasible options. Another lesson is that governments should use the window of opportunity provided in better times rather than in leaner times to make such critical, politically sensitive decisions that redound to the benefit of citizens, even for generations to come.

On this basis, the government of Trinidad and Tobago should consider the following options:

- Pay off its external debt which is estimated at almost \$US1.5 billion, using international reserves which stands at around US\$5.6 billion.
  - Place all additional energy revenues into the Revenue Stabilization Fund (RSF). By end September 2006, proceeds in the RSF should amount to about US\$1 billion.
  - Split the RSF into two distinct funds; one for stabilization purposes and the other for savings for future generations.
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## FINANCIAL & ECONOMIC INDICATORS

As at 8 June 2006

<b>Exchange Rate/US\$</b>	<b>Closing Value</b>	<b>Previous Week</b>
Yen	114.24	112.71
Euro	1.27	1.28
Jamaica	65.74	65.65
Guyana	200.7	200.70

<b>Commodity Prices</b>	<b>Closing Value</b>	<b>Previous Week</b>
Crude oil (US\$/bbl)	70.35	70.34
Natural Gas (US\$/mmbtu)	5.83	6.25
Gold (US\$/Troy Ounce)	613.25	629.60

### **Eurobond Indices (Returns, % YTD as of 8-June-06)**

Lehman Brothers Global Aggregate Index	-0.58
JP Morgan EMBI+	-6.69
CMMB Eurobond Index	...

<b>Policy Interest Rates (%)</b>	<b>Closing Value</b>	<b>Previous Month</b>
United States	5.00	5.00
Euro Zone	2.50	2.50
Japan	0.00	0.00
Brazil	15.25	15.75
Trinidad	7.00	7.00
Jamaica	12.45	12.45
Barbados	4.75	4.75

<b>Market Interest Rates (%)</b>	<b>Closing Value</b>	<b>Previous Week</b>
US 90-day T-Bill	4.86	4.71
US 10-Yr Treasury	5.00	5.13
3-month UK Libor	4.72	4.72
Japan 90-day T-Bill	0.20	0.20
Brazil 90-day T-Bill	15.05	15.05
TT 90-day T-Bill	6.00	5.44
Jamaica 90-day T-Bill	12.28	12.28
Barbados 90-day T-Bill	6.05	6.04

**Sources: Bloomberg, CMMB Research Centre, Central Bank of Trinidad and Tobago, Bank of Jamaica, Central Bank of Barbados, Bank of Guyana**

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