Fortieth Sovereign Debt News Update: Projections and Perceptions of International Institutions on African Economies

By:

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Moody's recently downgraded Ghana's sovereign debt rating long-term issuer and senior unsecured debt ratings of B3 to a stable to negative Caa1 citing Ghana's debt and liquidity challenges and ineffective revenue generation. The Ghanaian government has appealed the downgrade. Ghana argues that the downgrade was inaccurate for several reasons including the fact that Ghana's Lead Analyst at Moody's, Lucie Villa is fairly new on the job, did not visit Ghana before the downgrade and does not "properly understand and evaluate Ghana's deepening credit story. The African Sovereign Debt Justice Network (AfSDJN) issued a statement noting that Ghana downgrade evidences the tendency for institutionalized bias against African economies by credit rating agencies like Moody's, Standard & Poors, and Fitch.

The latest figures on Tanzania's debt shows that the country's debt has increased by $5.34 billion from the value in November 2020 and stood at $36.08 billion as of November 2021. However, the external debts reduced by $215.8 million to $27.95 billion as a result of debt servicing payments within that period. Meanwhile the Tanzanian government continues to explore treasury securities to operate its budgetary goals with $135.29 million secured through treasury bonds and $45.15 million worth of treasury bills.

In its most recent report, the Central Bank of Nigeria revealed that the Federal Government of Nigeria spent N1.02 trillion($2.45 billion) on servicing the country's debt in the third quarter of year 2021. This amounted to an increase of N400.63 billion ($964.2 million) from the amount spent in the previous quarter. The payment of Federal Government's bonds and principal repayment of promissory notes are the reasons presented for the increase. The increased borrowing was also purportedly justified by Nigeria's 2020 – 2023 Medium-Term Debt Strategy.

The report also revealed that Nigeria's outstanding debt increased to N33.8 trillion($81.35 billion) at the end of the third quarter of year 2021, which amounts to a 7.9% increase from the value in the previous quarter. Notably, external debts increased by 13.6% while domestic debts increased by 3.4% bringing the Domestic debt to external debt ratio to 53.9% to 46.1%. Conversely, this falls short of the 70% to 30% benchmark prescribed in the 2020 – 2023 Medium-Term Debt Strategy. On the rising increase in Nigeria's debt stock, the Lagos Chamber of Commerce and Industry has advised the Nigerian government to reassess its debt source and explore more concessionary loans.

Meanwhile, the International Monetary Fund (IMF) asserts that Nigeria's debt to Gross Domestic Product ratio is relatively low such that it affords the country sufficient space for social and health programs. In its latest Article IV Consultation with Nigeria for 2021, IMF declared that Nigeria was on a path of economic recovery and attributes this to government policy support, rising oil prices and international financial assistance. However, IMF acknowledges the potential widening of government deficit to 5.9% of GDP but attributes this to implicit fuel subsidies and higher security spending.

Mozambique is set to receive credit facilities from the International Monetary Fund under the Extended Credit Facility program in 2022. The credit is intended to aid the country's economic recovery and nationwide development. This will mark the first formal programme that the country is receiving since its debt scandal in 2016, although IMF has been providing strategic support by advising on policy. IMF projects an economic growth of 2.2% in 2021 and 4% growth on the long term with the country's LNG reserves potentially increasing its revenue. The IMF also notes however that "decisive policy actions are needed" to keep debts sustainable.

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