

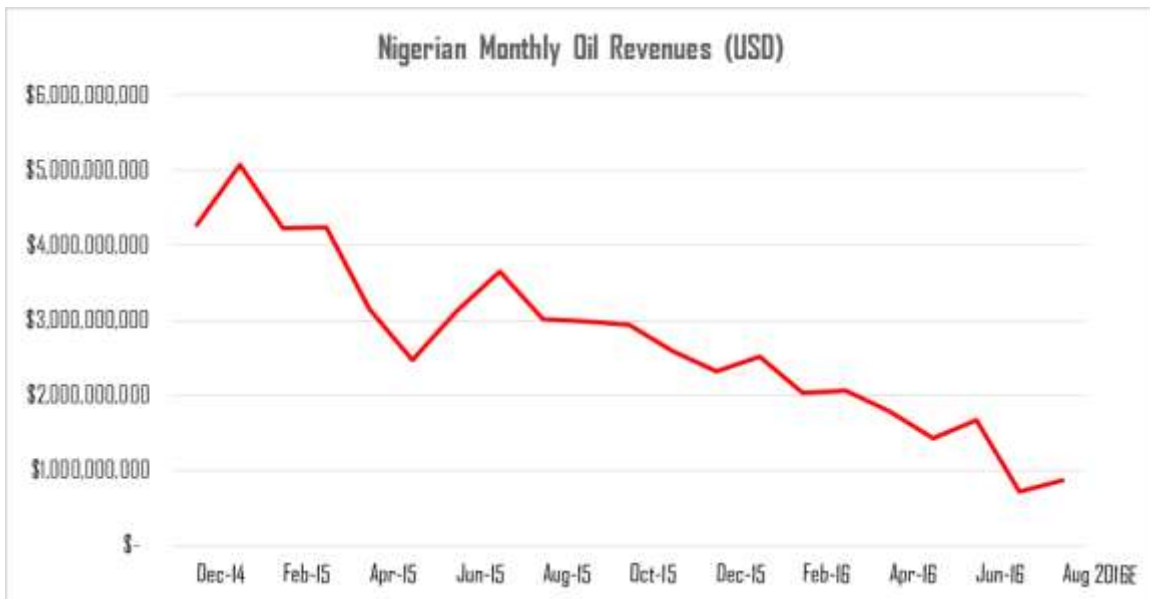
## Nigerian fiscal/banking crisis to deepen as monthly oil revenues fall below \$1bil

August 29, 2016

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Nigeria's fiscal, currency and banking challenges are set to deepen further as the country's oil production falls towards a historic low of 1million bpd and national monthly oil revenues fall below \$1billion. With many of the country's indigenous oil producers, who account for almost 20% of current oil production facing the threat of insolvency due to ballooning dollar-indexed loans from local banks estimated to be over \$23billion, the country's state, local and federal fiscal systems faces dire financial stresses. As the country's local currency, the Naira, continues its black market free fall towards 420/\$1, from below 200/\$1, just six weeks ago, the asset-liability mismatch on the books of local banks is widening, with many looking to raise additional capital or merge in order to survive.



Source: Nigeria FAAC/DaMina Advisors

While the Nigerian federal government grappling with a budget overrun and unmet fiscal goals for 2016, at the state level the financial situation is even direr. Nigeria's 36 federal states continue to grapple with dwindling revenues, with several unable to pay monthly worker salaries, and many essentially insolvent and currently subsidizing on multimillion dollar credit lines from the country's central bank. Since January 2016 the Niger Delta oil producing states have lost almost \$1.3bn in aggregate monthly revenues from falling oil production, and some such as Imo state have taken the radical step of furloughing public sector works from two days of work to engage in local subsistence farming to augment their salaries. In many other states teachers, nurses, doctors and other public sector workers have yet to be paid their April/May 2016 salaries.

To make matters worse, President Muhammadu Buhari seems flummoxed in articulating and implementing a coherent national economic strategy and comprehensive peace agreement in the critical oil rich Niger Delta. Beset by internal rivalries within his security cabinet between those who favor a muscular military approach to the Delta, and those who fearing economic collapse of the state caution dialogue, Buhari has swayed from one pole to the next without any fixed firm national policy on either critical topic. If the current trends continue the fiscal viability of the Nigerian state may itself unravel as several Niger Delta militias look poised to declare an independent state in the energy rich region in coming weeks and several undercapitalized banks and indigenous oil firms tether.

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