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Rising costs, falling hopes

Efforts to reform Nigeria's economy have triggered both anticipation and despair as the country grapples with a deepening cost-of-living crisis

Efforts by Nigeria's President Bola Ahmed Tinubu, who assumed power on 29 May 2023, to reform the country's oil-dependent economy appear to have backfired nearly a year later. Alongside them came an unprecedented cost-of-living crisis that has stirred fervent public discontent and a few protests. The reforms of Africa's largest economy include the removal of an opaque oil subsidy and the devaluation of the naira – the country's currency – which led to steep increases in the pump price of Petroleum Motor Spirit (PMS) as well as goods and services.

Last month, general inflation soared to 31.7 per cent while food inflation is even higher, driven by skyrocketing energy costs. Other factors include the declining agricultural harvest due to annual flooding and insecurity in the Northern parts of the country, which has forced many farmers to abandon their farms. The exchange rate also reacted to the reforms, with the naira exchanging for as high as N1,600 to a US dollar in February 2024 — although this has now subsided due to a raft of monetary policy decisions amidst a clampdown on currency speculators and crypto currencies. Despite this, prices of imported commodities ranging from processed food to electronics, automobiles, spare parts and building materials have remained high, creating new hardship for the country's poor.

Impacts of an increased cost of living

'I cannot remember the last time I had meat or dairy products', says Celestina Aboderin, a middle-aged housewife who lives in Lagos, Nigeria's commercial heartland. The prices of staples like rice, meat and fish have risen beyond what she and her family of five can afford.

Another Lagos resident, Francis Nwapa, who runs a fumigation company and also serves as the secretary of the Youth Rights Campaign, lamented how the cost of living has affected his business and home: 'the

excruciating pain caused by the increasing cost of living has not just crippled my business but also threatens the daily survival of my family. Prior to the Tinubu administration, we could buy food items needed for the month for 80k, but now, 200k can't even buy all that is needed by a family of three to survive the month.'

The difficult situation has recently led to the looting of food trucks and warehouses, as hapless citizens struggle to get their hands on grains. On top of this, efforts by the government to distribute grains and staples to rein in hunger, critics say, have had barely any effect. Instead, the charitable gesture has created even more troubles. At least two female students died at the end of March; both were trampled to death when a stampede occurred at the convocation ground of their campus, where they had joined their colleagues to receive free grains distributed by the State Government. Earlier in February, seven died in a similar stampede in Lagos State. And on 23 March, another seven people were trampled to death in Bauchi.

Promises of relief

Despite the crisis, President Tinubu, who came to power scarcely a year ago in a disputed election, has assured the population that their pain would only be temporary and that soon enough inflation will subside. 'Over the past 24 years, we have been pussyfooting on the issue of removing fuel subsidy and merging the FX market', remarked Nnaemeka Onyeka Obiaraeri, a Financial Engineer and Development Economist, adding that he is happy that the government finally took the bold step of dealing with the problem. 'The only challenge now is that the policies have suffered from flawed implementation because the government did not put in place safety valves before taking the decisions.'

Nigeria's economic reforms are supported by the International Monetary Fund (IMF) and the World Bank — two global institutions that had expressed concern about the country's delicate fiscal health on account of the burgeoning subsidy. The oil subsidy had cost the State at least $74.39 bn over a 16-year period as it had become a slush fund for oil marketers and corrupt state officials.

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Although endowed with massive crude oil and gas deposits, estimated as the second-largest in Africa and the tenth-largest in the world, Nigeria has a low local refining capacity due to the mismanagement of its four state-owned refineries. Consequently, the country's crude is first shipped halfway around the world to be

national support.

refined before it is shipped back in the form of PMS, kerosene, aviation fuel or diesel for use by its over 200 million population. Initially, the public had staked hope on the Dangote refinery, the largest single train refinery in the world owned by Africa's richest man, Aliko Dangote, to fill the gap once the subsidies were removed. But even though the refinery has been up and running, it has not yet produced the PMS needed to power households and businesses, preferring instead to concentrate on diesel and aviation fuel.

The foreign exchange crisis appears to have stabilised somewhat in the last days with the country's currency firming up to around N1,200 to a dollar earlier this week. But for many citizens, nothing has really changed as inflation figures continue to climb. The IMF warned a few weeks back that if the current trajectory is maintained, Nigeria's inflation may climb to 44 per cent by the end of the year.

The recent protests have become additional worries for the new government of Tinubu, which is still struggling to build national support. Less than 40 per cent of the electorate voted for him in the election last year, which saw voter turnout drop to a 44-year low. According to Nwapa, 'that, strictly speaking, is the lowest vote that any Nigerian president has had since 1979.'

If a call for a general strike was indeed made, the implications could be huge.

Nwapa was among hundreds of workers and youth who trooped out on 27 February during a protest called by the country's largest trade union federation, the Nigeria Labour Congress (NLC). Prior to that, a series of spontaneous protests led by women and young people had broken out in Niger, Kano, Osun State and Oyo State from late January to early February. Although relatively small, the protests, dubbed 'hunger protests', demonstrated the extent of the anger in society at the deteriorating economic situation. In contrast, the NLC protest drew tens of thousands of angry workers and youths from nearly all the 36 states of the federation. '*Ebi n pawa ooo*', a Yoruba phrase meaning 'We are starving', rented the air at each protest venue. Labour unions are demanding action by the government to cushion the effects

of the painful reforms alongside a new minimum wage.

Unlike previous protests, which often saw police freely use batons and water cannons on protesters, this time around, the police arrived with trucks of table water and biscuits to hand out to the protesters. While many applauded this gesture, some protesters remained deeply suspicious, especially as the same police authorities had tried to clampdown on a protest by civil society and left-wing organisations just a day earlier.

For this reason, NLC President Joe Ajaero announced the suspension of protest for the second day, claiming that the union had come under pressure of intimidation and threats by security agencies and the state, who warned of severe consequences if the protest continued. The trade union federation then issued a fresh 14-day ultimatum to the Federal Government to meet their demands, or else they would prepare for a general strike.

What comes next?

If there was any illusion that the government was ready to listen to the protesters, this quickly dissipated when, on 29 February, Tinubu warned the labour unions to desist from opposing his reforms while assuring his supporters he would not back down. This offers a grim prospect for thousands of Nigerians struggling to survive at the moment. The 14-day ultimatum issued by the unions expired on 13 March, but nothing else has been heard from them yet.

For many Nigerians, especially workers and middle-class professionals, there is fervent hope that something can be done to gain some relief from the situation. This is even as further reforms are being rolled out, including a recent 230.8 per cent hike in electricity tariff for homes and businesses located in urban high-energy consuming neighbourhoods.

If a call for a general strike was indeed made, the implications could be huge, immediately transforming the situation in a country literally hanging on the edge. Sadly, Nigeria's powerful trade unions have a history of backing down from leading a consistent fightback, and this may well be one of such occasions. 'If this becomes the case, then we will have no choice but to take our destinies into our own hands,' Nwapa remarked.



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