Tinubu’s Economic gamble

***President Bola Tinubu's sweeping economic reforms, including fuel subsidy removal and exchange rate unification, aim to stabilize Nigeria’s economy but have triggered inflation, currency devaluation, and widespread hardship. Odunewu Olusegun writes***

Since President Bola Tinubu assumed office in May 2023, his administration has implemented a series of bold economic measures aimed at resolving Nigeria's fiscal challenges.

While these policies have been praised for addressing long-standing inefficiencies, they have also drawn criticism for their immediate adverse impacts, particularly on inflation, business sustainability, and public confidence.

**Fuel subsidy removal: Inflationary pressure on the economy**

The removal of fuel subsidies was one of the first and most controversial steps taken by Tinubu.

In 2023, President Bola Tinubu ended Nigeria's costly fuel subsidy, declaring, "Subsidy is gone," in his inaugural speech. Petrol prices surged immediately, rising from N198 to N500 per liter, and have since skyrocketed to over N1,100.

While the move promised long-term benefits, Nigerians are grappling with inflation and high fuel costs, despite hopes that local refining, including the Dangote Refinery, would lower prices.

Many Nigerians believed that local refining, particularly from the much-celebrated Dangote Refinery, would bring an immediate reduction in fuel prices.

Regrettably, the price at the pump remains stubbornly high. The conception that local refining, particularly by the Dangote Refinery and the NNPC refineries would instantly result in cheaper fuel prices is a misconception.

The anticipated relief remains elusive, highlighting misconceptions about immediate impacts of deregulation.

Dr. Akin Oladipo, an economist at Lagos Business School, commented: “Removing fuel subsidies was inevitable, but the absence of a cushioning mechanism has exacerbated inflation and increased the cost of living. Many Nigerians are now unable to afford basic necessities.”

The inflation rate, which climbed to a four-month high of 33.9 per cent in October 2024, reflects this pressure. Food inflation, a critical component, rose to 39.2 per cent during the same period.

Rising transportation costs due to higher fuel prices have worsened the situation, pushing millions further below the poverty line.

**Exchange rate unification: A double-edged sword**

The unification of Nigeria’s exchange rates was intended to attract foreign investment by simplifying forex operations.

However, the naira’s sharp depreciation has made the currency one of the worst-performing globally, with its official value plummeting to N1,672.69/$1 and further devaluation in the parallel market at N1, 735/$1 from N460/$1 the administration met it in May, 2023.

However, its rapid rollout has led to significant currency depreciation, heightened market volatility, and an erosion of purchasing power. Businesses reliant on imports face higher costs, further exacerbating inflationary pressures.

Financial analyst Ms. Ifeoma Adichie remarked: "Exchange rate unification is a positive move in theory, but the lack of broader economic stability measures has deterred foreign investors and put immense pressure on local businesses."

**Mass exodus of multinationals: A worrisome trend**

Economic instability has driven more than 15 multinationals to exit Nigeria between 2023 and 2024. Companies such as Unilever, Microsoft, and PZ Cussons have cited foreign exchange scarcity, declining profitability, and high operating costs as primary reasons for their departures.

Vincent Nwani, a former Director of Research at the Lagos Chamber of Commerce and Industry, stated:

"The departure of these multinationals has cost Nigeria N94 trillion in lost output over five years. Addressing structural issues such as poor infrastructure, erratic power supply, and rising energy costs is critical to reversing this trend."

**Tax reforms: A double-edged sword for SMEs**

Tinubu’s tax reforms aim to increase government revenue but have placed additional burdens on small and medium-sized enterprises (SMEs), which contribute nearly 48 per cent of Nigeria’s GDP.

The reforms, including a suite of tax bills currently under review in the National Assembly, have sparked mixed reactions nationwide.

While proponents argue the measures are necessary to revive the economy and boost government revenue, critics warn they could exacerbate hardship for struggling citizens.

The bills – the Joint Revenue Board of Nigeria (Establishment) Bill, 2024 -SB.583; the Nigeria Revenue Service (Establishment) Bill, 2024- SB.584; the Nigeria Tax Administration Bill, 2024-SB.585; and the Nigeria Tax Bill, 2024 – SB.586 – are currently before the National Assembly, is facing serious opposition, especially from the northern part of the country.

Mr. Ahmed Bakare, a small business owner in Lagos, shared his frustrations: “We understand the need for tax reform, but without addressing infrastructure challenges like electricity and roads, these taxes feel punitive rather than developmental."

**Lack of clear communication and policy coherence**

Another critique is the lack of clear communication and strategic coherence in Tinubu’s economic approach. Policies are seen as reactive rather than proactive, with insufficient consultation with stakeholders before implementation.

Mr. Tunde Fakeye, a policy advisor, noted: “Economic reforms must be accompanied by a clear roadmap and stakeholder engagement to build trust. Without these, even well-meaning policies will face resistance."

Experts agree that the administration must adopt a more inclusive and phased approach to reforms. Strengthening social safety nets, providing targeted subsidies for essential goods, and boosting local production are seen as critical steps.

“The government must prioritize inclusive growth. Addressing structural issues such as power supply and infrastructure deficits can help mitigate the short-term pain of reforms while driving long-term benefits."