



RUSSIA - UKRAINE CONFLICT

VIRTUE TURNS BANE FOR NIGERIA'S ECONOMIC TRAJECTORY



RUSSIA-UKRAINE CONFLICT: VIRTUE TURNS BANE FOR NIGERIA'S ECONOMIC TRAJECTORY

Following the adverse effects of the Covid-19 pandemic on aggregate macroeconomic variables, the global economy is yet threatened by another unpredictable course due to the Russia-Ukraine conflict. Tension has taken a toll even before the invasion of Ukraine by the Russian troops. However, the heightened economic and financial sanctions imposed on Russia and the potential retaliation by the Kremlin government remains a primary concern to the global economy, particularly by markets dependent on Russia and Ukraine economies. The crisis is likely to have direct and indirect implications on Nigeria's economy.

The impact of the ongoing war would be unevenly distributed across countries. At the initial stage, Countries that are not heavily dependent on Russia and Ukraine economies may experience indirect pressures such as a reduced supply of goods and services emanating from Russia, which may impact the global supply of goods where Russia holds a significant share in the market. Some of these products include crude oil, wheat and fertilizers. Countries with direct trade links may experience supply disruptions, and they may need to find alternative sources of supply, which could lead to supply shortages, rising financing costs, along with heightened inflationary pressures.

Russia is among Nigeria's top ten import trade partners, as reflected in trade data published by the National Bureau of Statistics in the third quarter of 2021. In the report, the value of Russia's import to Nigeria is estimated at N993.38bn. Imports from Russia are mainly durum wheat, herrings, blue whittings, and mackerel. In the fourth quarter of 2020, Russia was the top exporter of wheat, second for herrings, and third for mackerel to Nigeria. Similarly, data from the United Nations Comtrade Database reveals that Nigeria spent \$126.08m on imports from Ukraine. The summation of these numbers reflects a high level of risk on imports from both countries to Nigeria. It implies that the continuation of this crisis would shift Nigeria's attention to other countries to import products supplied from the Russian and Ukrainian markets.

With sustained demand and supply disruptions, the crisis could result in elevated price pressures of global commodities like wheat and fertilizer, for which Russia is an essential player in those markets. Russia's significant role in the crude oil and fertilizer market is also likely to affect the Nigerian market indirectly. Already prices of crude oil, refined petroleum products and fertilizers have surged in recent weeks due to the crisis. Rising prices of petroleum products are expected to lead to a significant increase in the subsidy cost to the government, which is hampered by oil production levels below its OPEC quota. It could heighten inflationary pressures in the country, particularly on the prices of wheat petroleum products such as diesel and fertilizers, which are significant products for the Nigerian market.

Due to the volatility impulses of the world crude oil market, an oilbased monoconomy like Nigeria cannot achieve economic stability, especially with the intense pressure from the Russia-Ukraine conflict. The government should be more committed to diversifying the economy to accommodate other sectors with a high potential to drive the economy, such as oil and gas, agriculture and ICT sectors.

In conclusion, the federal government should encourage wheat production in the country as a precautionary measure to the long-term effects of the crisis. This could be a virtue for the country if incentives are created to enable the sustainable production of essential agricultural commodities. Also, the country's refineries, lying fallow, should be leased or sold to capable investors who would revamp it to reduce the cost burden on the government.



ADVISORY | GOVERNMENT RELATIONS | REGULATORY AFFAIRS | SOCIAL IMPACT

ACIOE Associates is an advisory services firm providing solutions in Strategy, Government Relations, Regulatory Affairs, Economic Development, Advocacy, Investment Facilitation, and Policy Analysis.

Our team provides advisory services on critical sectors, including Health, Agriculture, Social Impact, and Government relations.

We have supported governments (Federal and Subnational), development partners, and organizations around sustainable solutions to the challenging economic, political, and development issues within the countries we operate.