Trade Credit & Political Risk

Major Country Risk Developments
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Overview

The International Monetary Fund (IMF) believes that the risk of a crash landing for the global economy has receded and predicts global growth of around 3% in 2023. The IMF projects a soft landing in the U.S. – where inflation is reduced without causing excessive job losses. The downgrade of the U.S. from AAA to AA+ by rating agency Fitch is a well-earned reprimand. We will see what U.S. legislators learn from this (if anything), and whether U.S. debt management is accorded new tools to avoid the sloppiness on display in addressing the U.S. debt ceiling going forward.

The U.S. Federal Reserve raised its benchmark interest rate 5.25 percentage points in just over a year. Fed officials are now engaged in a protracted debate over how much more to tighten access to money [and thus the economy] at a time of vast uncertainties.

The outlook is for slow U.S. growth, with some effects of the last year of interest rate tightening yet to be reflected in consumer behavior and business trends. Layering on top of that, extra tightening of lending standards and credit availability, especially for the banking sector. These factors will inevitably affect business and household spending [to some extent].

Core U.S. inflation is currently around 4.5%. It is not clear where inflation will be two years from now. Energy prices (especially crude oil prices) are unlikely to fall given more OPEC+ production cuts which have led to spikes at the pump. Grain and food prices are likely to remain elevated, given ongoing threats to Ukraine's grain exports; and weather-related hits to harvests in the U.S., Latin America and elsewhere, resulting in declining production and food stocks.

The shake-up in the banking sector earlier this year [sudden, forced closures of three banks] has been a wake-up call. Banks must now be doubly sure they have adequate access to liquidity; and that they are making good risk management decisions concerning interest rate risks. Importantly, part of that ability includes the Federal Reserve's term funding facility which the central bank created to provide banks with the ability to borrow, using Treasury and mortgage-backed security types of collateral.

Global inflation appears to have hit a peak, and international grain prices are lower than last year's high. That does not mean prices paid by consumers have stopped rising. In June annual food-price inflation was 17% in the UK, 14% in the European Union, 10% in Canada and Japan.

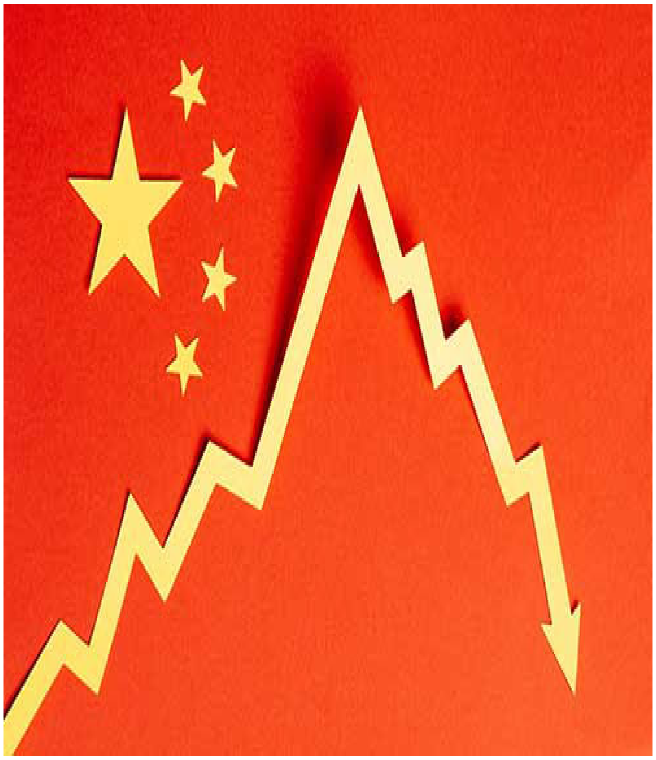
Inflation is higher still in many developing economies, especially in Africa. Food-price inflation is close to 25% in Nigeria, 30% in Ethiopia and 65% in Egypt (the highest rate in the country's history). Russia's decision to pull out of the Black Sea Grain initiative in July, followed by attacks on the Ukrainian ports such as Odessa in the Black Sea and the destruction of Ukrainian grain facilities, has disturbed food markets pushing prices higher. Fresh concerns have risen over global food supplies over the coming months, as Russia appears committed to preventing future exports of Ukrainian grain.

In addition, dry conditions elsewhere will likely exacerbate current difficulties. Yields of Australian barley and wheat are forecast to decline 34% and 30% this harvest. Stocks of U.S. corn, wheat and sorghum are down 6%, 17% and 51% respectively. Last year, these countries were the world's two biggest exporters of cereals.

More concerning are events in India, which produces roughly 40% of global rice exports, and has suffered debilitating rainfalls this year. On July 20th the Indian government responded by banning exports of all non-Basmati rice from the country. This will reduce effect. The UN Food and Agriculture Organization estimates that together corn, rice, and wheat provide more than two-fifths of the world's caloric intake. Among the world's poorest populations, that figure rises to four-fifths. If prices do not start to fall soon, people will only get hungrier. Meanwhile, many governments have committed to raising taxes or cutting expenditures in order to bring debt under control after lavish spending during Covid-19.

China

China's new central bank governor (appointed July 25, 2023) inherits a different problem from most other central bank governors: too little inflation, with deflation trending instead. That is because China's consumer prices did not rise at all in the past year. The country's GDP deflator, a broad measure of the price of goods and services, fell by 1.4% in the second quarter, compared with a year earlier. This is the biggest decline since 2009.



Falling prices pose immediate dangers for China's policymakers. That is because they erode profits, depress confidence, and deter borrowing and investment, which will only add to current deflationary pressures present in the Chinese economy. The absence of inflation also has a less immediate implication-one of particular interest to those keeping score in the geo-political race between China and the U.S. It is likely that deflation could delay China's emergence as the world's biggest economy. Consumers appear far less willing to spend compared to pre-Covid times, while the real estate sector remains buried by debt while holding vast quantities of unsold units. There are no immediate indications that a government bailout of the sector is forthcoming.

Despite its difficulties, China's economy is expected to grow by 5.5% this year. The U.S. will probably grow by 2% at best.

Meanwhile, China's billionaires have stepped out of the shadows to praise the Chinese Communist Party's (CCP) efforts to restore private sector confidence as the government attempts to recharge the economy's faltering post- pandemic recovery. China's typically low-profile leaders of industry - many of whom have been hit by regulatory crackdowns in recent years - have put out a series of editorials and statements declaring their support for an action plan by the CCP to bolster private companies.

The apparently orchestrated expression of confidence from China's business leaders, comes as the economy is struggling with sagging private sector business and consumer confidence. In a lengthy state media editorial, one leading company founder expressed that he was "extremely excited and deeply inspired" by President Xi Jinping's support for private groups. The 31-point action plan, unveiled by the party and government last month, vows to improve the business environment, and treat private companies the same as their state counterparts. The measures include easing companies' efforts to raise capital and supporting their overseas expansion. One chief executive of a phone manufacturer said he viewed the measure as a clear policy signal for companies to push forward with high-quality development and contribute to the modernization of science and technology.

China's economy grew less than 1% in the second quarter compared with the previous three months, prompting concern that a deep malaise in the property sector was hurting business confidence. Private sector investment contracted year on year in the second quarter. The private sector accounts for 60% of gross domestic product and 80% of urban employment in China, making it a crucial engine of growth. Beijing has pivoted from its two-year tech crackdown, as it seeks to encourage businesses to invest and expand amid a darkening economic outlook. As part of its efforts to restore confidence, the government has wrapped up investigations into Tencent's fintech arm and of the important Ant group. Between them, these companies were hit with a total of $1.4 billion in fines. Government officials have also met top tech executives and praised tech groups' efforts to bolster the country's semiconductor industry. Tencent's CEO, noting the party's pledges for fair competition and equal protection under the law, believes the new measures reinforced much needed confidence to rebuild and strengthen the economy.

Some leading analysts view the 31-point plan as lacking detail but say it represents an effort by China's central government to send a strong signal to lower-level authorities about the importance of fostering private sector activity. Markets were said to be waiting for a meeting of China's ruling politburo in which it is expected to discuss stimulus measures. A consensus considers such measures as necessary to kick-start the sputtering Chinese economy. Now there's a wait-and-see attitude among investors who

want to see what concrete policy actions will be taken. Activity in the private sector quickly lost steam in 2023, while official responses were short of expectations. Against the background of high global inflation and escalating geopolitical conflicts, the inclination towards precautionary savings is likely to continue.

While the CCP was full of praise, support, and reforms to bolster the private sector, it also made clear that it [the CCP] will remain closely involved in business. It included calls for improving the mechanism to shape the ideological thinking of entrepreneurs and for education on ideals, beliefs, and core socialist values. Some tech leaders declared their commitment to helping the country by taking President Xi's common prosperity program "as our strategic guide" and pledged to support national basic research and a host of charitable endeavors. The private technology group said that they accept that they bear responsibility for promoting technological innovation and driving further Chinese development.

Chinese imports from Australia to increase as bilateral relations warm, while imports of corn from South Africa surged because of attempts to reduce over-reliance on the U.S.

Revised trade forecast further highlighted positives to China trade tied to the early arrival of El Nina weather pattern. The heat wave across much of the globe could boost exports of cooling equipment and appliances. Power shortages in member countries of the Association of South-East Asian Nations, such as Vietnam, might present opportunities to China, where supply chains are more resilient. It is expected that Chinese coal imports will increase as the need for greater electricity generation grows.

The German auto group Volkswagen announced that it is investing $700 million in Chinese electric group Xpeng as the two companies join forces to boost the German carmaker's lagging sales in China. The deal will give VW a 5% stake in Xpeng as well a seat as an

"observer" on its board. Including the Xpeng stake, VW has in 2023 alone announced investments worth over $5 billion in China, the world's largest car market. The VW deal was a vote of confidence in Chinese EV industry.

India

Indian authorities were forced to move in and restored public order following deadly sectarian violence this month. The violence reached the outskirts of New Delhi's premier business hub, forcing businesses to place staff on alert and raising fears of further unrest ahead of national elections in 2024.

The city of Gurugram, located west of Delhi in India's Haryana State, is one of the capital's biggest satellite cities and houses offices for leading domestic and foreign companies including Google, Meta, Hyundai, etc. Also known as Millennium City, the area is also home to some of India's priciest apartments and villas.

A Hindu religious procession passed through a Muslim-dominated neighborhood of the city, causing clashes which spread to nearby districts. A mob set fire to a mosque and, according to local media, killed

its deputy Iman. Rioters also torched shops in a mostly Muslim working-class part of the city, alarming residents, and businesses. Ten people died. Communal violence taking place a short distance from one of India's main business districts is disturbing to residents, businesses, and political leaders alike.

Authorities imposed a temporary internet blackout and curfew in parts of Haryana and over 100 people have been arrested. Companies advised staff to stay at home over a week-long interlude. Businesses are expected to experience some operational disruption arising from internet shutdowns and because of the curfew, but the security forces have mostly brought the unrest under control. The most recent information is that corporate offices were not targeted. Communal tensions in India have been escalating in the lead-up to national elections due next year. Prime Minister Modi's Hindu nationalist BJP party is seeking a third term. Critics and opponents of the Modi government have accused it of degrading civil liberties and weakening democratic institutions as it promotes the country's Hindu majority over India's many minority groups.

Meanwhile, in Manipur in India's northeast, violence between the state's mostly Hindu Meitei majority ethnic group and the Christian minority has claimed more than 180 lives since May. A railway security guard shot and killed a senior colleague and three Muslim passengers on a train that was pulling into Mumbai, an incident that further stoked tensions. In another city, police said mobs threw stones and burnt vehicles, after tensions were aggravated by rumors that a Hindu extremist wanted by police in connection with the killing of two Muslim men was among marchers. Reacting to the recent sparks of violence outbursts occurring across India, Human Rights Watch commented that the breakdown of order should worry investors that trust that governance will be fair, with functioning institutions that act as checks in a democracy. The opposition has charged that the BJP, the media, and the forces standing with them have spread hatred across the country.

On July 26, a no-confidence vote in India's lower house of parliament against the ruling BJP was authorized. However, this no-confidence motion will not affect political instability in India, as the ruling BJP holds a comfortable majority (301 members in the 543-seat lower house). By introducing the motion, the newly formed opposition alliance, the Indian National Development Inclusive Alliance, intends to force a discussion on the ongoing clashes in Manipur, which the BJP has been reluctant to address. The ongoing clashes will likely flare up again as the country approaches the 2024 general elections. However, these clashes are unlikely to dent the BJP's electoral prospects, as news coverage on the issue is fairly limited in mainstream Indian media.

Separately, India and the UAE, under their comprehensive economic partnership agreement (CEPA), is helping to accelerate the trend of expanding bilateral trade and investment from Gulf countries to India. Investment and trade between the UAE and India increased from $72.9 billion in April 2021-March 2022 period to $84.5 billion in April 2022 to March 2023. India is the UAE's largest export market (the UEA is also India's third -largest export market, as well as an important source of investment and remittances) and second-largest source of imports (after China).

Indians are the dominant expatriate group in the UAE, representing 30% of the population (followed by Pakistani nationals) and are among the keenest to take opportunities for investment and work under the UAE's liberalized system. There have been a number of investment agreements and expansion of

existing energy and refinery deals. The UAE has also played a pivotal role in building India's strategic oil reserves.

Meanwhile, Qatar's sovereign wealth fund is in talks to buy a stake in India's Reliance Retail Ventures, part of the Ambani's group, as oil-rich Gulf funds increase their bets on the fast-growing Indian market. The talks come as Reliance is spending heavily to expand its consumer businesses. India's biggest shopping group by revenues, spanning luxury fashion to groceries, is a subsidiary of Ambani's oil-to-data conglomerate, Reliance Industries, India's biggest company with market capitalization of $205 billion.

Saudi Arabia's Public Investment Fund invested $1.3 billion for a 2.04% stake in Reliance Retail Ventures in 2020, in a deal that valued the company then at about $62.4 billion. Although Reliance Industries' profits are still driven by its vast petrochemicals unit, which includes the world's biggest oil refinery, it has invested heavily to diversify into businesses from streaming to shopping, in a bid to fuel future growth.

On July 20, the Indian government imposed a ban on exports of white rice with immediate effect. This decision was partly driven by the government's efforts to stem domestic inflation and as a precautionary measure in response to an anticipated shortfall in crop yields this year. Erratic rainfall owing to El Nino, is likely to reduce crop yields over 2023. As of July 1, 2023, the Food Corporation of India had 19.5 million tons of milled rice in its stocks, while the buffer requirement for the season is 11.5 million tons. India exports around 16 million tons of non-basmati rice each year. In the absence of an export ban, rice reserves would come under pressure, as about 3 million tons would be available for domestic use. Food prices surged 4.6% in June and are likely to stay elevated over the next few months. The seasonal surge in perishable food items has been compounded by heavy rainfall, which destroyed standing crops and disrupted food supply-chains in India.

The export ban will dry up global rice stocks and will likely lead to surge in prices, as India is the world's largest exporter of rice, accounting for 40% of global shipments. Asia, which accounts for 90% of the world's rice consumption, will be the most vulnerable to this export ban. The government's decision will exacerbate food security concerns in countries that are net importers of rice from India, such as China, Thailand, and Bangladesh. India will face criticism for practicing food protectionism as the food crisis worsens across the globe. Although Indian trade relations could sour, the latest move could encourage grain hoarding among food importers, pushing inflation levels even higher.

Despite upside risks to headline inflation in the coming months, the Reserve Bank of India (RBI) is expected to hold the policy interest rate at the current level of 6.5% and maintain its current stance until mid-2024. The Indian rupee is expected to depreciate against the U.S. dollar during the second half of 2023 by 3.1%. Resilient foreign inflows and moderating of some commodity prices should help keep the currency from falling further.

South Korea

China is anxious to show that it welcomes foreign investment, and it is especially keen on keeping and attracting more from South Korea. From semiconductors and electric vehicle batteries to biotechnology and telecommunications, South Korean companies are critical players in sectors which are key to national security and long-term industrial strategies in both China and the U.S.

Korean chipmakers Samsung Electronics and SK Hynix, along with battery makers LG Energy Solutions, SK On and Samsung SDI, are set to receive billions of dollars in U.S. subsidies as the U.S. Administration seeks to attract Korean technology and manufacturing prowess, while reducing the role of China in U.S. supply chains. In return, the South Korean companies will need to comply with U.S. restrictions on their activities in China and their partnerships with Chinese companies, raising the possibility of retaliation from China. In July, China hit back at U.S. led curbs on semiconductor sales by restricting exports of gallium and germanium, two metals used in chipmaking and communications equipment. Earlier, China also banned operators of its key infrastructure from buying chips from U.S. rival Micron, feeding Korean fears that its companies could be targeted.

China recently warned South Korea publicly against "decoupling" from the Chinese economy under the influence of the U.S. South Korea's finance minister has pleaded with China not to view efforts to boost his country's relationship with the U.S. as a move to disregard China. Assuring China that his country has never launched a plan to decouple from it and that South Korea has no intention of doing so. Others note that South Korea has already embarked on an unmistakable (albeit unannounced) pivot away from the Chinese economy. According to recent data from the Bank of Korea, South Korea exported more goods to the U.S. in 2022 than it did to China- for the first time since 2004, when China's nominal GDP was still less than that of the UK.

It is left to be seen if leading South Korean companies can successfully exploit the rapidly changing geopolitical environment - taking full advantage of inducements on offer from the U.S., while limiting the consequences of any potential backlash from China. The U.S.-China tensions are clearly making businesses in South Korea nervous. However, the current competition for leading future technologies and expertise provides many opportunities for South Korean companies globally.

The economic relationship between South Korea and China was transformed in 1992, when both countries

established full diplomatic relations in the wake of the collapse of the Soviet Union. Since then, the annual value of Chinese-South Korean trade has grown from $6 billion to just over $300 billion in 2022, when China accounted for more than a quarter of South Korean exports and the U.S. less than 15%. The economic relationship was powered by China's demand for Korean expertise in complex manufacturing processes for components consumed by China's booming technology sector. Especially, the semiconductor sector, which accounts for 20% of the value of all South Korea's total exports. Until the mid-2010's, South Korea's dual approach to the U.S. and China, in which Washington served as its principal security partner and Beijing as its main economic partner, appeared to be meeting its needs in both spheres.

South Korean companies took full advantage of their access to both markets-absorbing U.S. technologies and business practices while benefiting from China's booming demand for manufacturing heft. Korea could depend on U.S. security guarantees in its stand-off with North Korea while Beijing served as a conduit for engagement with North Korea and cooperated with western attempts to slow the development of North Korea's nuclear weapons.

That arrangement was shattered in 2016 after South Korea acquired the U.S.-made Terminal High Altitude Area Defense (Thaad) anti-ballistic missile system to protect itself against North Korean missile attacks.

Claiming the Thaad system posed a direct threat to Chinese territory, Beijing imposed an unofficial blockade. Chinese tourism to South Korea dried up, Korean dramas were no longer picked up by Chinese TV stations and Korean brands were boycotted. The Koreans complain that the U.S. did nothing to show support for their country as it bore Beijing's wrath. Separately, the Trump administration threatened to pull U.S. troops off the Korean peninsula, accusing South Korea of shirking its financial responsibilities.

Today, the Administrations of both countries are bent on building a closer relationship. The U.S. has pledged "ironclad commitment" to defending its East Asian allies and consulting them on its economic security agenda. But Korean leaders say anxieties remain about the possible consequences of a new era of U.S. protectionist industrial policy and its impact on key Korean industries like semiconducting and auto manufacturing.

Those anxieties burst into the open after the U.S. flagship Inflation Reduction Act (IRA) was signed into law, providing $369 billion in state and federal support for clean energy and climate-related projects. Although the IRA offers a potential bonanza in subsidies for electric vehicles, there was consternation in South Korea when it emerged that the vehicles themselves would be excluded from generous consumer tax credits if they were assembled in Korea rather than in North America.

The climate legislation came just after the U.S. Congress passed the Chips and Science Act, which prohibits recipients of U.S. subsidies from expanding or upgrading their advanced chip manufacturing capacity in China for 10 years. Later the U.S. imposed sweeping export controls on critical chip manufacturing tools to China. In 2022, more than 50% of South Korea's chip shipments went to China.

SK Hynix, which manufactures memory chips in China could be hurt by U.S. opposition to Dutch equipment maker ASML exporting the extreme ultraviolet lithography machines used in chipmaking to China. It is natural for Korean policy makers to be cautious given decades during which South Korea rode on the back of a fast-growing Chinese economy, without which it might have endured some painful structural changes. However, there are many who believe that fears of being shut out the Chinese market are overblown; and that U.S. efforts to reduce China's presence in critical technology supply chains may actually offer a lifeline to Korean companies threatened by Chinese competition.

South Africa

The South African Reserve Bank (SARB) kept its key interest rate on hold at 8.25% on July 20, following ten consecutive increases (since November 2021)- amounting to 475 basis points in total. The consensus is that interest rates are at a peak in the current tightening cycle, barring new domestic or external shocks. The key reasons for the decision to keep rates on hold are softer inflation and a stronger exchange rate since the SACB's previous rate-setting meeting in May.

Consumer prices ebbed to 5.4% in June – the lowest level in 19 months and the first reading below the central bank's 3-6% target range for 14 months. Fuel prices posted a first year-on-year decline for almost 30 months, and food price inflation recorded its smallest rise in 11 months. Lower inflation will relieve some of the pressures on household disposable income, giving a small boost to consumption.

A second key driver of the interest-rate hold is a rebound in the rand, which gathered pace in July. After weakening to an all-time monthly low of R19.05:US$1 in May, the rand appreciated to R18.77 in June and climbed to R17.77 on July 20.

The forecast is for an average exchange rate of R18.2:US$1 trimming the year-on-year depreciation to 7.9%. The rand's recovery reflects market perceptions that U.S. interest rates are nearing a peak, but the local currency will remain highly volatile and vulnerable to adverse shifts in sentiment. In a downside scenario, further U.S. interest rate rises, alongside upward pressure on global oil and food prices (stemming from the Russia-Ukraine war), could reignite local inflation and depress the rand, obliging the SARB to tighten the monetary screws by one more notch.

South Africa avoided a technical recession in the first quarter of 2023. However, the economy is expected to experience overall weak GDP growth of around 0.5% this year, as a global slowdown, including China, magnifies serious domestic constraints, led by crippling power shortages, which are disrupting day-to-day business operations. Exacerbating the frequent power cuts, South Africa is battling transport bottlenecks, rampant unemployment, and high interest rates. The combined impact will stifle the domestic economy, leading to contraction in real GDP per head. Rising loan costs and tougher credit conditions will likely squeeze household disposable income in 2023, heightening the risks of strikes and social discontent. Ebbing inflation will relieve some of the pressure. Adding to the strains of 2023, fiscal tightening will preclude a boost from higher government spending.

Growth is forecast to recover modestly in 2024, to 1.8%, aided by a global uptick and an improvement in power supplies, led by new private-sector renewable energy projects. The policy environment is expected to improve and be more accommodating in 2024 as the government speeds up the pace of structural reforms in a bid to facilitate private investment, including in state-run ports and railways. Provided that urgent and long-delayed reforms, such as restructuring state-owned companies, are not hijacked by political infighting, the expectation is that growth could quicken to 3% a year on average in 2025-27, underpinned by more reliable power supplies and investment in digital technology.

The main domestic event on the political horizon is the next general election, which is due in mid-2024 and will determine whether the long-standing ruling party, the African National Congress (ANC), retains its parliamentary majority. THE ANC's vote share dropped to 57.5% at the general elections in 2019- the lowest since it came to power in 1994- before tumbling to 45.6% in the municipal elections in 2021, the first time that the party's support has slipped below the 50% mark.

Under South Africa's system of proportional representation, a similar result in 2024 would force the ANC into an unprecedented power-sharing arrangement at a national level, generating opportunities (including greater political consensus) and risks (such as weak and fragile coalitions). The ANC, under the party leader President Cyril Ramaphosa, will strive to rebuild its support ahead of the poll, but arrange of major challenges, both political and economic, will test the party's unity and capacity.

South Africa is the most advanced economy in Sub-Saharan Africa and a major business hub-will remain deeply engaged with the African continent. Highlighting this the South African National Defense Force is contributing to a Southern African Development Community military deployment in Mozambique, which secured a one-year extension in August 2022. Despite South Africa's domestic challenges, the country is committed to attracting international companies, including U.S., Europe, and Asia, given its strong institutions, sound banks and its role as a continental gateway. South Africa's investment in other African markets remains broad-based, with a particular focus on banking and telecommunications.

Despite many challenges, South Africa remain among the five best-rated African countries for operational risk (Botswana, Cape Verde, Mauritius, South Africa, Morocco).

Last month BMW of Germany, announced plans to invest $233 million in its South African operations to produce a first hybrid electric vehicle, starting in 2024. These will be both for export and for the domestic market. BMW will join South Africa's other EV producers, Toyota, and Mercedes. This is viewed as a pivotal step for the domestic auto sector, given proposals by key overseas markets to ban imported vehicles with internal combustion engines (ICEs).

A second key threat confronting vehicle makers is the prospect of South Africa losing preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA) because of the government's perceived bias towards Russia in the war against Ukraine. The loss of AGOA privileges would cause far more damage than pending restrictions on ICEs in export markets.

Nigeria

Since president Bola Tinuba was sworn in as Nigeria's President two months ago, he has shaken up the country with economic decisions that have been welcomed by investors and international backers. However, his decisions have been a major challenge to the livelihood of many Nigerians. The question that follows is whether or not the population of 220 million, will thrive or just get poorer from the medicine prescribed by its new president. Shock waves were set off with the announcement on May 29 that fuel subsidies (which for decades have given Nigerians some of the cheapest oil in Africa) would be cut. The cost of the subsidies amounted to a quarter of the country's import bill.

Gas stations tripled their prices overnight. Transportation fares, electricity and food prices soon followed.

The government declared a state of emergency in July to deal with soaring food costs and said it will begin distributing grains and fertilizer to boost production. Investors have supported the president's moves, viewing them as necessary to fix Nigeria's ailing economy. Stock prices in the country have reached their highest valuation in 15 years since the reform. Consultancies are buzzing that Nigeria is open for business again. The impact has been far-reaching.

A spike in wheat prices following the collapse of a deal that allowed Ukraine to export its grain, will worsen food insecurity. Nigeria is one of the world's largest importers of wheat and its currency has sunk against the dollar in recent weeks.

The president has removed the head of Nigeria's corruption agency and the chief of the central bank, whom he blamed for leaving the country's financial system in "rotten" shape. The central bank's new leadership has eased foreign exchange rates to reduce the gap between the official and black- market rate, a key demand of international backers.

However, these fast-paced changes come with little cushioning and amid multiple crises. Earlier this year, massive cash shortages left countless Nigerians unable to buy essential items. Kidnappings and a jihadist insurgency continue to hamper business activities. Unemployment is near 30% and two-thirds of all Nigerians live in poverty, with an additional seven million expected to join them this year, according to the World Bank. Inflation hit 23% in July. Some say the cost-of-living crisis that the world has been complaining about over the past two years, Nigerians have been living for the past eight years. While the previous president kicked the can down the road, the new president immediately ripped off the Band Aid is a common complaint.

Most experts agree that the removal of the oil subsidy should free much needed resources. Nigeria is Africa's largest oil producer, but its refineries remain largely dysfunctional, so it imports most of the refined fuel that it uses. That has left the country highly dependent on fluctuating exchange rates and international oil prices. In 2020, when prices were low, Nigeria paid about $350 million in oil subsidies. Last year, it paid $10 billion, nearly three times as much. In the first six months of this year, it spent twice as much per capita on the oil subsidy as on education, and at least three times as much as on health.

The new president has yet to announce changes in those sectors. But the ongoing crisis has threatened to make it even harder for Nigerians to access health care and afford medications.

To soften the blow, President Tinubu's government said it would increase the supply of grain and fertilizer and raise the salaries of civil servants. It has also vowed to give cash to Nigeria's poorest households, although an initial plan to provide a monthly emergency stipend of about $10 for the next six months was paused after many blasted the plan as insufficient. According to news reports office workers in Nigeria's largest city Lagos, have been staying in their offices at night to save on transportation costs. Those who want to be supportive of the new president's efforts to bring about meaningful changes say Nigerians are prepared to sacrifice to improve the lives of future generations. However, they caution that this must be accomplished with policies that have a human face.

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