# Nigeria’s middle class under pressure

By Matthew Green in Lagos

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Anne Ayinuola, founder of the Fundermentals lingerie boutique in Lagos, has a problem. As the outlook for Nigeria’s economy darkens, she has no idea how long demand for her range of luxury bras, girdles and thongs will last.

“It’s still holding up,” she says, as a pair of men browse through the almost overwhelming selection of delicates dangling from the hangers. “I don’t know what will happen in two to three months time, I don’t like to think about it.”

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Located at the mouth of the Palms mall, the high temple of Nigeria’s growing consumer culture, Ms Ayinuola’s store is the perfect bellwether for the impact of the global slowdown on the country’s small but aspiring middle class.

Boasting what she describes as the widest range of designer intimates on sale anywhere in Nigeria, Ms Ayinuola’s emporium reflects the aspirations of a type of woman, or her male admirer, who wants more than the cheap Chinese imports or second-hand undergarments sold in the city’s markets.

Nigeria’s fans in the investment community have often portrayed the increasingly sophisticated tastes of this expanding cadre of young professionals as a pool of demand for goods and services that will one day spur the country into the big league of emerging markets alongside Russia and Brazil.

However, with falling oil prices sapping export earnings, dreams of owning Victoria’s Secret smalls and improbably large plasma-screen televisions, are starting to fade.

“Since you’ve been here, how many customers have come in?” says a saleswoman at an electronics store in the Palms. Her answer? “Few.”

The re-emergence of Nigeria’s middle class in part reflects a trend unfolding across Africa, where young professionals – many returning from successful careers in the west – have injected fresh dynamism into the private sector.

In Nigeria, their fate will reveal how far a programme of market reforms has delivered a genuine structural shift in the economy, rather than a temporary surge in consumption among what remains a tiny minority of a population of 140m.

Forming a thriving community at independence in 1960, Nigeria’s mid-level professionals, then mainly civil servants, were almost wiped out by the hardships of military dictatorship and repeated oil shocks. A rich elite revelled in a shower of petrodollars while everyone else remained poor.

The middle class has resurfaced as fast-growing bank and telecom companies generated thousands of well-paid jobs.

The smarter parts of Lagos, once a virtual desert for bourgeois pursuits, now boast fast-food chains, the Palms and Silverbird Galleria malls, and plenty of mid-range night spots.

High oil prices caused the cost of an acre in the Victoria Island business district to shot from 300m naira ($2m, €1.6m, £1.4m) to N1bn while the stock market grew wings.

One local bank advert declared: “What goes up, just keeps going up.”

In a matter of months, the mood has flipped. Share prices have collapsed, bank lending has slowed and runaway rents have cooled.

For millions of subsistence farmers, motorbike taxi drivers, or the city’s high-rolling oligarchs, such reversals may have little immediate impact on their lifestyles.

It is the middle class, by contrast, who will have to economise. Ben Murray-Bruce, owner of Silverbird Galleria, says the average spend is already down 20-25 per cent this year. “We just don’t have a feel-good factor any more,” he says.

Among professionals, the mood is one of apprehension rather than alarm. Ayo Koiki, a self-described member of the new middle class who works at an asset management company, says friends who have lost jobs as stockbrokers have been quick to find new roles. "It's not like in America, or even in the UK," she says.

But the worst may be ahead. A sharp fall in the naira has raised the price of imported suburban staples such as air-conditioners, cars and sofas.

Should oil prices dive further, then Nigeria's middle class could taste real pain instead of champagne.

**Oil price plunge raises risk of big slowdown in growth**

Nigeria has won kudos among foreign investors in the past few years with a series of measures designed to break the devastating cycles of boom and bust fuelled by past oil shocks, **writes Matthew Green**.

But the slump in oil prices from last summer's record highs has raised the risk that Africa's biggest crude exporter will witness a sharp slowdown in growth in spite of its more robust defences.

Olusegun Obasanjo, the previous president, set up a system of savings to break the link between swings in the oil price and government spending in Nigeria, which depends on oil exports for 80 per cent of revenues. But Umaru Yar'Adua, the current president, has struggled to maintain the same level of fiscal discipline with his administration undermined by concerns over his health.

Declining oil earnings have caused the naira to fall more than 20 per cent against the US dollar in the past two months, fuelling inflation in Nigeria's heavily import-dependent economy.

Foreign currency reserves fell to about $50bn this month from a peak of $63bn in September as the central bank sought to prop up the currency.

Investors are also concerned that government spending plans – a key engine of growth – will have to be cut. The draft budget assumes an oil price of $45 a barrel, which already looks optimistic. A further assumption that Nigeria will pump 2.29m barrels a day this year also looks like wishful thinking, given limits imposed by the country's Opec quota. Remi Babalola, minister of state for finance, insists that the government has a big enough cushion from its oil savings to meet its commitments. "There is no excuse not to meet our budget estimates," he said.

He expects Nigeria to grow by at least 6 per cent this year, compared with 6.7 per cent last year, buoyed by a strong performance in agriculture, which accounts for about 40 per cent of gross domestic product. Should oil prices fall further than the $36 they hit on Monday, few other analysts will be so bullish.