Impact of Rising Cost of Living on Household Welfare in Nigeria (2020–2026)

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ABSTRACT

The rising cost of living has become a major socioeconomic and public policy challenge in Nigeria, particularly since 2020. Households have faced successive increases in the prices of food, transportation, energy, housing, healthcare and education, while real incomes and the purchasing power of many wage earners have failed to adjust at the same pace. This paper examines the impact of the rising cost of living on household welfare in Nigeria between 2020 and 2026. Specifically, it examines the major drivers of living-cost increases, analyses their implications for household consumption and access to essential services, and assesses the coping strategies and policy responses adopted during the period. The study adopts a qualitative documentary research design. Data are drawn from National Bureau of Statistics publications, the Nigeria General Household Survey–Panel, World Bank and International Monetary Fund reports, International Food Policy Research Institute policy research, and relevant peer-reviewed studies published between 2020 and 2026. The analysis is guided by the Cost-of-Living and Household Utility perspective, supported by the Sustainable Livelihoods Framework. The evidence indicates that the COVID-19 shock, supply-chain disruptions, insecurity, exchange-rate depreciation, fuel subsidy reform, higher transport and energy costs, and food-system inefficiencies jointly intensified household expenditure pressures. The burden has been regressive: low-income households, informal workers, rural consumers, female-headed households and families with dependent children have had less capacity to absorb price shocks. The consequences include reduced dietary diversity, meal rationing, lower savings, increased borrowing, delayed healthcare, educational trade-offs and heightened vulnerability to poverty. Although inflation moderated during parts of 2025 and 2026, a slower rate of price increase did not reverse the accumulated rise in the price level or restore lost purchasing power. The paper concludes that household welfare depends not only on macroeconomic stabilisation but also on real-income recovery, food-system productivity, reliable public services and effective social protection. It recommends targeted and transparent transfers, measures to reduce food logistics costs, support for productive employment, and stronger monitoring of household welfare.

KEYWORDS

Cost of Living, Household Welfare, Inflation, Food Prices, Poverty, Social Protection, Nigeria

I. INTRODUCTION

The cost of living refers to the amount of money required by individuals and households to maintain a given standard of living over time. It is reflected in the prices of essential goods and services, including food, shelter, transportation, energy, healthcare, education and other basic needs. A rising cost of living occurs when the expenditure required to obtain

these necessities increases faster than household income. Although inflation is commonly measured through changes in the Consumer Price Index (CPI), the welfare implications of price increases differ across households because consumption patterns, income sources, location and access to public services are not uniform.

Nigeria entered the 2020–2026 period amid longstanding structural constraints, including high dependence on imported inputs, weak transport infrastructure, and low productivity in parts of the agricultural sector, insecurity, unemployment and limited social protection coverage. The COVID-19 pandemic further disrupted production, trade, employment and household income. Movement restrictions and supply-chain interruptions affected access to markets and livelihoods, while subsequent global commodity and shipping disruptions added pressure to domestic prices. Households that depended on daily earnings and informal economic activities were particularly exposed because income losses coincided with higher costs of essential consumption.

The period after 2022 introduced additional pressures. The removal of the petrol subsidy in May 2023 and foreign-exchange policy changes altered the cost structure of transport, production and distribution. These reforms were presented as measures to address fiscal and foreign-exchange distortions, but their short-term effects were transmitted to households through higher petrol, transport, food and other consumer prices. The International Monetary Fund (IMF, 2025) identified currency depreciation, food supply constraints, energy costs and subsidy removal among the factors associated with the sharp increase in average inflation in 2024. The World Bank (2024) also warned that compensatory transfers and social protection were necessary to limit the adverse effects of subsidy reform on vulnerable households.

Food prices have been particularly important because poor households allocate a large share of their budgets to food. The World Bank (2025) reported that the cost of a basic food basket consumed by poor households increased approximately fivefold between 2019 and 2024, and that poor households could spend up to 70 per cent of their income on food. This pattern means that increases in food prices leave less money available for healthcare, education, housing, savings and productive investment. The burden is not limited to households classified as poor: low-income salaried workers, pensioners and informal-sector earners may also experience substantial declines in real purchasing power when earnings adjust slowly.

Recent evidence suggests that macroeconomic improvement does not automatically translate into immediate improvements in household welfare. The World Bank (2025) observed that stronger growth and improvements in fiscal and external balances had not yet generated commensurate improvements in living standards, while poverty and food insecurity remained high. The IMF (2026) similarly reported that poverty remained elevated and that millions of Nigerians experienced food insecurity in late 2025. The National Bureau of Statistics (NBS) continues to publish monthly CPI reports, including the September 2026 report, making it possible to examine the price environment through the latest available month within the study period (NBS, 2026).

Against this background, the study examines the impact of rising cost of living on household welfare in Nigeria between 2020 and 2026. It treats household welfare as multidimensional, encompassing consumption adequacy, food and nutrition security, access to healthcare and

education, housing and energy conditions, savings, debt exposure and the ability to withstand economic shocks. The study therefore moves beyond headline inflation to consider how price increases are transmitted through household budgets and how different categories of households respond.

A. Statement of the Problem

Rising living costs have placed sustained pressure on the welfare of Nigerian households. Between 2020 and 2026, the country experienced a sequence of overlapping shocks rather than a single inflationary episode. The COVID-19 pandemic disrupted employment and supply chains; insecurity and climate-related pressures affected agricultural production and market access; exchange-rate depreciation increased the domestic cost of imported goods and production inputs; and the removal of the petrol subsidy raised transport and distribution costs. These developments occurred in an economy in which many households rely on informal employment, irregular earnings and limited savings.

The central problem is the widening gap between the cost of essential consumption and the capacity of household income to finance it. When food, transport, electricity, rent, medicines and school-related expenses rise more quickly than wages or business earnings, households are compelled to reduce the quantity or quality of consumption, postpone essential services, borrow, sell assets or depend on relatives. Such adjustments may protect immediate consumption but can weaken long-term welfare through poorer nutrition, deteriorating health, interrupted education and reduced capacity to generate income.

Official and development-partner evidence illustrates the scale of the concern. The World Bank (2025) reported that the basic food basket most relevant to poor households became substantially more expensive between 2019 and 2024 and that food inflation continued to constrain living standards despite improvements in selected macroeconomic indicators. Research by Omamo et al. (2025) found that post-reform price shocks and persistent inflation disproportionately affected low-income urban and rural consumers, contributing to reduced food consumption and dietary diversity. Olabisi et al. (2026) further found that the 2023–2024 inflation shock reduced average household dietary diversity, with marked effects across household types.

Despite growing public discussion of inflation and hardship, the relationship between the rising cost of living and the wider dimensions of household welfare requires integrated analysis. Some studies concentrate on price indices or macroeconomic variables, while others focus on food insecurity or specific coping strategies. There remains a need to bring together evidence on consumption, nutrition, healthcare, education, housing, savings and household resilience across the 2020–2026 period. This paper addresses that gap through documentary analysis of official statistics, policy reports and empirical studies.

B. Objectives of the Study

The main objective of this study is to examine the impact of rising cost of living on household welfare in Nigeria between 2020 and 2026. The specific objectives are to:

- examine the major economic and structural factors responsible for the rising cost of living in Nigeria between 2020 and 2026;

- analyse the effects of rising living costs on household consumption, food security and access to essential services;
- assess the coping strategies adopted by Nigerian households in response to rising living costs; and
- Evaluate the adequacy of government policy responses and identify measures for improving household welfare.

C. Research Questions

- What major economic and structural factors accounted for the rising cost of living in Nigeria between 2020 and 2026?
- How have rising living costs affected household consumption, food security and access to essential services in Nigeria?
- What coping strategies have Nigerian households adopted in response to rising living costs?
- How adequate have government policy responses been in protecting household welfare, and what measures could improve their effectiveness?

D. Conceptual Review

1. Cost of Living

Cost of living refers to the expenditure required to obtain a specified bundle of goods and services necessary to sustain a particular standard of living. It is influenced by the prices of food, housing, transport, energy, healthcare, education and other essential items. The CPI is a widely used statistical measure of average price changes over time for a representative basket of consumer goods and services. However, the CPI does not mean that every household experiences the same rate of inflation. Households with different income levels and consumption patterns may face different effective inflation rates.

Food inflation is especially consequential in low-income settings because food accounts for a substantial proportion of household expenditure. A household spending most of its income on staple foods has limited capacity to substitute towards cheaper alternatives without reducing nutritional quality. Similarly, household's dependent on public transport are more exposed to fuel-price transmission than households with access to private transport or remote work. Consequently, an analysis of living costs should consider both general price movements and the composition of household expenditure.

2. Household Welfare

Household welfare refers to the material and non-material conditions that determine the well-being and living standards of household members. It includes the ability to secure adequate food and nutrition, safe housing, clothing, healthcare, education, clean water, energy, transport and social participation. It also encompasses income security, savings, asset ownership, personal safety and resilience to economic shocks. Welfare is therefore broader than household income or expenditure alone.

An increase in nominal income does not necessarily indicate an improvement in welfare where the prices of essential goods rise more rapidly. Real purchasing power, rather than nominal earnings alone, determines how much a household can obtain from its income. A

household may also experience welfare deterioration even when it remains above a monetary poverty threshold if it reduces dietary diversity, delays treatment or withdraws children from school to manage expenditure pressures.

3. Inflation and Real Purchasing Power

Inflation is a sustained increase in the general price level of goods and services over time. Its effect on household welfare depends on the rate of price increase, the duration of inflation, household income adjustment and the composition of expenditure. When prices increase faster than wages, pensions, transfers or informal earnings, real income falls. Inflation also affects households through uncertainty, higher working-capital requirements for small businesses, increased borrowing costs and the erosion of cash savings.

It is important to distinguish a decline in the inflation rate from a decline in prices. Disinflation means that prices are increasing at a slower rate; it does not ordinarily mean that the general price level has returned to its earlier level. Thus, the moderation of inflation in 2025 or 2026 does not by itself reverse the accumulated increase in food, transport, housing and other costs experienced since 2020.

4. Household Coping Strategies

Household coping strategies are the actions adopted by families to manage shocks that threaten consumption and livelihood security. These may include reducing meal size, skipping meals, purchasing less preferred foods, substituting cheaper goods, borrowing money, using savings, selling assets, increasing working hours, taking additional jobs, relying on social networks and postponing non-urgent expenditure. Some strategies are adaptive in the short term, while others are erosive because they undermine future income, health, education or productive capacity. Reducing food quality, delaying medical care, withdrawing children from school, accumulating high-cost debt or selling productive assets may enable a household to meet immediate needs but can deepen vulnerability. The welfare implications of coping therefore depend on the duration and severity of the shock, the resources available to the household and the existence of public or community support.

5. Social Protection and Household Resilience

Social protection refers to public policies and programmes designed to reduce poverty, manage risks and protect people against livelihood shocks. It may include cash transfers, food assistance, school feeding, health insurance, pensions, unemployment support, public works and targeted subsidies. Household resilience is the capacity to anticipate, absorb, adapt to and recover from shocks without experiencing lasting deterioration in welfare. Effective social protection can prevent temporary price shocks from producing irreversible losses in nutrition, health, education and productive assets.

6. Empirical Review

World Bank (2024) examined Nigeria’s macroeconomic and social conditions following the removal of the petrol subsidy and foreign-exchange reforms. The report explained that the reforms were intended to address major policy distortions but increased short-term pressure

on households through higher petrol and transport prices. It emphasised that compensatory transfers were necessary to protect vulnerable households and warned that, without adequate support, families could respond by reducing food consumption or foregoing healthcare and education. The report is relevant because it links macroeconomic reform to the welfare consequences experienced by households.

Omamo et al. (2025), in an International Food Policy Research Institute policy brief, analysed the effects of inflation and economic reform on Nigeria's food system. They found that low-income households in urban and rural areas were particularly affected by food-price increases and that households reduced food consumption and dietary diversity. The authors also identified high transport costs, inadequate infrastructure, fragmented markets and food-supply-chain inefficiencies as factors that amplify price pressures. Their work demonstrates that the cost-of-living challenge cannot be addressed exclusively through monetary policy; it also requires improvements in agricultural productivity and food distribution.

World Bank (2025), in the October Nigeria Development Update, assessed the relationship between macroeconomic stabilisation and living standards. The report observed that Nigeria had recorded progress in growth, revenue mobilisation and external balances, but these gains had not yet translated into sufficiently improved living standards. It noted that poor households spend a large share of their income on food and that the cost of a basic food basket had increased approximately fivefold between 2019 and 2024. The report therefore called for sustained efforts to reduce food inflation, improve public spending and expand support for vulnerable households.

Olabisi, Adeyemi, and Liverpool-Tasie (2026) investigated female earnings and household dietary diversity during Nigeria's 2023–2024 inflationary crisis. Using nationally representative household panel data spanning earlier survey waves and the 2023–2024 period, the study found that the inflation shock reduced average household dietary diversity. Households with female income earners generally had higher dietary diversity, although the inflation shock also produced sharper dietary declines for some rural households. The study highlights the importance of income diversification and the gendered dimensions of household resilience.

Animashaun and Wossink (2024) examined how Nigerian households responded to aggregate oil-price shocks using household survey data from 2010 to 2016. Their analysis showed that household expenditure responses differed according to location, household composition and consumption substitution. Although the study predates the 2020–2026 period, it provides useful evidence that macroeconomic shocks do not affect all households uniformly and that households adjust through changes in consumption and labour supply.
The National Bureau of Statistics (2024) published the fifth wave of the Nigeria General Household Survey–Panel, covering household visits between July–September 2023 and January–March 2024. The survey interviewed 4,715 households across 518 enumeration areas and provides nationally representative longitudinal evidence on household welfare, income-generating activities and socioeconomic outcomes. Its timing is particularly useful for understanding household conditions during the period of intense inflation following the 2023 policy changes.

The IMF (2025) assessed Nigeria's macroeconomic developments and reported that average inflation rose sharply in 2024, reflecting exchange-rate depreciation, food-supply constraints, energy costs and the removal of the fuel subsidy. It also discussed the reach of cash-transfer arrangements and the importance of protecting vulnerable households while macroeconomic reforms are implemented. The report reinforces the argument that stabilisation measures require complementary policies to cushion the social costs of adjustment.

The IMF (2026) reported that Nigeria's poverty and food-insecurity challenges remained substantial even as macroeconomic conditions improved. Its 2026 Article IV assessment estimated that poverty remained high and that millions of Nigerians experienced food insecurity in late 2025. The report is important because it demonstrates that the welfare effects of the cost-of-living crisis persist beyond the period of peak inflation and that recovery in macroeconomic indicators does not automatically restore household consumption capacity.

Abiola (2026) examined food-price volatility, household coping strategies and policy responses in Nigeria. The study associated rising staple prices with insecurity, infrastructure deficits, supply-chain bottlenecks, currency depreciation and fuel subsidy removal. It identified consumption rationing and informal risk-sharing among household responses and argued for coordinated policies that integrate macroeconomic stability, agricultural modernisation and social protection. This work directly supports the present study's focus on both price drivers and household adjustment.

The reviewed literature establishes that rising living costs affect households through several interconnected channels. However, much of the existing evidence focuses on food inflation, macroeconomic reform or a particular coping outcome. The present study contributes an integrated documentary assessment of household welfare across consumption, nutrition, healthcare, education, housing, savings and resilience over the 2020–2026 period.

II. THEORETICAL FRAMEWORK

A. Sustainable Livelihoods Framework

This study is principally guided by the Sustainable Livelihoods Framework, which analyses how people combine assets and capabilities to pursue livelihood strategies within a wider context of vulnerability, institutions and policies. The framework is associated with development research advanced by the Department for International Development and subsequent livelihood scholarship. It identifies five broad forms of capital: human, social, natural, physical and financial. Household welfare depends on the availability and accessibility of these assets, the risks households face and the institutions that shape livelihood opportunities.

The framework is appropriate because rising living costs affect more than the money available for consumption. A household may use financial capital by drawing down savings or borrowing; social capital by seeking assistance from relatives and community associations; human capital by increasing labour supply or changing work arrangements;

and physical assets by selling household or productive property. Where households repeatedly deplete these resources, their capacity to withstand future shocks declines. The framework therefore helps explain why the same increase in prices may have different consequences for households with different asset bases.

B. Application to the Study

In the Nigerian context, the 2020–2026 period represents a prolonged vulnerability context shaped by the pandemic, insecurity, exchange-rate changes, fuel-price adjustments, food-market disruptions and broader macroeconomic pressures. These shocks influence household livelihood assets and the strategies available to families. Households with stable formal employment, savings, productive assets and access to social protection are generally better positioned to absorb price increases than households dependent on daily informal earnings. The framework also draws attention to the role of government institutions, markets and community networks in determining access to essential resources.

The framework is complemented by the household utility and consumption perspective, which assumes that households seek to allocate limited resources to maximise well-being. When the prices of essential goods rise while income remains unchanged, households must alter their consumption bundle. They may substitute cheaper products, reduce quantities or abandon some forms of expenditure. Such adjustments can lower welfare where the substituted goods are less nutritious or where postponed services are essential. The combined framework therefore connects price changes, household budget constraints, livelihood assets and welfare outcomes.

III. METHODOLOGY

This study adopts a qualitative documentary research design to examine the impact of rising cost of living on household welfare in Nigeria between 2020 and 2026. The design is appropriate because the study seeks to interpret trends, policy developments and reported household outcomes through systematic examination of existing documentary evidence rather than the collection of new survey responses.

The population of the study comprises relevant official and scholarly documents on inflation, prices, household welfare, poverty, food security, social protection and economic policy in Nigeria. These include publications of the National Bureau of Statistics, Central Bank of Nigeria, Federal Ministry of Finance, World Bank, International Monetary Fund, International Food Policy Research Institute, United Nations agencies, peer-reviewed journals and other credible research institutions.

Purposive sampling was employed to select documents based on relevance to the research objectives, institutional credibility, methodological transparency, geographical coverage and publication date. Priority was given to materials published between 2020 and 2026. Earlier foundational works were included only where necessary to explain concepts or theoretical assumptions. The study uses the NBS September 2026 CPI release as the latest monthly CPI reference identified within the study period; because 2026 is incomplete, findings for that year are treated as partial-year evidence rather than a full-year outcome.

Data were collected through documentary review. Relevant information was extracted on inflation trends, food prices, household income and expenditure, poverty, food insecurity, household coping behaviour, social protection and policy responses. Evidence was compared across sources to identify areas of convergence, differences in measurement and gaps in available information.

Data were analysed using qualitative content analysis and thematic analysis. The materials were organised around four themes: drivers of the rising cost of living; effects on household welfare; household coping strategies; and policy responses. Triangulation was applied by comparing official statistics with development-partner reports and peer-reviewed empirical studies. This procedure strengthens the credibility of the analysis, although the study recognises that documentary evidence cannot establish a precise causal effect for every household or substitute for a new nationally representative household survey.

A. Data Presentation and Analysis

The analysis is organised around the evolution of living-cost pressures and their implications for household welfare. The tables summarise documented developments and reported relationships; they do not represent original household survey estimates generated by this paper.

Table 1: Major Phases of Cost-of-Living Pressure in Nigeria, 2020–2026

Period	Major economic developments	Household welfare implications
2020–2021	COVID-19 disruption, movement restrictions, supply-chain interruptions and income losses	Reduced and irregular earnings for many informal workers; difficulty accessing markets; pressure on food and basic consumption
2022	Continuing global commodity and logistics pressures, domestic insecurity and food-supply constraints	Higher food and transport expenditure; reduced capacity to save and meet non-food needs
2023	Petrol subsidy removal and foreign-exchange policy changes; rapid transmission into transport and production costs	Sharp increase in transport and distribution costs; erosion of real income; greater pressure on food and household budgets
2024	High inflation, currency depreciation and elevated food and energy costs	Severe affordability pressure; reduced dietary diversity; increased use of consumption-reducing coping strategies
2025	Macroeconomic stabilisation alongside persistent high food prices and poverty	Inflation moderation did not fully restore purchasing power; households continued to face hardship
2026 (partial)	Further disinflation in available monthly CPI releases, with food prices and household vulnerability remaining important concerns	Slower price increases did not reverse the accumulated rise in prices; welfare recovery remained dependent on real-income growth and targeted support

Table 1 shows that the cost-of-living challenge developed through successive shocks. The pandemic period weakened employment and household income at the same time that supply

interruptions affected access to goods. Subsequent pressures from global prices, domestic insecurity and distribution constraints contributed to higher food and transport costs. The policy changes introduced in 2023 altered fuel and foreign-exchange prices, with consequences for the cost of moving goods and operating businesses. The result was a sustained pressure on household budgets rather than a temporary adjustment confined to one commodity.

The 2024 period was particularly significant because high food and energy prices interacted with currency depreciation and weak real-income growth. The World Bank (2025) reported that the cost of a basic food basket relevant to poor households had increased approximately fivefold between 2019 and 2024. This measure illustrates the intensity of food-price pressure, although it should not be confused with a fivefold increase in the entire CPI basket. By 2025 and 2026, headline inflation moderated in available reports, but households continued to face the accumulated high price level. This distinction is central to understanding why the experience of hardship may persist even when the inflation rate declines.

Table 2: Channels through Which Rising Living Costs Affect Household Welfare

Welfare dimension	Transmission channel	Likely household-level consequence
Food and nutrition	Higher prices of staples, protein and cooking inputs	Smaller portions, meal skipping, substitution to cheaper foods and reduced dietary diversity
Transport and mobility	Higher petrol, fares and distribution costs	Higher commuting costs; reduced access to jobs, markets, schools and health facilities
Healthcare	Higher medicine, consultation and transport costs	Delayed treatment, reduced preventive care and increased out-of-pocket burden
Education	Higher transport, uniforms, learning materials and school-related charges	Late payment of fees, reduced learning resources and risk of absenteeism
Housing and energy	Higher rent, electricity, cooking fuel and maintenance costs	Overcrowding, reduced energy use, rent arrears and less money for other necessities
Savings and debt	Essential expenditure absorbs a larger share of income	Dissaving, borrowing, asset sales and weaker capacity to manage future shocks
Gender and care	Unequal income opportunities and unpaid care responsibilities	Greater strain on women’s time and earnings; heightened nutritional risks for children and dependants

Table 2 demonstrates that the effect of rising living costs extends across multiple dimensions of welfare. Food expenditure is often the first area in which low-income households adjust because food is essential and prices are immediately visible. However, adjustments in food consumption may be accompanied by reductions in healthcare, education, transport and savings. These outcomes are interconnected: poor nutrition can affect learning and productivity, while delayed healthcare can increase future costs and reduce the capacity of household members to work.

The distributional effect is also important. Households with stable wages or assets may absorb some price increases, while household's dependent on daily earnings have less protection. Rural households may face higher costs where insecurity, poor roads and market fragmentation increase the cost of bringing produce to consumers. Urban households may face higher rent and commuting costs. Women and children can experience particular effects where women manage food budgets and unpaid care responsibilities or where household resources are reallocated away from nutrition and education.

Table 3: Household Coping Strategies and Their Welfare Implications

Coping strategy	Immediate purpose	Potential longer-term welfare risk
Reducing meal size or skipping meals	Stretch limited food budgets	Poor nutrition, reduced health and productivity
Buying cheaper or less preferred foods	Maintain food quantity at lower cost	Lower dietary diversity and micronutrient intake
Borrowing or buying on credit	Meet urgent expenditure	Debt accumulation and repayment pressure
Using savings or selling assets	Bridge temporary income-expenditure gaps	Reduced resilience and loss of productive resources
Taking additional work or longer hours	Increase household earnings	Fatigue, reduced care time and possible unsafe work
Postponing healthcare or education expenses	Prioritise immediate necessities	Untreated illness, learning loss and reduced future opportunities
Seeking support from relatives or community networks	Share risk and obtain emergency assistance	Dependence on networks with limited capacity during widespread shocks

The coping strategies presented in Table 3 show that households do not remain passive in the face of rising prices. Families adjust consumption, mobilise social networks and modify labour supply to protect immediate needs. Nevertheless, several strategies transfer the cost of present hardship to the future. Borrowing can create repayment obligations; selling productive assets can reduce future earnings; and delaying medical treatment or reducing dietary quality can damage human capital. Policy interventions should therefore be designed to prevent households from relying on harmful coping mechanisms.

IV. FINDINGS AND DISCUSSION

The first major finding is that the rising cost of living in Nigeria between 2020 and 2026 was driven by interacting global, domestic and policy-related factors. The COVID-19 pandemic disrupted production, employment and distribution, while later global commodity pressures and domestic supply constraints sustained price increases. Insecurity in food-producing areas, inadequate rural infrastructure and market fragmentation increased the cost of moving agricultural produce. Exchange-rate depreciation raised the domestic cost of imported goods and imported production inputs. The removal of the petrol subsidy also affected transport and distribution costs, transmitting price pressures across the economy. These findings are consistent with the IMF (2025), World Bank (2024) and Omamo et al. (2025), which identify the interaction of macroeconomic reforms and structural weaknesses as important factors in Nigeria's inflation experience.

The second finding is that the welfare consequences of rising living costs are multidimensional and unevenly distributed. Food affordability is a central concern because low-income households devote a large share of their budgets to food. The World Bank (2025) estimated that poor households may spend up to 70 per cent of income on food and documented a substantial rise in the cost of the basic food basket between 2019 and 2024. This leaves limited room for other essential expenditure. The consequences include reduced dietary diversity, smaller meals and the possibility of foregoing healthcare, education or other services. The evidence from Olabisi et al. (2026) that the 2023–2024 inflation shock reduced household dietary diversity supports this conclusion.

The third finding is that household vulnerability is shaped by income stability, location, gender, household composition and asset ownership. Formal wage earners may have some protection where wages are adjusted, but fixed-income pensioners and workers whose salaries do not keep pace with prices experience declining real purchasing power. Informal workers and small traders face a double burden where input and transport costs rise while customers reduce purchases. Rural households may be affected by both input-price increases and market-access constraints, while urban households face pressures from rent, transport and purchased food. Female income earners can contribute to dietary diversity and household resources, but the evidence also indicates that they may remain exposed to inflation-related declines, particularly in rural settings (Olabisi et al., 2026).

The fourth finding is that households adopt coping strategies that may provide temporary relief but can weaken long-term welfare. Meal rationing, substitution towards cheaper foods, borrowing, asset sales and postponement of healthcare or education expenditure are responses to constrained budgets. Such strategies demonstrate household agency, but they should not be interpreted as evidence that families have successfully adjusted. Where coping involves reducing nutrition, accumulating debt or selling productive assets, household resilience may deteriorate. Abiola (2026) and Omamo et al. (2025) similarly emphasise consumption adjustment and informal risk-sharing in response to food-price pressures.

The fifth finding is that macroeconomic stabilisation must be complemented by policies that translate lower inflation into improved living standards. A decline in the inflation rate means that prices are rising more slowly; it does not necessarily restore the purchasing power lost during earlier price increases. The World Bank (2025) noted that improved macroeconomic indicators had not yet translated into commensurate improvements in household living standards. The IMF (2026) likewise emphasised the persistence of poverty and food insecurity. Accordingly, the welfare test of economic reform should include real wages, food affordability, employment quality, access to essential services and the effectiveness of social protection, rather than relying exclusively on headline inflation or GDP growth.

V. CONCLUSION

This paper examined the impact of rising cost of living on household welfare in Nigeria between 2020 and 2026. It established that the period was characterised by successive economic and structural shocks, including the COVID-19 pandemic, supply-chain disruptions, insecurity, exchange-rate depreciation, fuel subsidy removal, higher transport

costs and food-system inefficiencies. These pressures increased the cost of essential goods and services at a time when many households had limited capacity to increase their real incomes.

The study found that rising living costs affected household welfare through reduced purchasing power, declining food affordability, weakened dietary diversity, pressure on healthcare and education expenditure, reduced savings and increased exposure to debt. The burden was more severe among low-income households, informal workers, fixed-income earners and families with limited assets or social protection. Although households adopted coping strategies, some responses including meal rationing, asset sales, borrowing and postponing essential services—created risks for long-term welfare and resilience.

The study concludes that the cost-of-living challenge is not simply an inflation issue; it is also a household income, food-system, employment and social-protection challenge. Moderating inflation is necessary, but it is insufficient unless households experience recovery in real purchasing power and reliable access to essential services. A sustainable welfare response requires coordinated macroeconomic management, productive employment, improved food supply chains, targeted support and accountable public institutions.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations are proposed:

- The Federal Government should strengthen targeted social protection through transparent, regularly updated beneficiary registers and reliable delivery of cash transfers to poor and vulnerable households. Transfer values should be reviewed against the cost of essential consumption so that support does not lose its value during periods of high inflation.
- Federal and state governments should prioritise food-system productivity by improving rural roads, storage facilities, irrigation, agricultural extension, security in farming communities and access to affordable inputs. These measures would reduce post-harvest losses and distribution costs while strengthening domestic food supply.
- Government should improve the coordination of fiscal, monetary, trade and energy policies to reduce avoidable cost pressures. Policy changes that affect household expenditure should be accompanied by clear communication, credible transition arrangements and timely compensatory measures for vulnerable groups.
- Public authorities should promote decent employment and real-income recovery through support for micro, small and medium-sized enterprises, vocational training, labour-intensive infrastructure, agricultural value chains and predictable business conditions. Wage and pension reviews should take account of changes in the cost of essential consumption while remaining fiscally sustainable.
- Federal and state governments should strengthen access to affordable healthcare and education through primary healthcare financing, essential-medicine availability, school feeding where needs are greatest, targeted education support and protection against exclusion caused by household income shocks.
- The National Bureau of Statistics and relevant agencies should expand the regular publication of household-level welfare indicators, including food affordability, dietary diversity, household expenditure, real earnings, coping strategies and access to

essential services. Disaggregated data by state, rural–urban location, gender and income group would improve policy targeting and evaluation.

- Government should strengthen consumer protection, competition oversight and market information systems to discourage exploitative pricing and improve transparency in essential-goods markets. Such measures should complement, rather than replace, policies that address the underlying costs of production, transport and distribution.
- State and local governments, civil society organisations and community-based institutions should support household resilience through cooperative savings, livelihood programmes, and nutrition education and referral systems for vulnerable families. These initiatives should be coordinated with national social-protection programmes to avoid duplication and exclusion.

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