

## COVID-19 PANDEMIC: NIGERIA'S ECONOMIC AND BUSINESS DISRUPTIONS

By

<sup>1</sup>**Akpoveta, Onajite Alexandra.**

Department of Accounting,  
Igbinedion University, Okada.  
Email: akpovetajite@gmail.com

<sup>2</sup>**Edheku, Ochuko Joy,**

Department of Accounting,  
Ignatius Ajuru University of Education,  
Rumuolumeni, Port Harcourt, Nigeria,  
Email: simeonedheku@gmail.com

### **Abstract**

*This study explores the financial, economic and business implications of Covid-19 on the Nigerian State. In December 2019 the world has come to know a new virus now termed coronavirus, which causes the disease named COVID-19. It affected mainland China mostly and has spread to all continents of the world except Antarctica. Studies thus far have shown that the virus origination is in connection to a seafood market in Wuhan, but specific animal associations have not been confirmed. Reported symptoms include fever, cough, fatigue, pneumonia, headache, diarrhea, hemoptysis, and dyspnea. Preventive measures such as wearing of masks, hand washing hygiene practices, avoidance of public contact, case detection, contact tracing, and quarantines have been discussed as ways to reduce transmission. Currently, there is no specific antiviral treatment or vaccine that has proven effective; hence, infected people primarily rely on symptomatic treatment and supportive care. The rapid outbreak of the COVID-19 presents an alarming health crisis that the world is grappling with. In addition to the human impact, there is also significant economic, business and commercial impact being felt globally. As viruses know no borders, the impacts will continue to spread. This research adopted descriptive survey design and has collated and painstakingly analyzed updated information on Covid-19 pandemic and the various response measures by stakeholders. In fact, from the findings, the economy and businesses in Nigeria have been impacted and are already seeing Covid-19 disruptions.*

**Keywords:** Covid-19, Epidemiology, Transmission, Prevention, Effects.

### **Introduction**

COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease, while 19 refers to the year of outbreak. Formerly, this disease was referred to as 2019 novel coronavirus or '2019-nCoV.' The COVID-19 virus is a new virus linked to the same family of viruses as Severe Acute Respiratory Syndrome (SARS) and some types of common cold (WHO, 2020).

Different emerging and re-emerging viral infections have attacked different countries at different periods. Some are benign, whereas some are deadly with versatile clinical presentations. The involvement of the respiratory system may range from common cold to severe acute respiratory illness (SARI). According to the Chinese Centre for Disease Control and Prevention and World Health Organization reports, the outbreak of severe acute respiratory syndrome (SARS) and Middle-East respiratory syndrome (MERS) in the year 2002 - 3 and 2012 respectively caused deadly illness. According to Rahman & Bahar (2020) in December 2019 the world was introduced to a novel coronavirus severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2; formerly called 2019-nCoV) causing coronavirus disease 2019 (COVID-19) after the outbreak of pneumonia in Wuhan, a city in Hubei Province of China. Initial clusters of pneumonia of unknown origin were reported to World Health Organization on December 31, 2019. The WHO declared the COVID-19 outbreak a Global Health Emergency on January 30, 2020. WHO eventually declared it a pandemic on March 11 2020 (WHO, 2020).

In the Famous 2020 article to the centre for the study of the economies of Africa, Akanni & Gabriel (2020) brought the issue of Covid-19 implications on Nigerian Economy to the forefront of the CSEA agenda as follows:

*In December 2019, a cluster of pneumonia cases from an unknown virus surfaced in Wuhan, China. Based on initial laboratory findings, the disease named Coronavirus disease 2019 (abbreviated as COVID-19), was described as an infectious disease that is caused by severe acute respiratory syndrome coronavirus 2. The COVID-19 outbreak has since spread to about 196 countries and territories in every continent, except Antarctica and one international conveyance across the globe. While there are ongoing efforts to curtailing the spread of infection which is almost entirely driven by human-to-human transmission, it has accounted for over **400,000 confirmed cases with over 18,000 deaths.***

It is worthy of note that the Coronavirus belongs to a family of viruses that may cause various symptoms such as pneumonia, fever, breathing difficulty, and lung infection. These viruses are common in animals worldwide, but very few cases have been known to affect humans. The WHO announced that the official name of the 2019 novel coronavirus is coronavirus disease (COVID-19) (Adhikari et al. 2020). And the current reference name for the virus is severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). It was reported that a cluster of patients with pneumonia of unknown cause was linked to a local Huanan South China Seafood Market in Wuhan, Hubei Province, China in December 2019. In response to the outbreak, the Chinese Center for Disease Control and Prevention (China CDC, 2020) dispatched a rapid response team to accompany health authorities of Hubei province and Wuhan city to conduct epidemiological and etiological investigations. WHO confirmed that the outbreak of the coronavirus epidemic was associated with the Huanan South China Seafood Marketplace, but no specific animal association was identified. Scientists immediately started to research the source of the new coronavirus and the first genome of COVID-19 was published by the research team led by Prof. Yong-Zhen Zhang, on 10 January 2020. Within 1 month, this virus spread quickly throughout China during the Chinese New Year – a period when there is a high level of human mobility among Chinese people. Although it is still too early to predict susceptible populations, early patterns have shown a trend similar to Severe Acute Respiratory Syndrome (SARS) and Middle East respiratory syndrome (MERS) coronaviruses. Susceptibility seems to be associated with age, biological sex, and other health conditions (Zhou P et al. 2020).

Research is underway to understand more about transmissibility, severity, and other features associated with COVID-19. It appears that most of the early cases had some sort of contact history with the original seafood market. Soon, a secondary source of infection was found to be human-to-human transmission via close contact. There was an increase of infected people with no history of exposure to wildlife or visiting Wuhan and multiple cases of infection were detected among medical professionals (Gralinski & Menachery, 2019). It became clear that the COVID-19 infection occurs through exposure to the virus, and both the immunosuppressed and normal population appear susceptible.

It has been suggested that the population most at risk may be people with poor immune function such as older people and those with renal and hepatic dysfunction. The COVID-19 has been found to have higher levels of transmissibility and pandemic risk than the SARS-CoV, as the effective reproductive number (R) of COVID-19 (2.9) is estimated to be higher than the reported effective reproduction number (R) of SARS (1.77) at this early stage. Different studies of COVID-19 have estimated the basic reproduction (R<sub>0</sub>) range to be from 2.6 to 4.71. The average incubation duration of COVID-19 was estimated to be  $4.8 \pm 2.6$ , ranging from 2 to 11 days and 5.2 days (95% confidence interval, 4.1 to 7). The guidelines from World Health Organization stated average incubation duration of 7 days, ranging from 2 to 14 days (WHO, 2019).

Coronaviruses are enveloped single-stranded RNA viruses that are zoonotic in nature and cause symptoms ranging from those similar to the common cold to more severe respiratory, enteric, hepatic, and neurological symptoms. Other than SARS-CoV-2, there are six known coronaviruses in humans: HCoV-229E, HCoV-OC43, SARS-CoV, HCoV-NL63, HCoV-HKU1, and MERS-CoV (Su S, et al. 2016). Coronavirus has caused two large-scale pandemics in the last two decades: SARS and MERS. (Zaki AM, et al. 2012). To detect the infection source of COVID-19, China CDC researchers collected 585 environmental samples from the Huanan Seafood Market in Wuhan, Hubei Province, China on 1st January and 12th January 2020. They detected 33 samples containing SARS-CoV-2 and indicated that it originated from wild animals sold in the market. Then, researchers used the lung fluid, blood, and throat swab samples of 15 patients to conduct laboratory tests. These laboratory tests found that the virus-specific nucleic acid sequences in the sample are different from those of known human coronavirus species. Laboratory results also indicated that SARS-CoV-2 is similar to some of the beta ( $\beta$ ) coronaviruses genera identified in bats, which is situated in a group of SARS/SARS-like CoV (Zhou P, et al. 2020). To conduct next-generation sequencing from bronchoalveolar lavage fluid and cultured isolates, researchers enrolled nine patients in Wuhan with viral pneumonia and negative in common respiratory pathogens. The results of this next-generation sequencing indicated that SARS-CoV-2 was more distant from SARS-CoV (with about 79% sequence identity) and MERS-CoV (with about 50% sequence identity) than from two bat-derived SARS-like coronaviruses-bat-SL-CoVZC45 (with 87.9% sequence identity) and bat-SL-CoVZXC21 (with 87.2% sequence identity). Studies also reported that COVID-19 S-protein supported strong interaction with human ACE2 molecules despite the dissimilarity of its sequence with that of SARS-CoV (Xu X et al. 2020).

Many domestic and wild animals, including camels, cattle, cats, and bats, may serve as hosts for coronaviruses. It is considered that, generally, animal coronaviruses do not spread among humans. However, there are exceptions, such as SARS and MERS, which are mainly spread through close contact with infected people via respiratory droplets from cough or sneezing. With regard to COVID-19, early patients were reported to have some link to the Huanan Seafood Market in Wuhan, China, suggesting that these early infections were due to

animal-to-person transmission. However, later cases were reported among medical staff and others with no history of exposure to that market or visiting Wuhan, which was taken as an indication of human-to human transmission. The latest guidelines from World Health Organization described three main transmission routes for the COVID-19: 1) droplets transmission, 2) contact transmission, and 3) aerosol transmission. Droplets transmission was reported to occur when respiratory droplets (as produced when an infected person coughs or sneezes) are ingested or inhaled by individuals nearby in close proximity; contact transmission may occur when a subject touches a surface or object contaminated with the virus and subsequently touch their mouth, nose, or eyes; and aerosol transmission may occur when respiratory droplets mix into the air, forming aerosols and may cause infection when inhaled high dose of aerosols into the lungs in a relatively closed environment. In addition to these three routes, one study also indicated the digestive system as a potential transmission route for COVID-19 infection. Since patients had abdominal discomfort and diarrhea symptoms, researchers analyzed four data sets with single-cell transcriptomes of digestive systems and found that ACE2 was highly expressed in absorptive enterocytes from ileum and colon (Zhang H, et al. 2019).

The complete clinical signs and symptoms are not clear yet, as the reported symptoms range from mild to severe, with some cases even resulting in death. The most commonly reported symptoms are fever, cough, myalgia or fatigue, pneumonia, and complicated dyspnea, whereas less common reported symptoms include headache, diarrhea, hemoptysis, runny nose, and phlegm-producing cough (Huang C, et al. 2019). Patients with mild symptoms were reported to recover after 1 week while severe cases were reported to experience progressive respiratory failure due to alveolar damage from the virus, which may lead to death. Cases resulting in death were primarily middle-aged and elderly patients with pre-existing diseases (tumor surgery, cirrhosis, hypertension, coronary heart disease, diabetes, and Parkinson's disease).

Currently, no specific antiviral treatment has been confirmed to be effective against COVID-19. Regarding patients infected with COVID-19, it has been recommended to apply appropriate symptomatic treatment and supportive care. There are six clinical trials registered in both the International Clinical Trials Registry platform and the Chinese Clinical Trial Registry to evaluate the efficacy or safety of targeted medicine in the treatment or prognosis of COVID-19. Studies have also explored the prevention of nosocomial infection and psychological health issues associated with COVID-19. A series of measures have been suggested to reduce nosocomial infection, including knowledge training for prevention and control, isolation, disinfection, classified protections at different degrees in infection areas, and protection of confirmed cases. According to the WHO (2020), for the general population, at this moment there is no vaccine preventing COVID-19. The best prevention is to avoid being exposed to the virus. Air borne precautions and other protective measures have been discussed and proposed for prevention. Infection preventive and control (IPC) measures that may reduce the risk of exposure include the following: use of face masks; covering coughs and sneezes with tissues that are then safely disposed of (or, if no tissues are available, use a flexed elbow to cover the cough or sneeze); regular hand washing with soap or disinfection with hand sanitizer containing at least 60% alcohol (if soap and water are not available); avoidance of contact with infected people and maintaining an appropriate distance as much as possible; and refraining from touching eyes, nose, and mouth with unwashed hands. The WHO also issued detailed guidelines on the use of face masks in the community, during care at home, and in the health care settings of COVID-19. The Health care workers are recommended to use particulate respirators such as those certified N95 or FFP2 when performing aerosol-generating procedures and to use medical masks while

providing any care to suspected or confirmed cases. According to this guideline, individuals with respiratory symptoms are to use face masks both in health care and home care settings properly following the infection prevention guidelines. As the global community, tries to grapple with the pandemic, countries of the world are confronted and will be confronted with new socio-economic realities according to their unique standing. The socio-economic future that awaits Nigeria in the post covid-19 outbreak era is what motivates this research.

### **The COVID-19 Economic Impact & Pandemic Planning in Nigeria**

As viruses know no borders, the impacts will continue to spread. In fact, 94 percent of the Fortune 1000 across the globe, and businesses in Nigeria have been impacted and are already seeing COVID-19 disruptions. We expect that the COVID-19 threat will eventually fade, as the Ebola, Zika, and Severe Acute Respiratory Syndrome (SARS) viruses have in recent years. However, social-economic impact will still be felt long after virus fades (KPMG, 2020). Nigeria, like all the nations of the world, is navigating uncertain times. For Nigeria, as an oil-dependent economy, this is a Twin Shock: COVID-19 Pandemic Global & Domestic Shock, and Oil Price Shock. Nigeria’s vulnerabilities to the impact of these external shocks can be added to increased dependencies on global economies for fiscal revenues, foreign exchange inflows; fiscal deficit funding and capital flows required to sustain the nation’s economic activities. With 3,175,207 coronavirus cases and 224,172 deaths globally, the world continues to battle the covid-19 pandemic.

Even before the outbreak, the outlook for the world economy and especially developing countries like Nigeria - was fragile, as global GDP growth was estimated to be only 2.5 percent in 2020. While many developing countries have recorded relatively fewer cases – Nigeria currently has 2,170 confirmed cases and 68 deaths as of writing (NCDC, 2020). The weak capacity of these countries is likely to exacerbate the pandemic and its impact on their economies.

### **GENERAL FACT SHEET – DATA AS AT MAY 1ST 2020**

**Table 1: States with reported laboratory-confirmed COVID-19 cases, recoveries and deaths**

<b>State</b>	<b>Confirmed Cases</b>	<b>Discharged Cases</b>	<b>Deaths</b>	<b>Total Active Cases</b>
Lagos	1006	225	28	753
Kano	311	0	3	308
FCT	314	36	3	175
Gombe	92	0	0	92
Borno	69	0	6	63
Ogun	56	8	1	47
Bauchi	48	6	0	42
Edo	47	10	3	34
Sokoto	41	1	7	33

Katsina	40	6	2	32
Kaduna	35	6	1	28
Osun	34	18	3	13
Oyo	29	9	2	18
Delta	17	4	2	11
Akwa Ibom	16	10	2	4
Kwara	14	2	0	12
Rivers	14	2	2	10
Ondo	13	3	0	10
Ekiti	11	2	1	8
Zamfara	9	0	1	8
Taraba	8	0	0	8
Jigawa	7	0	1	6
Nasarawa	7	0	0	7
Bayelsa	5	0	0	5
Adamawa	4	0	0	4
Enugu	4	2	0	2
Yobe	4	0	0	4
Ebonyi	3	0	0	3
Niger	3	0	0	3
Abia	2	0	0	2
Imo	2	0	0	2
Kebbi	2	0	0	2
Anambra	1	1	0	0
Benue	1	0	0	1
Plateau	1	0	0	1
<b>Total</b>	<b>2170</b>	<b>551</b>	<b>68</b>	<b>1751</b>

Nigeria announced its first case of Covid-19 on 27th February 2020 and since then; there has been an increase in cases daily. While it is too early to compare with other countries, the speed of daily cases is used as an indicator of how quickly the virus is spreading or being contained. This will, of course, depend on how accurate and timely the Nigerian government

makes its daily announcements. Initially, most Nigerian cases have come from international travelers arriving in Lagos and Abuja.

Nigeria is in a dangerous situation. Already faced with the likelihood of lower-for-longer oil prices, a global economic shutdown is particularly harmful to a country reliant on external capital and imported raw materials. Meanwhile, increasing cases of COVID-19 within the country foreshadows a partial shutdown of the local economy. This combination of global recession and local pandemic will only expose the structural defects in the Nigerian economy, some of which are the result of flawed policy-making. Notwithstanding the worrying health prospects as COVID-19 spreads within the country, it is clear that the economic impact of the virus will be long and severe for Nigeria. Consumer demand will dry up during a local economic shutdown, rendering businesses unable to pay salaries or meet their debt obligations. Left alone, many will not survive the next 12 months. Unfortunately, the policy response so far is not aggressive enough to provide the cushion the economy needs.

### **Early Impact of COVID-19 on the Nigeria's Economy**

Domestic Purchasing Managers' Index (PMI) data 2 (conducted by the Central Bank of Nigeria) for March already shows how the economy is being affected. Manufacturing PMI fell from 58.3 in February to 51.1 in March, the lowest value since April 2017. Meanwhile, non-manufacturing PMI (including services and agriculture) fell below 50 for the first time since April 2017, the month before the CBN opened a new floating FX window and ended Nigeria's FX crisis (CBN, 2020). Worryingly, across manufacturing (five categories) and services (four categories), employment level was the worst-performing category—showing early signs of how local jobs are being affected. The most alarming thing about this data is that the CBN admitted that the PMI survey was carried out before the COVID-19 situation escalated, meaning that future months will be much worse.

Nigeria would be little affected by the imminent global recession if it was a closed economy with closed borders. However, this is impractical in today's global climate so the Nigerian economy will suffer significantly in the wake of the global pandemic—regardless of the domestic epidemiological path of COVID-19 and the steps taken to curb the spread. The effects on the Nigerian economy are analyzed through the primary channels of an external economic shock:

- \* Investment flows
- \* Oil prices
- \* Trade in goods
- \* Trade in services

### **Investment flows in Nigeria:**

As the global economy shuts down, investment in Nigeria will dry up as foreigners rush to safer assets like U.S. government bonds. The Institute of Internal Finance estimates that foreign investors took \$80 billion out of emerging markets like Nigeria in February and March. Meanwhile, S&P Ratings, one of the three main global ratings agencies, recently downgraded Nigeria's sovereign debt credit rating to 'B-', which would further discourage investment in the country. Accordingly, Fitch Global Rating-Hong Kong has also downgraded Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B' from B+. The outlook is Negative.

We can expect all types of investment to drop. Even remittances, usually praised for remaining resilient during economic downturns, will be lower as the diaspora also experience

tough times. There are already signs that this investment exodus has begun in Nigeria. First, Société Générale, one of the largest investment banks in Europe, advised its clients not to buy Nigerian government debt in early February before COVID-19 escalated, citing concerns over an unsustainably high exchange rate. And on the 19th of March, the Central Bank of Nigeria tried to sell its exclusive OMO securities to foreign investors. The entire OMO auction ended with no sale as foreign investors demanded up to 18% interest on a one-year OMO bill, setting a high bar at which they would be willing to give up their dollars. The lesson here is that few foreign investors will be willing to take positive bets on the Nigerian economy, leaving us reliant on domestic capital for investment in the medium-term, and indicating that dollars will remain relatively scarce for a while.

### **COVID-19 Pandemic, Oil Prices and the Nigerian Economy**

As the global economy shuts down, oil demand plunges, the International Energy Agency (IEA), the leading global independent energy agency, expects global oil demand to fall year-on-year for the first time since the 2009 financial crisis. At the same time, we can expect an oil supply glut following the breakdown in the quota agreement between Saudi Arabia and Russia. For three years, the Saudi-led Organisation of Petroleum Exporting Countries (OPEC) have propped oil prices by agreeing to limit production along with Russia, Mexico, and a few others. This OPEC+ cabal largely achieved its objectives as oil prices rebounded from a low of \$26 in January 2016 to as high as \$85 in October 2018. Now, we can expect a free-for-all in oil production. Russia rejected Saudi Arabia's request to deepen production cuts, adamant that lower oil prices bankrolled shale oil producers in the United States. In response, Saudi Arabia tore up the agreement (that ended in March) and promised to open its oil pumps. (Premium Times, 2020)

The resulting demand-supply imbalance will deeply affect Nigeria, which has already been struggling to sell her oil: Nigeria's main crude oil grades are currently being sold at discounts not seen even during the 2009 financial crisis. The Saudi-Russia spat is a critical dynamic as it means that the COVID-19 pandemic is not the only factor holding down oil prices, and they may be lower for longer. For oil prices to recover, Nigeria would need a quick solution to the COVID-19 outbreak and major oil producers to agree to scale back production. Falling oil prices affect the Nigerian economy in two direct ways: Government finances and foreign exchange.

### **The impact on Federal Government finances**

The oil price crash has a devastating effect on the Nigerian economy as oil revenues have accounted for roughly 60% of federal government revenues over the last ten years. Unsurprisingly, the Ministry of Finance has taken steps to recalibrate planned spending amid the oil price crash and COVID-19 outbreak, mainly by announcing cuts to projected spending. This oil price and government finances story is very important because it limits how the government can respond to the COVID-19 crisis (Stears Data, 2020)

Nigeria is not alone in this situation; African finance ministers have suggested that the continent needs almost \$44 billion worth of debt-servicing waivers in order to properly mitigate the economic damage of the pandemic. A debt relief would temporarily remove the burden of interest payments and allow governments to divert scarce resources towards stimulating the economy. The likes of the IMF and World Bank are in support of the idea, and the IMF, in particular, has pledged to deploy its \$1 trillion lending capacity to support ailing countries. Over 80 countries have so far asked the IMF for help (including Nigeria and Ghana).

Nigeria had generally shunned the institution in the last half-decade but borrowing from multilateral organisations would be the best way of raising emergency funds, especially if their bailout packages include an agreement that western creditors are happy to delay interest payment collections. This is a bad time for Nigeria to try and raise commercial debt (either naira or dollar-based) so willing lenders like the IMF—or China—cannot be overlooked.

### **The Impact on the Local Currency**

A bearish oil market is bad news for the exchange rate as fewer dollars flow into the economy, particularly in a global recession when external investment drops. It became obvious that the naira would go through a tough period once the OPEC+ deal below up and oil prices crashed. So far, the CBN has shown an impressive willingness to avoid past mistakes and not try to fight the market. The apex bank has adjusted the official rate from ₦305/\$1 to ₦360/\$1 and increased the rate at which it sells currency to foreigners from ₦365 to ₦380 (Reuters, 2020). In the past week, the naira has been selling for less and less in the main flexible foreign exchange window (the “Investors & Exporters” window) and more adjustment will occur as the COVID-19 crisis deepens in the country. The CBN does not have the dollar ammunition to hold the naira at its desired rate so moving closer towards a floating rate—or devaluing the currency further—would make sense.

There are few ideal occasions for Nigeria to devalue the naira but two conditions might prevent a large depreciation or major volatility in the exchange rate:

1. Dollar demand will be much lower for the foreseeable future. For one, petroleum imports usually account for 20-30% of physical imports and oil prices are much lower so fewer dollars will be required to bring in petrol. Moreover, travel restrictions mean services like education and health will have lower dollar demand and these usually account for a lot of the pressure on the currency in the Bureau de Change and black market segments of the market. Finally, a slowdown in the global economy means there’s less activity for people to use their dollars.
2. The CBN already has multiple restrictions on foreign exchange that manage the demand for dollars. People that want to import goods like cement and fertiliser cannot get dollars through official channels. Although these restrictions create structural inefficiencies, they help the CBN manage dollar demand.

Nevertheless, the drop in dollar supply will last longer than the fall in demand. Oil prices will remain low until major producers agree to output cuts while the adverse economic effects of COVID-19 will keep investors away for a prolonged period. Looking at the trend in similar emerging markets, further naira depreciation is likely. In all, Nigerians should get used to a weaker currency and scarcer dollars. The precise extent of either of those two depends on how much the CBN prioritizes maintaining a “strong” naira. Either way, businesses can expect to feel a more painful foreign exchange pinch.

### **Impact of Covid-19 on Nigeria’s Foreign Trade in Goods**

Nigeria’s imports and exports will be directly affected by the shutdown of the global economy and indirectly affected by the depreciation of the naira against the dollar and other major currencies. Businesses ought to amend their strategies in light of the changing international dynamics. Although most of the changes are negative, opportunities emerge—or can be discovered in difficult times. This idea was well-articulated by Rahm Emanuel, a former Chicago Mayor, in his response to the COVID-19 pandemic, when he urged governments to “never let a good crisis go to waste”. (National Bureau of Statistics, 2020).

## Exports

Over 95% of Nigeria's exports are oil & gas related products so the export sector will primarily be affected by the oil crisis. At the same time, it is important to note that Nigeria's main trading partners have been badly affected by COVID-19, and the same is true for the buyers of Nigeria's largest agricultural exports. Naturally, this means that Nigerian exporters will not be able to exploit the resulting price competitiveness of the naira depreciation in the near term. As corporations abroad struggle amid a global demand slump, the strategy of diversifying customers to international clients (used during the 2016 recession) is less potent for now.

Longer-term, a weaker naira will make Nigerian exports more competitive so expanding local capacity in strategic goods can really pay off, whether this expansion is done through backward integration or supporting local producers to become more competitive.

**Table A: COVID-19 Ravages Nigeria's Main Trading Partners**

<b>Sn</b>	<b>Country</b>	<b>Numbers Of Cases</b>
1.	India	657
2.	Spain	47,611
3.	France	25,591
4.	Netherlands	6,438
5.	Ghana	68
6.	South Africa	709
7.	Germany	37,323
8.	Italy	74,386
9.	Indonesia	790
10.	Canada	2,792

\* Based on exports for the fourth quarter of 2019. As at 29/03/2019  
Source: National Bureau of Statistics, John Hopkins University Coronavirus Resource Centre

**Table B: Agriculture Trading Partners Are Not Unscathed**

<b>Product</b>	<b>Export Value</b>	<b>Number of Cases</b>
Sesame seeds		
India	6.6 billion	657
China	5.4 billion	81,661
Turkey	5.3 billion	1,872
Japan	4.4 billion	1,307
Vietnam	2.9 billion	141

Fermented Cocoa beans		
Netherlands	12.3 billion	6,438
Germany	5.9 billion	37,323
Belgium	2.8 billion	4,937
Indonesia	1.4 billion	790
Estonia	0.9 billion	404
As at 29/03/2019		
Source: National Bureau of Statistics, John Hopkins Coronavirus Resource Centre		

## Imports

It is important to separate Nigeria's imports into finished goods and intermediate goods and analyse the impact of each in turn. Nigeria imports finished goods ranging from fast-moving consumer goods and transport goods to food & beverage products. These account for roughly 40% of imports in an average a year. As a result, the supply shock from a global economic shutdown will be acute, especially as Nigerian imports predominantly come from countries like China that have been severely hit by Covid-19.

This initial acute supply shock may be temporary (factories in China are already re-opening) but production levels will not recover fully for a while. Moreover, logistic obstacles to trade will persist as long as the virus and precautions taken by governments remain prevalent. Finally, as suggested earlier, the naira will weaken further, making imports more expensive. The ultimate result is that imported finished goods will be scarcer and more expensive for Nigerians, introducing another opportunity to ramp up local industrial capacity and import substitution.

Longer-term, a weaker naira will make Nigerian exports more competitive so expanding local capacity in strategic goods can really pay off, whether this expansion is done through backward integration or supporting local producers to become more competitive.

The success of this approach will be limited as Nigeria tackles a domestic COVID-19 pandemic and partially shuts down its economy, but the Central Bank of Nigeria has committed as much as ₦1 trillion to fund local manufacturing. However, it is important to note that whilst cheap credit is a boom to local manufacturing, legacy infrastructural and institutional obstacles like inconsistent power supply and an inefficient bureaucracy must be addressed for Nigeria's local industry to fully exploit this crisis. Businesses ought to be tempted to fill the gap that will be created by lower imports, but governments must create an enabling environment if they are to succeed.

Nigeria also imports a lot of goods that are used for local production. These can be capital goods like refinery equipment, intermediate goods like fertiliser, or raw materials like sugarcane. These types of imports are arguably more important, accounting for almost 60% of imports on average. They are also crucial for any local industrialization strategy given the dearth of local substitutes.

For example, although Nigeria imports sugar, it has a growing local capacity that may one day reduce the need for imports. But even local sugar production relies on imported sugarcane which is not grown at commercial scale in Nigeria. In the last quarter of 2019 alone, Nigeria imported ₦60 billion worth of sugarcane from Brazil for domestic sugar refineries. Any disruption to this type of import would negatively affect local production and increase the need

for imported sugar just when it is scarcer and more expensive. In this case, the sugarcane industry has been listed as an essential service in Brazil (due to its links to fuel production) so it should suffer fewer disruptions than other intermediate goods.

In summary, even local production is vulnerable to reductions in imports. Once again, businesses may focus on local production of raw materials, intermediate goods and capital goods, although this is usually more difficult than producing consumer goods. Again, the government has a bigger role to play here than the CBN in ensuring that producing locally is cheap, and that means improving infrastructure and institutions ought to be a priority in the medium term. Initiatives like the ₦1.5 trillion private sector infrastructure fund set up by the CBN are laudable but will be ineffective unless accompanied by material changes in the general business environment.

### **Impact on Nigeria's Foreign Trade in Services:**

Nigeria's external trade is not restricted to oil, manufactured goods and agriculture crops. Activities like healthcare and financial services are also traded across the border; these are equally disrupted by the global economic shut-down.

### **Exports**

The global demand slump erodes the competitive benefits of a weaker currency. In addition, reduced investment in Nigeria means that professional services, lawyers, and others will be in less demand during the period.

### **Imports**

Nigeria's main service imports are travel, education and health services; together, these accounted for 30% of services imports in 2019. All these services will be hard hit by travel restrictions and a weaker currency. More generally, foreign services will become more expensive, forcing businesses to switch to local substitutes or go without them when there are no alternatives.

One probable legacy of the current pandemic is that developed countries will strengthen their digital economies and take their economies more offline. For example, universities will invest more in virtual teaching infrastructure and techniques.

This is good news for Nigerian businesses as the more global economies are embedded online, the easier it is for Nigerian businesses to plug in and buy or sell services. Therefore, Nigerian businesses have the opportunity to develop or exploit infrastructure or systems that improve remote service delivery. We can see this for in-demand services like education. As international universities do more teaching online, there is an opportunity to bring this teaching closer to students based in Nigeria.

### **Nigeria's Fiscal Response to Covid-19 Pandemic:**

The Nigerian government has responded to the COVID-19 pandemic and its expected economic effects through a range of policies. The main policy levers used are fiscal policy, petroleum prices, and monetary policy. This article analyzed each aspect of the government's economic response and outlined the repercussions for different industries and businesses.

### **Fiscal Stimulus and COVID-19 Crisis**

In comparison to the measures rolled out overseas, Nigeria's fiscal response has been restricted by lack of funds. The government is set to pass an Emergency Economic Stimulus Bill

2020, but the provisions of the bill are weak. The strongest component is job creation as any company that does not retrench staff between 31st of March and 31st of December (except for reasons related to a breach of Labour Act) will get a 50% tax refund. Although this incentivizes businesses to retain their workers, it does not give them the funds to do so as money promised in the future is far less helpful here than money given today. Moreover, any rewards based on tax refunds are less effective in a recessionary environment as businesses are more likely to make operating losses.

Other minor provisions are included in the stimulus bill, including permission for individuals to defer mortgage payments under the National Housing Fund (NHF) and import waivers on medical supplies and related products. Even in regular times, these measures would be limited. For example, the total value of loans under the NHF was just over ₦40 billion in 2019, compared to ₦105 billion in outstanding mortgages, which is also a very small amount.

At the same time, the Federal Government has reduced its projected expenditure in the 2020 Budget due to the fall in oil prices. Capital expenditure (Capex) was cut by 20% and recurrent expenditure was cut by 25%. The government also enacted a hiring freeze (except for essential services like health and security) and plans to review existing tax waivers and social intervention schemes. Meanwhile, the Ministry of Finance made other adjustments to revenue projections beyond oil prices; the ministry anticipates lower customs revenues as international trade volumes fall and lower privatization proceeds as fewer willing buyers acquire government assets.

There are two ways to look at the changes made by the government and none of them is flattering. The first is that the changes are superficial because they would not affect reality. In 2019, the government spent just 58% of its Capex budget; taking away 20% of the 2020 Capex budget is immaterial as it would not have been spent anyway. The story is that the government was not going to meet its 2020 Budget projections so cutting these would not really constrain what it will spend this year.

The second way to look at it is that the government should be looking to spend more, not less; at this time, the Nigerian economy needs stimulus, not austerity. The fiscal realities outlined earlier may convince the government to tighten its belt, but the economy will suffer much more if this happens. The International Monetary Fund described the appropriate economic response to the COVID-19 crisis as ensuring that “that people will not die because of a lack of money” so governments have the responsibility to ensure that businesses and individuals are catered for during this period. Nigeria’s limited fiscal wiggle room should not impede the government from arresting the inevitable economic slide caused by the COVID-19 pandemic.

### **Petroleum Price Modulation**

The decision to reduce premium motor spirit (PMS) pump prices from ₦145/litre to ₦125/litre would normally be positive for Nigerian businesses as transport and energy costs fall in tandem, though not by as much as you would expect since transport prices are sticky downwards (have you seen a bus conductor reduce fares?). However, lower transport prices are less important when the economy is partially shut and people stay indoors-meaning that the main benefit of the price cut will be the lower cost of private power generation.

At the same time, the price reduction introduces a notable risk of product scarcity at petrol stations. The government has asked stations to retail the product at ₦125/litre even though marketers acquired their stock at ₦145/litre before the price change.

Moreover, the government missed the opportunity to raise revenues by retaining the ₦145/litre pump price and collecting the extra ₦20/litre in the form of taxes. This would have

been particularly useful given the current state of government finances and would have been the more progressive approach. Wealthier Nigerians use more petroleum products so will benefit more from the price reduction, whereas the government could have distributed the additional tax revenues as cash transfers to those most affected by COVID-19 pandemic.

### **Nigeria's Monetary Policy Response to Covid-19 Crisis:**

Given the financial constraints faced by the Federal Government, the Central Bank of Nigeria (CBN) has been left to do the heavy lifting of protecting the economy from a COVID-19-induced crash. Although the CBN has announced a range of policies to mitigate the crisis and will likely roll out a few more, the article shows why these policies are limited by the CBN's role as a monetary institution, rendering it incapable of providing the fiscal support needed in such unprecedented economic times. Understanding this reality is important for understanding the extent of the domestic economic interventions and how much individuals and businesses should expect to be shielded from the imminent economic downturn.

#### **Central Bank of Nigeria's initiatives**

The Federal Government may be banking on the CBN to mitigate the economic fallout of the COVID-19 pandemic. Below is the policy measures rolled out by the CBN in the last few weeks:

- **Loan moratorium:** Any individual or business with a CBN-related loan already under moratorium (i.e. the debtor has permission to delay payment) has the option of deferring payment for another year. The objective of this policy is to shift debt burdens into the future—a useful step when people are short of cash today.
- **Interest loan reduction:** All interest rates on CBN intervention loans have been cut from 9% to 5%. The objective of this policy is to reduce the debt burden on those who took out intervention loans, but arguably does not go far enough as a 5% interest rate is still a material liability during an economic crisis.
- **Manufacturing sector intervention:** The CBN has set aside ₦1 trillion (\$2.78 billion) to support local manufacturing and boost import substitution.
- **Credit support for other sectors:** The CBN has created a ₦50 billion (\$138.89 million) Credit Facility (TCF) to households, Small and Medium Enterprises most affected by the pandemic.
- **Credit support for healthcare:** The CBN has set up a credit line up to ₦100 billion (\$277.78 million) for any individuals or businesses in healthcare and health innovation, e.g. pharmaceuticals, health facilities, labs etc.
- **Infrastructure fund:** The CBN has initiated a ₦1.5 trillion private sector infrastructure fund to finance critical infrastructure projects.

#### **An Assessment of the CBN COVID-19 Policy Initiatives**

The Central Bank has received a lot of criticism from economic quarters in recent years, mainly because of its management of the exchange rate. In terms of its response to COVID-19, however, it has generally done as much as it can. The main thing a central bank can do is provide liquidity to the economy by making it easier and cheaper for individuals and firms to borrow. Only governments can ensure that individuals and businesses remain solvent through the crisis. Only the government can provide a genuine economic safety net to cushion the blow of this “Act of God” event.

Here, is the assessment of the CBN policies in response to the pandemic.

#### **\* Size of stimulus**

Putting all the credit facilities the Central Bank has made available or promised gets us somewhere between ₦1.2 trillion and ₦3.5 trillion or 2-3% of the economy. This pales in comparison to measures enacted elsewhere. For example, in the United Kingdom, the Bank of England has already pumped £200 billion (roughly 7% of GDP) into the economy and the government's loan guarantee programme is equivalent to over 10% of national GDP. Even in Australia, the Federal Reserve Bank created a short-term lending facility for businesses that is equivalent to 4% of its annual GDP. All in all, even if ₦3.5 trillion additional credit finds its way to Nigerian individuals and businesses, it would fall far short of measures taken overseas.

**\* The big winner**

There is one clear winner from the CBN policies: the manufacturing sector. The apex Bank has set up a ₦1 trillion support facilities for local manufacturing, a fantastic idea as it is a sector that will be particularly hit by a weaker currency and disruptions to global supply chains. More importantly, boosting local production is a necessary long-term response to the COVID-19 crisis and will set up Nigeria quite nicely to take full advantage of the African Continental Free Trade Area agreement.

**\* The big loser**

Early indications from abroad suggest that service industries are likely to be harder hit by the COVID-19 pandemic, particularly in the event of a domestic lockdown. Both global and domestic PMI readings are much lower for service industries.

<b>Comparison of Manufacturing and Services PMI for March 2020</b>		
	<b>Manufacturing</b>	<b>Services</b>
Eurozone	44.8	28.4
Germany	45.7	34.5
France	42.9	29.0
UK	48.0	35.7
Japan	44.8	32.7
Australia	50.1	39.8
United States	49.2	39.1
*Nigeria	51.1	49.2
*Nigeria Services PMI includes agriculture Source: HIS Market, Central Bank of Nigeria		

Furthermore, the service sector is the largest part of the Nigerian economy, accounting for roughly 60% of GDP and employing 45% of all workers. Real Estate and Trade alone account for more than 20% of national GDP. Most SMEs also operate within the service industry and will need help in navigating the crisis. This is worrying because apart from selected industries (e.g. aviation), the announced initiatives do not directly cover service industries and the workers employed there. Even if the entire ₦50 billion Targeted Credit Facility went to the services sector, that would be less than 0.5% of services GDP. At the moment, this lack of support for service industries is a glaring hole in Nigeria's COVID-19 response and could lead to severe economic pain.

## **Nigeria's Insufficient Economic Response**

As discussed earlier, Nigeria's fiscal restraints means that it will not act as forcefully to avoid the economic repercussions of either the global economic downturn or a local pandemic. To a large extent, businesses must prepare to fend for themselves and find ways to survive. Unlike richer economies, Nigeria will not be able to put the economy on ice until things get better so businesses and individuals can expect limited support in the event of a lock-down. In particular, businesses can expect a lengthy liquidity crunch. Accessing credit facilities might help with the liquidity crunch but there needs to be a clear plan on how to manage these liabilities in the medium-term as the economic impact will outlast the viral pandemic.

All of this means that businesses can expect recessionary conditions for a prolonged period, so non-essential products will be even harder to sell. On the plus side, Nigeria recently endured a recession, so we know a little bit about how consumers behave in a recessionary environment. For example, the 2016 recession and foreign exchange prices made domestic consumers particularly price-sensitive and encouraged them to switch from expensive brands to cheaper products. Those habits have been hard to shift, and many consumer goods companies have altered their product mix in response. In the same vein, businesses can expect changes in consumer trends to persist beyond the pandemic. Early observations from China suggest that people are favouring more indoor-based consumption than before; some of it may be out of concern over their safety, some of it is status quo bias that makes it hard for people to switch away from newly ingrained habits, and some of it is that consumers discovered that they prefer the changes they have made.

## **Conclusion**

The covid-19 pandemic is a wake-up call to policy-makers as the unusual and unprecedented nature of the crisis has made it impossible for citizens to rely on foreign health services and more difficult to solicit for international support given the competing demand for medical supplies and equipment. A more integrated response spanning several sectors- including the health, finance, and trade sectors- is required to address, tame or cushion structural issues that makes the country less resilient to shocks and limit its range of policy responses. In the long term, tougher decisions need to be made, including but not limited to diversifying the country's revenue base from oil exports and improving investments in the healthcare sector in ensuring that the economy is able to recover quickly from difficult or precarious conditions in the future.

## References

- Adhikar et al. (2020) Infectious Diseases of Poverty. 9:29. Retrieved from <https://doi.org/10.1186/540249-020-00646-x>.
- Akanni OL et al. (2020) The Implication of Covid-19 on Nigerian Economy, Centre for the study of the economies of Africa (CSEA) March 25, 2020. Retrieved from [cseaafrica.org/the-implication-of-covid19-on-the-nigerian-economy/#\\_ftnref1](https://cseaafrica.org/the-implication-of-covid19-on-the-nigerian-economy/#_ftnref1).
- Bloomberg (2020) Africa Needs \$100 Billion Stimulus to Combat Virus, 23 March 2020. Retrieved from <https://www.bloomberg.com/news/articles/2020-03-23/africa-needs-waiver-on-44-billion-interest-bill-to-combat-virus>.
- China CDC (2020) 2019 Novel coronavirus, Wuhan, China. Retrieved from <https://www.cdc.gov/Coronavirus/2019-nCoV/summary.html>.
- Central Bank of Nigeria (2020) Purchasing Managers' Index Report for March 2020. Retrieved from <https://www.cbn.gov.ng/Out/2020/STD/MAR%202020%20PMI%20Report.pdf>.
- Central Bank of Nigeria (2020) CBN Policy Measures in Response to COVID-19 Outbreak and Spillovers, 16 March 2020. Retrieved from <https://www.cbn.gov.ng/Out/2020/FPRD/CBN%20POLICY%20MEASURES%20IN%20RESPONSE%20TO%20COVID19%20OUTBREAK%20AND%20SPILLOVERS.pdf>.
- Central Bank of Nigeria (2020) Guidelines for the Implementation of the ₦50 Billion Targeted Credit Facility, 23 March 2020. Retrieved from <https://www.cbn.gov.ng/Out/2020/FPRD/N50%20Billion%20Combined.pdf>.
- Central Bank of Nigeria (2020) Guidelines for the Operations of the ₦100 Billion Credit Support for the Healthcare Sector, 25 March 2020. Retrieved from <https://www.cbn.gov.ng/Out/2020/FPRD/healthcareintervention.pdf>.
- Chukwuka Onyekwena, Mma Amara Ekeruche (2020) Understanding the Impact of the Covid-19 outbreak on the Nigerian Economy, Brookings. Wednesday, April 8, 2020
- Fauci et al (2020) Covid-19- Navigating the Uncharted. New England Journal of Medicine. 382:1268-1269. Doi: 10.1056/NE/JME 2002387
- Gralinski LE, Menachery VD. (2020) Return of the coronavirus: 2019-nCoV. Viruses.12:135.
- Huang C, Wang Y, Li X, Ren L, Zhao Jianping, Hu Y, et al. (2020) Clinical features of patients infected with 2019 novel coronavirus in Wuhan, China. Lancet. 395:497–506. Retrieved from [https://doi.org/10.1016/S0140-6736\(20\)30183-5](https://doi.org/10.1016/S0140-6736(20)30183-5).
- International Monetary Fund (2020) Policy Steps to Address the Corona Crisis. Retrieved from <https://www.imf.org/~media/Files/Publications/PP/2020/English/PPEA2020015.ashx>.
- International Monetary Fund (2020) Fiscal Policies to Protect People During the Coronavirus Outbreak, 5 March 2020. Retrieved from <https://blogs.imf.org/2020/03/05/fiscal-policies-to-protect-people-during-the-coronavirus-outbreak/>.

- KPMG (2020) COVID-19: Economic Impact & Pandemic Planning. Retrieved from <https://home.kpmg/ng/en/home/insights/2020/03/covid-19--economic-impact---pandemic-planning.html>
- Lu H, Tang CW, Tang Y.(2020) Outbreak of pneumonia of unknown etiology in Wuhan China: the mystery and the miracle. *J Medl Virol.*; doi: <https://doi.org/10.1002/jmv/25678>.
- National Bureau of Statistics (2020) Foreign Trade in Goods Statistics (Q4 2019). Retrieved from <http://nigerianstat.gov.ng/download/1067>.
- NCDC (2020) An update of COVID-19 outbreak in Nigeria. 01 May 2020. Retrieved from <https://ncdc.gov.ng/diseases/sitreps/?cat=14&name=An%20update%20of%20COVID-19%20outbreak%20in%20Nigeria>
- Premium Times (2020) Coronavirus: Nigeria cuts oil benchmark to \$30, slashes capital budget by 20%, 18 March 2020. Retrieved from <https://www.premiumtimesng.com/coronavirus/382605-coronavirus-nigeria-cuts-oil-benchmark-to-30-slashes-capital-budget-by-20.html>
- Rahman S, Bahar T. (2020) Covid-19: The New Threat, *International Journal of Infection*. 7(1): e102184. Doi:10.5812/iji.102184
- Reuters (2020) Coronavirus Very Likely of Animal Origin, no sign of Laboratory manipulation: WHO. April 21, 2020/11:26am
- Stears Business (2019) AfCFTA: A free trade agreement with no industries to benefit, 20 December 2019. Retrieved from <https://www.stearsng.com/article/acfta-a-free-trade-agreement-with-no-industries-to-benefit>.
- Stears Business (2020) Nigeria's economic response to COVID-19, 26 March 2020. Retrieved from <https://www.stearsng.com/article/nigerias-economic-response-to-covid-19>.
- StearsData (2020) Impact of Covid-19 on the Nigerian Economy, 26 March 2020. Retrieved from <https://www.stearsng.com/article/the-impact-of-covid-19-on-nigerias-economy>.
- World Health Organization (2019) Middle East respiratory syndrome coronavirus (MERS-CoV). 2019. Retrieved from <https://www.who.int/emergencies/mers-cov/en>.
- Xu X, Chen P, Wang J, Feng J, Zhou H, Li X, et al. (2020) Evolution of the novel coronavirus from the ongoing Wuhan outbreak and modeling of its spike protein for risk of human transmission. *Sci Chin Life Sci.*; <https://doi.org/10.1007/s11427-020-1637-5>.
- Zaki AM, Boheemen SV, Bestebroer TM, Osterhaus ADME, Fouchier RAM. (2012) Isolation of a novel coronavirus from a man with pneumonia in Saudi Arabia. *N Engl J Med.*;367:1814–20.

Zhou P, Yang XL, Wang, XG, Hu B, Zhang L, Zhang W, et al.(2020) Discovery of a novel coronavirus associated with the recent pneumonia outbreak in humans and its potential bat origin. bioRxiv. doi: Retrieved from <https://doi.org/10.1101/2020.01.22.914952>.