

# Nigeria and the Corona Virus Pandemic

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## Introduction

December 2019 birthed some pneumonia cases in Wuhan, China. According to some laboratory findings, the sickness was caused by a virus called Corona Virus (COVID-19). The disease is a new virus linked to some family of viruses known as Severe Acute Respiratory Syndrome (SARS) and was described as a deadly disease that causes serious respiratory conditions as well as influenza. The virus spreads primarily when an infected person coughs or sneezes and by touching of contaminated surfaces. Some medical experts also explained that the virus is airborne and can be transferred from one person to another. The virus comes with symptoms of fever, cough and shortness of breath. In more severe cases, infection can cause pneumonia or breathing difficulties. The outbreak of this pandemic has spread across 196 countries with 1,607,595 confirmed cases, 95,785 deaths and 357,164 recovered persons as at Friday, 10 April 2020.

## The Pandemic Behavior in Nigeria

In Nigeria, prior to the first confirmed case of COVID-19 of an Italian citizen on 27 February 2020, the government had on 31 January 2020 set up a "Corona Virus Preparedness Group" to fight the pandemic, as Nigeria was listed amongst thirteen high-risk African Countries by WHO. Due to the increase in number of people infected with the virus, on 9 March 2020, President Muhammadu Buhari established a Presidential Task Force to curb the spread of the virus and Federal Executive Council (FEC) meetings were indefinitely suspended. The Nigerian Senate responded by adjourning its' plenary session to 7 April, whilst the Nigerian House of Representatives adjourned indefinitely.

COVID-19 has nosedived religious activities as churches and mosques obey the ban on religious and social gatherings of more than 20 to 50 persons. Based on the foregoing, some churches resorted to "house-fellowship" and "electronic fellowships" to observe their Sunday worship.

The education sector was not left out as about 30 states announced immediate closure of schools and tertiary institutions ordered to shut down instantly. Consequently, the National Examination Council announced indefinite postponement of the March 2020 common entrance examination into 104 unity schools. The Joint Admissions and Matriculation Board suspended all activities for two weeks, whilst, the National Youth Service Corps' orientation which was scheduled from 10 to 30 March was ad infinitum suspended after 8 days of commencement. Also, the Professional examination bodies in Nigeria (Chartered

Institute of Stockbrokers and Chartered Institute of Accountants of Nigeria and the rest), suspended their examinations slated for March and May respectively.

Similarly, on 18 March the government placed a travel ban on thirteen countries with high cases of the virus, and also ordered the closure of all land borders for four weeks. Based on the above, about 30 states reacted by closing their sea, air and land boarders allowing only vehicles carrying food items, medical supplies and patients to have access to the states. The Nigerian Railway Corporation also responded by suspending all passenger services from 23 March.

Corporate entities were smart enough to announce partial closure of their offices and staff were asked to telework from home. It is envisioned that remote working may become the new style of working as corporate firms in Nigeria begin to consider the benefits of teleworking. Similar reactions were recorded in the sport-space as the Nigerian Football Federation suspended all football activities for four weeks, and the 20<sup>th</sup> national sports festival slated for 22 March to 1 April in Benin City was postponed. The Chief Justice of Nigeria, Tanko Muhammed ordered

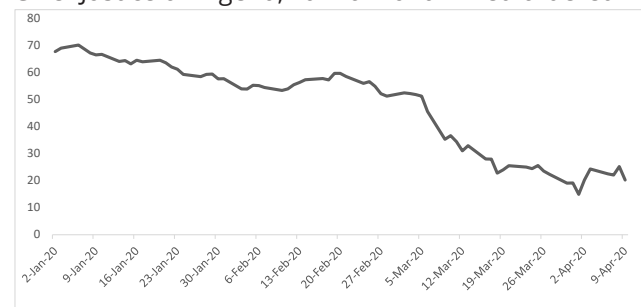


Figure 1 Daily Price of Brent from 02 January 2020 to 09 April 2020  
Source: Countryeconomy.com

all courts in Nigeria to shut down from 24 March, and the Independent National Electoral Commission announced suspension of all activities in fourteen days. The entertainment industry aligned with prior responses as Actor Guild of Nigeria banned movie sets across Nigeria indeterminately.

## The Impact of the Pandemic on Nigeria

The advent of the pandemic has affected every sector of the economy. Meanwhile, few of the impacts

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of the pandemic on the Nigerian economy are summarized below:

### Oil Sector

The emergence of COVID-19 has led to a dramatic fall in crude oil prices. For instance, the price of Brent crude was just over \$26 per barrel on April 2 compared to over \$60 it was sold for prior to the pandemic. With crude oil accounting for about 90% of Nigeria's exports, the decrease in oil prices will adversely affect the volume and value of Nigeria's net exports. Consequently, the petroleum sector of the economy will record a downturn in profit as a result of the unprecedented emergence of COVID-19. Figure 1 below is price of Brent from 02 January 2019 to 9 April 2020.

### Budget

Nigeria's 2020 budget was significantly tie to revenues from sales of crude oil with a projected inflow of N8.24 trillion, showing a 20% increase when compared to 2019 figure. The revenue expectations were premised on production of 2.18 million barrels per day, stable market price of \$57 per barrel and expected increase in global demand for crude oil. The emergence of COVID-19 has led to a review of prior revenue projections and fiscal outlook as government adjusted its projected crude oil price of \$57 to \$30 per barrel, whilst production of 2.18 million barrels of crude oil per day remains constant. According to the Minister of Finance, Budget and National Planning, Zainab Ahmed, the Federal Executive Council has approved a 20% reduction in capital budget and 25% cut in recurrent expenditures. Similarly, the Federal Government has also cut down on the size of federally funded upstream projects of the petroleum sector, and adjusted its customs revenue which was previously budgeted at N1.5 trillion. Accordingly, projected revenue from privatization proceeds were reduced by 50% due to the slowdown in economic activities.

Zainab Ahmed had earlier warned that Nigeria may slip into recession if COVID-19 pandemic lingers for 6 months. Consequently, experts have supported the Minister's projection based on the unprecedented sharp drop in global crude oil prices (Nigeria's main source of income) to below \$30 per barrel, with projections that it will dip further going by the price war amongst key players in the industry amid the pandemic. It is believed that, the country may not escape economic crunch as economic indicators nosedive.

### Productivity

The lockdown of businesses and movement of persons has affected production of goods and services. Since the informal sector which contributes about 41% of the country's Gross Domestic Product (GDP) does not have the facilities to work at home like some Companies in the formal sector of the economy, the "work from home" policy may not apply

to artisans, and other crafts. In the formal sector, remote working may not apply to unskilled workers and workers whose work does not require the use of computers. Expectedly, GDP for the first and second quarter of year 2020 will plunge due to the shutdown of industries, businesses, corporate firms and some

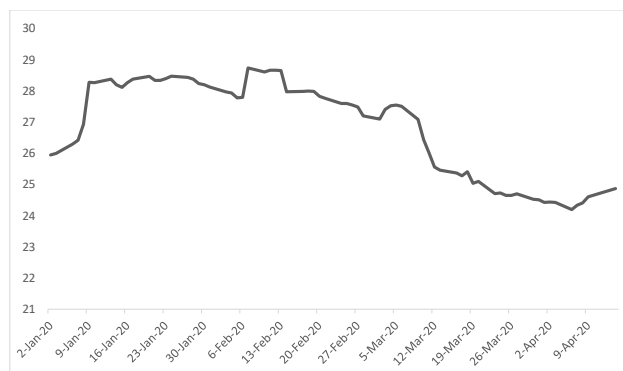


Figure 2 Daily Market Capitalization (NTrn.) from 02 January 2020 to 14 April 2020

Source: Nigerian Stock Exchange (Daily XDB Report).

government offices. In the same vein, the emergence of COVID-19 will aggravate the unemployment situation in Nigeria as the Minister of Finance had announced government's decision to stop recruitment, except for essential services like security and health services. Previously, the National Bureau of Statistics' (NBS) report ranked Nigeria 21st among 181 countries with unemployment rate of 23.1%. The country has also been rated as the poverty capital of the world with an estimated 87 million people living on less than \$2 per day threshold. With the embargo on recruitment, we foresee a dramatical increase in poverty, violence, youth unrest and unemployment in Nigeria.

### Financial Market

The Capital Market is on a free fall trajectory due to the pandemic. For instance, the Nigerian Stock Exchange recorded a loss of N2.3 trillion in the three weeks after Nigeria's first case of Corona Virus. Currently, uncertainty is a big factor in the financial markets with attendant implications for the real economy. As investors lose money and businesses lose capital, spending by both households and firms will decline. Figure 2 is the daily Market Capitalization from 02 January 2019 to 14 April 2020.

### Foreign Exchange

The pandemic has also led to a sharp drop in the value of the Nigerian currency (Naira) relative to the U.S. Dollar. The Naira which has remained relatively stable at N360/\$1 since mid-2017 has plunged to N430/\$1. This drop is due to the activities of bureau de change operators hoarding Dollars, and speculators attempting to hedge against potential loss in the event of devaluation. Nigeria's economy is import dependent, hence scarcity in the supply of Dollar affects most

businesses that require Dollars to fund importation of goods. Facing the reality of the moment, the Central Bank (Apex Bank) sold Dollars to banks at N380/\$1, whilst banks trading at the Investors and Exporter (I&E) window bought Dollars at N360/\$1 from the Central Bank compared to the prior price of N307/\$1. With the Naira falling against the Dollar, foreign investors are hesitant to hold naira-denominated assets and therefore selling off their naira assets.

### Interventions

To cushion the effect of COVID-19 on the economy, the Apex Bank has resorted to quantitative easing techniques, by reducing interest rates on all its' applicable intervention facilities from 9% to 5% per annum for one year effective from 01 March 2020. The Apex Bank has also provided 50 billion Naira (\$138.89 million) credit facility for households and small and medium enterprises with extension of the moratorium before payment of principal by one year. The health industry also benefited as the Central Bank gives a 100 billion Naira (\$277.78 million) loan to hospitals, healthcare practitioners and pharmaceutical companies in need of loan facilities to strengthen their operations. Similarly, the Apex Bank also gave a 1 trillion Naira (\$2.78 billion) to the manufacturing sector as loan. Meanwhile, the Central Bank has granted deposit money banks leave to consider temporary and timeline restructuring of the tenor and loan terms for businesses and households most affected by the pandemic.

Aside government and the Apex Bank's effort to cushion the effect of the pandemic on the economy, corporate organizations, religious bodies, non-government organizations and spirited Nigerians have contributed in cash and kind as well as relieve/medical materials to flatten the COVID-19 curve in the country. Some international bodies have also supported the country with technical aids that may prevent the country from sliding into recession. The media has also played an invaluable role of educating the public, monitoring and reporting of events around the pandemic.

Further to the above, the United Nations through its' humanitarian partners has installed hand-washing stations in Internally Displaced Persons (IDP) camps and ensuring supply of clean water. Partners are also distributing soaps and teaching women how to produce their own soaps. The United Nations team has developed messages, posters, videos and other communications aimed at increasing awareness about COVID-19 among IDPs and other vulnerable persons in the northeast. Sensitization campaigns are also reaching millions of Nigerians in various states through partnerships with major television stations and radio

channels in the country.

### Future Outlook

Experts have envisaged economic recession as a result of the COVID-19 outbreak. This is explained by predicted decline in household consumption due to economic hardship, hence, consumers will only spend on food and other survival items. Expectedly, corporate firms will embark on salary cuts and disengagement of staff as a result of a decrease in revenue and uncertainty in the economy.

Taking into consideration the uncertainty that is connected with the pandemic and the negative profit outlook on possible investment projects, firms are likely to hold off on long-term investment decisions. This decision may be due to the inability to project how long the pandemic will linger, and uncertainty in government policies during and after the pandemic.

The government is expected to proactively roll out more fiscal stimulus measures to resuscitate the economy. However, this text is not oblivion of the attendant effect of the decline in commodity prices on government's revenue. In the light of this, we foresee the government soliciting support from international communities and approaching international markets for loan facilities.

### Conclusion

Further to the above mentioned impacts of COVID-19 on the Nigerian economy, and the subsequent efforts by the federal government, all the thirty-six states, corporate organizations, international bodies, religious organizations, non-government organizations and spirited individuals to fight the spread of COVID-19 in Nigeria, it is expected that the country will triumph over the pandemic, if the "stay at home, wash your hands regularly, do not touch your facials, social distancing, hand sanitization and face-masking" measures are adhered to by Nigerians.

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