Economic impact of domestic responses to COVID-19: the case of Nigeria

Presentation by:

Mma Amara Ekeruche

CSEA
Centre for the Study of the Economies of Africa

Background

- Before the pandemic, Nigeria had been grappling with weak recovery from a recession in 2016, with GDP growth rate tapering around 2.3 percent in 2019. The debt service-to-revenue ratio has been at 60 percent for the past four years.
- The IMF revised the 2020 GDP growth rate from 2.5 percent to 2 percent, as a result of relatively low oil prices and limited fiscal space.

CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

The state of Nigeria amid COVID-19 pandemic

- So far, 2802 confirmed cases and 93 deaths, the sixth highest number of cases in Africa.
- Partial lockdown of Lagos, Abuja and Ogun states and several other states adopting full or partial lockdown measures. Intra-state travel banned.
  - Industries that are severely hit: aviation, hoteliers, tourism

CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Channels of pandemic's impact

- China, India and Turkey, the worst hit countries, are major trading partners
- Fall in global demand for oil; government revenue and major source of forex - devaluation of the naira
- Impending food security crisis given the reduction in food availability combined with the fall in household income
- Informal economy

CSEA
Centre for the Study of the Economies of Africa

Overview of the policy responses to the pandemic

Fiscal	Monetary
Cash transfer of ₦20,000 (US$55) and food distribution to the most vulnerable households	Interest rates on all CBN interventions have been revised downwards from 9 to 5%, and a one-year moratorium on CBN intervention facilities introduced
50% tax refund to businesses that do not retrench staff between March 31st and December 31st 2020	Liquidity injection of 3.6 trillion (2.4 percent of GDP) into the banking system
₦984 million has been released to Nigeria's Center for Disease Control (NCDC) for its operations as well as another ₦6.5 billion for purchasing medical supplies, opening isolation centres and training medical personnel	Facilitating ₦50 billion credit facility to small- and medium-sized businesses, ₦2 trillion to the manufacturing sector, ₦1.5 trillion to the real sector, and ₦100 billion to the health sector
₦500 billion in fiscal stimulus has been provided for establishing healthcare facilities and incentivizing employers to retain workers	

CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Assessing the nature and scale of the policy responses

- High level of unbanked population - 34.9 million adults representing 39.7% of the adult population were financially excluded – makes it difficult to efficiently facilitate cash transfers.
- Lockdown measures severely affecting businesses given the high level of informality – unregistered and small-scale businesses accounts for 65% of GDP.
- Absence of tax relief measures as individuals and registered companies are still required to pay tax.
- Fiscal stimulus of N500 billion is 0.3% of GDP and considerably low to counteract the fall in private sector spending.
- Fiscal stimulus in grants are heavily focused on the health sector as the monies provided to households and businesses are mainly credit facilities.

CSEA
CENTRE FOR THE STUDY OF THE ECONOMIES OF AFRICA

Opportunities from the pandemic

- Provision of credit facilities is enhancing local industrial capacity and make for import substitution. This should be supported by addressing legacy issues such as poor infrastructure, inconsistent power supply and an inefficient bureaucracy for the local industry to be competitive and exploit the crisis
- Strengthening the country's digital economy as businesses are adapting to providing remote service delivery and public institutions such as universities are incorporating virtual infrastructure and techniques including online courses
- Reducing the reliance on global supply chains as producers look inwards, utilize local resources and manpower in manufacturing goods

CSEA
Centre for the Study of the Economies of Africa

Conclusion

- In a nut shell, the responses have shown that despite the devastating effect of the pandemic, some gains could be realized.

CSEA
Centre for the Study of the Economies of Africa