

NIGERIA'S ECONOMY REACTS TO COVID-19

By Ifeoluwa Ogunbufunmi

On a daily basis, we all see the "*breaking news*" stirred by the global pandemic, COVID-19 (Coronavirus) and its catastrophic ripple effect on world economies. The leadership of many countries, including Nigeria, are grappling with this unprecedented challenge, all eager to do their best to manage the unforeseen downturns in several economic activities.

Most sectors have been affected by the impact of COVID-19 — Tourism, Oil & Gas, Financial Services, Manufacturing, Trade, Sports, Entertainment, Health; the list seems endless. Pro-active and strategic leadership has to be the order of the day.

In the past week, notable policies, restrictions and changes have impacted Nigeria's economy as result of COVID-19. As at Wednesday 25 March 2020, the Nigeria Centre for Disease Control confirmed 46 current cases and one confirmed death from COVID-19.

The Central Bank of Nigeria (CBN) recently issued new policy measures and set up some intervention funds to cater to heavily affected sectors of the economy. The new policy provides a one-year moratorium extension on principal repayments for all CBN intervention facilities. Participating financial institutions have been directed to provide new amortisation schedules to all beneficiaries of the intervention facilities. Accordingly, interest rates on all applicable CBN intervention facilities have been reduced from 9 percent to 5 percent per annum. The moratorium extension and interest rate reduction both have a back-dated effective date of 1 March 2020.

The CBN also established a N50 Billion Naira (~\$135 Million United States Dollars) targeted credit facility through the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance Bank applicable to households and small and medium-scale enterprises (SMEs). The credit facility will be extended to hoteliers, airline service providers, health care merchants, and other businesses adversely affected by COVID-19 in Nigeria.

More credit has also been extended by the CBN to pharmaceutical companies intending to expand and/or open drug manufacturing plants in Nigeria as well as healthcare practitioners intending to expand and/or build first-class standard health centres in the country.

The CBN has also granted Nigerian banks the requisite leave to consider temporary and time-limited restructuring of the tenor and other terms of subsisting loans to businesses and households, particularly in the Oil & Gas, Agriculture and Manufacturing sectors of the economy.

In addition, the CBN's Loan-to-Deposit Ratio (LDR) policy, which has proved successful in improving availability of credit facilities and reducing interest rates, has laid the foundation for the CBN's further

support to specific industries and the extension of additional incentives to maintain the capacity of banks to direct credit to individuals, households and businesses.

In furtherance of the above policies, the CBN has also issued guidelines for the implementation of the N50 Billion Naira targeted credit facility and provides for eligible participants, activities covered, funding, participating financial institutions, loan limit and tenor, interest rate, collateral requirement and repayment modalities.

On Friday 20 March, the CBN also adjusted the price of the official exchange rate by 15 percent from N307/\$1 to N360/\$1. This adjustment was necessitated by the global crash in oil prices. Depreciation at the “market determined” Importers & Exporters (I&E) window (the official market where foreign exchange is traded between banks, the CBN, foreign investors and businesses) is now at 5 percent, having moved from N360/\$1 to N380/\$1.

In the light of the speed at which COVID-19 is spreading, the Nigerian Civil Aviation Authority (NCAA) has also placed immediate restrictions on all international flights into Nigeria, with the exception of emergency and essential flights. All airlines are required to submit passenger manifests to the Port Health Authorities prior to the arrival of essential and emergency flights into the country. The Federal Government of Nigeria has also temporarily suspended the issuance of visas-on-arrival.

Without a doubt, the current impact and aftermath of COVID-19 across the world will be unprecedented. The comfort is that there is a commitment to have all hands on deck to manage the outcomes.

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