

KEY POINTS



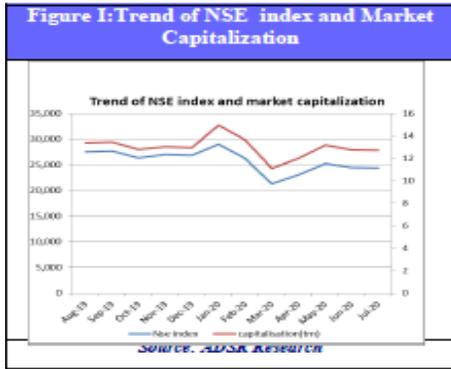
- The United Nations Trade and Development Agency (UNCTAD) put the cost of the Covid-19 pandemic at about US\$2 trillion in 2020.
- Due to the pandemic, the Nigerian economy is expected to contract by 5.4% in 2020 but grow by 2.6% in 2021.
- Diversification of the Nigeria's economy is the sustainable way to survive the current environment of global economic instability with the volatility of oil prices.

Covid-19 Pandemic and the Nigerian Economy

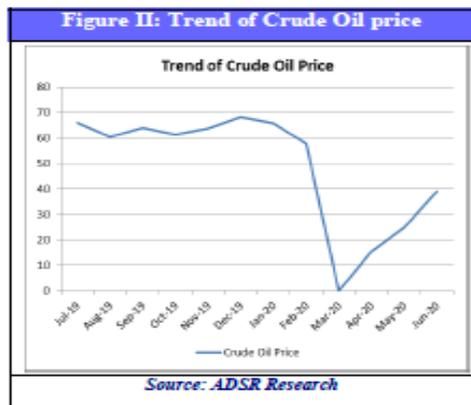
Perhaps for the first time in several decades, the world is witnessing a type of disease that does not discriminate based on age, gender or even race. The United Nations Trade and Development Agency (UNCTAD) put the cost of the Covid-19 pandemic at about US\$2 trillion in 2020 (CSEA, 2020). The global coronavirus outbreak now puts severe pressure on the world's economy. In Nigeria, the Country is still sluggishly grappling with recovery from the 2016 economic recession which was a fall-out of global oil price crash and insufficient foreign exchange earnings to meet imports. In the spirit of economic recovery and growth sustainability, the federal budget for the 2020 fiscal year was prepared with significant revenue expectations but with contestable realizations. The approved budget had earlier projected revenue collections at N8.24 Trillion, an increase of about 20% from 2019 figure. The revenue assumptions were premised on increased global oil demand and stable market with oil price bench mark and oil output respectively at \$57 per barrel and 2.18 Million Barrels per Day.

However, due to the pandemic, the country has revised the 2020 budget. For instance, the IMF recent forecasts show that the global economy will contract by 4.9% in 2020 and grow by 5.4% in 2021 while the Nigerian economy will contract by 5.4% in 2020 but grow by 2.6% in 2021. Similarly, the World Trade Organization predicts that global trade would decline between 13% and 32% (WTO, 2020).

As the global recession looms, sectors that are expected to be hit the hardest are the banking industry, construction, travel and leisure, entertainment, automotive, luxury goods, oil and gas, trade and transportation, which are all major employers of labor in Nigeria. A proxy for the Nigerian market stock performance is the Nigeria Stock Exchange Index (NSE All Share Index). The index which had earlier recorded a growth of 8.15% up to January, 2020 was observed to decline sharply by 21% by the end of April and currently, it has lost about 8.99% year to date.

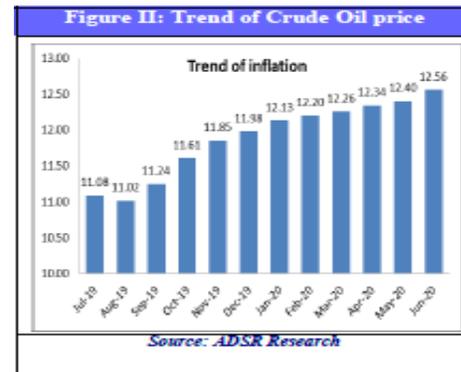


The outbreak of the covid-19 pandemic and its spread across the world has also forced the international oil market to a near stand-still, leaving crude oil price bonny light to crash from around \$60 per barrel to about \$39 as at June 2020, and this is caused by a fall in the world demand for crude oil. Although the crude oil prices have slightly recovered to around \$42pb, the price decline has a significant impact on the country’s foreign reserves. This has also impacted the exchange rate. For instance, the interbank rate which stood at N361/US\$ at the end of March 2020 now goes for N381/US\$ while the parallel rate has since moved from N415/US\$ to N470/US\$. All these have serious implications on the country’s ability to import both finished and intermediate goods, thereby affecting trade, production and consumption.



As Nigeria continues to deal with the economic effect of the covid-19 pandemic, inflation rate rises

to 12.56% (year on year) in June 2020 from 12.4% recorded in May, 2020. The country’s inflation rate is maintaining its upward trajectory, fueled by the supply constraints necessitated by lockdown. The trend could continue as Nigeria continues to deal with the effect of the corona virus pandemic, even as the country embarks on some precautions to ease the lockdown.



About 1.6 billion children and young people are unable to be physically present at school since March 2020, due to the temporary closure of schools, although some schools can endeavor to provide online classes, and this is largely unavailable in resource limited settings like Nigeria (UNICEF, 2020). Due to the existence of endemic ‘weak health care system in Nigeria where screening tests are not readily available, this as brought about an upsurge increase in the rate at which people contact the deadly disease. Therefore, diversification of the Nigeria’s economy is a sustainable way to survive the current environment of global economic instability with the volatility of oil prices. And the economy can be diversified through manufacturing, digital economy, agriculture, etc., in order to solve some basic problems of the economy. Meanwhile, one strongly wishes that the current global efforts towards developing an effective vaccine yield positive and affordable results with the attendant effect of buoying the global economy.

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