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. 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.

Impact of COVID-19 on Nigeria

Nigeria, like all the nations of the world, is navigating uncertain times. However, 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 adduced 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.

The Twin Shocks are expected to impact the economy through three channels: supply, demand and financial.

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The Supply Channel

In 2019, Nigeria’s imports from China was ₦4.3 trillion (25 percent of total imports), while imported manufactured goods took up about 70 percent of total imports. This is likely to be affected as China and the rest of the world have resorted to closing down factories, imposing travel bans and even total country lock-downs, as they struggle to contain the spread of the virus. This could put more pressure on inflation numbers (12.2 percent year on year as at February 2020) going forward as cost of local production goes up.

The Impact of Twin Shocks on Nigeria is Multifaceted

Potential Impact Scenarios

1. Fiscal and Government
   - Revenue pressures and debt sustainability issues
2. Monetary
   - Pressure on exchange rate stability
3. Financial Markets
   - Potential decline if FPIs/FDIs and reduced access to credit if global liquidity tightens
4. Businesses and Firms
   - Multi-faceted impact across the business and operating model as well as specific sectors
5. Individual
   - Potential pressure on income and purchasing power
The Demand Channel

There is a broad dampening of global demand due to the combination of the impact of COVID-19 and lock-down policy responses implemented to curb the spread of the virus. This depressed demand has filtered to the demand of Nigeria’s major export - oil. For example, the top 5 major oil export destinations, India, Spain, Netherlands, South Africa, France and Italy are all battling the pandemic and are under lockdown.

This development is complicated by the disruption caused by oil market wars (instigated by Saudi Arabia and Russia) which is upsetting the demand and supply dynamics in the global oil markets. Oil prices have fallen to a level below $30 per barrel, oil inventories are accumulated as demand become increasingly dampened.

As the cases of COVID-19 accelerates in Nigeria (currently 91 confirmed cases) and spread across various states, together with the domestic policy response of restriction of movement and closure of businesses, domestic demand is expected to fall. This may worsen as companies adjust to the new economic realities by laying off workers, further worsening the unemployment rate which was reported as 23.3 percent in last available data.

The Financial Channel

The global capital flows to emerging markets including Nigeria is expected to be disrupted by the Twin Shocks. Given the role Foreign Portfolio Investment (FPI) plays as a major source of investment in our capital markets and fixed income markets, and more importantly, as a critical source of foreign exchange inflow to the economy. Depressing global capital flows will put significant pressure on Nigeria’s foreign exchange reserves and exchange rates.

Beyond the dynamics of foreign portfolio inflows, these Twin Shocks could potentially impact the banking sector’s access to trade lines from international banks which will in turn impact external trade activities in the domestic economy.
Pandemic Planning as Part of an Overall Resilience Strategy

With regard to the COVID-19 outbreak, here are some tips on the activities that organisations have initiated so far, or have accomplished across their respective business units.

Activities already taken by most organisations to date

1. Governance
   • Establish a Pandemic Planning/Preparedness Team consisting of executive-level members.
   • Educate personnel, at both the family and employee level.
   • Sign up for local emergency management agency alerts.

2. Human Resources
   • Review/update/create work from home policy.
   • Update intranet site to link to the World Health Organisation (WHO), local public health departments, etc.
   • Confirm employee contact information is current and distributed appropriately.

Activities that should be performed on an ongoing basis to mitigate impact of the crisis

1. Business Continuity/Information Technology
   • Confirm critical processes can be performed remotely or identify an alternative.
   • Validate essential tools to work remotely are available (i.e., laptop, VPN, etc.).
   • Increase network bandwidth due to increased telecommuting, etc.
   • Remote security access capabilities.
   • Establish a Help Line to assist employees who are not familiar with telecommuting or test thoroughly in anticipation of a pandemic.
   • Review the organisation's Risk Assessment and Business Impact Analysis to confirm the critical business sites, processes, products, services, and a prioritised list of customers that will be the focus of continued operations during a pandemic event.
   • Sign-off that the Pandemic Plan has been reviewed and approved by the Board of Directors or Committee annually.
   • Review the potential impacts on operations, customer service, SLAs, etc.
   • Ensure continuous supply of power and diesel for generators powering critical IT infrastructure.

2. Marketing/Communications
   • Develop communication vehicles and frequency targeting.
   • Develop a communication plan to facilitate consistent internal and external communications.
   • Determine the appropriate level of communication consistent with an organisation's protocol to keep employees informed without introducing unnecessary stress.

3. Security/Facility/Health & Safety
   • Direct leadership to follow guidelines published by leading global authorities, e.g., CDC, WHO.
   • Inventory hand sanitizers, ensuring appropriate distribution of devices near restrooms, kitchens, common areas.
   • Assess employee health and safety risks.
   • Increased facility cleaning.

4. Pandemic Planning/Preparedness Team
   • Closely monitor outbreaks and announcements as reported by WHO, the CDC, and local health and emergency management agencies.
   • Debrief and discuss any lessons learnt.
   • Assign any outstanding issues and report on the status of such issues until resolution.
   • Open limited service locations with limited services, if applicable.
   • Migrate to 100% virtual operations if needed.

5. Finance
   • Review cash flow and revise expenditures as necessary.
   • Work with supply chain for inventory forecasts and predict supply and demand.
   • Assess financial stability and identify variables that will impact revenue and cost.
   • Define scenarios that address global slowdowns, model cashflows, etc.
   • Include trigger-based moves in each scenario to stabilise organisations.

Activities that should be performed following the event

1. Human Resources
   • Issue guidelines provided by public health sector.
   • Communicate with personnel to return to the worksite, once they are healthy and/or no longer caring for an ill family member and after any quarantine periods.

2. Pandemic Planning/Preparedness Team
   • Debrief and discuss any lesson learnt.
   • Assign any outstanding issues and report on the status of such issues until resolution.
   • Protect customers by facilitating a no-penalty situation/fees for cancellations.
   • Consider offering discounts to customers to preserve loyalty.

3. Business Continuity/Information Technology
   • Update the pandemic plan and any other related business continuity/resilience plan based on lessons learnt.
Economic and Regulatory Updates

Listed below are fiscal and economic stimulatory measures recently put in place by the various levels of government aimed at ameliorating the impact of the pandemic on taxpayers and save their economies from collapse:

1. Central Bank of Nigeria (CBN)

The Central Bank of Nigeria announced policy measures worth ₦3.5 trillion that includes:

- Additional moratorium of 1 year on CBN intervention facilities.
- Interest rate reduction on intervention facilities from 9% to 5%.
- Creation of ₦50 billion target credit facility for affected households and small and medium enterprises.
- Granting regulatory forbearance to banks to restructure terms of facilities in affected sectors.
- Improving FX supply to the CBN by directing oil companies and oil servicing companies to sell FX to the CBN rather than the Nigerian National Petroleum Corporation.
- Additional ₦100 billion intervention fund in healthcare loans to pharmaceutical companies and healthcare practitioners intending to expand/build capacity.

CBN Suspends Forex Sales to BDC Operators Till Further Notice

Following the request of the Association of Bureau de Change Operators of Nigeria (ABCON) to declare market holiday on it’s members weekly bidding, the Central Bank of Nigeria (CBN) has suspended the sales of foreign exchange to operators of Bureau de Change until further notice.

CBN Health Intervention Fund Gets New Interest Rate by March 2021

The CBN had on Thursday said that interest rate on its health intervention facility, which was reduced to 5% over a week ago, shall revert to 9% p.a. (all-inclusive) as from 1st March 2021. The CBN had introduced a ₦100 billion credit support intervention for the health sector as part of the measures to mitigate the effect of the Coronavirus pandemic on the economy.

- Identification of few key local pharmaceutical companies that will be granted funding facilities to support the procurement of raw materials and equipment required to boost local drug production.
- ₦1 trillion in loans to boost local manufacturing and production across critical sectors

2. House of Representatives (HORs)

The HORs on Tuesday, 24 March 2020 passed the Bill which seeks to:

- Protect employees from loss of jobs as a result of COVID-19 by granting a 50% income tax rebate on the total actual amount due or paid as pay-as-you-earn (PAYE) tax under the Personal Income Tax Act, 2004 (as amended), to Nigerian companies who retain all their employees from 1 March 2020 to 31 December 2020.
- Suspend import duties on medical equipment, medicines and personal protective gears required for the treatment and management of COVID-19 for three months, effective 1 March 2020.
- Introduce a new moratorium on mortgage obligations of Nigerians under the National Housing Fund.

3. Federal Inland Revenue Service (FIRS)

- Extension of timeline for filing of income tax returns for Nigerian companies’ income tax returns by one month.
- Use of electronic platforms for payment of taxes and processing of tax clearance certificates.
- Filing of tax returns by taxpayers without audited financial statements which must be submitted within two months of the revised due date of filing.
- Proposed creation of a portal where documents required for desk reviews and tax audits will be uploaded by taxpayers for online access by the tax authority.

4. Lagos State Internal Revenue Service (LIRS)

- Extension of deadline for filing annual tax returns for employees and self-employed persons by two months from 31 March 2020 to 31 May 2020.

5. Nigerian Stock Exchange (NSE)

- Grant of a 60-day extension to issuers and dealing members for filing of 2019 full year financial reports, from 30 March 2020 to 29 May 2020.

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