Contact Address

Africa International Trade & Commerce Research
Center Court 1, 46 Crescent off 4th Avenue, Gwarinpa Abuja, Nigeria
+2349074690373; +2348147429461, +2349058603907
Email: mail@africainternationaltrade.com
Tw:@africatradelink
IG: africa international trade
FB: www.facebook.com/africainternationaltrade
www.africainternationaltrade.com

NACCIMA, National Secretariat:
8A Oba Akinjobi Way, Ikeja-GRA, Lagos, Nigeria
info@naccima.com
http://www.naccima.com
NATIONAL SURVEY REPORT
ON THE IMPACT OF COVID-19
ON NIGERIA PRIVATE SECTOR
This report has been prepared and produced by Africa International Trade & Commerce Research (AITCR) to provide information on all issues which form the subject matter of the document. AITCR hereby certifies that all the views expressed in this document accurately reflect the views of the respondents surveyed or interviewed for this study, and background information is based on information from various sources that it believes are reliable; however, no representation is made that it is accurate or complete. Whilst reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors, or facts or any view expressed herein by AITCR for actions taken as a result of information provided in this report. Any ratings, forecasts, estimates, opinions or views herein constitute a judgment as at the date of this document. If the date of this document is not current, the views and content may not reflect AITCR current findings and/or recommendations.
Africa International Trade & Commerce Research (AITCR)

Africa International Trade & Commerce Research (AITCR) is an international trade consultancy firm for the African market that works on four key areas; Trade, Research, Policy and Invest-in- Africa.

AITCR is a knowledge based organization that delivers forward-thinking innovative research with relevant data that supports evidence based decision-making, covering various sectors. Our solution offerings are in policy advisory, policy research, policy reform support, trade research, trade facilitation, monitoring & evaluation, impact assessment, capacity development, and data gathering amongst others. AITCR regularly collaborates with policy makers, governments, development partners, civil society organizations, private organizations, and institutions to enhance the availability of data; which enriches evidence-based decision-making.

AITCR is also proud of its wealth of experience and the knowledgeable team that works in Nigeria and across Africa to offer services that are bespoke and stimulate economic growth.

Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA),

was established in 1960. The Association is the umbrella organisation for various affiliate member Chambers of Commerce within Nigeria. The Association’s membership is voluntary and encompasses City, State and Bilateral Chambers; Business/Professional Associations; and Corporate Bodies. The Association champions the course of business through its advocacy role and influences public policies that promote free enterprise.

O-analytics Research and Development Initiative (ORADI)

ORADI (O-analytics Research and Development Initiative) is a private sector support and knowledge house for the effective implementation of sustainable development goals, SDGs, in Nigeria. We do critical research, conferences, workshops training and policy analysis in support of Sustainable Development Goals (SDGs) and transformational change.
International Trade & Research Centre

International trade and research centre is an independent not-for-profit think-tank, that works on trade facilitation, knowledge repository designs, processes and negotiations in regional and continental trade, capacity building, monitoring and evaluation of international (regional and continental) trade pacts, policy research and consultancy services on cross-border trade, investment and economic growth and development, technical assistance and advisory services to government and non-government institutions on economic diplomacy initiatives, regional and continental free trade areas; stakeholder engagement on trade and economic growth policy matters.
ACKNOWLEDGEMENTS

The success of this survey is attributed to the joint and team efforts of the Africa International & Commerce Research, the International Trade & Research Centre and the NACCIMA research Unit. More of this exemplary show of comradeship will be required for us to gain faster economic traction in post Covid-19 Nigeria private sector.

We want to specially appreciate my brother and friend Mr Opeyemi Alaran, Head of Research, Statistics and IT unit at NACCIMA for his tireless efforts and involvement in the planning, implementation and review of the research findings; your contributions are highly commendable.

Many thanks goes to all our institutional partners on this project: Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA), Abuja Chamber of Commerce & Industry (ACCI), O-Analytics Research and Development Initiative (ORADI), Organisation of Women in International Trade (OWIT) and other reputable business associations that gave us access to their platforms to administer the research questionnaires to their members.

We wish to express our gratitude to Amb. Ayo Olukanni, the Director General, NACCIMA, Prof. Ebere Onwudiwe, Chairman ORADI, publishers of SDGs Monitor Journal, and Prof. Adesoji Adesugba, Founder & Provost ACCI BEST Centre and National Coordinator GMMAN, Madam Blessings Irabor, the National President of OWIT and Mr Titus Olowokere, Executive Director / CEO, U.S.-Africa Trade Council and Convener U.S- Nigeria Trade Council for their relentless support, encouragement and indefatigable zeal in driving the project to completion.

Finally, we thank all the research analyst that work on the project, Oluwafemi Ojo, Obi Paul Chukwuere, Olayinka Busari, and Nneoma Oderinde for their tenacity, dedication, focus and result oriented disposition. We also appreciate our respondents and business association leaders for their invaluable contributions and cooperation.

Post-COVID-19 Nigeria private sector will require collaborative effort by all stakeholders.

Sand Mba Kalu
Executive Director
Africa International Trade & Commerce Research
# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>7</td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>9</td>
</tr>
<tr>
<td>ACRONYMS AND ABBREVIATIONS</td>
<td>11</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>12</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>14</td>
</tr>
<tr>
<td>2.0 STUDY BACKGROUND</td>
<td>16</td>
</tr>
<tr>
<td>3.0 STUDY RATIONALE</td>
<td>19</td>
</tr>
<tr>
<td>4.0 STUDY OBJECTIVE</td>
<td>19</td>
</tr>
<tr>
<td>5.0 METHODOLOGY</td>
<td>20</td>
</tr>
<tr>
<td>6.0 SURVEY SAMPLE</td>
<td>20</td>
</tr>
<tr>
<td>6.1 Survey instrument and method of data collection</td>
<td>20</td>
</tr>
<tr>
<td>7.0 ANALYTICAL TECHNIQUES</td>
<td>21</td>
</tr>
<tr>
<td>8.0 DATA ANALYSIS AND INTERPRETATION</td>
<td>21</td>
</tr>
<tr>
<td>8.1 Demographic Information of Surveyed Businesses</td>
<td>21</td>
</tr>
<tr>
<td>8.2 Analysis of Expenses of Business Travel to China and</td>
<td>24</td>
</tr>
<tr>
<td>other Countries</td>
<td></td>
</tr>
<tr>
<td>8.3 Analysis of impact of COVID-19 on businesses performance</td>
<td>31</td>
</tr>
<tr>
<td>8.4 Analysis and Discussion of Product/ Goods and Services</td>
<td>34</td>
</tr>
<tr>
<td>Sourcing</td>
<td></td>
</tr>
<tr>
<td>8.5 Discussion of the impact of COVID-19 on Manufacturers</td>
<td>38</td>
</tr>
<tr>
<td>8.6 COVID-19 and Job Creation</td>
<td>40</td>
</tr>
<tr>
<td>9.1 RECOMMENDATIONS AND POLICY ACTIONS</td>
<td>42</td>
</tr>
<tr>
<td>Actions for Nigeria Governments</td>
<td>42</td>
</tr>
<tr>
<td>Actions for the private sector</td>
<td>43</td>
</tr>
<tr>
<td>REFERENCING</td>
<td>45</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 1: Average Brent price per barrel 14
Figure 2: Manufacturing PMI Data Series. 17
Figure 3: Non-Manufacturing PMI Data Series. 18
Figure 4: Distribution of respondents by geopolitical zone 21
Figure 5: Distribution by Number of Employees. 22
Figure 6: Distribution based on Establishment 23
Figure 7: Distribution based on ownership structure 23
Figure 8: Distribution based on gender with the highest percentage of shares in the business 24
Figure 9: Distribution based on number one region for sourcing product (semi-finished, finished) and raw material internationally. 25
Figure 10: Distribution based on number one country for product (semi-finished, finished) and raw material sourcing 26
Figure 11: Distribution based on frequency on oversea business trip per annum. 27
Figure 12: Distribution based on budget range for every business trip (That is the amount spent in buying goods) 27
Figure 13: Percentage Distribution based on range of money spend for round trip flight ticket. 28
Figure 14: Distribution based on range of hotel rate paid by respondents (USD$) per night. 28
Figure 15: Distribution based on average days spend in the number one country for sourcing product. 29
Figure 16: Distribution based on preplanned business trip this year 29
Figure 17: (a & b) Distribution based on travel plans that has changed in 2020. 30
Figure 18: (a & b) Distribution based on respondents awareness and knowledge level of COVID-19. 31
LIST OF FIGURES

Figure 19a &19b: Distribution based on impact of COVID-19 on business prospect for 2020 32
Figure 20 (a): Distribution on if COVID-19 has led to respondent revenue loss or gain. Fig 20b Distribution based on range of revenue loss so far 33
Figure 21: Distribution based on if COVID-19 has positive effect on respondents’ businesses 34
Figure 22: Distribution based on product respondents buy from the number one country they source their product from 34
Figure 23: Distribution based on if respondent has alternative destination for sourcing/buying their product and service 35
Figure 24: Distribution Based on Alternative Destination for Sourcing/Buying Product and Service 36
Figure 25: Distribution based on the level of cheapness of product from the closest alternative compared to product sourced from the country respondent currently source their products 36
Figure 26: Distribution based on benefits respondents gain from sourcing from the country they currently source their product 37
Figure 27 (a & b): distribution for alternative market/region for products & raw materials sourcing. 38
Figure 28: Distribution based on which of the raw materials can be sourced in Africa 39
Figure 29: Distribution based on actual challenge of sourcing raw material in Africa 39
Figure 30 (a & b) Distribution based on if COVID–19 increase the number of employment or job creation within your organization and on range of increase in staff strength (For yes respondents) 40
Figure 31 (a & b): Distribution of businesses having risk management system in place to manage or protect them against the effect of global risk 41
### ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfCFTA</td>
<td>Africa Continental Free Trade Area</td>
</tr>
<tr>
<td>AITCR</td>
<td>Africa International Trade and Commerce Research</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IATA</td>
<td>International Air Transport Association</td>
</tr>
<tr>
<td>ICBT</td>
<td>Informal Cross Border Trade</td>
</tr>
<tr>
<td>ICS</td>
<td>International Chamber of Shipping</td>
</tr>
<tr>
<td>IDI</td>
<td>In-depth Interview</td>
</tr>
<tr>
<td>NACCIMA</td>
<td>Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture</td>
</tr>
<tr>
<td>NBS</td>
<td>National Bureau of Statistics, Nigeria</td>
</tr>
<tr>
<td>NEPC</td>
<td>Nigerian Export Promotion Council</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, small and medium enterprises</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OPEC</td>
<td>Organization of Petroleum Exporting Countries</td>
</tr>
<tr>
<td>PMI</td>
<td>Producer Manufacturing Index</td>
</tr>
<tr>
<td>SARS</td>
<td>Severe Acute Respiratory Syndrome</td>
</tr>
<tr>
<td>SMEDAN</td>
<td>Small and Medium Enterprises Development Agency of Nigeria</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub Saharan Africa</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nation for Conference Trade</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WTI</td>
<td>West Texas Intermediary</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

More than 60 percent of the businesses that participated in the study are micro businesses with 66 percent employing less than 10 full-time workers, indicating the micro nature of the businesses that are into importation.

In view of the undeniable evidence of the economic downturn sequel to the outbreak of the coronavirus (COVID-19) pandemic, this survey was undertaken to trail the effect of the virus on the Nigerian private sector. This research report provides objective evidence on the impact of the coronavirus on the economy’s international trade with a specific focus on importers. The analysis covers businesses across the six (6) geopolitical zones of the country.

The research provides an in-depth report on the current state of the surveyed businesses. It detailed the demographic information of the businesses, the preCOVID-19 outbreak on travelling expenses, impact of the virus on the business outlook for the year 2020, region for raw material sourcing, the specific products being sourced from overseas, alternative markets for sourcing products, challenges of sourcing product from Africa and the impact of the outbreak on employment capability and job creation.

Questionnaires for the quantitative survey were administered to validated members of business and importers association platforms and through the Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) database and networks. The total of 100 businesses spread across the six (6) geopolitical zones of Nigeria. The qualitative data were collected using Key Informant Interviews (KII) that were semi-structured nature and administered to Ten (10) Chief Executive Officers (CEOs) and business owners, while five (5) business association leaders also participated in the interview, bring the total number of qualitative respondents to (20) twenty. A descriptive analysis was used in analysing the responses elicited from respondents. The recommendations were based on the key findings of the study.
GENERAL FINDINGS

- 97 percent of businesses that participated in the study had suffered revenue loss due to COVID-19 outbreak and the subsequent lockdowns

- More than 60 percent of the businesses that participated in the study are micro businesses with 66 percent employing less than 10 full-time workers, indicating the micro nature of the businesses that are into importation. 22 percent employ from 10 to 49 workers indicative of their small size.

- Businesses from the South-West zone had more representation relative to other zones with 42 percent of the businesses located in the South-West zone. This is not surprising considering the fact that Lagos located in the south-west zone is Nigeria’s major commercial center. Furthermore, 24 percent of businesses surveyed are located in the North Central, while 19 percent are located in the North-West. Businesses located in the South-East and South-South accounted for 8 and 5 percent respectively.

- Our findings reveal that 88 percent of the respondents spend less than one million USD$ in buying goods. This further validates the assertion that the majority of businesses fall within the small and medium scale range.

- The Study reveals that 67 percent of the respondents had their travel plans truncated due to the COVID-19 outbreak.

- We also found out that 54 percent of the respondents’ source their production inputs (raw, semi and finished) and machinery from Asia, while 43 percent source their production inputs specifically from China. These production inputs ranges from brand labels for fabric, computer and accessories, solar energy products, agro-inputs and farm machines, medical equipment, pharmaceutical raw materials, cosmetic raw materials, and many more

- 89 percent of the respondent have their business prospect for the year 2020 impacted by the COVID-19 pandemic. While 67 percent of respondents who indicated that their business prospect has been impacted reveals that the level of impact is very high, that is “very impactful”.

- 79 percent of the respondents opined that Africa can be their alternative market destination to source for raw material. However, the study revealed that lack of adequate standards (of quality) is the number one challenge to sourcing production inputs from Africa.

- 72 percent of the businesses surveyed experienced a contraction in job creation, due to COVID-19.
INTRODUCTION

As corona virus disease which was officially named “COVID-19” by the World Health Organization (WHO) continues to spread, the situation has led to a tense climate off uncertainty across the globe. Declared a pandemic by the WHO on 11th March 2020, COVID-19 has become a global health crisis. Situation reports reveal that as of 19th April 2020, there have been 2,397,217 globally confirmed cases and global deaths of 162,956 recorded. In Africa 15, 555 cases have been confirmed while 704 deaths have been recorded. In Nigeria, total confirmed cases rose to 541 with 19 deaths as at the time of writing this report. These rates however are still on the rise as a global peak level is yet to be reached.

The pandemic is undoubtedly affecting people’s lives and its impact on social-economic life and livelihood is currently reverberating across all industries with virtually all the countries of the world getting a bitter share of the disruption in the supply chain. Its impact is felt across health, financial, security and stock exchange, foreign trade, transport and high-tech industries amongst others. In January 2020 China’s manufacturing Purchasing Managers’ Index (PMI) survey results, was 50.0 percent, slightly fell 0.2 percentage point over the previous month. The situation got worst due to the novel coronavirus, for the first time in 16 years the world’s largest exporter experience a drastic reduction in its manufacturing PMI in February, 2020 to 37.5 percent - the lowest reading since 2004. For many companies, the limited use of inventories brought by a lean and just-in-time manufacturing process has resulted in shortages that have negatively impacted their production capabilities and overall exports.

Nigeria alongside other Africa countries’ economy are in critical times with the tendency for the Africa continent to receive the greatest hit. Nigeria as a monolithic economy, depends on proceeds from crude oil for her foreign exchange and government spending. The country’s oil proceeds have been greatly affected, as China which is the factory of the world, the highest exporter of the world and one of the major buyers of Nigeria crude oil has significantly scaled down its product and drastically reduced her oil demand. Nigeria’s trade relationship with China makes her highly vulnerable and the situation has blurred her economic outlook for the year 2020.

Figure 1: Average Brent price per barrel

Source: OPEC, 2020
More so, the continued contraction of Nigerian Bonny light price which now hovers below USD$25 barrel per day (bpd) is below Nigeria’s initial USD$57 crude oil price benchmark that was inadvertently reviewed downward to USD$30 bpd in the 2020 national budget is one of the consequences of the pandemic. This is substantiated by figure 1 which reveals the rapid fall in the average Brent oil price.

On March 26th, 2020, the International Monetary Fund (IMF) reviewed Nigeria’s projected economic growth rate downward to 2.0 percent from earlier 2.5 percent at the beginning of the year. Expert however agrees that in view of the current reality this projection might be far from been realized without the necessary fiscal and monetary policy actions been put in place. These policies are expedient at this time to cushion, the blistering blows of the pandemic, which is currently reverberating across all sectors of the Nigerian economy. The impact of the pandemic is also weighing down on Nigeria’s foreign reserve which continues to drop consistently, currently at USD$35.94 billion (liquid as of March 2020) compared to USD$37 billion recorded in December 2019 (liquid). Non-oil import and export volume is most likely to take a hit in 2020 the first and second quarters as china’s domestic demand for imports is slowly plummeting. In 2018, Cocoa, Rough Wood, Leather and Ethylene polymer which top the list of Nigeria’s non-oil export to China was valued at USD$12.3 Million, USD$217, USD$11.7 million and USD$39.8 Million respectively. Likewise, from 2014 to 2018 export and import from China summed up to USD$8.3 billion. On the backdrop of the raging pandemic, Nigeria’s external sector outlook for the first half of the year 2020 appears gloomy. The effect becomes more detrimental to the survival of the country’s economy with countries of the world moving away from multilateralism and responding by fighting for themselves with several measures to protect their own people and economies, regardless of the spillover effects on the rest of the world.

According to the World Customs Organization (WCO), a total of 32 countries and territories, adopted stringent and immediate export restrictions on critical medical supplies and drugs that were specifically meant to respond to COVID-19. As of 10th April 2020, an updated count of total export restrictions by the Global Trade Alert team at the University of St Gallen, Switzerland found a total of 102 restrictions from 75 countries. Succinctly, the impact of this action on Nigeria can be classified into: (i) exogenous effects which come from direct trade links between Nigeria in the Africa continent and affected partner continents such as Asia, Europe and the United States, the decline in remittances from Nigerian Diaspora; Foreign Direct Investment (FDI) and Official Development Assistance (ODA); and domestic financial market tightening amongst others. (ii) The endogenous effects which occur as a result of the swift spread of the virus in many African countries. On one hand, they are connected to morbidity and mortality. On the other hand, they lead
to a disruption of economic activities. This may cause, a decrease in domestic demand and tax revenue due to the loss of oil and commodity prices. This is also coupled with an increase in public expenditure to safeguard human health and support economic activities.

### Facts and Figures

<table>
<thead>
<tr>
<th>50.0%</th>
<th>37.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>China’s manufacturing (PMI) survey results in January 2020</td>
<td>China PMI for February, 2020 was 37.5% the lowest reading in 16 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USD$25</th>
<th>2.0%</th>
<th>USD$8.3B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigerian Bonny light price which now hovers below USD$25 barrel per day (bpd)</td>
<td>downward Nigeria’s projected economic growth rate</td>
<td>export and import from China summed from 2014 to 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USD$35.94B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria’s foreign reserve which continues to drop consistently, currently at USD$35.94 billion (liquid as of March 2020)</td>
</tr>
</tbody>
</table>

### 2.0 STUDY BACKGROUND

On the 29th March 2020, the President of the Federal Republic of Nigeria, Muhammad Buhari announced a cessation of movement in the Federal Capital Territory, Lagos and Ogun state to reduce the spread of COVID-19. The lockdown went into effect on 30th March 2020, for an initial period of fourteen days. During this time, businesses and offices remained closed and people were asked to stay at home. The directive came with the exemption of essential services like hospitals and healthcare facilities and some commercial establishments in the food, energy, petroleum, and security sectors. However, the lockdown was extended for another 14 days due to the discovery of new cases in the Country.

Prior to the lockdown the productivity level across key sectors of the Nigerian economy was already nose-diving in quick response to the disruption in the global supply chain. Figure 2, shows the composite Producer Manufacturing Index (PMI)
The lockdown went into effect on 30th March 2020, for an initial period of fourteen days. During this time, businesses and offices remained closed and people were asked to stay at home. The directive came with the exemption of essential services like hospitals and healthcare facilities and some commercial establishments in the food, energy, petroleum, and security sectors.

For the manufacturing sector expanded but at a very slow pace to 51.1 points in March 2020, compared to February the same year. The employment level index for March 2020, stood at 47.1 points\(^1\), indicating declines in employment level for the first time after recorded growth for several months, the manufacturing sector inventories index contracted for the first time in March 2020. At 49.4 points, the index dipped when compared to its level in February 2020.

**Figure 2: Manufacturing PMI Data Series.**

![Composite PMI, Employment Level, Raw Material Inventory, New Export Order, Production Level-rhs, New Orders-rhs](chart)

Source: AITCR, Computed from CBN March 2020 PMI Data\(^1\) (An Index above 50 points indicates an expansion, 50 points indicates no change and below 50 points indicates contraction)

Figure 3, shows the composite PMI for the non-manufacturing sector, which stood at 49.2 points in March 2020, indicating contraction in non-manufacturing PMI for the first time after thirty-four consecutive months of expansion. Import contracted to 39.1 points\(^1\), (see figure 3).
Business activity seems to be improving in China as shipping between facilities appears to be easing along with the movement of people, international shipping remains bottled up as ports are clogged. The prolonged shutdown of China meant that both inbound and outbound goods were stacking up at its ports and it may take months to clear the clog to allow for the free movement of vessels on its waters. Thus, the output from and income to Nigeria’s manufacturing sector and raw material importers from China may be constrained for as long as it takes for China to decongest its ports. In addition, while Nigeria’s seaports are likely to remain open, ports regulation on cargoes could become more stringent making it difficult for import-dependent manufacturers to access raw materials to continue their production process.

Other businesses, especially micro and small businesses, are also struggling to survive even though the CBN has set aside the sum of 50 billion Naira to support affected MSMEs especially those into agriculture and manufacturing activities. The capacity of the informal sector, which are the drivers of the economy to access the fund is very slim. Impacts are also felt through international trade disruptions leading to an increase in the cost of trade in the country.
3.0 STUDY RATIONALE

This assignment is a joint research project conducted by Africa International Trade & Commerce Research, the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), O-analytics Research and Development Initiative (ORADI) and International Trade & Research Centre (ITRC).

Presently, the pandemic is yet to run its course in Nigeria. However, after the spread dies down and China begins to come back to typical business action, it will take a long time to unwind the stresses inflicted on the country’s trading system. Experts agree that a return to the medium and long-term trends in trade is unlikely to occur before the third quarter of the year 2020.

However, very limited empirical studies have been carried out to determine the effects of the rapidly spreading disease on the Nigerian economy, especially on the import components of her external sector since the outbreak of the rampaging disease.

The level of Nigeria trade relationship with China, other Asian countries, Africa countries and Europe makes it very pertinent to carry out a baseline study to assess the actual impact of COVID-19 on the country’s external trade. The result of the survey will serve both governments (MDAs), businesses and stakeholders by giving them a better insight on the extent of economic damage and what we expect to see in the coming quarters thus reinforcing them with alternative options to mitigate and shield the economy from economic losses.

4.0 STUDY OBJECTIVE

Sequel to the foregoing background and rational it becomes germane to assess the economic impact of COVID-19, although the pandemic is at a less advanced stage in Nigeria due to relatively fewer international arrivals from Asia, Europe, and North America as well as strong precautionary measures taken by the government to contain the spread. Nonetheless, the Nigerian economy remains quite vulnerable to external shocks. Hence, the broad objective of this baseline study is to determine the impact of COVID-19 on the Nigerian economy.

Specifically, the study seeks to:

- **Evaluate the effect of COVID-19 on the importation of raw materials to Nigeria;**
- **Find out the effect of COVID-19 on the cost of business travel for product and raw material sourcing;**
- **Ascertain the implication of the COVID-19 on the importation of semi and finished products to Nigeria;**
- **Assess the implication of COVID-19 on Job creation and revenue;**
- **Ascertain the viability of an alternative source for products/ raw material import.**
5.0 METHODOLOGY

To achieve these objectives, the Africa International Trade and Commerce Research (AITCR), adopted quantitative and qualitative techniques.

For the quantitative technique, AITCR relied on secondary data from several available documents including journals & publications, World Health Organization publication, World Bank, African Union, Nigeria Centre for Disease Control (NCDC), International Monetary Fund publications, National Bureau of Statistics (NBS), Central Bank of Nigeria (CBN), Foreign Trade Statistics, African Trade Statistical Bulletin, policy documents, etc. These sources provided the requisite statistics needed for the validation of qualitative data to be collected.

6.0 SURVEY SAMPLE

For the purpose of this baseline study, sampled size of 100 registered businesses was randomly selected from the membership database of the Africa International Trade & Commerce Research (AITCR), the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), the Manufacturers Association of Nigeria (MAN) and the Abuja Chamber of Commerce and Industry (ACCI) as well as other verified business associations platforms. The baseline survey focused on the specified objectives aforementioned.

6.1 Survey Instrument and Method of Data Collection

Data-gathering for this project commenced on the 09th March 2020, and ended on the 10th April, 2020. The data gathering was facilitated by the use of online tools and telephone techniques to administer the survey questionnaires and key informant interviews.

Given the unique nature of the pandemic in Nigeria and the government directive on restricted movement, AITCR captured data from 100 businesses that cut across MSMEs and large enterprises that are into international trade as the sampled size of the survey. This sample is robust enough to eliminate the complexities that often crop up in business segmentation. It also enables data collection to cover at least three businesses from each sector of the economy.

The Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Abuja Chamber of Commerce and Industry (ACCI), Organisation of Women in International Trade (OWIT) and other verified business association platforms were very instrumental for successful administration of the questionnaires to their members and other stakeholders’ national wide.

The Key Informant Interview (KII) was conducted with Chief Executives Officers, business owners, manufacturers, importers, leaders of business associations and industry stakeholders using telephone techniques.

The KII was designed to ask a maximum of 20 respondents under (5) major sections. The sections reflected the objectives of the survey.
7.0 ANALYTICAL TECHNIQUES

Responses gathered were categorized and then analyzed using a simple descriptive method. Illustrative charts and relevant infographics were adopted in analyze the responses elicited from the field.

8.0 DATA ANALYSIS AND INTERPRETATION

8.1 Demographic Information of Surveyed Businesses

Here we present and discuss the demographic information of the respondents (CEOs and business owners) that participated in this study. Since the survey was designed to capture the effects of COVID-19 on the country’s external trade especially on businesses which rely on imports to augment their supply chains, the demographic information covers the year of establishment of respondent business, the number of employees, ownership structure and classification based on the geopolitical zone their businesses are located.

Figure 4: Distribution of respondents by geopolitical zone

![Location of surveyed businesses by geopolitical zone](source: AITCR Survey, 2020)

Figure 4 above shows the distribution of respondent businesses covered by the survey based on their geopolitical zones. This is quite imperative as the first step in decomposing the demographic information of businesses covered by the survey. Businesses from the South-West, Nigeria have more representation relative to other zones of the country as 42 percent of the respondents have their businesses located in the South-West zone. The fact that Nigeria’s major commercial center (Lagos) is located in the south-west accounted for this. 24 percent are located in the North Central, 19 percent of the businesses are located in North-West. While businesses sited in the South-East and South-South accounted for 8 and 5 percent respectively.
One of major ways of identifying business size is through the staff strength. The range of employees used in figure 5 is the standard for classifying businesses from micro to large businesses globally\(^6\). Figure 5 presents the percentage distribution of respondents by the number of employees. 66 percent of the respondents have less than 10 employees, indicating they are micro-businesses that are into importation. 22 percent employs from 10 to 49 workers, this implies they are Small Businesses. 8 percent employs between 50 to 199 workers, indicative of their medium-scale size, while 4 percent have a workforce of over 200 workers (Large scale). The largest percentage classified under micro and small scale businesses underscores the predominance of micro and small scale businesses in Nigeria. In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment\(^7\). These businesses are the bedrock of Nigeria’s industrialization and inclusive economic development and the most important component of industrialization as set out in the Economic Recovery and Growth Plan\(^8\).

\(^{16}\) One of major ways of identifying business size is through the staff strength. The range of employees used in figure 5 is the standard for classifying businesses from micro to large businesses globally. Figure 5 presents the percentage distribution of respondents by the number of employees. 66 percent of the respondents have less than 10 employees, indicating they are micro-businesses that are into importation. 22 percent employs from 10 to 49 workers, this implies they are Small Businesses. 8 percent employs between 50 to 199 workers, indicative of their medium-scale size, while 4 percent have a workforce of over 200 workers (Large scale). The largest percentage classified under micro and small scale businesses underscores the predominance of micro and small scale businesses in Nigeria. In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment. These businesses are the bedrock of Nigeria’s industrialization and inclusive economic development and the most important component of industrialization as set out in the Economic Recovery and Growth Plan.

\(^{17}\) One of major ways of identifying business size is through the staff strength. The range of employees used in figure 5 is the standard for classifying businesses from micro to large businesses globally. Figure 5 presents the percentage distribution of respondents by the number of employees. 66 percent of the respondents have less than 10 employees, indicating they are micro-businesses that are into importation. 22 percent employs from 10 to 49 workers, this implies they are Small Businesses. 8 percent employs between 50 to 199 workers, indicative of their medium-scale size, while 4 percent have a workforce of over 200 workers (Large scale). The largest percentage classified under micro and small scale businesses underscores the predominance of micro and small scale businesses in Nigeria. In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment. These businesses are the bedrock of Nigeria’s industrialization and inclusive economic development and the most important component of industrialization as set out in the Economic Recovery and Growth Plan.

\(^{18}\) One of major ways of identifying business size is through the staff strength. The range of employees used in figure 5 is the standard for classifying businesses from micro to large businesses globally. Figure 5 presents the percentage distribution of respondents by the number of employees. 66 percent of the respondents have less than 10 employees, indicating they are micro-businesses that are into importation. 22 percent employs from 10 to 49 workers, this implies they are Small Businesses. 8 percent employs between 50 to 199 workers, indicative of their medium-scale size, while 4 percent have a workforce of over 200 workers (Large scale). The largest percentage classified under micro and small scale businesses underscores the predominance of micro and small scale businesses in Nigeria. In Nigeria, SMEs contribute 48% of national GDP, account for 96% of businesses and 84% of employment. These businesses are the bedrock of Nigeria’s industrialization and inclusive economic development and the most important component of industrialization as set out in the Economic Recovery and Growth Plan.
Figure 6: Distribution based on Year of Establishment

![Bar chart showing the distribution of respondents based on the year of establishment of their businesses. More than half representing 71 percent of the businesses were established between 2006 and 2019. This percentage is the summation of 17, 30 and 24 percent of businesses established between 2006 to 2010, 2011 to 2015 and 2016 to 2019 respectively. These businesses have only existed for few years, which explains the reason for their expansive limitation in terms of staff strength. The impact of shutting down the economy and border closure due to the COVID-19 pandemic is expected to have a massive impact on these micro and small businesses due to their limited resources and financial strength to withstand the closure or an extended period.]


Figure 7: Distribution based on the Ownership Structure

![Pie chart showing the ownership structure of the businesses. The chart indicates that 88% are Nigerian owned, 8% are Nigeria-foreign owned, and 4% are foreign owned.]

Figure 7 presents the ownership structure of the business surveyed. It revealed that 88 percent of the businesses are Nigerian owned, 8 percent have Nigerian and Foreign ownership structure, while 4 percent have a foreign only ownership structure. This is expected since the majority of the businesses are micro and small businesses, which are basically managed by Nigerians. This is also a result of the Nigerian Enterprises Promotion Decree or NEPC degree 1972 as amended in 1977 which changed the ownership structure of businesses in Nigeria and provided the opportunity for indigenous capital to have assertive control of the economy. Under the decree, certain businesses are exclusively reserved for Nigerians, notable amongst them are micro and small businesses.

Figure 8 presents distribution based on gender with the highest percentage of ownership shares in the business. Data disaggregated by gender shareholders reveals the exceptional dominance of the male gender. The survey revealed that 56 percent of the surveyed businesses have male gender as the majority shareholder. 35 percent have female as the majority shareholder, while 9 percent have male and female having equal ownership share.

**Source: AITCR Survey, 2020.**

Figure 8 presents distribution based on gender with the highest percentage of ownership shares in the business. Data disaggregated by gender shareholders reveals the exceptional dominance of the male gender. The survey revealed that 56 percent of the surveyed businesses have male gender as the majority shareholder. 35 percent have female as the majority shareholder, while 9 percent have male and female having equal ownership share.

8.2 Analysis of Expenses of Business Travel to China and other Countries

With Nigeria’s economy significantly import-dependent, a dollar crunch typically affects a wide range of businesses that require hard currency to fund imports of input materials in the country. The coronavirus outbreak and tumbling oil prices are triggering a dollar shortage in Nigeria. This impacts negatively on business travels as import bills contract. The objective of this section is to give an overview of business performance prior to the coronavirus outbreak which eventually propelled many countries to close their borders. This section covers respondents traveling frequencies overseas before the border closure, cost of travelling, main continent and country they source their product from.
Figure 9: Distribution based on the number one region for sourcing products (semi-finished, finished) and raw material internationally.

What is your number one region for sourcing products/services internationally?

- Asia: 54%
- Europe: 19%
- Africa: 19%
- North America: 4%
- South America and the Middle East: 2%


Figure 9 reveals that Asia is the biggest source of Nigeria’s import with 54 percent of the respondents indicating they sourced their product (semi & finished) and production inputs from Asia, while 19 percent sourced their products and raw material from Europe, another, 19 percent sourced their products from Africa, 4 percent sourced their product from North-America and 2 percent from South America and the Middle East respectively. These products and production inputs range from brand labels for fabric, computer and accessories, solar energy products, agro-inputs and farm machines, medical equipment, pharmaceutical raw materials, cosmetic raw materials, and many more. The dataset from this study revealed that Nigerians have some level of business relationship with other African countries, so this provides answers to the question, people often ask-what does Nigeria buy from Africa? This is indicative that Nigeria does conduct a high volume of international business with other African countries.
In the first quarter of 2019, China was Nigeria’s biggest source of import, with 26.44% of total imports with an estimated sum of N979 billion. This appears to still hold true as a further decomposition to reflect the specific number one country respondents source their product from. Figure 10 reveals that 43 percent of the respondents source their product (semi-finished, finished, and raw material) from China. The high dependence of Nigeria’s economy on imports from China explains why Nigeria’s businesses have been badly hit by the COVID-19 outbreak. The massive contraction in China’s production as a result of the enforced lockdown of China’s economy to contain the spread, further worsen the impact on businesses in Nigeria. 19 percent of the respondents’ source products from Africa Countries. 12 percent source their product from the United Kingdom. 25 percent in total source their product from the remaining ten countries comprising; Germany, the United States of America, Turkey, India, UAE, Thailand, Brazil, Italy, and Canada. Regardless of the country businesses source their import the heat is felt across board as most of the countries have shut down their economy in order to contain the ravaging virus.

Source: ALTICR Survey, 2020
Figure 11: Distribution based on frequency on overseas business trips per annum.


Figure 11 reveals that more than half of the sampled business owners representing 58 percent do not have to travel more than once a year. This is however an indicative fact that physical presence are not necessary or required for cross border transactions to take place, when trust, risk management and technology have been established in cross border business relationship. The development of global e-commerce makes this a possibility. However, 24 percent of the respondent embark on overseas trips 2 to 3 times a year. 10 percent of the respondent embarks on overseas trips 4 to 5 times in a year and 6 percent travel overseas 6 or more times. According to the head of policy at the Abuja Chambers of Commerce and Industry, he said most of their members cancelled overseas trips since the outbreak of the coronavirus. Hence, the importation of Chinese products has declined noticeably. This has resulted in sporadic shortages of goods in the country. The International Air Transport Association (IATA) reported that airlines in Nigeria and other African countries would lose $40 million in revenue this year over flight disruptions due to coronavirus spread.

Figure 12: Distribution based on the budget range for every business trip (That is the amount spent on buying goods)

Source: AITCR Survey, 2020
Figure 12 presents the budget range allocated for goods purchase by each foreign business trip embarked upon by respondents. It reveals that 88 percent of the respondents spend less than one million USD$ for buying goods. The purchasing capacity of less than 1 million USD$ reveals the business categories of the majority of the respondent. This indicates that majority of the respondents fall within micro, small and medium scale businesses because the asset classification worth of small and medium scale business in Nigeria is less than 50 million Naira. However, 8 percent spends between one and five million USD$, while 4 percent spend beyond 6 million USD$. There is a strong indication that travelling expenses after the pandemic would change significantly.

**Figure 13: Percentage Distribution based on the range of money spent on a round trip flight ticket.**

![Bar chart showing the percentage distribution based on the range of money spent for each business round trip.](chart13.png)

**Source:** AITCR Survey, 2020

Furthermore, figure 13 gives the flight cost range for each business round trip embarkation by respondents to their number one country for sourcing products. The figure reveals that 33 percent spends less than N300, 000 for a foreign business round trip. 27 percent spends between N301, 000 and N500, 000 for a foreign business round trip. 28 percent spends between N501, 000 and N1, 000,000 for their foreign business round trip. 12 percent spends over N1, 000,000 and above.

**Figure 14: Distribution based on the range of hotel rates paid by respondents (USD$) per night.**

![Bar chart showing the distribution based on the range of hotel rates paid.](chart14.png)

**Source:** AITCR Survey, 2020.
Figure 14 presents the distribution based on the range for hotel rate respondents paid or each of their business trip to the stated country (USD) per night, further details from the figure reveals 48 percent spend between USD$ 101 and USD$ 200 while 41 percent spend less than USD$ 100. Only 10 percent spend above USD$ 200. This goes to show the majority of Nigerian business travelers prefer low cost, and average cost budget accommodation and are less concerned about luxury accommodations, while on business trip. This can also serve as a clue to those seeking to invest in hotels or seeking to plan for overseas business travel.

**Figure 15:** Distribution based on average days spend in the number one country for sourcing products.

On the average, how many days do you spend in your number one country for sourcing product for each business trip?

<table>
<thead>
<tr>
<th>Days</th>
<th>Respondents in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 days</td>
<td>19%</td>
</tr>
<tr>
<td>5 to 10 days</td>
<td>47%</td>
</tr>
<tr>
<td>10-15 days</td>
<td>27%</td>
</tr>
<tr>
<td>15-21 days</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Source:** AITCR Survey, 2020.

Figure 15 presents distribution based on average days respondents spend in the stated country for each business trip. Details from this reveal that 47 percent spend between 5 to 10 days while 27 percent spend 10 and 15 days. 19 percent spend less than 5 days. Only 7 percent spend between 15 and 21 days. With 47 percent spending between 5 and 10 days reveals time is an essential component, when conducting international transactions.

**Figure 16:** Distribution based on a preplanned business trip this year

Do you have preplanned business trip this year?

<table>
<thead>
<tr>
<th>Responses</th>
<th>Respondents in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>39%</td>
</tr>
<tr>
<td>Yes</td>
<td>61%</td>
</tr>
</tbody>
</table>

**Source:** AITCR Survey, 2020.
Just as the outbreak of the coronavirus pandemic was not envisaged by most business owners, planning for the year 2020 was done without factoring in the pandemic. Thus many of the business owners’ preplanned foreign business trips have been affected. The survey findings confirm this as well, 61 percent of the respondents alluded to the fact that they had a preplanned business trip overseas 39 percent said they had no preplanned business trips overseas for the year.

*Figure 17: (a & b) Distribution based on travel plans that has changed in 2020.*

Figure 17a gives a further decomposition of those who had preplanned business trips overseas. 67 percent asserted that the plan has changed while 33 percent still maintain their plan. The reason for this could be that the respondents initially schedule their trips for later part the year. However, as the expected majority of the business owners wanted to get things settled early for the smooth operation of their businesses. The survey discovered that the coronavirus outbreak was the main reason for the cancellation of their trips. However, 50 percent of those who have had to cancel their trip resorted to the internet as a medium to execute their business deals. Moreover, figure 17b revealed that 80 percent of the respondents also know one or more persons who have cancelled their preplanned foreign trip due to coronavirus outbreak. Reports from other sources such as Re-Ignite Public Affairs and British Broadcasting service, shows that many Nigerian importers have cancelled their planned overseas trips since the outbreak of the coronavirus. The International Air Transport Association (IATA) reported that airlines in Nigeria and other African countries would lose $40 million in revenue this year over flight disruption due to coronavirus.

*Source: AITCR Survey, 2020.*
8.3 Analysis of the impact of COVID-19 on businesses performance

COVID-19 does not only impact travels it also disrupts trade and value chains with the greatest incidence being commodity exporters and countries with strong value chain participation. This section discusses the impact of the virus on business revenue and production level.

Figure 18: (a & b) Distribution based on respondents awareness and knowledge level of COVID-19.
Experts report that knowledge amongst ordinary people on how to eliminate or avoid the risk of getting infected by coronavirus is imperative if Nigeria wants to contain the spread of the virus\textsuperscript{24}. Figure 18a reveals the level of coverage deficiency and a social exclusion problem as 16 percent of the respondents were not aware of the coronavirus. However, 84 percent said they were aware of the virus. A further breakdown of the details presented in figure 18b reveals that from the 84 percent of those who are aware of the virus, 34 percent have a casual knowledge of the virus as merely another type of virus both do not know how it spread or how to prevent infection. 42 percent of respondents have specific knowledge of the corona virus. These people know how infectious and contagious it is, while 24 percent have detailed knowledge on how an individual can infect others with the virus and details of how to prevent the spread as well as the effects on a weak immune system.

Figure 19a & 19b: Distribution based on the impact of COVID-19 on the business prospect for 2020

For a country like Nigeria that has only experienced supply-shock-led recessions (foreign exchange shortage vis-a-vis oil price and output), a deferment in containing the spread of COVID-19 poses a great threat to the country’s trade outlook. Businesses were not prepared for a shock of this scale. As a result, COVID-19 is likely to increase short-term uncertainty in the investing environment, the country’s productivity and consumer demand. Corroborating this is the survey results in Figure 19a which reveals that 89 percent of the respondent have their business prospect for the year 2020 impacted. 11 percent indicated that their business prospect for the year has not been impacted. However, a breakdown of the level of impact as presented in figure 19b reveals that 67 percent of respondents who indicated that their business prospect has been impacted state that the level of impact is on the high side that is “very impactful”. 24 percent indicated that it was just impactful, 9 percent said it was less impactful, while 7 percent of the respondents stated it was somewhat impactful. More local businesses have adopted work-from-home processes and stocks have fallen, the COVID-19 pandemic may become a major economic crisis if it is not contained promptly.

Source: AITCR Survey, 2020
However, based on the in-depth interviews conducted, with a publisher of the specialized paper in Agriculture expressed concern on the issue of access to fertilizer and climate change to food productivity as a serious COVID-19 challenge. He further posited that as of March, 2020 farmers are still on land clearing and preparation for the next planting season which is not an indication for planting according to climate prediction. Planting can only be carried out based on confirmation by a professional extension officer, but their movement have been restricted. COVID-19 will really become an issue to food productivity if the lockdown extends into the planting season. More so, if the lockdown extends beyond necessary it will stall the importation of fertilizers and halt fertilizer production in the few foreign-owned fertilizer plants in the country. Thus leading to a collapse in the country’s agriculture value chain.

Figure 20a: Distribution on if COVID-19 has led to respondent revenue loss or gain. Fig 20b Distribution based on the range of revenue loss so far

Amid a lockdown to enforce social-distancing, consumers are staying indoors and travel is restricted, potentially driving a sharp fall in consumer and business spending. As a result, a lot of businesses are losing revenue and some laid-off workers (potentially pushing up unemployment levels) in a bid to reduce overheads in view of declining revenues. Figure 20a presents the distribution on whether COVID-19 has led to respondents’ businesses revenue loss or gain. The impact of corona virus has led to a loss of revenue amongst 97 percent of businesses excluding only 3 percent who have not incurred losses due to COVID-19 outbreak. This 3 percent might be breaking even. However, figure 20a also reveals categorically that 4 percent are making a profit. Figure 20b presents the range of revenue loss incurred by the businesses surveyed. The figure reveals that 75 percent have incurred a loss of less than a million USD$ so far while 20 percent incurred losses ranging from 2 to 3 million USD$. 2 percent incurred losses ranging from 4 to 5 million USD$, while 2 percent incurred losses of 6 million USD$ and above.
8.4 Analysis and Discussion of Product/ Goods and Services Sourcing

COVID-19 has resulted in factories, mass production plants shutting down and supply chain disruptions due to port closures in China, causing global ripple effects across all economic sectors in a rare twin supply-demand shock. This section discusses the products importers source from overseas, alternative sources of product, benefits and challenges associated with sourcing products.

**Figure 21: Distribution based on if COVID-19 has a positive effect on respondents’ businesses**

Figure 21 reveals that COVID-19 has negatively impacted 87 percent of respondents’ businesses. This is expected as the majority of the countries where they source their product from are on lockdown and many more has ceased operations. However, 13 percent reportedly assert that COVID-19 has positively impacted their businesses. COVID-19 does not appear as a threat to all businesses. Most of the benefiting businesses are in the healthcare, pharmaceutical sector offering essential services or businesses are currently exploring new opportunities despite the threat of the pandemic.

**Figure 22: Distribution based on product respondents buy from the number one country they source their product from**

Source: AITCNR Survey, 2020
Figure 22 presents the distribution based on product respondents’ import from the number one country they source their product from. 21 percent import agro-allied products. This is followed by importers of textile and fabric materials accounting for 17 percent of the respondents. 16 percent of the respondents import Medical and Pharmaceutical supplies, while 11 and 10 percent of the respondents import computer and phone accessories and food products respectively. Over $100 million worth of hardware goods belonging to some of Nigeria’s phone and computer vendors are currently stuck in China. With the outbreak coupled with series of restrictive measures taken by nations, the shipment of these products has been stalled thereby halting business activities especially import and export in the country. The outbreak is estimated to cost the global shipping industry $350 million weekly in lost revenues, according to the International Chambers of Shipping (ICS). The UN FAO office in Nigeria presentation of the result of Cadre Harmonise analysis for March 2020 in Abuja indicates that 4 million people from 16 states and FCT will be food and nutrition insecure from March to May 2020.

Figure 23: Distribution based on if the respondent has an alternative destination for sourcing/buying their product and service.

Do you have an alternative destination for sourcing/buying your product and service?

<table>
<thead>
<tr>
<th>Responses</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>52</td>
</tr>
<tr>
<td>Yes</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: AITCP Survey, 2020

Figure 23 presents the distribution based on if respondents have an alternative destination for sourcing/buying their product. 52 percent of the respondents do not have an alternative market for sourcing their product, while 48 percent of the respondents have an alternative destination for sourcing their product.
Figure 24 gives a further decomposition of the alternative destinations open to Nigerians for sourcing products. The chart reveals that 19 percent of the total respondents who have an alternative market will source from Turkey, 16 percent source from Ghana, while 13 percent will source from the United Kingdom. Interestingly 13 percent of the respondent source their product alternatively from Nigeria. China in this scenario is low as only 6 percent will source alternatively from that country. This could be explained giving the fact that the majority of the respondent have China as their major destination market for sourcing products.

Figure 25: Distribution based on the level of the cheapness of product from the closest alternative compared to product sourced from the country respondent currently source their products

A comparison of relative cheapness of the product sourced from the closest alternative market to the main destination market is presented in figure 25. 26 percent of the respondent affirmed that product sourced from the alternative market is less than 10 percent cheaper relative to product sourced from their
current market, while 10 percent said product sourced from the alternative market is between 10 to 21 percent cheaper relative to the market they currently source their product from. Conversely, 15 per cent of the respondents affirmed that product sourced from the alternative market is less than 10 percent more expensive relative to product sourced in their current market, while 49 percent said product sourced from their alternative market is between 10 to 21 percent more expensive relative to product sourced from their current market. In a nutshell, 64 per cent attested that sourcing product from the alternative market is more expensive relative to sourcing product from their current market. This could however explain the reason why they prefer sourcing in their current market. More so, only 36 per cent affirmed that product sourced from the alternative market is cheaper relative to the product source from their current market. The question that might automatically pop up is that why are they still sourcing from their current market despite a cheaper alternative? Certainly, Price is just one of those variables in determining which market to source product from. Other variables which can net off product cheapness might not have been to their favour hence they stick to their current market. A further analysis presented in subsequent graphs reveals that 32 percent of the respondents finds better product quality from their current market while 26 percent of the respondent enjoys proximity to the current market. These two benefits alone can net off the benefit of cheaper products from alternative market especially when the marginal difference is insignificant.

Figure 26: Distribution based on benefits respondents gain from sourcing from the country they currently source their product

Figure 26 presents the distribution based on benefits the respondents and their businesses gain from sourcing from the country they currently source their products from. The figure reveals that 32 percent of the respondents find the product they currently buy to be of better quality than from an alternative market. Surprisingly, 26 percent said they benefit from the cheap price for the product sourced from the market they currently source from. 14 percent enjoy a higher profit margin by sourcing the country they currently source from.
8.5 Discussion of the impact of COVID-19 on Manufacturers

Nigerian manufacturers are also feeling the heat as access to critical raw materials needed to sustain their operations have been impacted. The global supply chain has been deeply disrupted as China, which is the second-largest economy in the world, and a major supplier of inputs for manufacturing companies around the world is just gradually opening up its economy after a long period of lockdown due to COVID-19 outbreak. On the other end, the lockdown of several other western and emerging market economies also imply that import-dependent supply chains in Nigeria will also be severely disrupted. Global linkages imply that Nigeria is increasingly aligned with trends and risks outside its shores. Thus, sectors in Nigeria that depend significantly on foreign input will be negatively impacted. Overall, we believe these supply chain disruptions will alter production and manufacturing, general trade and commerce and other import dependent industries in the country. Thus, this section discusses manufacturers’ consideration of alternative markets and the challenges of sourcing from the Africa continent.

Figure 27 (a & b): distribution for alternative market/region for products & raw materials sourcing.

Figure 27a reveals that 75 percent of the respondent businesses said they would consider an alternative market, while 25 percent would not give an alternative market a thought. From figure 27b, 79 percent of respondents indicated they would consider an alternative market said they would consider sourcing their raw material from Africa, however 21 percent said they would consider other markets outside Africa. The results indicate that the impact of the COVID_19 pandemic is forcing manufacturers to consider alternative markets for sourcing their raw materials. It is also reassuring that 79 percent of the respondents said the topmost alternative market would be Africa.
Figure 28: Distribution based on which of the raw materials can be sourced in Africa

If yes, which of the products/raw materials can you source in Africa?

- Agro Products: 30%
- Textiles, Fabrics & Accessories: 27%
- Leather Products: 13%
- Aluminium: 11%
- Animal Products: 5%
- Wood Products: 5%
- Plastic Materials: 4%
- Cement & Materials (Gypsum): 4%

Source: AITCR Survey, 2020

Figure 28 presents the raw materials that can be sourced from within Africa. 30 percent of the respondents indicated that they can source Agro Products from Africa, while 27 percent indicated they can source textile, fabrics and its accessories from Africa. 13 percent said they can source leather products from Africa and 11 percent of the respondents said they can source aluminum products from Africa. Those who said they can source animal products and wood products accounted for 5 percent of the total respondents.

Figure 29: Distribution based on the actual challenge of sourcing raw material in Africa

If No, what is the actual challenge sourcing your products/raw material in Africa?

- Lack of standards: 27%
- Lack of market information: 15%
- High cost: 14%
- Tough getting reliable supplier: 13%
- Lack of security: 7%
- Lack of infrastructure: 7%
- Lack of regulatory value chain: 7%
- Corruption of officials: 7%
- Lack of logistics: 4%

Source: AITCR Survey, 2020
Figure 29 presents distribution based on respondents’ actual challenge of sourcing their semi-finished, finished and raw materials in Africa. Breaking down the actual challenges respondents have sourcing from Africa: Lack of standards, lack of market information, high cost, getting reliable suppliers are the greatest challenges of sourcing raw material from Africa. 27 percent of the respondents view lack of standards as the actual challenge of sourcing product (semi-finished, finished)/raw material from Africa. 15 percent said lack of market information as the actual challenge of sourcing raw materials from Africa, while 14 percent indicated high cost as the actual challenge of sourcing from Africa. Challenge of toughness in getting reliable suppliers accounted for 13 percent of the respondents. High-cost barriers make it very difficult for smaller businesses — especially those working on new product development — to operate across the border in Africa. Multinationals, on the other hand, use two main strategies to reduce their costs. First, some large companies have been able to negotiate special treatment from the countries they operate in. Others with subsidiaries in each country of operation can ship goods from subsidiary to subsidiary, taking advantage of transfer pricing.

8.6 COVID-19 and Job Creation

This section discusses the impact of COVID-19 on the employment capacity of the surveyed businesses. Several businesses in the country especially micro and small businesses with limited capacity have resorted to downsizing as they can no longer afford staff salaries.

Figure 30a reveals that COVID-19 has led to increases in job creation in 7 percent of the respondents’ business with staff strength increased by the tune of 10 to 20% for more than 60 percent of them. However, employment capacity remains the same for 21 percent of the respondent business. 72 percent of the respondent business had a fall in employment capacity. Figure 30b reveals that 63 percent of businesses increased their workforce by 10 to 20%. These are businesses in the healthcare, pharmaceutical and hygiene industry, offering essential services, during this pandemic.
The majority of Nigerian businesses lack a risk management system to mitigate drastic losses arising from unforeseen contingencies. Figure 31a shows that 60 percent of Nigeria’s private sector does not have a risk management system in place, while 40 percent does. The absence of risk management system could be one of the strongest reasons for the sudden collapse of many of the businesses, with the outbreak of the COVID-19 pandemic. It is important businesses in Nigeria take the issue of business insurance policy very seriously - is for situation such as this. For example, the foresightedness of the All England Lawn Tennis Association (AELTA) the organizers of the Wimbledon tennis tournament, save them from a serious loss this year. They took out pandemic insurance policy in 2003 following the SARS outbreak, in which they have been paying a premium of £2 m every year. When the coronavirus outbreak forced the cancellation of Wimbledon Open’s 2020. The organizers immediately put together a claimed potential for insurance pandemic payout in excess of £100 million.

The study reveals that with the colossal loss already incurred by many of the sampled businesses, the majority have expressed interest to have a risk management system in place in order to shield them from subsequent or future global crises. Figure 31b reveals that 89 percent of the respondents are very much interested in having a risk management system in place with 11 percent declined. The post COVID-19 will witness more business leaders opting for protection against exposure to corporate risk. This also presents a new business opportunity for insurance companies in Nigeria and beyond to offer insurance policies that are affordable, flexible and robust enough to protect businesses against the risk in the near future.
9.1 RECOMMENDATIONS AND POLICY ACTIONS

The reality of the economic damage already caused by the corona virus cannot be disputed. The negative effects of the pandemic on Nigeria’s trade outlook for the rest of the year without a critical alternative course of action will be unprecedented. Efforts to restore the economy on the path of growth should be joint action by both the public and private sectors. It is however based on the finding of this study that we propose the following recommendations and policy actions.

Action Course for Nigerian Authorities/Government.

• **Provision of sufficient and satisfactory healthcare reforms:** The greatest priority of the government right now should be to fight this ravaging disease to a standstill through adequate support for the healthcare system. Prior to COVID-19, healthcare institutions were already overstretched with poor medical supplies, shortage of medical workers and poor infrastructure. The budgetary allocation over the years have never risen beyond 5 percent. To overcome COVID-19 in Nigeria the government should institute aggressive healthcare reforms that would ensure adequate funding, enabling environment for investment, improve infrastructure, transparency in healthcare management, an incentive for health workers, and healthcare subsidies for the most vulnerable people.

• **Provision of incentives and safety nets to the most affected:** the country is currently experiencing a novel economic crisis of simultaneous shock from both supply and demand side arising from both primary and secondary waves of the corona virus. The primary being the direct effect on the health of COVID-19 carriers and the secondary wave refers to the indirect effect such as lockdown, plunging global crude oil prices. The possible way of containing this is through policy mix (expansionary fiscal and monetary policy). Commendable enough, the CBN in bid to support the federal government made provision for a combined stimulus package of about N3.5 trillion in targeted measures to households, businesses, manufacturers and healthcare providers including a loan rate cut and a one-year repayment moratorium. Beyond this the government should develop a system of transparency and accountability in a way and manner this fund is spent. A control system should be set up to enhance close monitoring, measurement and evaluation of public
• **Diversification of the economy and development of indigenous innovation:** The government needs to intensify the economic diversification policy to the non-oil sector such as agriculture, ICT, solid minerals, manufacturing and services sectors. The finding of this study revealed that about 21 percent of importers source for agro allied products outside the country while 10 percent source for food products overseas. This trend can be reversed through massive agricultural innovation funding made available to private organizations that are in transformative agricultural research. Apart from Agricultural innovation, indigenous science and technological innovation should be promoted.

• **Review of Fund conditionality to better enhance SMEs participation:** The central bank of Nigeria should closely review some stringent condition attached to securing the COVID-19 intervention fund and loans. Our findings through this survey revealed that 98 percent of the businesses were either highly impacted, impacted or somewhat impacted, while only 2 percent were not impacted. The collateral conditions should be reviewed if the government want the program to be successful, because the majority of business will not be able to meet the conditions.

• **Increase momentum to ratify the African Continental Free Trade Agreement:** Finding from this survey reveals that 19 percent of Nigerian businesses are already source their product and raw material from African countries. However, 79 percent of respondents who expressed interest to consider an alternative market said they are open to sourcing from other part of African continent. This level of willingness of Nigerian businesses to trade with other African countries should drive government to maintain momentum on AfCFTA as a mechanism for building long term continental resilience and volatility management, especially for increase intra African trade on pharmaceutical and basic food products.

• **Empower farmers to mitigate the possible risk of food insecurity:** Global report reveals that Nigeria and Africa country risk the likelihood of food shortage. Finding from the in-depth interviews reveals that subsidization of agricultural input is critical to food production. The government should ensure that the lockdown should not prevent farmers from participating in the ongoing planting season. Now is the time to conscientiously implement a medium and long term policy framework that specifically channel funds into research and development, transportation of agriculture produce, to avoid waste and agricultural technological innovation. This will shield the country’s agricultural sector and make us less dependent both in the medium and long run on -farm inputs from countries that render Nigeria’s agricultural sector vulnerable to external shock.
**Actions for the Private Sector**

- **Invocation of force majeure clauses:** We also recommend that businesses with formal letters of engagement may need to invoke the force majeure clauses which help mitigate legal risks arising from an inability to meet the terms of the contract. However, we do recognize the informal nature of several business transactions in Nigeria and believe that the lack of formal contracts poses a risk to these businesses, thus communication must be effectively managed at this time.

- **Development of risk management system:** Our findings revealed that most businesses which are severely affected have no risk management system in place. The private sector should establish an insurance policy that mitigates against corporate internal or external uncertainty.

- **Leveraging and diversification into pandemic made active sectors**
  In every adversity there is are opportunities. Micro, small and medium enterprises should be flexible to explore deliverables of sectors made active by the pandemic. Some sectors whose products and services will be in active demand throughout the period of the pandemic are healthcare, e-commerce businesses, agriculture, telecommunication amongst others. Deliverables from these sectors are already in high demand. Currently, facemasks which are merely one of the outputs from light industries are been imported, from across the world. Micro, small and medium enterprises in Africa can take advantage of the opportunity and go into facemask production. Glass wares manufacturing firms can diversify into the production of simple laboratory equipment like test tubes and pipettes which are still largely imported.

- **Application of technology:** We also recommend the increase use of verifiable technology and e-marketplace platforms for business operations in Nigeria. This should include business meetings, customer relationships, business promotion and marketing, procurement, and customer services, depending on the sector the business operates from and the type of business. This will help reduce cost and increase in efficiency, during this COVID-19 and post COVID-19 pandemic.

- **Explore business opportunity in Africa:** Finally, there should be increase efforts by business owners in Nigeria, to source for their semi, or finished products and raw materials from Africa. With the ongoing process to establish AfCFTA is now very important to develop an Afrocentric supply chain for businesses, in Nigeria- Government and Business associations should support businesses to achieve this goal.
REFERENCE

2. ibid
14. ibid
29. https://www.thetimes.co.uk/article/wimbledon-nets-100m-coronavirus-cancellation-payout-sjd9hlmv