A C-level Roundtable Discussion on the COVID-19: impact, preparedness and outlook

The spread of the Coronavirus pandemic continues to rattle global economy, bringing the world almost to a complete halt. Schools, businesses, governments, sporting and religious activities all grounded. This however came as a shock to the world to say the least.

In view of this pandemic outbreak, it is safe to draw the conclusion that initial economic outlook and projections by various institutions for 2020 may have ultimately been rendered ineffective. As businesses try to wrap their heads around the effect of COVID-19 on their business activities and financial estimates, it has become imperative to take precautions to curb the spread of the virus by eliminating physical interactions and initiating home offices. In the same vein, governments have imposed travel restrictions and shutdown on economic activities to combat its menace. The implications for businesses albeit remain far reaching especially with a cloud of uncertainty regarding timelines and with no respite in sight.

The Delegation of German Industry and Commerce in Nigeria (AHK Nigeria) in collaboration with the Nigerian-German Chamber of Commerce (NGCC) took the initiative to organise a virtual C-level Roundtable on the impacts of COVID-19 on businesses operating in Nigeria and coping mechanisms being adopting to stay afloat on Tuesday 31 March 2020. The roundtable sparked open and pulsating discussions among business executives and experts across the Nigerian-German business intersection.

The implication for businesses in Nigeria

Prior to the spread of the virus into Nigeria, the domestic economy already faced an existential threat to its single major foreign revenue earner – crude oil. The stalemate within the OPEC plus has led to the decline in global oil prices to an all-time low of $28/barrel (from $58) on March 9, 2020. This implied a shock to Nigeria’s depleting ($40 billion) foreign reserves, urgent review of its budgeted revenue from the oil sector and additional burden on the government’s fiscal ability to implement the ($35 billion) 2020 national budget.

With global economy severely hit by the novel COVID-19, the Nigerian economy is not an exception with major industrial hubs – Lagos, Abuja and Ogun – on lockdown. IMF has predicted that a global recession worse than the 2008-2009 global financial crisis could surface in 2020 due to the coronavirus pandemic.

Price hikes particularly for essential commodities (food and drugs) may emerge owing to panic buying and demand-supply imbalance. The capital market is not exempted from this reaction as speculation and hedging continue to drive sharp decline in Foreign Portfolio Investments (FPI) and volatility of the exchange rate. In response, the CBN has adjusted FX rate to ensure parity with peer currencies.

Some of the implications of the shutdown and concerns among businesses represented include:

1. **Business shutdown:** businesses categorised as providing “non-essential” services have been advised to shut down or work remotely. Aside hospitals, pharmacies, food processing and distribution chains, water and power utilities, and others with the essential service status, banks and other financial institutions are permitted to carry out skeletal operations. However, it is unclear which agencies issue / confer this exemption as well as the procedure for the same. Companies which are not categorized as “essential” but whose products and/or services are relevant to the essential industries for production and distribution seek clarity on their operational status and ask to close potential loopholes in the directive.
2. **Supply chain challenges**: domestic interstate land borders remain closed. Though ports remain operational, companies still report challenges about clearing and transporting goods. It is important for businesses that government directives are clearly communicated to and executed accordingly by its agencies.

3. **Mobility and transportation**: with the restriction of movement and closure of interstate borders, public transport operators are presently inoperative. Thus, safety and security of employees of essential service providers as they commute to and from their respective sites during this lockdown exercise is of serious concern.

4. **Foreign exchange**: as the foreign reserve continues to shrink following recent fall in global oil prices, and the CBN having adjusted the naira-dollar exchange rate from N360 to N380 per dollar in the investors & exporters (I&E) window, speculation over devaluation of the Naira is already affecting banking and payment transactions among businesses. Access to foreign exchange remains a cause for concern for manufacturers and suppliers alike who require foreign exchange to import raw materials for local production and for other international transactions.

5. **Security and political concerns**: shrouded with much tension and unpredictability, the direct economic implication of the lockdown, i.e. loss of income for the vast majority and potential scarcity of basic supplies, could trigger disruption and instability should the much anticipated N3.5 trillion economic stimulus package be managed inefficiently.

6. **General uncertainty**: with the number of new COVID-19 cases rising in Nigeria daily, it becomes more and more unlikely that the situation be curbed within this initial 14-day lockdown. Taking cue from other countries battling COVID-19, companies are preparing for a prolonged shutdown. Given the current state of public health in the country, a full-blown spread might be difficult to handle and further cripple the economy. Businesses, therefore, are preparing business continuity plans and scenarios which span across timelines from a few weeks/months to a year and beyond, including worst-case scenarios. Those with HQ abroad are beginning to turn to their respective HQs for assistance.

Concerted efforts by the federal and state governments in close collaboration with the organized private sector are in top gear to contain the Coronavirus pandemic in the country and stir the economy afloat.

At AHK Nigeria, we continue to work with all local partners and stakeholder to keep information and businesses running as much as possible. Fortnightly, we host the AHK Pulse Check to monitor market trends as well as update the information at our disposal. We are also working with partners to support COVID-19 relief programs. We would like to appreciate all companies who are already contributing in several ways. Thanks to all the companies that participated in the virtual C-level Roundtable on the impacts of COVID-19 in Nigeria and to our guest speaker Dr. Goodluck Obi, Partner, KPMG Nigeria.