

Negative Impact of Covid-19 On Oil Price and Export: An Assessment of Counter-Measures Taken by The Nigerian Government

Emmanuel I. Umeonyirioha*

School of International Relations/Research School for South East Asian Studies, Xiamen University, Xiamen, Fujian Province, China, 361005.

***Corresponding author:**

Emmanuel I. Umeonyirioha, School of International Relations/Research School for South East Asian Studies, Xiamen University, Xiamen, Fujian Province, China, 361005

Submitted: 19 Nov 2021; **Accepted:** 25 Nov 2021; **Published:** 10 Feb 2022

Citation: Emmanuel I. Umeonyirioha (2022) Negative Impact of Covid-19 On Oil Price and Export: An Assessment of Counter-Measures Taken by The Nigerian Government. *J Eco Res & Rev*, 2(1): 69-76.

Abstract

The unprecedented outbreak of the COVID-19 pandemic has affected individuals and countries in diverse ways. One of such areas that have suffered a massive hit is the socio-economic aspect of man. Efforts to contain the spread resulted in close down of manufacturing centres of major economies of the world, travel restrictions, total lockdown, border closures and a host of others. This has negatively affected world trade as it has led to decrease in the demand of raw materials particularly crude oil by producers and drastic fall in its price following disagreement of oil price war between Russia and Saudi Arabia. Nigeria is greatly affected as it relies heavily on crude oil as its major export commodity coupled with an already weak economy. The negative impact of the drop in oil price and export is taking its toll on the economy. In a bid to manage the situation, the federal government has taken certain countermeasures.

The study examined the negative impact of the drop in oil price and exports on the Nigerian economy and counter measures to checkmate the effects therein. By analyzing secondary data, the study found out that the negative impact on the Nigerian economy is drastic and there is a need to cushion its effects, some of the countermeasures identified include devaluation of the naira, extension of moratorium, review of the budget, release of 50 billion naira to households and affected SMES among others. The study recommends that there is increased need to diversify the economy and increase local production.

Keywords: COVID-19, Africa, Nigeria, Oil price and export shocks, Countermeasures.

Introduction

Coronavirus disease (COVID-19) is described as an infectious disease that is caused by severe acute respiratory syndrome coronavirus. It has spread to every continent on the globe since its discovery in Wuhan China, in December 2019. Countries have made concerted effort to curtail the further spread of the infection which is believed to be transmitted by human-to-human. The disease has greatly slowed down economic activities across the world, with many countries coming under partial or total lockdown. The unprecedented covid-19 pandemic has resulted in mass production shutdowns and supply chain disruptions causing global ripple effects across all economic sectors in a manner that was never expected. It has been projected that the spread of the disease will pose serious humanitarian and economic challenges to the countries of the world, especially Africa.

Economically, the effects are already being felt as demand for Africa's raw materials and commodities in global market has declined and the continent's access to industrial components and manufactured goods from other regions of the world have been hampered. This has caused further uncertainty in a continent already grappling with widespread geopolitical and economic instability [1]. Nigeria is faced with its unique challenge of drop in oil price and exports. This is due to decreased demand of oil owing to shutdown of manufacturing plants globally and the oil price war between Russia and Saudi Arabia.

The Nigerian Government in its effort to curtail the further spread of COVID-19; put in place measures such as social distancing and stay at home policy in which workers are expected to work from their home and public gatherings of all kinds were banned. The

policy imposed limitations in spending and decline in consumption and resulted in shutting down of local production units. This has the potential of worsening the poverty and unemployment challenges in Nigeria especially considering the fact that Nigeria is already facing a serious challenge with its economy. National Bureau of Statistics (NBS) ranks Nigeria 21st among 181 countries with an unemployment rate of about 23.1%. The country has also been rated as the poverty capital of the world with an estimated 87 million people living on less than \$2 a day threshold (CSEA, 2020).

The unprecedented coronavirus triggered a new type of recession that was different from the past triggers of recession [2]. The Nigerian federal budget for the 2020 fiscal year was prepared with significant revenue expectations but with contestable realizations. The approved budget had projected revenue collections at #8.24 trillion, an increase of about 20% from 2019 figure. The revenue projection is based on anticipated increased global oil demand and stable market with oil price benchmark and oil output respectively at \$57 per barrel and 2.18 million barrels per day. However, with impact of the pandemic, it is glaring that Nigeria as a country would be more affected because of its high dependence on crude oil which has witnessed decline in demand in the global market resulting in price crash. There is therefore the need for countermeasures to cushion the effect of the pandemic on the economy and living standards of the citizens.

Statement of the Problem

The outbreak of the coronavirus pandemic has led to disruptions to the global economy and people's lives, with adverse effects in the oil market, tourism, investments, supply chains, capital markets, funding of the 2020 budget and so on. These highlighted conditions and others pose negative effect on Nigeria's macroeconomic stability and resilience to external shock. Measures like total lockdown, travel restrictions, partial lockdown, and shutdown of manufacturing plants have led to decrease in manufacturing activities. Also, disagreements on oil price war between Russia and Saudi Arabia further led to decreased demand for oil and fall in the price. The Nigerian Government already battling with weak economic system is faced with major decisions to cushion the effect on its citizens. In a bid to manage the economy and develop some strong resilience against these external shocks, the Federal Government and the Central Bank of Nigeria has taken countermeasures to address the negative impact of the drop in oil prices and export on the economy. This paper seeks to examine the negative impact of the drop in oil prices and exports and the countermeasures adopted by the government.

Objectives of the Study

The broad objective of the study is to examine the negative impact of fall in oil price and export on the Nigerian economy and countermeasures adopted by the government. However, the specific objectives of the study are to:

i. Examine the negative impact of falling oil price and exports on

the Nigerian economy.

ii. To examine the countermeasures put in place by the government to cushion the effect of the decline in oil price and export.

Methodology

The study relied substantially on secondary (desk) research to identify existing literature on the subject under study. Materials and information were obtained from the central Bank of Nigeria (CBN) annual report and statement of account, CBN financial review, National Bureau of statistics, Budget and books, annual reports of Nigerian National Petroleum Corporation, Newspapers and scenarios to evaluate the potential impact of the pandemic on various aspects of Nigerian economy and the counter measures taken by the Government. Due to the difficulty of quantifying the real impact as a result of the uncertainty surrounding the oil shocks, the rapidly evolving nature of the pandemic, and scarcity of the data, the work focuses on understanding the counter measures in order to propose policy recommendations to respond to the crisis.

Literature Review

Oil Production and the Nigerian Economy

Oil production usually accounts for a large share of the GDP of oil-exporting countries. Oil price increases directly the country's currency value which has a significant effect on the income that comes into the country cited in [3, 4]. Nigeria gained an extra US \$390 billion in oil-related fiscal revenue over the period of 1971-2005 [5].

Considering the volatility of oil price to shocks, total effect of oil price shocks on economic performance mostly depends on what the governments of oil producing countries do with this additional revenue. The rise in global oil prices observed since September 2010 resulted in part from the social and political instability Barrell, Delannoy and Holland, 2011 cited in [6]. Barrell, et al. (2011) opined that the structural shift on the demand side of the oil market has potential of tightening demand and supply balances. Oil prices affect economic performance through fiscal policy. Secondly, high oil prices increase real national income through higher export earnings and create the terms-of-trade effect Koronen et al., 2007; [7]. Adebisi and Olowookere, also noted that debt is an important aspect of fiscal policy [8]. Borrowing far above certain healthy threshold has negative effect on economic growth. Debt can lead to capital flight and can also discourage private investment (Adebisi and Olowooker [8].

Nigeria's external debt can be traced back to 1958 when a sum of \$28 million was used to finance the Nigeria Railway Corporation [8]. Ever since, there has been dramatic growth in the domestic debt/GDP ratio which has raised many doubts about fiscal sustainability of subsequent economic policy [8]. Nigeria has a great challenge of unemployment which has a debilitating effect on the economy leading to high-level poverty, poor welfare status with attendant social, political and economic implications.

In spite of the huge public expenditure employed in the execution of various reforms and programmes over the years the employment situation has not improved substantially. Poor management of resources and high level of corruption have accounted for the low impact of government expenditure (as well as development aid received from donor countries) on the employment and economic welfare. Also, public expenditure has been inadequate to commensurate with the magnitude of the unemployment problem in the economy [7].

COVID-19 and Oil Price Shock

A Pneumonia of unknown cause was detected in Wuhan, Hubei province of China. It was first reported to the WHO country office in China on 31 December 2019. The outbreak was declared a public health emergency of international concern in January 2020. On 11 February 2020, WHO announced a name for the novel coronavirus disease: COVID-19 and declared a global pandemic on the 11 March 2020. After the first infections in China at the end of 2019, the COVID-19 has continued to spread around the planet sending billions of people into lockdown as health services struggle to cope. To date, globally there has been over 5,169,907 confirmed cases, 335,993 deaths and 1,391,026 recovered cases (John Hopkins CSSE, 21 May, 2020).

Though no fatal case of COVID-19 has been recorded in Nigeria as at the time of the research, the country has had its share of spread which has continued to rise rapidly cutting across 34 of her 36 states. The latest statistics provided by the Nigerian Centre for Disease Control revealed Nigeria now has over 7,2461 confirmed cases, 2007 discharged cases and 221 deaths as at 23rd of May 2020, with Lagos, Kano and Abuja having the highest numbers of cases respectively (NCDC, 2020). COVID-19 has become a global emergency, given its impact on the entire world population and the economy. According to scenario simulations of the International Monetary Fund (IMF), global growth could fall by 0.5 for the year 2020. Several other sources are also predicting a fall in global growth due to the direct effects of the COVID-19 outbreak. The global economy may enter a recession at least in the first half of the year 2020, when adding the direct and indirect effects of the crisis (e.g. Supply and demand shocks, commodity slump, fall in tourism arrivals, etc.). However, as the pandemic progresses slowly on the African continent, studies by international organizations have less addressed the economic impact on individual African countries. Africa, because of its openness to international trade and migration, is not immune to the harmful effects of COVID-19. Although the pandemic is at a less advanced stage in Africa, due to its less quantity of international migrants' arrivals compared to Asia, Europe, and North America and strong precaution measures in some African countries. African economies remain informal and very extroverted and vulnerable to external Shocks.

The virus is credited as being responsible for the collapse of the oil market globally. The demand for oil dropped sharply in the face of abundant supply. Due to the COVID-19 pandemic, oil prices lost

about 50% of their value dropping from us\$ 67 a barrel to below us\$ 30 a barrel. In an attempt to support crude oil prices hit by the pandemic coronavirus disease, major oil producers proposed to reduce production, as people consume less and decline in travels around the world. The oil exporters' group OPEC agreed to cut supply by 1.5 million barrels per day (bpd) until June with a plan for NON-OPEC states, including Russia, to follow the trend. However, this did not happen as Saudi Arabia on 08 March announced that it would increase production. This action escalated oil wars as Non-OPEC members retaliated, resulting in tumbling oil prices.

Oil price dropped from June 2014 to March 2015, owing mainly to increased oil supply in the US and to reductions in global demand. This drop led to both direct effects through trade and indirect effects through growth and investment and changes in inflation. The late 2014 drop in crude oil prices contributed to a significant decline in GDP growth for Sub-Saharan Africa from 5.1 percent in 2014 to 1.4 percent in 2016. During that episode, crude oil prices fell by 56 percent in over seven months. Current decline in crude oil prices has been far more rapid, with some analysts projecting even more severe price declines than in 2014. Already, crude oil prices have fallen by 54 percent in the last three months since the start of the year 2020, with current prices falling below \$30 per barrel. Non-oil commodity prices have also declined since January, with natural gas and metal prices dropping by 30 percent and 4 percent, respectively (Brookings Institution, 2020). Other sectors of the economy affected include agriculture and travel industry with a rise in unemployment.

Negative Impact of the Drop in Oil Price and Exports

The fall in crude oil prices and demand contraction has directly affected the growth of African economies. Crude oil is facing the biggest demand shock in its history, falling below 30 dollars a barrel, due to the cessation of world trade (which started in China since January). This is as a result of the covid-19 pandemic and the disagreement between Russia and Saudi Arabia. The current oil price drops has led to the largest disruption to trade for commodity-sensitive economies, particularly Nigeria. The country is being hit severely by oil price drop, which has exacerbated the shortage of foreign currency and strengthened the idea of the devaluation of the naira. Oil exports are a key source of foreign exchange earnings for Africa. Nigeria is one of the continent's largest producers of oil. Oil revenues represent more than 90% of exports and more than 70% of the national budget.

The United Nations Economic Commission for Africa (UNECA) estimates the losses linked to the collapse of the prices of the barrel at 65 billion US dollars, of which up to 19 billion US dollars' losses are expected in Nigeria. Nigeria had made its budget forecasts for the first quarter based on an assumption of the old price of a barrel at 67 US dollars. This price has now dropped by more than 50% (OECD Development Centre, 2020). The case of Nigeria sums up the situation of the countries depending on oil revenues in particular and raw materials in general, all of which must now

reduce their revenues forecast for at least the first two quarters.

Estimates show that Angola and Nigeria could together lose up to \$65 billion in income. This will have the potential of reducing the foreign exchange reserves of these countries and their ability to implement their development programs with ease. Also, efforts to reduce poverty will take a hit. Moreover, Nigeria will need significant resources to fight the covid-19 health and economic impact of the pandemic. As of March 4, 2020 about 70 percent of the April-loading cargoes of crude oil from Nigeria were still unsold.

Many small poor importers, traders and consumers in Nigeria are seriously affected by the crisis as they earn their livelihood trading Chinese products such as textiles, electronics, and householders' goods. Nigerian economy has been facing persistent current account imbalance which is mainly driven by trade deficits. Domestic revenue mobilization remains low in the country, with heavy reliance on foreign sources of financing of its current deficits. They include FDI, portfolio investment, remittances, official development assistance, and external debt. However, the anticipated contraction or slowdown in origin countries could lead to a decline in the level of Official Development Assistance (ODA), Foreign Direct Investment (FDI), portfolio investment inflows and remittances flow to Nigeria. The potential losses in tax revenues and external financing due to the disruption of economic activities will restrain the capacity of the country to finance its development and lead to the external value of the local currency fall and depreciation.

Remittances have been the largest source of international financial flows to Nigeria since 2010. They represent the most stable source of flows, having nearly consistently increased in volume since 2010. However, with decline in many economic activities in many advanced and emerging market countries, remittances to Nigeria and Egypt which account for 60% is experiencing significant declines. Furthermore, COVID-19 has affected overall investment trends; many businesses have issued statements on the impact of COVID-19 on their businesses. Many are slowing down capital expenditures; particularly there have been large-scale capital withdrawals from Nigeria. For example: All share index registered its worst performance for a decade in early March as overseas investors pulled out.

Nigeria relies on official development assistance to finance development. The weakness of the economy since its last recession has made the country heavily reliant on ODA to manage exogenous development. Similarly, since tax revenues increased in absolute terms in 2006, tax-to-GDP ratio ranged from 5.7% in Nigeria to 31.5%. The greatest source of tax revenues were tax on goods and services. The government will have no option than to rely on international markets which may increase countries debt levels. Debt which ought to be used for productive investment or growth-enhancing investments may likely be used in maintaining spending plans. There is a high probability that Nigeria would face an im-

plosion in the stock of external debt and servicing costs due to the increase in fiscal deficits as more emphasis will be put to fulfilling social needs including health care systems, socio-economic stimulus to householders, small and medium scale enterprises (SMEs). According to EIU Viewswire (2020), credit default swap rates on five-year sovereign issues have increased in Nigeria by 270% in March.

Due to the falling price of oil in the international markets, other problems are bound to arise. It would result to a violation of the terms and conditions of oil exploration contracts that may have been in existence prior to the incident. The fall in supply and demand would impact the oil production levels and estimations on returns of investment that privies to a production sharing contract or a joint operation agreement would have agreed on. This is because, those agreements are entered into with the established market price in consideration. Also, it would lead to violations or oil servicing contract and other subcontracts that may have been entered by players in the oil exploration business. These contracts are valuable to the exploration process. They cover services such as drilling, cleaning, accommodations, catering constructions, fabrications and many more.

The unattractiveness of the oil exploration terrain may lead to the cancellation of these, suspension or renegotiation of the terms of the agreements. The after-effect of this would be, legal issues between privies to the contracts. Again, there is the problem of a reduction in investment and exploration of oil in new oil fields. Due to the fall in the price of oil, companies with prospecting or mining leases may be compelled to halt their operations to save costs. Doing so, has the tendency to conceal opportunities for the discovery of new oil fields. This also means that service contracts and other forms of contractual obligations that have been entered due based on the licenses and leases may be the subject of dispute and legal confrontations. Another issue is that; it exposes the financial obligations off players in the oil exploration industry.

Players in this context include the oil companies, and their guarantors. This is because, majority of oil contracts are financed through debt by sourcing capital from both international and domestic financial institutions. The fall in prices and other challenges would mean that the operating companies do not have the capacity to finance their debt which in turn puts their guarantor under the spotlight as the financial institutions make demands for financing of debts they had guaranteed. In the face of this pandemic, the industry may also be staring at labor disputes in the face. The covid-19 pandemic, its impact and the counter measures adopted globally have put the oil companies in positions where they may be unable to pay the salaries of oil workers. Then there is the issue of downsizing and other employment issues.

Public spending will be affected due to the scarcity of resources that the COVID-19 crisis will create. Spending in infrastructural development could drop by at least 25% due to lower tax reve-

nues and difficulty in mobilizing external resources. Government spending on the health care system is expected to increase in order to contain the spread of COVID19 and limit the impact on the economy. More likely, jobs in both the formal and informal sectors are threatened with destruction in the country if the situation continues. The destruction of value chains, the lockdown of the population and the closing of restaurants, bars, retailers, informal commerce etc. may lead to a disruption in many informal activities. Giving the size of the informal sector in Nigeria, there is a need for the government to take measures to support people making a living out of it. This will not only ensure effectiveness of measures to limit the spread of the disease and support household consumption but it will also limit the risk of social unrest.

Also, there is increased social unrest associated with containment of coronavirus in some parts of the country. COVID-19 came at a time when Nigeria is facing the daunting challenges of fragility, conflict and violence due to terrorism that has resulted in massive numbers of displaced population, community-based militias, bandits and armed robbery. While Federal Government is striving to curb the widespread of covid19, this poses a threat to keeping and enforcing security and defense in affected regions. The recent attack by the Boko Haram armed group in Chad that killed at least 92 soldiers on 25th of March, showed the vulnerability of some regions in the country.

In the healthcare system, the covid19 crisis has stretched the-already-poor health systems in the country. The demand from covid-19 patients has led to overcrowding of the health facilities thereby resulting in reduced access to medical care for patients with high burden diseases like AIDS, tuberculosis, malaria and more recently increased cases of cancer. This can result into more morbidity and mortality. In addition, Covid-19 pandemic has created shortage of medicines and health equipment due to shutdown of manufacturing companies in Europe and Asia.

Oil price instability has a significant effect on economic growth and exchange rate for Nigeria and indirect impact on inflation through the exchange rate (Akalpler and Bukar 2018). Oil accounts for more than half of tax revenue in the country.

The economic crisis is likely to be more serious than the one experienced in 2014. The IMF estimates that each 10 percent decline in oil prices will, on average, lower growth in oil exporters by 0.6 percent and increase overall fiscal deficits by 0.8 percent of GDP. Nigeria could lose up to \$19b as the country could reduce its total exports of crude oil in 2020 by between US \$14 billion and US\$19 billion (compared to predicted exports without COVID-19). The fall in the price of oil is expected to decrease growth of the economy.

Counter Measures to Mitigate the Impact of Covid-19

Nigeria is already experiencing the direct effects (morbidity and mortality) and indirect effects (economic activities-related) of COVID-19 and the situation is expected to worsen under any sce-

nario. Governments around the world are bracing themselves up for the impact of an unprecedented crisis. The impact of the pandemic and the containment measures implemented to flatten the curve will inevitably affect levels of economic activity. In order to contain the spread of the virus, government of several countries imposed lockdowns, travel bans, closure of public places and religious centres. To cushion the effect of the crisis on households and firms, governments of several countries are designing a wide range of policy responses, including direct income-support, tax breaks and extension of guarantees, deferred interest payments on debt, and others.

Nigeria has adopted some of countermeasures which include movement restrictions in states across the country massive flight cancellations, closure of borders, closure of educational institutions, markets, religious services, sporting events, nationwide stay-at-home lockdown was officially enforced beginning from 30th March, 2020 to control the spread of the novel coronavirus. The government launched a campaign for frequent washing of hands with soap and water or alcohol based sanitizers. Few businesses were excluded from the ban: private security companies, medical establishments, broadcasters, food processing and distribution companies, petroleum distribution and retail entities, power generation, transmission and distribution companies, hospitals, telecommunications workers, media personnel, health care workers, manufacturing and distribution companies. However, despite the exclusion, workers were required, as a matter of compulsion to put on a face mask at all times. Although the lockdown has been relaxed in some states and more businesses open, the use of a face masks has been stressed. In fact in some states of the federation, members of the public were harassed for noncompliance with the directive on wearing of face mask.

Countermeasures to Contain the Negative Impact of the Fall in Oil Price and Exports On the Economy

The Federal Government and its relevant agencies, especially the Central Bank of Nigeria (CBN), have responded with policies to cushion the negative impact of the fall in oil price and exports on the economy, restore investors' confidence, and support small and medium enterprises (SMEs) and households. The Apex bank granted a further moratorium of one year on all principal repayments, effective March 1, 2020. This means that any intervention loan currently under moratorium would be extended by one year. Secondly, it offered interest rate reduction from 9 to 5 percent per annum for 1 year effective March 1, 2020. It offered a 50 billion naira targeted credits facility to households and SMEs; credit support for healthcare industry to meet the increasing demand for healthcare services during the outbreak. The loan was available only to pharmaceutical companies and hospitals. The CBN also provided regulatory forbearance to banks. This was done in order to allow banks to temporarily restructure the tenor of existing loan within a specific time period particularly loans to the oil and gas, agricultural and manufacturing sectors.

Furthermore, the Central bank strengthened the loan to deposit ratio (LDR) policy which allowed banks to extend more credit to the economy. On the other hand, the fiscal authorities had to review and revise the 2020 national budget of N10.59 trillion (US\$28 billion). The government announced that the budget was reduced by NGN 1.5 trillion (US\$4.90 billion) as part of the measures to respond to the impact of coronavirus on the economy and in response to the oil price crash. The new budget was benchmarked at US\$30 per barrel from US\$57 per barrel in the previous budget. CBN is set to further support industry funding levels to maintain DMBs' capacity to direct credit to individuals, households and businesses. The CBN officially devalued the Naira by 15% moving from N307/\$1 to N360/\$1. Depreciation at the market-determined I&E window is 5%, having moved from N360/\$1 to N380/\$1. The apex bank sold dollars to banks at N380/\$1 in a move signifying a devaluation of the currency. Banks trading at the investor and exporter (I&E) window bought dollars at N360/\$1 from the CBN on Friday, March 20, 2020. The Monetary Policy Committee unanimously voted to retain the MPR (Monetary Policy Rate) at 14%, retain the asymmetric corridor at +200/-500 basis points and retain the CRR (cash reserve ratio) at 27.5% and retain liquidity ratio at 30%.

CBN and the banker's committee formed the Nigerian private sector coalition against COVID-19. The apex bank explained that the coalition was in partnership with the private sector, led by Aliko Dangote foundation and Access bank. In preparation for post-covid-19, CBN announced that it will focus on provision of affordable housing: by creating an intervention fund which will target housing construction by developers who provide proof of profiled off-takers with the capacity to repay the loan. The CBN, over the next three years, will be providing financial support to environmentally friendly energy production. The bank will also be providing funding and encouraging efforts aimed at driving innovation and research in every sector through universities, research institutions and creative industry initiatives. The apex bank plans to set up a N500 billion intervention funds targeted at manufacturing firms for the procurement of state of the art machinery and equipment and automated manufacturing models that would fast track local production.

Summary of Findings

This study empirically investigated the counter measures by the Nigerian Government in addressing the negative impact of fall in oil prices and drop in exports on the Nigerian economy. It is evident that the Nigerian economy which is heavily reliant on crude oil as its major export is facing economic recession due to the COVID-19 that led to fall in oil price and exports. The study is vital as it portrays the extent to which decline in oil price hampers economic development. The results of the study show that the impact of COVID-19 has resulted in further weakening of the Nigerian economy. Also, due to falling oil prices and export, there is likelihood of increased loss of jobs following recent trends. The counter measures are likely to help in reducing the impact on the country's economy. One permeating observation in the course of

this study is in the fact that, although the measures for mitigating the spread and impact of the virus are vital to the continuous sustainability of the economy and society, they equally give birth to some serious economic issues.

Conclusion

COVID-19 outbreak has taken a heavy toll on the economy of Nigeria, as the country records one of the highest levels of infection cases. Although Nigeria is less affected compared to other countries in the world for now, the spillover effects from global developments and broken supply chains may still lead to faltering economic activity. Growth is expected to drop drastically with the falling of oil prices. The consequences, even if they are difficult to calculate, are expected to be enormous in view of the rapid spread of the COVID-19 and the drastic measures taken by the government.

The current pandemic has proven to Nigeria that it cannot continue to depend on external suppliers for its internal demand in products. Therefore, the country should use this opportunity to work towards manufacturing plans and implementation for strategic products production.

At the moment, it is practically impossible for the country to take an economic advantage of the widespread of COVID-19 in other parts of the world, due to its inability to transform its raw materials to respond to the potential high demand of goods and services of the domestic and international markets. The blunt effect of the COVID-19 cannot be overstated enough, however, the counter measures adopted to mitigate its effect have yielded some considerable results. Particularly as it relates to the commodity market and the supply chain. The fact that COVID-19 will have a harmful socioeconomic effect on Nigeria is glaring. However, with the countermeasures, it is expected that the efforts put in by the government will cushion the effect to an even greater extent.

Recommendations

The negative impact of drop in oil price and export on Nigerian economy due to the covid-19 crisis is real hence, the countermeasures to lessen the impact. It is therefore imperative to know the implication of some of these measures and to chart a course forward. In view of the findings in this study, it is recommended that the government should create emergency fund for scaling up social protection, especially targeting informal workers who do not have social protection and may be heavily impacted by the crisis. Also, there is need to increase funding for medical research and provide financial support, access to data, and regulatory support in order to fast track the scaling up of innovative solutions.

The oil market is one of the most affected in the wake of the corona virus pandemic. With that in perspective in mind, then players in the oil industry globally and in Nigeria must take steps to deal with some issues that are legal in nature and have resulted from

the downward trend in the price of oil. The first in this line is that, the players should take steps to renegotiate and review the price of services under their respective contracts. This would mean that a number contractual agreements will have to be subjected to absolute cancellation and others may be the subject of alterations, renegotiations or suspension for the time being to deal with the current reality. This may lead to serious disagreements hence, it is recommended that a need and intelligent contractual renegotiation and alternative dispute resolution methods be employed to do this. Secondly, players in the industry may be unable to finance their debts due to the fall in oil prices. The impact of this has been discussed elsewhere in this study. To deal with this, it is recommended that such companies seek and inquire about the possibility of debt restructuring with creditors to afford them additional time to mine for the funds and also give them other options in terms of the payment structure. Restructuring of debt will also include, extension of maturity period, or increased interest rate so the company can remain afloat. Thirdly, due to the exigencies of this period, it is recommended that any form of dispute emanating from oil industry be dealt with rough arbitration. Irrespective of the awareness of individuals about the current state of affairs globally, disputes will surely arise in the course of renegotiations due to the fact that interests will likely conflict, adopting a cheaper and faster means of settling dispute is expedient. Players should adopt options such as arbitration, conciliation, mediation or Med/Arb. For post pandemic measures: diversification of Nigerian economy is most imperative given the economic recession in the country. To ensure that the country closes the gap between shrinking revenue and expenditure, policy makers must diversify the economy by strengthening the productive capacity of local production to transform raw materials locally and cut waste in governance. This will further shield the economy from the impact of oil price on the economy. Thus, protect the Naira from undue pressure. It is also recommended that government should allocate more funds to capital expenditure and less recurrent expenditure. Capital projects will create more jobs and reduce the unemployment rate.

Other sectors were affected by the pandemic as well. In that light it is recommended that the government initiate and extend some form of financial assistance, to those heavily affected by the pandemic. This may take the guise of bailout, grants etc. The government may also take the initiative and invest in employment programs which has the potency to be an integral part of dealing with this current chaos. Take for instance, the step taken by the rivers state government in which it empowered about 1000 youths in tailoring directed at mass producing face masks to tackle the spread of the virus. A paradigm shift is needed in order to change the trade patterns of the country and the global space particularly with China, Europe, USA and other emerging countries. Efforts should be made to increase agricultural production and enhance the food value chains to meet domestic consumption and exports. The government should boost investments that strengthen health systems to enable faster treatment and containment, harness digital

revolution to transform the economy and accelerate the implementation of the continental free trade zone and financial institutions to achieve industrialization as quickly as possible.

References

1. Morné World Economic Forum. 2020. "Corona virus in china- insights on the impacts and opportunities for change."
2. Ozili Peterson K, Thankom Arun (2020) "Spillover of COVID-19: impact on the Global Economy." Available at SSRN 3562570 (2020).
3. Sodipe, Oluyomi Ayoyinka (2008) "Employment and economic growth in Nigeria."
4. Monday Titus Eli, Ahmed Abdulkadir (2020) "Modeling Fluctuation of the Price of Crude Oil in Nigeria Using ARCH, ARCH-M Models." *Asian Journal of Probability and Statistics* 7: 16-40.
5. Alley, Ibrahim, Ayodele Asekomeh, Hakeem Mobolaji, Yinka A Adeniran (2014) "Oil price shocks and Nigerian economic growth." *European Scientific Journal* 19: 375-391.
6. Nwoba M, Nwonu, Christopher, Agbaeze, Emmanuel (2017) "Impact of Fallen Oil Prices on the Nigeria Economy." *Journal of Poverty, Investment and Development* 33: 2422-846.
7. Oruonye Emeka, Ahmed Y (2020) An Appraisal of the Potential Impacts of Covid-19 on Tourism. *Journal of Economics and Technology Research* 1 :2020.
8. Adebisi, Waidi Kareem, Johnson Kolawole Olowookere (2013) "Managing Nigerian debt: The practical solutions." *Research Journal of Finance & Accounting* 4: 112-123.
9. African Union. "Impact of the Coronavirus Covid-19 on the African Economy." African Union (2020).
10. Akapler, Ergin, and Abdullah Nuhur Bakarn (2017) "The Impact of Oil Price Instability in Economic Growth: Evidence from Nigeria." *Business Economics and Management Research Journal* 1: 39-53.
11. Centre for the Study of Economies of Africa (CSEA) (2020). "The implication of Covid-19 on the Nigerian Economy". Accessed April 13th 2020.
12. Ibekwe Donald and Amadi Joseph (2020) "Impact of COVID-19 and Saudi-Russia Standoff on Nigerian oil sector." Accessed May 26, 2020.
13. International Labor Organization (2020) "ILO policy Brief on COVID-19". Accessed June 2, 2020.
14. John Hopkins University (2020) "Coroner virus resource Centre" accessed May 23, 2020.
15. Lashitew Addisu, Micheal Ross, and Eric Werker (2020) "As oil prices plummet, how can resource-rich countries diversify their economy? Accessed May 23, 2020.
16. Mordi, C. N (2006) "Challenges of exchange rate volatility in economic management in Nigeria. I Bullion 30: 16-25.
17. National Bureau of Statistics (2020) "Nigerian gross domestic quarterly Report). Accessed may 23, 2020.
18. Nigerian Centre for Disease Control (2020) "COVID-19 Nigeria". Accessed May 23, 2020.

-
19. Odutola, Abiola (2020) "COVID-19: Timeline of Every Pro-nouncement Made by Nigeria to Support the Economy" accessed May 14th, 2020.
 20. Tax Administration responses to Covid19: Support for Tax-payers. Learn more about the Forum on Tax Administration: accessed, may 23, 2020.
 21. OECD. 2020. Interim Economic Assessment Coronavirus: The world economy at risk, Paris France.
 22. Oyebade W (2020) "Covid-19 could cost Nigerian airlines \$434 million, 22,200 jobs". *Guardian Business Online News*.
 23. Rosenberg, Eli S, Morne J, Tesoriero, Elizabeth, M Rosenthal et al (2020) "Cumulative incidence and diagnosis of SARS-CoV-2 infection in New York" 48: 23-29.
 24. The independent choice (2020) Can the Nigerian Economy survive the COVID-19 virus? Special report.
 25. UNCTAD (2019) "Economic Development in Africa 2019".
 26. Geneva ILO (2015), Five facts about informal economy in Africa, Geneva (Switzerland).
 27. UNCTAD (2020) Special edition, "Counting the economic costs of coronavirus", Geneva (Switzerland).
 28. UNECA (2017) "Economic Report on Africa 2017", Addis Ababa Ethiopia.
 29. UNECA (2020) "Economic Impact of the Covid19 on Africa". Economic Commission for Africa, Addis Ababa, Ethiopia.

Copyright: ©2022 Emmanuel I. Umeonyirioha. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.