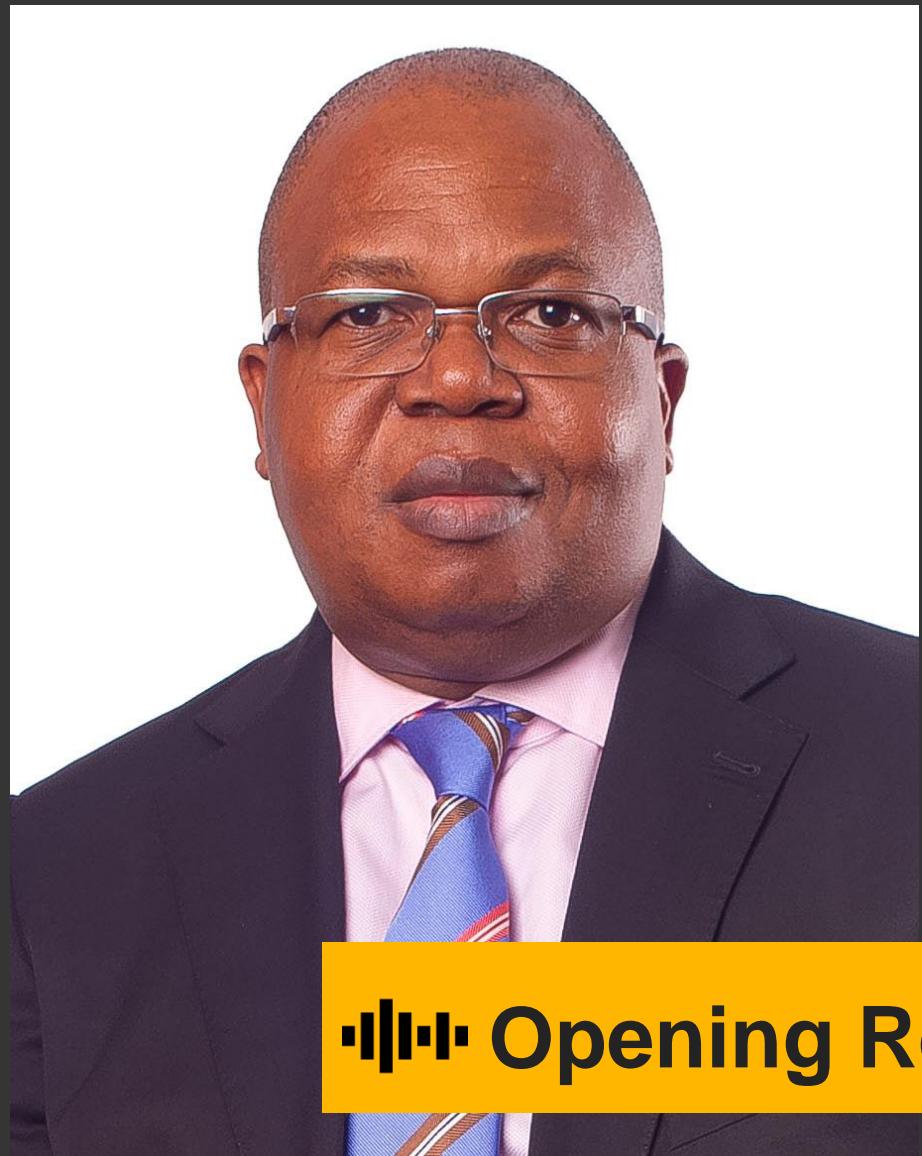


PwC Nigeria's Webinar

COVID-19: Economic Implication and Policy Responses

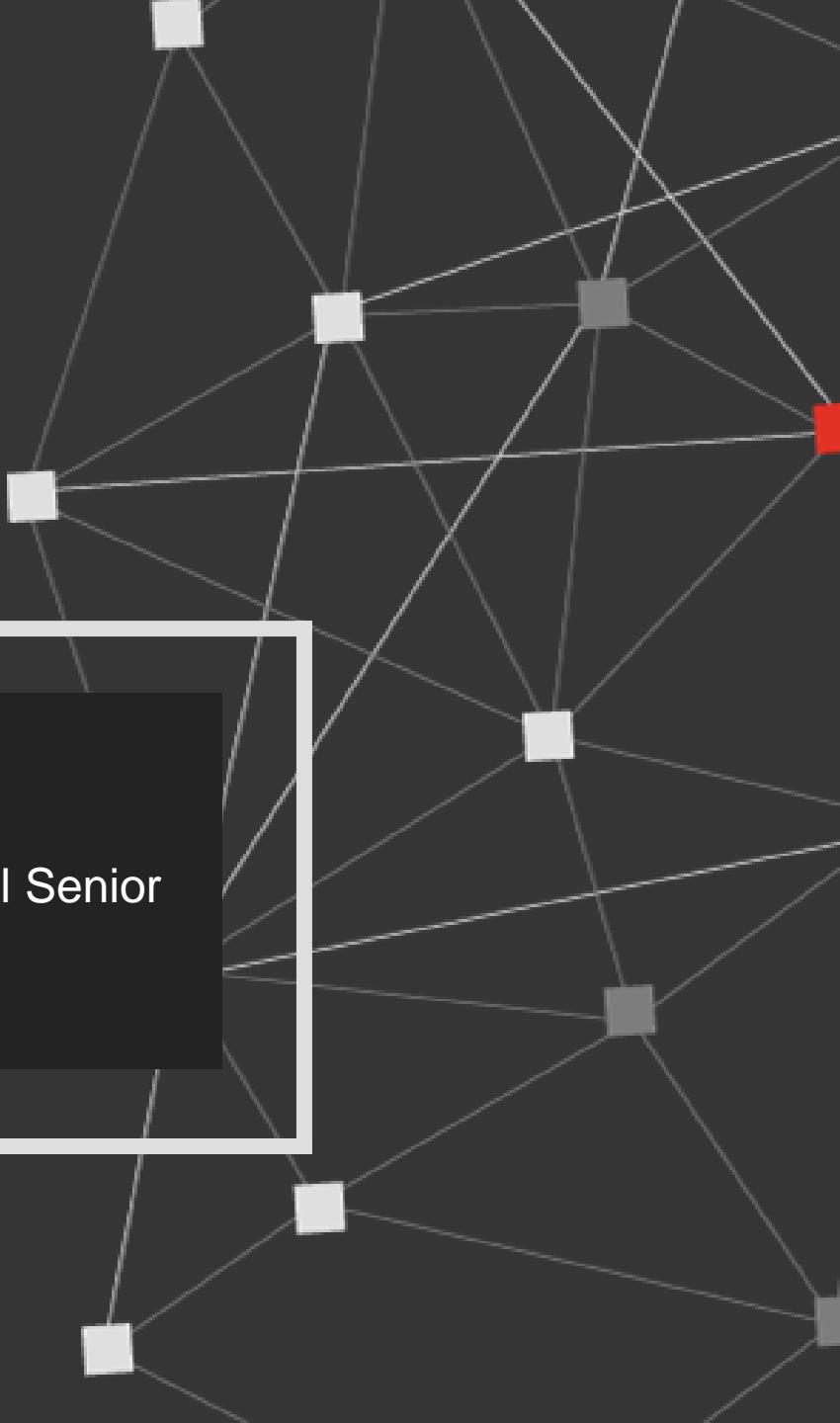


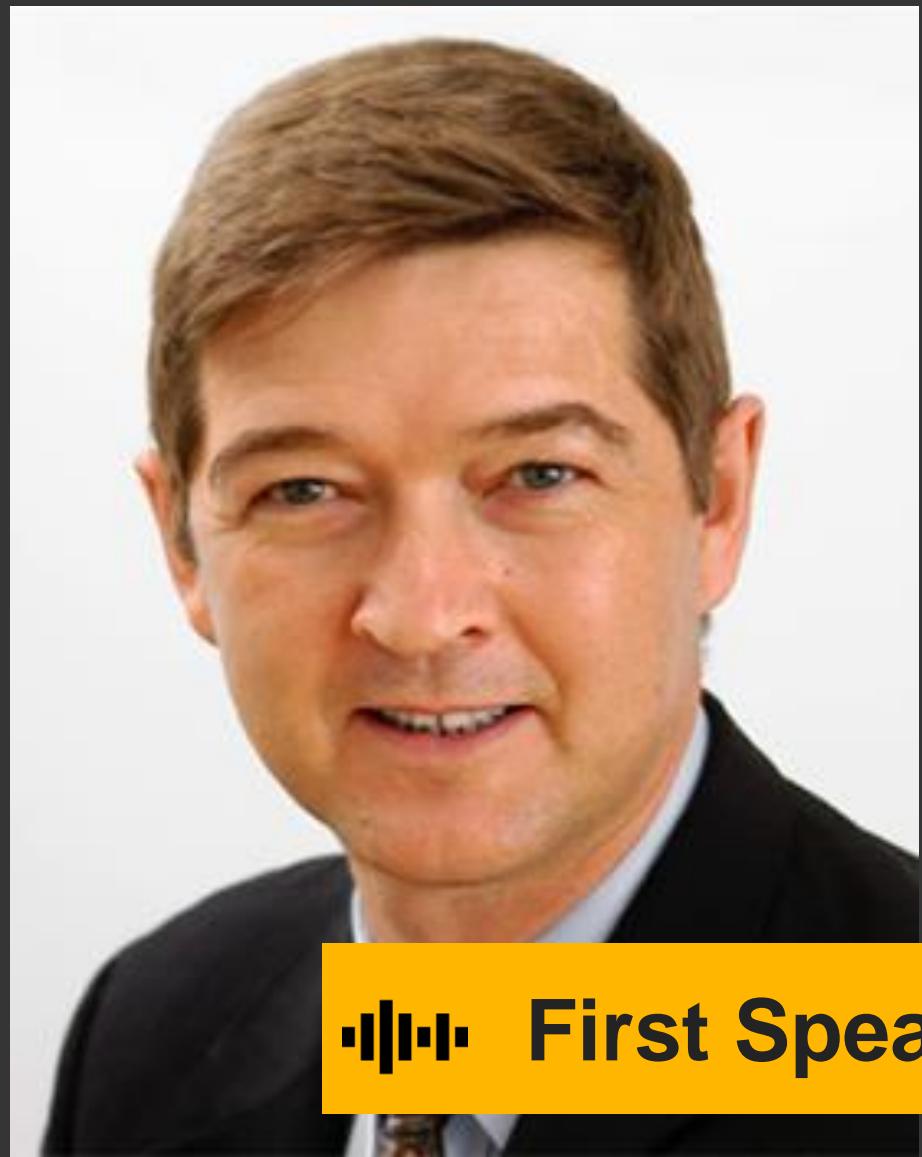


▪▪▪ Opening Remark

Uyi Akpata

Country and Regional Senior
Partner,
West Market Area





First Speaker

Andrew S. Nevin

Chief Economist and West
Africa Financial Services
Leader



COVID-19 and the Nigerian Economy

Assessing the Impact

8 April 2020



“Coronavirus pandemic economic fallout ‘way worse than the global financial crisis,’ IMF chief says

the Coronavirus pandemic has created an economic crisis “like no other,” the top IMF official said. “It is way worse than the global financial crisis “ of 2008 – 09, Gergieva said during a World Health Organization news conference.

“The eurozone – and Europe more widely – is going to suffer grievous economic damage as a result of COVID-19

An early sign of what is to come was provided by the biggest slump in German business confidence on record. When the official data comes out for those countries in lockdown – Spain, Italy and France among them – they are going to make for horrific reading

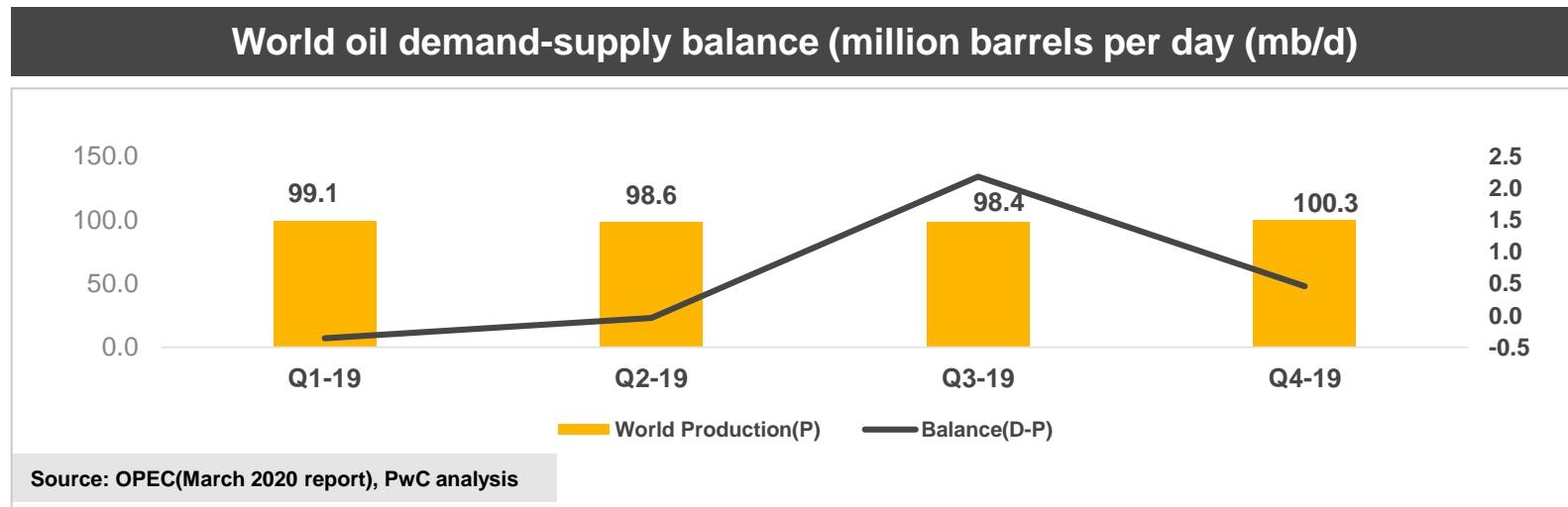
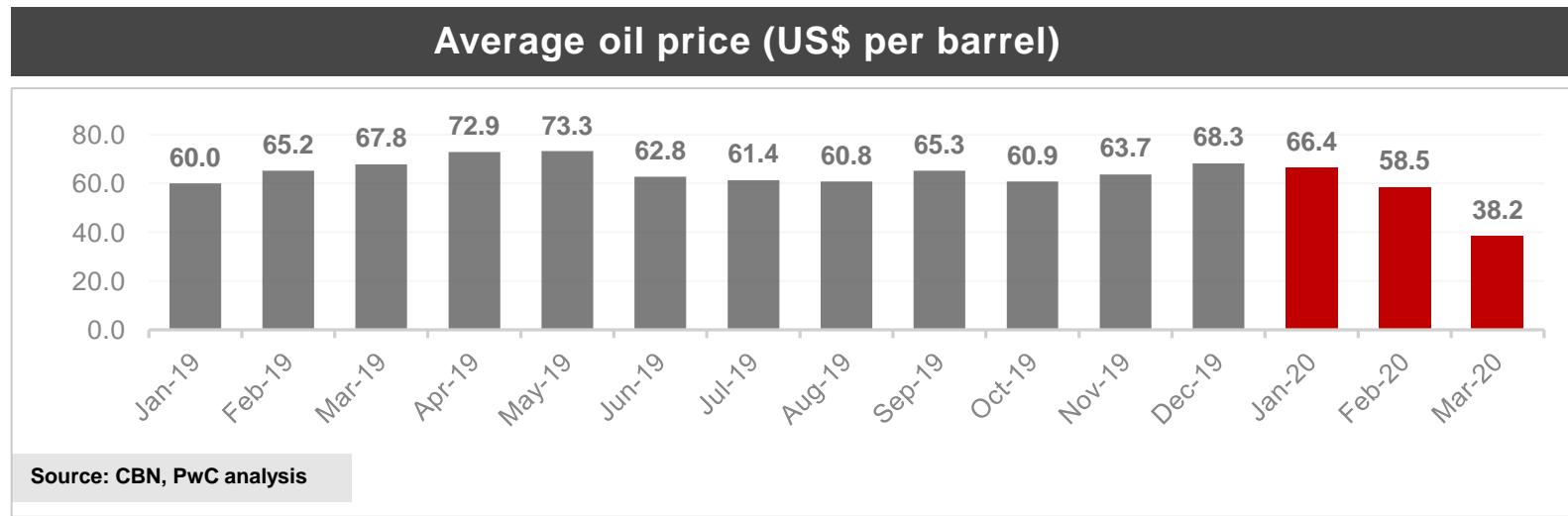
“Coronavirus: Millions will be left in poverty, World Bank warns

The financial impact of coronavirus will stop almost 24 million people from escaping poverty in East Asia and the Pacific, according to the World Bank.

“The COVID-19 pandemic will have a substantial economic impact on sub-saharan africa”-IMF

“World Bank sees ‘major global recession’ due to coronavirus pandemic

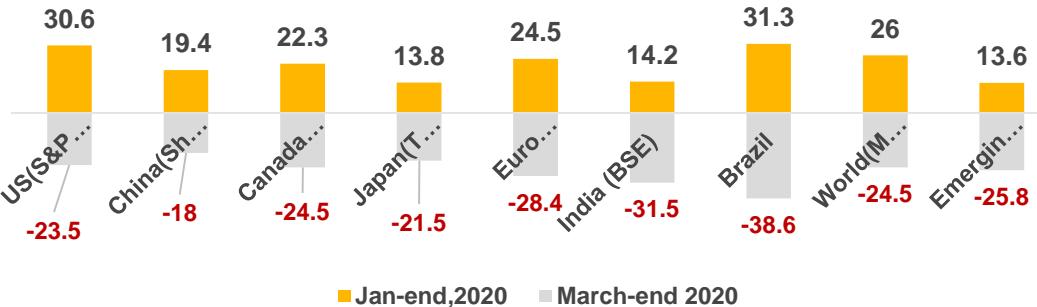
Impact on key economic indicators (1 of 2)



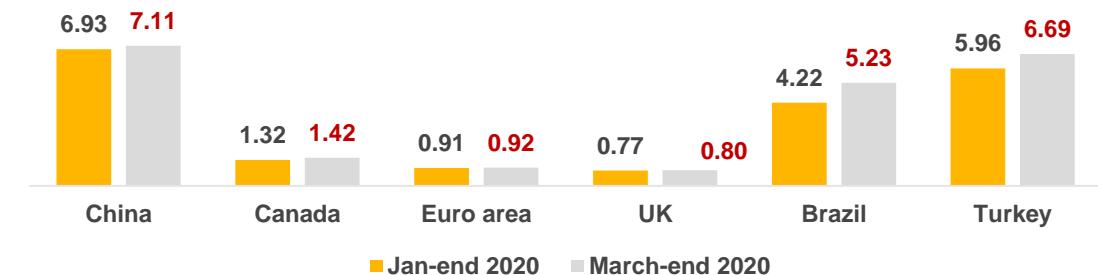
- No economy is spared from the fall-out from COVID-19 outbreak.
- Meanwhile, oil prices have dipped to historical lows, and its support levels are obviously not in sight as it pared US\$20pb on 30th of March, 2020 .
- Oil production has outpaced demand due to the impasse between OPEC and OPEC +(Russia) in a bid to rein in threats from the surge in the US on oil production
- Worse events still ahead as demand may dip further in half-year 2020 and beyond, if factories and airlines remain closed, even as movement of people and goods within and between countries are largely restricted

Impact on key economic indicators (2 of 2)

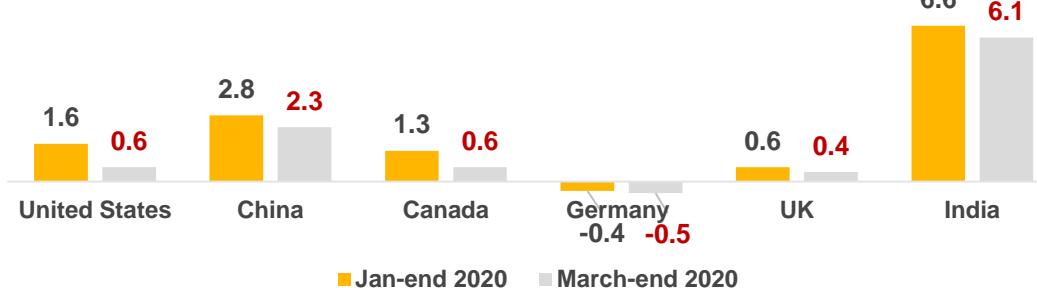
Selected markets indices declined on year to date basis as investors take to safety in gold, which appreciated by 24.9% in March 2020



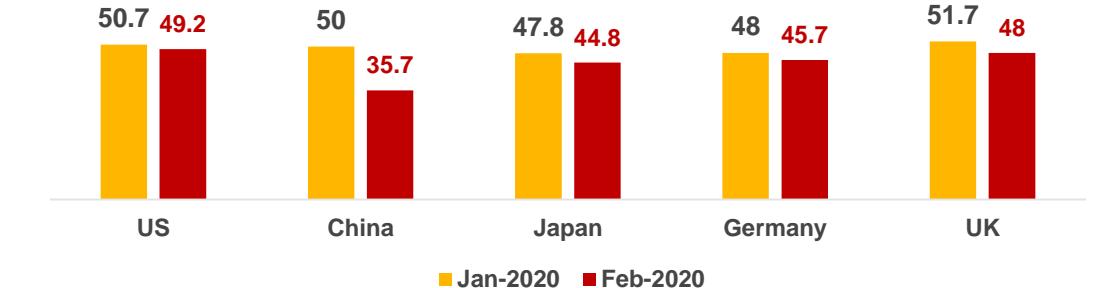
Most currencies per units of USD have depreciated following the reduction in interest rates, decrease in inflows of USD to external reserves and weak investors' confidence



Interest rates on 10-year government bond are declining in response to general monetary policy easing/stimulus, and the need to preserve financial assets from systematic risk

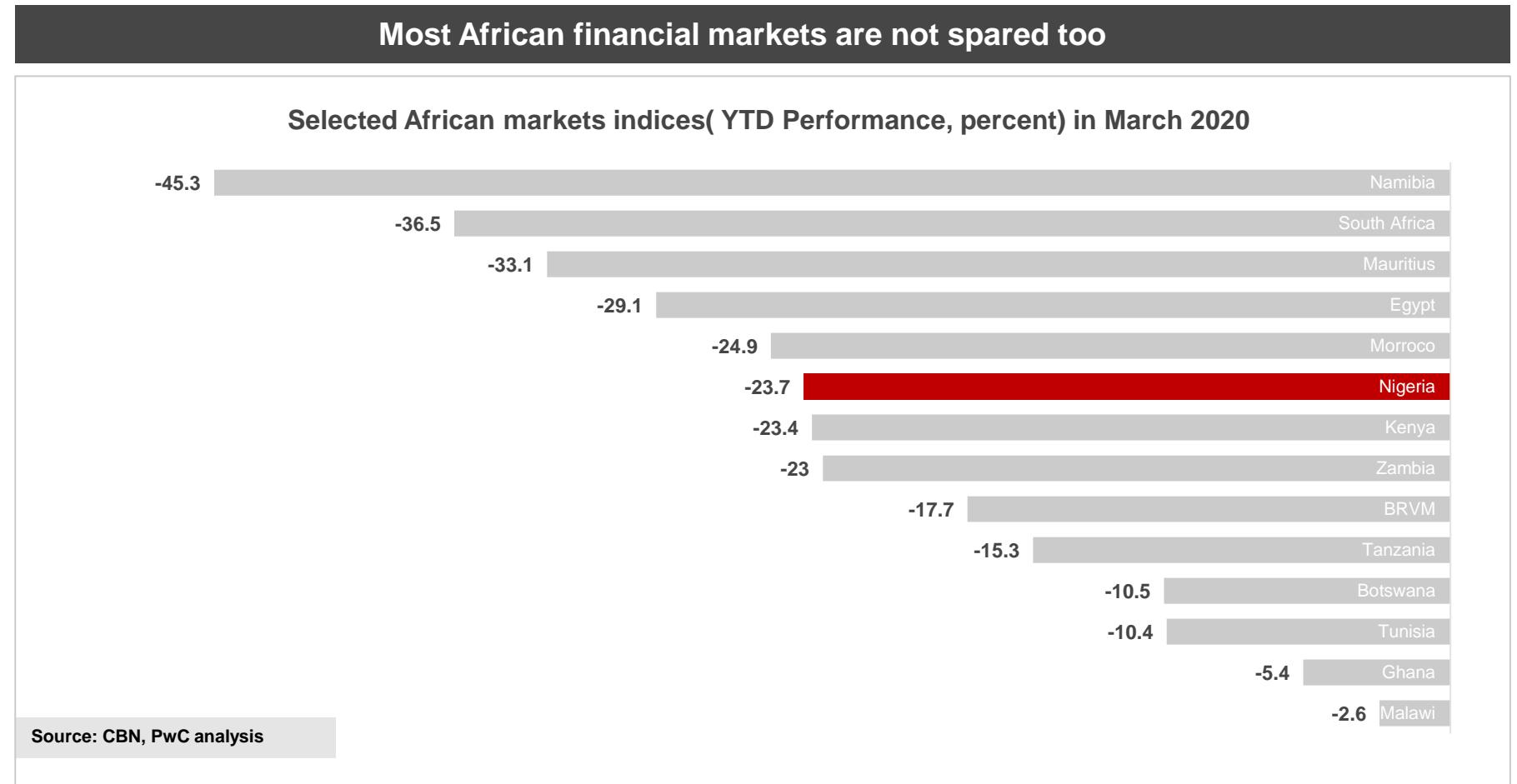


Purchasing Managers' index(PMI): As reflected by the contraction in PMI, the disruption to global supply chains and manufacturing activities heightens the risk of a global economic recession and financial crunch



Impact on key economic indicators

- African capital markets are bearish
- The region's economic trajectory is determined by its fiscal and monetary policy stances, which rely on inflows from primary sectors and commodity exports.
- Therefore, one could safely predict the performance of the region's economy and markets going forward by taking a cue from the impact of COVID-19 on the oil sector, tourism and agricultural sectors.



PwC's COVID-19 CFO Pulse survey

A recent CFO survey highlighted global recession, reducing consumer confidence and consumption as key concerns with respect to COVID-19...

80%
believe there will
be a Global
Recession

Consumption is
believed to decline by
48%
due to a decrease in
consumer confidence

48%
believe there will be
an impact on the
Financial sector

42%
decline in workforce
productivity

14%
believe they don't have
enough information to
make good decisions

34%
believe there will be
increased supply
chain issues

6%
lack a comprehensive
company
preparedness plan

4%
are facing difficulties
with funding

PwC COVID-19 CFO Pulse Survey, March 11, 2020

Q: What are your top-three concerns with respect to COVID-19? Base: 50

Fiscal responses from major global institutions



World Bank



IFC



IMF



ECB



AfDB

World Bank prepared to deploy up to \$160 billion over the next 15 months to support COVID-19 measures that help countries respond to health consequences and bolster economic recovery

IFC to provide \$8 billion to provide relief aid for private companies and employees affected by the pandemic

The IMF has released \$50bn through its emergency financing facilities to help emerging economies that might require additional support.

The ECB governing council introduced a total sum of €870 bn towards its Pandemic Emergency Purchase programme, set up to support its member states

The AfDB launched its Fight COVID 19 Social Bond, which is a \$3 bn bond with a 3 year maturity to reduce the impact of the pandemic on African countries

Policy responses from selected countries globally



United Kingdom



United States



Canada

Fiscal Policy

- The UK government plans to inject £200bn into the economy
- The UK also implemented a plan to pay 80% of wages up to £2,500 a month for workers who are out of work as a result of the pandemic

Monetary Policy

- The BoE has cut its interest rates to 0.1% from 0.25% to provide greater access to credit for individuals and businesses
- The chancellor of the BoE announced a £350bn package for loans and grants and a £30bn injection into the economy as a means of boosting money supply.

- US\$8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act and
- US\$104 billion Families First Coronavirus Response Act which together provide 0.5% GDP for health care, sick leave, small business loans, and international assistance.
- Agreement has also been reached on a US\$2 trillion stimulus bill (around 10% of GDP) that is expected to pass Congress in the coming days

- About \$52 billion (2.3 percent of GDP) in direct aid to households, including payments to workers without sick leave and access to employment insurance, an increase in existing GST tax credits and child care benefits
- \$1.125 billion (0.05% of GDP) to the health system to support increased testing, vaccine development, medical supplies, mitigation efforts, etc.
- About \$85 billion (3.7% of GDP) in direct support to businesses, including tax deferrals and wage subsidies

- Federal funds rate lowered by 150bp to 0-0.25bp
- The Federal Reserve is introducing a US\$700 billion quantitative easing program. The QE program is split between \$500bn of Treasury bills and \$200bn of agency backed mortgage securities.

- The Canadian Central Bank reduced its interest rates to 0.75% to increase access to cheaper loans for its citizens.
- It has also lowered its Domestic Stability Buffer by 12.5% to enable its deposit banks inject \$300 billion into the economy to boost money supply.
- In addition, the government has launched an insured mortgage purchase program to further boost liquidity in the market.

Policy responses from selected countries globally



Germany

Fiscal Policy

- The German government released a €156bn fiscal impulse to support small business owners who have been affected by the pandemic and to boost spending on its health sector.
- The government is expanding the volume and access to public loan guarantees for firms of different sizes, with an allocation of at least €825billion (25% of GDP).



China

- The government approved a sum of Y1.3 trillion to aid in the increased spending on disease prevention and control, production of medical equipment for the coronavirus and part of the fund is meant for its unemployment insurance and fiscal stimulus for individuals.



India

- The government announced a sum of 150bn rupees to boost spending on healthcare infrastructure needed for the COVID -19.
- Individual states like Kerala released fiscal stimulus packages of 200bn rupees to support poor households.

Monetary Policy

- The German Central Bank introduced the unlimited loans to businesses affected by the pandemic by reducing its interest rates to 0%.
- The Bank also released an additional €100 billion to refinance short-term liquidity provision to companies through its public development bank KfW.

- The Central bank reduced its reverse repurchase rates and its 1 year medium term lending facilities by 10 basis points to provide greater access to loans
- In addition the apex bank also implemented a reserve cut rate of between 0.5% and 1%.

- RBI introduced regulatory measures to promote credit flows to the retail sector SMEs during this pandemic.

Policy responses from SSA



South Africa

Fiscal Policy

- The government is assisting companies facing distress through the Unemployment Insurance Fund and special programmes from the Industrial Development Corporation.
- Within the realm of the budget, workers with an income below a certain threshold will receive a small monthly payment during the next four months.
- The government plans to cut \$10.5bn from civil-servant pay in the next three years to halt rapid rise in public debts between 2020 and 2021.



Ghana

- The government committed US\$100 million to support preparedness and response. Additional funds have been earmarked to address availability of test kits, pharmaceuticals, equipment, and bed capacity.



Kenya

- The government earmarked funds for additional health expenditure, including enhanced surveillance, laboratory services, isolation units, equipment, supplies, and communication.
- The government also earmarked funds for expediting payments of existing obligations to maintain cash flow for businesses during the crisis.
- The President and his deputy will take an 80% pay cut, while the ministers and their assistants will take pay cuts ranging from 20% to 30%.

Monetary Policy

- The central bank reduced the policy rate by 100 bps to 5.25 percent on March 19.
- On March 23, the government announced the launch of a unified approach to enable banks to provide debt relief to borrowers.

- The Monetary Policy Committee (MPC) cut the policy rate cut by 150 basis points to 14.5% on March 18
- Announced several measures to mitigate the impact of the pandemic shock, including:
 - lowering the primary reserve requirement from 10 to 8%,
 - lowering the capital conservation buffer from 3 to 1.5%, among others

- On March 24, the central bank lowered its policy rate by 100 bps to 7.25%;
- Lowered banks' cash reserve ratio by 100 bps to 4.25%
- Increased the maximum tenor of repurchase agreements from 28 to 91 days; and
- Announced flexibility to banks regarding loan classification and provisioning for loans that were performing on March 2, 2020, but were restructured due to the pandemic, among others

Fiscal Policy responses by the Nigerian government



Contingency funds of NGN984 million (\$2.7 million) were released to Nigeria's Centre for Disease Control and an additional NGN6.5 billion (\$18 million) is planned.

Establishment of a N500bn COVID-19 Crisis Intervention Fund which will be channelled to the upgrade of healthcare facilities at the national and state-level, as well as provide intervention for states.

The President approved the employment of 774, 000 Nigerians to ameliorate the suffering caused by COVID-19 in the country. The 774,000 youths will be engaged in Special Public Works Programme aimed at cushioning the effects of economic downtown. Each of the 774 local government area in the country will be allotted 1,000 slots.

Three-month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans with immediate effect. Similar moratorium above to be given to all Federal Government-funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigerian Export Import Bank

NGN15 billion grant from Federal Government to the Lagos State Government.

Conditional cash transfers for the next two months to be paid immediately to the most vulnerable at Internally displaced persons camps.

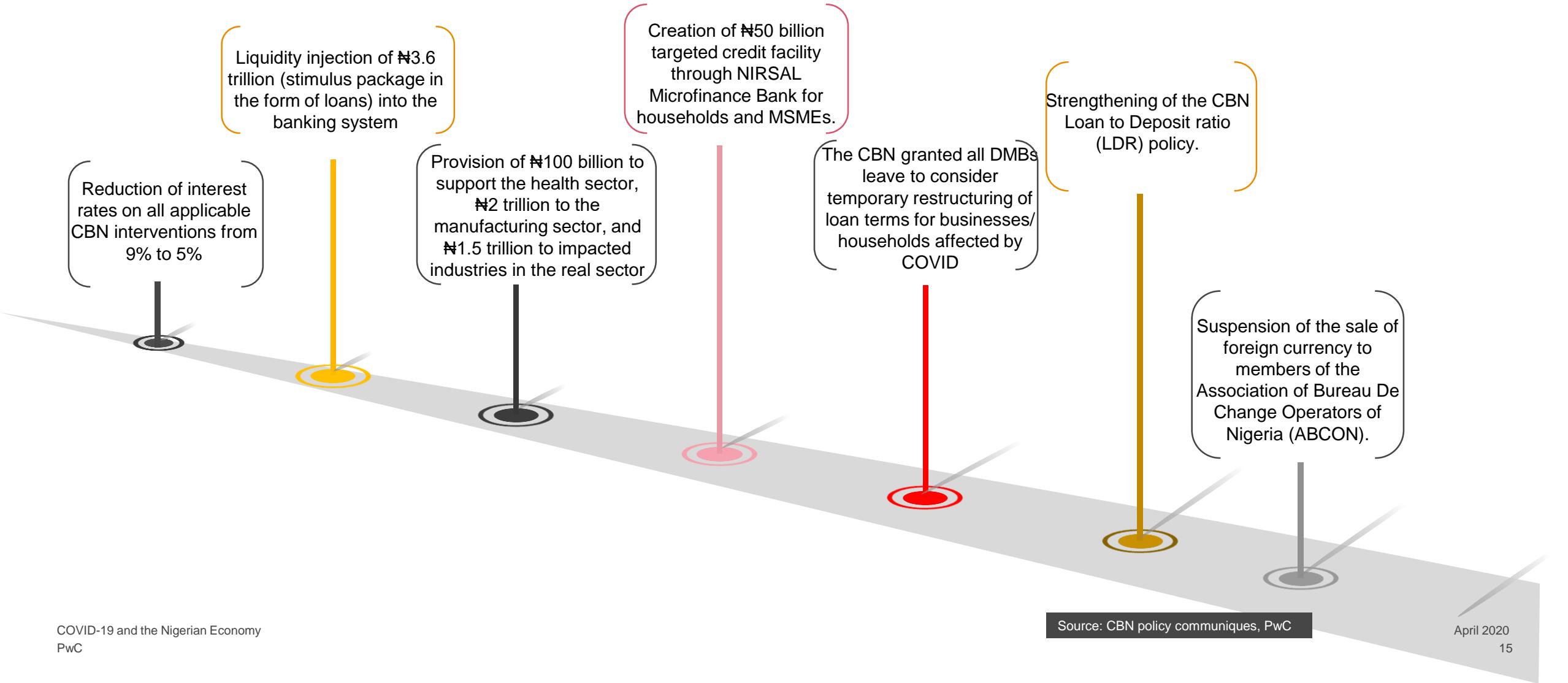
Also, due to the reduction in global oil prices, the government reduced the petrol pump price from NGN145 per litre to NGN123.50 per litre on April 1, 2020.

Suspension of the proposed increase of electricity tariffs by the electricity distribution companies (Discos).

Waiver of import duty on medical equipment, medicines, protection equipment for the treatment of COVID-19.

All 43 Cabinet Ministers donated 50% of their March 2020 salaries to support the Federal Government's efforts.

Monetary policy responses from Nigeria



Headlines on Impact from Africa

Nigeria will go into recession if COVID-19 continues beyond six months – Finance Minister

"If it is an average of three months, we should be able to close the year with positive growth. But if it goes longer than that – six months, one year – we will go into recession."

COVID-19: Kenyans brace for tough times as economic shock looms

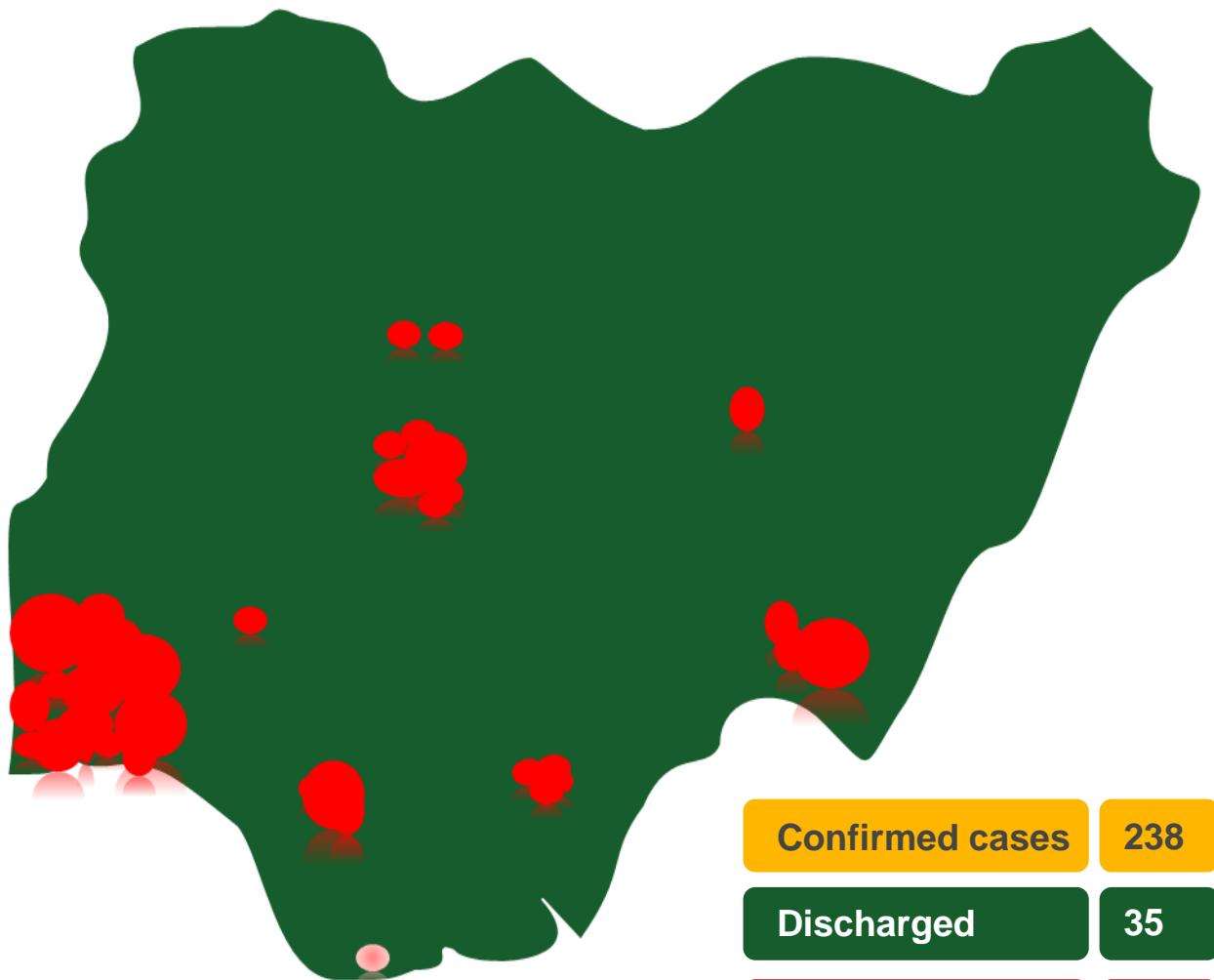
South Africa declares 'state of disaster' as coronavirus threatens to derail economic recovery

The outlook for the nation's economy was bleak coming into 2020, but the arrival COVID-19 is expected to further destabilize any fragile attempt at recovery.

Coronavirus Will Slam African Economies, Experts Say

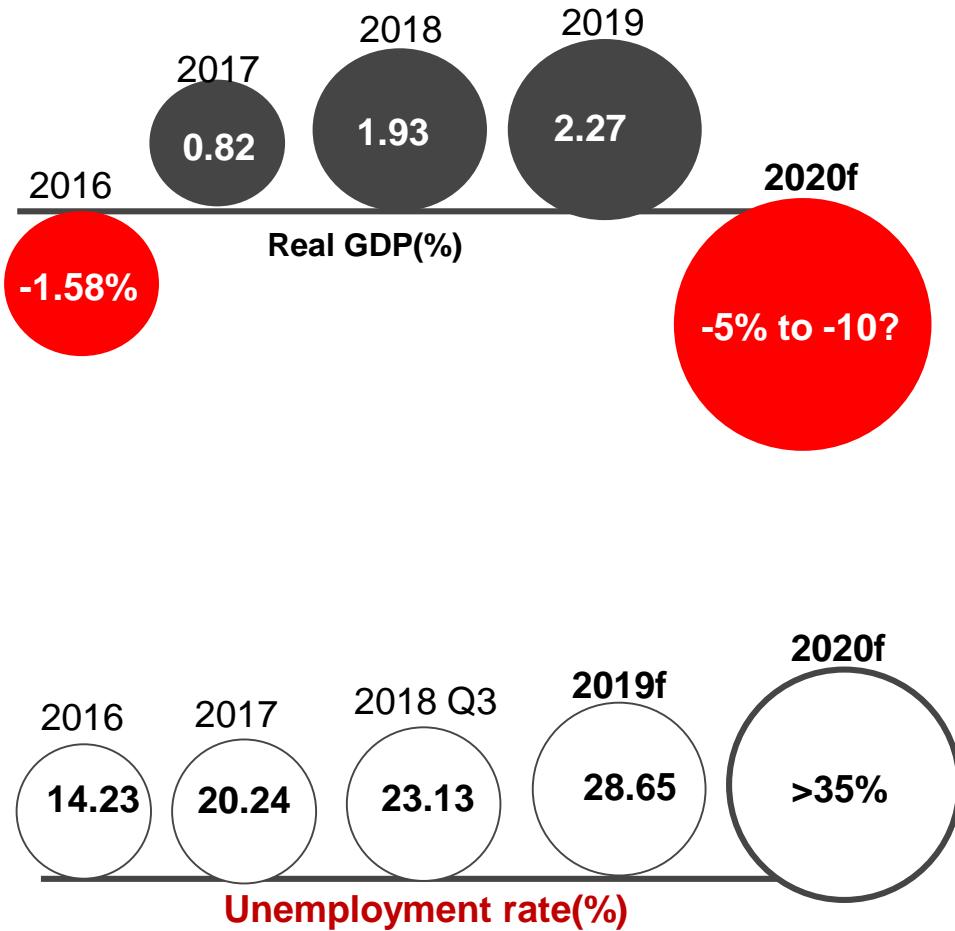
Ghana slashes GDP forecast over coronavirus shock

Impact of COVID-19 on Nigeria



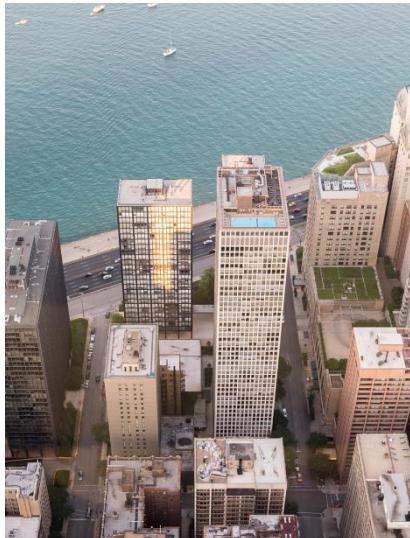
States Affected	No. of Cases (Lab Confirmed)	No. of Cases (on admission)	No. Discharged	No of Deaths
Lagos	120	86	31	2
Abuja FCT	48	39	0	2
Osun	20	19	1	0
Edo	11	8	0	1
Oyo	9	8	0	0
Bauchi	6	3	0	0
Akwa Ibom	5	5	0	0
Kaduna	5	4	0	0
Ogun	4	2	2	0
Enugu	2	2	0	0
Ekiti	2	1	1	0
Kwara	2	0	0	0
Rivers	2	2	0	0
Benue	1	1	0	0
Ondo	1	1	0	0
Total	238	186	35	5

COVID-19 Economic Impact on Nigeria



 **Nigeria should expect an unprecedented economic shock**
Although comprehensive structural reforms could reduce impact

Further impacts



- Massive spike in employment
- Massive number of people in informal sector not earning daily wage between lockdown and recession
- Huge food security challenge
- Fiscal crisis at both FG and State level
- Depletion of external reserves

Options to consider (1/2)

The overriding priority of the government should be the health and safety of Nigerians

1

Getting money to the BoP efficiently and Keeping food supply-chains intact

- In Nigeria, 50 to 70% of the economy is informal and these employees are living on daily subsistence conditions.
- FG can use mobile phone registration and harmonize with voters register and tax registration (TIN).
- This can be credited to their phones which they can cash in arrangements with banks, FinTech's and mobile payment providers or to their bank accounts for those who have BVN.
- As lockdowns and semi-lockdowns take place, it is becoming increasingly difficult for the food supply chains to work.
- Keeping the food supply chain working means being very smart about how the rules work on the necessary social distancing and safety rules, while continuing with food (and power) systems.

2

The government to seek external funding – world bank, diaspora remittances

- Immediately start tapping into announced programs for support, including: the IMF Rapid Credit Facility, WB/IFC facility to support response to the COVID19 crisis and Afrexim Bank program
- Use fiscal modelling tool to have up-to-date view of the fiscal situation and possible scenarios with movements in oil prices, GDP, etc.
- Establish regular communication with IMF, WB, Rating Agencies so they are up-to-date on Nigeria's fiscal situation and have confidence in the transparency and the management of these issues
- Communicate clearly to donor community (DFID, USAID, EU, etc.) what the situation is and what the FG really needs to ensure targeted resources from these groups

Options to consider (2/2)

The overriding priority of the government should be the health and safety of Nigerians

3

Fiscal stimulus and cuts

- Keeping the economy going with appropriate fiscal stimulus by paying legitimate payables to contractors immediately, paying legitimate pension arrears owed by FG and continuing with critical FG capital projects if they employ Nigerians
- Selective cut
- Many states are likely to enter a fiscal crises, thus, FG needs to urgently consider how it intends to address this – possibly through a combination of grants and low interest loans, but with stringent conditions that will set up for economic growth across the country – these conditions will also be required if FG is asking for support from IMF, others to pay for program
- Send positive signal to investors that the FG will further improve tax policy leading to future growth with better compliance by MDAs and some quick tax wins

4

Restructuring for the future

- Unlocking the dead capital the FG has across many industries and in all parts of Nigeria, and crowding in private capital. The FG has significant assets, but to the extent these continue to be dead capital, it is an enormous drag on the economic recovery
- Leveraging the crisis to make real structural reforms in the power sector, leading to industrialization and diversification
- Launch an urgent review of NNPC operations to ensure FG is receiving all it should from this asset and take appropriate action.



Thank you



 **Second Speaker**

Taiwo Oyedele

Fiscal Policy Partner and West
Africa Tax Leader



Covid-19 Nigeria's Fiscal Policy Responses

8 April 2020



COVID-19

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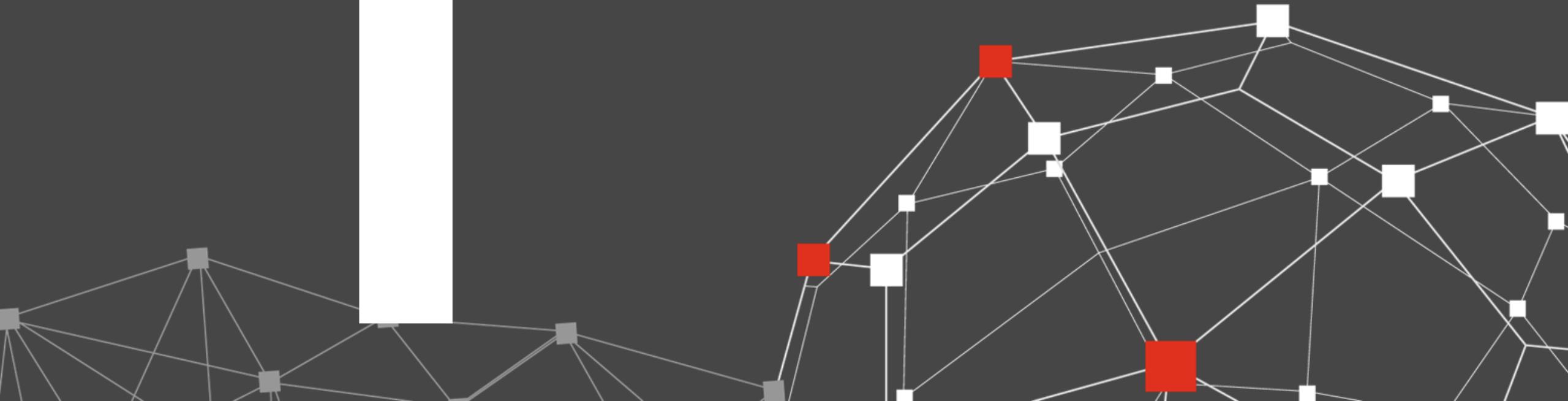
04

Lessons from rest of the world

05

Final thoughts

Background and context



Nigeria has pre-existing fiscal challenges only compounded by the Covid-19 pandemic



- Very low tax to GDP ratio (less than 6%)
- High debt service to revenue ratio
- Low level of tax compliance
- Significant fiscal risks due to COVID-19 economic disruption
- Exposure to the risks of a sustained decline in oil prices
- Dated Brent oil prices as low as US\$19/barrel as at Friday 3 April 2020
- Compared to 2020 Budget benchmark of US\$57/barrel
- Oil production in 2020 year-to-date is 2.0mbpd vs Budget projection of 2.18mbpd.
- Little fiscal buffers compared to 2008/2009 or 2015/2016
- **Decline in FAAC disbursements**
 - projected at N888.5b monthly
 - declined to N716.3b in Jan and N647.4b in Feb 2020
 - now expected to decline below N400 billion over the next 3-6 months
 - min of N650b needed to meet recurrent obligations



Even the original Budget showed huge deficits and low revenue expectation

While the country's debt to GDP ratio is within acceptable limits, other indicators suggest a revenue crisis.

2019 FG Revenue Budget v (Actual)
N7 trillion (N4.8 trillion)

2019 FG Expenditure Budget v (Actual)
N8.9 trillion (N9.4 trillion)

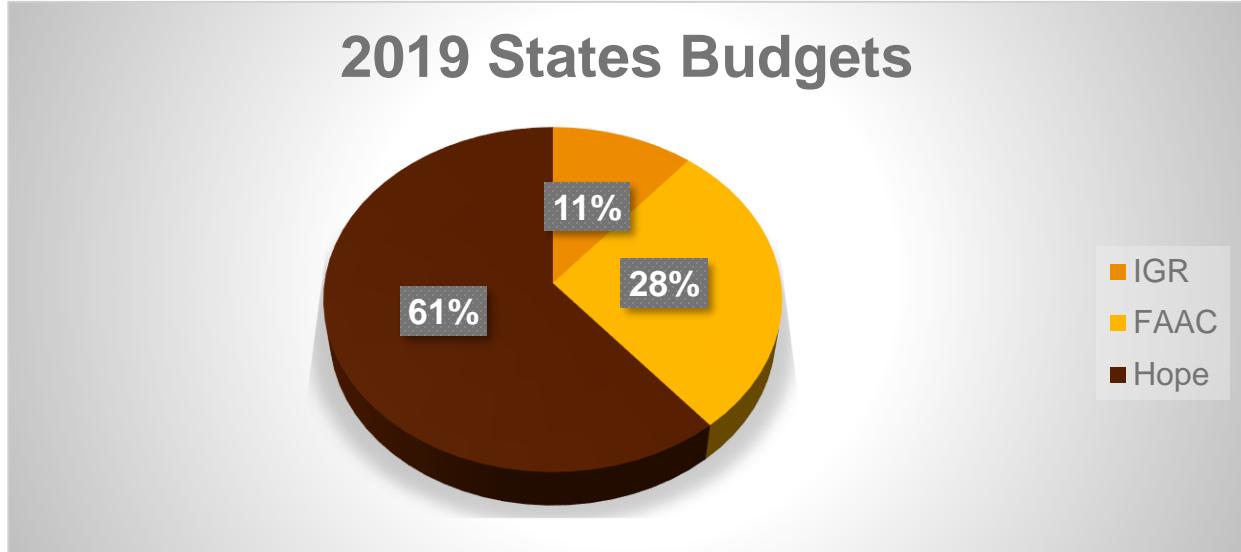
2019 FG Budget deficit v (Actual)
N1.92 trillion (N4.6 trillion)

Debt service to revenue (2018) **54%**



States have even bigger budget deficits

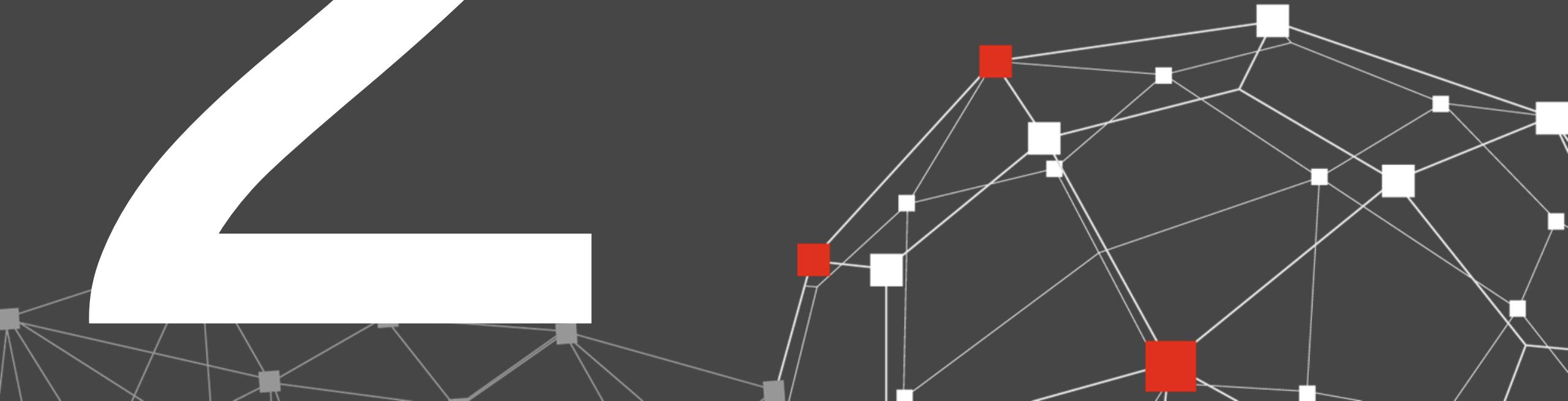
- Internally generated revenue is very low across the country
- Large informal sector and multiple taxation make tax collection difficult
- Poor accountability dampens tax morale hence the high level of evasion
- Distributions to the tiers of government are constrained by unbudgeted fuel subsidy and other tax expenditures
- The huge fiscal gap at the state level will be compounded by the implementation of new minimum wage and COVID-19
- Local governments are also as challenged if not worse



2019	N'Billion	Percentage
Budget	8,930	100%
Capex	5,051	57%
Recur	3,881	43%
Revenue		
IGR	1,100	12%
FAAC	2,500	28%
Fiscal Gap	5,330	60%



Nigeria's fiscal policy responses



Nigeria's fiscal policy responses

COVID-19 Crisis Intervention Fund



1

- Establishment of a N500 billion COVID-19 Crisis Intervention Fund
- To upgrade healthcare facilities
- Fund Special Public Works Programme to generate employment
- Adequate framework will be put in place for the collection, management and reporting of donations into the Fund
- COVID-19 Donor Accounts to be opened with Zenith Bank, Access Bank, Guaranty Trust Bank, UBA and First Bank
- To form part of the existing TSA arrangement

Subnational support



2

- Draw down on World Bank facility (US\$82m) and additional financing from the REDISSE (US\$100m) project to meet COVID-19 emergency needs by States/FCT.
- FG's N102.5b in resources to be available for direct interventions in the healthcare sector. Already disbursed N6.5b to NCDC and N10b to Lagos state
- US\$150m to be withdrawn from the NSIA Stabilization Fund to support the June 2020 FAAC disbursement
- Debt and interest moratorium for States on FG and CBN-funded loans to create fiscal space

Nigeria's fiscal policy responses

Budget revision and funding



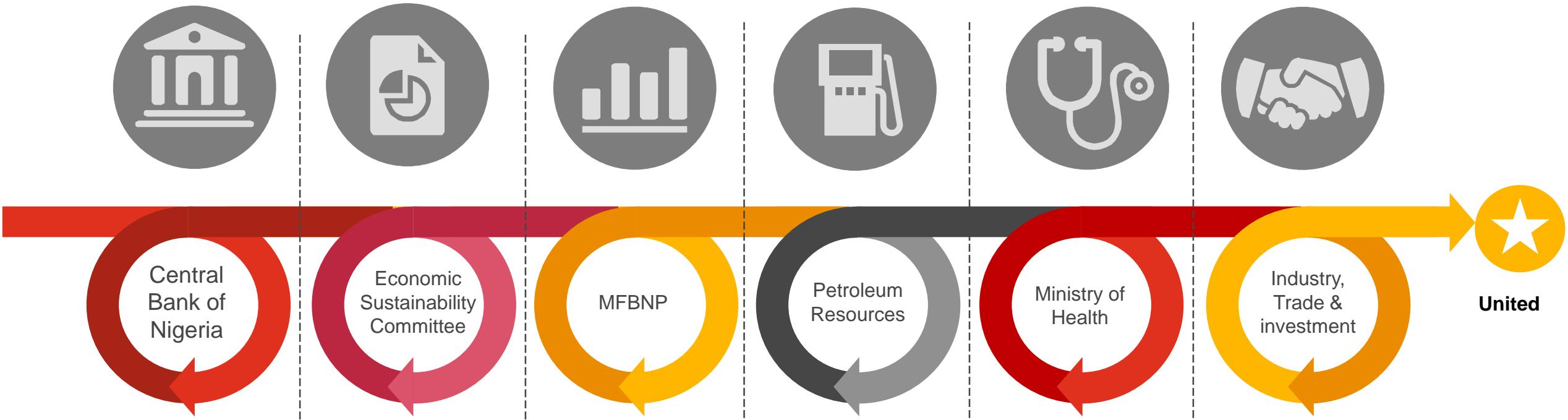
- Benchmark oil price revised to US\$30/b from \$57/b and production to 1.7mbpd from 2.18mbpd.
- Concessional funding from WB, ADB, IDB and IMF's COVID-19 Rapid Credit Facility
- No intention to negotiate or enter into a formal programme with the IMF
- Downwards adjustment of non-oil revenue projections, customs receipts and proceeds of privatisation exercises
- Budget Office to revise 2020-2022 MTEF / FSP
- Amended Appropriation Act will provide for COVID-19 Crisis Intervention Fund

Tax reliefs and allowances



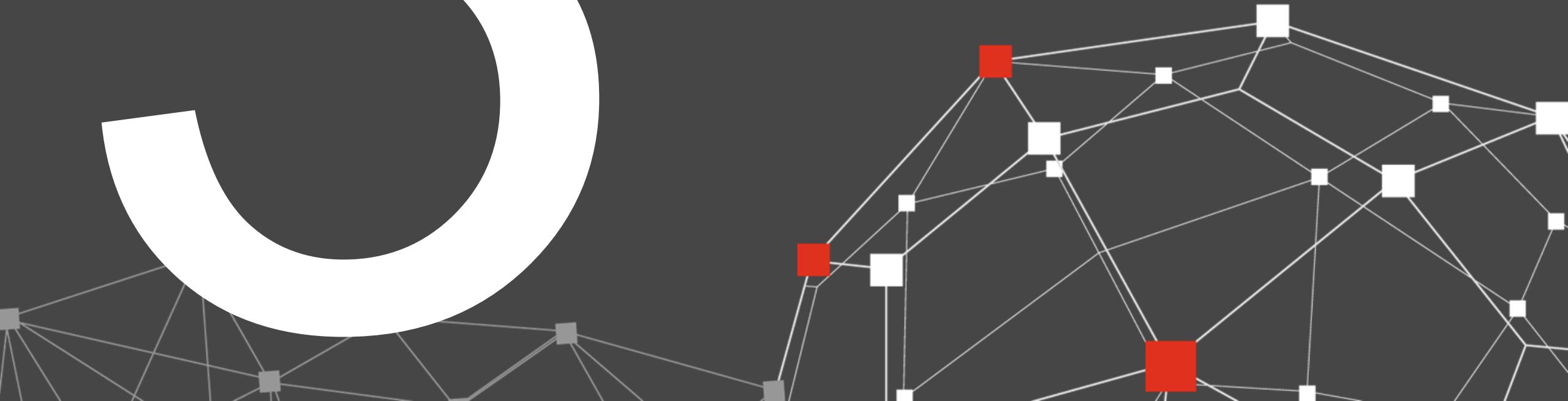
- 2019 Finance Act already grants tax exemptions to small businesses while the tax rate for medium-sized companies has been reduced from 30% to 20%
- VAT exemption for expanded list of basic food items plus medical and pharmaceutical products
- Ministerial Orders for charitable donations to fight COVID-19 to be tax deductible
- Release and (where necessary) enhance the hazard allowances of federal health sector workers
- Affected States are enjoined to take similar measures.

... and better coordination of policy responses and measures to be lead by the Economic Sustainability Committee



35

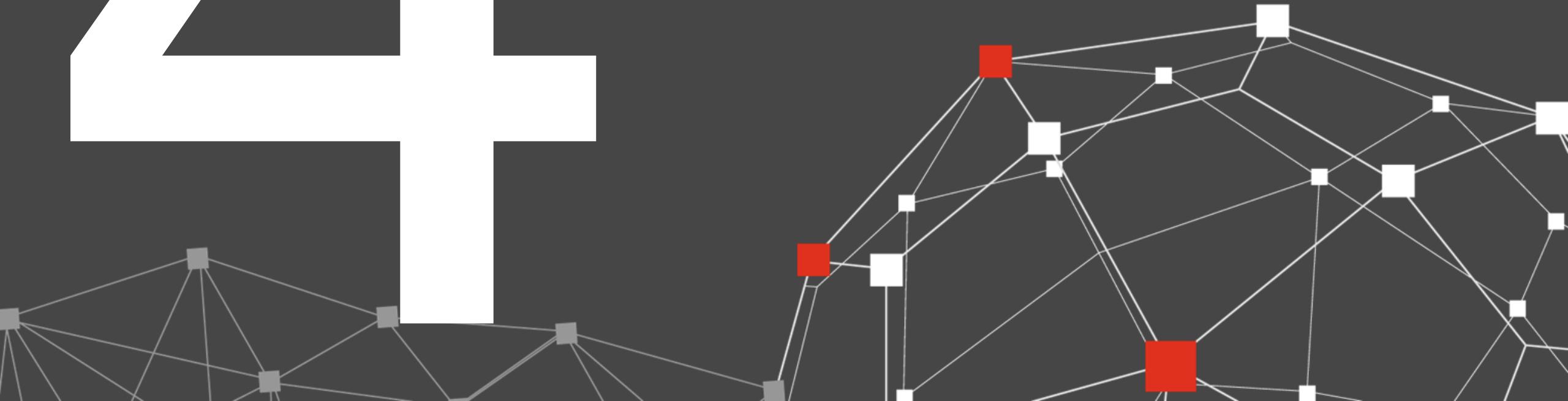
Tax and other measures



Tax and other measures

Tax Authorities	National Assembly	Others
FIRS <ul style="list-style-type: none"> Online filing of returns, correspondences and communications Visits and physical meetings Tax audits Concessions on filing deadline 	NASS <p><i>First Bill (Passed by HoR) - Economic Stimulus Bill</i></p> <p>Objectives - provide temporary relief to companies & individuals, protect employments, eliminate fiscal bottleneck on the importation of medical items & cater to the general wellbeing of Nigerians.</p> <ul style="list-style-type: none"> Job protection – 50% income tax rebate on total PAYE. Oil companies not eligible Deferral of mortgage payment Import duty waiver 	Immigration <ul style="list-style-type: none"> Travel restriction Visa on arrival suspended
LIRS <ul style="list-style-type: none"> Extension of filing deadline for PIT returns by 2 months from 31 March to 31 May 2020 Applicable to all individuals including employees and self employed persons 		NITDA <p>Data Protection Compliance annual filing deadline extended from 15 March to 15 May 2020.</p>
FCT-IRS <ul style="list-style-type: none"> Extension of deadline for the filing of personal income tax returns by 3 months from 31st of March to 30th of June 2020 	<p><i>Second Bill Proposed</i></p> <ul style="list-style-type: none"> To provide for free electricity to Nigerians for 2 months 	NCC <p>No correlation between 5G Technology and COVID-19</p> SEC <p>Fresh applications suspended</p> <p>All returns to be filed electronically</p> <p>60-day extension for public companies and capital market operators to file their 2019 annual reports and Q1 2020 reports.</p>

Lessons from rest of the world



Lessons from the rest of the world



Tax and legal

- Tax administrative reliefs, contract protection - force majeure, reduce uncertainties

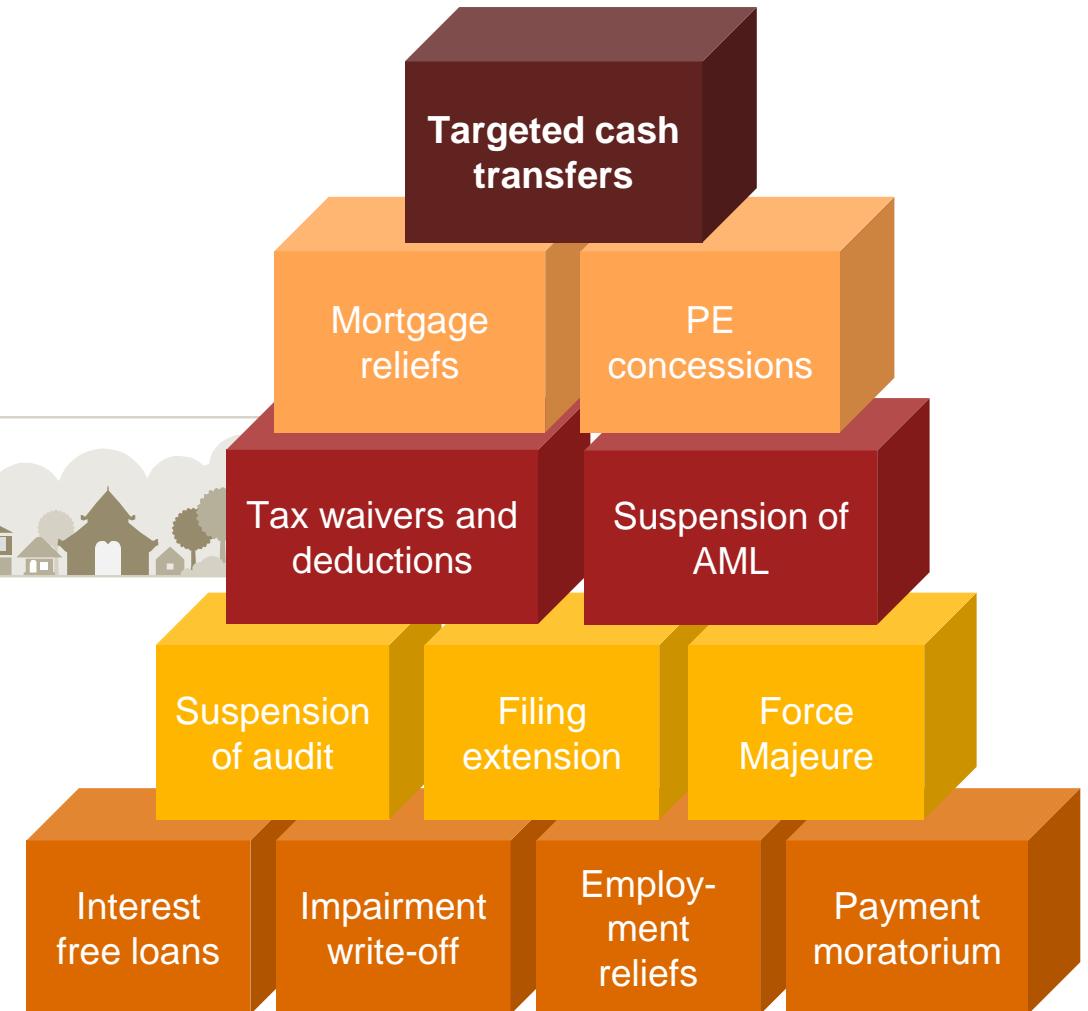
Immigration

- Entry and exit permits, travel advisory, what happens with those unintentionally stuck

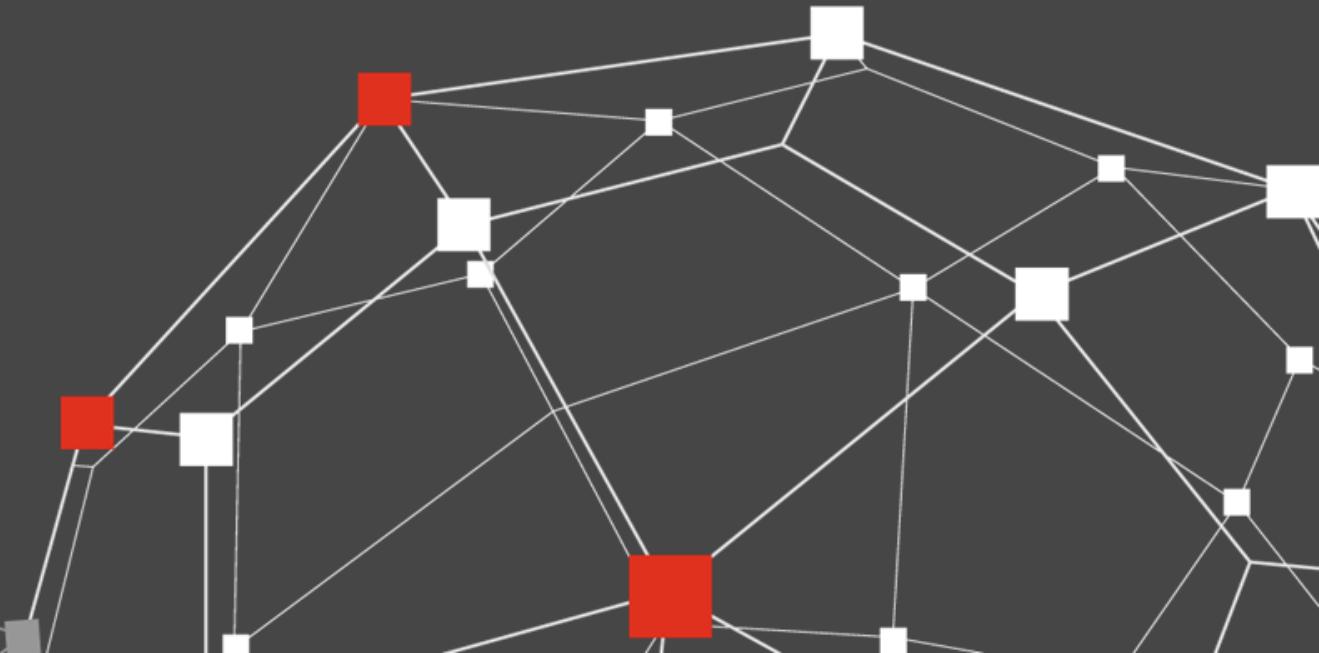
Economic

- Stimulus - monetary, fiscal and others (targeted at most vulnerable sectors and individuals)

Lessons from the rest of the world cont'd



Final thoughts



Final thoughts

While this will not be easy it is not something we haven't dealt with before from an economic viewpoint

This time around we must not waste the crisis

Nigeria is affected by what happens to the rest of the world as much as what happens domestically

Some ray of hope – China getting back to normality and OPEC working towards striking a deal

Consider other issues – e.g. impact on share options schemes, new business opportunities, FAQs etc

We all need to play our parts – ultimately this time also will pass

“ ”

The Chinese use two brush strokes to write the word “crisis”. One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger – but recognize the opportunity. ”

John F. Kennedy



Tax247 Mobile App



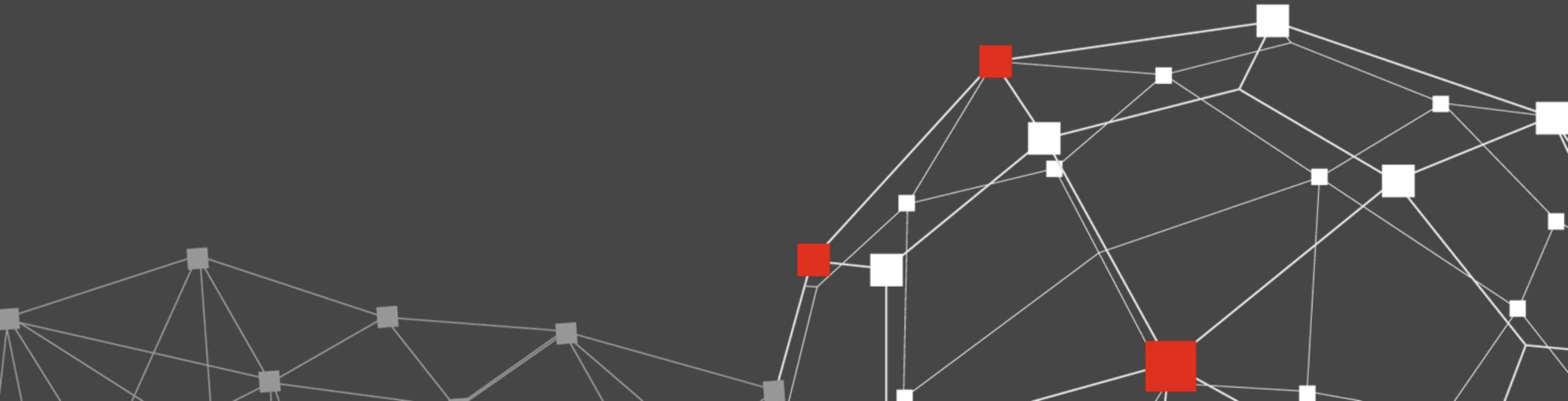
Other Features:

- COVID-19 Resources
- PIT Calculator
- Events/Calendar
- Global Search
- Bookmark
- Highlight
- Smart cross reference



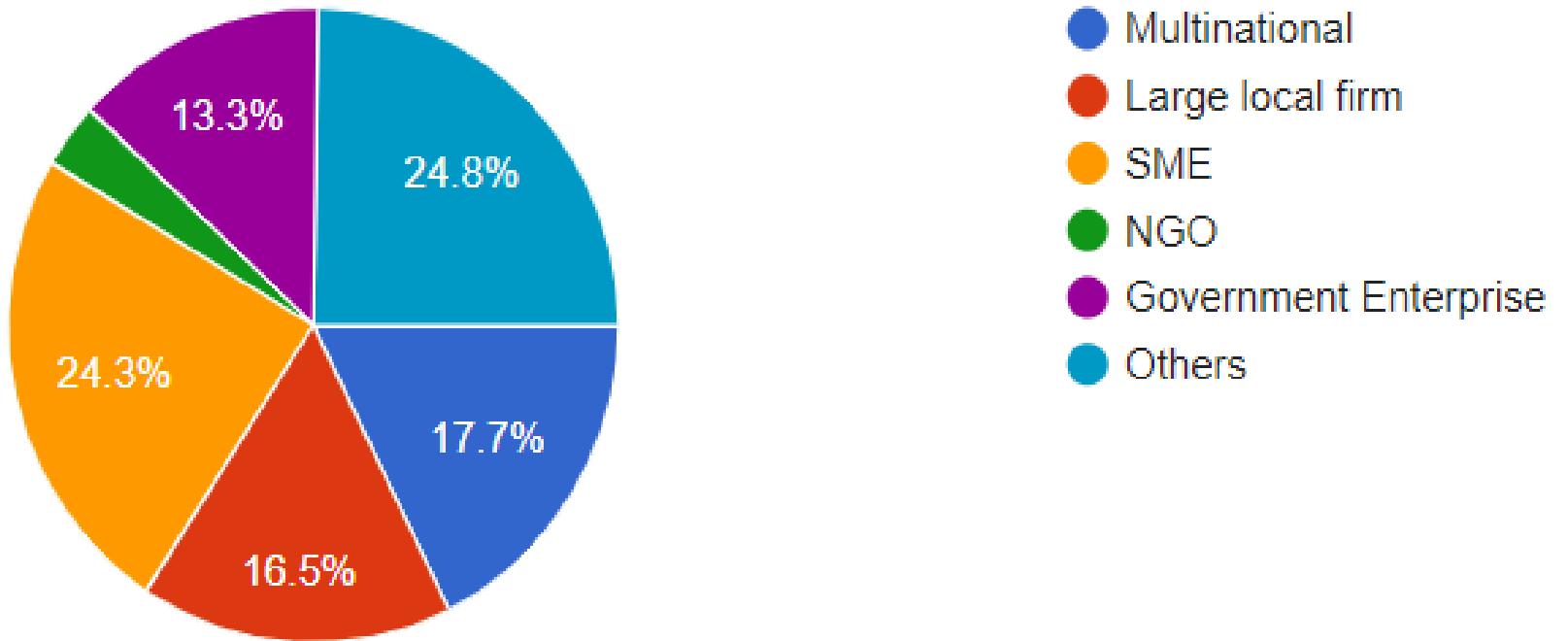
Thank you

Survey findings



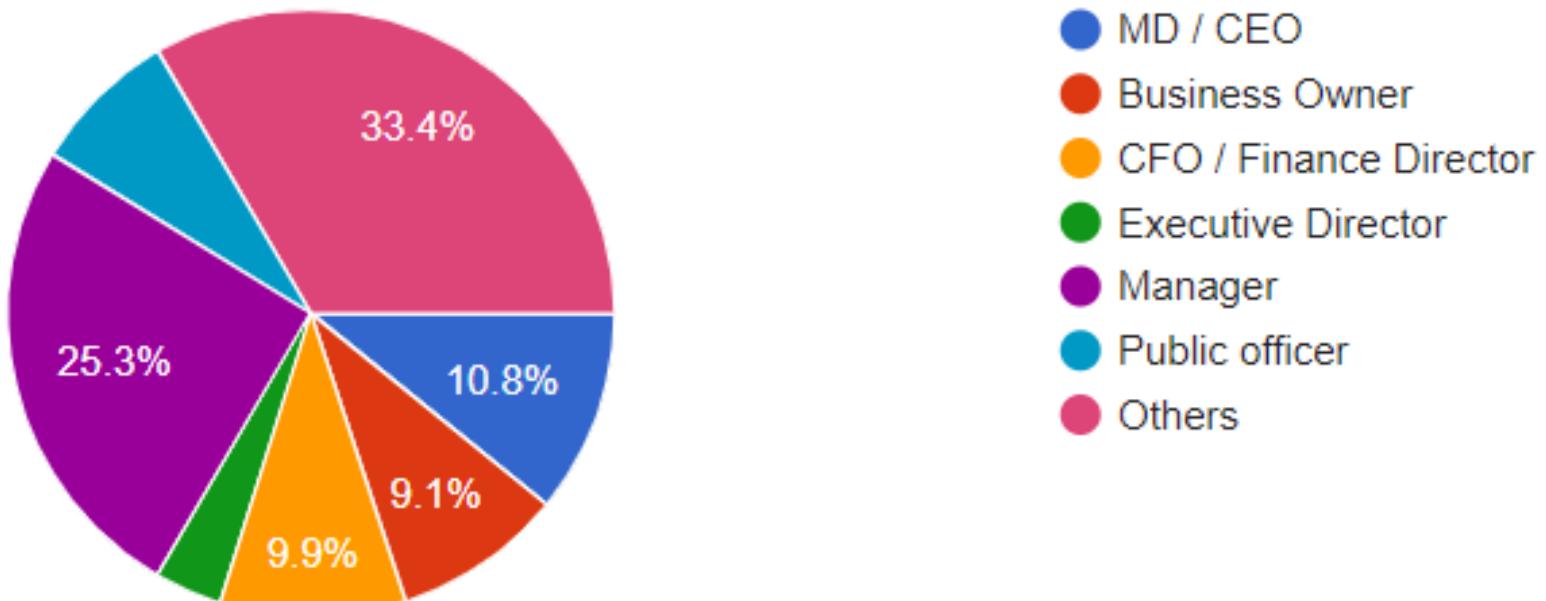
Classification of organisations

2,727 responses



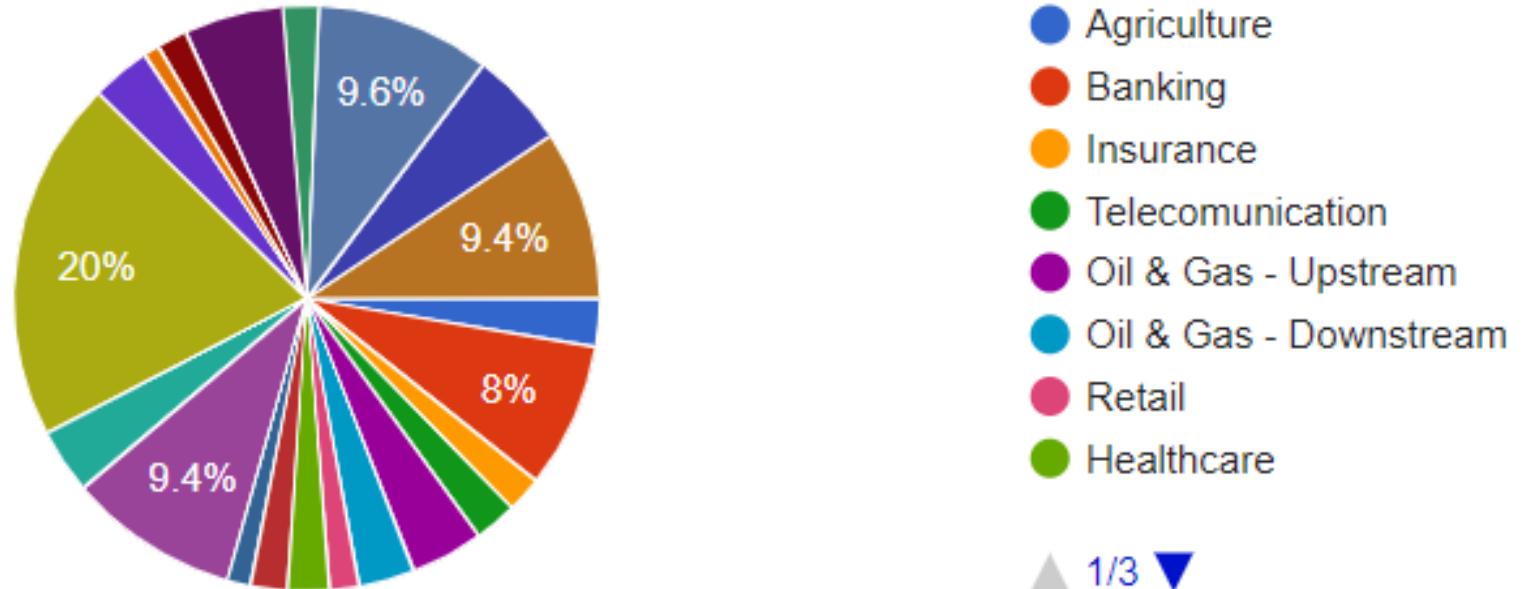
Designation of respondents

2,748 responses



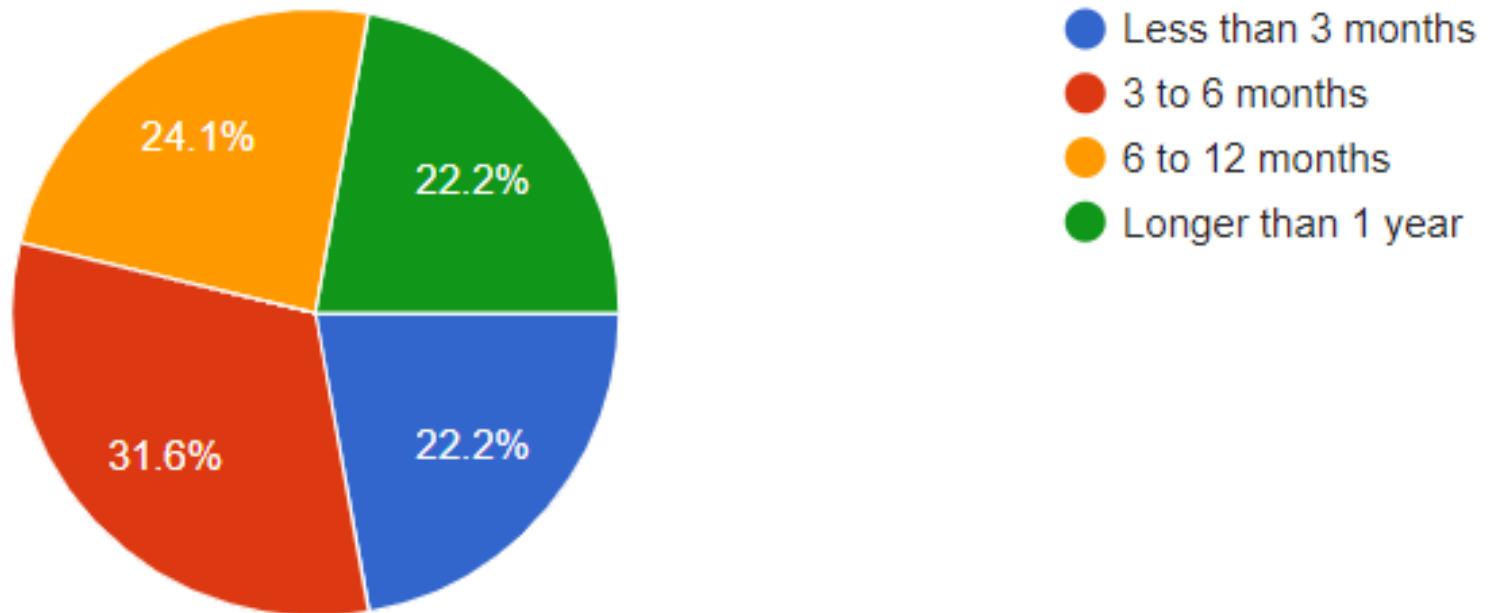
Sectors represented

2,748 responses



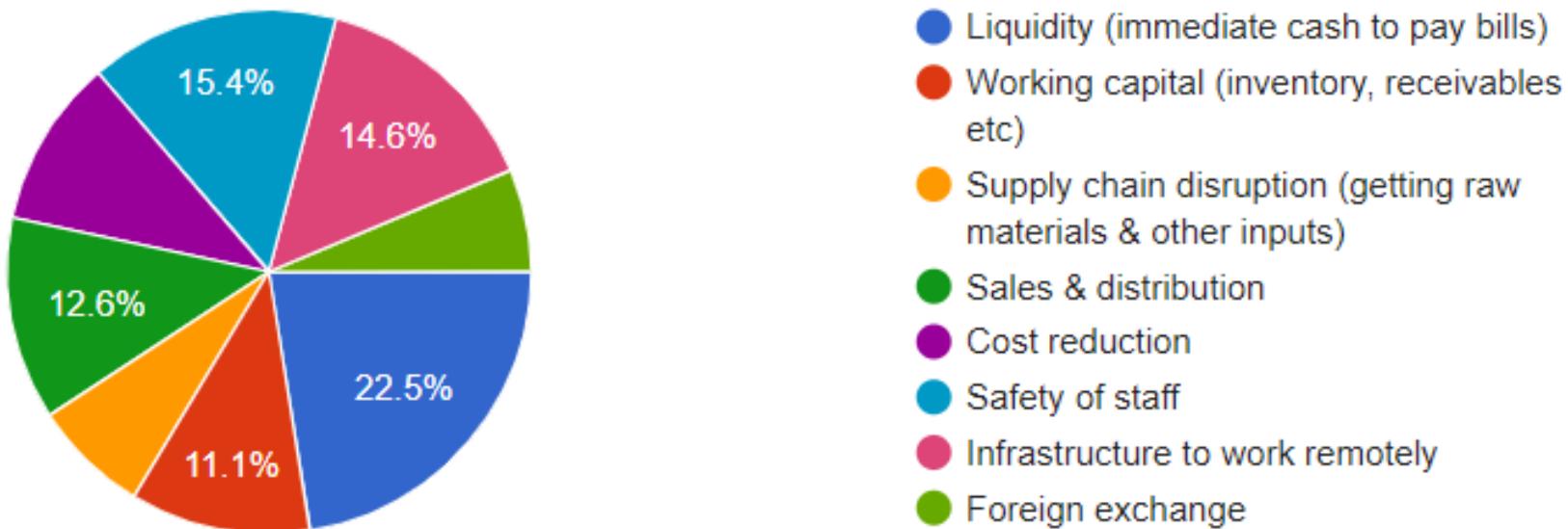
How long do you envisage the impact of Covid-19 will last?

2,748 responses



Your most pressing business needs

2,748 responses



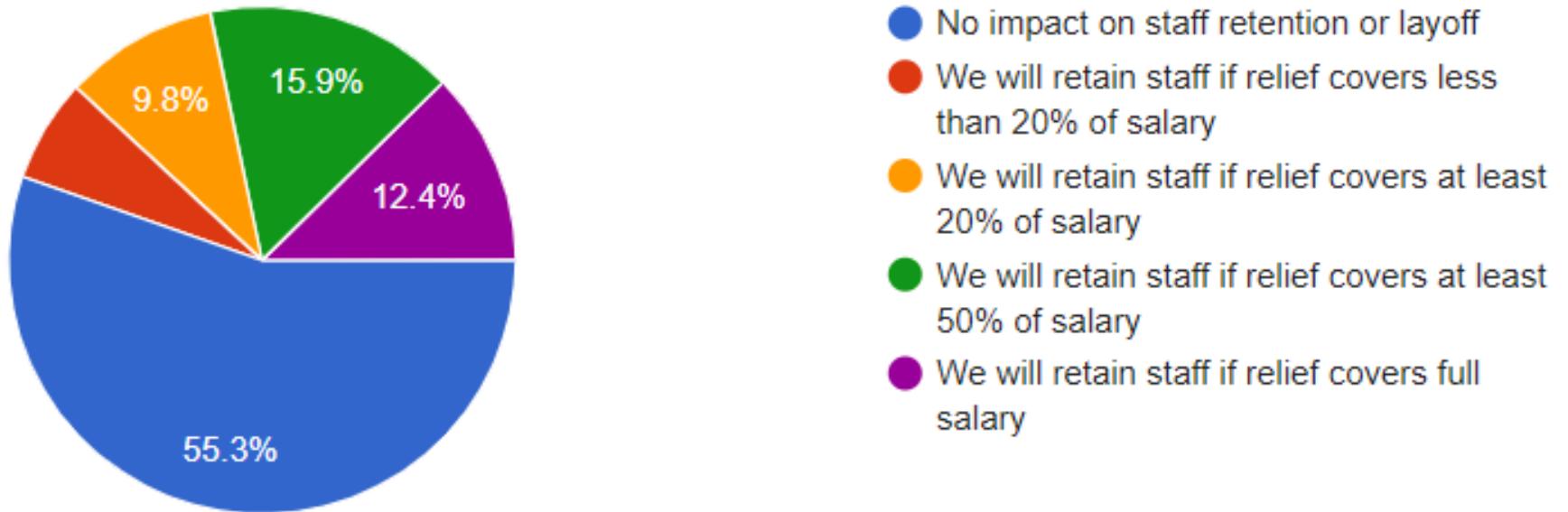
How will Covid-19 affect your staff retention decision?

2,748 responses



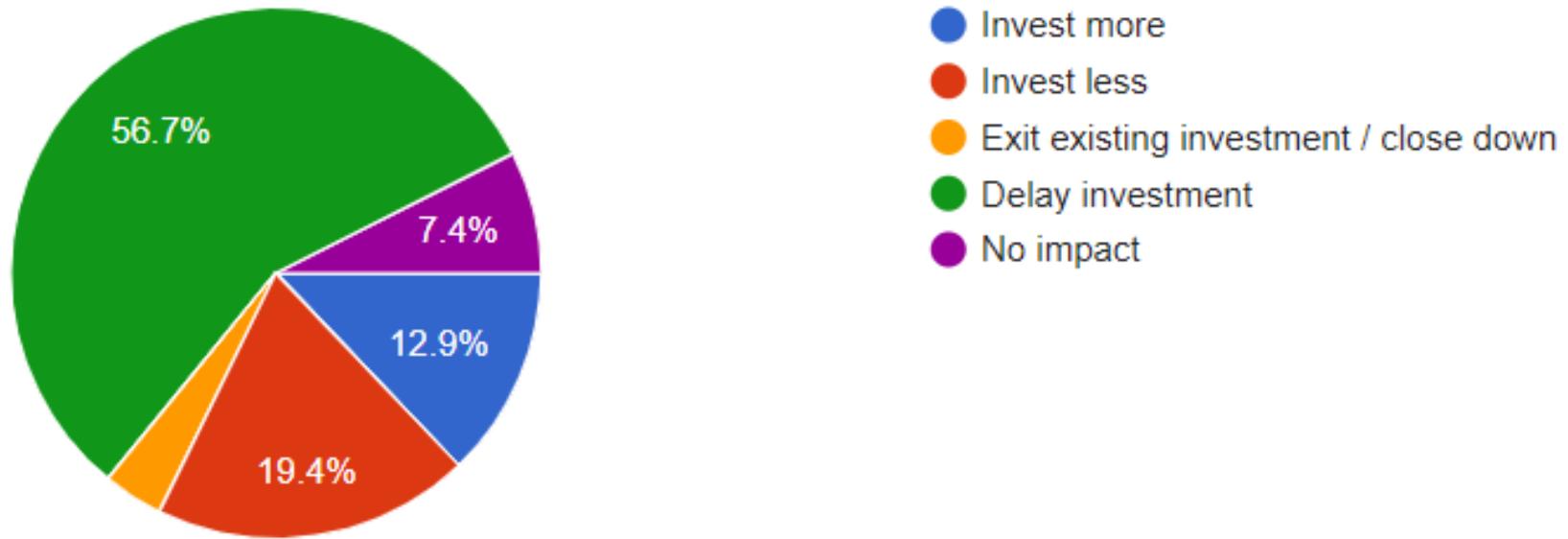
If you are planning to layoff, how will government intervention influence your decision?

2,111 responses



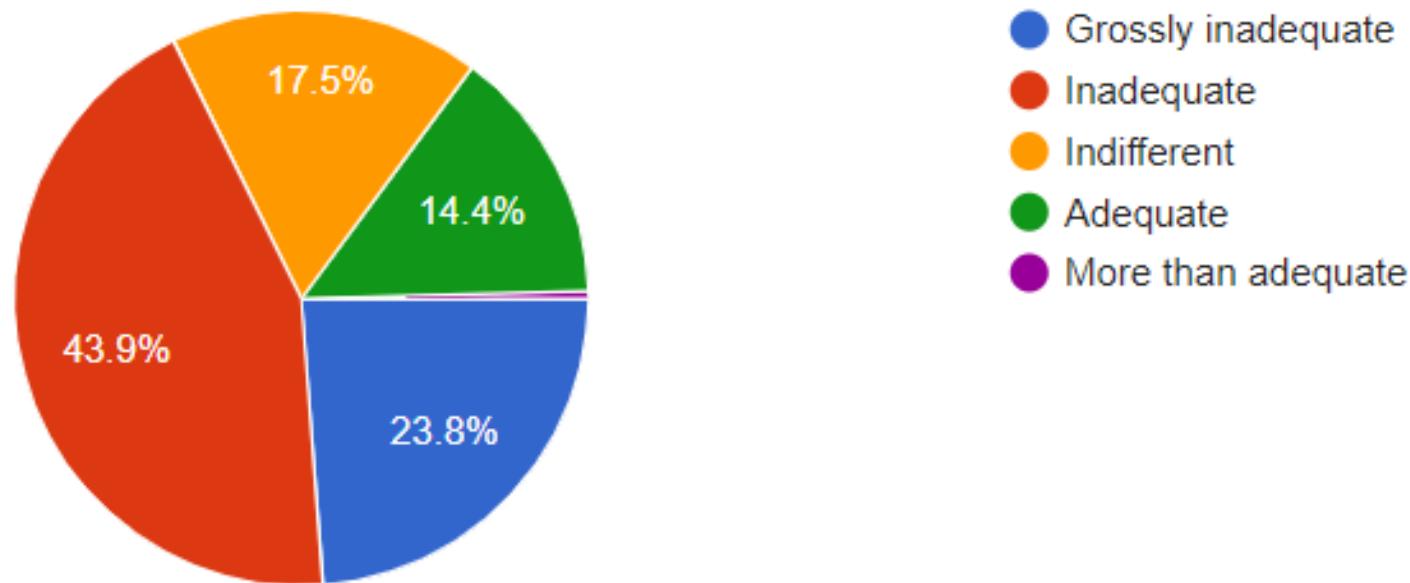
How does Covid-19 affect your investment decision?

2,556 responses



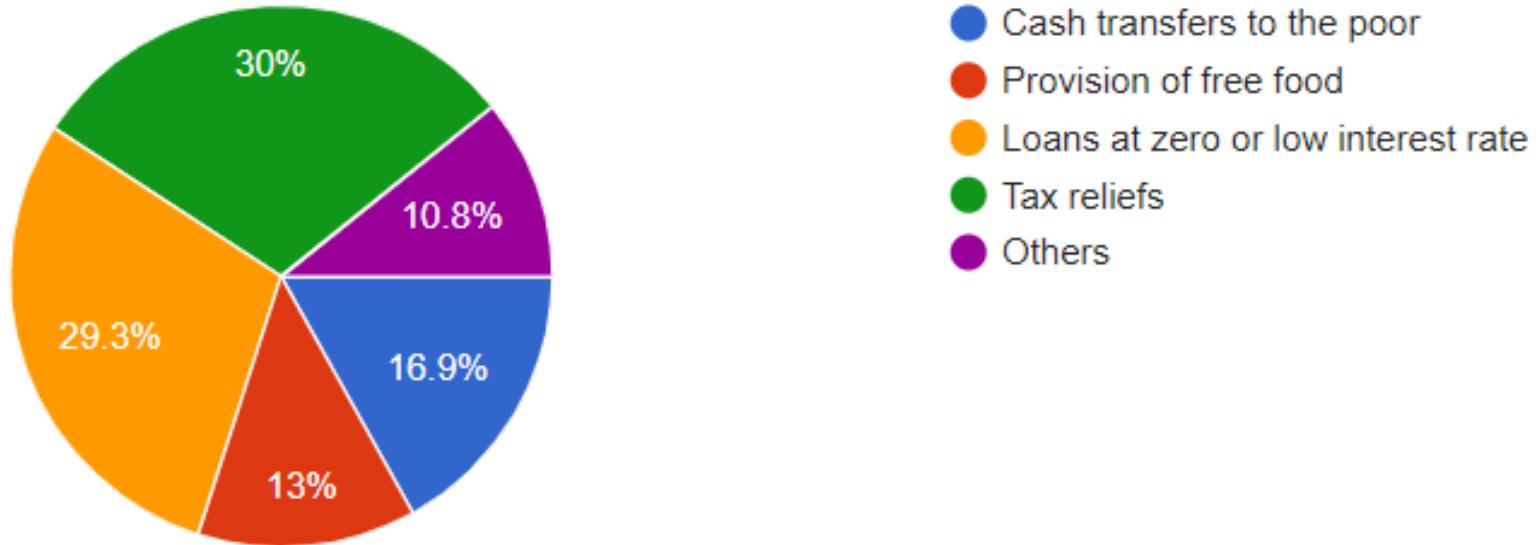
What is your assessment of government interventions so far?

2,748 responses



In what areas would you like more government intervention?

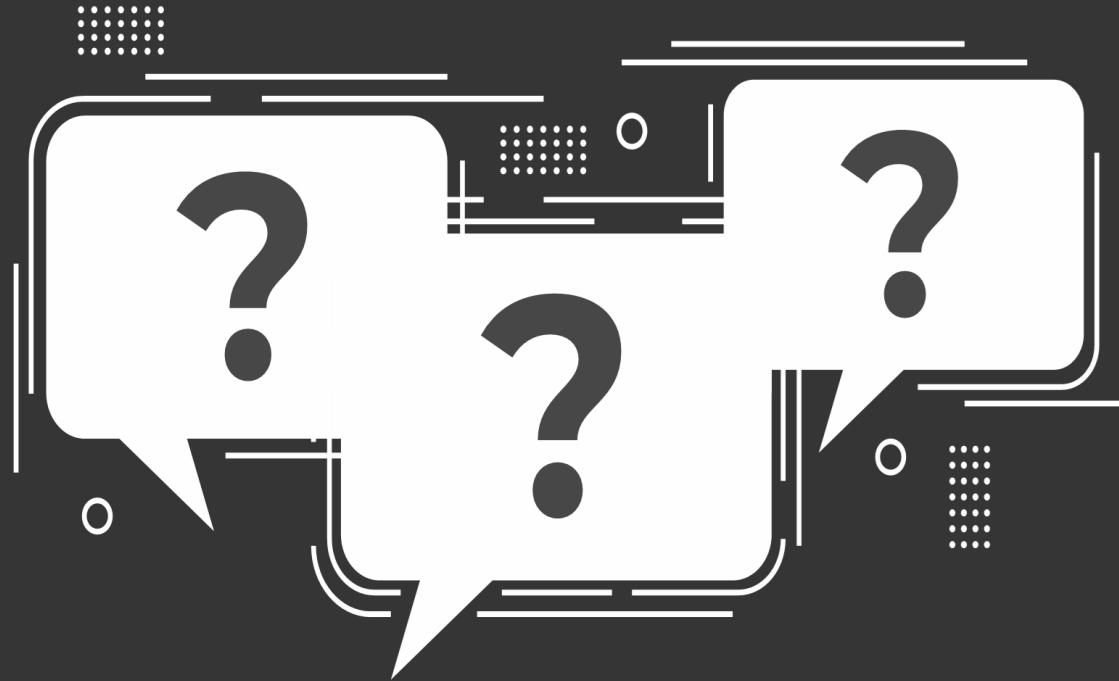
2,748 responses



In what ways can the private sector support government in fighting Covid-19?

2,665 responses





Visit www.pollev.com/covid19web to ask your questions



Thank you