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Before the pandemic, the Nigerian government has been grappling with wealth recovery from the 2014 oil price shock with G.D.P growth tapering around 2.3 percent in 2019. In Febuary the IMF reversed the 2020 G.D.P growth from 2.5 percent to 2 percent, as a result of relatively low oil prices and limited fiscal space. Relatedly the country’s debt profile has been a source of concern for policy makers and development practitioners as the most recent estimate puts the debt service-to-revenue ratio at 60 percent, which is likely to worsen amid the steps decline in revenue associated with falling oil prices. These constraining factors will aggravate the economic impact of the COVID-19 outbreak and make it more difficult for the government to weather the crises.

In Nigeria, efforts were already being made to bolster aggregate demand through increased government spending and tax cuts for business. The public budget increased from 8.85 trillion naira(24.53 billion dollars) in 2019 to 10.59 trillion naira (29.42 billion dollars) in 2020, representing 11 percent of the national G.D.P, while small business have been exempted from company income tax, and the tax rate for medium sized business has been revised downward from 30 to 20 percent. Unfortunately, the COVID-19 crises is causing all components of aggregate demand, except for government purchase to fall.

Economic crises and recessions are often caused by market corrections(Hart and Tindall, 2009), market failure(Petrakos, 2014), external trade and price shocks(Mendis, 2002), political instability(Aisen and Veiga, 2013), civil unrest through protests(Bermeo and Bartels, 2014).

The corona virus began in Wuhan, Hubei province China. Residents who live in Wuhan had some links to a large seafood and live animal market, which suggested that the mode of transmission of corona virus was from animal to persons. The virus has been named “SARS-COV-2” and the disease it causes has been named “corona virus disease 2019”(abbreviated COVID-19). The first known patient of corona virus started experiencing symptoms in Wuhan, china on 1st December 2019. Since then there has been over 300,000 reported cases all around the world. The corona virus entered Nigeria through an infected Italian citizen who came in contact with a Nigerian citizen who was subsequently infected with the corona virus. The corona virus then spread to other citizens in Lagos and other parts of the country.

COVID-19 affects the components of an aggregate demand. Some of the ways which it does include;

* It causes a decline in consumption as a result of restrictions in movement such as lockdown and social distancing
* It causes a decline in consumption as a result of poor expectation of future income for gig economy and informal sectors
* It causes a decline in consumption as a result of erosion of wealth due to a fall in the value of assets such as stocks it causes a decline in investment because uncertainty discourages forward looking decisions
* It causes a decline in investment because of poor expectation of future profitability of investment spending
* Increasing government expenditure as a result of expansionary fiscal policy
* Increasing government policy as a result of increases in health care expenditure
* Declining net exports as a result of disruption in supply chain for exports
* Declining net export as a result of border closure to non-essential trade
* Declining net exports as a result of limited market for exports due to fall in global demand

The COVID-19 pandemic has also caused a fall in household consumptions as a result of;

* Partial (or full) restriction on movement, thus causing consumers to spend primarily on essential goods and services
* Low expectation of future income, particularly by workers in the gig economy that are engaged on a short term/contract basis as well as the working poor in the informal economy
* The erosion of wealth and expected wealth as a result of the decline in assets such as stocks.

The federal government has imposed a lockdown in Lagos and Ogun state as well as Abuja( which have the highest of corona virus cases combined). Subnational governments have quickly followed suit by imposing lockdowns in their states. Nigeria has a burgeoning gig economy as well as a large informal sector which contributes 65 percent of its economic output. Movement restrictions have not only reduced the consumption of non-essential commodities in general, but have affected the income generating capacity of these groups thus reducing their consumption expenditure.

Investment by firms will be impeded largely due to the uncertainties that come with the pandemic; limited knowledge about the duration of the outbreak, the effectiveness of policy measures, and the reaction of economic agents to these measures as well as negative investor settlement, which are causing turbulence in capital markets around the world. Indeed the crises has led to a massive decline in stock prices, as the Nigerian stock exchange records its worst performance since the 2008 financial crises which ha eroded the wealth of investors. Taking into consideration the uncertainty that is associated with the pandemic and the negative profit outlook on possible investment projects, firms are likely to hold off on long term investment decisions.

On the other hand government purchases will increase as governments which typically can afford to run budget deficits, utilize fiscal stimulus measures to counteract the fall in consumer spending. However, for governments that are commodity dependent, the fall in the global demand for commodities stemming from the pandemic will significantly increase their fiscal deficits. In Nigeria’s case the price of brent crude was just over 26 dollars a barrel on April 2nd, whereas Nigeria’s budget assumes a price of 57 dollars a barrel and would still have run on a 2.18 trillion naira(6.05 billion dollars) deficit. Similarly with oil accounting for 90 percent of Nigeria’s export, the decline in the demand for oil and oil prices will adversely affect the volume and value of net exports. Indeed, the steep decline in oil prices associated with the pandemic has necessitated that the Nigerian government cut planned expenditure. In fact on march 18th, the minister of finance announced a 1.5 trillion naira(4.17 billion dollars) cut in non-essential capital spending.

The restrictions on movement of people and border closures foreshadows a decline in exports. Already, countries around the world have closed their borders to non-essential traffic and global supply chains for exports have been disrupted. Although the exports of countries that devalue their currency due to the fall in the price of commodities(like Nigeria), will become more affordable, the limited market for non-essential goods and services nullifies the envisaged positive effect on net exports.

The COVID-19 pandemic affected borrowers capacity to service loans, which gave rise to rues that depressed bank earnings and eventually impaired bank soundness and stability. Subsequently, banks were reluctant to lead as more and more borrowers struggled to repay the loans granted to them before the COVID-19 outbreak.

The COVID-19 pandemic causes supply shocks to the global supply chain as many importers shut down their factories and closed their borders particularly china. Nigeria was severely affected because Nigeria is an import dependent country and as result Nigeria witnessed shortage of crucial supplies like pharmaceutical supplies, spare parts and finished goods for china.

The COVID-19 pandemic affected the national budget. The budget was initially planned with an oil price of 57 dollars per barrels. The fall in the price of oil to 30 dollars per barrel meant that the budget was obsolete and a new budget had to be formed that was re-priced with the low oil price.

The COVID-19 pandemic affected the Nigerian stock market. Major market indiced in the stock market plunged when investors pulled out their investments into so called safe havens like the U.S treasury bonds. Stock market investors lost over 2.3 trillion naira(59 million US dollars) barely three weeks after the first case of corona virus was confirmed and announced in Nigeria on January 28th 2020. The market capitalism of listed equities which was valued at 13.657 trillion naira(35.2 billion US dollars)on Febuary 28th 2020 depreciated by 2.349 trillion naira to 11.308 trillion naira(29.1 billion US dollars) on Monday 23rd March 2020. The all shark index closed at 21,700.98 from 26,216.46 representing 4,515.48 points or 20.8 percent drop.

The COVID-19 pandemic affected the global economy in two ways. One the spread of the virus encouraged social distancing which led to the shutdown of financial market, corporate offices, businesses and events. Two the rate at which the virus was spreading and the heightened uncertainty on how bad the situation could get led to flight to safety in consumption and investment among consumers and investors(ozili and Arun, 2020). There was a general consensus among top economists that the corona virus pandemic would plunge the world into a global recession. Top IMF economists such as Gita Gopinath and Kristalina Georgieva stated that the COVID-19 pandemic would trigger a global recession.

In financial markets, global stock markets erased about 6 trillion dollars in wealth in one week from 24th to 28th of Febuary. The S and P 500 index also lost over 5 trillion dollars in the same week as the US while Sand P 500’s largest 10 companies experienced a combined loss of over 1.5 trillion dollars due to fear and uncertainty among investors on how the pandemic would affect firms profits. The travel restriction imposed on the movement of people in many countries led to massive losses for business in the events industry, aviation industry, entertainment industry, hospitality industry and the sports industry. The combined loss globally was estimated to be over 4 trillion US dollars. Several governments in developed countries such as the US and the UK responded by offering fiscal stimulus packages including social welfare payments to citizens while the monetary authorities offered loan relief to help business during the pandemic. There were also spill overs to poor and developing countries that had a weak public health infrastructure and non-existing social welfare programs.

The public health sector in Nigeria has poor infrastructure such as poor emergency services, few ambulance services, ineffective national health insurance system, insufficient primary health care facilities, and these problems in the public sector have often been linked to the high maternal and infant mortality rate(muhammed et al,2017). The private health sector is very small because of the limited funding for private health insurance. The failings in Nigeria’s public health sector made it difficult for Nigeria to cope with the fast spreading COVID-19 disease during the outbreak. Local drug manufacturers could not manufacture drugs that could temporarily suppress corona virus in infected persons because the APL’s used to manufacture suppressant drugs could no longer be imported because china had shut down its factories and closed its borders to control the corona virus pandemic that was ravaging china at that time. Also, there were insufficient isolation centers in many states including in Abuja and Lagos. The number of infected patients in Lagos grew worse to the extent that a stadium had to be converted to an isolation center. In the end, the COVID-19 outbreak overwhelmed the poor public health infrastructure in Nigeria.

In conclusion these are some of the effects of the COVID-19 pandemic in Nigeria. As clearly seen above it affected both individuals, businesses and the country as a whole including the country’s economy as well as the global economy