

Covid-1D 19 Effects on Manufacturing Sector in Nigeria

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Abstract: The attendant consequences of Covid-19 pandemic have eaten deep into the fabric of Manufacturing sector in Nigeria. The global health and humanitarian crisis has imposed disproportionate effects on manufacturing industries depending on their degrees of risk of Covid-19 infections. As a result of the outbreak, the productive sector of the economy suffered losses in revenue, while the healthcare industry reported profit gains owing to high demand for healthcare facilities. However, social-economic impact of the pandemic will still be felt long after virus fades. Government should therefore, make sustainable investment in health system, enhance food security in the economy and learn from the experience of previous crisis situations to help the sector recover from this shock.

Introduction

In Nigeria, the news about the COVID-19 outbreak in China was initially mooted a joke not until the nation recorded its first case on 27th February, 2020. It was also not yet dawn on greater percentage of Nigerians until cases began to rise astronomically in the weeks afterwards, forcing the Nigerian government at the state and national levels to impose lockdowns in March, 2020. The impact of the measures to contain the pandemic in Nigeria was more pernicious than anticipated. Productive activities of many manufacturing firms were brought to a halt following the month-long lockdown, with inevitable courses of action such as cutting down their workforces, work hours, budgets and salaries. Firms and businesses that pose a high risk of COVID-19 infections remain grounded as their owners strategize new business models and modes of engagement.

The role of manufacturing sector in an economy is indispensable as it accounts for nearly 16% of the global GDP in 2019 (CBN, 2020). As a result, the government across nations primarily focuses on encouraging the manufacturing sector. No nation has escaped widespread disruption from the COVID-19 pandemic, but some have fared better than others. Even, China (the fastest growing economy in the world), where the crisis began has equally suffered disproportionate effects.

The recent outbreak of the COVID-19 presents an alarming health humanitarian crisis that the world is battling with. This is because the pandemic has significant effect on public health in the first instance. It is also drawing attention to the already overburdened public health system in Nigeria and to the challenges faced in recruiting, deploying, retaining and protecting sufficient well-trained, supported and motivated health workers. Secondly, it has also caused unprecedented disruptions to economies and labour markets. It has equally exacerbated existing challenges, with many enterprises and workers suffering as a consequence. The impact of the pandemic on employment has been immediate and significant.

As reported by the United Nations Conference on Trade and Development (UNCTAD, June, 2020), the COVID-19 outbreak has resulted in fall in global foreign direct investment (FDI) to by 5% to 15% (depending on the severity of the pandemic in individual economies). This fall is due to the distorted productive activities in manufacturing sector necessitated by factory shutdown.

The Experience of 1918 to 1920

The 1918 flu pandemic also known as Spanish flu, was an unusually deadly influenza pandemic. The pandemic lasted from February 1918 to April 1920 and infected 500 million people - about a third of the world's population at the time (Vana and Westover, 2008). The death toll was typically estimated to be 50 million, making it one of the deadliest pandemics in human history (Barry, 2004).

The outbreak coincided with the deaths and media focus on the First World War (Davis, 2013). Most influenza outbreaks disproportionately killed the very young and the very old, with a higher survival rate for those in between, but the Spanish flu pandemic resulted in a higher than expected mortality rate for young adults (Benedict and Braithwaite, 2000). Thus, survivors faced an elevated mortality risk while some survivors did not fully recover from physiological condition (Taubenberger and Morens, 2006). Taubenberger and Morens (2006) found that the pandemic resulted

in reduced educational attainment, increased rates of physical disability, lower income, lower socioeconomic status, and higher transfer payments received. It was also found out that the pandemic reduced educational attainment in populations (Spinney, 2018). As a result of the outbreak, the productive sector of the economy suffered losses in revenue, while the healthcare industry reported profit gains (Garret, 2007).

Report of Gross Domestic Product (GDP) growth of Manufacturing sector in Nigeria in the first quarter of 2020

The report of National Bureau of statistics (NBS, 2020) in the first quarter of 2020 reveals that Nigeria's Gross Domestic Product (GDP) grew by 1.87% (year-on-year) in real terms (CBN, 2020). This performance was recorded against the backdrop of significant global disruptions resulting from the COVID-19 public health crisis, a sharp fall in global oil prices and restricted international trade. The performance recorded in Q1 2020 represents a drop of -0.68% points compared to Q4 2019, reflecting the earliest effects of the disruption, particularly on the non-oil economy. Quarter on quarter, real GDP growth was -14.27% compared to 5.59% recorded in the preceding quarter.

Nominal GDP growth of the Manufacturing sector in the first quarter of 2020 was recorded at 28.47% (year-on-year), or -7.97% points lower than figures recorded in the corresponding period of 2019 (36.45%) but 2.18% points higher than the preceding quarter's rate of 26.29%. Quarter on quarter, growth of the sector was recorded at 2.84% (NBS, 2020). Also, real GDP growth in the manufacturing sector in the first quarter of 2020 was 0.43% (year on year), lower than the same quarter of 2019 as well as the preceding quarter by -0.38% points and -0.81% points respectively. Growth rate of the sector, on a quarter-on-quarter basis, stood at -5.38%, lower than the quarter on quarter growth rate recorded in the preceding quarter of 2019. Real contribution to GDP in 2020 first quarter was 9.65%, lower than the 9.79% recorded in first quarter of 2019 but higher than the 8.74% recorded in Q4 2019.

The Manufacturing sector is comprised of thirteen activities: Oil Refining; Cement; Food, Beverages and Tobacco; Textile, Apparel, and Footwear; Wood and Wood products; Pulp Paper and Paper products; Chemical and Pharmaceutical products; Non-metallic Products, Plastic and Rubber products; Electrical and Electronic, Basic Metal and Iron and Steel; Motor Vehicles and Assembly; and Other Manufacturing. Thus, in an attempt to comparatively to analyse the relative growth rates of the various components of manufacturing sector between period before

the outbreak of the pandemic and the period after, the growth rates of the components between the last quarter of 2019 (a period before the outbreak of Covid-19 virus in Nigeria) and the first quarter of 2020 (a period reflecting the earliest effects of the pandemic) are presented in the Table 1 below.

Table 1: Components of Manufacturing Sector in Nigeria

<i>Components</i>	<i>Growth Rate (%)</i>	
	<i>Q4 2019</i>	<i>Q1 2020</i>
Oil Refining	-25.71	-52.81
Cement	1.13	1.67
Food, Beverages and Tobacco	2.69	1.10
Textile, Apparel, and Footwear	1.01	1.03
Wood and Wood products	1.75	1.25
Pulp Paper and Paper products	-1.21	1.99
Chemical and Pharmaceutical products	0.98	0.58
Non-metallic Products	-.135	1.22
Plastic and Rubber products	3.08	1.28
Electrical and Electronic	1.06	-1.59
Basic Metal and Iron and Steel	1.12	1.19
Motor Vehicles and Assembly	2.13	1.04
Other Manufacturing	1.60	-1.78

Source: Data extracted from National Bureau of statistics (NBS), 2020.

Impact on individual firms

The negative effects of COVID-19 on FDI investments are indeed severe in the energy, automotive, and airlines industries. Due to the epidemics of COVID-19 across the globe, the manufacturers of the automobile, chemical, electronics, and aircraft are facing serious challenges regarding the availability of raw materials. The study on the impact of COVID-19 on manufacturing industry in Nigeria is classified into automobile, food & beverage, chemical, machinery, electrical and electronics, metal, aviation, pharmaceutical and medical equipment and host of others.

- (a) The electronics industry in Nigeria is being significantly affected due to the COVID-19 epidemic, as China accounts for nearly 85% of the total value of components utilized in smartphones and nearly 75% in the case of televisions. All critical components, such as printed circuit boards, mobile displays, LED

chips, memory, open cell TV panels, and capacitors are imported from China. Most of the Chinese factories were shut down due to the coronavirus pandemic. As a result, with effect from January, 2020, Chinese firms have increased component prices by nearly 2-3% owing to shortage of supplies due to factory shutdown (KPMG Report,2020)). Therefore, it has negatively affected the electronics manufacturing sector across the globe. The effect has led consumer electronics companies resorting to reduced production operations and postponed introduction of new products which in turn has interrupted the supply of components.

- (b) The COVID-19 pandemic is affecting public health system as the prices of protective gadgets have surged while industry and governments are urged to increase manufacturing by 40% to meet rising global demand (WHO, 2020). Based on WHO modeling, an estimated 89 million medical masks and 76 million examination gloves are required for the COVID-19 response each month.
- (c) The automotive industry has been faced with no option than factory closures, supply chain disruption, and a collapse in demand. The manufacturing processes of the industry have propagated the impact across the globe. Small and medium enterprises are among those hardest hit and millions of jobs are at risk.
- (d) Food retail workers have emerged as a new category of frontline services providers during this pandemic. Though, they are essential in guaranteeing food security but they are also at high risk of exposure to the infection.
- (e) The viability of the textiles industry is unraveling, as workers are told to stay at home, factories close, and global supply chains grind to a halt. This singular action has hit many firms and workers particularly hard. The dependants of this category of workers are at risk of hunger and untold hardship.

Impact of disruptions of cash flows

Effective cash flow management for many businesses is indeed a great concern during this period. This is because as revenues fall and potential debtors delay payments or become insolvent, banks also engage in skeletal services. The necessity for emergency funding to the most adversely affected subsidiaries in a group and/or repatriation of cash to the center in order to service external loans or group commitments is only a mirage.

Impact on business administration

With staff working from home and business management focusing on the survival of the business, organisations strategy during this time to maintain strong daily oversight of compliance processes and, as a result, important compliance deadlines may be at jeopardy.

Implications for employees working from a jurisdiction other than their usual place of work

During this time, it is possible that employees will need to work in a jurisdiction other than their usual place of work for a prolonged period because they are stranded by a travel ban or they are expatriates who must return to their home country during a crisis.

Implications for employees working from home

Employees have to work remotely from home in a number of states in Nigeria. In other situations, employers are putting in place alternative working arrangements such as rotational work shifts that were not in place before this crisis. This is prone to many domestic challenges.

Impact of travel restrictions for directors unable to attend board meetings

Travel bans have made physical attendance at board meetings impossible. Such occurred in a case where a director has travelled abroad and could no longer return to attend board meetings. It may have dastardly effect on organization operation.

Impact on supply chain disruption

The crisis disrupted the supply chains for many reasons, namely: suppliers or vendors may lack staff due to illness or lockdowns; transport routes were disrupted; import/export bans were applied and insolvencies eventually occurred. Companies may need to switch suppliers or selling channels; they may need to change the quantity or type of products and service which are bought or sold, or modify transport routes.

Conclusion

The spread of the novel Coronavirus, COVID-19, is causing severe disruption to society, businesses in Nigeria and globally. The impact of Covid-19 pandemic on

Nigerian economy and most importantly the Manufacturing sector is alarming as virtually all domestic firms have suffered disproportionate effects since its outbreak. It is indeed a global health and humanitarian crisis which has claimed lives of reasonable number of people and rendered a lot gainfully employed young men and women idle. As a result of the outbreak, the productive sector of the economy suffered losses in revenue, while the healthcare industry reported profit gains as a result of high demand for healthcare facilities.

Way forward

Though, it is expected that the COVID-19 threat will eventually fade, as the Ebola, Lasaser fever, and Severe Acute Respiratory Syndrome (SARS) viruses have in recent years. However, social-economic impact will still be felt long after virus fades.

Thus, there is strong need for sustainable investment in health systems and this includes decent working conditions, training and equipment, especially in relation to personal protective equipment and occupational safety. Also, social dialogue is essential to building resilient health systems, and therefore has a critical role both in crisis response and in building a future that is prepared for health emergencies.

To ensure adequate numbers of food workers with the aim of enhancing food security in the economy, they need access to and training on personal protective equipment and hygiene protocols, as well as working conditions that provide adequate wages and access to social protection, including paid sick leave.

The Nigerian labour union is urged to support governments in protecting the health and economic well-being of workers and businesses as well. This is because the union has accumulated enough experience from previous crisis situations to help the sector recover from this shock.

Despite its negative effect, the pandemic still offers a unique opportunity for local manufacturers in Nigeria to rise to the challenge of inadequate Private Partnership Enterprise (PPE) supplies. The shortage of PPE caused by rising demand, panic buying, hoarding and misuse has endangered many health workers worldwide.

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