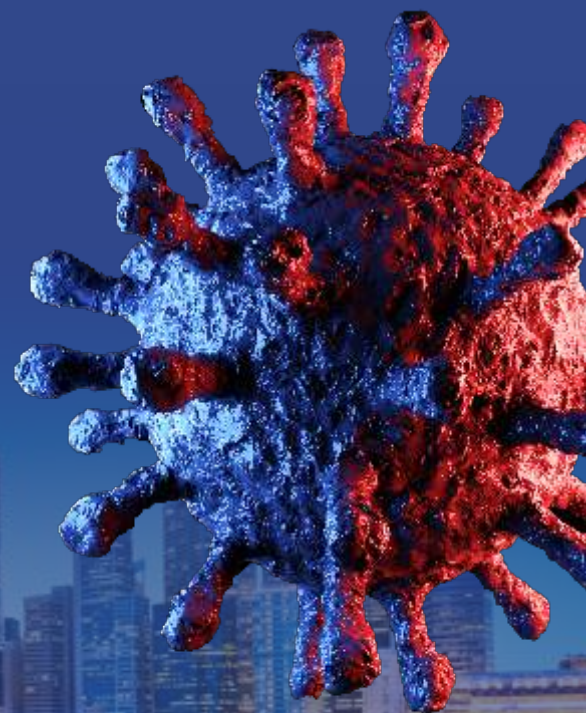


# COVID-19 LOCKDOWN AND ITS IMPACT ON BUSINESSES: **LCCI SURVEY REPORT**



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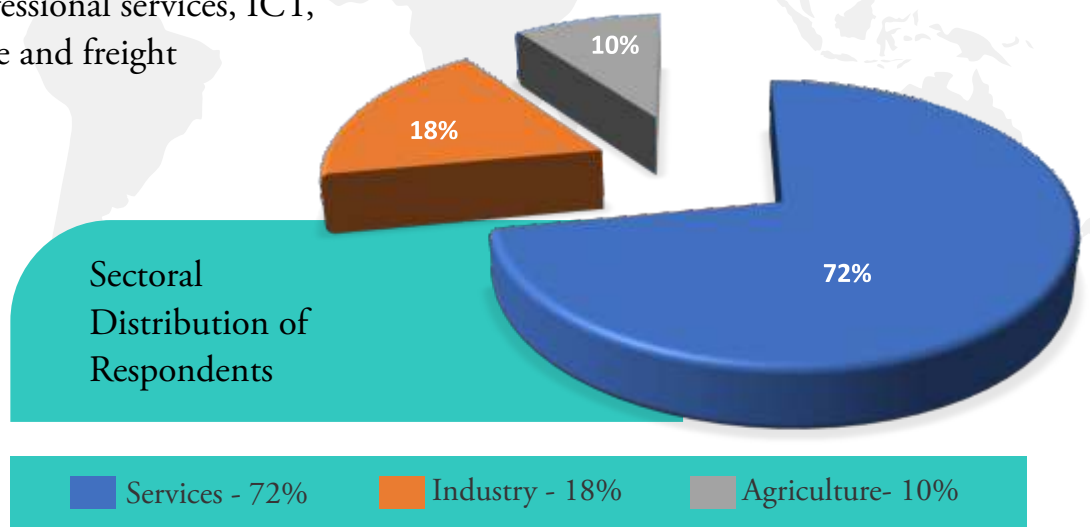


## INTRODUCTION

The Lagos Chamber of Commerce & Industry (LCCI) in line with its mandate of ensuring an enabling environment for the general business community, carried out a survey to determine the impact of the lockdown on businesses, using Lagos State as case study. The choice of Lagos State was informed by its commercial and economic importance to Nigeria.



The survey captured business operators across various sectors of the economy including food processing, agriculture, financial services, professional services, ICT, exports, trade and freight forwarding.



Classifying the sectors into three broad categories, 72% of our respondents operate in the services sector, 18% in industrial sector and the other 10% in agricultural space. The dominance of services in the sectoral distribution could be attributed to the fact that services currently has the largest percentage contribution to Nigeria's GDP (Full Year 2019: Agriculture: 25%; Industry: 22%; Services: 53%).

GDP Full Year 2019:  
Agriculture: 25%;  
Industry: 22%;  
Services: 53%)

The findings  
of our  
survey are  
enumerated  
as follows:



## Degree of Impact on Businesses

A significant fraction of sampled businesses, precisely 81%, were 'severely' affected by the lockdown with 17% indicated moderate impact on their business. Additionally, the lockdown had severe impact on over 50% of businesses in the services sector. The profound impact on services sector is as result of lower demand for services by individual and corporate clients. During the lockdown, clients prioritized food and essential items ahead of 'relatively less important' services, and corporate clients ran skeletal operations, which depressed demand for {non-essential} services.

IMPACT OF LOCKDOWN



■ Mild ■ Moderate ■ Severe

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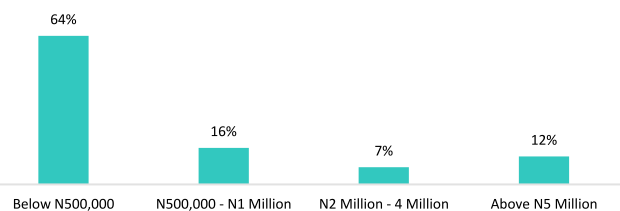


## Revenue Loss

**M**ajority of the respondents (64%), loss of N500, 000 and below daily during the lockdown while 16% indicated a loss of between N 1million – N2million. About 20% of buisnesses indicated a loss of N2 million and above daily day during the lockdown.

*A conservative assumption that sampled business operators lost an average N500, 000 each day during the lockdown suggests that each operator lost N17.5 million within the five-week lockdown (March 31-May 3, 2020). This modest estimation indicates that about N2.7 billion was lost in revenue by sampled businesses (n=153) to the lockdown. This translates to trillions of naira losses for thousands of businesses operating in Lagos.*

### Estimation of Daily Revenue Loss



About 20% of businesses indicated a loss of N2 million and above daily day during the lockdown.

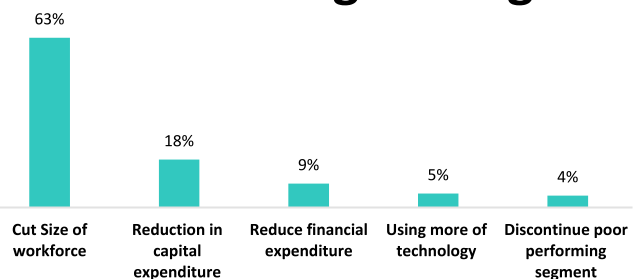
About N2.7 billion was lost in revenue by sampled businesses to the lockdown.



## Cost optimisation

Our findings showed that selected business operators are weighing different cost-cutting strategies to help minimize losses and stay afloat in the post-pandemic era. Majority of the respondents (63%), plans to downsize operations to minimize losses. This is unsurprising as businesses have not generated income over a 5 weeks period and have lost trillions of naira in profit due to lockdown. This suggests that unemployment rate is expected to increase drastically post-lockdown except government takes urgent steps to support business owners towards surviving and ensuring business continuity.

### Cost-Cutting Strategies



Majority of the respondents

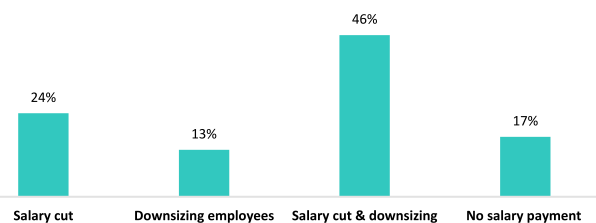
**(63%)**, plans to  
downsize operations to minimize  
losses.



Most of the respondents (46%) intend to slash salary and reduce workforce as a joint measure, 24% plan to cut personnel cost only. Thirteen percent intends to trim staff strength only while 17% are proposed no salary payment.

*Cost-cutting strategies particularly downsizing has implications for the economy from unemployment and productivity perspectives. First, it will exacerbate the already-high level of unemployment as more and more workers risk impending job losses. This may see unemployment rate surge to 40%- 45% by end-2020 from 23.1% as at Q3-2018. Additionally, the potential risk of huge job losses will aggravate the magnitude of stagflation (high unemployment + high inflation + low growth) in the economy. This has ripple effect on the Gross Domestic Product (GDP) given that private consumption by households accounts for about 60% of national output.*

### Approach to Downsizing



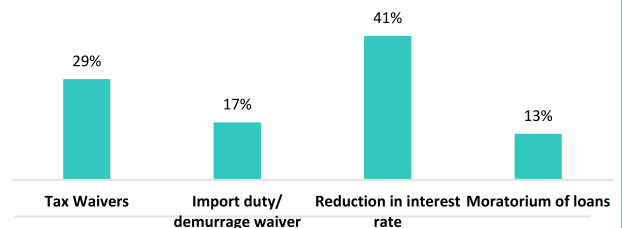
This may see unemployment rate surge to **40%- 45%** by end-2020 from **23.1%** as at Q3-2018.

## Palliatives for Businesses

Asked about needed palliatives, business operators indicated they would want to see government support their respective businesses. Most of the respondents (41%) requested reduction in interest on loans; 29% want tax waivers; 17% want import/demurrage waivers and 13% indicated extension on loan repayment.

*Some of the palliatives requested by sampled businesses have already been provided for by recent actions of the Central Bank of Nigeria and Federal Government. The CBN did announce reduction in interest rate on all its facilities and gave a 12-month moratorium. The Federal Government equally gave three months extension on its loans and social welfare schemes. However, this finding shows that businesses would need relieve from both commercial banks as well government agencies that collects one form of tax or levies from businesses. It is critical for financial institutions to offer relieve to their corporate customers through loan restructuring, either by cutting lending rates or extending repayment period. Government on its part would also need to do more to help keep many businesses afloat going forward.*

### Palliative measures needed



Most of the respondents (41%) requested reduction in interest on loans; 29% want tax waivers; 17% want import/demurrage waivers and 13% indicated extension on loan repayment.



# Specific Business support



Using thematic analysis to broadly classify responses from business owners we classify their desired business support into four areas - finance, power, taxes and foreign exchange. The issues are briefly outlined as follows:



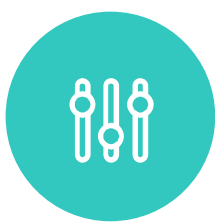
## FINANCE:



Access to credit facilities at concessionary terms.



Setting up a special support scheme for MSMEs.



Liberalization of SMEs loans across various sectors of the economy



Relaxing the collateral requirements for MSMEs loans.

## TAXES/WAIVERS:



Reversal of the 50% increment in VAT from 5% to 7.5% to support aggregate demand and minimize operating costs.



Suspension of current tax liabilities/ tax waivers.



# FOREIGN EXCHANGE



Access to  
foreign  
exchange  
at a unified  
rate

# POWER



Addressing the humongous costs incurred on self-generated power supply, majorly responsible for the high operating and production costs faced by enterprises in the business environment

# Recommended Actions

Recognizing the role of business and investment in the economy, it is imperative to have a strategy aimed at enabling businesses navigate through the current storm caused by the pandemic and jumpstarting the economy in general. The following actions or measures for the business community and for the economy is hereby listed for considerations both by the government and the organised private sector

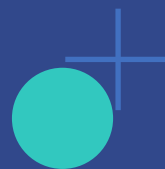






## The consensus deduced from the discussions and recommendations for actions are as follows.

- 1 Holistic but negotiated response. A national plan of action coordinated collaboratively is critical and urgent
- 2 Public and private sector must make concerted efforts to protect businesses, jobs and income. It is imperative to fine-tune HR policy and strategy with a view to reorganize work and make production adapt to the new reality.
- 3 Joint actions to sustain output and commitment to cooperate and protect the market from significant damages are needed.
- 4 Government should redesign or develop national policy to protect jobs and income. This must be done in collaboration with private sector operator.
- 5 Substitute debts with equity. Valuation of national assets and make strong attempt to attract equity into assets to boost foreign exchange liquidity. This will eliminate intractable burden of debt services and avail government more resources to build infrastructure and provide necessary public goods.
- 6 Implement reforms to enhance governance capacity and leverage private sector expertise and experience for efficiency in allocating resources.
- 7 A year tax break for healthcare & pharmaceutical companies, airlines, manufacturers, agro-processors, SMEs and hospitality players.
- 8 Suspension of the implementation of the new VAT regime rate till year end.
- 9 Solution focused coordinated advocacy. Private sector should develop a platform to harmonise initiatives and actions. The platform should support the government, in policy design, implementation, and evaluation of effectiveness of responses.



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