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The Nigerian economy, monetary policy and Covid-19: an unholy trinity

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The Nigerian Economy, Monetary Policy And COVID-19: An Unholy Trinity

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Abstract

The COVID-19 pandemic has subjected the Nigerian economy to an unprecedented crisis resulting in revenue losses, negative growth rate, rising inflation, high interest rates etc. With the economy finally in recession, monetary policy must take the lead in a bid to re-ignite economic activities and usher Nigeria out of this COVID-19 related economic quagmire. This article presents the dynamics of an unholy trinity involving the interplay of economic forces in the thick of a crippling health crisis with monetary policy to the rescue through activation of relevant instruments. In response to the outbreak, the Monetary Policy Committee announced several policy measures which include: granting of extension of loan moratorium on principal repayments, interest rate reduction on all intervention loan facilities from 9% to 5%, establishment of a N50bn targeted credit facility to household and MSMEs and regulatory forbearance to banks and credit support to the healthcare industry among others. it is worthy to state that monetary policy alone cannot solve the economic problems caused by COVID-19 pandemic in Nigeria, but the Central Bank of Nigeria (CBN) needs to work alongside other critical players beyond the financial sector and ensure pragmatic policies that strive towards diversification towards agriculture, strong protection for jobs through support to small and medium-sized enterprises, and enhancement of the existing support to the health sector among others.

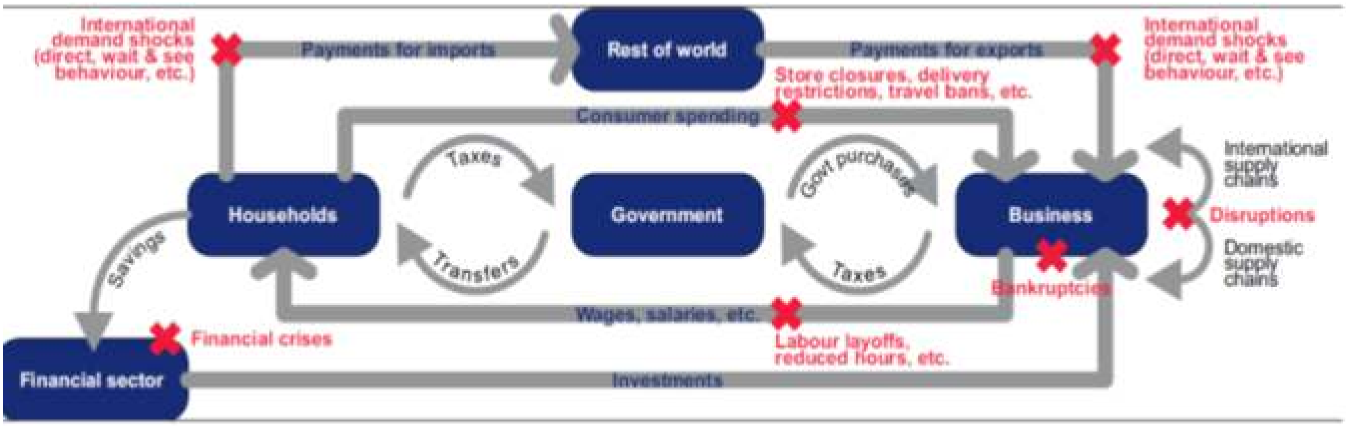
Introduction

The global spread of the COVID-19 pandemic that led to collapse of international oil prices has put the economy of Nigeria in crisis mode. Oil revenues have constituted over 80 per cent of the counties export, 30 per cent of credit by the banking sector and about 50 per cent of revenue to government coffers (PriceWaterHouseCoopers, 2020). A large proportion of the non-oil industrial and service sectors in the country rely on foreign-exchange inflows from the oil services industry. According to the World Bank (2020), the long decline in oil prices globally has caused a decline in Nigeria's general government revenue from 8 percent of GDP in 2019 to a projected 5 percent in 2020. Consequently, after the 3rd quarter of 2020 and with two consecutive quarters of economic contraction, Nigeria slipped into recession (Financial Times, 2020).

The domestic spread of the COVID-19 pandemic is expected to inter alia, lead to drastic changes in consumer behaviour, negatively alter consumer and business confidence, and cause disruption in production, with grave outcomes for the national economy. COVID-19 threatens the economy and financial markets of Nigeria in the following ways: forced lockdown of economic activities in the major cities that can lead to gross economic loss particularly, for petty and daily income earners as well as micro, small-medium scale enterprises in general; withdrawal of funds by portfolio investors from the stock market and drop in oil prices (Ozili, 2020).

Figure 1 summarizes the transmission channels through which COVID-19 affects the economy. Most notably, the pandemic's spread within Nigeria will likely weaken domestic demand as consumers and producers adopt anticipatory behaviours and government control measures will hamper economic activities to a remarkable level. Operators in the informal sector are particularly a vulnerable critical mass to the latter type of disruptive outcomes due to the fact that their kinds of jobs by nature lack protection and uncovered by social safety nets. This is indeed significant for Nigeria because it has a large informal economy that represents 41 percent of GDP and employs 53 per cent of the country's active labour force. The outbreak of the pandemic is leading to more spending on public health and related segments as well as social protection and economic support actions devised to tackle disruptions in the market. According to Stanbic IBTC Bank (2020), the impact of the pandemic on the Nigerian economy has been negative with the economy declining by 6.1% year on year in quarter 2 of 2020, as lockdown measures taken to stem the spread depressed economic activity across the country. To provide some context, the oil sector contracted by 6.6% year on year and 10.1% quarter on quarter, which is the largest contraction since the attack on the country's Trans-forcados pipeline in 2016.

Figure 1 Transmission channels through which COVID-19 affects the economy



Source (World Bank, 2020)

Sound macroeconomic policies (namely monetary and fiscal policies) are therefore required to put the economy of Nigeria back on track. The Central Bank of Nigeria (CBN) being the key regulator in the nation's financial system, has been engaged in the formulation and implementation of monetary policy especially as a means of stimulating economic activities during the COVID-19 induced slump in economic activities.

This article seeks to explore the dynamics involved in the activation of these monetary policy tools in the Nigerian economy during the pandemic. The paper is divided into six parts. Section 2 presents an overview on monetary Policy while Section 3 discuss Global / Domestic Economic Developments and the COVID-19 Pandemic. Section 4 delves into Monetary Policy Responses by Other Central Banks to the COVID-19 Pandemic while Section 5 reviews Nigerian Monetary Policy Decisions Under COVID-19 Pandemic. Section 6 Concludes the paper with Policy Recommendations.

2.0 An Overview of Monetary Policy

2.1 What is Monetary Policy

Monetary policy has to do with actions by central banks, taken to influence the amount of money and credit in the economy. The quantity and availability of money and credit has an effect on interest rates (the cost of credit) and the overall performance of the economy. The goals of monetary policy are to promote maximum employment, stable prices and moderate long-term interest rates among others. During the course of the implementation of effective monetary policy, the Central Bank maintains stability in the price level and there by, supporting and enhancing the necessary conditions for long-term economic growth and employment at the maximal level (Federal Reserve Bank Education, 2020).

The three instruments available to central banks in the conduct of monetary policy are open market operations, the discount rate and reserve requirements.

- Open market operations: This has to do with the buying and selling of government securities. Open market operations are flexible, and therefore, the most commonly applied tool of monetary policy.

- The discount rate is the interest rate charged on commercial banks and other depository institutions by central banks on short-term loans.

- Reserve requirements refers to the portion of deposits that commercial banks must maintain either in their vaults or on deposit at a Central Bank.

2.2 Monetary Policy in Nigeria

In order to facilitate the attainment of price stability and to support the economic policy of the Federal Government of Nigeria, there is a 12-member Monetary Policy Committee (MPC) charged with the responsibility of formulation of monetary and credit policies. Monetary policy which falls under the mandate of the Central Bank of Nigeria (CBN), includes the actions of the CBN to regulate the value, supply and cost of money consistent with the absorptive capacity of the economy. Accordingly, a key goal of monetary policy in Nigeria is to achieve macroeconomic stability, through stability in aggregate prices (inflation, interest and exchange rates), and growth in output and employment.

According to the CBN ACT 2007, the CBN is saddled with the mandate of:

a) Ensuring monetary and price stability;
b) Issuing legal tender currency in Nigeria;
c) Maintaining external reserves to safeguard the international value of the legal tender currency;
d) Promoting a sound financial system in Nigeria; and
e) Acting as banker and providing economic and financial advice to the Federal Government.

In order to achieve these, the Bank's monetary policy has been designed to:

i) Influence the growth of money supply consistent with the required aggregate GDP growth rate;
ii) Ensure financial stability;
iii) Maintain a stable and competitive exchange rate of the naira; and
iv) Achieve positive real interest rate.

Since the reported index case of COVID-19 on February 27, 2020, the CBN being the key player/regulator in the nation's financial system, has been engaged in the formulation and implementation of monetary policy especially as a means of stimulating economic activities during the COVID-19 induced slump in economic activities.

3.0 Global / Domestic Economic Developments and the COVID-19 Pandemic

3.1. Trends in the Global Economy Based on IMF forecasts

The International Monetary Fund (IMF, 2020) in its October forecasts, projects the growth of the global economy to be at –4.4 per cent in 2020. This represents a 0.8 percentage point greater than the earlier figures published in the WEO Update Forecast of June 2020 (Table 1). The improvement reported in October 2020 in comparison to that of June 2020, presented the net effect of two factors in competition with each other, these are the upward trend in the second quarter GDP forecast results in developed economies against the downward trend due to social distancing regulations and delayed re-openings in the second half of 2020. The forecast for global growth and that of regional aggregates in Table 1 adopted a set of purchasing-power-parity weights that has been updated for individual economies. This followed the issuance of the year 2017 survey of the International Comparison Program.

The third quarter of 2020 witnessed a trend of economic recovery which is expected to gradually grow stronger towards the year 2021. This recovery is expected to be associated with tenacious social distancing by nations until risks associated with health are suppressed or alleviated and countries may have to continue a strict regime of mitigation measures based on how the virus spreads going forward. Growth of the global economy is projected at 5.2 per cent in 2021, which is 0.2 per cent lower than the WEO Update of June 2020. The recovery that is projected in 2021 after the deep decline denotes a low increase in the value of expected global GDP over 2020–21 of 0.6 per cent for emerging economies against the value of 2019.

The projected economic growth in developed economies is put at –5.8 percent in 2020, which is 2.3 per cent stronger than the value reported in the WEO Update of June 2020. The upward revies is a reflection of the better-than-foreseen US and euro area GDP results in the second quarter. In the year, 2021 the growth rate in the developed economies is projected to reinforce to 3.9 percent. the forecast also show that the US economy will contract by 4.3 percent, before increasing to 3.1 percent in 2021. A drop of 8.3 percent is projected for the euro area in 2020, indicating a more severe decline than in the United States in the first half of 2021. The rebound of 5.2 percent forecasted for 2021 is sturdier from a lower base. Projections show advanced economies in Asia to have milder downturns than their European counterparts, following more containment of COVID-19. A forecast of –3.3 per cent growth has been made for emerging market and developing economies in 2020. This is 0.2 percentage point weaker than in the June 2020 WEO Update. This will further strengthen to 6 percent in 2021. With the economy projected to grow by about 10 percent over 2020–21 (1.9 percent this year and 8.2 percent next year), China exhibits better prospects than most other countries in this group.

For countries that constitute the emerging market and developing economies excluding China, the projections continue to be associated with certain risks. This is a reflection of a number of factors: the unending spread of COVID-19 and health care systems over-stretch; the larger importance of deeply affected sectors, e.g. tourism; and the continued dependence on finance sourced externally, including remittances. Emerging markets and developing economies are expected to exhibit some level of contraction in 2020. This includes emerging Asia, where the large economies, like Indonesia and India, continue to observe rules towards controlling the spread and effects of the pandemic. The IMF revisions of forecasts for India was tremendous due to the fact that the country's GDP declined much more deeply than the second quarter forecasts. This will eventually lead to a contraction by 10.3 per cent in 2020 followed by a resurgence by 8.8 per cent in 2021 according to economic projections. Variations in regional outlook remains profound with several South American countries reacting to the effect of COVID-19 facing economic downturns and decrease in output for Middle Eastern and Central Asia countries as well as oil rich sub-Saharan African countries that are facing challenges due to declining oil prices, instability or economic crises.

Table 1: World Economic Growth Projections by the International Monetary Fund (IMF)

	2019	Projections		Difference from June 2020 WEO Update	
		2020	2021	2020	2021
World Output	**2.8**	**-4.4**	**5.2**	**0.8**	**-0.2**
Advanced Economies	**1.7**	**-5.8**	**3.9**	**2.3**	**-0.9**
United States	2.2	-4.3	3.1	3.7	-1.4
Euro Area	1.3	-8.3	5.2	1.9	-0.8
Germany	0.6	-6.0	4.2	1.8	-1.2
France	1.5	-9.8	6.0	2.7	-1.3
Italy	0.3	-10.6	5.2	2.2	-1.1
Spain	2.0	-12.8	7.2	0.0	0.9
Japan	0.7	-5.3	2.3	0.5	-0.1
United Kingdom	1.5	-9.8	5.9	0.4	-0.4
Canada	1.7	-7.1	5.2	1.3	0.3
Other Advanced Economies	1.7	-3.8	3.6	1.1	-0.6
Emerging Market and developing Economies	**3.7**	**-3.3**	**6.0**	**-0.2**	**0.2**
Emerging and Developing Asia	5.5	-1.7	8.0	-0.9	0.6
China	6.1	1.9	8.2	0.9	0.0
India	4.2	-10.3	8.8	-5.8	2.8
ASEAN-5	4.9	-3.4	6.2	-1.4	0.0
Emerging and Developing Europe	2.1	-4.6	3.9	1.2	-0.3
Russia	1.3	-4.1	2.8	2.5	-1.3
Latin America and the Caribbean	0.0	-8.1	3.6	1.3	-0.1
Brazil	1.1	-5.8	2.8	3.3	-0.8
Mexico	-0.3	-9.0	3.5	1.5	0.2
Middle East and Central Asia	1.4	-4.1	3.0	0.4	-0.5
Saudi Arabia	0.3	-5.4	3.1	1.4	0.0
Sub-Saharan Africa	3.2	-3.0	3.1	0.2	-0.3
Nigeria	2.2	-4.3	1.7	1.1	-0.9
South Africa	0.2	-8.0	3.0	0.0	-0.5

Source (IMF WEO, October, 2020)

A projection of -3.3 per cent for year 2020 and 6.0 per cent for 2021 has been made for emerging market and developing economies. The rebound that is forecasted in 2021 is not like to be enough to lead to a regaining of the 2019 level of activity by 2021. For low income developing counties, growth forecast is put at -1.2 per cent in 2020 firming up to 4.9 in 2021. Higher growth rate of the population and meagre starting income levels indicate that even this more moderate shrinkage compared with most emerging economies will take a very drastic toll on standards of living, particularly for the poor segment of the population.

In terms of monetary conditions, policy rates have largely been on the downward trend since the setting in of the pandemic in the advanced economies. In the United States of America, with a policy rate of 0.25 per cent, economic activity and employment have continued to recover but remain well below their levels at the beginning of the year. Weakened demand and purchasing power as well as declines in oil prices have been curtailing the consumer price inflation levels. On the overall, the conditions of financial indices have remained relatively accommodative, partly a reflection of monetary policy measures put in place to support the overall economy and the flow of credit to households and micro small and medium enterprises in the US. The US Federal Reserve seeks to maintain a monetary policy that is accommodative as well as to achieve maximum employment level and inflation at the rate of 2 percent in the long run.

The Bank of Japan (BOJ) is adopting a negative interest rate of -0.1 per cent to the Policy-Rate Balances in current accounts that are held by financial institutions in its vaults. The BOJ stated that it will continue with "Quantitative and Qualitative Monetary Easing (QQE) measures with Yield Curve Control," with the aim of achieving the price stability target of 2 per cent, as long as it is necessary for maintaining that target in a stable manner (Bank of Japan, 2020).

The Bank of England (BOE) set monetary policy to meet the 2 per cent inflation target, and in a way that helps to sustain growth and employment. The MPC at its meeting of November 4, 2020 through a unanimous vote maintained the Bank Rate at 0.1 per cent. In addition, the BOE will maintain all stock purchases of sterling corporate non-financial investment-grade that were financed by the issuance of central bank reserves valued £20 billion. It will also continue with the existing programme of £100 billion of UK government bond purchases, financed by the issuance of central bank reserves and also increase the target stock of purchased UK government bonds by an additional £150 billion to take the total stock of government bond purchases to £875 billion (Bank of England, 2020).

The monetary policy measures taken by the European Central Bank (ECB) since early March 2020 are in place to preserve favourable financing conditions for all economic sectors and jurisdictions across the entire euro area. This provides crucial support to economic activity and to safeguard medium-term price stability. The ECB has maintained an accommodative stance of monetary policy thereby keeping the key ECB interest rates unchanged. This will remain at the same level until the inflation outlook robustly converges to a level sufficiently close to, but below, 2 per cent. The pandemic emergency purchase programme (PEPP) of the ECB will continue with a purchase envelope amounting to €1,350 billion. These purchases are contributing to easing the overall monetary policy stance, thereby helping to reduce the downward impact of the pandemic on the projected path of inflation.

Table 2: Comparative Macroeconomic Indicators for Selected Countries

	Country	Inflation (%) (Oct. 2020)	Policy Rate (%) (Oct. 2020)	GDP (%) Growth Rate Q2 2020	Coronavirus Cases (Oct. 2020)	Coronavirus Deaths (Oct. 2020)	External Reserves US$ Million (Oct. 2020)
1.	Nigeria	13.71	11.5	-0.5	64,884	1,163	35,686
2.	Kenya	4.84	7.0	-9.1	68,193	1,249	13,681
3.	Botswana	2.2	3.75	-24.8	8,225	27	5,391
4.	Ghana	10.1	14.5	-0.8	50,018	320	9,171
5.	South Africa	0.2	3.5	5.1	746,945	20,153	53,658
6.	Egypt	4.5	8.25	5.0	110,319	6,442	39,220
7.	Uganda	4.5	7.0	-4.3	15,402	144	3,991
8.	China	0.5	3.85	2.7	92,428	4,634	3,127,982
9.	Hong Kong	-2.2	0.86	2.8	5,437	108	475,000
10.	India	7.61	4.0	-25.2	8,814,579	129,118	568,494
11.	Japan	0.0	-0.1	-7.9	116,677	1,900	1,384,400
12.	Malaysia	-1.4	1.75	18.2	45,095	306	107,398
13.	Philippines	2.5	2.25	8.0	404,713	7,791	100,490
14.	Singapore	0.3	0.08	7.9	58,114	28	461,595
15.	South Korea	0.1	0.5	1.9	28,546	492	426,510
16.	Taiwan	-0.24	1.13	4.42	597	7	5,012
17.	Thailand	-0.5	0.5	-9.7	3,861	60	248,511

Source: www.tradingeconomics.com

3.2 Domestic Economic and Financial Developments under the COVID-19 Pandemic

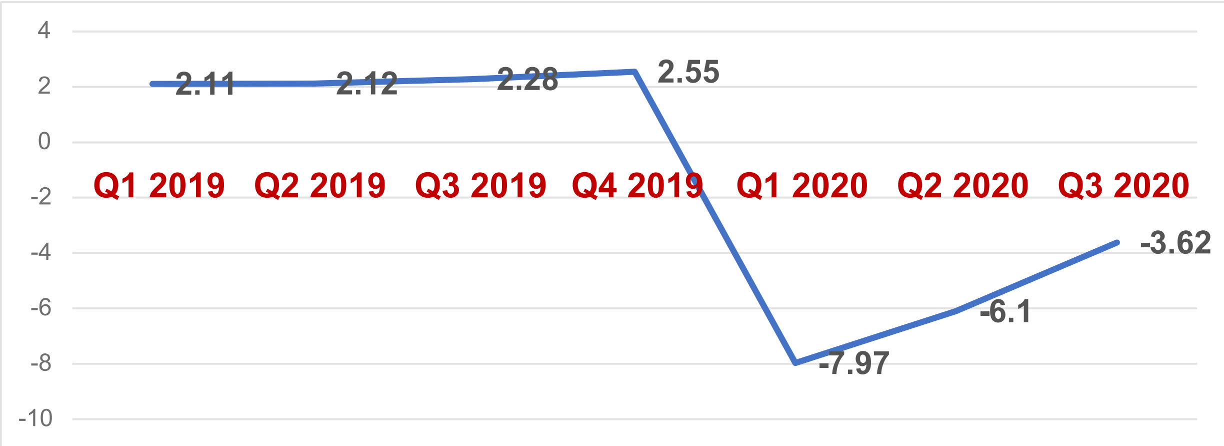
Data on domestic and financial developments from NBS (2020) as presented on table 3, showed that there was a reduction in the real Gross Domestic Product (GDP) by -3.62 per cent in third quarter of 2020, against a contraction of -6.10 in the previous quarter and 2.28 per cent in the corresponding period of 2019, thereby forcing the Nigerian economy into a recession. There was a further contraction in the oil sector by -13.89 per cent in third quarter 2020 from -6.63 per cent in the previous quarter. The non-oil sector on the other hand exhibited a decline by -2.51 per cent in the third quarter of 2020, against the preceding quarter which stood at -6.05 per cent. A number of factors led to this feeble trend namely decline in oil prices, and the outcomes associated with the Coronavirus Pandemic resulting in the lull in economic activities.

Table 3: GDP Growth Rates (2019Q1 - 2020Q2)

Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
2.11	2.12	2.28	2.55	-7.97	-6.1	-3.62

Source: www.nbs.gov.ng

Figure 2: GDP Growth Rates (2019Q1 - 2020Q3)



Source: www.nbs.gov.ng

The Nigerian economy demonstrated a slow uptick in the Manufacturing and Non-Manufacturing Purchasing Managers' Indices (PMIs) which increased to 50.2 and 47.6 index points, respectively, in November 2020, against 49.4 and 46.8 index points that was published in the month of October 2020. This outcome is an indication of augmentation in economic activities, induced by more efficient supply delivery time, rise in new orders, growing levels of production and new export orders. Improvements were also recorded in the employment level index component of the manufacturing and non-manufacturing PMIs in November 2020 to 47.3 index points and 46.7 index points, respectively, against 46.0 index points and 44.2 index points reported in October 2020. On the other hand, growing security challenges posed some downside risk to growth with adverse impacts on the economic recovery efforts in the short run.

With respect to inflation, data showed headline inflation (year-on-year) increased to 14.23 per cent in October 2020 from 13.71 per cent in September 2020. This represents a continual rise in the fourteenth consecutive month (Table 4). This was attributed by CBN (2020) to the increase in food and core inflation components, which showed an increase to 17.38 and 11.14 per cent respectively in October 2020 from the earlier 16.66 and 10.58 per cent reported in the preceding month of September, 2020 for food and core inflation components. The trend of insecurity and disruptions in supply chain affecting movement of agricultural products, bad road conditions, poor power supply and other infrastructural challenges all added up to constitute the drivers of the rising inflation figures. In addition, recent increases in the price of energy products (PMS and electricity), coronavirus-related supply chain interruptions and declining crude oil prices also contributed to the continued rising inflation trend (ibid).

Table 4: Inflation Rates (September 2019- September 2020)

Year/Month	Headline		Food		Core	
	Y-on-Y	12 MMA	Y-on-Y	12 MMA	Y-on-Y	12 MMA
Sep-19	11.24	11.27	13.51	13.47	9.43	9.97
Oct-19	11.61	11.3	14.09	13.54	9.45	9.88
Nov-19	11.85	11.35	14.48	13.65	9.48	9.8
Dec-19	11.98	11.4	14.67	13.74	9.95	9.76
Jan-20	12.13	11.46	14.85	13.86	9.81	9.7
Feb-20	12.2	11.54	14.9	13.98	9.95	9.66
Mar-20	12.26	11.62	14.98	14.11	10.22	9.66
Apr-20	12.34	11.71	15.03	14.22	10.57	9.72
May-20	12.4	11.79	15.04	14.33	10.7	9.81
Jun-20	12.56	11.9	15.18	14.46	10.57	9.93
Jul-20	12.82	12.05	15.48	14.63	10.64	10.03
Aug-20	13.22	12.23	16	14.87	11.07	10.18
Sep-20	13.71	12.44	16.66	15.13	11.16	10.33

Source: www.cbn.gov.ng

An augmentation in Net Foreign Assets (NFA) was witnessed following a marginal rise in broad money supply (M3) to 3.53 per cent in October 2020 from 3.20 per cent in September 2020. In the same period, a mild reduction in Net Domestic Assets (NDA) from -5.05 per cent to -2.19 per cent was also reported. Owing to the CBNs interventions as well as policy on Loan-to-Deposit Ratio (LDR), aggregate domestic credit, increased by 7.61 per cent in October 2020 compared with 7.35 per cent in September 2020. An increase of ₦290.13 billion was witnessed in the total gross credit by the banking industry which was ₦19.54 trillion in November 2020 against ₦19.33 trillion in August 2020. When a comparison is made at the pronouncement of the LDR policy in May 2019, it was ₦15.56 with total gross credit increasing by ₦3.97 trillion. According to CBN (2020), the loans were accessed by the following sectors: manufacturing (₦738 billion), General Commerce (₦874 billion), Agric and Forestry (₦301 billion), Construction (₦291 billion), ICT (₦231 billion) among others. There was a decrease in the rate of interest on loans by Banks. About 86.23 per cent of total loans given, to over one (1) million clients by banks were at rates lower than 20 per cent which reflected some level of improvement from the 76.43 per cent that was reported the preceding year, July 2019.

Financial Soundness Indicators of banks exhibited some level of improvement in October 2020. The Capital Adequacy Ratio (CAR) rallied at 15.5 per cent while Non-Performing Loans (NPLs) were at 5.73 per cent. In addition, Liquidity Ratio (LR) was reported at 35.6 per cent. The ratio of non- performing loans (NPLs) was still above the prudential benchmark requirement of 5.0 per cent. The data from Other Financial Institutions (OFIs) also showed some improvements in financial soundness indicators. This was reflected by a growth amounting to ₦582 billion in aggregate assets to ₦4.02 trillion or 16.94 per cent (year-on- year), as at end-September 2020. In the same vein, there was a growth of ₦217 billion, or 12.27 per cent (year-on-year), to ₦1.99 trillion in aggregate credit during the period. The subsector also maintained a Capital Adequacy Ratio that exceeded the minimum prudential ratio requirement of 10 per cent.

The developmental mandates of the CBN towards revamping economic activities during the pandemic also continued in the period under review. These include disbursements under key interventions like the Agri-Business/Small and Medium Enterprise Investment Scheme (AGSMEIS) in which about ₦92.90 billion was disbursed to 24,702 beneficiaries. In addition, under the Anchor Borrowers Programme (ABP), the sum of ₦164.91 billion was disbursed to 954,279 beneficiaries. Another key intervention was the COVID-19 Targeted Credit Facility (TCF) to household and SMEs where ₦149.21 billion was disbursed to 316,869 beneficiaries.

Also, based on demand and supply forces, banking system liquidity situations continued to determine rates in the money market. Following rising liquidity levels in the banking system, the Open Buy Back (OBB) rate witnessed a decline on a progressive basis, while there were no reported operations at the uncollateralized inter-bank call window. As a result, in October 2020, the monthly weighted average OBB rate declined to 1.88 per cent from 3.50 per cent in September 2020. In the equities market, a rising patronage by domestic investors largely driven by low yields in the money market was witnessed. There was augmentation in the All-Share Index (ASI) by 20.55 per cent to 30,530.69 in October 2020 from 25,327.13 in the month of September, 2020. In addition, a 20.82 per cent growth was observed in Market Capitalization to ₦15.96 trillion from ₦13.21 trillion in the review period attributable to positive third quarter corporate earnings due to move by investors to pick-up bargain stocks.

The position of the country's external reserves on the other hand, exhibited a mild reduction standing at US$35.18 billion on November 19, 2020 against S$35.95 billion at end-September 2020, in the face of the reality of fluctuating prices of crude oil.

The above developments informed the CBN during the MPC meeting of November 2020 to focus not only on price stability, but also on the need to speedily take actions to exit the recession. The MPC therefore, adopted the following measures:

i. Retain the Monetary Policy Rate (MPR) at 11.5 per cent;
ii. Retain the asymmetric corridor of +100/-700 basis points around the MPR;
iii. Retain the Cash Reserve Requirement (CRR) at 27.5 per cent; and
iv. Retain the Liquidity Ratio (LR) at 30 per cent.

4.0 Monetary Policy Responses by Other Central Banks to the COVID-19 Pandemic

The IMF (2020) posted a policy tracker that summarizes the key economic responses central banks are taking to limit the economic impact of the COVID-19 pandemic. Below is the position of some selected countries as at June 5, 2020:

a. Bahrain

The Central Bank of Bahrain (CBB) in its response to the COVID-19 pandemic took several measures including expansion of lending facilities to banks by up to BHD 3.7 billion ($10 billion or 28 percent of GDP) to facilitate deferred debt payments and extension of additional credit. The CBB has introduced interest rate cuts. In this regard, a cut was introduced in two steps on the one-week deposit facility rate from 2.25% to 1.0%, the overnight deposit rate from 2.0% to 0.75%, and the overnight lending rate (in one step) from 4.0% to 2.45%.

Other key measures taken by CBB to support banks and their clients include: (i) reducing the cash reserve ratio for retail banks from 5% to 3%; (ii) loan-to-value ratios were relaxed for fresh residential mortgages; (iii) introduction of capping fees debit cards; and (iv) inviting banks to offer a six-month deferred repayment without charging interest or penalties and also to desist from blocking customers' accounts in situations where customers have lost their jobs.

b. Bangladesh

As part of the response to COVID-19 pandemic, the focus of Bangladesh Bank (BB) is to ensure that there was adequate liquidity in the financial system to support the operations of financial institutions. In this regard, BB announced a massive purchase of treasury bonds and bills from banks. In addition, the repo rate was lowered from 6 percent to 5.75 percent in March, 2020 and was further reduced to 5.25 percent in April, 2020.

The Bank of Bangladesh as a first line of action, reduced Cash Reserve Ratio from 5 percent to 4.5 percent (daily-basis). This was followed with other levels of reduction from 5.5 per cent to 5 per cent (bi-weekly basis), and to 3.5 percent and 4 percent, respectively, from April 2020. The advance-deposit ratio (ADR) and investment-deposit ratio (IDR) was also increased by 2 percent to enable improved liquidity in the banking system as well as flow of credit to the private sector. There was a $5 billion increase in the country's Export Development Fund and rate of interest set at 2 per cent. BB increased the limit for refinancing and also established a number of refinancing programmes summing up to Tk380 billion. A 360-day tenor special repo facility was also set up with the objective of supporting farmers, exporters, as well as facilitation of the government stimulus packages.

In a bid to ensure farmers get additional support, the Bank of Bangladesh also established a 15-month agriculture subsidy programme expected to run until mid-2021. Other actions taken by BB include introduction of a delay in the classification of non-performing loans, a waiver on interest and credit card fees, suspension of payment of interest on loans, extension of tenures of trade instruments, imposition of restrictions on bank dividend payments and ensuring access to financial services.

c. Botswana

In a bid to support the economy and to inject liquidity into the system, the Monetary Policy Committee (MPC) of the Bank of Botswana (BOB) in April, 2020 reduced the Bank Rate by 0.5 from 4.75 percent to 4.25 percent as well as the primary reserve requirement (PRR) from 5 percent to 2.5 percent. Other relief packages include; loan restructuring for mortgages and vehicles by Banks and Non-bank Financial Institutions.

There was a minimum of three months rescheduling for life insurance payment premiums and retirement fund contributions. There was a relaxation of rules towards meeting capital requirements and the introduction of measures to facilitate improvement in liquidity conditions. Other measures include introduction of regulatory forbearance introduced for non-performing loans as well as reduction in capital adequacy ratio for banks from 15 to 12.5 percent. In addition, there was a reduction in overnight funding costs and broadening of access to repo facilities. The BOB also announced an extension to borrowing to include corporate bonds and traded stocks and removal of collateral constraints for bank borrowing.

d. Brazil

In Brazil, the Central Bank reduced the policy rate by 1.25 per cent in February to 3 percent. Other decisions taken by the MPC include cut in reserve requirements and capital conservation buffers, as well as a temporary relaxation of rules on provisioning with a view to increasing liquidity in the financial system. In addition, a reduction was announced in the reserve requirement from 25 per cent to 17 per cent. A special window was created by the Central Bank to provide loans to financial institutions that is covered by private corporate bonds as collateral. In addition, an arrangement was made for the provision of about US$60 billion to the Central Bank for six months through a swap facility. An agreement was reached to consider requests by individuals and MSMEs for a 60-day extension of their maturing debt liabilities by the five largest banks in Brazil.

The following are some of the key measures undertaken by the Central Bank of Chile to mitigate the effect of the COVID-19 pandemic on the economy: (i) A cut in policy rate from 1.25 per cent to 0.5 percent; (ii) Establishment of a new funding mechanism for banks contingent on them increasing credit; (iii) A policy that incorporates corporate securities in the classification of collaterals for the Central Bank's liquidity operations as well as including high-profile commercial loans as collateral for the operations of the new funding facility mechanism (iv) Commencement of a scheme for purchase of bank bonds (up to US$8 billion); (v) Easing of eligibility for additional currencies to be classified among reserve requirements in foreign currencies; (vi) Central Bank rules and regulations for commercial banks liquidity made more flexible; (vii)The window for facilitating liquidity in pesos and US dollars was expanded through repo operations and swap deals; and (viii) Easing of liquidity coverage ratio (the ratio did not change, but deviations deemed temporary may be tolerated depending on specificity of the case). Correspondingly, the Financial Market Commission of Chile announced some measures towards facilitating credit flow to MSMEs and households, these included: (i) Distinctive treatment in provisioning for deferred loans; (ii) Safeguard MSME loans using mortgage guarantees (iii) Adjusting the system of treating assets that are received as payment and margins in transactions involving derivatives; and (iv) Revising the implementation timetable for Basel III standards.

f. China

In a bid to provide support through monetary policy in response to the COVID-19 pandemic, the Peoples Bank of China (PBC) took the following measures to safeguard the stability of financial markets:

(i) About RMB 4.2 trillion (gross) was injected into the banking system through open market operations (reverse repos and medium-term lending facilities), (ii) process of expanding re-lending and re-discounting facilities by RMB 1.8 trillion towards supporting producers of medical equipment and essential goods, MSMEs and the agricultural sector at low interest rates, (iii) reduction by 0.3 and 0.1 per cent, the 7-day and 14-day reverse repo rates respectively, as well as the 1-year medium-term lending facility (MLF) rate and targeted MLF rate by 0.3 and 0.2 per cent, respectively, (iv) targeted Reserve Requirement Ratio (RRR) reduction by 0.5-1.0 per cent for large- and medium-sized banks (v) cut in the interest on excess reserves from 0.72 to 0.35 per cent, and (vii) establishment of new lending support mechanisms to MSMEs, including a zero-interest "funding-for-lending" scheme (RMB 400 billion) to finance 40 percent of local banks' new unsecured loans and providing incentives to them towards extending payment holidays for eligible borrowers (RMB 40 billion).

g. Euro Area

Monetary Policy actions by the European Central Bank (ECB) following the outbreak of Covid-19 include the following: (i) further purchase of assets valued at €120 billion until end-2020 under the Asset Purchase Programme (APP) (ii) more favourable terms on existing longer-term refinancing operations between June 2020 and June 2021, with interest rates as low as 0.50 per cent below the average deposit facility rate (iii) introduction of a new liquidity facility (PELTRO), which consists of a series of non-targeted Pandemic Emergency Longer-Term Refinancing Operations with an interest rate that is 0.25 per cent below the average MRO rate (iv) enlarging the size of the Pandemic Emergency Purchase Programme (PEPP) by €600 billion to €1.35 trillion until June 2021 due to weaker inflation outlook (v) expansion of the range of eligible assets under the corporate sector purchase program (CSPP) and relaxation of collateral standards for Eurosystem refinancing operations (MROs, LTROs, TLTROs) (vi) announcement of a broad package of collateral easing measures for Eurosytem credit operations in April, 2020.

h. United States

Monetary policy responses to COVID-19 in the United States of America include the following: (i) the Federal funds rate was reduced by 1.50 per cent in March, 2020 (II) overnight and term repos were expended; cost of discount window lending and existing cost of swap lines with major central banks were reduced (iii) maturity of FX operations was extended (iv) U.S. dollar swap lines to more central banks was broadened; temporary repo facility for foreign and international monetary authorities were offered (v) introduction of facilities to support the flow of credit by the Federal reserve (vi) depository institutions were encouraged by the Federal banking supervisors to use their capital and liquidity buffers to lend, and to work constructively with borrowers affected by COVID-19 (vii). The Federal banking supervisors of the US also provided a regulatory reporting relief and adjusting supervisory approach to reduce scope and frequency of examinations on a temporary basis and give more time for the resolution of non-critical, existing supervisory findings.

I. Malaysia

Policy measures put in place by the monetary authorities in Malaysia to mitigate the effect of the Covid-19 pandemic included the following: (i) The Bank Negara Malaysia (BNM) lowered the Overnight Policy Rate (OPR) by 0.25 per cent to 2.5 per cent in March, 2020. In addition, the BNM lowered the OPR again to 2 percent in May 2020 citing weakening global economic conditions and subdued inflationary pressures due to Covid-19 (ii) The Statutory Reserve Requirement Ratio (SRR) was also reduced by 1.0 per cent to 2 percent effective March 20, 2020. Also, the BNM announced in May 2020 that banking institutions can use Malaysian government securities (MGS) and Shariah-compliant Islamic government bonds—the Malaysian Government Investment Issue (MGII to fully meet the Statutory Reserve Requirements (SRR) compliance until May 2021.

Furthermore, BNM increased its Financing Facilities by RM4 billion to RM13.1 billion ($968.82 million to $3.17 billion) (0.9 percent of GDP) on March 27, 2020 and also declared temporary easing of regulatory and supervisory compliance on banks towards supporting them in areas of loan deferment and restructuring as well as relief measures for insurance and takaful policy holders (iii) On March 23, 2020, the Securities Commission Malaysia (SC) and Bursa Malaysia suspended short selling until April 30; 2020 and on April 28, 2020 the suspension was extended through June 30, 2020. Securities Commission Malaysia also waived annual licensing fees for capital market licensed entities. And on April 16, 2020, it announced regulatory relief measures for public listed companies. On April 10, 2020, the Companies Commission of Malaysia declared measures to enhance protection of distressed companies against liquidation.

j. Ghana

The Monetary Policy Committee (MPC) in Ghana took the following measures as a result of the crippling effect of the pandemic on the Ghanaian economy: It reduced the policy rate by 1.5 per cent to 14.5 percent in March 2020. Other measures were also put in place to mitigate the impact of the Covid-19 pandemic. These include: cutting the primary reserve requirement from 10 to 8 per cent, reducing the capital conservation buffer from 3 to 1.5 per cent, revising provisioning and classification rules for specific loan categories, and taking steps to facilitate and lower the cost of mobile payments.

The Committee also took decisions towards the continued monitoring of the economic impact of the pandemic and take additional measures when necessary. In May, 2020 , the MPC at its meeting maintained the policy rate and instituted a new bond purchasing program to provide emergency financing to the government following a higher projected fiscal financing gap. The MPC also in conjunction with the U.S. Federal Reserve announced some relief measures for small depository institutions and a US$1 billion repo agreement under the Facility for Foreign and International Monetary Authorities (FIMA).

k. Saudi Arabia

Responding to the effect of the pandemic to the economy, the Saudi Arabian Monetary Authority (SAMA) cut the policy rate twice in March, 2020. In addition, SAMA reduced the reverse repo and repo rates by 1.25 basis points (bp) -0.5 and 1 per cent respectively. In addition, SAMA on March 14, 2020, implemented a SAR 50 billion ($13.3 billion, 2 percent of GDP) package. This was meant to support the private sector, specifically the MSMEs, by delivering funding to banks to enable them defer repayments on loans and intensify lending to businesses. Fees for point-of-sale and e-commerce operations would also be covered by the apex bank for 3 months. SAMA also directed banks to defer payments of loans granted to all Saudi Arabian workers by three months without extra charges. The banks are also expected to offer financing needed by clients who lost their jobs and to ensure exemption to their customers from various banking fees. On June 1, 2020, SAMA announced the introduction of SAR 50 billion ($13.33 billion) into the Saudi banking sector by way of deposit placements towards supporting banking sector liquidity and credit to the private sector.

l. South Africa

Reacting to the ravaging pandemic, the South African Reserve Bank (SARB) cut the policy rate about 3 times. First by 100 basis points (bps) to 5.25 percent on March 19, 2020, second by another 100 bps to 4.25 percent on April 14, 2020 and third by 50 bps to 3.75 percent on May 21, 2020. In addition, on March 20, 2020, SARB announced some liquidity easing conditions as follows: (i) Raising the number of repo auctions to two to facilitate support for intraday liquidity to clearing banks at the Reserve Bank's policy rate; (ii) cutting the upper and lower limits of the standing facility to enable lending at the repo-rate and allow borrowing at repo-rate less 200 bps; and (iii) increasing the quantum of the main weekly refinancing operations as required.

On March 23, 2020 the South African government announced the introduction of a unified approach to facilitate banks offer debt relief to borrowers. The SARB also announced on March 25, 2020, additional measures to ease liquidity strains prevalent in fund markets. This was targeted at buying government securities in the secondary market throughout the yield curve and spreading the maturities of the main refinancing instrument from 3 to 12 months. Furthermore, on March 26, 2020, SARB released guidelines on modalities for debt relief to bank clients. A temporary relief was also announced by SARB on March 28, 2020 on bank capital requirements that decreased the liquidity coverage ratio from 100 to 80 percent with a view to providing additional liquidity to banks and mitigate against financial system risks. The SARB on April 6, 2020, released guidance on dividend and cash bonuses distribution with the objective of ensuring bank capital preservation. With effect from May 11, 2020, the number of repo auctions was reduced to once a day by the SARB and, on May 12, 2020 an announcement was made in respect of a series of prudential priority procedures for financial co-operatives on prudential matters, supervisory procedures including governance and issues of operations.

m. Kenya

The Central Bank of Kenya on March 24, 2020 announced the following measures in response to the effect of Coronavirus on the economy: (1) reduction of the policy rate by 1.0 per cent to 7.25 percent (2) cutting cash reserve ratio of banks by 1.0 per cent to 4.25 per cent; (3) Raising the tenor of repurchase agreements from 28 to a maximum of 91 days; and (4) introducing flexibility to banks in respect of classification of loans and provisioning of those loans that were performing as at March 2, 2020, but were restructured as a result of COVID-19. The Central Bank also encouraged banks to increase flexibility to loan terms for clients based on occurrences related to COVID-19 and also encouraged waivers or reduction of charges on mobile money transactions to discourage the use of cash.

The Central Bank of Kenya on April 15, 2020, stopped for a period of six months, the listing of negative credit-related information for borrowers whose loans became non-performing after April 1, 2020. The Bank also set a new minimum threshold of $10 for negative credit information submitted to credit bureaus. On April 29, 2020, the central bank of Kenya cut its policy rate by 25 bps to 7.0 per cent.

n. West-African Economic and Monetary Union (WAEMU AREA)

The regional central bank (BCEAO) for the West-African Economic and Monetary Union (WAEMU) adopted some measures to meet the demand for liquidity by banks in the region and also diminish the negative impact of COVID-19 on the economies of member States. An allotment strategy at a fixed rate of 2.5 per cent (the minimum monetary policy rate) was adopted thus allowing banks to fully meet their liquidity requirements at a rate of about 25 basis point. A rate lower than the period prior to the setting in of the COVID-19 pandemic.

The following were also undertaken by the BCEAO: (i) extension of a collateral framework to obtain refinancing to include bank loans to 1,700 private companies that were prequalified; (ii) articulating a framework inviting banks and microfinance institutions to treat demands from clients with COVID-19 related repayment challenges to reschedule debt service falling due for a 3-month period; and (iii) initiated measures to support the use of electronic payments. Also, the BCEAO commenced a special 3-month window of refinancing at a fixed rate of 2.5 per cent for specific amounts of 3-month "COVID-19 T-Bills" issued by each member State to help provide immediate funding requirements caused by COVID-19.

o. Economic and Monetary Community of Central Africa (CEMAC AREA)

The Bank of Central African States (BEAC), on March 27, 2020, adopted some monetary easing measures that included a cut in the policy rate by 25 bps to 3.25 per cent, a reduction of the Marginal Lending Facility (MLF) rate by 100 bps to 5 percent, suspension of all absorption operations in the banking system, a rise in the provision of liquidity from FCFA 240 to 500 billion, and a broadening of the range of the private instruments that were accepted as collaterals in monetary operations. The MPC also maintained BEAC's management's resolution for a reduction in asset values that are applicable to private instruments accepted by banks as collateral for refinancing transactions. The MPC also announced a postponement by one-year of principal repayments of consolidated central bank's credits to all member states. The COBAC (Commission Bancaire de l'Afrique Centrale), on March 25, 2020, communicated to banks that they can use their 2.5% capital conservation buffers as absorption mechanisms to COVID-19-related losses but entreated them to implement a restrictive policy in relation to distribution of dividends.

5.0 Nigerian Monetary Policy Decisions Under COVID-19 Pandemic

The usual policy prescription by several countries during the COVID-19 Pandemic is to adopt an easing monetary policy stance in order to support domestic economic activities. This prescriptive approach is theoretically motivated by the postulation of Keynesian models and illustrated in practice by the offerings of Taylor rule approach to monetary policy. In this setting, an expansionary monetary policy is essential to help close the negative output gap and re-establish full employment. The Central Bank of Nigeria also responded to the crisis through several monetary policy interventions.

According to Nigeria Centre for Disease Control (2020), the first confirmed case of COVID-19 in Nigeria was announced on February 27, 2020. Since then, MPC meetings decisions have been taken in consideration of the effects of the pandemic on the Nigerian economy. A summary of MPC key decisions are summarized on Table 5.

Table 5: Summary of MPC Decisions During the Covid-19 Period

March 2020	• Retain the Monetary Policy Rate at 13.5 percent • Retain the asymmetric corridor of +200/-500 basis points around the Monetary Policy Rate • Retain the Cash Reserve Requirement at 27.5 percent • Retain the Liquidity Ratio at 30 percent.
May 2020	• Reduce the Monetary Policy Rate by 100 basis points to 12.5 percent • Retain the asymmetric corridor at +200/–500 basis points • Retain the Cash Reserve Requirement at 27.5 percent • Retain liquidity ratio at 30.0 percent.
July 2020	• Retain the Monetary Policy Rate at 12.5 percent • Retain the asymmetric corridor of +200/-500 basis points around the Monetary Policy Rate • Retain the Cash Reserve Requirement at 27.5 percent • Retain the Liquidity Ratio at 30 percent
September 2020	• Reduce the Monetary Policy Rate by 100 basis points from 12.5 to 11.5 per cent; • Adjust the asymmetric corridor from +200/-500 basis points to +100/-700 basis points around the MPR; • Retain the Cash Reserve Requirement at 27.5 per cent; and • Retain the Liquidity Ratio at 30 per cent.
November 2020	• Retain the Monetary Policy Rate at 11.5 per cent; • Retain the asymmetric corridor of +100/-700 basis points around the Monetary Policy Rate; • Retain the Cash Reserve Requirement at 27.5 per cent; and • Retain the Liquidity Ratio at 30 per cent.

In response to the COVID-19 outbreak, the Monetary Policy Committee, announced extension of support to affected households, businesses, regulated financial institutions and other stakeholders to reduce the adverse economic impact of the COVID-19 outbreak. The MPC announced support in six ways.

1. Granted extension of loan moratorium on principal repayments from March 1, 2020. This implies that any loan under CBN intervention that is under moratorium would enjoy a one year extension.

2. Offered interest rate reduction on all intervention loan facilities from 9% to 5% beginning from March 1, 2020.

3. Offered a N50 billion (US$131.6m) targeted credit facility to hotels, airline service providers, health care merchants, among others.

4. Provided credit support to the healthcare industry to meet the increasing demand for healthcare services during the outbreak.

5. Provided regulatory forbearance to banks which allowed them to temporarily restructure the tenor of existing loan within a specific time period particularly loans to the oil and gas, agricultural and manufacturing sectors.

6. 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 ₦10.59 trillion (US$28 billion). An announcement was made by the government reducing the budget by NGN1.5 trillion among the measures taken due to the impact of the pandemic as well as in response to the oil price crash. Oil price was benchmarked at US$30 per barrel in the reviewed budget down from US$57 per barrel in the earlier budget.

Other policy actions that complemented the MPC decisions include the following:

- Provision of extended moratorium on loans by an additional 1 year beginning from March 2020. This was to ease pressure on loan repayments.

- Introduced regulatory forbearance to consider temporary and time-limited restructuring of loan terms and tenors to households and businesses affected by COVID-19, and strengthened the loan- to-deposit ratio (LDR) policy

- Announcement of an intervention fund of ₦1.1trillion to cushion the adverse effects of the Coronavirus outbreak on the economy. The sum of ₦1.0 trillion from this amount would be used to support local manufacturing to boost import substitution, while the balance of ₦100 billion would be used as support to the health services sector through provision of credit facilities to hospitals, pharmaceutical companies and other eligible health sector stakeholders. These loans are meant for building of new hospitals, upgrading of health facilities and/or expansion of existing ones to first class health centers. This was in addition to the ₦1.5 trillion private sector driven Infraco Project fund, designed to target the construction of critical infrastructure across the country. Furthermore, pharmaceutical businesses would be supported through loan interventions to re-position drug manufacturing companies in the country and curb the spread of the COVID-19 pandemic. In summary, it was expected that through these interventions, about ₦3.5 trillion would be injected as stimulus to support the Nigerian economy during this trying time.

- A CBN-led Infrastructure Development Company was also instituted by the Federal Government. The company is expected to leverage local and international funds sources for reconstructing of critical infrastructure across Nigeria. The ownership structure of this business concern includes Central Bank of Nigeria (CBN), the Nigeria Sovereign Investment Authority (NSIA) and the Africa Finance Corporation (AFC). It would be managed exclusively by an Independent Infrastructure Fund Manager (IIFM) that would mobilize local and foreign capital to support the Federal Government in building the transport infrastructure essential to enhance movement of farm and non-farm other products to processors, raw materials to factories for processing, and finished goods to markets for distribution. The sum of ₦15 trillion has been projected over 5 years for the initial operation of the company.

6.0 Conclusion and Recommendations

This article discussed the interactions of the effect of coronavirus on Nigerian economy and role of monetary policy in revamping economic activities. The findings reveal that the coronavirus outbreak in Nigeria affected the economy by forcing it into recession with three consecutive negative growth rates in the first, second and third quarters of 2020.

The implication of the findings is that a biological crisis can be transformed to an economic one. At the moment, it is impossible to fully know how long the coronavirus crisis will last and how many Nigerian citizens will be infected or even die. However, with the announcement of discovery of vaccines and mass vaccinations to commence in Europe and America, the outlook is optimistic.

Finally, it is worthy to state that monetary policy alone cannot solve the economic problems caused by COVID-19 pandemic in Nigeria but can work alongside other critical areas/sectors like the fiscal, medical, national planning, infrastructure etc. Some key recommendations are presented below:

- Monetary policy should continue to strive towards strong protection for micro small and medium enterprises (MSMEs) during crises. The survival of MSMEs is critical during this pandemic. Monetary Policy Committee should continue to ascribe policies that would protect and support MSMEs by providing guarantees to banks and other lenders, favourable lending rates as well as credit flow so that lenders can provide liquidity to Nigerian MSMEs. Also, MSMEs that have the greatest coverage to the national supply chain should receive more support than others.

- MPC decisions should also be geared towards protecting jobs and workers. Protection of the critical sectors of the economy, assets, technology and infrastructure is important, and above all, jobs and workers must be covered. Alongside monetary policy efforts, government should introduce new legislation to protect the livelihoods of citizens which is essential to reboot the economy when this pandemic is over. New legislations should be created to mitigate against unemployment risks during crises. These kinds of legislations can help to preserve families' income, sustain the productive capacity of workers, the human capital of MSMEs and the overall economy.

- Welfare legislation and financial support intervention programmes are essential. Legislation and programmes should be created to support those in need especially the poorest who are the most vulnerable during a health or economic crisis. The existing CBN COVID-19 Targeted Credit Facility should be deepened for maximum impact and outreach. In addition, the government should offer assistance, including food, clothing and other essential items for those citizens that are deprived of basic subsistence during the crisis. These interventions should ensure the distribution of food aid and other basic items through electronic vouchers, thus, reducing the risk of infection during the pandemic.

- Support for the agricultural sector. One sector where MPC decisions should target is agriculture. All stakeholders especially government should not tolerate any disruption in food supply in this period of crisis. There should be a range of measures to ensure that farmers and other MSME operators get the support they need in terms of low interest loans, favourable moratorium periods, longer tenure for credit facilities, less emphasis on fixed assets as collaterals etc.

- The Nigerian government principally, must lead the economic diversification drive. It is one practicable way to outlive the current economic uncertainties and instabilities. As a matter of fact, the consequences of COVID-19 pandemic should further offer the Nigerian economic managers, a hard lesson that the one-tracked, monolithic reliance on oil is failing and lacks a future. Priorities for diversification to alternative sectors that Nigeria enjoys comparative and competitive advantage such as agriculture, solid minerals, manufacturing and services sectors, should be further intensified.

- Developing the capacity of Nigerian health systems. Whenever there is a public health crisis, the first priority in the country is to protect the health of its people. As a result, Nigeria should consider adopting a policy that would ensure sufficient budgetary liquidity to the health sector. In addition, policy measures should also be put in place to increase the capacity of health systems to withstand public health crises in future as well as mechanisms for provision of relief packages to citizens severely affected by the health crisis. CBN is already supporting the health sector but cannot do it alone. The fiscal sector has a role to play in this dynamic endeavour as well.

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