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# COVID-19:

POLICY MEASURES BY NIGERIA'S CENTRAL BANK



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## THE CENTRAL BANK'S POLICY MEASURES

The devastating impact of COVID-19, also known as the corona virus, on the world's economy is without doubt.

The sporadic spread of the virus, across international borders prompted - rightly so - the ban on international and in many cases domestic air travel. Besides the evident strain on the health care and pharmaceutical supply chain industries we have seen, almost immediately, a devastating free fall in the revenue stream of airlines and stake holders in the aviation and travel and tourism industry.

The knock-on effect of this and other measures (stay at home orders etc.) to manage the pandemic is likely to cripple most sectors of the economy, particularly small and medium scale enterprises.

In Nigeria the export of crude oil represents the country's main source of revenue. The sharp drop in the demand for oil products - resulting from the pandemic and coupled with the recent crude oil pricing crisis – has led to a terrifying decline in Nigeria's export revenue. Therefore, the immediate introduction and implementation of appropriate fiscal policy buffers are crucial.



## CBN's policy measures

In light of the COVID-19 outbreak, the Central Bank of Nigeria (CBN) has announced policy measures in furtherance of its mandate to ensure financial stability. The policy measures are summarised as follows:

1. There is a grant of an extension of Moratorium to all CBN intervention facilities. The extension is for one year on all principal repayments effective March 1, 2020. Consequently, participating financial institutions are expected to provide new amortisation schedules for all beneficiaries.
2. Interest rates on all applicable CBN intervention facilities are reduced to 5 percent per annum for one year effective March 1, 2020.
3. A 50 billion Naira targeted credit facility through the NIRSAL Microfinance Bank was established for households and small and medium-sized enterprises (SMEs) including hoteliers, airline service providers, health care merchants, etc.
4. The CBN is providing credit support for the healthcare industry by providing loans to pharmaceutical companies intending to expand/open their drug manufacturing plants in Nigeria. This is also extended to hospital and healthcare practitioners who intend to expand/build first class health facilities. This is done in acknowledgement of the increase in demand for healthcare services and

products by the populace.

5. Deposit Money Banks (DMBs) are to consider temporary and time-limited restructuring of loan terms and tenor for businesses and households affected by the COVID-19 outbreak particularly in the oil and gas, agriculture and manufacturing sectors. It must be noted that use of the forbearance is temporary.
6. The CBN's loan-to-deposit ratio (LDR) policy would continue to be strengthened. The CBN would support industry funding levels to ensure that DMBs are able to maintain their ability to provide direct credit services to individuals, households and businesses.

The CBN circular on the policy measures can be found [here](#).

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