The Effect of Trade on Economic Growth in Nigeria: Does Covid-19 Matters?

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Abstract

The occurrence of Covid-19 instigated direct and indirect effect on African economy especially Nigeria which was greatly hit. The movement of goods was severely affected as Intra-African trade was disrupted through the shutdown of ports, airlines, borders and businesses. The pandemic led to the lockdown of economic and social activities across the globe and impacted drastic economic downturn and disruption in global trade. Major economic activities were withheld and production of essential commodities was put on hold. In respect to these, this paper carried out a desk review of the effect of trade on economic growth in the era of COVID-19. Conventionally, trade accelerates economic growth but with global disruption brought about by the pandemic, it was envisaged that trade might not be able to stimulate economic growth for the active period of the endemic as many countries implemented locked-down policies. However, with the occurrence of the pandemic, most countries have realised the need to accelerate digital trade facilitation. Also, the need to have long-term trade-related technological investment and structural changes to possibly accommodate less contact during trade processes and facilitation. In conclusion, the outburst of the pandemic has further enlightened African nations on the need for the proposed African Continental Free Trade Area (AfCFTA) which was launched on 1st of January, 2021.

Keyword: Trade; Gross Domestic Product; Covid-19; Lockdown; Nigeria.
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1. Introduction

Trade is believed to be an opportunity for globalization. It is an essential variable for promoting economic growth, expanding opportunities and giving room for competitiveness. According to Frankel & Romer (1999), trade impacts growth by enhancing physical and human capital and total factor productivity. An important part of trade is the benefit of technology transfer wherein opening up of economies gives access to the extended base of knowledge which increases the level of productivity (Aremo & Arambada 2021). In addition, trade has been considered by many developing countries as an essential constituent of economic reforms (Bello & Akinbobola 2018). These actions may further increase the value of supply, creation of new products and improve the competitive positions in a crucial business environment (Wacziarg, 2001). However, open trade regime is vital for economic growth while countries that reduce impediment to international trade and their external sector liberalization experience higher economic growth (Craft 2000**).** The recognition of the importance of trade has led to continual proposals by the United Nations, World Bank, World Trade Organization and African Union to reduce trade barriers and regulate activities to speed up trade interventions. As a result, many countries are beginning to reduce commercial barriers and implement several policies to attain significant increase in growth.

The shutdown of economic and social activities across the world resulted in a serious economic downturn and disruption in global trade (Roy, 2020; Ebrahim *et al*. 2020). Even though relaxed domestic demand reduced imports, it is not enough to offset the decrease in export while deterioration set into Nigeria's trade balance. The decrease in spending is expected to bring about a contraction in gross domestic demand. Therein, uncertainty about the economy and spending-led fiscal consolidation dampen private investment. Due to external buffers depletion and limited fiscal space, Nigeria's monetary and fiscal policy response has been modest compared with other countries, thus eventually led the country into recession (World Bank Group, 2020). While export and import contracted considerably, export was projected to be steady at -3.3 percent of GDP in 2020. Import dropped by US$50.5 billion at 12 percent of GDP due to disruption in the global supply chain and sluggish demand while export was projected to decrease by US$40.3 billion at 9 percent of GDP as a result of fall in global oil price. Also, international remittances were predicted to decrease to US$6 billion at 1.5 percent of GDP. Relatively, the stability of the current account deficit served as a pretext for increased invulnerability of export while decrease in trade flow strengthened Nigeria's reaction to shocks (WBG, 2020).

Export revenue was strongly affected due to slump in global oil price as approximately 80 percent of revenue was derived from crude oil. In other words, the persistent slump in oil price led major producers to partly suspend operations which brought about slow recovery of Nigeria's oil and gas export. A sharp contraction in the value of gas and oil export was as a result of collapsed global oil price which rose by 19 percent in first quarter of 2020 compared with that of first quarter of 2019. Also, as remittances recovered and price of crude oil rebound, the current account deficit was anticipated to adjust in 2021 to 0.6 percent of GDP. These important variables were expected to decrease in 2020 as the global recession set into the economy, but it was projected to increase in 2021 with the global economic recovery (WBG, 2020).

Nigeria was already experiencing a current account deficit, declining external reserve and reversed portfolio flows before the incidence of Covid-19. From a surplus of 1.0 percent of GDP in 2018, current account balance shifted to a deficit of 3.8 percent in 2019. This was the first current account deficit since the oil shock in 2015. On the other hand, deterioration in trade balance by 4.5 percent of GDP was observed between 2018 and 2019 as oil export decreased and imports increased markedly. Although the latter effect resulted due to the border closure in August, which boosted imports. The main financing source of current account deficit, net foreign portfolio inflow (FPI) dropped drastically from US$17 billion in first quarter of 2019 to US$8 billion, this was due to decreased volume and investors reactions to development in global financial markets (WBG, 2020).

The major objective of this article is to carry out a review of the effect of trade on economic growth during Covid-19 epoch in Nigeria. To achieve this, the remainder of the paper is structured as follows: the next section discusses the global issue on trade and Nigerian issues on trade followed by the impact of Covid-19 on trade and the economy. Afterwards, the article dwells on literature review and draws its conclusion.

2. Global Issues of Trade

The world trade was already in turmoil when Covid-19 hit it unexpectedly. This was verified from the prediction of the World Trade Organisation (WTO) update on June 2020. It was projected that a drop by 18.5 percent was expected in global trade volume and then a slow recovery in 2021. However, the forecast replicated a descending revision from the WTO's estimate in April 2020. But in a more optimistic opinion, the global trade volume decreased between 13 percent and 32 percent in 2020 due to the economic effect of the Covid-19 virus. On another development, the WTO in August 2020, specified a positivity that trade can recover globally in third quarter of 2020. This was ascribed to the consistency in the second-quarter data with an earlier prediction of a decrease in trade at about 18.5 percent in 2020. Nevertheless, import and global export declined by 7.4 percent and 7.2 percent in volume terms respectively in first quarter of 2020. Then, a drop in value terms of about 8.6 percent and 10.2 percent. These revealed impact of the pandemic on the global economy. Besides, the WTO in her June statement on G-20 trade measure between mid-October 2019 and mid-May 2020, significant progress has been made by some countries in facilitating imports as well as products connected to Covid-19 (Congressional Research Service Report 2020).

The world GDP is expected to decline between 0.1 percent and 1.5 percent (International Trade Centre 2020). On the part of trade, global trade is anticipated to decline by 0.2 percent and 3.75 percent. It was also envisaged that Chinese GDP would decline by 6 percent with GDP drop in Japan and the United States by 10 percent and 8 percent respectively (Maliszewska, Mattoo & Mensbrugghe, 2020). According to ITC (2020), world trade fell in fourth quarter of 2019 and continued to early quarters of 2020. However, Chinese export also dropped by about 21 percent in early quarter of 2020, though there was a slight recovery in March. Nevertheless, the epidemic started to hit export from other countries. Also, export from the United States and European countries decreased by 7 percent and 8 percent. As of March-April 2020, most countries went into total lockdown to contain the virus. Leather and skin products, vehicles, footwear and clothing materials were most affected. These were the major export from the United States, the European Union and China, which fell at about 20 percent from the time of Covid-19 epidemic (ITC, 2020). Following this report, several governments responded to the pandemic by introducing new trade-restrictive measures whereby 90 percent were export embargos on medical products. This prompted the WTO to indicate that G-20 economies had lower barriers to import and annulled 36 percent of the restriction on numerous pandemic- related goods. Moreover, WTO stated that 65 of 93 pandemic related trade measures employed during the plague as of May 2020 was not a trade-restricting measure but trade-facilitating measures (CRSR, 2020).

China, the United States and European Union are the largest exporters in the world. These countries play a major role in the global supply chain, moreover, they are the major importers of raw materials, components and parts. The total economic lockdown in these countries affected domestic businesses. Also, firms and companies who were partners in other developed and developing countries and those with no direct trade relationship with them (ITC, 2020). The three major trading countries contributed about 64 percent of world supply chain export at 63 percent to world supply chain import. The ITC predicted a global disruption of inputs by the manufacturing sector to amount to $126 billion in 2019/2020. The European Union which is the topmost importer of industrial goods is the principal market for Asia and African countries. The EU is also the topmost buyer of industrial inputs from the United States and Latin America. However, the factory shut down had the greatest repercussion for supply chain export to other countries. Furthermore, export from the United States and European Union (EU) dropped by 7 percent and 8 percent respectively in the earlier years compared to March 2020. Export from other countries dropped by 4 percent in the same month (ITC, 2020).

Most African countries have constraint themselves from colonial influence by increasing their trade with China (Chabi & Saygili 2020). Therein, the decline in trade in 2020 was attributed to drop in exports from China as a result of the pandemic. The export from China to other countries was as low as 21 percent in February 2020 compared to that same month in 2019. However, Chinese export slightly recovered in March 2020 at about 10 percent lower than that in the same month in 2019. The ITC estimated that in 2020, imports of industrial inputs from the EU will drop by about $147.1 billion. Of these, about $46.1 billion were imported from other regions while $101 billion was from intra-EU trade. Also, due to the shutdown, the United States and China's imports of industrial inputs reduced by $38.2 billion and $41.9 billion respectively. The combined reduction of the G3 countries added up to $126.3million overall. Consequently, the export of industrial inputs in Asia was expected to decrease by $71.4 billion due to lockdown in the EU and China. Asia is about 50 percent linked to the EU as a result of the trading relationship between China and the EU. Yet, Asia is connected with China centres on electrical supply (together with Thailand, Malaysia and the Philippines). But in the case of India, its linkage with the EU is trade in automobile components (ITC, 2020).

The appreciation of the US dollar led to an increase in cost of trade among countries priced in dollars. This was one of the major challenges for most developing countries during and after the pandemic. As of February-April 2020, dollar had strengthened by 9.5 percent against emerging-economy currencies. But due to the pandemic, American States export $24.5 billion lesser industrial output as a result of shutdown of factories in the EU and the United States. This result designated the exposure of the American States to the EU and the amount of trade flow between the United States and EU. The trade flow accounted for approximately 80 percent of America's expected loss of $8.7 billion in trade with Europe (ITC 2020). The factory shut down in the United States and China heavily affected Europe, this showed the direct relationship among the countries. A loss of over 90 percent of $9.3 billion and $10.8 billion in the export of industrial input was linked to the EU-US and EU-China trade. Also, the non-EU countries who mainly depended on

EU markets were seriously affected by the global lockdown in which losses of about $6.6 billion in export of industrial input was anticipated. Furthermore, Oceania lost up to $793 million in the export of industrial input as a result of its exposure in China (ITC, 2020).

2.1 Nigerian Issues on Trade

The pandemic interrupted the competitiveness and the value-added of Nigerian industries in terms of market entry and provision of employment as hope for long-term economic growth. The analytic effect of border closure contributed to higher inflation particularly for food despite the little impact on agricultural output. The closure of the market shifted formal trade to Nigeria and away from Benin. This contributed to a slight increase in customs revenue compared to the previous years. The effect of border closure to trade in August 2019 caused Nigeria substantial loss concerning economic setback with neighbouring countries. The countries are Seme and Chikanda (to Benin); Ekok (to Cameroon) and the closure was afterwards extended to other land border crossing. The main aim of the closure was to prevent the importation of illegal and banned goods in competition with Nigerian industries; avoid illegal export of fuel from the country and security related issues through the porous borders. But the incidence of Covid-19 extended the duration of closure to avoid cross-border activities (WBG, 2020).

The discovery of the index Covid-19 case in Nigeria on the 27th of February 2020, instigated instability in the economy. However, to limit the dissemination of the virus, certain measures were adopted like the closure of borders, closure of educational institutes, curfew imposition, palliative distribution to vulnerable poor in the society, though, the distribution was plagued with hoarding (Olubusoye & Ogbonna 2020). However, the six key impacts of Nigeria's border closure in addition to Covid-19 restrictions are: (i) increase in price of food products (ii) reduction in household consumption due to inflation in prices of food items (iii) decrease in trade for private sectors (iv) shift in formal trade away from Benin and to Nigeria bringing about enhancement in customs revenue (v) reduction in rate of smuggling (vi) decrease in welfarism among Nigeria's neighbours particularly Benin (WBG 2020).

3. Impact of Covid-19 on Trade and the Economy

3.1The Case of Global Economy

The Covid-19 outbreak was an unforeseen disruption to world trade and the global economy as it greatly affected production and consumption across the globe. The UN ascertained that the pandemic could cost the global economy about $2 trillion in 2020. It could also lead to recession in other countries and instigate economic growth beneath 2.5 percent (United Nations Conference on Trade and development 2020). In respect to the aforementioned, WTO Service Trade barometer revealed that world service trade has continued to deteriorate from the end of 2019 towards first quarter of 2020. The latest index was 96.8 compared to last September reading of 98.4 which is below the baseline value of 100. On another hand, Orlik et al. (2020) projected that the Covid-19 virus could cause the global economy about US$2.7 trillion.

The combination of virtually persistent growth rate in China at 6 percent in combination with presumed speeding up of major commodity-exporting countries and ease in trade tensions was expected to push growth to 2.7 percent in 2020. Unfortunately, Covid-19 unpredicted shocks changed the forecast for 2020 (Mishra 2020). The drop in all quarters of 2019 with an intensifying decline in 2020 was alarming. The data for China's export dropped to about 21 percent in February

2020 even though export improved to some extent in March before the pandemic hit from other countries. The total export from United State and European countries in March declined by 7 and 8 percent. Even though the effect of the pandemic was not visible then, most countries were lockdown in late March and April 2020 (ITC 2020).

The Economist Intelligence Unit advocated that the growth outlook for 2020 looked dreary as the US-Iran conflict, US-EU trade war was the major hazard to global economy at large. This foresaw a projection of global growth at 2.9 percent in 2020, which is near decades' low while the EU forecast a sluggish growth in the developed world in 2020 determined by US growth restraint. Also, an outbreak of the pandemic reduced Asian growth outlook. This triggered social unrest across the world to continue into 2020 which was a major challenge to business model and policymakers (Mishra, 2020). Merchandise trade dropped abruptly in 2020 due to the occurrence of Covid-19 and caused export of China to decrease in first quarter of 2020. According to ITC (2020), Chinese export to certain countries in 2020 was 21 percent lesser in February 2020 compared to February 2017. It was found that a decrease in Chinese export dropped in value to the bottommost since August 2009 as a result of the 2008 Global Financial Crisis. But a slight recovery occurred in March 2020 and remained 10 percent lower than that of March 2019. In all, the estimation revealed that lockdown in the United States, EU and China exhibited the utmost impact on two G-3 economies. But the effect on other economies was substantial in relating to specific supply chains.

Advanced economies being taken charge of by the United States was responsible for decline in GDP in 2020 as regards the crisis. The global GDP was predicted to decrease by 3 percent with countries like Italy, Germany, the United Kingdom and the United States with an output decline of 9.1 percent; 7.0 percent; 6.5 percent and 6.1 percent respectively in 2020. In the first quarter of 2020, the United State experienced GDP contraction of about 4.8 percent equated to 2.1 percent in the previous quarter and 3.1 percent, the same quarter last year. Also, a lower contraction of about 2.7 percent was reported by the EU. Both economies expiated by 3.7 percent in 2019 which was higher than the global growth of 2.9 percent. But with the outbreak of Covid-19 virus, economic actions in both economies were subdued as a result of global lockdown, decreasing commodity price, restriction of movements and decrease in foreign investment. Consequently, the IMF anticipated growth for emerging and developing countries to about -1 percent in 2020 after an earlier prediction of 4.4 percent. Other countries like Brazil, Russia, Mexico, South Africa and Nigeria were projected to exhibit negative growth rate in 2020 (Nigerian Economic Summit Group, 2020).

The WTO anticipated decline in trade between 13 percent and 32 percent in 2023 while an unforeseen global recession was predicted with world GDP between 0.5 and 3.8 percent (Gondwe 2020). The wide range in their prediction indicated high degree of uncertainty concerning the duration of economic effect of the pandemic. Also, the optimistic scenario supposed that trade volumes recovered in third quarter of 2020 or the global economy assumed a V-shaped recovery. Comparing the aforementioned, pessimistic scenario authenticated partial recovery in global trade which persisted into 2021 or a U-shape recovery in global economic activities. Therefore, the updated prediction reflected WTO estimates that there would not be a fall in global trade volume in 2020 as predicted under the pessimistic scenario. It was then concluded that the effect of global trade volumes could surpass that during the 2008-2009 financial crisis. Therein, the recent WTO evaluation indicated that recovery could be longer than the previous forecast designated but assume an L-shape recovery pattern (CRSR 2020).

3,2 In the Case of Nigeria

The restriction on economic activities due to the outbreak of coronavirus reversed growth in Nigeria by about 2.3 percent in 2019. The effect of the pandemic and drop in price of crude oil in first quarter of 2020 was evident on the Purchasing Managers' Index (PMI). The PMI for the manufacturing sector dropped from 60.8 to 51.1 in March 2020. However, for the non-manufacturing sector, the PMI decreased from 62.1 to 49.2 in December 2019. This indicated a slowdown of economic activities in first quarter of 2020 (NESG 2020). The total and partial lockdown of the 36 states including the Federal Capital Territory (FCT) in the second quarter of the year as a means of limiting the spread of the virus greatly affected GDP for the year 2020. Government spending, household consumption and private investment which are major components of GDP were constrained during the lockdown. These variables were expected to yield poor results in the year 2020 compared to 2019 and attributed to poor performance of important macroeconomic variables and the pandemic uncertainty (NESG 2020).

The NESG Outlook Report of January 2020, stated the scenarios anticipated for the economic situation in Nigeria by 2020: (i) government capital spending (ii) movement in price of crude oil (iii) volume of oil production. The worst-case scenario was the assumption of the price of crude oil at US44 per barrel in 2020. Also, capital spending of ₦1trillion in the 2020 budget and crude oil production at an average of 1.5 million barrels per day. The outcome indicated a decline in GDP by 1.9 percent and government revenue by 25 percent. A rise in inflation of 15 percent and that of exchange rate close to ₦400/US$1. Also, an upsurge in the rate of unemployment and underemployment to about 52 percent. The outbreak of Covid-19, which disrupted economic activities with restriction of movement and border lockdown, affected the Nigerian economy in 2020. These inferred that predicted worse scenario case was even worse off, whereby there was GDP contraction in 2020. Also, there was the expectation of an increase in the rate of unemployment and underemployment at 52 percent while exchange rate was expected to increase at ₦ 400/US$1 in 2020 (NESG 2020).

The key economic sectors felt the effect of Covid-19 as 10 out of 46 active sectors experienced contraction in 2019. Consequently, 16 out of 46 sectors documented growth of less than 2 percent. In assessing the agricultural sector, the sector improved by 2.4 percent in 2019 which was a development from 2.1 percent in the previous year enhanced by growth in vegetation and support from the government. The service sector, which remains the largest sector contributed about 52.6 percent to GDP in 2019. This sector was the largest contributor to overall economic growth and made up three out of the five fastest-growing sectors (NESG 2020). The growth of non-oil sectors in 2018 and 2019 was about 2 percent, this indicated weak resilience; however, the external reserve was at $33 billion in April 2020. The effect of lockdown and restriction of economic activities in the major sector coupled with the oil sector resulted in low performance of non-oil sector in 2020 (NESG 2020).

Delving into effect of the pandemic on global crude oil, the Nigerian oil sector was expected to experience harmful growth that year (NESG 2020). Also, staggering production and lesser oil prices are likely to persist with an adverse implication on growth. Oil sector performance was improved with Nigeria's huge market with government intervention but these were not enough to trigger substantial growth in the industrial sector. There was an increase in industrial activities by 2.3 percent while manufacturing increased by 0.8 percent. It can be drawn from earlier experiences that contraction in oil sector slows down economic growth. In the early 1980s, 1990s and 2016, contraction in oil sector resulted in a general economic recession. Nevertheless, there were few cases in which contraction in oil sector did not lead to recession due to adequacy of external reserves and resilience of non-oil sector. However, there was contraction in the oil sector between 2006 and 2008, but, growth in the non-oil sector was at an average of 11 percent (NESG 2020).

The threat of the endemic was an avenue for communication between Nigeria and its neighbours on shared cross-border premises, these include trade, investment and public health. The transit procedure and the cross-border trade possibly in short term reduced extreme border congestion. Reopening the markets and borders helped firms export and production. These were coupled with the removal of non-tariff barriers by the government such as foreign exchange restriction and import bans which had sustained the competitiveness of firms. The increase in Nigeria's participation in international value chains and lower prices consumer phase is the medium-term benefit from reopening the borders (WBG 2020).

According to the NESG (2020), Foreign Direct Investment (FDI) has continued to perform poorly in 2020 compared with previous year. Foreign investment inflow in 2019 was better than that in 2018, but the setback was a decline from the second quarter. Nigeria witnessed the highest foreign investment flow recorded in 10 years in 2019 at US$24 billion. However, growth in investment inflows in the previous year was preceded by Foreign Portfolio Investment (FPI) plus other investment at 68.2 percent and 27.9 percent of total inflow. Despite the upsurge in investment inflows in the earlier year, weak investors sentiments, high level of uncertainty in elections and interruption in ministerial appointments gave rise to drop in overall inflows in 2019 denoting US$8.5 billion in first quarter to US$5.8 billion in the second quarter; US$5.4 billion in third quarter and US3.8 billion in the fourth quarter. Due to the incidence of the Covid-19 pandemic, foreign investment inflows significantly declined in 2020 coupled with uncertainty of external reserve and decrease in crude oil price.

The external reserve was under pressure as it was at US$42.8 billion in 2019 from US$44.5 billion in 2018. The conditions responsible for falling reserves that year was linked to high demand for dollar in the importation of goods and services, the continual intervention of the Central Bank of Nigeria (CBN) in the Forex Market and external debt servicing. In 2020, the outbreak of Covid-19 additionally intensified the descending trend in external reserves via the oil price transmission channel. Nevertheless, the anticipated trade deficit, drop in price of crude oil and bleak foreign investment inflows continued to pressurize the external reserves all through the year. In probing inflation, the rate of inflation continued to intensify as a result of the crisis. The border closure gave room for increased inflation rate which increased sharply from 11 percent in August 2019 to 12 percent in February 2020. From March 2020, inflation rate rose from 12.3 percent as a result of inflation in prices of food to 15 percent and then 14.7 percent in December 2019. In addition to the outbreak of the virus, inflation pressure continued to heighten due to exchange rate depreciation, disruption in the value chain and infrastructural deficit (NESG 2020).

The forecast by the NESG (2020) based on regional-wide Dynamic Computable General Equilibrium (NESG-Dyn CGE- Model) for Nigeria in 2020 projected 3 scenario which were as follows: The first scenario was referred to as the 'Best-Case Scenario'. The global oil price was assumed to average $35/ barrel and oil production at 1.3 million barrels per day (mbpd) in 2020. However, the outcome of the scenario was 4.1 percent decrease in real GDP, decline in investment by 39.4 percent, plunge in government revenue by 40 percent and inflation rate of 25 percent in 2020. The second scenario was referred to as 'Business as Usual'. It was projected that global oil price will average $20/ barrel while oil production of 1.3 mbpd was envisaged. Nevertheless, the outcome was decrease in GDP by 5.3 percent, expected decline in investment by 50 percent, average inflation at 17.5 percent and decrease in government revenue by 51 percent in 2020. The third scenario specified the 'Worst-Case Scenario', this was in expectation of oil production at 1.3 mbpd and global oil price averaged at $15 barrel in 2020. The outcome specified deeper recession whereby real GDP would decline by 7.3 percent. Furthermore, inflation rate would average 18.4 percent, decline in government revenue by 63 percent and significant decrease in investment level by 65 percent in 2020.

Furthermore, the endemic gave room for corporation between Nigeria and its neighbouring countries in terms of shared priorities like investment, trade and public health. Thes also helped to improve Nigerian participation in the global and regional value chain, increased the competitiveness of firms and accelerated economic diversification. In March 2020, Nigeria mandated the closure of the border to reduce the spread of the virus. This decreased trade and cross border travel drastically. However, trade between Nigeria and its neighbouring countries had been halted more than six months ahead. Correspondingly, the border closure was to avoid smuggling, small scale informal trade which is predominant in Nigeria. There was a huge loss in foreign exchange earnings due to decline in foreign remittance and international trade. The closure and restrictions of economic activities imposed these major challenges like wage reduction, change in employment and loss of jobs (WBG, 2020).

The great dependence of Nigeria on Chinese import worsened its vulnerability. About 70 percent of total imports from China to Nigeria in 2019 were mainly raw materials. The contribution of Asia and Europe to Nigeria's import was about 86 percent in the fourth quarter of 2019 (National Bureau of Statistics 2019). Therein, restrictions imposed on cross border trade as a result of the endemic disrupted supply chain for the manufacturing sector which reflected in the economy. Moreover, the exacerbating effect of the pandemic in the economy was inevitable. The economy is still recovering from the aftermath recession experienced in 2016. Consequently, the economy depended solely on crude oil market whose price crashed in the international market. The foreign exchange rate had declined from US$45.1 billion in 2019 to US$35.3 billion in March 2020. Also, the debt weight was seriously under pressure. These were the uncertainty and concern the unexpected incidence of Covid-19 instigated into the Nigerian economy through the global economic crisis (Boissay & Rungcharoenkitkul 2020). In order words, the main focus of policymakers and business owners around the world is shifting their attention to the post-pandemic world as the Covid-19 induced shutdown was eased.

4. Literature Review

Numerous studies have investigated the effect of Covid-19 pandemic on macroeconomic performance at country, continental and global levels. McKibbin and Fernando (2020) inculcated the study by McKibbin & Sidorenko (2006) to outline seven scenarios for the effect of the outbreak of the virus in coming years. The study revealed that the economic impact of the disease was uncertain therein, made it tough for formulation of macroeconomic policy responses. Maliszewska et al. (2020) investigated the potential impact of Covid-19 on trade and GDP. The research employed the standard global general equilibrium model for analysis. The study modelled shocks as an increase in international trade cost, redirection of demand from events that necessitated proximity among people, decrease in travel service and underutilization of labour and capital. The baseline scenario showed that GDP products decreased by 2 percent which was below the world benchmark while 1.8 percent and 2.5 percent were found for industrial and developing countries. Therein, the drop was 4 percent lesser than the world benchmark even though negative shocks were recorded in trade tourist services and domestic service output.

Gondwe (2020) examined the impact of Covid-19 on African economic development. The Generalised Methods of Moments (GMM) estimator was used in analysis for the periods between 2000 to 2018. The economies were envisaged based on commodity price and global GDP by World Bank, IMF and OECD as shocks on African countries due to the pandemic. In the mild impact scenario, fall in price of fuel by 30 percent, decline of about 1.25 percent in world GDP and its effects on trade and major exports. However, in the severe impact scenario, fuel price was expected to fall by 60 percent while a decrease in world GDP by 4 percent as a result of the endemic. The estimate from the model revealed that a fall by 10.6 percent in export in African countries occurred under a mild impact scenario, a consequence of fall in price of crude oil and food export. Also, a drop of 1.4 percent in GDP if Covid-19 led to recession. The recession will then incur a drop in total export by 16.7 percent with revenue loss of about 5.3 percent. The huge shocks on export of agricultural raw materials were therefore detrimental to African economy relying on the sector. The findings showed that decrease in African income by 1.4 percent was observed in SIDS and small LDC economies. Considering the extreme scenario, a significant drop in total export of -16.7 percent with substantial difference among countries and across countries in the region. It was indicated that some countries experienced loss in revenue like Ethiopia (-8.5 per cent); Eswatini (-9.3 per cent); Malawi (-10.6 per cent); Egypt (-10.6 per cent) and Nigeria (-11.4 per cent).

The Organisation for Economic Co-operation and Development (2020) investigated the world economy at risk in the Covid-19 crisis. NiGEM macro model was employed using two scenarios. In a bid to contain the virus, the first scenario predicted a reduction of 4 percent in domestic demand in China in first quarter and then 2 percent in second quarter of 2020. While modelling uncertainty in all countries, a rise in investment risk was projected in first half of 2020 which raised the cost of capital and reduced investment. Also result showed a reduction in world GDP by 0.5 percent, reduction in global trade by 0.9 percent and 1.4 percent in first half of 2020. However, decrease in import demand in China by 0.6 percent and GDP reduction by 0.2 percent. The second scenario which was the "domino scenario" was with a broader contagion. The focus was on Asia-Pacific economies, Japan and Korea where reduction in private consumption on a baseline of 2 percent in second and third quarters of 2020 was envisaged. The uncertainty model carried out in all countries indicated an increase in investment risk. A reduction by 20 percent in non-food commodity price and global equity in the first nine months of 2020. Thus, the result revealed a reduction in world trade by 3¾ percent and 1½ percent in 2020.

Fan et al. (2016) in their survey in case of the 1918 crisis found that the most vital cost of influenza pandemic was decrease in labour force and mortality. According to the authors, the ratio of capital to labour increased by a one-time reduction in the labour force, thereby incurring a decreased rate of return to capital. It slowed down GDP growth and the rate of capital accumulation for years. In investigating the effect of the pandemics on aggregate demand using 12 major epidemics in Europe dated back to the 14^{th} century, the long-run effects of the sample found that multiple decades of low-interest rate and decline in investment came into play after a pandemic. But unlike wars, pandemic does not lead to increase in excess capital per worker nor damage physical capital (Jorda et al. 2020). Aremo and Arambada (2021) investigated the joint and individual effect of trade and financial openness on economic growth in sub-Sahara African countries. The study employed the techniques of system Generalised Methods of Moments and differenced GMM from 1980 to 2017. The results revealed that trade openness exhibited a positive impact on economic growth while joint trade and financial openness revealed positive effect on growth in low-income countries. However, the impact of trade openness in middle-income countries is varied. Furthermore, financial openness and joint trade did not stimulate economic growth.

4,1 Necessary Changes Caused by the Pandemic

From the review so far, it is critically clear that the pandemic has affected trade activities drastically and the effects were unwelcomed worldwide. The virus had enhanced both specific and generic views about trade globally, such that each country affected by the pandemic considered ways of enhancing their trade activities. Also, there was collective reasoning as to what to do regarding the adverse effects on trade. So far, the pandemic had further spurred interest in digitalization with the renewal of trade facilitation as well as long-term technological and structural changes. These two factors helped in trade activities evenly at the occurrence of the endemic. Against all odds, globalisation seems not to be threatened but rather strengthened as countries of the world were found depending on one another in trade and other financial exchange during and after the outbreak of the virus.

5. Conclusion

This appraisal considered the effect of trade on economic growth and the role Covid-19 pandemic played in disrupting the economy. Trade could be considered as a wheel on which economic growth revolves and Covid-19 as a clog on the wheel, which of course slowed down the rotation but could hardly have stopped because the countries of the world were inter-dependent already. Although, the effect of the pandemic was uncertain to some extent, what was ascertainable so far was that it interrupted trade because economic activities under the spiral of locked-down did not thrive as supposed; as some production of non-essential commodities were suspended for that period. However, the gains were envisaged from the pandemic as it further made African nations see the need for the proposed AfCFTA which took off on 1^{st} January 2020. Moving forward is necessary and the inter-dependent nature of countries of the world reinforced the need for only a partial shutdown of trading activities. Also, digitalization of trade facilitation was considered as part of viable tools in moving trade forward in the phase of the pandemic. More so, trade-related technological investment and structural change were considered part of gestures that would help trade in the era of the pandemic and even in future if anything like a second phase occurred.

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