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How COVID-19 has affected Lagos traders

Findings from high frequency phone surveys



In brief

- Traders had virtually zero revenue during Lagos State's month-long lockdown.
- Since Lagos partially re-opened on 4 May 2020, most traders have returned to their markets. Sales have rebounded more than employment.
- Compliance with public health measures has been high. Traders closed their shops during the lockdown. Since the lockdown was eased, market regulations have been largely followed, and mask use and availability of handwashing stations in markets are high.
- Traders are experiencing major problems with low demand, difficulty restocking, lack of cash on hand, and transportation. Most are raising their prices to cope, but few are taking out loans.
- There is widespread interest in expanding use of electronic payment methods and e-commerce, and exploring new suppliers, products, and product delivery modes.
- Supply chain failures are likely to be an ongoing problem. Almost half of traders report that they have not yet restocked at all in 2020, and very few have succeeded in importing.

This is a joint project between the IGC and Lagos Trader Project as part of the IGC's ongoing work on the economic impacts of COVID-19

Data

Data comes from the Lagos Trader Survey (LTS), which is a panel survey of 1,179 wholesale and retail traders in Lagos, Nigeria who buy and sell consumer goods such as clothing, electronics, toiletries, and homewares. Traders were randomly sampled from a census of 53,000 shops in commercial areas of Lagos State, and have been followed since 2015. The data below come from two rounds of phone surveys with 765 traders, conducted between 18 April and 11 June 2020.

All traders in the sample operate from permanent physical premises. The typical trader is male (73%), 42 years old, and has been in business for 14 years. As of 2017, traders had 1.3 shops and 1.2 paid and unpaid workers on average. In February 2020, before the pandemic hit Nigeria, their average weekly revenue was just under NGN 400,000 (approximately USD 1,030). Two-thirds of them imported goods from outside Nigeria in 2019.

COVID-19 has a large impact on trading businesses

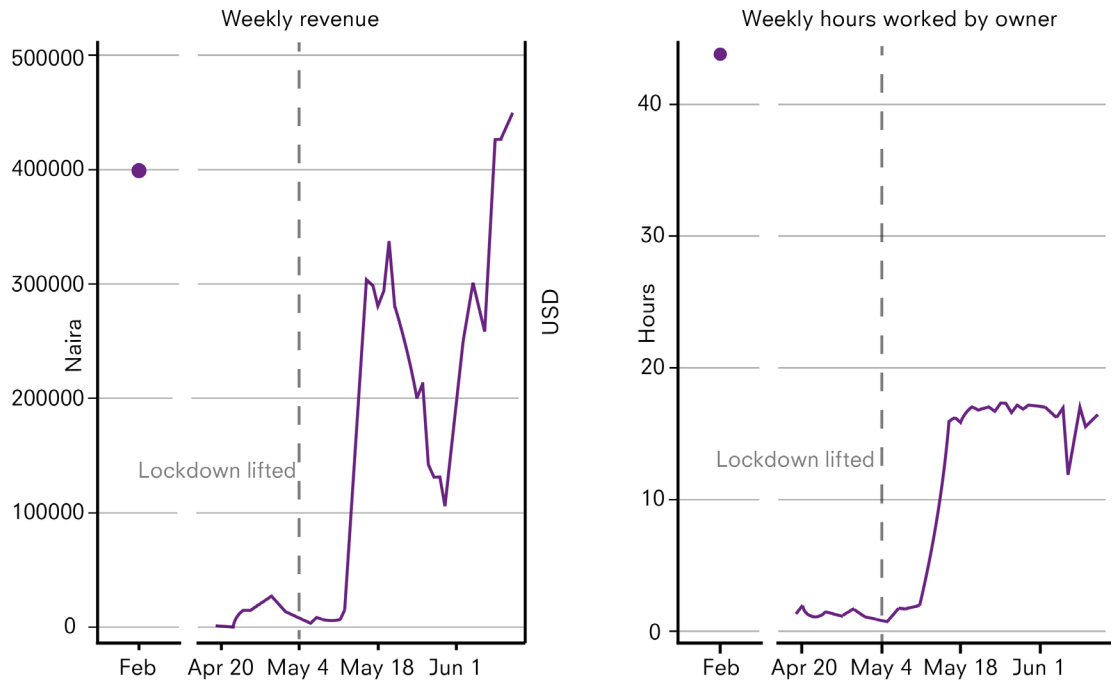
Traders' businesses were heavily impacted by the Lagos State lockdown, which lasted from 26 March to 4 May 2020. Almost all operated in markets that closed during the lockdown. Only 15% of traders considered their businesses to be in operation, and 91% reported zero revenue in the week prior to the survey.

However, traders' businesses appear to have survived the lockdown. Since 4 May, markets have been permitted to open three days per week, from 9 am to 3 pm. From that point forward, 85% of traders consider their businesses to be currently in operation, and almost all of the remaining traders expect to reopen in the future. A minority (21%) reported zero profits in at least one week in May or June, either because they have personally chosen not to return to their shops yet, or because business is very slow.

Sales have risen substantially since the partial re-opening. Average weekly revenue rose to NGN 290,000 (USD 750) in May, which is 72% of the February average (Figure 1). Hours spent working in the business by traders themselves rose to 38% of the February average, up to 17 hours per week (Figure 1).

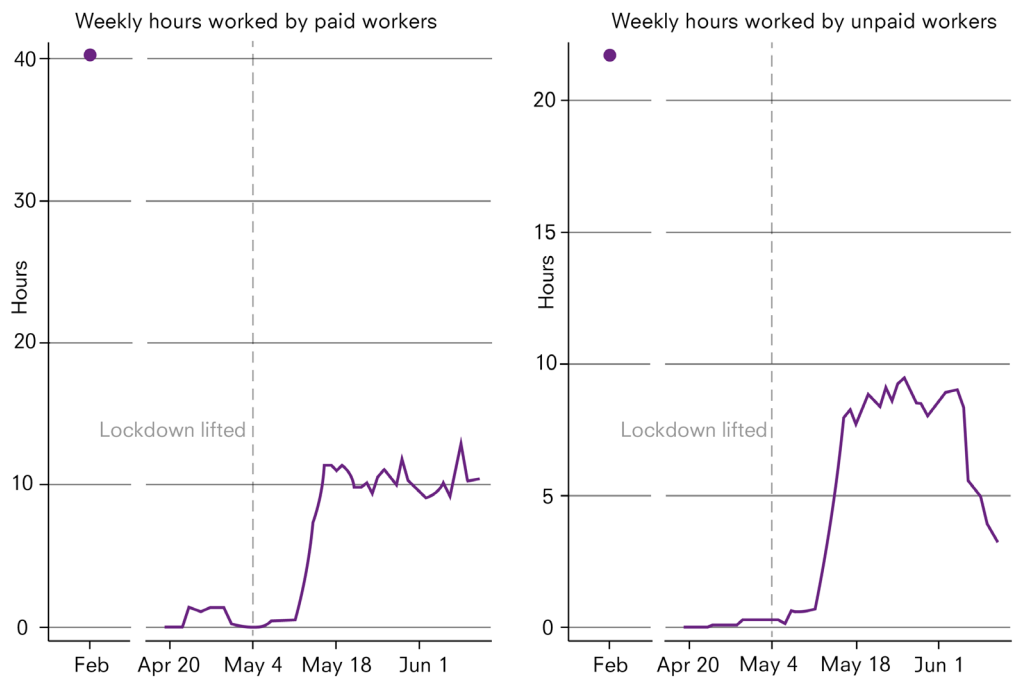
However, employment is still much lower than the pre-lockdown average. Average hours worked by all paid workers are still down by 74% compared to February, from 40 hours per week total across all paid workers in the business to 11 (Figure 2). Total hours by unpaid workers fell from an average of 22 hours in February, to only 9 hours even after the lockdown was lifted (Figure 2).

Figure 1: Weekly revenues and hours work by owners during and after lockdown



Note: Average value for a week in February reported as a single point using a 7 day moving average.

Figure 2: Weekly hours worked by paid and unpaid workers during and after lockdown



Note: Average value for a week in February reported as a single point using a 7 day moving average.

Compliance with public health measures is high

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Support for the lockdown was high (78% approving) in spite of traders reporting their household incomes had fallen by 94%, and a majority being “very worried” about accessing necessities for their families. Almost all reported that their markets were closed, and very few visited their shops.

Most traders have reopened their businesses since the lockdown was relaxed. However, shops are on average open only three days per week, consistent with the terms of the remaining lockdown restrictions. Over 96% of traders report their market opening at 9 am or later and closing at 3 pm or earlier as required.

Mask use is high in markets among both business owners and customers – traders on average estimate that 93% of people at markets are wearing masks. Hand hygiene options are also good, with over 94% of traders reporting that hand sanitiser and handwashing stations are available at the market. However, the majority of traders report that there is no temperature control at market entrances.

There is interest in new strategies to cope with low demand and supply challenges

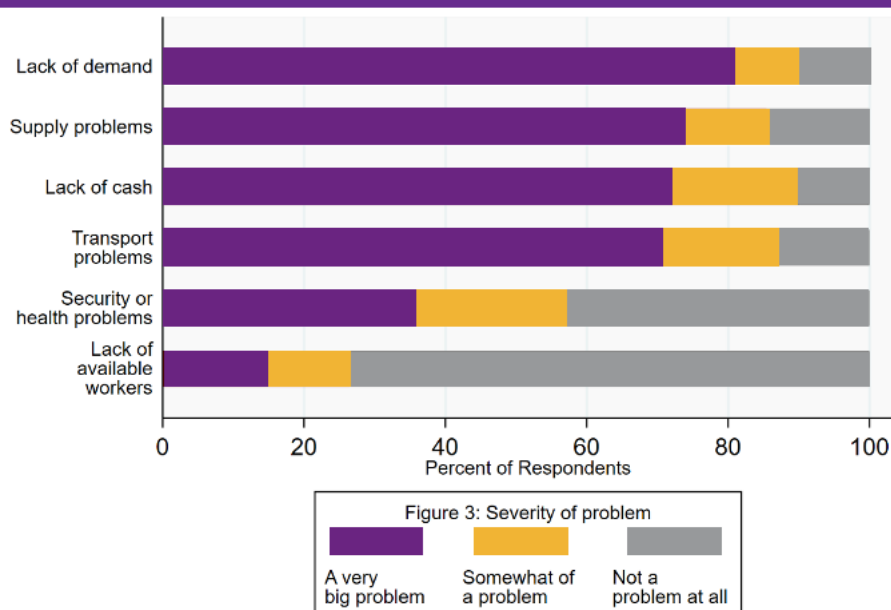
Traders are worried about upcoming business costs – including costs that are now due in arrears from the lockdown period – but most say they will be able to pay for these costs for the next month, and intend to use cash on hand rather than taking out loans or selling assets.

Traders also say they are affected by low demand and transportation problems (Figure 3), both within Lagos to reach their shops and in receiving goods purchased from their suppliers.

The majority have already increased or intend to increase their prices. Few intend to change their line of business for the time being.

There is widespread interest in e-commerce and new remote approaches to business. The majority are interested in increasing their use of electronic payment methods relative to cash, while 40% are interested in selling goods online and 24% are interested in sourcing goods online. Forty-two percent are finding new ways to deliver their goods to consumers.

Figure 3: Problems affecting business by severity



Supply chain failures are likely to be an ongoing problem

Challenges with restocking have been an ongoing issue, before, during, and after the Lagos lockdown. Most traders report that restocking became a problem well before the lockdown, in January or February 2020. Three-quarters say that supply challenges are a major problem (Figure 3).

As of May, traders on average have one month's worth of goods in stock. Only 64% have successfully purchased any goods for their business so far in 2020, while all did so in 2019. Most have at least attempted to source in 2020, with common problems cited including transportation difficulties and suppliers being out of stock. Traders are facing these challenges when attempting to source domestically, as well as internationally.

Traders report a bigger drop in importing than in purchasing overall, but domestic sourcing does not appear to be a good substitute for international sourcing. Only a few traders who did not buy domestically in 2019 have started doing so in 2020.

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Even for domestic sourcing, the number and total value of purchases have fallen by well over half compared to a comparable period in 2020. Importing has taken a very large hit – for instance, over half of interviewed traders sourced from China in 2019, while only about 12% did so in 2020 (Figure 4). This is likely due to a combination of factors including supply problems in China, transportation challenges, travel bans, and low demand. About a quarter of traders who sourced from China in 2019 traveled there in person to buy, while only 5% of those who bought in 2020 have done so.

To address these difficulties, traders plan to find new suppliers (29%) and add new products (43%), but fewer expect to change the countries they source from (8%), stop selling any current products (7%) or to fully change their line of business (12%).

Figure 4: Fraction of traders sourcing from country by year

