

Unity Bank Digest

March 1st, 2018



THE HIGHLIGHTS

Nigeria records a faster pace of growth in Q4'17 (1.92%)

As widely expected, the economy expanded in Q4'17 by 1.92% (year-on-year). This positive growth is 0.52% higher than the preceding quarter of 1.40% in Q3'17 and 3.56% higher than the corresponding period in 2016 of -1.73%. Full year 2017 growth is 0.83%, higher than 2016's growth of -1.58%. Nonetheless, this rate of growth in economic activities is still below the population growth rate of 2.5%. Most of the sectors grew, with transport, Agric, power, leading the pack. The oil sector expanded by 8.38% while the non-oil sector also grew by 1.45% y-o-y. We expect the growth trajectory recorded in the last three quarters of 2017 to be sustained in 2018. In Q1'18 the pace of growth is expected to flatten out before picking up in subsequent quarters.

Central Bank places restrictions on dividend pay-out

The CBN has announced a new addition to its 2014 dividend policy. This policy is aimed at restricting banks from paying out dividend from their reserves in order to ensure banking sector stability. Henceforth, the ability of banks to pay dividends would depend on their capital adequacy ratio (CAR), composite risk rating (CRR) and a portion of their non-performing loans (NPLs). This announcement has already weighed heavily on the banking sub index's performance on the stock exchange market. We expect the sector to remain fragile in the short term.

Federation Account Allocation Committee disbursement falls to N635bn

The Federal Account Allocation Committee (FAAC) shared the sum of N635.55bn among the three tiers of government from the Federation Account. This is N20bn (3%) lower than the amount shared in January (N655.17bn). The decline in FAAC was driven by the marginal decline in oil production by 0.55% from 1.83mbpd in December to 1.82mbpd in January. This led to a reduction in revenue from export sales by \$113.86mn. Other issues that impacted negatively on operations were the drop in oil production at various terminals.

Sub-Saharan Africa debt jumps 550% in a decade

The debt stock of Sub-Saharan African (SSA) countries, including Nigeria, has risen from \$30bn in 2007 to \$200bn in 2017, representing an increase of 550%. Governments across the SSA region are planning to increase their exposure in the international capital market as higher borrowing costs are anticipated in the coming years. Nigeria has raised \$5.5bn from Eurobonds in the last three months. The increasing external debt is largely driven by the need to reduce borrowing costs and the high debt service burden. However, this has rendered African countries vulnerable to exchange rate risks and external financing conditions in the long term.

House of Representatives propose re-introduction of Excess Crude Account

The House of Representatives have proposed a bill to legalize Nigeria's Excess Crude Account. The bill is aimed at capturing excess oil revenue in a new Excess Revenue Fund Account. It has passed its second plenary reading. If signed into law, the bill would prevent withdrawals without approval by the National Assembly. The ECA, set up in 2004, was abolished by the Senate in 2017 due to misappropriation of funds.

Nigeria set to announce new minimum wage in Q3

The Federal Government has announced its plans to adjust the minimum wage upward in September 2018. According to the Minister of Labour and Employment, the government is currently gathering relevant information from involved parastatals to enable it to fix an effective monthly wage. The minimum wage currently stands at N18,000/month. This is equivalent to \$50/\$, compared to \$90/month when it was set in 2011.

Nigeria hosts International Petroleum Summit

The maiden edition of the Nigeria International Petroleum Summit (NIPS) was held in Abuja from February 18th to 23rd. The Summit was aimed at creating a platform for oil and gas industry players to discuss the challenges and the way forward. Hosted by the Federal Government, the Summit had key industry exhibitors such as Chevron, Total and ExxonMobil. The event explored practical steps towards creating sustainability in the industry, as well as solutions for mitigating the industry risks.

Nigeria drops in corruption ranking

In the latest report by global anti-corruption agency, Transparency International, Nigeria ranked 148th out of 180 in its 2017 Corruption Perception Index (CPI). The ranking is 12

places below its 136th ranking in 2016 and comes behind African countries like Botswana, Rwanda, Kenya and Namibia. New Zealand remains 1st with Denmark 2nd and Finland, Norway and Switzerland at 3rd position.

Black Panther breaks box office records

The world premiere of Black Panther on February 15th broke several box office records in less than a week. The movie earned roughly \$201mn in its opening weekend, beating Star Wars: The Force Awakens, to become the second biggest four-day total premiere. The movie, directed by Ryan Coogler and featuring black actors like Lupita Nyong'o, Chadwick Boseman, and Michael Jordan, has been received well in most African countries, including Nigeria.

Nokia banana cellphone from “the matrix” is back

The fun phones are back! Nokia is set to bring back the Nokia 8110 aka the banana phone. The reloaded version features a modern operating system, 4G, facebook, and even an upgraded snake game. The phone will be available in May for just \$97.



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SOCIAL CORNER

BBC launches Igbo and Yoruba services in Nigeria

- The British Broadcasting Corporation (BBC) launched Igbo and Yoruba services, seven months after the kick off of a fully digitalized service in Pidgin.
- The head of BBC West Africa disclosed that the BBC is passionate about original journalism that adds value, which is what they want to achieve with these services. This online platform will deliver independent, objective and original news to meet the needs of its audience in Nigeria and West Africa.



Black Panther breaks box office records

- The world premiere of Black Panther on February 15th broke several box office records in less than a week. The movie earned roughly \$201mn in its opening weekend, beating Star Wars: The Force Awakens, to become the second biggest four-day total premiere.
- Black Panther has beat high earning movies such as Deadpool, and Fifty Shades of Grey, scoring high in the ranking of biggest non-sequel opening weekend premiere, biggest solo superhero launch, biggest four-day President's Day weekend and biggest pre-summer opening weekend¹.
- The movie, directed by Ryan Coogler and featuring black actors like Lupita Nyong'o, Chadwick Boseman, and Michael Jordan, has been received well in most African countries, including Nigeria. Cinemas across the country have been packed since the opening weekend, as people swarm to see the African Superhero movie, some dressed in traditional attires in celebration of culture.



¹ Source: [www.forbes.com https://www.forbes.com/sites/scottmendelson/2018/02/19/black-panther-all-the-box-office-records-it-broke-and-almost-broke-in-its-242m-debut/#44704fdb7195](https://www.forbes.com/sites/scottmendelson/2018/02/19/black-panther-all-the-box-office-records-it-broke-and-almost-broke-in-its-242m-debut/#44704fdb7195)

Snapchat complaints validate app redesign

- Snapchat CEO, Evan Spiegel, remains unmoved as the app redesign continues to draw criticism from users. He added that some users' complaints about the redesign "validate those changes."
- The app previously featured content from friends, publishers and celebrities on one page. Now, there's a new designated feed for public snaps, and a separate page for friends. This is aimed at simplifying Snapchat's historically confusing design.
- The tech company lost \$1.3bn in stock value after reality TV star, Kyle Jenner's tweet, which alluded to the fact that she does not use the social app anymore. Each of Jenner's posts on Snapchat is viewed approximately 9 million times.



KFC shuts hundreds of UK outlets amidst chicken crisis

- Kentucky Fried Chicken (KFC) has closed over 600 of its UK outlets due to a shortage of chicken. The glitch came up just months after KFC switched its distribution company from Bidvest Logistics to DHL in a deal struck last year.
- DHL said that due to administrative issues a number of deliveries were incomplete or delayed. It also added that they are working to rectify the situation as a priority.
- KFC entered the Nigerian market in 2011. The food chain has since closed several outlets due to weaker-than-expected demand and high operating costs.



Nokia banana cellphone from "the matrix" is back

- The fun phones are back! Nokia is set to bring back the Nokia 8110 aka banana phone.
- The banana phone featured in the movie "the matrix". The sleek, curvy and brightly coloured phone was first released in 1996 with limited functions, but this time a reloaded version features a modern operating system, 4G, facebook, and even an upgraded snake game. The phone will be available in May for just \$97.
- After launching the redesigned 3310 in 2017, HMD Global introduced an array of new mobile devices including the new 8110, Nokia 1, Nokia 6, Nokia 7 plus. The phone maker



also unveiled the Nokia 8 Sirocco, its premium offering that costs \$921, almost as expensive as the iPhone X (\$999)

- Gone are the days when one in two Nigerians owned a Nokia Phone. The phone was left behind in smart phone revolution of 2009-10, and is now trying to play catchup. Today, the most common phones in the Nigerian market are Samsung and Techno.

Salvatore Ferragamo CEO resigns

- The CEO of Salvatore Ferragamo, Eraldo Poletto, has announced his plan to resign from the Italian fashion house. He served as the CEO of the group for only a year and a half, compared to his predecessor Michele Norsa, who stayed in that office for a decade.
- Although official statements did not give a reason for Poletto's departure, analysts believe the poor performance of the luxury company in 2017, had a role to play. In the last 12 months, listed shares on the Milan Stock Exchange have lost 14.5% value.
- Prior to joining SF, Poletto filled top positions at Furla, an Italian luxury company which specializes in leather goods, and Brooks Brothers, US men's clothing line. He is set to leave on March 8th, and no replacement has been named yet.



Apple in talks to buy cobalt directly from miners

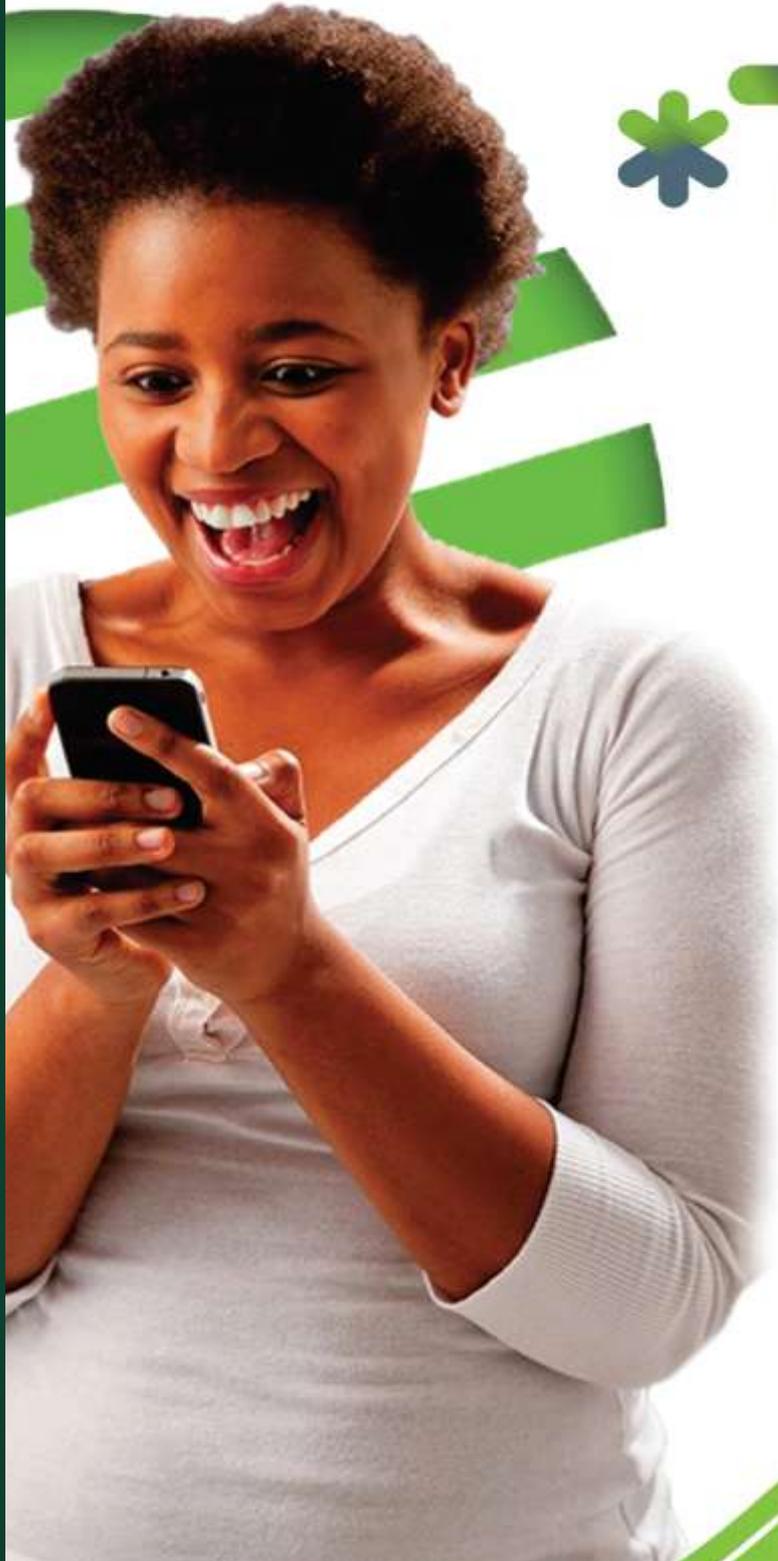
- Apple is in talks to buy long-term supplies of cobalt directly from miners. Cobalt is a key input in the iPhone battery pack. Apple Inc., which is one of the world's largest end users of cobalt, is seeking contracts to buy several thousand metric tonnes that would last for five years or longer.
- This development emphasizes concerns that cobalt prices have increased of late due to an expected growth in demand for electric vehicles powered by lithium-ion batteries.
- Apple isn't the only company keen to strike a deal with miners. Carmakers BMW AG, Volkswagen AG and Samsung SDI Co have also made similar efforts to sign multi-year cobalt contracts. No major deal has been announced yet.



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TOP STORIES

Nigeria records GDP growth of 1.92% in Q4'17, FY'17: 0.83%

- According to the National Bureau of Statistics, the economy expanded by 1.92% in the fourth quarter of 2017 (year-on-year). This growth rate, which is in line with analyst expectations, is 0.52% higher than the preceding quarter of 1.40% in Q3'17 and 3.56% higher than the corresponding period in 2016 of -1.73%.
- Full year 2017 growth is 0.83%, higher than 2016's growth of -1.58%, but still below the population growth rate of 2.5%.
- The drivers of growth were transport (16.57%), Agric (4.23%), Electricity (16.03%) and Construction (4.14%). The sectors that recorded the slowest pace of growth were Insurance (-15.71%), Post & Courier (-11.91%), Real Estate (-5.92%), Telecom (-3.28%) and Cement (-1.92%).
- Crude Petroleum and Natural Gas grew by 8.38%, lower than 25.89% recorded in the prior quarter, as the average oil production in Q4'17 was 1.91mbpd, 0.12mb lower than the daily average production in Q3'17.
- The non-oil sector also grew by 1.45%, 1.78% and 2.21% higher than the growth rates recorded in Q3'16 and Q4'17 respectively.

Analysis & Outlook

This growth level is below Nigeria's potential of 4.7% (2012-2015 average). It is also barely enough to reduce widespread poverty.

The recorded growth in 2017 was largely driven by increased output in Agriculture, power, and oil and gas. We expect the growth trajectory recorded in the last three quarters of 2017 to be sustained in 2018. In Q1'18 the pace of growth is expected to flatten out before picking up in subsequent quarters.

Central Bank places restrictions on dividend pay-out

- The CBN has stopped the payment of dividends by deposit money banks (DMBs) and discount houses with huge non-performing loans and a low capital base. The new

guidelines restrict banks, based on their capital adequacy ratio (CAR), composite risk rating (CRR) and a portion of their non-performing loans (NPLs).

- Banks with a relatively high CRR and an NPL greater than 10% are not allowed to pay dividends while banks that meet the minimum CAR, have relatively low/moderate CRR and NPLs less than 5% have no restrictions on their dividend payout.
- Investors in banks operating under a holding structure are not affected by the directive and can still expect their dividend payments.

Analysis & Outlook

The CBN is showing notable commitment to addressing the trend of banks paying dividends from reserves, irrespective of their risk ratings and NPLs. Banks listed on the Nigerian Stock Exchange (NSE) have already recorded significant losses following the new directive, as most banks had a drop in share prices on February 20th.

This will further erode banks' economic profit, preventing banks from taking on more risk assets without raising additional capital. It is important for investors to be cautious as reports for Q4'17 are expected in the coming weeks and the profitability of banks is uncertain.

World Bank approves \$486mn for power transmission in Nigeria

- The World Bank has approved \$486mn in credit financing towards rehabilitating Nigeria's electricity transmission lines. The investment falls under the Nigeria Electricity Transmission Project and is aimed at improving power transfer capacity, increasing consumer supply and supporting private sector participation.
- It is also a part of the Federal Government's Power Sector Recovery Program (PSRP) and will address bottlenecks in the power network in a bid to provide reliable and affordable electricity service.

Analysis & Outlook

Provided the funds are disbursed effectively, it should help solve the structural problems faced in the industry and curb the frequent shutdowns of power plants, and the high losses incurred at the distribution stage. We expect improved power output in the long term.

Nigeria offers \$2.5bn Eurobond

- The Federal Government has announced the issuance of \$2.5bn Eurobond under its Global Medium Term Program. The bond consists of a \$1.25bn, 12-year series at 7.14% and a \$1.25bn, 20-year series at 7.70%.
- Nigeria's fifth Eurobond issue since its first in 2011 already has investors indicating interest worth more than \$11.5bn.

- The government will use the proceeds to supplement those from its 2017 Eurobond issue as it refinances its domestic debt.

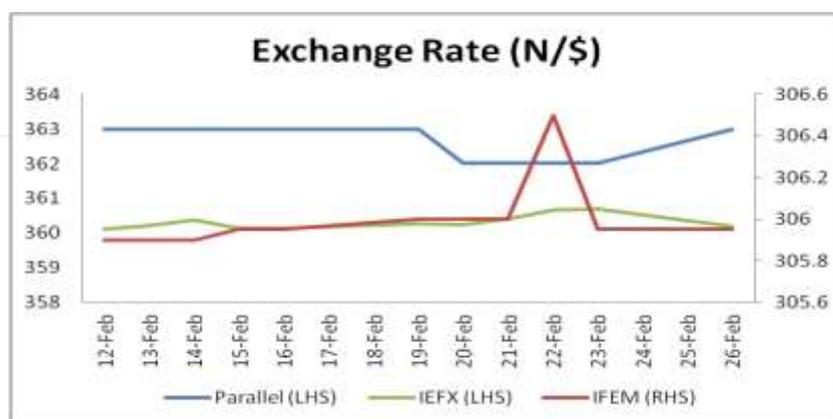
Analysis & Outlook

Nigeria issued about \$4bn Eurobonds in 2017, \$1bn in February at 7.9% and \$3bn in November. Both issuances were oversubscribed, reflective of strong investor confidence in the Nigerian market. While external borrowing provides the advantage of longer tenors and lower exchange rate, there are exchange rate risks. Additionally, according to the EIU, Nigeria's debt-export ratio is expected to rise to 62.4% in 2018, from 61% in 2017

BUSINESS UPDATE (Review Period: 12th – February 26th 2018)

The Forex Market

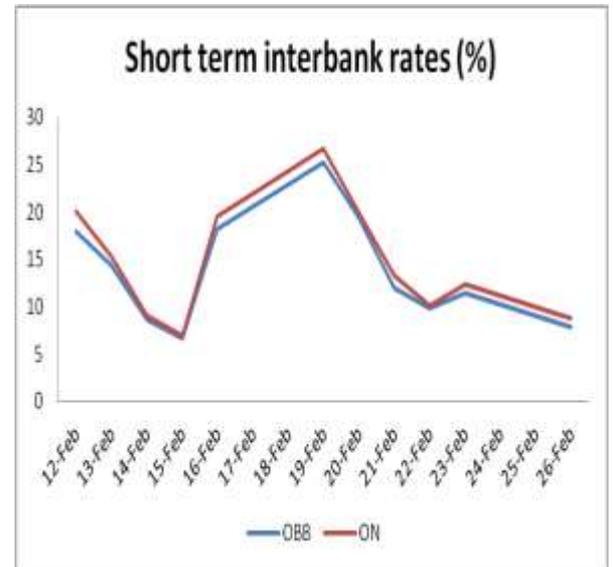
- At the parallel market, the naira appreciated to N362/\$ against the U.S dollar before retreating to close at N363/\$. Pound sterling and euro traded flat to close at N505/£ and N442/€ respectively.
- At the interbank foreign exchange market, the naira depreciated marginally by 0.02% against the dollar to close at N305.95/\$ from N305.90/\$ on February 12th. The exchange rate continues to trade within a tight band of N305/\$- N306/\$.
- The naira appreciated by 0.03% to close at N360.19/\$ at the IEFX window from N360.10/\$ on February 12th. Total forex traded at the IEFX window was \$1.80bn, compared to \$2.30bn in the prior period.
- The level of Nigeria's gross external reserves increased by 1.01% to \$41.82bn on February 21st from \$41.40bn on February 12th.
- The import cover increased to 11.62 months from 11.41months on February 12th.



SOURCE: FDC Think Tank, CBN, FMDQ

The Money Market

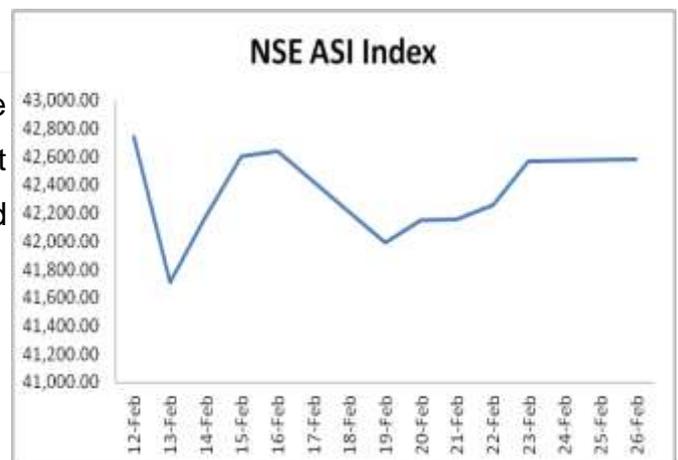
- Short term interbank interest rates (OBB and ON) decreased by 5600bps and 5585bps respectively upon receipt of FAAC funds:
 - OBB: 7.92% pa
 - O/N: 8.83% pa
- OBB and O/N rates reached a high of 25.17% and 26.67% respectively on February 19th.
 - This was driven by wholesale forex intervention funding by banks.
- On February 21st, there was a bond auction- N27.2bn 5-Yr tenor and N50bn 10yr bonds at 14.50% and 13.98% respectively. Bond yields increased from the last auction in January.
- In the secondary market, rates for T/bills decreased across all tenors during the review period.
 - 91 day lost 0.55% to close at 13.98% from 14.53% on February 12th.
 - 182 day declined by 0.21% to close at 14.27% from 14.48% on February 12th.
 - 364 day slid 0.43% to close at 13.43% from 13.86% on February 12th



SOURCE: FMDQ, CBN

The Stock Market

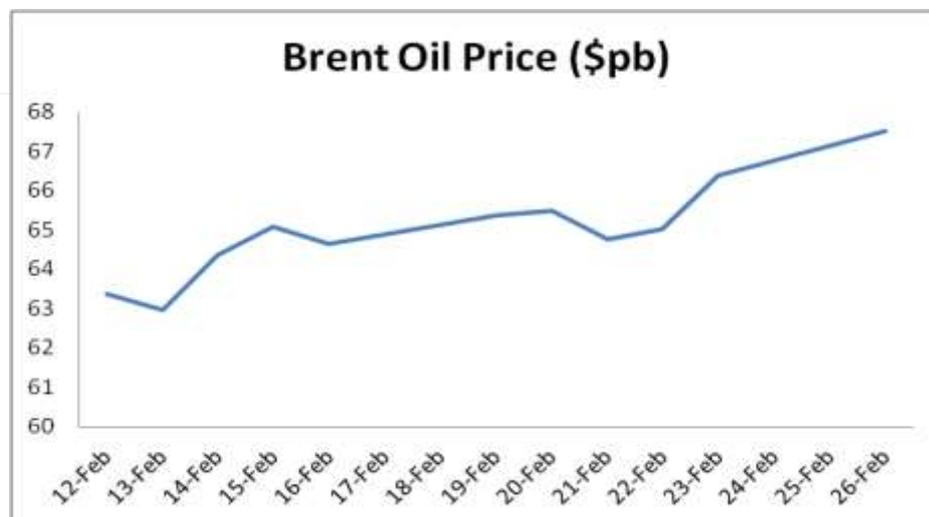
- The Nigerian Stock Exchange All Share Index (NSE ASI) lost 0.37% to close at 42,579.48pts on February 26th, compared to 42,737.89pts on February 12th.
- Total market capitalization closed 0.39% lower at N15.28trn on February 26th from N15.34trn on February 12th.



SOURCE: NSE

The Commodities Market

- Brent crude prices advanced 7.27% to \$67.50pb on February 26th, from \$62.59pb on February 12th.
 - Due to deeper production cuts by Saudi Arabia.
- Natural gas increased by 3.41% to close at \$2.639/mmbtu from \$2.552/mmbtu in the review period.
 - Driven by increasing Chinese demand.
- Corn prices rose 2.73% to close at \$3.77/bushel from \$3.67/bushel.
 - Resulting from increased demand by speculators.
- Wheat prices declined by 0.63% to \$4.73/bushel from \$4.76/bushel.
 - Driven by a fall in global demand.
- Sugar prices slid 1.32% to \$0.1343/pound from \$0.1361/pound.
 - Due to ample global supply.
- Cocoa prices advanced by 10.36% to \$2,215/mt from \$2,007/mt in the review period.
 - Amidst Ghana's plan to end subsidies to its cocoa farmers.



SOURCE: Bloomberg, EIA, Newsnow

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SCAN TO OPEN



LIFESTYLE

8 Tips for Growing a Successful Business-Culled from Investopedia²

To succeed in business today, you need to be flexible and have good planning and organizational skills. Many people start a business thinking that they'll turn on their computers or open their doors and start making money, only to find that making money in a business is much more difficult than they thought. You can avoid this in your business ventures by taking your time and planning out all the necessary steps you need to achieve success.

1. Get Organized

To be successful in business you need to be organized. Organization will help you complete tasks and stay on top of things to be done. A good way to do this is to create a to-do list each day. As you complete each item, check it off your list. This will ensure that you're not forgetting anything and you're completing all the tasks that are essential to the survival of your business.



2. Keep Detailed Records

All successful businesses keep detailed records. By keeping detailed records, you'll know where the business stands financially and what potential challenges you could be facing. Just knowing this gives you time to create strategies to overcome those challenges.

3. Analyze Your Competition

Competition breeds the best results. To be successful, you can't be afraid to study and learn from your competitors. After all, they may be doing something right that you can implement in your business to make more money.

4. Understand the Risks and Rewards

The key to being successful is taking calculated risks to help your business grow. A good question to ask is "What's the downside?" If you can answer this question, then you know the worst-case scenario. This knowledge will allow you to take the kind of calculated risks that can generate tremendous rewards.

² 9 Tips For Growing A Successful Business <https://www.investopedia.com/articles/pf/08/make-money-in-business.asp#ixzz58DenzAXu>

5. Be Creative

Always look for ways to improve your business and to make it stand out from the competition. Recognize that you don't know everything and be open to new ideas and new approaches to your business.

6. Stay Focused

The old saying, "Rome was not built in a day," applies here. Just because you open a business doesn't mean you're going to immediately start making money. It takes time to let people know who you are, so stay focused on achieving your short-term goals.

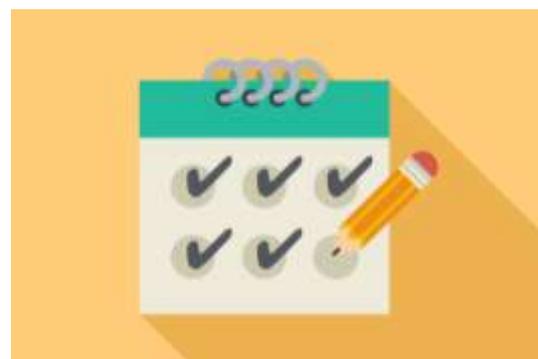
The lead-up to starting a business is hard work, but after you open your doors, your work has just begun. In many cases, you have to put in more time than you would if you were working for someone else, which may mean spending less time with family and friends to be successful.

7. Provide Great Service

There are many successful businesses that forget that providing great customer service is important. If you provide better service for your customers, they'll be more inclined to come to you the next time they need something instead of going to your competition.

8. Be Consistent

Consistency is a key component to making money in business. You have to consistently keep doing what is necessary to be successful day in and day out. This will create long-term positive habits that will help you make money in the long run.



Whatever type of business you want to start, using these tips can help you be successful in your venture.

CONTACT INFORMATION

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