

Unity Bank Digest

July 26th, 2018



THE HIGHLIGHTS

Monetary Policy Committee maintains status quo

The Monetary Policy Committee (MPC), at its third meeting in 2018, maintained status quo on Monetary Policy parameters. This means that the MPR remains at 14% p.a., Cash Reserve Ratio at 22.5%, Liquidity Ratio at 30% and Asymmetric window at +200/-500 bps. This is the 11th consecutive session that MPC has voted to maintain status quo since July 2016. Key considerations for the Committee include rising inflationary pressures due to the farmers/herdsmen crisis in the middle belt which is having a negative impact on food supply, liquidity concerns due to pre-election spending, 2018 budget implementation and monthly FAAC allocations. The Committee also stressed on the need for Nigeria to build buffers while Brent oil prices remain stable at above \$70pb. Nonetheless, positive sentiment was expressed as the availability of renminbi following the commencement of the Yuan auction sales is expected to ease forex pressures. Whilst the decision to maintain status quo was expected, the risks of doing nothing again include a decline in private sector lending and an increase in unemployment and underemployment rate (now at 40%).

Headline inflation declines to 11.23% in June

Headline inflation in June declined to 11.23% (year-on-year) compared to 11.61% in May. This represents the 17th consecutive month of decline and brings the CBN closer to its target range of 6%-9%. However, month-on-month inflation, a better reflection of current prices, increased to 1.23% (annualized at 15.94%) from 1.09% (13.93% annualized). The persistent increase in month-on-month inflation is due to an increase in food prices as a result of the farmer-herdsmen conflict and higher logistics costs. As the rate of decline slows down (0.38% in June compared to 0.87% in May), we expect the inflation rate to reach an inflection point and creep upwards in the coming months.

Federal Government of Nigeria unveils the new national carrier, Nigeria Air

At the Farnborough Air Show in London, Nigeria's Minister of State for Aviation, Hadi Sirika, unveiled the name, logo and slogan for the national carrier. Nigeria Air, "Bringing Nigeria closer to the world", will begin operations by December 2018. At its launch, the airline will operate across 81 routes - 40 domestic, regional and sub-regional routes, and 41 international routes. The new carrier comes 15 years after the demise of Nigeria's previous national carrier, Nigerian Airways. There is, however, concern about the sustainability of the national carrier due to a saturation of airlines that operate across similar routes.

International Monetary Fund's review and outlook of Nigeria

The International Monetary Fund (IMF), in its latest review of Nigeria, raised some concerns about Nigeria's revenue shortfalls and low private sector lending. According to the Fund, the Nigerian economy has made remarkable progress since the 2015/2016 recession due to higher oil prices and short-term portfolio inflows. Government reforms (Company and Allied Matters Act, Power Sector Recovery Plan) aimed at improving Nigeria's business environment were also acknowledged by the Fund. However, the IMF raised some concerns about Nigeria's high borrowing rates (ranging between 20%-21% per annum) which has kept private sector lending at a low level and contributed to the sub-optimal performance of Nigeria's non-oil sectors. Against this backdrop, the Fund projects a reversal of the downward trajectory in headline inflation in H2'18 (driven by higher spending and supply constraints in the agriculture sector) and a slow GDP growth rate (due to lower oil production). Meanwhile, the IMF also revised its forecast for the growth rate of Nigeria's gross domestic product (GDP) in 2019 from 1.9% to 2.3%, driven by an improved outlook on global oil prices.

Central Bank of Nigeria commences yuan auction

The Central Bank of Nigeria (CBN) commenced its first yuan auction on July 20th. The auction comes approximately two months after Nigeria and China signed a three-year currency swap agreement worth \$2.5bn. While details of the auction remain unspecified, allocations will be targeted at business owners importing raw materials and machinery. The commencement of the auction sales reduces the demand of dollars in the forex market and could likely stabilise the naira in the near term.



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SOCIAL CORNER

Burberry incinerates products to guard against counterfeiting

- The upmarket British fashion label, Burberry, destroyed more than £28 million (US\$36 million) worth of its unsold fashion and cosmetic products last year to curb the production of fakes and duplicates.
- Burberry is not the only elite fashion firm that has to contend with the surplus of luxury stock.



The group maintained that the move was solely geared towards the prevention of counterfeits being sold.

- Since 2013, Burberry has burnt over £90m of its stock. Each year the amount incinerated has increased drastically, nearly quintupling between 2013 and 2017.

Samsung phones gone rogue as they send pictures to random contacts



- Samsung phones appear to be affected by a bug that causes the default messaging app to send random pictures to contacts without consent.
- Users complained, via Reddit and the Samsung support forum, that the app doesn't notify them when the photos have been sent, so they are completely unaware until notified by the receiver.
- The issue is still under investigation. In the meantime, Samsung encourages its users to switch to other text messaging apps, such as Google's android Messages.

FIFA World Cup 2018 comes to an end

- The 21st FIFA World Cup held in Russia from June 14th came to an end on July 15th with a full-time match between contenders Croatia and France.



- France's national team, Les Bleus, won with a score of 4 – 2. The highlights included an own goal by Croatia's forward, Mario Mandžukić, and a penalty by France's forward, Antoine Griezmann.
- The conclusion of the international tournament consisted of the distribution of various awards. Croatia's captain, Luka Modrić, was recognized with the Adidas Golden Ball award, with the Silver to Belgium's midfielder, Eden Hazard, and Bronze to France's Antoine Griezmann.
- Other awards included the Golden Glove to Belgium's goalkeeper, Thibault Courtois, and the Golden Boot to England's forward, Harry Kane, who scored six goals in the World Cup. The Silver Boot was given to Antoine Griezmann (France) with four goals and two assists. The Belgium forward, Romelu Lukaku, won the Bronze with four goals.

Wimbledon 2018 ends with champions Djokovic and Kerber



- The Championships, Wimbledon 2018 concluded with the Women's Singles taking place on July 14th and the Men's Singles on the 15th.
- The Women's Singles final between Germany's Angelique Kerber and USA's Serena Williams ended with Kerber taking home the plate after winning both sets, each by a margin of three games.

- The Men's Singles final was won by Serbia's Novak Djokovic against South Africa's Kevin Anderson, making this Djokovic's fourth Wimbledon championship title. Djokovic beat out Spain's Rafael Nadal in the Wimbledon semi-final in a match that lasted for five hours and 16 minutes.
- To conclude the Grand Slam tournaments for this year, the US Open is scheduled for August 27th, with the US Open Fan Week and Qualifying Tournament beginning on August 21st.

Ngozi Okonjo-Iweala appointed to Twitter's Board of Directors

- Trump's favourite medium of communication is going for diversity. Twitter's stock has jumped 77.93% this year.
- The social media giant, announced its appointment of Nigeria's ex-finance minister to its Board of Directors on July 20th, 2018.
- The Executive Chairman of Twitter said in a statement that this was part of Twitter's efforts to improve transparency in its global operations.
- Okonjo-Iweala later tweeted, in response to the appointment, expressing her gratitude to the company and her willingness to use the platform as an agent of change for the betterment of the global society.
- Ngozi is also on the board of Standard Chartered Bank International.



TOP STORIES

International Monetary Fund's review and outlook of Nigeria

- The IMF, in its latest review of Nigeria, acknowledged the remarkable progress in the Nigerian economy. A few notable positive developments in the economy include the decline in headline inflation rate (easing to 11.61% in May), an improvement in the business environment and stable external reserves (approx. \$47bn).
- However, the Fund raised some concerns about the sub-optimal performance of Nigeria's non-oil sectors as well as the low level of private sector lending due to high borrowing rates (ranging between 20%-21% pa).
- The IMF also revised its 2019 growth projection for Nigeria to 2.3% from an earlier forecast of 1.9%, driven by an improved outlook on global oil prices.
- The Fund also projected a reverse of the downward trajectory of headline inflation rate in H2'18, driven by higher spending and supply constraints in the agriculture sector.

Analysis & Outlook

The IMF raised concerns about the shortfall in Nigeria's revenue due to net losses from its retail fuel sales and sub-optimal performance of its non-oil sectors. However, we expect yields from tax administration measures, like the Voluntary Assets and Income Declaration Scheme (VAIDS), to boost revenue and fill the gaps created by these losses. However, the Fund's concerns about Nigeria's inflation rate creeping up are in line with the projections of many analysts. The incessant farmers and herdsman crisis in food producing states threatens food output and consumer prices.

Headline inflation declines to 11.23% in June

- Headline inflation declined to 11.23% in June compared to 11.61% in May, representing the 17th consecutive month. However, the rate of decline slowed from 0.87% in May to 0.38% in June.
- Month-on-Month inflation maintained its upward trend, inching up further to 1.23% (15.94% annualized) from 1.09% (13.93% annualized). This was primarily driven by the increase in certain food prices as a result of the farmers/herdsmen conflict and increased diesel prices.
- All other sub-indices declined in June: food inflation dipped from 13.45% to 12.98%, core inflation (inflation less seasonalities) declined from 10.7% to 10.4%. Urban and rural inflation also moved in the same direction. Urban eased by 40bps to 11.68% (from 12.08%) while rural inflation declined by 19bps to 10.83% (from 11.02%).

Analysis & Outlook

The slowdown in the rate of decline in headline inflation points towards the likelihood that inflation is slowly approaching an inflection point and would increase in the coming months. The IMF has also projected that Nigeria's inflation rate would reverse its downward trend in H2'18, driven by higher spending and supply constraints in the agriculture sector. Increased spending from the implementation of the Federal Government's recently approved 2018 budget in addition to campaign spending in the run-up to the 2019 general elections will also trigger some inflationary and exchange rate pressure.

Monetary Policy Committee (MPC) maintains status quo

- The MPC, in its third meeting of 2018, voted to maintain status quo on all monetary parameters – Monetary Policy Rate (MPR) at 14% p.a., Cash Reserve Ratio at 22.5%, Liquidity ratio at 30% and Asymmetric corridor at +200/-500 bps. This is the 11th consecutive session that the Committee has voted to leave parameters unchanged since July 2016.
- Key considerations for the Committee include the 4 consecutive quarters of positive growth recorded since Q2'17, the steady decline in headline inflation (now

at 11.23%) and stability in the forex market (Naira stable within the N360-363/\$ band).

- However, the Committee raised some concerns about rising inflationary pressures (on the back of the farmers/herdsmen conflict) and increased naira liquidity (due to implementation of the 2018 budget, pre-election spending and monthly FAAC allocations).
- MPC also stressed the need for Nigeria to build its buffers now during the period of stable Brent oil prices (now above \$70pb).

Analysis & Outlook

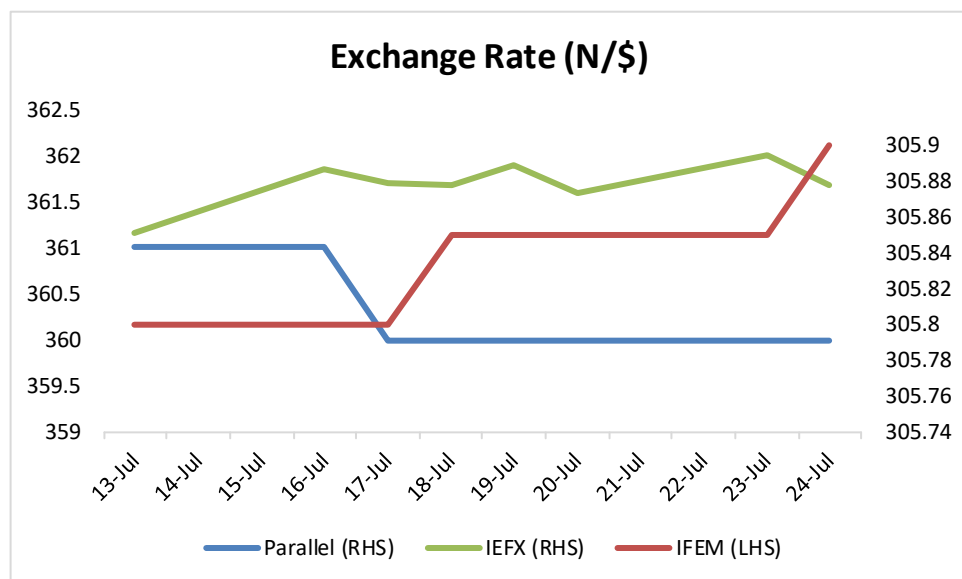
The MPC made a strong case of mounting inflationary and exchange rate pressure on the back of the farmers/herdsmen conflict and increased naira liquidity following the implementation of the 2018 budget, pre-election spending and monthly FAAC allocations. However, the decision to do nothing again could have an adverse effect on private sector lending (credit to private sector declined by 0.18% to N22.21trn in May) and unemployment and underemployment rate (now at 40%).

BUSINESS UPDATE (Review Period: 13th – 24th July 2018)

The Forex Market

At the parallel market, the naira started the period at N361.00/\$, appreciated marginally by 0.28% to close at N360/\$ on July 24th. This can be attributed partly to the CBN's intervention of approximately \$568mn in the period. The naira also appreciated against the pound and euro to close at N478/£ and N418/€ on July 24th from N482/£ and N420/€ on July 13th.

At the interbank foreign exchange market, the naira started the period at N305.80/\$, and depreciated by 0.03% to close at N305.90/\$ on July 24th. The naira depreciated by 0.14% to close at N361.68/\$ at the IEFX window from N361.16/\$ on July 13th. Total forex traded at the IEFX window was \$1.25bn, compared to \$1.59bn in the corresponding period in June. The level of Nigeria's gross external reserves decreased by 0.61% (\$290mn) to \$47.33bn on July 24th from \$47.62bn on June 28th. This was partly due to the increase in forex intervention. The import cover also decreased to 11.59 months from 11.66 months on July 13th.

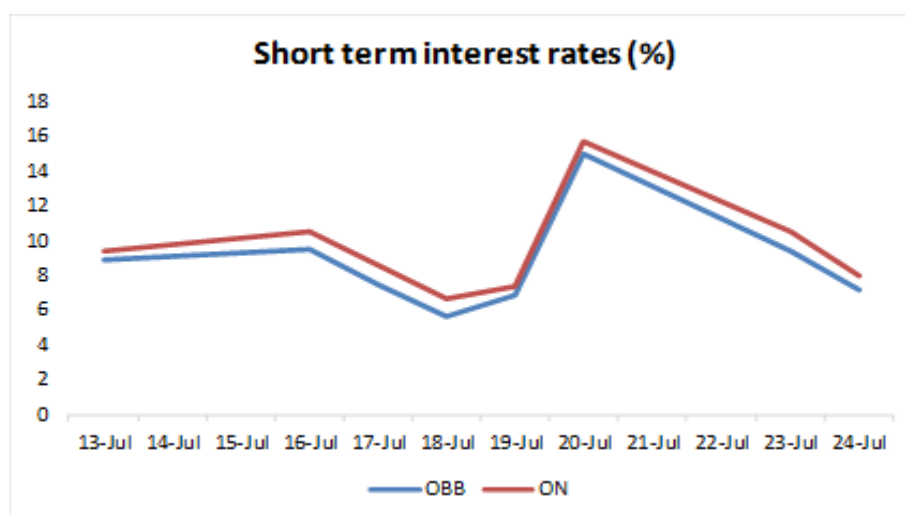


SOURCE: FDC Think Tank, CBN, FMDQ

The Money Market

Short term interest rates (OBB and ON) increased by 175bps and 142bps respectively to close at 7.17% and 8.00% pa. Total OMO sales during the period was N496.26bn compared to maturities of N523.74bn. This resulted in a net inflow of N27.48bn. Average opening position of banks during the period was N323.47bn compared to N327.23bn in the corresponding period in June. At the last primary market auction on July 18th, all T/Bills tenors remained flat except the 364-day tenor which declined by 1bp. At the secondary market, 91-day, 182-day and 364-day T/Bills tenor decreased by an average of 60bps.

Tenor	Secondary market rates as at July 13 th 2018 (%)	Secondary market rates as at July 24 th 2018 (%)	% change	Primary market rates as at July 13 th 2018 (%)	Primary market rates as at July 23 rd 2018 (%)	% change
91-day	11.37	10.67	-0.70	10.00	10.00	-
182-day	11.85	11.42	-0.43	10.50	10.50	-
364-day	12.29	11.63	-0.66	11.50	11.49	-0.01

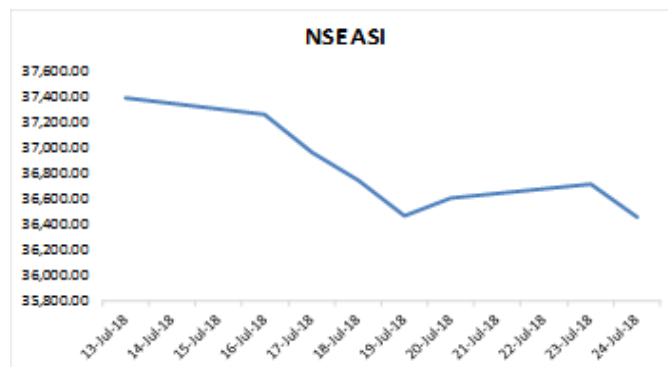


SOURCE: FMDQ, CBN

The Stock Market

The Nigerian Stock Exchange All Share Index (NSE ASI) lost 2.51% to close at 36,455.24pts on July 24th from 37,392.77pts on July 13th.

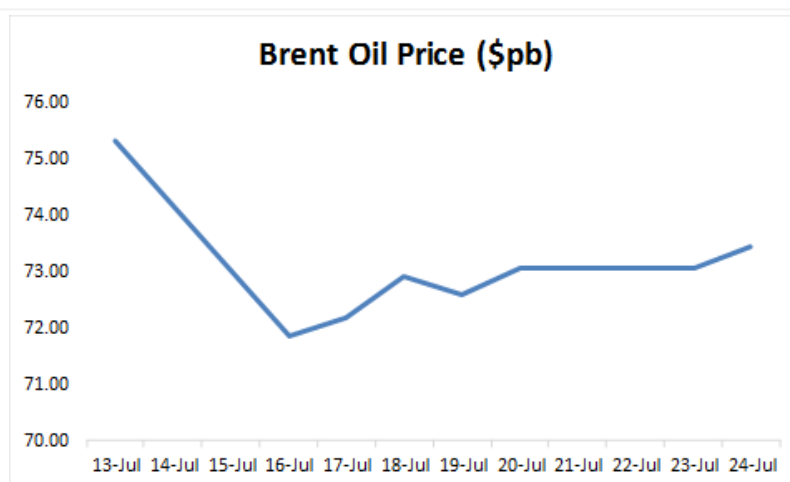
Total market capitalization declined by 2.51% to N13.21trn on July 24th from N13.55trn on July 13th. During the period, the market recorded 3 positive days and 5 negative days.



SOURCE: NSE

The Commodities Market

- Brent oil prices declined by 2.51% during the review period to close at \$73.44pb from \$75.33pb on July 13th
 - Amid rising tensions between the US and Iran.
- Natural gas dipped 0.73% to close at \$2.73/mmbtu from \$2.75/mmbtu on July 13th.
 - Driven by bearish US weather conditions.
- Corn prices up 3.10% to \$3.66/bushel from \$3.55/bushel at the start of the review period.
 - On the back of stronger global demand.
- Wheat prices inched up by 2.62% from \$4.97/bushel to \$5.10/bushel
 - Driven by projections of lower US output.
- Sugar prices increased by 2.10% to close at \$0.1119/pound from \$0.1096/pound.
 - Despite the upward revision of USDA's global sugar surplus forecast.
- Cocoa prices declined by 10.19% closing the period at \$2,257/mt from \$2,513/mt.



SOURCE: Bloomberg, EIA, Newsnow

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SCAN TO OPEN



LIFESTYLE SECTION

3 Corporate Benefits of Learning a Foreign Language and Why You Should Care¹

At the pace with which businesses are expanding the world over, this is not the time for you to remain a monolingualist. With the evolving business landscape, and thinning borders, it would be a huge disadvantage for you as an individual or businessperson to be limited to just one language. You would be doing yourself a whole lot of disservice.

Learning a foreign could be a difficult and exasperating activity, but the benefits are well worth it. Besides the 'growing popularity' of foreign languages, learning how to speak a foreign language fluently could also open you up to be more accepting of the culture and traditions of others. This in turn can help you tap into opportunities for diversified business and educational pursuits in countries that have hitherto been out of your reach.

Below are the three benefits a foreign language could bring to your business and personal life.

Upgrades Your Personal Network

Without any dispute whatsoever, learning a foreign language widens the door to know more people. This is because people generally trust you more if you can speak their language. So knowing how to speak their language removes the initial 'stranger's barrier', any apprehension they might have of you and makes you appear 'like one of their own'.

¹ <https://www.forbes.com/sites/brianrashid/2017/06/12/3-corporate-benefits-of-learning-a-foreign-language-and-why-you-should-care/#740d10051887>

This could earn you more trust than it could earn a typical stranger who does not understand the language. Why? Because understanding a language also means that you do understand its cultural norms and etiquette.

It opens you up to a large swath of professionals and individuals who speak the same language. Considerably widening your network of helpful contacts. These are people you could either do business with or serve as a go-between, during business negotiations and meetings.

In today's global world, learning a foreign language is essential to your success in another country. It would help you bridge the language gap you might face in your educational pursuits in a foreign country. Also noteworthy is the language barrier that foreign students and expats usually face when they want to open a current account for educational or employment purposes in Germany. Learning a foreign language could tremendously reduce this language barrier. Thereby turning your stay into a fun and eventful one.

Improves Your Decision Making

Bilinguals have been shown to have the ability to gain a more logical and rational thought process, than their monolingual counterparts.

Anyhow you look at it, learning a foreign language does take a considerable conscious effort to master. It employs the whole rational faculty you have. A marked benefit of this is that it improves your decision-making process and quickens the rate at which you come to a meaningful conclusion.

You are better able to toggle effortlessly between two languages without a break in your thought processes. This is an ability many monolinguals do not have.

Your Perception Is Increased

With a foreign language, you become adept at observing and focusing on relevant proceedings in your area of business interest.

You also gain the ability to filter out irrelevant and unnecessary details. And learning a foreign language makes you an adept at spotting misleading information, this is especially essential in contract negotiations and meeting with potential partners and clients.

Besides an increased perception, learning a foreign language also helps to improve your memory; it is an exercise that benefits your brain immensely. Improves memory recall, helps to recall people's faces, names, inventory prices etc.

One more added benefit of learning a foreign is it improves your multitasking skills. You can switch effortlessly between two differing activities.

Finally, learning a foreign language has been shown to stave off the effects of age-induced dementia and Alzheimer. These skills can make you a better communicator. It can also help you to develop a better ear to listen.

Learn a foreign language, and watch your mind grow sharper with time.



CONTACT INFORMATION

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