

# Unity Bank Digest

August 14<sup>th</sup>, 2018



## *THE HIGHLIGHTS*

### **Nigeria's oil production up 4.38% in July**

According to OPEC, Nigeria's oil production increased by 4.38% from a revised figure of 1.60 mbpd in June to 1.67 mbpd in July. This increase resulted from the lift in force majeure on exports of Nigerian crude Bonny Light by Shell, which was followed by the repair and reopening of the Nembe Creek Trunk line. Nigeria's increased oil production contributed to the increase in global oil production from 32.28 mbpd in June to 32.32 mbpd in July, following OPEC's agreement in June to increase oil output by 1 mbpd as a result of the sanctions on oil by the U.S on Iran. Other countries that contributed to the increase are Kuwait, UAE, and Iraq, despite the offset in Libya, Iran, Venezuela, and Saudi Arabia. Based on the force majeure lift and reopening of the Nembe Creek Trunk line, Nigeria's oil production is likely to continue to increase. OPEC has a forecast for competitor oil production at 59.62 mbpd in 2018 and lowered its forecast for global oil demand to 1.64 mbpd in the same period, both of which will push oil prices down.

### **Passports now valid for 10 years**

Nigerian international passports will now be valid for 10 years after renewal starting from 2019. This announcement was made by the Comptroller General of the Nigeria Immigration Service (NIS) in response to the two-year backlog in passport renewals. However, international passports for minors, will remain valid for five years. To further reduce the backlog, Nigerian passports will be printed within Nigeria, as opposed to overseas.

### **President Buhari appointed new Chairman of Economic Community of West African States**

President Muhammadu Buhari was elected as the new Chairman of the Economic Community of West African States (ECOWAS) at the recent ECOWAS summit in Lome,

Togo. President Buhari, succeeds Togolese President, Faure Gnassingbe. Buhari stated that he was humbled by the election and made a promise to serve and work with the other national leaders in the overall pursuit of peace, security, good governance and development of the sub-region. Buhari was presented with the Emblem of ECOWAS by Gnassingbe. The next meeting of the organization will take place in Abuja on December 21<sup>st</sup> of this year.

### **Central Bank of Nigeria may soon increase interest rates**

According to the Central Bank of Nigeria (CBN), the Monetary Policy Committee (MPC) may increase interest rates in the near term. The MPR has been kept at 14% pa since 2016 in a bid to stabilize the naira and to ease inflationary pressures. The CBN is anticipating increased liquidity pressures that will arise from election spending and the delayed passage of the 2018 budget (N9.12 trillion).

### **Nigeria's external reserves fall to its lowest in nearly four months**

The gross external reserves have declined to a 4-month low of \$46.7bn. The consistent depletion in external reserves is partly due to the exit of international investors to advanced economies that are increasing interest rates. This has triggered capital flight with a negative impact on the reserves level. Nigeria is highly dependent on oil and is subject to shocks in the global oil market. A sharp fall in oil prices would have an adverse effect on external reserves, moreso if accompanied by shortfalls in production.

### **Federal Accounts Allocation Committee disbursement at a four-year high- N821.9bn**

The Federal Accounts Allocation Committee (FAAC) disbursed N821.90bn to the federal, state and local governments in the month of July, seven days after June's allocation of N668.90bn was shared. The federal government received N315bn, the states N195bn and local governments N147bn. Oil producing states of the Niger Delta received additional revenue of N43bn. Meanwhile, the President has directed that a new template be generated to help address the inadequate remittances between NNPC and state governments and improve remittances and allocations in coming months.

## **US Federal Reserve keeps interest rates steady**

The United States' Federal Reserve (US Fed) left its benchmark interest rate at 1.75%-2% at its August meeting. It however upgraded its economic outlook and downplayed its trade skirmishes. This decision comes at the same time as a statement from the Federal Open Market Committee which expresses the view of a build up in economic activity. Nonetheless, the tightened policy stance is expected to moderate inflation towards the Fed's 2% target.

## **Manufacturing Purchasing Managers Index contracts further in July**

The CBN and FBN's Purchasing Managers Indices (PMI) both contracted in July. The CBN's PMI eased to 56.8 points from 57 points in the preceding month. The decline resulted from a slowdown in four variables - production levels, new orders, raw material inventories and employment, while the supplier delivery time level improved in the review period. FBN's PMI contracted sharply to an 18-month low of 48.9 points from 49.8 points in June. All five sub-indices – output, employment, delivery time, stocks of purchases and new orders declined in July. According to FBN, the decline across all sub-sectors was partly attributed to weak consumer demand, the rainy season, poor electricity supplies, high rates of duty on imports of raw materials and stiff competition from China.



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Note that all transactions are subject to Central Bank of Nigeria (CBN) guidelines.



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## SOCIAL CORNER

### Facebook and Instagram to introduce app updates that feature time-management tool

- Social media networks, Facebook and Instagram, have announced a new feature on both apps, which allows users to manage the time spent on the platforms. The new feature includes a dashboard that keeps track of the time spent on these platforms by users.
- Facebook is set to introduce a daily reminder that alerts users when the self-set time limit is reached.
- While this innovation has raised concerns about the revenue and profitability of the network, Zuckerberg has emphasized the commitment of Facebook towards societal well-being.



### Disney to develop African fairy-tale 'Sade'

- Renowned production studio, Walt Disney, is set to produce its first African princess themed movie, Sade. The movie is based on a young African princess named Sade who attempts to rescue her kingdom using her newly discovered superpowers.
- The screenplay of the movie will be co-written by Nigerian writer, Ola Shokunbi and American writer, Lindsey Reed Palmer. Disney has also partnered with another Nigerian, Rick Famuyiwa, who will be produce the movie while Scott Falconer will be the executive producer.
- Disney recorded a massive success earlier in 2018 with its Marvel blockbuster *Black Panther* with box office gross earnings of \$1.35bn.



## Apple becomes world's first trillion-dollar company

- Four decades after it was co-founded by Steve Jobs, Apple Inc. is now the first US based company with a market value of \$1trn.
- In its latest quarterly report, Apple reported net profits of \$11.5bn compared to \$8.7bn recorded in the corresponding period in 2017. A further breakdown shows that the U.S accounted for 46% of total revenue followed by Europe (23%), China (18%), Japan (7%) and the rest of the Asia Pacific region (6%).
- The positive performance recorded was driven by strong iPhone sales, services and wearables.



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## TOP STORIES

### **Manufacturing Purchasing Managers Index (PMI) contracts further in July**

- According to the CBN and FBN, the PMI contracted further in July. The CBN's PMI contracted at a slower pace than the FBN's PMI.
- The CBN PMI eased to 56.8 index points from 57 index points in June resulting from a slowdown in production levels, new orders, raw material inventory, and employment, and an improvement in the supplier delivery time. Of the 14 subsectors, 13 reported growth while the plastic & rubber products subsector contracted in the review month.
- FBN's PMI fell sharply from 49.8 index points in June to an 18-month low of 48.9 index points in the review period. All five sub-indices (output, employment, delivery time, stocks of purchases, and new orders) declined in July.
- FBN estimates that the decline across all subsectors was as a result of weak consumer demand, the rainy season, poor electricity supplies, high rates of duties on imports of raw materials, and stiff competition from China.

### *Analysis and Outlook*

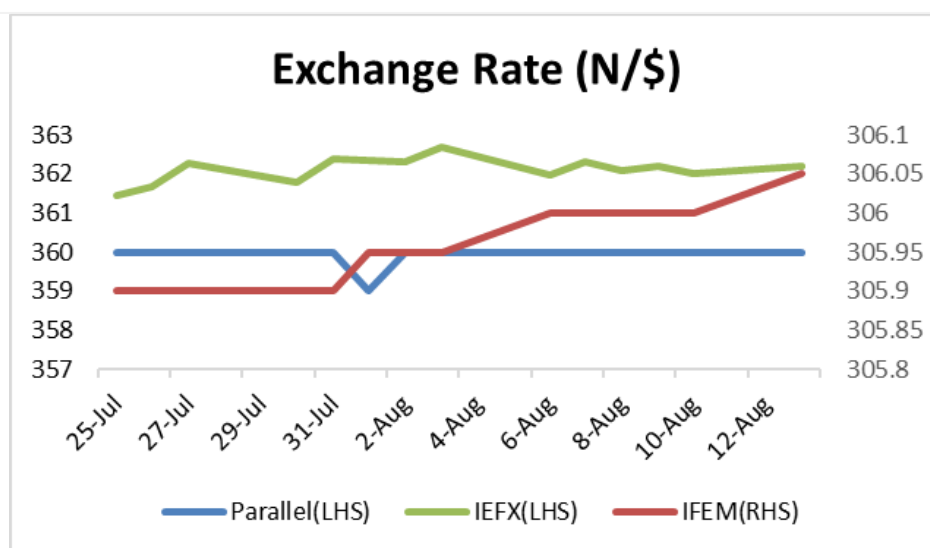
According to FBN's PMI figures, a substantial decline has been occurring since Q4' 17. In August, we expect the PMI figures to contract further as a result of increased import duties, power constraints and increased forex demand. Also, if external reserves decline for an extended period, this could affect the CBN's ability to support the forex market. Declining reserves could be detrimental to manufacturing activities and increase import duties and operating costs through a weaker exchange rate.

## *BUSINESS UPDATE (Review Period: July 25th - August 13th 2018)*

### *The Forex Market*

At the parallel market, the naira traded at N360/\$ for the first five days of the review period before appreciating to a 25-month high of N359/\$. However, by the close of the period the Naira had dipped back to N360/\$. The naira also appreciated against the pound and euro to close at N474/£ and N415/€ on August 13th from N480/£ and N420/€ on July 25th.

At the interbank foreign exchange market, the naira started the period, July 25th at N305.90/\$, and depreciated by 0.05% to close at N306.05/\$ on August 13th. The naira depreciated by 0.21% to close at N362.20/\$ at the IEFX window from N361.45/\$ on July 25th. Total forex traded at the IEFX window was \$2.83bn, compared to \$2.52bn in the corresponding period in July. Within the review period, Nigeria's gross external reserves declined below the psychological resistance level of \$47bn to close the period at \$46.56bn (August 10<sup>th</sup>) from \$47.28bn on July 25<sup>th</sup>. The depletion in reserves was largely driven by an increase in CBN's intervention in the forex market- \$1.09bn in the review period compared to \$948mn in the corresponding period in July. As a result, the import cover decreased from 11.58 months to 11.40 months. This was partly due to the increase in forex intervention.

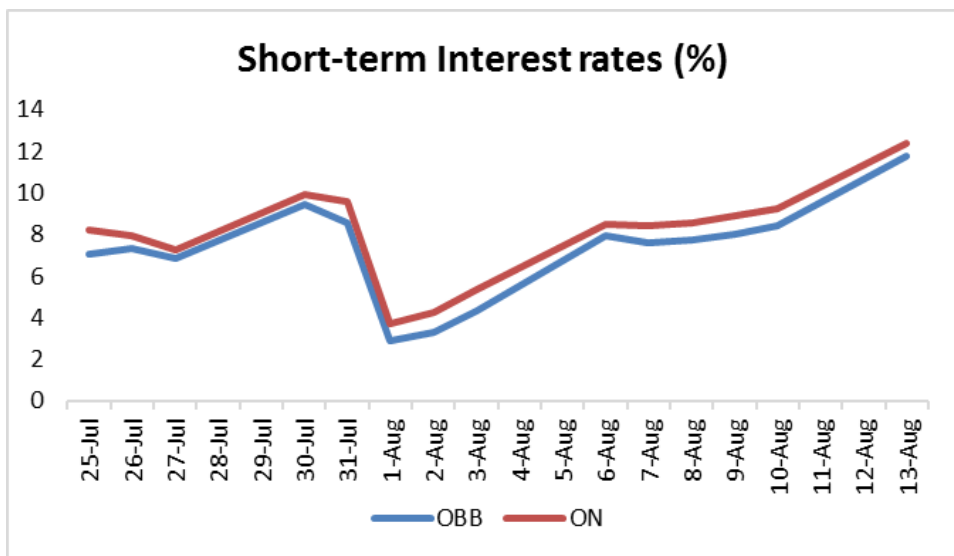


SOURCE: FDC Think Tank, CBN, FMDQ

## The Money Market

Short term interest rates (OBB and ON) increased by 468bps and 421bps respectively to close at 11.75% and 12.42% pa. Total OMO sales during the period was N1.25trn compared to maturities of N1.30trn resulting in a net inflow of N50bn. Average opening position of banks during the period was N311.99bn compared to N169.02bn in the corresponding period in July. At the last primary market auction on August 1st, the 182-day and 364-day T/Bills tenor declined by an average of 15bps while the 91-day tenor remained flat at 10% pa. At the secondary market, the 91-day, 182-day and 364-day T/Bills tenor increased by an average of 38bps in the review period.

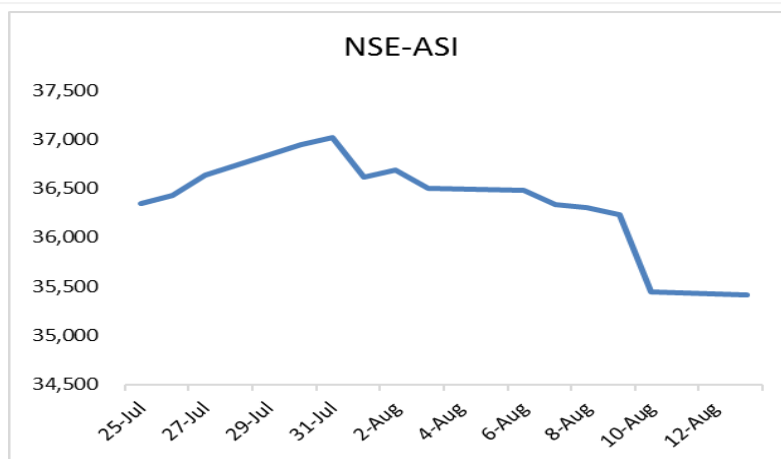
Tenor	Secondary market rates as at July 25 <sup>th</sup> 2018 (%)	Secondary market rates as at August 13 <sup>th</sup> 2018 (%)	% change	Primary market rates as at July 25 <sup>th</sup> 2018 (%)	Primary market rates as at August 10 <sup>th</sup> 2018 (%)	% change
91-day	10.68	11.30	0.54	10.00	10.00	-
182-day	11.77	12.26	0.44	10.50	10.40	-0.10
364-day	11.78	11.80	-0.31	11.49	11.30	-0.19



SOURCE: FMDQ, CBN

## The Stock Market

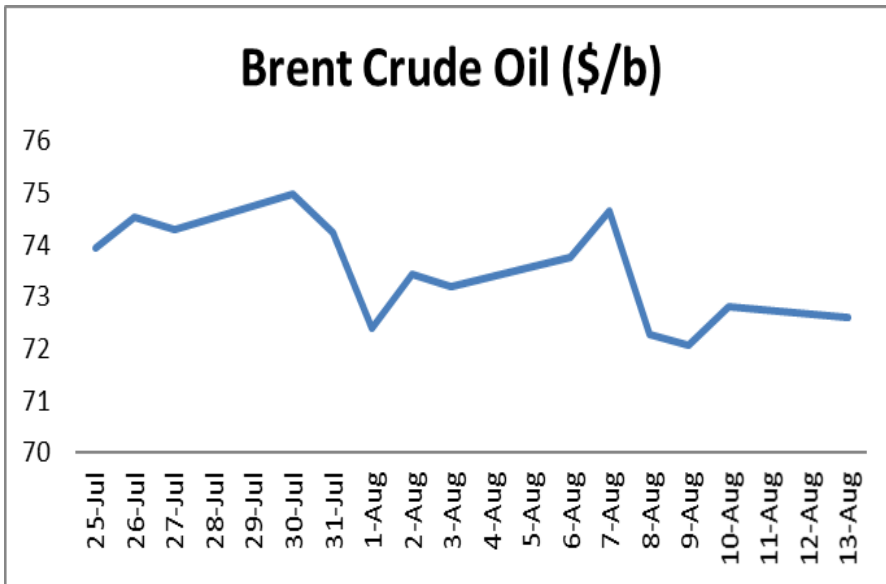
The Nigerian Stock Exchange All Share Index (NSE ASI) lost 2.58% to close at 35,410.61pts on August 13th, compared to 36,346.80pts on July 25th. ASI is currently at a 10-month low driven by increased equities sell-off due to political uncertainties. Total market capitalization declined by 1.97% to N12.93trn on August 13th from N13.17trn on July 25th. During the period, the market recorded 9 negative days and 5 positive days.



SOURCE: NSE

## The Commodities Market

- Brent oil prices declined by 1.79% during the review period to close at \$72.61pb from \$73.93pb on July 25th
  - As a result of a surge in Iraq oil production
- Natural gas up 5.78% to close at \$2.93/mmbtu from \$2.77/mmbtu on July 25th.
  - Driven by reports of an increase in US inventories.
- Corn prices decreased by 0.54% to \$3.71/bushel from \$3.73/bushel at the start of the review period.
  - Despite news of threats to Indian corn supplies
- Wheat prices inched up by 2.03% from \$5.43/bushel to \$5.54/bushel
  - On weak European demand
- Sugar prices slid 7.95% to close at \$0.1030/pound from \$0.1119/pound.
  - Driven by weak global demand
- Cocoa prices lost 4.32% closing the period at \$2,148/mt from \$2,245/mt.
  - Due to forecasts of strong output from Ivory Coast



*SOURCE: Bloomberg, EIA, Newsnow*

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# LIFESTYLE

## **Nine Essential Tips For The First-Time Business Owner<sup>1</sup>**

Trying to narrow down a list of tips for first-time business owners is like trying to narrow down advice for first-time parents. Almost anything can and will happen during your journey, but these pointers will give you a strong foundation on which to build your flourishing company.

### **1. Collaborate with diverse and trustworthy partners.**

One of the most important lessons a new entrepreneur can learn is that it's OK to be picky about whom you work with and who works for you. Whenever possible, aim for diversity in your partners and colleagues across a variety of levels — not just racial and gender diversity, but a diversity of experiences, backgrounds and educations. Insist on working with people who are trustworthy, even when it comes to the small things.

### **2. Build and participate in a culture of learning.**

Successful entrepreneurs understand that they will always have gaps in their knowledge and experience. While they will never be completely filled in, they can be alleviated through a commitment to lifelong learning. Invest in professional development training for you and your employees, and take advantage of the resources around you such as industry publications and your professional network.

### **3. Respect the importance of a professional network.**

Speaking of professional networks, many new business owners underestimated their importance and neglect them over time. Their natural inclination is to devote all of their attention to the company itself, but building a robust professional community is actually one of the best ways to help a nascent business. You'll gain new insights about your industry and competitors, market your brand effectively and forge

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<sup>1</sup> <https://www.forbes.com/sites/theyec/2018/04/02/nine-essential-tips-for-the-first-time-business-owner/#7d4216b54c84>

relationships that can turn into partnerships, collaborations or even hiring opportunities.

#### **4. Remember that every interaction is representative of your brand.**

As a business owner, you are the steward of your brand image in every interaction that you have. This includes when you're in the office speaking to clients, giving an interview to a journalist and unwinding at the bar after a long week of work. Your words and your actions can have a significant impact on your employees, your company and your partners.

#### **5. Spread value through thought leadership.**

Entrepreneurs have a unique opportunity to share the value of their experiences with others. Reach out to publications and offer to write pieces for them based on your specific expertise and knowledge. Most outlets have a lot of content to fill, and as a bonus, you will be enriching your organization's brand at the same time by aligning it with the promise of valuable content.

#### **6. Embrace failure.**

No one goes into business wanting to fail, yet failures are a fact of life for every single one of us at some point. How can you combat this reality? Do what the most highly-regarded entrepreneurs do and use every failure as a learning opportunity. Recognize that setbacks actually present you with chances that you wouldn't otherwise have if everything had gone as planned, and make the most of them.

#### **7. Practice and demand honesty.**

One mistake that many inexperienced leaders make is withholding difficult developments from their team because they don't want to be the bearer of bad news. Don't fall into this trap. The best way you can lead is by being honest and transparent every step of the way and demanding the same from them.

#### **8. Scrutinize your finances, especially cash flows.**

If your business gets into a bad cash situation it might already be too late. Don't expect your employees to be charitable when you can't make payroll or new investors to take pity on you when you've shown you can't manage your cash up to



now. The only way to avoid becoming one of the many startups that fold due to lack of cash is to be proactive about monitoring the health of your cash flows early and often.

### **9. Learn to value your personal time.**

Your business is important, but it isn't your entire life. You still have friends, family members and hobbies that deserve some of your attention. Don't let your desire to give everything you have to your company cause you to burn out early and endanger the future of the business. Make a commitment to use your personal time when you can, so that when you return you are ready to achieve more than ever before.



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