

Unity Bank Digest

October 5th, 2018



Unity Bank Tower: Plot 785, Herbert Macaulay Way, Central Business District, Abuja, FCT
 Head Office Annex: Unity Bank Plc, Plot 290A, Akin Olugbade Street, Lagos State
 Customer Care Centre: 0708 0666 000, 0705 7323 255-30, we_care@unitybankng.com
 Website: www.unitybankng.com



THE HIGHLIGHTS

Monetary Policy Committee maintains status quo

The Monetary Policy Committee (MPC), at its fourth meeting in 2018, maintained status quo on monetary policy parameters. This means that the Monetary Policy Rate (MPR) remains at 14% p.a., Cash Reserve Ratio (CRR) at 22.5%, Liquidity Ratio at 30% and the asymmetric window around the MPR at +200/-500 bps. The committee was confronted with a policy dilemma: to maintain status quo or to increase interest rates. The option to increase interest rates was supported by the rising portfolio outflows and the threat of inflation while the status quo option was supported by a wait-and-see strategy. The Committee opted to get more clarity on the likely impact of anticipated liquidity injections into the economy from pre-election spending and increased FAAC disbursements from higher oil proceeds. We expect the decision to do nothing at the same time the US Fed raised rates to increase capital outflows from Nigeria with a negative impact on interest-rate sensitive sectors including real estate and trade.

US Fed Reserve raises interest rates by 25bps

The US Fed reserve raised its fund rate by 25bps to a range of 2-2.25% pa at its meeting on September 25/26. This is the 3rd interest rate hike in 2018 and the 7th in the last eight quarters. Key considerations for the Committee were a steady growth rate (3.1% in 2018) amidst sustained low unemployment (steady at 3.9%) and declining inflation (2.7% in August). The current strong macroeconomic fundamentals resulted in the following projections at the meeting- growth rate of 2.5% in 2019, inflation at 2% for the next three years and unemployment rate at 3.5% in 2019. The Committee also hinted at the likelihood of five more rate hikes over the next two years. The consistent increase in the US benchmark interest rate and the steady decline in its inflation rate increase the real rate of return for investors interested in its market. This would heighten capital outflows from emerging markets including Nigeria.

Nigeria and Democratic Republic of Congo to have 40% of the world's poorest population by 2050

According to the Bill and Melinda Gates Foundation (BMGF), more than 40% of the world's poorest people will live in Nigeria and Democratic Republic of Congo (DRC) by 2050. The Foundation projects that by 2050, Nigeria's population will reach 429 million and 35% (152 million) of Nigerians will be living in extreme poverty. This forecast follows the Brookings Institution report where Nigeria overtook India as the world's poorest nation with approximately 87million people living in extreme poverty. Bill Gates, who visited Nigeria at the start of 2018, highlighted the need for Nigeria to focus on human capital development as opposed to merely building infrastructure. Left unaddressed, Nigeria's increasing rate of poverty will result in a sub-optimal level of development.

Federal Government suspends Nigeria Air indefinitely

The Federal Government of Nigeria (FGN) has announced its decision to suspend the proposed national carrier, Nigeria Air, indefinitely. This comes two months after the carrier was unveiled at the Farnborough International Air show in London. While the specifics for the suspension remain unknown, the Aviation Minister, Hadi Sirika, has assured that all commitments will be honored. Preliminary costs for the national carrier, which was previously scheduled to launch its first flight in December 2018, had an estimated take-off cost of \$300mn. The decision to suspend the national carrier project may shift the FG's attention to other urgent needs in the Nigerian aviation industry including airport concessioning, and maintenance, repair and overhaul centers.

Central Bank of Nigeria revokes Skye Bank's license

The Central Bank of Nigeria (CBN) has revoked the license of Skye Bank and transferred its assets and liabilities to a bridge bank called Polaris Bank. This comes 27 months after the apex bank injected N100bn into the ailing bank owing to a failure to meet its minimum capital requirements. The Asset Management Company of Nigeria (AMCON) is set to capitalize Polaris Bank and commence the process of sourcing for investors to buy out AMCON. In the meantime, CBN has injected approximately

N786bn into the new bank and assured the security of deposits. The Nigerian Stock Exchange notified the investing public of a suspension of Skye Bank's shares, which took effect on September 24th. We expect the liquidation of Skye Bank to further spook already jittery investors and depositors.

Federal Account Allocation Committee disbursements up 3.8% to N741.84bn in September

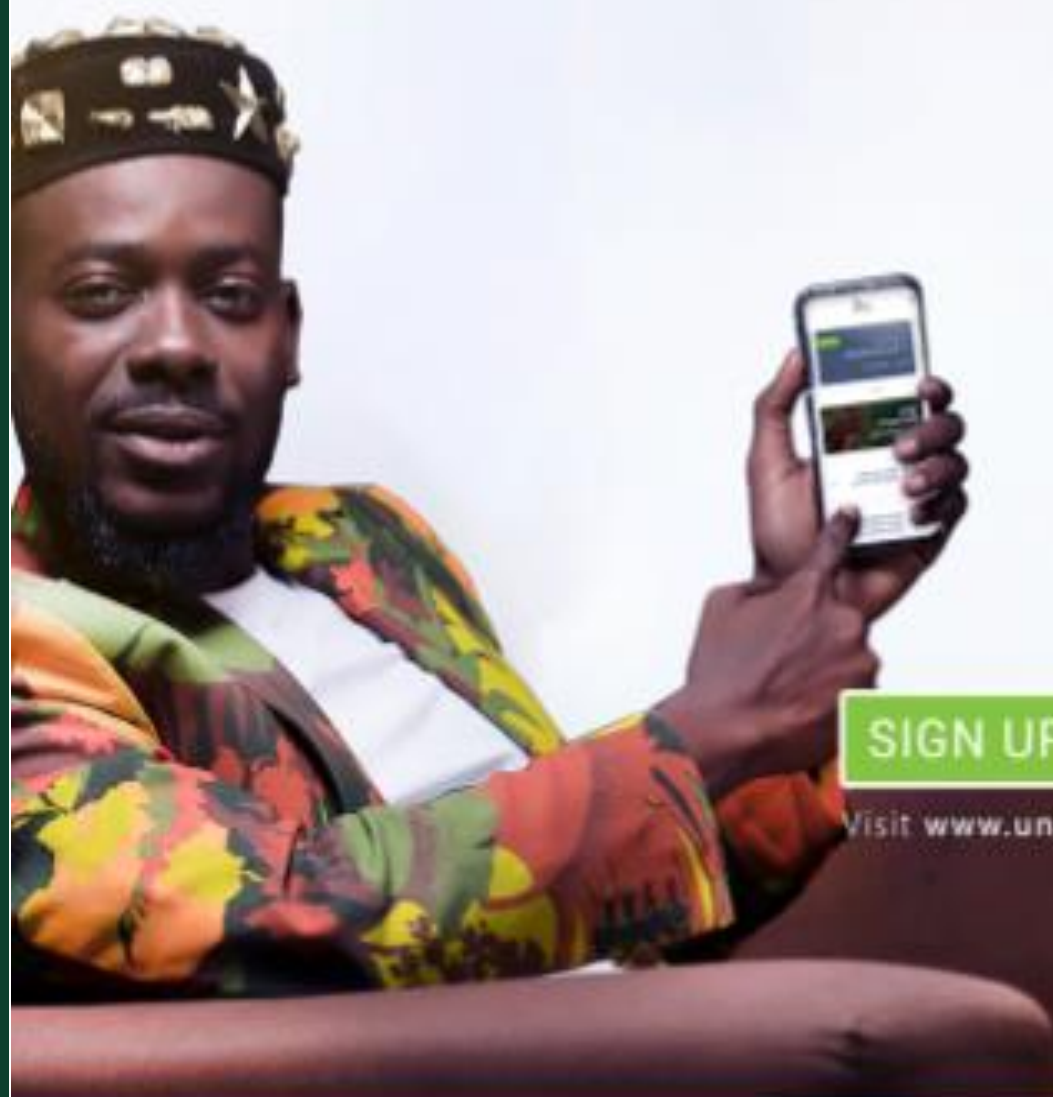
The Federal Account Allocation Committee (FAAC) disbursed a total of N741.84bn to the three tiers of government in September. This represents an increase of 3.78% compared to the revenue disbursed in July (N714.84bn). The increase in revenue was supported by an increase in crude oil export sales volume from 37.4 million barrels in July to 45.7 million barrels in August. This resulted in the savings of N40bn into the Excess Crude Account (ECA). We expect FAAC disbursements to increase in the coming months as Brent oil price hovers above \$80pb.

Power output update (Review Period: September 1st-27th)

Average power output within the review period was 3,498MWh/h, 3.93% lower than the output of 3,641MWh/h recorded in the corresponding period in August. The decline was partly driven by high gas constraints at the Afam VI power plant within the review period. Meanwhile, the Federal Executive Council has approved the sum of \$64mn for power supply to Escravos communities. According to the Minister of State for Petroleum Resources, Ibe Kackikwu, the proposed project is capable of eliminating the N18mn monthly stipend of the Nigerian National Petroleum Corporation (NNPC) to provide power to the community. We expect average power output to remain between 3,500-3,700MWh/h in the coming month provided that there are no disruptions at gas stations.



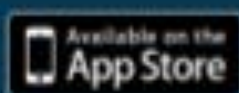
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The 70th Emmy Awards 2018

- The 70th Annual Primetime Emmy Awards was held at Microsoft Theatre in Los Angeles on September 17, 2018 and was hosted by Michael Che and Colin Hanks.
- During the event, director Glenn Weiss' took his moment in the spotlight to propose to his girlfriend when accepting his award for Outstanding Writing for a Variety Special.
- The Emmys is separated into two categories: comedy and drama. In the drama category, *Game of Thrones* (GoT) had the most nominations (22), closely followed by *Westworld* (21). GoT scooped two awards while *Westworld* bagged three.
- The award winners include:
 - Outstanding Drama Series: ***Game of Thrones***
 - Outstanding Comedy Series: ***The Marvelous Mrs. Maisel***
 - Outstanding Limited Series: ***The Assassination of Gianni Versace: American Crime Story***
 - Outstanding Variety Talk Series: ***Last Week Tonight with John Oliver***
 - Outstanding Variety Sketch Series: ***Saturday Night Live***
 - Outstanding Reality/Competition Series: ***RuPaul's Drag Race***
 - Outstanding Supporting Actress in a Drama Series: ***Thandie Newton, Westworld***
 - Outstanding Supporting Actor in a Drama Series: ***Peter Dinklage, Game of Thrones***
 - Outstanding Lead Actress in a Drama Series: ***Claire Foy, The Crown***
 - Outstanding Lead Actor in a Drama Series: ***Matthew Rhys, The Americans***
 - Outstanding Supporting Actor in a Limited Series or Movie: ***Jeff Daniels, Godless***
 - Outstanding Supporting Actress in a Limited Series or Movie: ***Merritt Wever, Godless***



Outstanding Lead Actress in a Comedy Series: **Rachel Brosnahan, *The Marvelous Mrs. Maisel***

Outstanding Lead Actor in a Comedy Series: **Bill Hader, *Barry***

Outstanding Lead Actress in a Limited Series or TV Movie: **Regina King, *Seven Seconds***

Outstanding Lead Actor in a Limited Series or TV Movie: **Darren Criss, *The Assassination of Gianni Versace: American Crime Story***

Outstanding Supporting Actress in a Comedy Series: **Alex Borstein, *The Marvelous Mrs. Maisel***

Outstanding Supporting Actor in a Comedy Series: **Henry Winkler, *Barry***

Qatar to manufacture electric car

- Qatar has announced that it will produce its first Qatari electric car in 2022. The plan is to launch the car in conjunction with the hosting of the FIFA World Cup in 2022.
- The first version of this car will be named 'Katara. It will have 700 horse power, capable of driving 1,000km after only 10minutes of being charged.
- Full production capacity of the plant will be reached after seven years, with 12 production lines running 24 hours a day. The initial production capacity of the plant will reach 500,000 cars by 2025; it is expected to reach one million cars by 2035.



Chowberry Food Waste App

- Chowberry is an app created by a Nigerian - Oscar Ekponimo. It tackles Nigeria's food waste and solves the problem of food inequality.
- This app connects people to food in the supermarket that would normally be trashed.
- The invention has already been taken up by about 35 retailers and non-government organizations who place orders at discounted



prices for charities and food distribution programs.

- According to the United Nations, over 14 million people in Nigeria are classified as undernourished. In the long term, we expect this innovation to eradicate food wastage and to have an impact on reducing Nigeria's undernourished population.

Anthony Joshua makes it 22-0

- Anthony Joshua (28) is a British professional boxer. He began his professional career in 2012 and has since won 22 successive fights with 21 knockout wins and no losses.
- The unified heavyweight world champion's 22nd win was against the Russian boxer, Alexander Povetkin, who got knocked out in the seventh round.
- After retaining his titles, the 28-year-old said that he would like to face Deontay Wilder, Tyson Fury and Dillian Whyte in that order. His promoter, Eddie Hearn, also stated that their team will do its best to make sure that the fight with Wilder will be held in the same venue next April.



Tiger Woods wins first title in five years

- On September 23rd, 2018, Tiger Woods sealed his first title in over five years in the Tour Championship at East Lake Golf Club.
- This win is the 80th Professional Golfers' Association (PGA) Tour Championship that Woods has won in his career, trailing Sam Snead who has a record of 82.
- After this win, Tiger Woods is expected to go up to 13th in the world rankings after hitting an all-time low of 1,199th in 2017.





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TOP STORIES

CBN revokes Skye Bank's license

- The Central Bank of Nigeria has revoked the license of Skye Bank and transferred its assets and liabilities to the newly licensed bridge bank, Polaris Bank. The decision of the apex bank comes two years after a regulatory action on the defunct bank in July 2016.
- Asset Management Company of Nigeria (AMCON) has already injected N786bn into Polaris Bank and will commence the search for investors to buy it out. Meanwhile, the Nigerian Stock Exchange has notified the investing public of a suspension of Skye Bank's trading on the exchange.

Analysis & Outlook

Skye bank's stocks recorded gains as high as 210% in 2018 (year-to-date). The decision to liquidate the systemically important bank (SIB) will further dampen investor confidence, which is yet to recover from the MTN saga and brewing negative political sentiment.

Monetary Policy Committee (MPC) maintains status quo

- The MPC held all monetary policy parameters for the 13th consecutive session at its meeting on September 24/25. This means that the MPR was retained at 14% p.a., CRR at 22.5%, Liquidity ratio at 30% and asymmetric corridor at +200/-500 bps.
- Key considerations of the Committee include weak GDP growth rate (1.5% in Q2'18), reversal in the inflation trend, depletion in external reserves (now at \$44.38bn) and foreign portfolio outflows.
- The Committee's decision to maintain status quo was premised on the need to get more clarity on the quantum and impact on expected liquidity injections into the economy from sources including pre-election spending and increased FAAC disbursements from higher oil proceeds.

Analysis & Outlook

The MPC remained worried about inflationary pressures on the back of the incessant flooding disaster in food producing states. The decision to maintain status quo at the same time the US inflation is declining and its interest is rising makes the US a more attractive investment destination. We expect this to result in capital outflows from Nigeria in the coming months.

US Fed raises rates by 25bps to 2-2.25%pa

- The US Federal Reserve raised its benchmark interest rate by 25bps to 2.0-2.25% pa from 1.75%-2% pa at its meeting on September 25/26. This is the third rate hike in 2018 and the 7th in the last 8 quarters.
- Considerations for the Committee were a steady growth rate (3.1% in 2018) amidst sustained low unemployment rate (steady at 3.9%) and declining inflation (2.7% in August).
- The Committee projected a growth rate of 2.5% in 2019, inflation at 2% for the next three years and unemployment rate of 3.5% in 2019. This resulted in the Committee hinting at five more rate hikes over the next two years.

Analysis & Outlook

The immediate impact of an increase in US interest rates is a stronger dollar. This would result in a decline in the price of dollar-dominated commodities including oil. On the other hand, the consistent increase in US interest rate raises concerns about its impact on emerging markets. Policy makers in markets such as Nigeria would further feel the pinch of exiting foreign portfolio investors.

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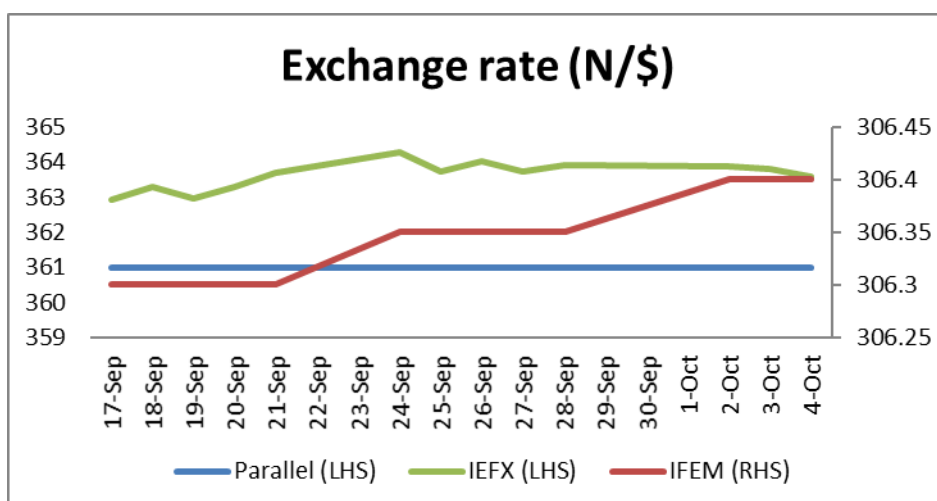
BUSINESS UPDATE

(Review Period: September 17th – October 4th, 2018)

The Forex Market

At the parallel market, the naira traded at N361/\$ throughout the review period. However, it depreciated against the pound and euro to close at N480/£ and N417/€ respectively on October 4th from N476/£ and N411/€ on September 17th.

At the interbank foreign exchange market, the naira started the period at N306.30\$ before depreciating marginally by 0.03% to close the period at N306.40\$. The naira also depreciated by 0.18% to close at N363.57/\$ at the IEFX window from N362.93/\$ on September 17th. Total forex traded in the IEFX window was \$3.65bn, 14.78% higher than a turnover of \$3.18bn in the corresponding period in the August. The level of Nigeria's gross external reserves decreased by 2.44% (down \$1.10bn) to \$43.97bn as at October 3rd from \$45.07bn on September 17th. This resulted in a decline in the import cover to 10.77 months from 11.04 months on September 17th.

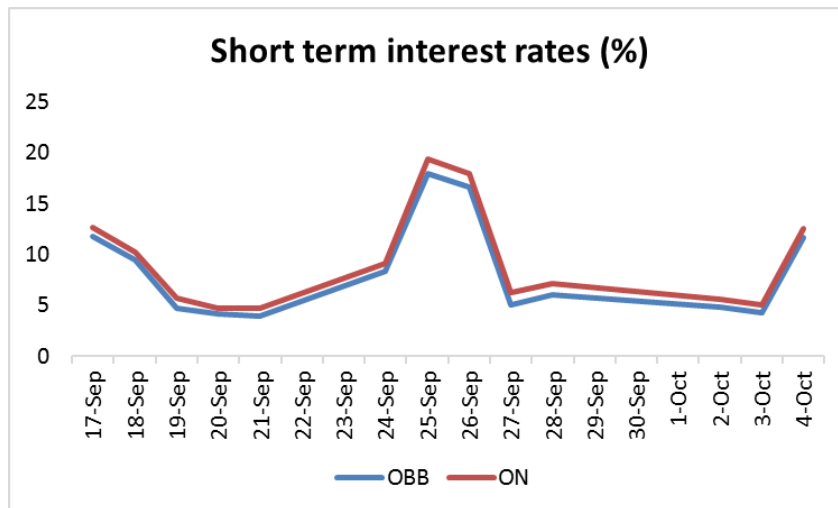


SOURCE: FDC Think Tank, CBN, FMDQ

The Money Market

Short term interest rates (OBB and ON) increased by 16bps and 9bps respectively to close at 11.67% and 12.58% pa. Total OMO sales during the period was N337.6bn compared to maturities of N757.78bn resulting in a net inflow of N420.18bn. Average opening position of banks during the period was N371.55bn compared to N417.54bn in the corresponding period in August. At the last primary market auction on September 19th, the 182-day and 364-day T/Bills tenors declined to 12.2% pa and 13.48% pa while the 91-day tenor remained flat at 11.00% pa. At the secondary market, the 91-day, 182-day and 364-day tenors declined by an average of 101bps to 11.78% pa, 12.45% pa and 12.98% pa respectively.

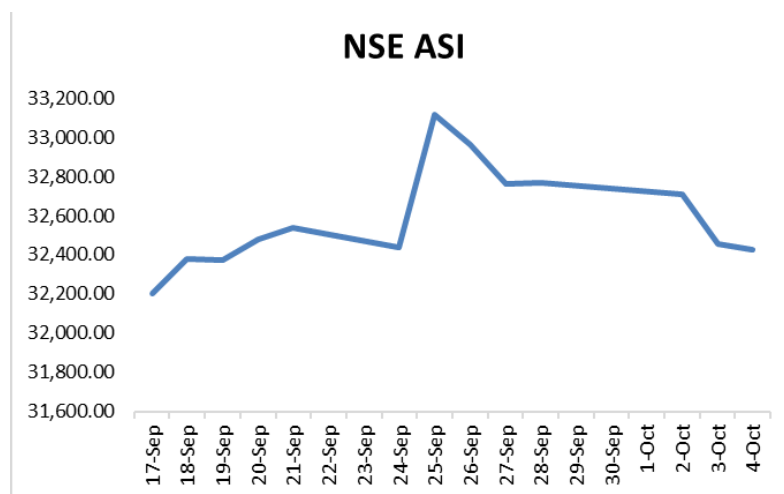
Tenor	Secondary market rates as at September 17 th 2018 (%)	Secondary market rates as at October 4 th 2018 (%)	% change	Primary market rates as at September 12 th 2018 (%)	Primary market rates as at September 19 th 2018 (%)	% change
91-day	13.08	11.78	-1.30	11.00	11.00	-
182-day	13.68	12.45	-1.23	12.30	12.20	-0.10
364-day	13.47	12.98	-0.49	13.50	13.48	-0.02



SOURCE: FMDQ, CBN

The Stock Market

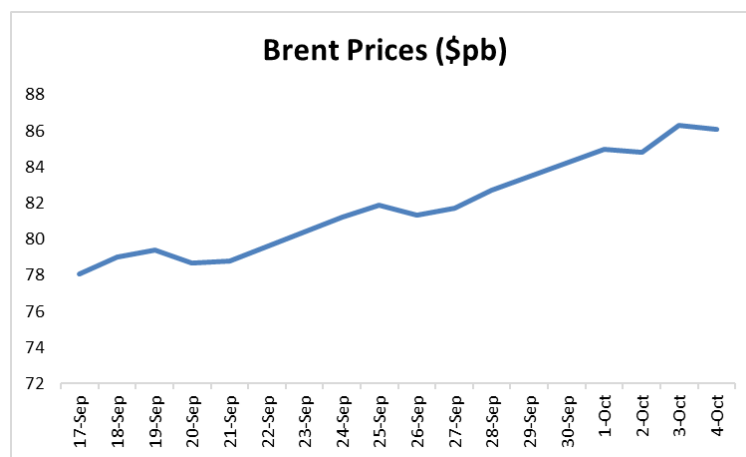
The Nigerian Stock Exchange All Share Index (NSE ASI) gained 0.69% to close at 32,423.57pts on October 4th from 32,201.98pts on September 17th. Total market capitalization rose by 0.68% to N11.84trn on October 4th from N11.76trn on September 17th. During the period, the market recorded 4 positive days and 9 negative days.



SOURCE: NSE

The Commodities Market

- Brent oil prices increased by 10.26% to \$86.06pb on October 4th from \$78.05pb on September 17th.
 - Driven by anticipations of a tighter oil market owing to Iranian sanctions by November.
- Natural gas rose by 14.95% to close at \$3.23/mmbtu from \$2.81/mmbtu on September 17th.
 - As a result of anticipated decline in stockpiles in the winter months.
- Corn prices increased by 5.46% to \$3.67/bushel from \$3.48/bushel on September 17th.
 - Owing to dry weather in Argentina.
- Wheat prices gained 2.37% to \$5.18/bushel from \$5.06/bushel at the end of the review period.
 - On the back of unfavourable weather in producing countries – Australia and Russia.
- Sugar prices up 5.61% to \$0.1223/pound on October 4th from \$0.1158/pound on September 17th.
 - Amidst projections of a decline in India's output in 2019-2020.
- Cocoa prices declined by 8.77% closing the period at \$ 2,040/mt from \$2,236/mt.
 - Driven by Ghana's plan to boost output by approximately 1 million tonnes.



SOURCE: Bloomberg, EIA, Newsnow

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LIFESTYLE



Money 101 for Millennials: Seven Tips for Improving Your Financial Literacy¹

When young adults become fully responsible for their personal finances for the first time, they are often in for a rude awakening. Financial literacy is rarely taught in school, and if their families didn't discuss credit scores, taxes and interest rates as they were growing up, these newly-minted members of the "real world" can easily get themselves into debt and other financial trouble.

Most millennials are now in their 20s and 30s -- the time when many people make major financial decisions, like home ownership and long-term investment strategies. If you're part of this generation and feel undereducated about your finances, follow this advice from members of Forbes Finance Council.

¹ <https://www.forbes.com/sites/forbesfinancecouncil/2018/03/28/money-101-for-millennials-seven-tips-for-improving-your-financial-literacy/#1116858662f7>

1. Take online courses.

Given millennials' propensity for technology, I would suggest they take a few courses in basic economics, accounting and capital markets from the likes of Coursera, Udemy or similar providers. The courses are affordable, well delivered and even fun. In my opinion, they constitute the most efficient way to get updated on whatever topics you are interested in, including finance.

2. List out your expenses.

Millennials are quite bright; they simply don't have the experience. Right away, I recommend they make a list of everything they spend money on each month. Enlist their parents in this endeavor if possible. After the amounts are added up, they should ask themselves this question: How do I pay for all of this? This is the first step to improving financial literacy.

3. Investigate passive income opportunities.

Unfortunately, there is no proper financial education in schools, colleges or universities. Many parents fail in this area, as well. Most people work for money all their lives. However, it is possible to learn how the money that you earn can work for you so you eventually can replace your "job" income with passive income from your investments.

4. Understand the impact of your credit score.

Millennials looking to become entrepreneurs need to understand that their personal credit might be the defining factor in their ability to access working capital. Getting approved for funding is challenging when the borrower's credit score is low. It is important that they learn how to read a credit report, remain aware of their credit score and understand the factors that affect it.

5. Talk to a trusted mentor.

There is a plethora of information available on the internet to support a self-help approach. However, picking the brain of someone you know and trust is far superior. Their most relevant insights are often tailored to your specific needs. Find someone who you could consider a mentor, and bounce questions or thoughts off them.

6. Track everything to get your whole financial picture.

There are four basic things everyone should know about their finances: income, expenses, assets and liabilities. Companies manage their cash flow, and individuals should, too. There are tools that connect your bank, credit card and other accounts to help you make sense of your finances -- many of them free of charge. Mint, Quicken, Personal Capital are just some of the more popular ones.

7. Start saving.

If millennials get into the habit of saving money, they will look for means to either invest or spend savings on something they always wanted. With today's availability of information, and millennials being so used to Googling, they will start learning about various financial products. Also, they should not be afraid of making mistakes and losing some savings, as that will enrich their experience.



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