

Unity Bank Digest

November 15th, 2018



The Highlights

Oil production declines by 1.13% to 1.75mbpd

According to OPEC, Nigeria's domestic oil production in October was 1.75mbpd, 1.13% lower than a revised output figure of 1.77mbpd in September. The report was released simultaneously with a statement by the Nigerian National Petroleum Corporation (NNPC) about its target of raising Nigeria's oil production to 1.8mbpd in 2019, excluding condensates. On the other hand, Saudi Arabia has pledged to cut production by at least 500,000 barrels per day in December. We expect minimal disruptions to pipelines ahead of 2019 elections. This would keep production stable between 1.72-1.75mbpd in the coming months.

Minimum wage negotiations remain deadlocked

After months of review, the parties involved in Nigeria's minimum wage negotiations are yet to reach an agreed amount. Nigeria's main trade unions, Nigeria Labor Congress (NLC) and the Trade Union Congress (TUC), had earlier threatened to resume industrial action starting November 6, 2018 if the FGN failed to meet their demand. The strike was, however, suspended after the Tripartite Committee reportedly signed a recommendation for N30, 000. The latest development on the policy debate is the order by the National Industrial Court for both parties - the FGN and organized labor - to submit a report of their recommended wage by January 30, 2019. We expect both parties to reach an agreed wage between N30,000-N45,000 in the coming months. This would boost consumer purchasing power and heighten inflationary pressures at the same time.

President Trump plans to end birth right citizenship

President Trump has announced his plan to sign an executive order that puts an end to birth right citizenship for children of non-citizens. Birth right citizenship was adopted in 1868 by the 14th amendment to the constitution and grants US citizenship to any person born within and subject to the jurisdiction of the United States. The announcement was met with criticism about President Trump's authority to scrap the birthright citizenship law. However, Trump has begun the process of drafting an

Executive Order to legalize his decision. We expect the Executive Order to face certain legal challenges in the coming months.

Fitch revises Nigeria's outlook to stable; affirms at B+

The international credit rating agency, Fitch Ratings, has revised its outlook on Nigeria's credit rating to stable, up from negative. The rating agency also affirmed the country's credit rating at B+. The revised outlook reflects Nigeria's journey to economic recovery and decreasing external vulnerabilities. Increased oil production and higher global oil prices have supported Fitch's optimistic outlook on the Nigerian economy. Fitch forecasts GDP growth of 2.0% in 2018 before increasing to 2.5% in 2019 and 3.3% in 2020. However, the agency considers rising inflation, the exchange rate regime and external imbalances as risks to Nigeria's growth.

HSBC, UBS close Nigerian offices

Global banking giants, HSBC and UBS, have closed their representative offices in Nigeria. This comes two months after HSBC was accused of money laundering activities by the Nigerian government. The exit of these two banks has resulted in a decline in the number of representative offices for foreign lenders in Nigeria to eight. This is happening at a time when Foreign Direct Investment (FDI) fell by 29% to \$1bn in H1'18, from \$1.4bn in H1'17. While the exit of these banks may seem inconsequential to the banking industry, it may further erode investor confidence in Nigeria.

Purchasing Managers Index up 5.21% to 56.5 in October

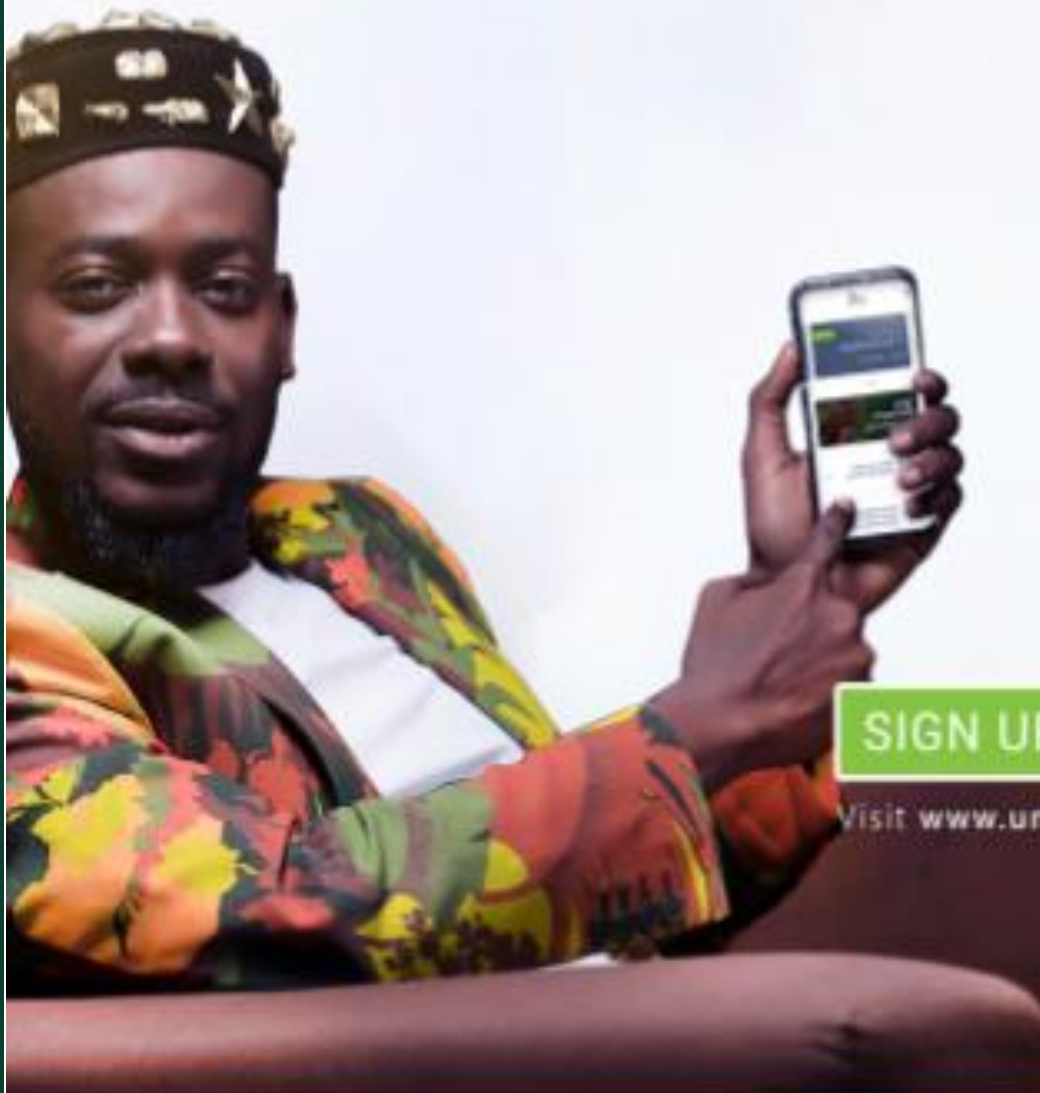
According to First Bank Nigeria (FBN), the purchasing managers index (PMI) recorded in October was 56.5, 5.21% higher than the PMI of 53.7 in September. The Central Bank of Nigeria's (CBN) reading of the indicator also showed an increase from 56.2 to 56.8. This is the highest point for the FBN PMI since March 2018. According to FBN, four out of the five sub-indices were in positive territory in October, while the employment sub-index has remained the weakest since 2015. On the other hand, the CBN reported the fastest pace of growth in the production levels sub-index followed by new orders. Employment and raw material inventories recorded the slowest pace of growth in October. We expect PMI to remain in the expansion territory in the remaining months of 2018. This could reflect positively in the growth rate of the manufacturing sector in the coming quarters.

US sanctions on Iranian oil kick off November 4th

Following the withdrawal of the US from the Iran nuclear deal in May 2018, the Trump administration has officially reinstated all sanctions on Iran, which were removed in 2015. The sanctions are targeted at Iranian oil as well as banks, insurers, and international shipping companies doing business with Iran. Whilst analysts had expected oil prices to soar when the sanctions kick in, the oil market has been resilient to the sanctions. Brent oil lost approximately 5% to close the week of November 9th at \$69.85pb. President Trump has also announced the decision to grant sanction waivers to eight countries that import Iranian crude oil. Brent prices are currently at a 7-month low of \$65pb and is expected to remain volatile ahead of OPEC's December meeting.



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Social Corner

Prince Charles visits Nigeria

- The Prince of Wales, Prince Charles, and his wife, Camilla, ended their week-long West Africa tour with a visit to Nigeria from November 6-8.
- Earlier in the week, the couple visited Ghana and Gambia.
- During his visit to Nigeria, Prince Charles visited Abuja and Lagos. His visit to Jos was cancelled because of security concerns.
- The visit was aimed at engaging peace-building activities and addressing the persistent herdsman clashes in Nigeria. Prince Charles also urged the government to increase its environmental focus for the benefit of future generations.



2018 MTV Europe Music Awards

- The 2018 MTV Europe Music Awards (EMAs) held on November 4th 2018 at the Bizkaia Arena in Spain. The award ceremony was hosted by Hailee Steinfeld and featured live performances from Nicki Minaj, Janet Jackson, Halsey, Little Mix and more.
- American-Cuban singer, Camila Cabello, stole the show winning four awards. Other big winners of the night were Janet Jackson, Nicki Minaj and Cardi B.
- Nigerian singer, Tiwa Savage, also scored big at the ceremony winning the Best African Act award. This makes her the first

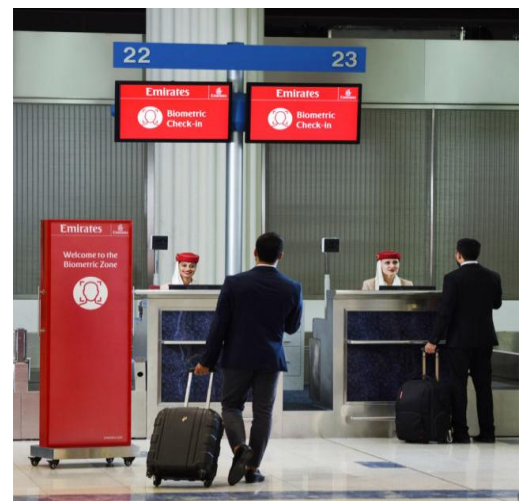


female to win this award at the EMAs. She beat other African artists including Nigeria's Davido, Congolese's Fally Ipupa, South Africa's Shekinah and Distruction Boyz, and Kenya's Nyashinski.

- The award winners include:
- Best African Act: **Tiwa Savage (Nigeria)**
Best Artist: **Camila Cabello**
Best Video: **Camila Cabello (Havana Ft. Young Thug)**
- Best Song: **Camila Cabello (Havana Ft. Young Thug)**
Best Pop: **Dua Lipa**
- Best New Artist: **Cardi B**
- Best Look: **Cardi B**
- Best Hip Hop: **Nicki Minaj**
- Best Live: **Shawn Mendes**
- Best Rock: **5 Seconds of Summer**
- Best Alternative: **Panic! At The Disco**
- Best Electronic: **Marshmello**
- Biggest Fans: **BTS**
- Best World Stage: **Alessia Cara (Mtv Spotlight @ Hyperplay, Singapore 2018)**
- Best Push: **Grace Vanderwaal (December 2017)**
Best US Act: **Camila Cabello**
- Best Canadian Act: **Shawn Mendes**
- Global Icon: **Janet Jackson**

Emirates launches world's first biometric path

- Emirates has launched the world's first biometric path at its hub in Dubai International Airport.
- The latest technology, which combines a mix of facial and iris recognition, is already available at select check-in counters and boarding gates in Terminal 3.
- The biometric path is currently targeted at First class and Business class passengers. However, once the internal tests are complete, Emirates is set to launch the biometric processing to other



key customer points, other airports and other travel classes.

2018 Guaranty Trust Bank (GTB) Fashion Weekend

- The third edition of the annual GTBank Fashion Weekend held between November 10-11 in Victoria Island, Lagos. The two-day event was a gathering of fashion enthusiasts as well as local fashion businesses.
- Fashion designers from all over the world were also showcased at the event. Amongst the designers in attendance were Lanre Da Silva (Nigeria), Ituen Basi (Nigeria), Taiabo Bacar (Mozambique), Gert-Johan Coetzee (South Africa), David Tlale (South Africa) amongst others.



Stan Lee, comic book legend, dies at 95

- American comic book writer and publisher Stan Lee died on November 12. He was aged 95 years.
- Stan Lee, the co-creator of Marvel Studios, was best known for bringing Marvel superheroes including Spider man, Thor, X-Men, to life via comics, TV shows and movies.
- Lee with the help of comic book artists such as Jack Kirby, Steve Ditko and others, took Marvel Comics to the world's No. 1 publisher of comic books.
- Stan Lee was married to Joan Boocock Lee until her death in July 2017. They were married for 69 years and had two children.



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Top Stories

Oil production declines to 1.75mbpd in October

- According to OPEC's monthly report, Nigeria's oil production declined to 1.75mbpd in October. This was 1.13% lower than the revised figure of 1.77mbpd in September.
- Nigerian National Petroleum Corporation (NNPC) has disclosed its plan to boost oil output to at least 1.8mbpd (excluding condensates) in 2019.
- Meanwhile, in the global oil market, Saudi Arabia has pledged to cut production by 500,000 barrels per day in December 2018.

Analysis & Outlook

Nigeria currently has a production cap of 1.8mbpd by OPEC. This means that production in October was 2.78% lower than the quota. Nigeria's oil proceeds remains more sensitive to production changes than price changes. However, with the decline in oil production coinciding with the slide in the price of Brent oil, Nigeria's oil receipts would be vulnerable in the coming months.

Purchasing Managers Index up 5.21% to 56.5 in October

- According to FBN, PMI increased by 5.21% to 56.5 in October from 53.7 in September. The CBN's reading also increased from 56.2 in September to 56.8 in October.
- The CBN's reading showed that production levels grew at the fastest pace followed by new orders. On the other hand, the level of employment and raw material inventories expanded at the slowest pace in October.
- FBN reported that four of the five sub-indices were in positive territory in October. The employment sub-index remained the weakest reading.

Analysis & Outlook

FBN's October PMI is a seven-month high. The increase in the PMI is indicative of improved activities in the manufacturing sector and could reflect positively in the sectors growth rate in the coming quarters. However, we expect the PMI to slow down in the approaching New Year due to a lull in activities following the Christmas blues.

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Business Update

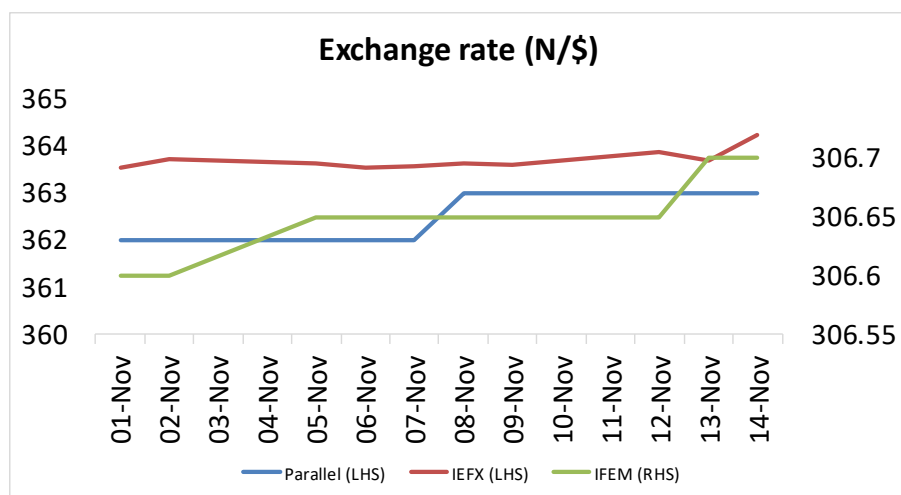
(Review Period: November 1st – 14th, 2018)

The Forex Market

At the parallel market, the naira traded flat against the US dollar at N362/\$ for the first five days before retreating to close at N363/\$. On the other hand, the naira appreciated by 0.43% against the pound sterling to close at N470/£ on November 14th from N472/£ on November 1st. The naira traded flat against the euro at N412/€.

At the interbank foreign exchange market, the naira depreciated marginally by 0.03% to close the period at N306.70/\$, from N306.60/\$ on November 1st. In the same vein, the naira depreciated at the IEFX window by 0.19% to close at N364.24/\$ from N363.54/\$ on November 1st. Total forex traded in the IEFX window was \$1.59bn compared to turnover of \$1.97bn in the corresponding period in October. Total CBN intervention in the forex market during the review period was \$757.16mn. This was 0.40% higher than its intervention of \$754.15mn in the corresponding period in October.

In addition, the level of Nigeria's gross external reserves decreased by 0.67% (down \$280mn) to \$41.67bn as at November 13th from \$41.95bn on November 1st. Subsequently, Nigeria's import cover declined from 10.44 months to 10.37 months at the end of the review period.

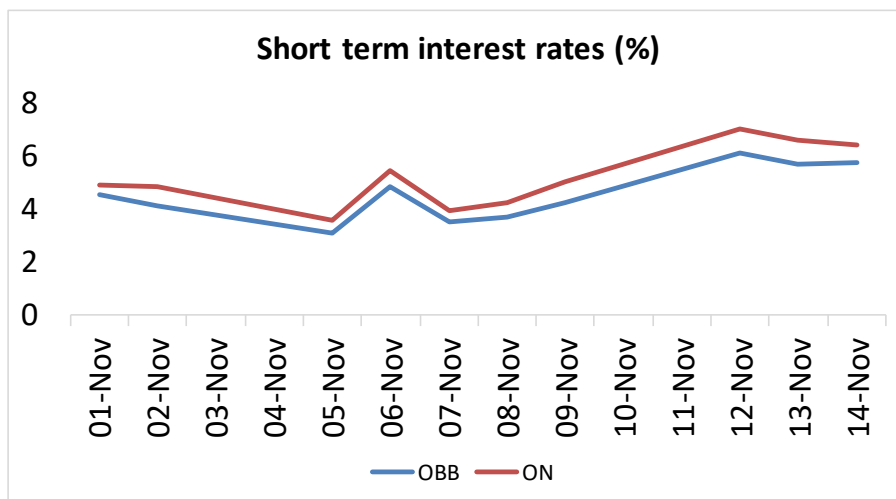


SOURCE: FDC Think Tank, CBN, FMDQ

The Money Market

Short-term interest rates (OBB and ON) increased by 125bps and 150bps during the review period to close at 5.75% and 6.42% respectively. Total OMO sale during the period was N1.20trn compared to maturities of N397.24bn. This resulted in a net outflow of N802.76bn. Average opening position of the banking system during the period was positive at N599.20bn compared to N279.02bn in the corresponding period in October. At the last primary market auction on November 14th, the 91-day and 182-day T/Bills tenors declined by an average 18bps to 10.95% pa and 13.16% pa respectively. On the other hand, 364-day tenor increased by 5bps to 14.45% pa. At the secondary market, 91-day, 182-day and 364-day tenors increased by an average of 47bps to 13.02% pa, 12.74% pa and 14.43% pa respectively. As at November 13th, the Nigerian Inter-Bank Treasury bill True Yield (NITTY) rates were 10.90% pa (30-day), 13.17% pa (90-day) and 13.35% pa (180-day).

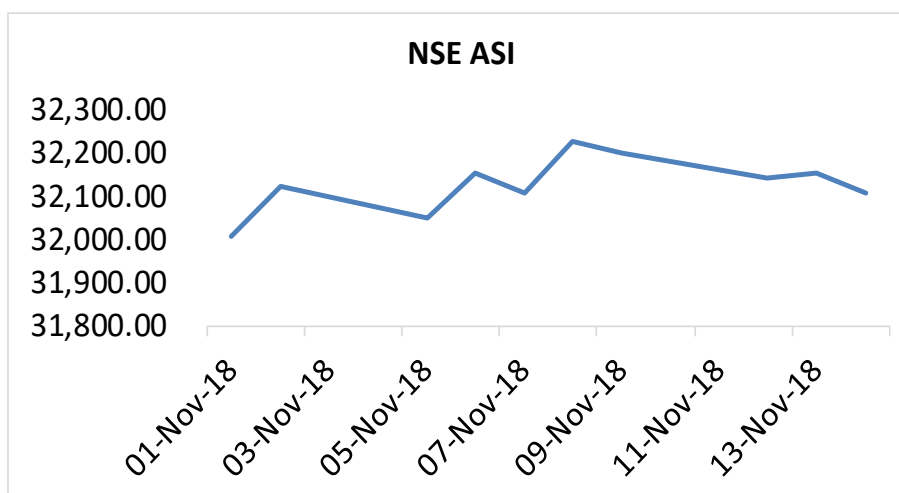
Tenor	Secondary market rates as at November 1 st 2018 (%)	Secondary market rates as at November 14 th 2018 (%)	% change	Primary market rates as at October 31 st 2018 (%)	Primary market rates as at November 14 th 2018 (%)	% change
91-day	12.02	13.02	1.00	10.98	10.95	-0.03
182-day	12.54	12.74	0.20	13.49	13.16	-0.33
364-day	14.22	14.43	0.21	14.40	14.45	0.05



SOURCE: FMDQ, CBN

The Stock Market

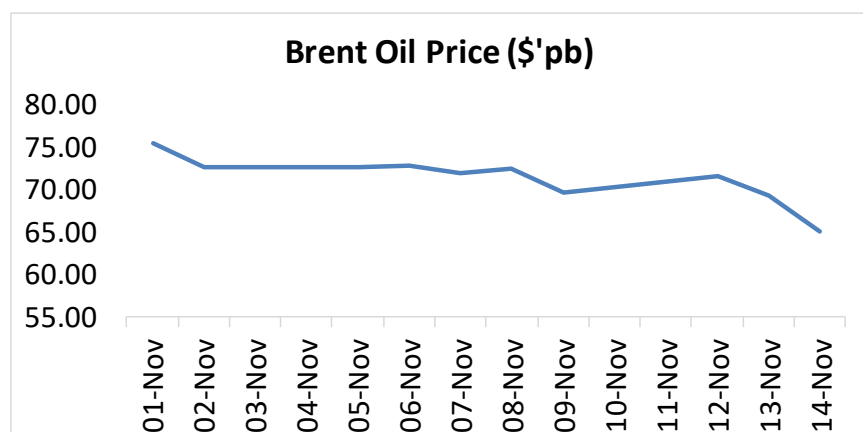
The Nigerian Stock Exchange All Share Index (NSE ASI) gained 0.32% to close at 32,108.92pts on November 14th from 32,006.65pts on November 1st. Total market capitalization also gained 0.34% to close at N11.72trn compared to N11.68trn on November 1st. During the review period, there were 6 negative days and 4 positive days.



SOURCE: NSE

The Commodities Market

- Brent crude down 9.63% to \$65.87pb on November 14th from \$72.89pb on November 1st.
 - Driven by weak global demand growth forecast in 2019.
- Natural gas increased by 25.3% to close at \$4.06/mmmbtu from \$3.24/mmmbtu on November 1st.
 - On the back of strong global demand.
- Corn prices declined by 0.27% to \$3.66/bushel from \$3.67/bushel on November 1st.
 - Suppressed by projections of a surge in Chinese corn stocks.
- Wheat prices gained 0.59% to \$5.11/bushel from \$5.08/bushel at the start of the review period.
 - Despite reports of robust US wheat output.
- Sugar prices declined by 4.09% to \$0.1265/pound on November 14th from \$0.1319/pound on November 1st.
 - Amidst projections of a surge in Indian sugar exports.
- Cocoa prices fell by 1.97% to close the period at \$ 2,242/mt from \$2,287/mt.
 - On robust Ivory Coast output.



SOURCE: Bloomberg, EIA, Newsnow

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Lifestyle



4 Things Every Business Must Know About Generation Z- Culled From Forbes!

Move over, millennials; Generation Z is taking center stage. Born between 1995 and 2012, Generation Z makes up one-fourth of the U.S. population, or nearly 73 million people. By 2020 (that's less than 18 months away), Generation Z will account for 40% of all U.S. consumers. Are you ready to market to these important customers?

Generation Z: Unique and Powerful, a new report by MNI, has some useful insights into this up-and-coming generation. Here is what you need to know.

1. Generation Z is easily influenced by peers

What to know: Members of Generation Z check social media as much as 100 times a day. More than half of survey respondents have given someone their social media handle instead of a phone number as a way to keep in touch. This reliance on social media means that rather than celebrities or advertisements, they turn to real people for input on what to buy. Whether that's a YouTube influencer or their friends in real life, they care more about the opinions of their peers than what the "experts" have to say.

¹ <https://www.forbes.com/sites/allbusiness/2018/10/20/4-things-every-business-must-know-about-generation-z/#7a25df5a2c84>

What to do: No matter what you sell, if you want to attract Generation Z, you absolutely must have a robust social media presence. Twitter, Instagram, Snapchat, and Facebook are all important social media channels for Generation Z. As a business owner, you must tailor your content to each specific social network. Don't share the same content on Facebook that you do on Instagram. Generation Z consumers use different social channels for different purposes.

2. Generation Z is socially conscious

What to know: Generation Z consumers aren't shy about using their mobile wallets to show their support for businesses that share their values and views. More than half of survey respondents said knowing that a brand is socially conscious has an influence on what they decide to buy.

What to do: Contributing to charities that Generation Z cares about, giving back to the community, being environmentally responsible, or taking a stand on important social issues are all ways to build clout with this generation. However, it's vital that your socially responsible actions also be authentic. Don't try to fake it—Generation Z can smell that a mile away.

3. Generation Z is very cost-conscious

What to know: Almost three-fourths (72%) of Generation Z consumers say that cost is the most important factor when making a purchase. There are several reasons for this: They're just starting out in life, and not yet at peak earning power.

What to do: Accept that your Generation Z consumers will always look for a lower price, unless you show them why your products and services are worth a higher one. Do you sell something unique? Is it ethically made? Is it an "affordable luxury" that will last for a long time, or a once-in-a-lifetime experience? Because "fear of missing out" (or FOMO) is a motivator for many Generation Z shoppers, limited-time offers can be extremely effective with these customers.

4. Generation Z likes to be part of your marketing

What to know: Generation Z consumers rely on content shared by their peers when deciding what to buy—and they think of themselves, too, as having important opinions to add to the discussion.

What to do: Provide plenty of opportunities for Generation Z customers to share their thoughts. Engage them on social media by asking for photos, videos, or other content. Do quick, informal customer surveys to see what they think. Last, but not least, encourage them to review your business online. The more user-generated content your Gen Z customers create around your brand, the more Generation Z prospects you'll attract.

They may be young, but Generation Z consumers already control almost \$44 billion in discretionary spending. Follow these tips, and some of that spending could come your way.





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