

Unity Bank Digest

December 18th, 2018



The Highlights

Inflation inches up to 11.28% in November

Headline inflation inched up by 0.02% to 11.28% in November. The average rate of inflation in 2018 is now at 12.21%. The increase in headline inflation was driven partly by a boost in consumer demand ahead of the festive season. Commodity prices such as rice increased by 6.5% to N16,500 (50kg) while beans inched up by 1.9% to N26,500 (50kg) within the review period. In line with headline inflation, month-on-month inflation also increased from 0.74% (9.27% annualized) to 0.8% (10.02% annualized). This was also spurred by higher food prices, especially frozen foods and grains. The sub-indices of headline inflation (food and core) recorded a mixed movement in November. Food inflation increased to 13.30% from 13.28% in the previous month while core inflation (inflation less seasonality) declined to 9.8% in November from 9.9% in October. A state-by-state analysis shows that Kwara state (8.74%) lost its place as the best performing state to Cross River (8.72%). On the other hand, states with the highest inflation rates were Rivers (13.09%), Taraba (12.99%) and Ekiti (12.7%). We expect a further increase in headline inflation in December following an increase in consumer demand ahead of the festive celebrations and election related spending. In January, we typically see a drop as parents pay school fees.

Minimum wage negotiation update

After months of review, Nigeria's minimum wage negotiation remains deadlocked as parties involved have failed to reach an agreement. The Tripartite Committee had earlier recommended a revision of the minimum wage to N30,000 from N18,000. However, state governments rejected the offer and threatened to lay off its workers. The latest update in the negotiation process is the demand from Labour Unions for the inclusion of the proposed N30,000 minimum wage in the 2019 budget. An upward review would increase naira liquidity which in turn would push up commodity prices.

Gross Domestic Product (GDP) expands by 0.31% to 1.81% in Q3'18

Nigeria's real GDP growth expanded to 1.81% in Q3'18, 0.31% higher than Q2's growth of 1.5%. This improvement was driven by the services sectors and a boost in agricultural output. In the review quarter, oil sector growth improved to -2.91%, owing to an increase in oil production and higher oil prices. The non-oil sector also recorded an improvement in its growth rate to 2.32% from 2.04% in Q2'18. A further breakdown of the report shows that telecommunications (14.97%), ICT (12.09%), manufacturing (1.92%) and agriculture (1.91%) were amongst the fastest growing sectors within the review period. On the other hand, interest rate sensitive sectors such as finance & insurance (-4.81%), real estate (-2.68%), education (-0.42%) and industries (-0.11%) recorded negative growth rates. We expect a further expansion in the real GDP growth rate in Q4'18 on the back of increased aggregate demand.

Nigeria's trade surplus falls sharply by 71% to N681.27bn in Q3'18

Nigeria's trade surplus (the difference between exports and imports) declined by 71.13% to N681.27bn (\$1.86bn) in Q3'18. The sharp decline was attributed primarily to a spike of 73.8% in the import bill to N4.17trn (\$11.46bn). If this trend continues, the annual import bill will spike to \$62bn. In the same vein, Nigeria's export revenue increased to N4.85trn (\$13.3bn), albeit at a slower pace. Reduction in the revenue generated from exported agricultural goods, solid minerals and energy goods was responsible for the slowdown in Q3'18.

Within the review quarter, Nigeria's key export trading partners were India (15.76%), Spain (10.76%), France (10.31%), South Africa (6.91%) and Netherlands (5.69%). On the other hand, its major suppliers were South Korea (29.11%), China (14.17%), Netherlands (11.58%), Belgium (6.99%) and United States (5.37%). The sharp fall in Nigeria's trade surplus is an indication that external imbalances are worsening. A lower trade surplus could have a negative impact on external reserves accretion and naira stability in the near term.

Capital importation flows into Nigeria down 48.21% to \$2.86bn in Q3'18

Capital importation into Nigeria fell by 48.21% to \$2.8bn in Q3'18. Total capital imported consists of three categories- Portfolio investment, which accounted for 60.5%

of capital inflows (\$1.72bn), 'Other Investment' accounted for 21.07% (\$601.5mn) and Foreign Direct Investment accounted for 18.58% (\$530.63mn). On a country-by-country basis, Nigeria received the highest inflows from the United States (\$911.3mn) followed by United Kingdom (\$871.1mn), South Africa (\$153.7mn) and Belgium (\$144.8mn). The significant decline in capital flows into Nigeria is reflective of jittery investors following the MTN saga as well as heightened political tensions. FDI remained the lowest component of capital inflows into Nigeria in Q3'18. Investment, a key component of economic growth, is a needed stimulus for the various sectors in Nigeria.

Qatar to pull out of OPEC effective January 1, 2019

Qatar has announced its plan to pull out of OPEC effective January 1, 2019. This decision comes after a nearly 60-year membership. According to the country's state oil company, Qatar Petroleum, Qatar is shifting focus to its natural gas production. The country produces approximately 660,000bpd. Therefore, its exit from the oil cartel is unlikely to have a significant impact on global oil supply, as the country is a fringe producer. However, Qatar's plan to focus on natural gas production could boost global gas supply and push down prices in the long term. In addition, Nigeria's natural gas market share would also be threatened due to the boost in Qatar's output. Nigeria is currently the 4th largest producer of gas.

Nigeria included in OPEC's output cut of 1.2mbpd, effective January 2019

At its just concluded bi-annual meeting in Austria, OPEC and its allies agreed to cut global oil supply by at least 1.2mbpd effective January 2019. OPEC will reduce its output by 800,000bpd while Russia and other non-member countries will cut their production by 400,000bpd. In spite of this, analysts remain concerned about the impact of an economic slowdown in oil importing countries on global oil prices. Meanwhile, Nigeria is likely to cut at least 40,000bpd as its contribution. We expect the decline in global output to prop up prices in the near term. This would help to mitigate the impact of the production cut on oil revenues.

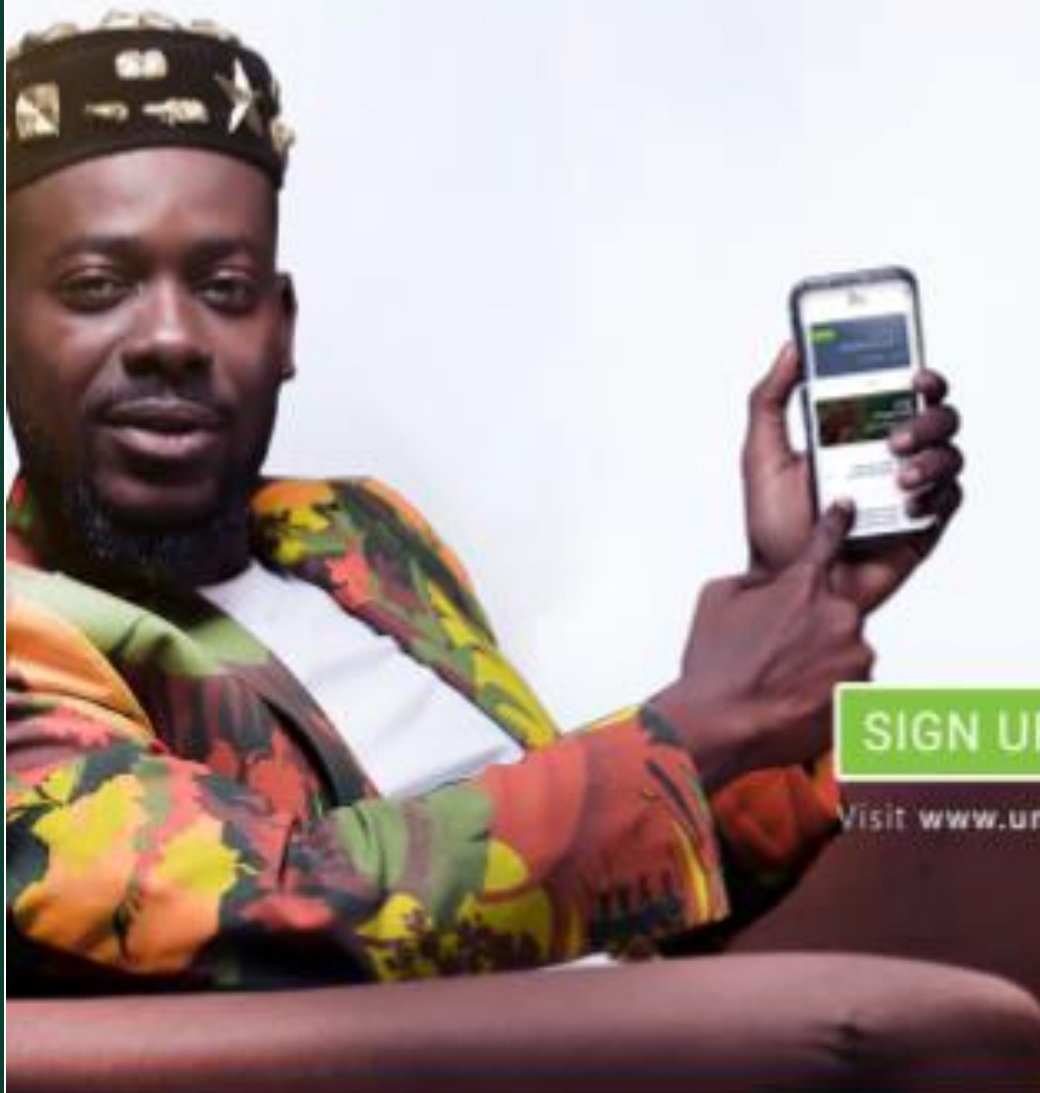
CBN includes fertilizer on the list of 41 items banned from accessing forex at the official market

The CBN has announced the inclusion of fertilizer on its list of 41 items banned from accessing forex at the official market. This comes three years after the apex bank introduced the ban. Meanwhile, the CBN has also re-iterated its commitment to

increasing the compliance level to this policy. The apex bank in collaboration with the Economic and Financial Crimes Commission (EFCC) would commence an investigation into corporates and entities who have failed to comply with the policy. The CBN is expected to include more items to encourage local production.



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Social Corner

Uber launches its first bus service in Egypt

- Uber launched a new minibus service in Egypt, as part of its expansion imprints on public transport, making Egypt the first country to receive the service globally.
- This new ride-sharing service allows passengers to request for Uber buses through its app, after which they are matched with other riders on the most suitable route.
- Uber's decision to launch the bus option is to improve its services in Egypt. Egypt is one of Uber's fastest growing markets, with over 150,000 Uber drivers in 2017 alone.



Nigeria's Super Falcons win AWCON for the 9th Time

- Nigeria's Super Falcons retained their title as the champions of the Africa Women Cup of Nations (AWCON) after defeating South Africa's Banyana Banyana 4-3 on penalties.
- This is the 9th time the Falcons will win the trophy and they are qualified to represent Africa at the FIFA Women's World Cup in France.
- Other African teams that made it to the top ten in the continent include Equatorial Guinea, Morocco, Algeria, Mali, and Senegal.



George H. W. Bush dies at 94

- George Herbert Walker Bush, the 41st President of the United States of America and the nation's oldest living former president, died on Friday 30 November 2018, at the age of 94.
- The senior Bush had a lifetime of public service before he became president — as a young Navy pilot in World War II, Texas congressman, CIA Director and vice president to Ronald Reagan.
- President Donald Trump declared December 5th a national day of mourning, in keeping the longstanding tradition.



Netflix Launches its First African Series

- On November 10th, streaming giant Netflix announced that it will launch the platform's first original series made in Africa in 2019, titled "Queen Sono".
- Queen Sono is a drama that centres on a female secret agent that fights crime to improve the lives of South Africa's citizens and at the same time dealing with difficult issues in her personal life.
- The spy dramedy, which is set in South Africa, will star Quantico actress Pearl Thusi and will debut next year.



Bobby Brown, Bell Biv Devoe to perform at Flytime festival

- Flytime Promotions has announced that the American R&B/Pop singer and former husband of the late Whitney Houston, Bobby Brown as well as Bell Biv Devoe, will be performing on the 22nd of December at its music festival. The

music festival will hold between 21st – 23rd December at Eko Convention Centre, Lagos.

- The 3-day music festival will feature artists such as Tiwa Savage, Olamide, DJ Cuppy, Davido, Duncan Mighty, Burna Boy and D'banj.

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Nigeria's trade surplus falls sharply by 71% to N681.27bn in Q3'18

- Nigeria's trade surplus declined to N681.27bn (\$1.86bn) in Q3'18 from N2.36trn (\$6.48bn) in Q2'18. Total trade within the year is now at N23.14trn.
- A spike of 73.8% in its import bill to N4.17trn (\$11.46bn) reduced the Nigeria's trade surplus. Export revenue also increased albeit at a slower pace by 7.8% to N4.85trn (\$13.32bn).
- Nigeria's trading partners remained the same within the quarter. Key markets were India, Spain, France, South Africa and Netherlands while its major suppliers were South Korea, China, Netherlands, Belgium and United States.

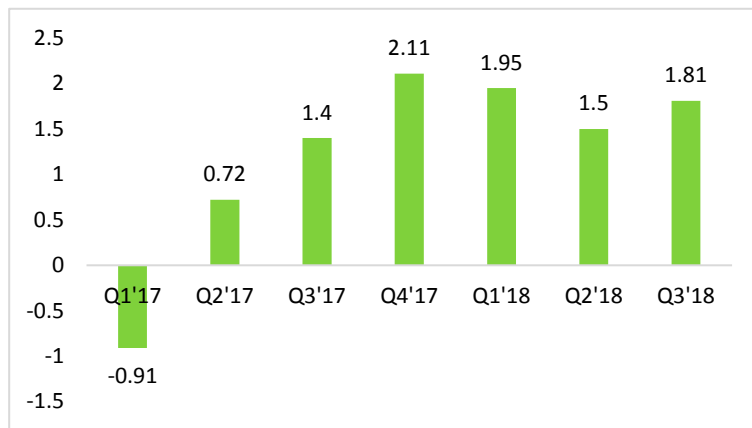
Analysis & Outlook

The sharp decline in Nigeria's trade balance is reflective of rising external imbalances and Nigeria's increased vulnerabilities to external shocks. A lower trade surplus would have a negative impact on external reserves accretion, weighing on the CBN's ability to defend the naira.

Gross Domestic Product (GDP) expands to 1.81% in Q3'18

- In Q3'18, Nigeria's GDP expanded by 0.31% to 1.81% due to a boost in agricultural output and oil production.
- Within the review quarter, oil sector growth improved but still contracted. It increased to -2.91% from -3.95% in the preceding quarter. In the same vein, the non-oil sector growth also improved to 2.32% from 2.04% in Q2'18.
- On a sector-by-sector basis, the fastest growing sectors within the quarter were electricity (18.27%), telecommunications (14.97%), ICT (12.09%), manufacturing (1.92%) and agriculture (1.91%). On the other hand, contracting sectors were finance & insurance (-4.81%), real estate (-2.68%), education (-0.42%) and industries (-0.11%).

Nigeria's GDP growth rate



1

Analysis & Outlook

Average GDP growth rate in 2018 is 1.75%. This implies that Nigeria will need to grow by at least 2.4% to achieve the IMF's projection of 1.9% for 2018. We expect a further expansion in real GDP in Q4'18. This is on the back of increased aggregate demand associated with the festive season.

¹ NBS

Business Update

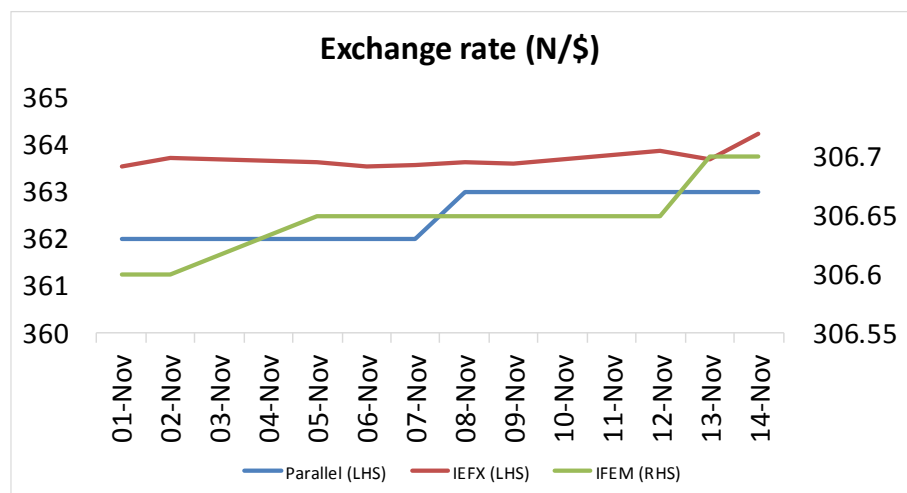
(Review Period: December 3rd – 14th, 2018)

The Forex Market

At the parallel market, the naira appreciated by 1.64% against the US dollar to close at N364/\$ on December 14th from N370/\$ on December 3rd. This comes after the naira depreciated to an 18-month low of N374/\$ in the previous period. This was partly driven by increased speculative demand. The naira also appreciated by 1.07% and 0.73% against the pound sterling and euro to close at N467/£ and N412/€ on December 14th from N472/£ and N415/€ on December 3rd.

At the IEFX window, the naira depreciated by 0.34% to close the period at N365.23/\$, from N364.00/\$ on December 3rd. Furthermore, the naira marginally depreciated at the interbank foreign exchange market by 0.02% to close at N306.90/\$ from N306.85/\$ on December 3rd. Total forex traded in the IEFX window for the review period was \$2.91bn compared to turnover of \$1.59bn in the corresponding period in November. Total CBN intervention in the forex market during the review period was \$420.02mn. This was 60.93% lower than its intervention of \$1.08bn in the corresponding period in November.

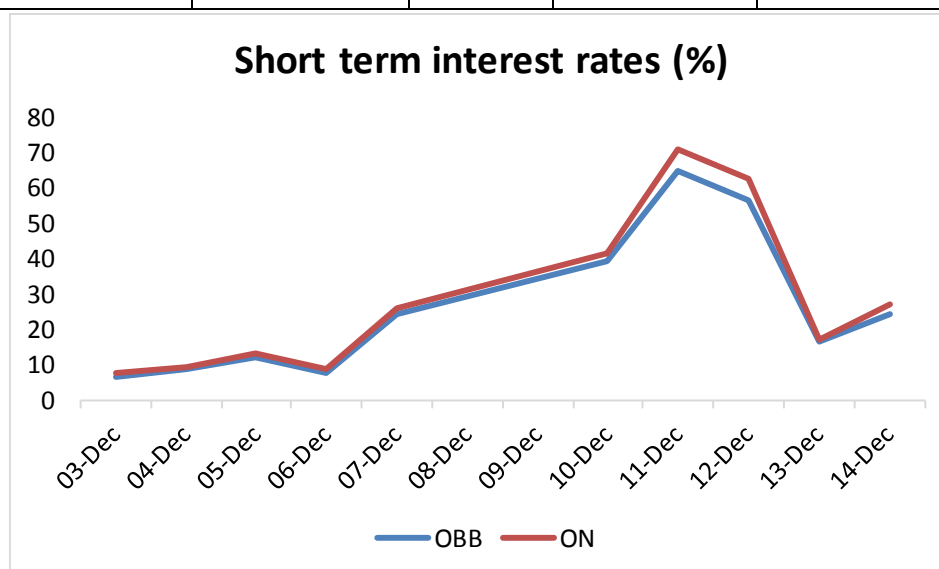
The naira is projected to come under increased speculative demand ahead of the elections in February 2019. This could result to a depreciation of the currency to N390/\$ at the parallel market.



The Money Market

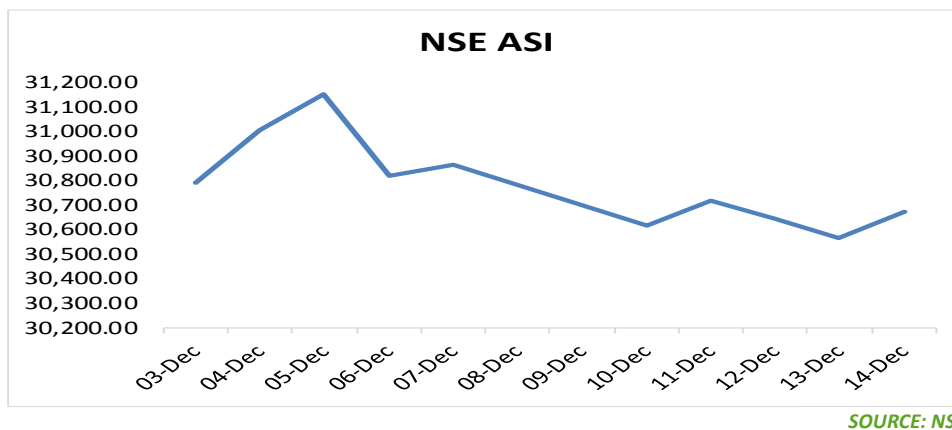
Short-term interest rates (OBB and ON) spiked sharply to 56.67% and 62.5% on December 12th before retreating to close at 24.57% and 27.21%. Total OMO sale during the period was N1.26trn compared to maturities of N1.18trn. This resulted in a net outflow of N80bn. Average opening position of the banking system during the period was positive at N135.89bn compared to N582.56bn in the corresponding period in November. At the last primary market auction on November 28th, the 91-day and 182-day T/Bills tenors declined by an average 6bps to 10.90% pa and 13.10% pa respectively. On the other hand, 364-day tenor closed flat at 14.45% pa. At the secondary market, 91-day, 182-day and 364-day tenors increased by an average of 47bps to 13.81% pa, 13.50% pa and 14.77% pa respectively. As at December 13th, the Nigerian Inter-Bank Treasury bill True Yield (NITTY) rates were 15.01% pa (30-day), 14.55% pa (90-day) and 14.29% pa (180-day).

Tenor	Secondary market rates as at December 3 rd 2018 (%)	Secondary market rates as at December 14 th 2018 (%)	% change	Primary market rates as at November 14 th 2018 (%)	Primary market rates as at November 28 th 2018 (%)	% change
91-day	13.54	13.81	0.27	10.95	10.90	-0.05
182-day	12.50	13.50	1.00	13.16	13.10	-0.06
364-day	14.63	14.77	0.14	14.45	14.45	0.00



The Stock Market

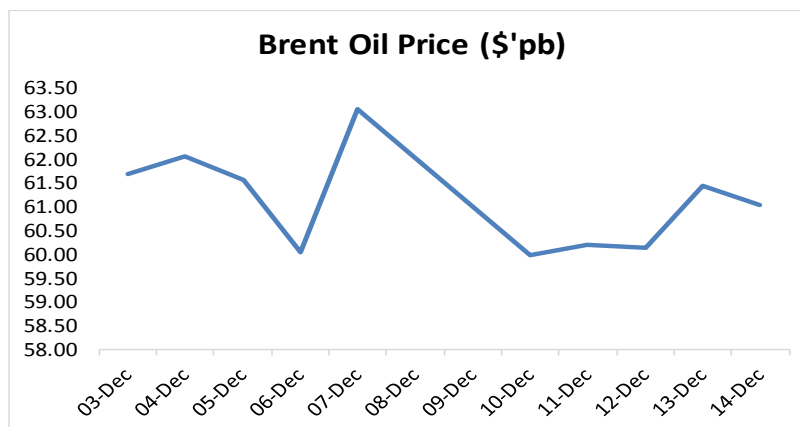
The Nigerian Stock Exchange All Share Index (NSE ASI) lost 0.38% to close at 30,672.79pts on December 14th from 30,789.76pts on December 3rd. In the same vein, total market capitalization also declined by 0.36% to close at N11.20trn compared to N11.24trn on December 3rd. During the review period, there were 5 negative days and 5 positive days.



The Commodities Market

- Brent crude down 1.05% to \$61.04pb on December 14th from \$61.69pb on December 3rd.
 - Driven by weak global demand growth forecast in 2019.
 - **Implications:** Lower oil price would reduce Nigeria's quarterly oil revenue, which would reduce FAAC disbursements and lead to salary backlogs across the Federation.
- Natural gas declined by 8.76% to close at \$3.96/mmbtu from \$4.34/mmbtu on December 3rd.
 - Despite reports of a decline in US natural gas inventories.
 - **Implications:** Natural gas accounts for 12.6% of Nigeria's total export revenue. A decline in price would reduce its export revenue significantly.
- Corn prices increased by 0.52% to \$3.84/bushel from \$3.82/bushel on December 3rd.
 - Amidst easing of trade tensions between US and China.
 - **Implications:** An increase in corn price would increase Nigeria's import bill.

- Wheat prices gained 2.11% to \$5.32/bushel from \$5.21/bushel at the start of the review period.
 - On forecasts of a decline in Australian 2018/2019 wheat output.
 - **Implications:** An increase in global wheat price could result in an increase in imported inflation and subsequently push up the local price of wheat dependent commodities such as bread.
- Sugar prices fell by 1.47% to \$0.1272/pound on December 14th from \$0.1291/pound on December 3rd
 - On weak global demand.
 - **Implications:** Nigeria is currently the largest importer of sugar in SSA, spending \$100mn on its imports annually. The decline in sugar price is positive for Nigeria's import bill.
- Cocoa prices fell by 1.50% to close the period at \$ 2,236/mt from \$2,203/mt.
 - Despite strong global chocolate demand.
 - **Implications:** Nigeria currently accounts for 4.5% of global cocoa output. Any drop in global cocoa price will reflect negatively in Nigeria's export revenue.



SOURCE: Bloomberg, EIA, Newsnow

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SCAN TO OPEN



9 Top Ideas for Christmas Gifts That Will Be Forever Remembered- Culled from Forbes²

The countdown has already started, and Christmas is just around the corner. Time for slowing down, evaluate the year and getting warm. Time for family, friends, and catch-ups. Time for hand-made markets, warm wine, Champaign, and sweets. Time for the Christmas tree and carols around the fireplace. Time for kids. Time for dreams. Time for wishes. Time for gifts!

1. The memories notebook

Take an evening to go through all those pictures abandoned in your old smartphone and select the ones that marked a before and after or represent special moments. If you are having such a great time going through them, be sure that the person is going to receive them will probably feel the same way. Old times were good! You can buy or craft an original notebook, ideally pocket size and glue the printed photos in chronological order. Do not forget to add short sentences describing why these moments were unique and how much they meant to you. If the heart is missing someone but it feels like healed enough, creating the notebook around the memories of this person could be an excellent opportunity to show how important it is still on our lives.

²<https://www.forbes.com/sites/palomacanterogomez/2018/12/13/9-top-ideas-for-christmas-gifts-that-will-be-forever-remembered/#cbd5f735c536>

2. The best moments of the year teaser

If you are not afraid of new technologies, use the classic 'Movie Maker' or 'iMovie' to design a cool short video of the most significant moments of the year. It is always very impactful to do it around special events that have taken place over the past 365 days, such as a wedding, a baby birth, and special anniversary or dream trip. Keep it in several places, so there is no risk to lose it over time. If this Christmas it already has a great value, imagine how it would be in 10 years from now.



3. Family calendar

If you are not living close to the love ones, designing a calendar for the year to come with family pictures and dates of birthdays, name days and special events is a must. For those creative ones, it can be entirely handmade. If there is a shortage of time or creativity, there are plenty of online shops that offer different templates and designs and ship it home on time.

4. The so much expected promise

You will know when the time will come! Sometimes, the best thing we can grant to people around us with is the firm promise of a definite change of attitude, habit or disposition. If quitting from smoking or an absorbing job that is not leaving space for anybody, is everything that those around you are expecting for, maybe Christmas is the right time to let it go! There are plenty of little things that could fall into this gift category. If it is right for you and it is good for them, may is worth trying.

5. Time

We could buy it all, but we would never have the time to enjoy it. As almost everybody, you are also probably running always out of time. Time is something we struggle for and has thus an infinite value. This Christmas, give your time away! Take your little brother to the cinema. Invite your grandma for a hot chocolate in her favorite place. Help your father to clean the garage. For the first time in your life, help your mother to bake these cookies that you so much like. Go to the cemetery to put

some flowers on the grave of those who already passed away. Enjoying your money is so much overuse. This time, let them enjoy your presence!

6. The unexpected visit

This is the perfect gift for those people that have a unique role in your life, but you do not have the opportunity to visit often. Take the car or the plane and surprise them joining for lunch. They are not calling you every day but they bring you always close to their hearts. Time to show that they are important enough as to make the logistical effort.

7. The forgiveness word

There is no time of the year when we should go to bed with an unresolved personal argument. Family, as any other human structure or relationship should be a place for harmony and support. But especially Christmas is the most appropriate time to say sorry to those we owe it, to tend our hands and smooth situations making sure that we pay all our emotional debts and start over. An owe forgiveness word that it is not expected could be your best card to play.

8. Catering for Christmas Eve

We always gather around a table. There is no good share if it is not happening over a well prepared hot meal. And we all love these special moments together. Some people cook to make them happen. Others clean the dishes and others just dress up nicely and get ready to enjoy. If you are part of this third type, plan to surprise the main organizers with a ready to serve catering for Christmas Eve! We all know how much love is put into cooking for these special moments of reunion. But sometimes we will all wish to have things ready to just chill out and invest time talking around.

9. Ask her to say yes

Marriage is not something to be taken lightly. But if you have it bright and love is in the air, think how beautiful the ring will look like close to the Christmas tree. Good luck!



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