

Unity Bank Digest

May 22nd, 2019



The Highlights

MPC maintains status quo on monetary policy parameters

At its third meeting of the year, the MPC maintained status quo on all monetary policy parameters. This means that Monetary Policy Rate (MPR) remains at 13.5% pa, Cash Reserve Ratio at 22.5% pa, Liquidity Ratio at 30% pa and Asymmetric Corridor at +200/-500 bps. The global and domestic decision drivers of the Committee include continued trade tensions in the global economy, volatility in the oil market as well as domestic inflationary pressures. In addition, the CBN Governor, Godwin Emefiele, expressed concerns about the amount of Treasury Bills banks are allowed to buy or hold in their balance sheets. Banks were persuaded to increase their total private sector lending in order to boost growth and create employment. We expect the impact of the MPC's accommodative stance to manifest before its next meeting on July 22/23.

Gross Domestic Product (GDP) slows to 2.01% in Q1'19

According to the National Bureau of Statistics (NBS), Nigeria's real GDP growth declined by 0.37% to 2.01% in Q1'19 from 2.38% in Q4'18. Despite the slowdown in Q1'19 GDP, it is the strongest first quarter growth in the last three years. The quarter-on-quarter decline could be attributed to the typical lull in economic activities in the first quarter.

Both oil and non-oil sectors recorded a decline in GDP growth in Q1'19. The oil sector contracted by 0.78% (quarter-on-quarter) to -2.4% and the non-oil sector also declined by 0.23% to 2.47%. The slowdown in the non-oil sector's growth could be attributed to the decline in the ICT sector growth to 9.48% (the first slowdown in the last four quarters). Although, the non-oil sector remains the main driver of GDP growth, its contribution to Q1'19 GDP growth rate declined to 90.86% from 92.94% in Q4'18 while the oil sector's contribution expanded to 9.14% from 7.06% in Q4'18.

The NBS also released the GDP numbers for 22 states from 2013 to 2017. The combined nominal GDP of these states stood at N63.8trn in 2017, 42.89% higher than N44.65trn in

2013. The GDP numbers reveals that the economy is in dire need of fiscal stimulus. However, the signing of the minimum wage would boost consumers' disposable income and increase aggregate demand. In addition, the signing of the 2019 budget by the president would boost economic activities.

Headline inflation increased to 11.37% in April

Headline inflation in April increased by 12bps to 11.37% (year-on-year) from 11.25% in March. This is the first increase in 2019 and it brings the CBN farther from its target range of 6%-9%. The rise in inflation rate could be attributed to higher food inflation driven by the planting season effects. In the same vein, month-on-month inflation, a better reflection of market reality prices, increased to 0.94% (annualized at 11.85%) from 0.79% (annualized at 9.84%). This was driven largely by an increase in the prices of some commodities such as meat, fish, fruits, vegetables and tubers. All sub-indices with the exception of core inflation increased.

We expect the planting season shortages and Ramadan fast to push up commodity prices in May. Hence, headline inflation is likely to continue its upward trend.

China retaliates with higher tariffs on US goods as the trade war heightens

China has responded to US tariffs by raising its tariffs on \$60 billion worth of US goods, starting June 1. The affected US goods include peanuts, sugar, wheat, chicken and turkey. This came after president Trump increased tariffs to 25% on \$200 billion of Chinese goods. He also threatened to impose additional levies on virtually everything China exports to the US. The tariff hike escalated after US and China met on May 10 to avoid higher tariffs and end the trade dispute between the world's largest economies. These taxes will spike the prices of consumer products, such as seafood and electronics that are imported from Beijing.

Jumia's share price dropped

Jumia Technologies was the first African technology company to list on the New York Stock Exchange (NYSE). Its share price fell by 47.86% to \$24.50 per share from its peak of \$46.99 per share on May 1. However, at \$24.50 its price per share is still 68.97% higher than the initial public offering of \$14.50 per share on April 12. The company's market cap is around \$2.53 billion.

Buhari nominates Emeziele for a second term

President Buhari has nominated the Governor of the Central Bank of Nigeria (CBN), Godwin Emeziele, for a second term. It is the first time since the return to democracy in 1999 that a CBN governor has been nominated to serve two terms. The reappointment is however subject to Senate confirmation. During Emeziele's first tenure, he introduced various intervention schemes to ensure price and exchange rate stability. He is expected to continue with similar objectives in his second term.

Oil prices slide below \$70 per barrel

Oil prices plunged to \$69.57 per barrel on May 7, after climbing to a five-month high of \$74.57 per barrel in April. The sharp drop in prices can be attributed to an increase in US shale inventory and the escalating US/China trade war. However, lower crude productions in countries such as Iran, Venezuela and Libya have countered the loss.

As a result, oil prices are now trading above \$70 per barrel. In addition, the removal of sanction waivers on Iran oil importers, such as China and India, at the end of the month should tighten global supply and have a positive impact on prices.

Crude oil accounts for about 90% of Nigeria's export revenue. Higher oil prices are positive for the government's fiscal consolidation efforts.

Internally Generated Revenue increased by 24.82% to N1.17 trillion in 2018

According to the National Bureau of Statistics, the total internally generated revenue (IGR) increased by 22.79% quarter on quarter and 24.82% year on year in Q4'18. The survey showed that 32 states, including the Federal Capital Territory, recorded growth in IGR while the remaining four states recorded a decline. While Yobe, Kebbi and Adamawa states recorded the lowest IGR, Lagos state maintained a distant top (N382.18 billion), followed by Rivers (N112.78 billion) and Ogun state (N84.55 billion). Surprisingly, Rivers state, despite receiving the highest monthly allocation and second highest in the IGR, recorded the highest unemployment rate. This indicates that high internally generated revenue does not translate to economic prosperity.

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Social Corner

Manchester City retains Premier League title

- English football team Manchester City has retained its title as the champion of the Premier League for the second consecutive season. Manchester City secured the title after defeating Brighton 4-1.
- This is the first time a team has retained the title for two consecutive seasons since 2009. City also ended the season with 98 points, the second highest in Premier League history.
- Manchester City's win crushed Liverpool's dream of winning its first title since 1990. Liverpool finished second on the Premier League table with a total of 97 points, followed by Chelsea at 72 points.



The Royal Baby Arrives

- The Duke and Duchess of Sussex have welcomed their first child, Archie Harrison Mountbatten Windsor.
- The newborn is Queen Elizabeth's eighth great-grandchild and seventh in line to the throne behind Prince Charles, Prince William, his three children and Prince Harry.



Met Gala 2019

- The 71st annual edition of the Met Gala was held on May 6 at the Metropolitan Museum of Art in New York. The show, which was themed '*Camp: Notes on Fashion.*' was hosted by Lady Gaga and Harry Styles.
- The event was attended by celebrities in fashion, film and music including Cardi B, Serena Williams, and Kim Kardashian amongst others.



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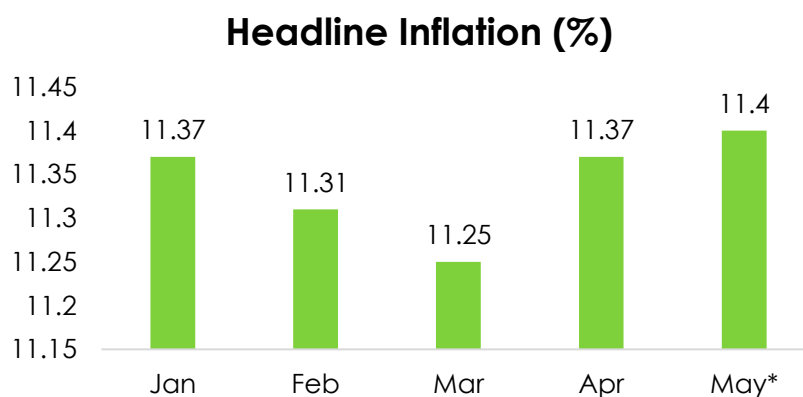
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Top Stories

Headline inflation bucked the declining trend, increased to 11.37% in April

- Headline inflation increased to 11.37% in April from 11.25% in March, representing the first increase in 2019.
- Month-on-Month inflation also inched up to 0.94% (11.85% annualized) from 0.79% (9.84% annualized). This was primarily driven by the increase in certain food prices as a result of lower output.
- All sub-indices except core inflation increased in April: food inflation rose to 13.70% from 13.45%; urban increased by 16bps to 11.70% (from 11.54%) and rural inflation inched up by 9bps to 11.08% (from 10.99%). However, core inflation (inflation less seasonalities) declined to 9.30% from 9.50%
- On a state-by-state basis, Abia (10.12%), Delta (9.94%) and Cross River (9.48%) had the lowest inflation rates while Kebbi (14.82%), Bauchi (14.42%) and Zamfara (13.99%) recorded the highest in April.



Analysis & Outlook

The increase in headline inflation is negative for policy makers. However, it is in line with the CBN's projection of a reversal in the downward trend in Q2'19. We expect supply constraints in the agriculture sector as the planting season continues. This coupled with increased liquidity due to the budget and new minimum wage implementation would push up commodity prices in May.

Internally Generated Revenue increased by 24.82% to N1.17 trillion in 2018

- Total IGR increased by 22.79% quarter on quarter and 24.82% year on year in Q4'18. The IGR of the 36 states of the federation totaled N1.17 trillion in 2018 compared to N936.47 billion in 2017, an increase of N231.53 billion.
- According to the survey, 32 states, including the Federal Capital Territory, recorded growth in IGR while the remaining four states (Abia state, Benue state, Cross River state and Osun state) recorded a decline.
- Yobe state (N4.38 billion), Kebbi state (N4.88 billion) and Adamawa state (N5.97 billion) recorded the lowest IGR, Lagos state maintained a distant top (N382.18 billion), followed by Rivers (N112.78 billion) and Ogun state (N84.55 billion).
- Rivers state, despite receiving the highest FAAC allocation and second highest in the IGR, recorded the highest unemployment rate. This indicates that high internally generated revenue does not translate to economic prosperity.

Outlook

Only a few states can withstand the impact of internal and external imbalances such as a drop in oil production and prices. Thus, provided there are no volatilities, we expect state IGR to increase.

However, there is the need for each state to improve its IGR through concentration on areas of comparative advantage in a bid to aggressively diversify their economy, rather than relying on revenue from the oil sector.

Business Update

(Review Period: 1st - 14th May, 2019)

The Forex Market

At the parallel market, the currency started the review period at N360/\$, before depreciating to close at N361/\$. The exchange rate recorded some aberrational movement in the period after trading stable at N360/\$ for 23 consecutive days. The CBN increased its forex interventions by 4.16% (\$19.03 million) to \$476.83 million from \$457.8 million in the first half of April. In the same vein, the naira depreciated by 0.64% against the pound sterling to close the period at N473/£, while it traded flat against the euro to close at N403/€.

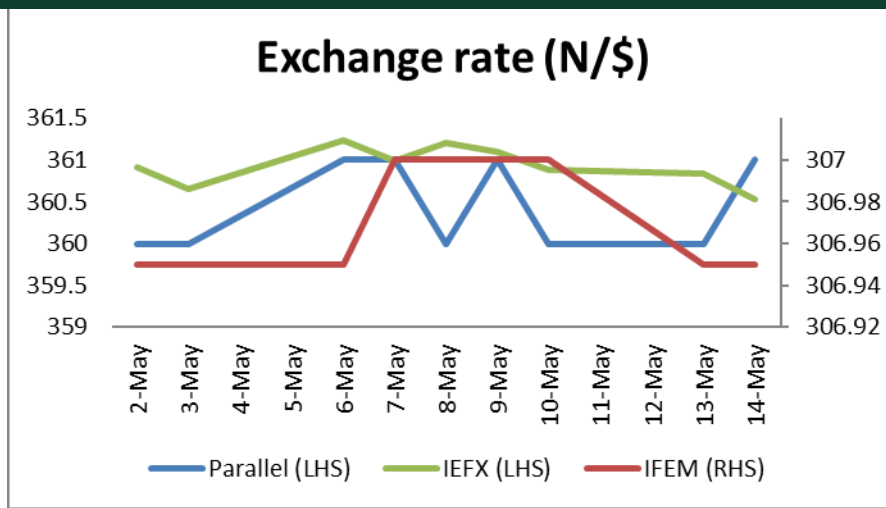
At the I & E window, the naira appreciated to close at N360.53/\$ from its previous value of N360.91/\$ at the start of the review period. Total turnover at the IEFX window was \$1.89 billion in the review period, 20.59% lower than the turnover of \$2.38 billion in the first half of April.

On the other hand, the currency depreciated at the Interbank Foreign Exchange Market to close at N306.95/\$ from N306.91/\$ on May 14th.

Meanwhile, the external reserves level increased by 0.20% (\$9 million) to \$44.88 billion as at May 10 from \$44.79 billion at the start of the review period. The gross import and payments cover rose to 11.17 months. The reserves level is 4.08% above the 2018 average of \$43.12 billion and 6.25% lower than 2018's peak of \$47.87 billion.

Outlook & Implications

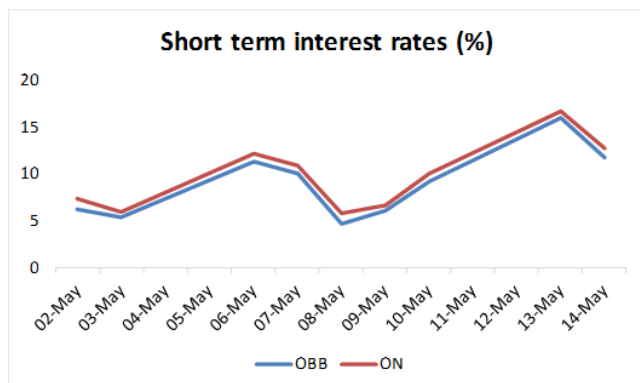
We expect the CBN to remain committed to defending the naira either through its regular intervention in the forex market or its aggressive OMO intervention strategy. Hence, the currency is expected to trade within the range of N360-361/\$ in the coming weeks.



SOURCE: FDC Think Tank, CBN, FMDQ

The Money Markets

Average liquidity within the banking system in the review period was N358.84billion, 189% higher than the liquidity of N124billion recorded in the first half of April. Market liquidity was partly boosted by an OMO maturity of N196.41billion. However, the increased liquidity did not translate to a decline in short term interest rates due to a higher sale of OMO bills. A total of N613.25billion worth of OMO bills was issued during the period. Open Buy Back (OBB) & Over-night (ON) increased by an average of 546bps to close the period at 11.71% pa and 12.64% respectively. On May 2nd, there was a primary market auction of N109.71billion. The stop rates of the 91-day and 182-day tenors declined by an average of 8bps. On the other hand, the 364-day tenor increased by 3bps to close the period at 12.77%. At the secondary market, the 182-day and 364-day tenor declined by 23bps to close at 12.39% pa and 12.50% pa respectively. The 91-day tenor increased by 50bps to close at 10.85% pa. At the Nigerian Inter-Bank Treasury Bill True Yield (NITTY), the 30-day and 180-day tenors declined by 78bps and 22bps respectively while the 90-day tenor increased by 18bps.



Tenor	NITTY rates as of May 2 nd , 2019	NITTY rates as of May 14 th , 2019	Change
30-day	10.86%pa	11.64%pa	-78bps
90-day	10.88%pa	11.06%pa	18bps
180-day	13.39%pa	13.17%pa	-22bps

SOURCE: CBN, FMDQ

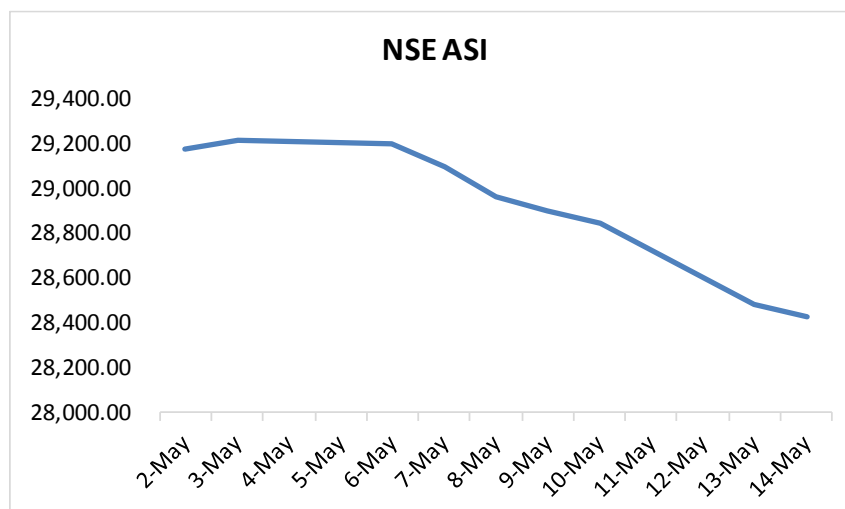
Tenor	Secondary market rates as of May 2 nd , 2019(%)	Secondary market rates as of May 14 th , 2019 (%)	% change	Primary market rates as of April 17 th , 2019 (%)	Primary market rates as of May 2 nd , 2019(%)	% change
91-day	10.35	10.85	0.50	10.15	10.00	-0.15
182-day	12.60	12.39	-0.21	12.50	12.49	-0.01
364-day	12.74	12.50	-0.24	12.74	12.77	0.03

The Stock Market

The Nigerian Stock Exchange All Share Index (NSE ASI) closed the period at 28,422.76pts, 2.57% lower than 29,171.73pts on May 2nd. In the same vein, total market capitalization declined by 2.55% to close at N10.68trn compared to N10.96trn at the start of the review period. The market's YTD return currently stands at -9.34%. The market recorded 8 negative days and 1 positive day within the review period.

Outlook & Implications

We expect the bearish trend in the market to provide speculators with attractive opportunities.



SOURCE: NSE

The Commodities Market

- **Brent oil** prices declined by 1.30% to close the period at \$71.24pb from \$72.18pb at the start of the review period.
 - Driven by fears that US-China trade tensions will lead to reduced demand for oil.

Outlook & Implications

- Prices are likely to trend further downwards due to the imminent trade war between the US and China. Lower oil prices will be negative for Nigeria's fiscal and external buffers.
- **Natural gas** increased to \$2.65/mmbtu from \$2.62/mmbtu on May 1 due to the lower than expected build-up in US natural gas inventories

Outlook & Implications

- Prices are expected to trend upward in the coming weeks due to expected increases in temperature and increased demand from China. LNG is Nigeria's second major export, the projected increase in the price of the commodity is positive for the country's export earnings.
- **Corn prices** increased to close the period at \$368.75/bushel from \$368.50/bushel on May 1st. However, prices reached a low of \$351.75/bushel on May 10.
 - On slower-than-expected planting progress in the US.

Outlook & Implications

- We expect corn prices to buck the upward trend in the coming weeks due to expectation of higher corn harvest in the US. This would lead to a decrease in Nigeria's import bill.
- **Wheat** prices rose by 2.87% to \$448.50/bushel on May 14th from \$436/bushel on May 1st, as concerns over planting delays in the U.S. underpinned the market.

Outlook & Implications

- Prices of wheat are expected to fall in the coming weeks. This will be driven by higher global supply and reduced demand as we approach summer season. This would have a positive impact on the operating expense of wheat-dependent companies such as Flour Mills of Nigeria Plc

- **Sugar** prices decreased by 2.21% to close the period at \$0.1194/pound from \$0.1221/pound at the beginning of the period.
 - This was due to a surge in export of sugar by India.

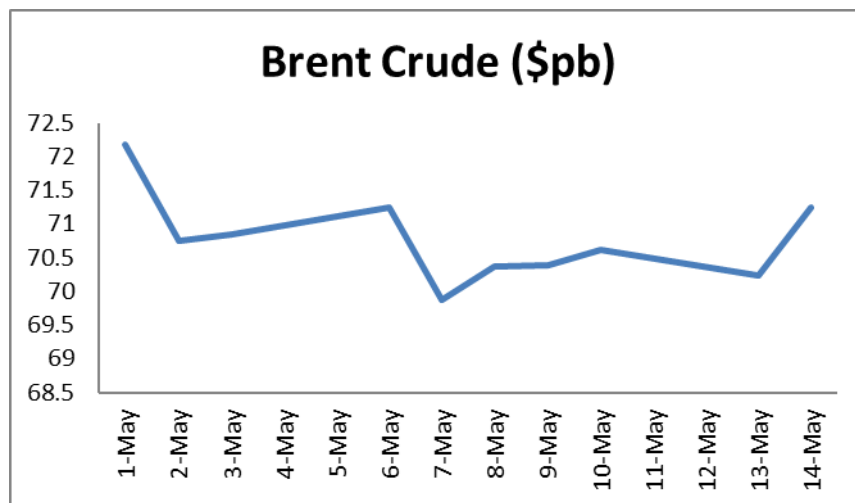
Outlook & Implications

- The price of sugar is expected to trend further downwards in the near term due to supply glut in the market. A decrease in the global price of sugar signals a possible decrease in the country's import bill.

- **Cocoa** prices dropped by 0.95% to close at \$2,293/mt, despite an increase in the global demand for cocoa butter.

Outlook & Implications

- We expect cocoa prices to continue its downward trend as the continuous rain in Ivory Coast is expected to improve yield. A decrease in global prices will lead to lower export revenue.



SOURCE: Bloomberg, EIA, Newsnow



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Lifestyle



Seven Things to Do Before Delivering Your Next Presentation

Culled from Forbes¹

Whether you're presenting to your colleagues during a team meeting, leading a learning session for a professional association, or delivering the opening keynote for an industry conference, there are things you can do that will make your presentation a powerful personal branding platform. As someone who has delivered literally thousands of presentations over the years, I've identified three key areas to focus on before a presentation to make it more successful and fruitful.

Here's what to do before taking the stage so you can maximize this powerful personal branding opportunity:

¹<https://www.forbes.com/sites/williamarruda/2019/04/09/seven-things-to-do-before-delivering-your-next-presentation/#434b83e73770>

Prepare

For most things in life, the right preparation will go a long way toward creating success. When producing your materials, consider these areas:

1. Know Your Audience. Who are they and why are they there? If you're clear about their motivations, you can build a presentation to exceed their expectations. Then think about your content and message and answer these three questions:

- What do you want them to know?
- What do you want them to do?
- How do you want them to feel?

2. Know Your Brand. What are your motivations for delivering this presentation? Are you looking to demonstrate your thought-leadership, let your boss know you're ready for a promotion, become visible to decision-makers, grow your social media followers? When you know what you want from the presentation you'll be able to make your content and your delivery style meet those goals.

3. Prepare Your Materials. Determine the right materials to augment your speaking so you can create your presentation to meet the above two objectives. That includes your content, quotes, images, models, graphics, etc.

Practice

4. Practice in Private. Once you have your materials, it's time to practice your presentation. Even if you know the material well, practice is essential for two reasons. First, you'll identify any areas of the presentation that trip you up so you can adjust the content accordingly. And second, going over it will highlight items that are missing and those that are extraneous. These necessary edits only become visible when you're practicing, rather than when you're just preparing your content. You can practice in front of a mirror or just deliver the presentation aloud. But don't sit at your desk and practice. Make sure you're standing and facing your virtual audience to make it as realistic as possible.

5. Practice in Place. It's almost time to shine. Do a tech check before the event if you're using technology (projector, slide advancer, lavalier microphone, etc.). If

you're presenting on a stage, get comfortable with the environment. You want to know what the carpet feels like under your feet, how long your runway is, what it feels like to look at the audience from the stage, etc. Even if you're not speaking on a raised stage, the more comfortable you are with the environment, the more confidence you'll exude. So don't skip this step even if you're speaking in one of your company's conference rooms.

6. *Have Your Success Cheer.* Most professional public speakers repeat a mantra or take an action before they go onstage. For some, it's repeating a success phrase, for others, it's a movement like making a victory sign with their arms in the air. Mine is a combination of both mantra and movement. Create yours and use it before every presentation you deliver. It will tell your brain you're about to succeed.

Perform

7. *Breathe.* Stand up straight. Take three deep breaths (it reduces stress!); walk on the stage and shine.

When you follow this process, you're setting yourself up to deliver a magnetic and compelling experience that will wow your audience while significantly enhancing your personal brand.



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