

Unity Bank Digest

June 18th, 2019



The Highlights

Headline inflation inches up by 0.03% to 11.4% in May

Headline inflation increased to 11.40% in May from 11.37% in April. The uptick in the general price level could be attributed to seasonality (planting season) and elevated security threats in the food producing states. Month-on-month inflation, a better reflection of current prices, also increased to 1.11% (14.23% annualized) from 0.94% (11.85% annualized) in April. The sub-indices of headline inflation (food and core) moved in varied direction. Whilst food inflation rose by 9bps to 13.79% from 13.70% in the preceding month, core inflation (inflation less seasonalities) fell by 30bps to 9.0%.

On a state by state basis, Kwara state recorded the lowest inflation rate (8.45%). Other states with low inflation rates were Cross River (9.68%) and Abia (9.91%). The highest inflation rates were recorded in Kebbi (15.76%), Bauchi (14.97%) and Kaduna (13.74%). Inflationary pressures are expected to persist in June due to minimum wage implementation. The sustained upward trend in headline inflation would be a front burner issue at the next MPC meeting in July.

Democracy Day Celebration

Democracy was restored in Nigeria on 29 May 1999, but last year President Muhammadu Buhari decided to move the celebration to 12 June in honour of Moshood Abiola, whose election was annulled that year by General Sani Abacha.

President Buhari marked the event by giving his inaugural speech to the country. The rousing speech laid out the goals his administration wished to achieve. Chief among these was the ambitious target of lifting 100 million Nigerians from poverty in the next 10 years. He re-affirmed the government's focus on the three pronged strategy of attaining security, achieving transformational economic growth and eliminating corruption. The President then proceeded to talk about the various policy proposals his administration will take to achieve the above mentioned three goals. The event was graced by Presidents of countries like Liberia, Rwanda, Niger, Congo etc but the

absence of former Nigerian presidents and opposition leaders from the event was notable.

CBN debunks claims to float the naira

The central bank of Nigeria has refuted claims that it had floated the naira and is on its way to unify the multiple exchange rates. Currently, there are approximately seven different exchange rates in Nigeria. This gives room for regulatory arbitrage. Recently, the CBN revised the official rate on its website to 'market determined' rate. This led to speculation that the apex bank is making a move towards achieving a unified rate. Although, the website has been updated to reflect the original rate (N306/\$), there was an adjustment in the custom duty rate to N326/\$ from N305/\$. The impact of a higher rate for custom duty payments is that import will become more expensive for consumers while government revenue increases.

Nigeria's trade surplus declines sharply by 67.65% in Q1'19

According to the National Bureau of Statistics (NBS), Nigeria's trade surplus declined by 67.65% to \$2.2bn in the first quarter of 2019 from \$6.8bn in the previous quarter, and by 50% from \$4.4bn in the corresponding period in 2018. The decline in the trade balance could be largely attributed to an increase in the value of imports. The import bill increased by 30.30% to \$12.9bn from \$9.9bn in the preceding quarter and \$10.1bn in the corresponding quarter of 2018. This was mainly driven by an increase in imports of agricultural products such as wheat, which increased by 28% year-on-year. Wheat accounts for 2.70% of Nigeria's import bill. Total exports stood at \$15.1bn, 9.58% lower than \$16.7bn recorded in the previous quarter. This was due to a fall in crude oil sales, which totaled \$11bn, 20.29% lower than \$13.8bn in the previous quarter. The decline recorded in crude sales is a reflection of lower global crude prices, as well as several impediments constraining output including under-investment.

Oil price down 16.29% since April (\$60.94pb)

Brent oil has lost 16.29% in one month and is now trading at \$60.94pb. The recent fall in prices could be attributed to the escalated US/China trade war, weak global demand and the rising US crude inventories. In addition, the indication of a trade war between the US and Mexico also supported the downward trend in prices. However, the two countries have averted the possibility of a trade war.

OPEC's bi-annual meeting is scheduled to hold on June 25th and 26th. The possibility of an extension in output cut beyond the June deadline is expected to push up prices in the coming weeks. An increase in oil prices is positive for Nigeria's fiscal and dollar buffers.

Oil production down, rig count flat

According to OPEC's latest monthly report, Nigeria's oil production decreased by 4.95% to 1.73mbpd in May. This could be attributed to force majeure declared in May by oil multinationals. In the same vein, OPEC's crude oil production averaged 29.88mbpd compared to 30.12mbpd in the previous month. On the other hand, Nigeria's rig count remained flat at 14 for the fourth consecutive month this year. We expect lower crude oil production in coming months due to anticipated compliance by Nigeria to its production quota of 1.685mbpd. Crude oil accounts for approximately 90% of Nigeria's export revenue. A reduction in production coupled with bearish prices is negative for Nigeria's terms of trade, balance of trade and fiscal position.

Power Update (Review period: June 1st – June 16th)

The average power output between June 1st to June 16th was 3,661MWh/hour, 0.05% higher than the average output of 3,659MWh/hour recorded in the corresponding period in May. Although the power output increased, it is still below the average power supply threshold of 4,000MWh/hour. This is due to lower gas constraints in Gbarain NIPP and Olorunsogo gas.

The major constraint to power output during the period remains gas challenges. Gas constraints during the review period accounted for 51.71% of total constraints. Furthermore, the sector recorded water management issues despite being the rainy season. This resulted in a water constraint of 10.60% relative to 3.40% in the corresponding period in May and led to a total revenue loss of N26.42bn (N660.5bn annualized).

However, as the rainy season gets to its peak, we expect an improvement in power supply due to an increase in hydro-power output.

Ahmed Lawan emerges as Nigeria's Senate President

Ahmed Lawan has taken over as the new Senate President on June 11. The Yobe North Senator secured the position by defeating his opponent (Ali Ndume) by a margin of 51 votes. The 60-year-old senator began his political career in 1999 in the House of Representatives, chairing the house committees on education and agriculture. He was then elected to the Senate in 2007, where he is known for his contribution on constitution review and his intensive efforts to combat desertification.

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Social Corner

Toronto Raptors win first NBA championship

- The city of Toronto secured its first championship in a major American sports league after the Toronto Raptors defeated the Golden State Warriors 114-110.
- Kawhi Leonard, who record 22 points, 6 rebounds and 3 assists, was named the MVP of the finals. He joins Kareem Abdul-Jabbar and LeBron James to win that award while representing multiple teams.



Forbes Richest Self-made Women 2019

- Forbes released its fifth annual list of America's richest self-made women. The list included 80 women across various industries including entertainment, healthcare, cosmetics, fashion with a combined net worth of \$81.3billion.
- For the second year in a row, Diane Hendricks, co-founder and chairperson of ABC supply, topped the list with a net worth of \$7 billion. Other high-ranking women in business included Meg Whitman (\$3.8bn), Marian Ilitch (\$3.7bn), Judy Faulkner (\$3.6bn) and Thai Lee (\$3bn). Popular talk show host, Oprah Winfrey, ranked as the tenth richest woman with a net worth of \$2.6 billion.
- Tennis superstar Serena Williams became the first female athlete to make the list with an estimated net worth of \$225 million. Another newcomer on the list was Rihanna. The musician's net worth was estimated at \$600 million, making her the richest female musician in the US.



Jay-Z becomes the first billionaire hip-hop artist

- According to Forbes, Shawn Carter, popularly known as Jay-Z, has been named as the world's first billionaire hip-hop artist. Jay-Z has accumulated wealth from several ventures including real estate, art, liquor, fashion as well as a stake in companies such as Uber.
- The rapper began his music career in 1989 before starting his own label Roc-A-Fella records in 1996. Since then, he has amassed 14 No. 1 albums and 22 Grammy awards.



Liverpool wins champions league for the sixth time

- In a not-so-thrilling game, Liverpool defeated Tottenham Hotspurs 2-0 to claim their 6th European cup.
- The two goals were scored by Mohammed Salah and D. Origi. The victory makes it the Reds manager, Jurgen Klopp's, first trophy since joining the club in 2015.
- Tottenham, on the other hand, had to swallow a bitter defeat losing their first ever Champions League final.



Dolce & Gabbana becomes the first fashion house to extend size to UK 22

- Dolce & Gabbana has become the first luxury fashion house to extend its range of sizes up to UK 22, which is the equivalent of a size 54 in Italy.
- The move is a reflection of the brand's key mission statement that 'women's beauty is not a matter of clothing size'. This is coming months after the luxury brand



was forced to cancel a fashion show in Shanghai amid allegations of racism.

- Dolce & Gabbana joins other fashion labels such as Nike in promoting plus size apparel. Nike has also unveiled plus-size mannequins at its flagship Oxford Street store.

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Main Report

Nigeria's trade surplus declines sharply by 67.65% in Q1'19

- According to the NBS, Nigeria's trade surplus fell by 67.65% to \$2.2bn in Q1'19 from \$6.84bn in Q4'18.
- Total import value rose by 30.30% to \$12.9bn in Q1'19 from \$9.9bn in Q4'18, and 27.72% lower than \$10.1bn in the corresponding period in 2018, due to the increase in the import of agricultural products such as wheat.
- On the other hand, the total export value dropped to \$15.1bn, 9.58% lower than \$16.7bn recorded in the previous quarter and 4.41% higher than \$14.5bn in the corresponding quarter of 2018. The decline in export revenue could be mainly attributed to the decline in global crude oil prices.
- India, Spain and Netherland were the major export trading partners in Q1'19 while China, Swaziland and USA were the top import trading partners during the same period.

Analysis & Outlook

The foreign trade statistics in Q1'19 reveals that Nigeria is still largely reliant on crude oil. Oil prices are now in a bear market – down 16.29% since April to \$60.94pb. This indicates that OPEC could extend and possibly deepen output cuts to stabilize prices. The expected decrease in crude oil output will weigh heavily on total trade in the second quarter of 2019.

Business Update

(Review Period: June 3rd – 17th June, 2019)

The Forex Market

During the review period, the Naira appreciated to N360/\$ on June 10th before depreciating to close the period at N361/\$. This could be attributed to lower CBN's forex intervention. The apex bank intervened with a total of \$504.7mn, 32.29% lower than \$745.43mn in the corresponding period in May. Whilst the naira also appreciated against the pound by 0.43% to close the period at N463/£, it depreciated against the euro by 0.50% to close at N404/€.

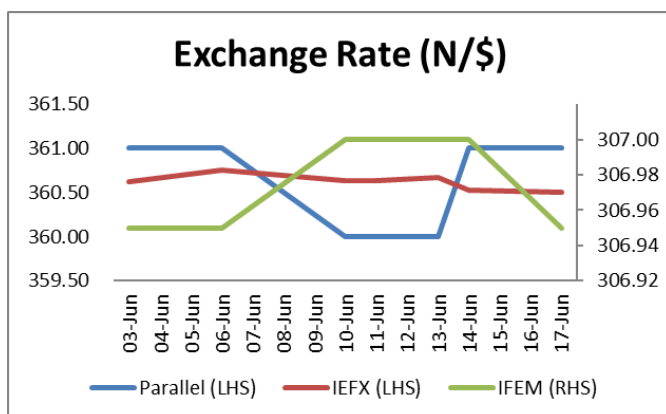
The naira depreciated to N360.50/\$ from N360.26/\$ on June 3rd at the IEFX window. Total forex traded decreased by 34.63% to \$1.68 million from \$2.57 million in the relative period in May.

In the same vein, the currency depreciated at the Interbank Foreign Exchange Market to close at N307/\$ from an earlier value of N306.95/\$. Meanwhile, the CBN has debunked the news of its adoption of a floating exchange rate. This implies that multiple exchange rates will persist.

The level of Nigeria's external reserves increased by 0.04% to \$45.16 billion on June 13th from \$45.14 billion at the start of the review period. Nigeria's import cover now stands at 11.25 months from 11.24 months on June 3rd.

Outlook & Implications

Oil accounts for about 80% of Nigeria's dollar revenue. The recent fall in oil prices would weigh negatively on the level of external reserves. This would reduce the country's buffer against negative external shocks.



SOURCE: FDC Think Tank, CBN, FMDQ

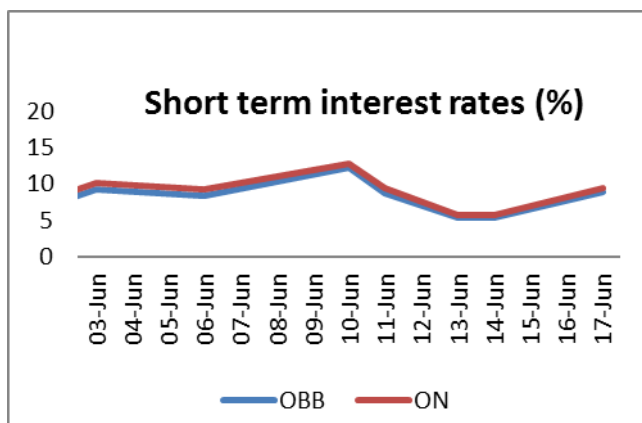
The Money Markets

Average liquidity within the banking system was positive at N338.27 billion during the review period, 5.73% lower than the positive position of N358.84 billion recorded in the corresponding period in May. Despite the reduced liquidity within the market, short term interest rates (OBB & ON) declined by an average of 60.5bps to close the period at 8.86% pa and 9.43% pa respectively. Total OMO issued during the review period was N476.57 billion relative to total repayment of N177.60 billion. This resulted in a net outflow of N298.97 billion.

The total of N129.65 billion was auctioned on June 13. Whilst the stop rate for the 364-day tenor increased by 14bps, the other tenors (32-day and 184-day) were flat at 10.00%pa and 11.95%pa respectively. At the secondary market, all but the 91-day tenor increased by an average of 14bps. On the other hand, the 91-day tenor decreased by 55bps to close the period at 10.67% pa. At the Nigerian Inter-Bank Treasury Bill True Yield (NITTY), the 30-day tenor increased by 121bps while the 90-day and 180-day tenors declined by an average of 18bps.

Tenor	NITTY rates as of June 3 rd , 2019	NITTY rates as of June 14 th , 2019	Change
30-day	9.73%pa	10.94%pa	121bps
90-day	11.31%pa	11.02%pa	-29bps
180-day	12.35%pa	12.28%pa	-7bps

Tenor	Secondary market rates as of June 3 rd , 2019(%)	Secondary market rates as of June 17 th , 2019 (%)	% change	Primary market rates as of May 30 th , 2019 (%)	Primary market rates as of June 13 th , 2019(%)	% change
91-day	11.22	10.67	-0.55	10.00	10.00	-
182-day	11.45	11.59	0.14	11.95	11.95	-
364-day	12.20	12.34	0.14	12.20	12.34	0.14



SOURCE: CBN, FMDQ

The Stock Market

The Nigerian Stock Exchange All Share Index (NSE ASI) lost 3.21% from 30,930.39pts on June 3rd to 29,936.33pts on June 17th. Market capitalization also fell by 3.23% to N13.19trillion compared to N13.63trillion at the start of the review period. The losing streak of the bourse was partly due to the negative investor sentiment caused by the suspension of Daar Communications' operating license and the sacking of Oando's chairman. The market's current YTD return is now at -4.75%. The market gained in only one of the 8 trading days during the period.

Outlook & Implications

The recent bearish sentiment is expected to present a good opportunity for bargain hunting by investors. This buy sentiment should trigger a rebound on the bourse in the coming weeks.



SOURCE: NSE

The Commodities Market

- **Brent oil** prices fell below the budget benchmark of \$60pb to \$59.97pb during the review period. In the last four weeks, oil price has lost 13% to close the period at \$60.94pb.
 - Driven by slowing global growth and US-China trade tensions.

Outlook & Implications

- Prices are likely to rise as OPEC has agreed to maintain output cuts. In addition, the threat of US tariffs on Mexican goods no longer exists. As oil price trades precariously close to the budget benchmark of \$60pb, Nigeria's fiscal and external revenue would be threatened. A significant decline in oil revenue would have a negative impact on business proxies such as external reserves and FAAC disbursements.
- **Natural gas** prices decreased by 0.42% to \$2.39/mmbtu on June 17th from \$2.40/mmbtu on June 3rd, due to a supply glut.

Outlook & Implications

- Prices may rise in the coming week due to increased demand from India and the possible US sanctions on Germany over the construction of Nord Stream 2. LNG is Nigeria's second major export; the projected increase in the price of the commodity will have a positive impact on the country's external reserves.
- **Corn prices** rose by 10.43% to end the review period at \$468.50/bushel from \$424.25/bushel on June 3rd.
 - Owing to a sharp reduction in corn-supply projections by USDA. The drop in projection was due to the persistent wet weather in the US.

Outlook & Implications

- Corn prices are expected to continue increasing based on adverse weather conditions in the US. This would increase Nigeria's import bill.
- **Wheat** prices gained 4.43% to \$542.75/bushel on June 17th from \$519.75/bushel on June 3rd, due to dry weather in Russia.

Outlook & Implications

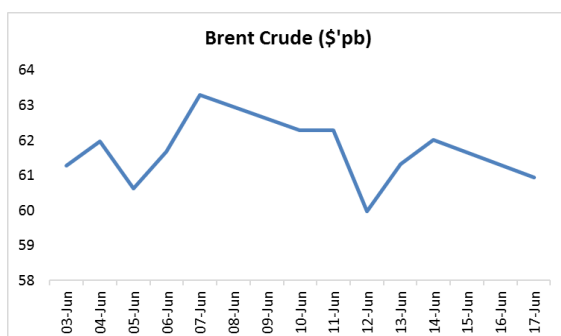
- We expect wheat prices to decline as weather conditions are expected to improve in Russia. Nigeria is a significant importer of wheat, a decrease in global price of wheat is likely to reflect in the form of reduced domestic prices of wheat dependent products.
- **Sugar** prices advanced by 5.33% to close the period at \$12.84/pound from \$12.19/pound at the beginning of the period.
 - This was the result of a drought affecting sugarcane producing regions in India.

Outlook & Implications

- If the bad weather (drought) persists, sugar output would be affected and this would lead to higher prices due to supply shortages. The impact of this could be mitigated by Indian mills exporting stored capacity. An increase in the global price of sugar will lead to an increase in the country's import bill and a deterioration in the current account deficit.
- **Cocoa** prices rose by 5.44% to close at \$2,479/mt, due to talks of top producers- Ivory Coast and Ghana- setting a minimum price for cocoa.

Outlook & Implications

- We expect cocoa prices to remain volatile in the near term as it is uncertain whether a price ceiling will be imposed by Ghana and Ivory Coast. A change in global prices will affect Nigeria's export revenue.



SOURCE: Bloomberg, EIA, Newsnow

How to Make Money with Social Media

Culled from Entrepreneur¹

There are more money-making opportunities on social media than you might realize. Social media, in fact, can be quite lucrative.

Many experts say that social media is for connecting with people, and not for selling, but at some point, you're going to want to leverage the connections you create. If you've built up enough trust with your followers, they'll be more inclined to check out your recommendations and the links you share.

Here are six ways you can make money on social media.

1. Promote affiliate products

No matter what industry you're in, you can find great products to promote on ClickBank. And if that doesn't quite jive with you, you can also become an Amazon Associate, promote products of your choosing and earn commissions on them -- Amazon has no shortage of products.

Next, instead of spamming links on Twitter and hoping for the best, keep in mind that the most honest and effective way of promoting affiliate products is through reviews. If you personally use a product and like it, and know that your followers serve to benefit from it, then write a long review on your blog, and share why you like the



¹ <https://www.entrepreneur.com/article/274687>

product. Don't be afraid to talk about what you like and don't like about it. You can even use video if that's more your style.

Also, make sure to disclose your affiliate relationships. This is a legal requirement in most cases, but it's also "best practice." Your readers or viewers will appreciate your honesty.

2. Create and promote your own information products.

If you already have a blog, and you've demonstrated your expertise on a specific subject over a period of time, there may be an opportunity to create an eBook, audio program or video course and sell it to your audience. Social media is the perfect place to promote such a product.

Platforms like Gumroad, Sellfy and Amazon's KDP program make it easy for you to publish and sell your PDF, MP3 or video file at a price of your choosing -- keeping in mind that all platforms do take a cut, even if it's small.

As with anything, quality is key to creating something people not only want to read but will pay to read. If you take extra care in creating great information, designing and promoting it well, you will definitely see more sales.

3. Promote products and services.

There are many opportunities for you to share sponsored posts that promote the products and services of other businesses. This is a very direct way of earning money from social media.

But, if you don't have a sizable following, this may not be much of an opportunity. You also have to beware of over-promoting products for want of money, because if your followers see that you're constantly tweeting about one product or another, not only will they not click on the links, they will also un-follow you.

It's important to mix things up. It's wise to take the time to craft a proper social media posting schedule, to make sure you're adding value to your followers while promoting products. Calls to action should definitely be a part of your social media strategy, but every post can't be a call to action.

4. Use visual media to promote your crafts.

If you tend to create handmade crafts, art pieces, or even articles of clothing and knitting, there may be an opportunity to showcase your products on social media. Instagram and Pinterest may seem like obvious places to hit, but Facebook, Twitter and Google+ are also great channels for sharing visual media.

If you have an Etsy account, you can direct your followers to check out your products there, and between the different channels, you have the potential to make a good living.

5. Promote your coaching or consulting services

Social media is a great place to generate leads for your consulting business. Whether you're a guitar teacher or a life coach, if you have demonstrated expertise in a specific area, you can create more interest for your services by connecting with your target customer on social media.

Coaching sessions can be conducted over Skype, so this is definitely an opportunity to make money without leaving home. Consulting can be lucrative, so remember not to undercut yourself -- charge a fair price for your time and effort.

This strategy can also work in unison with selling information products, as those who want your advice are more likely to be interested in the eBooks and courses you've created.

6. Join the YouTube Partner Program

Building a popular YouTube channel can be a lot of work. But if you already have followers, or you're determined to build your audience, joining the YouTube Partner Program to make money on advertising might be a path worth exploring.

There are prominent YouTube content creators who have made substantial amounts of money with this program, but they are the exception rather than the rule. It would take a lot of time, strategy and sheer luck to make money on YouTube. However, this is a good thing to keep in mind with advertising in general. Unless you're already getting a lot of views and clicks, you're not going to make a lot of money on them.

Final thoughts

These are just some of the many ways you can make money with social media; there are plenty of other money-making websites for you to explore.

It's important to remember that making money on social media isn't necessarily easy. If you have an entrepreneurial spirit and are willing to work hard, test and experiment, your chances at success will be far greater than the chances of those who just want to "give it a try" to see what happens.

So, build a strategy; don't just wing it. Make a plan for how you're going to reach your financial goals, and be willing to adjust as necessary.



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