

Unity Bank Digest

October 11, 2019



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The Highlights

Internally Generated Revenue increased by 15.78% to N691.11 billion in H1 2019

According to the National Bureau of Statistics, the total internally generated revenue (IGR) increased by 15.78% to N691.11 billion in the first half of 2019, compared to N596.91 billion in H2'18. The survey showed that 31 states, including the Federal Capital Territory, recorded growth in IGR while the remaining five states recorded a decline. Gombe, Yobe and Taraba states recorded the lowest IGR, Lagos state maintained its top position (N205.16 billion), followed by Rivers (N75.97 billion) and FCT (N38.57 billion). Surprisingly, Rivers state, in spite of receiving the third highest monthly allocation in H1'19 (N75.84 billion) and second highest in the IGR, recorded the highest unemployment with 1,673,991 people unemployed. This indicates that high internally generated revenue does not necessarily translate into economic prosperity.

Buhari presents 2020 job creation budget to National Assembly

On October 8, President Buhari presented the 2020 budget to the National Assembly. Aggregate expenditure budgeted for 2020 is N10.33trn (\$28.69bn), 2.58% nominally higher than 2019's expenditure of N10.07trn (\$27.97bn). The budget, which is themed a 'Budget of sustaining growth and job creation', was formulated on the following key assumptions:

| Variable | 2019 budget | 2020 budget |
|---------------------------|--------------------|---------------------|
| Crude oil production | 2.30 million bpd | 2.18 million bpd |
| Benchmark crude oil price | \$60 per barrel | \$57 per barrel |
| Exchange rate (NGN/USD) | N305/\$ | N305/\$ |
| GDP Growth Rate (%) | 3.01% | 2.93% |
| Inflation Rate (%) | 9.98% | 10.81% ¹ |

¹ Federal Ministry of Finance, Budget and National Planning, 2019. "FGN 2020 Budget Call Circular". Budget Office of the Federation. <https://www.budgetoffice.gov.ng/index.php/2020-budget-call-circular?task=document.viewdoc&id=731>

After accounting for inflation, the proposed budget contracted compared to 2019's budget. This is contrary to Keynesian school of thought that prescribes countercyclical spending as an orthodox stimulant to slowing economies.

International Monetary Fund (IMF) concludes visit to Nigeria

On conclusion of its annual visit to Nigeria, the IMF has projected a growth rate of 2.3% in 2019 driven by the continued recovery in the oil sector and a robust harvest. The Fund expressed its concerns about the slow pace of recovery in the country, its depleting external reserves and widening fiscal deficit. IMF emphasized the need to undertake structural reforms, which include improving governance, combating corrupt practices and implementing power sector reforms in order to achieve an inclusive growth. If Nigeria is to meet the IMF's growth forecast of 2.3% in 2019, it must achieve an average growth rate of 2.58% for Q3'19 and Q4'19.

Purchasing Managers' Index (PMI) up 10.4% to 56.2points

FBN's PMI reading spiked by 10.4% to 56.2 points from 50.9 points in August. Two of the five sub-indices (suppliers' delivery times and employment) remained unchanged, while output, stock of purchases and new orders improved in September. The sharp increase in PMI was as a result of a boost in demand (Harvest season and the start of a new school year), coupled with preparations for the peak in demand for the festive period in December.

However, while the FBN's PMI rose, the CBN's PMI reading moved in the opposite direction. The PMI declined by 0.35% to 57.7 points in September from 57.9 points in August. Of the five sub-indices, two (New Orders and Supplier Delivery Time) expanded in September while three declined.

In the coming months, we expect further expansion in PMI owing to increased inventory build-up ahead of Christmas festivities and the expected boost in demand as the minimum wage is paid. The anticipation of higher demand will push the PMI reading to a range of 58 - 60 points.

Thomas Cook, world's oldest travel agency, collapses

On September 23, the world's oldest travel firm, Thomas Cook, went into compulsory liquidation. The collapse of the 178-year old British company has left over 100,000 travelers stranded and triggered a rescue operation ('Operation Matterhorn') by the Civil Aviation Authority. The liquidation was due to its huge debt and a failure of its last minute attempt to secure a rescue package from its lenders. Travel expert Richard Branson has attributed the collapse of Thomas Cook to the drop in the British pound following the 2016 Brexit referendum.

Oil price climbs to \$60.22 per barrel following attacks on Iran's oil facilities

After trading below \$60pb for eight days, Oil prices rose to \$60.22pb on October 11 following the missile attack on an Iranian owned tanker in the Red Sea off the coast of Saudi Arabia.

Geopolitical tensions between Iran and Saudi Arabia, two vital oil-producing countries are expected to lead to higher prices. However, bearish global demand would keep prices down in the near term.

Central Bank of Nigeria begins charges on deposits and withdrawals above N500, 000

The CBN has reiterated its commitment to the cashless policy and directed all deposit money banks to impose charges on cash deposits. According to the new directive, any cash deposit in excess of N500,000 for individual accounts will be charged a 2% fee while deposits for corporate accounts above N3 million will be charged a 3% fee. The directive, which is in addition to the already existing charges on withdrawals, took effect in six states (Lagos, Ogun, Kano, Abia, Anambra, and Rivers) and the Federal Capital Territory on September 18, 2019. Nationwide implementation of the policy is scheduled to take effect on March 31, 2020. Compliance to the cashless policy could increase the efficiency of the payments system and increase Nigeria's financial inclusion rate.

US Fed cuts interest rates by 25 basis points to 1.75-2% per annum

In a widely anticipated move, the US Fed voted to cut its benchmark interest rate by 25 basis points to a target range of 1.75-2% per annum. This is the second time the Fed has cut its interest rate since 2008. According to the committee, the rationale behind the interest rate cut include the implications of global developments for economic outlook and muted inflationary pressures. Interestingly, the US Fed reviewed upwards its 2019 growth projection to 2.2% from its earlier forecast of 2.1% in June. Inflation projections were left unchanged at 1.8% for 2019. Fed Chairman, Jerome Powell, reiterated the committee's commitment to intervene in the market when necessary.

Impact on consumers

- The impact of a contracting budget is that purchasing power will remain constrained. This situation will not change until the minimum wage and arrears are paid.
- Federal Government to face increased pressure by the labour unions to pay the new minimum wage before December. If paid, we expect a boost in purchasing power during the Xmas season.

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1. Dial *7799#
2. Select 4 on the next page for cardless withdrawal
3. Enter Amount
4. Create a four digit cashout PIN
5. Enter USSD PIN
6. Cashout paycode is generated as a screen flash and sent via SMS



How to use the *Paycode* generated.

1. Go to any ATM stand
2. Press any button and you will be required to input the Paycode
3. Enter the Paycode (Code ranges from 8-12 digits)
4. Enter the four digit Cashout PIN (NOT your USSD PIN)
5. Enter the Amount tied to the code
6. The cash is dispensed.

Social Corner

Emmys 2019

- The 71st edition of the Emmy Awards was held on September 22nd at the Microsoft Theater, Los Angeles. For the fourth time in the show's history, there was no host for the night.
- "Game of Thrones" won big at the award ceremony, bagging two major awards – 'Best Drama Series' and 'Best Supporting Actor' (Peter Dinklage). Another highlight of the night was Jharrel Jerome winning the award for 'Outstanding Lead Actor in a Limited Series' for his work on Netflix's original "When They See Us". Jerome became the first Afro-Latino actor to win in an acting category and the youngest actor to win Lead Actor in a Limited Series.



Forbes highest paid rappers 2019

- According to Forbes, Kanye West has emerged as the richest rapper in 2019 with a net worth of \$150 million. The 42-year old beat rappers such as Jay-Z (\$81 million), Drake (\$75 million), Diddy (\$70 million) and Travis Scott (\$58 million).
- This year's rankings featured two newcomers – Donald Glover (10th position, \$35 million) and Cardi B (13th position, \$28 million). At age 26, Cardi B was the youngest rapper featured on the list.



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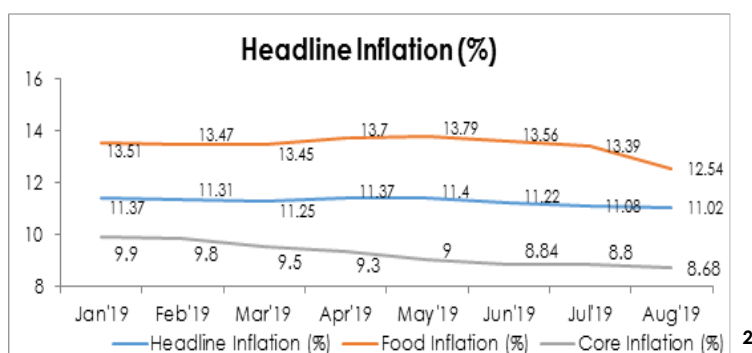
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Main Report

Headline inflation down 0.06% to 11.02% in August

- According to the National Bureau of Statistics, headline inflation slid to 11.02% in August from 11.08% in July. The decline in inflation can be partly attributed to the harvest season and weak consumer demand.
- A breakdown of the report shows that all inflation sub-indices declined with the exception of the urban price index. The month-on-month sub-index, a more accurate measure of price movement, slowed to 0.99% (12.54% annualized) from 1.01% (12.77% annualized) in July. Food and core sub-indices also declined to 13.17% and 8.68% respectively.
- State by state, Kwara retained its position as the state with the lowest inflation rate (8.32%). Other states with low inflation rates were Delta (8.63%) and Cross River (8.97%). The states with the highest inflation rates are mainly in the North West – Kebbi (14.97%), Kano (13.24%) and Bauchi (13.00%).



Analysis & outlook

The decline in headline inflation is the third consecutive monthly decline and a 42-month low. The moderation in the general price level was largely supported by the harvest season and dwindling consumer demand. However, we expect cost-push factors such as exchange rate adjustment for custom duties (now at N326/\$) and the likely foreign exchange restriction on food imports to mount inflationary pressures in the coming months.

² NBS

Business Update

(Review Period: 16th Sept.– 9th Oct. 2019)

The Forex Market

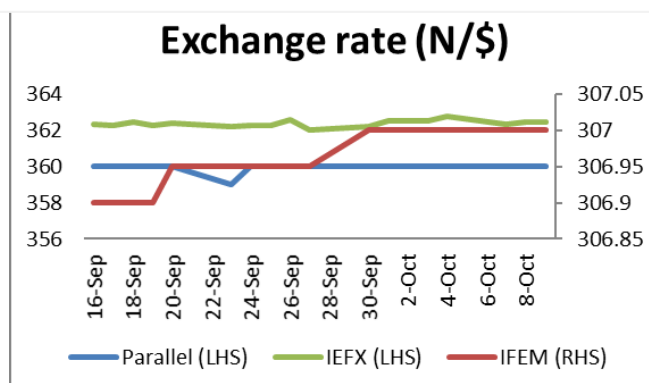
The currency appreciated against the dollar to N359/\$ on September 23rd. However, it later depreciated to close the period at N360/\$. This was despite the decrease in the CBN's forex intervention. The apex bank intervened with \$625.5 million in the period, 24.55% lower than \$829.03mn in the corresponding period in August. While the currency appreciated against the euro by 1.51% to N390/€, it traded flat against the pound to close at N450/£.

The naira depreciated by 0.03% to N307/\$ from N306.90/\$ at the interbank market. In the same vein, the currency depreciated by 0.05% at the IEFX window to N362.50/\$ from N362.32/\$ at the start of the review period. There was a decline in activities at the I&E window as evidenced by the 32.67% reduction in total forex traded to \$3.38billion compared to the \$5.02billion traded in the corresponding period in August.

Nigeria's gross external reserves level continued its downward trend below the \$42bn mark in the review period. External reserves lost 2.63% to \$41.46billion at the end of the review period from \$42.58billion at the start of the review period. Nigeria's import cover declined to 10.32 months from 10.60 months on September 16th.

Outlook & Implications

At the parallel market, we expect the naira to depreciate slightly due to increased forex demand as manufacturers and businesses build up inventories ahead of the festive season. However, we expect the CBN to continue its forex intervention strategy.



SOURCE: CBN, FMDQ

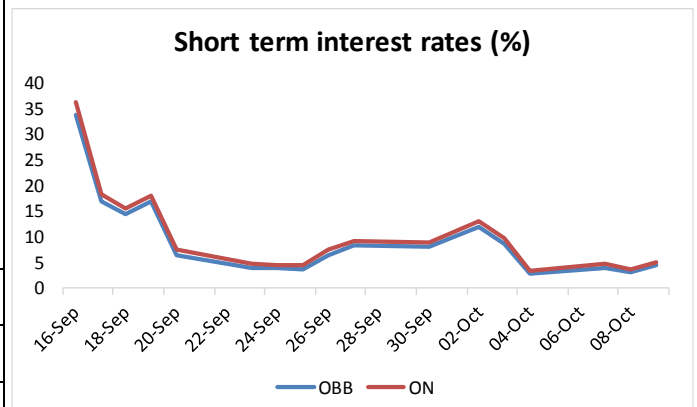
The Money Market

During the review period, the average liquidity within the banking system increased by 321.09% to N199.30 billion for the period (16th September – 9th October) from N47.33 billion recorded in the previous month (16th August – 9th September).

Total OMO repayments of N1.45trillion outweighed total OMO sales worth N773.81billion. This resulted in a net inflow of N674.06billion. During the review period, short-term interest rates (OBB & ON) averaged 9.79% pa, 380bps lower than the average of 13.59% pa in the previous month.

On October 2, there was a primary market auction of approximately N133.97billion. Yields across board declined by an average of 9bps. At the secondary market, the 182-day and 364-day tenors declined by an average of 71bps while the 91-day tenor increased by 7bps to close the period at 11.88%. The 30-day and 180-day Nigerian Inter-Bank Treasury True Yield (NITTY) rates declined by an average of 73bps, while the 90-day tenor increased by 60bps.

| Tenor | NITTY rates as at September 16 th , 2019 (%pa) | NITTY rates as at October 8 th , 2019 (%pa) | Change |
|---------|---|--|---------|
| 30-day | 12.21 | 11.13 | -108bps |
| 90-day | 11.48 | 12.08 | 60bps |
| 180-day | 13.01 | 12.64 | -37bps |



SOURCE: FDC Think Tank, CBN, FMDQ

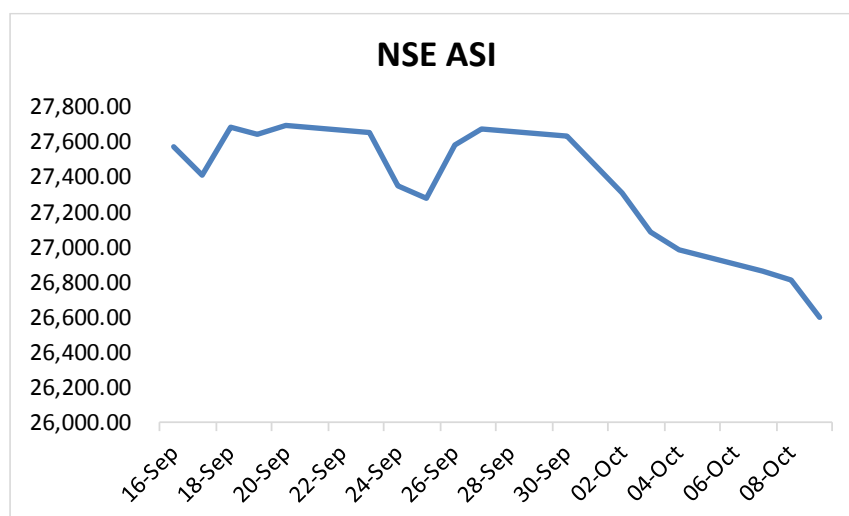
| Tenor | Secondary market rates as of September 16 th , 2019(%pa) | Secondary market rates as of October 9 th , 2019 (%pa) | % change | Primary market rates as of September 18 th , 2019(%pa) | Primary market rates as of October 2 nd , 2019(%pa) | % change |
|---------|---|---|----------|---|--|----------|
| 91-day | 11.81 | 11.88 | 0.07 | 11.10 | 11.08 | -0.02 |
| 182-day | 12.42 | 11.77 | -0.65 | 11.75 | 11.60 | -0.15 |
| 364-day | 13.46 | 12.70 | -0.76 | 13.30 | 13.20 | -0.10 |

The Stock Market

The Nigerian Stock Exchange All Share Index (NSE ASI) declined by 3.54% to close the review period at 26,598.94pts from 27,574.32 pts on September 16. Similarly, market capitalization fell by 3.5% to N12.95trillion on October 9 from N13.42 trillion on September 16. The market's current YTD return is -15.37%. The market recorded four positive trading days and thirteen negative days within the review period.

Outlook & Implications

We expect market volatility to persist in the near term. Investors are likely to engage in profit taking activities, which could result in a negative performance in the coming days.



SOURCE: NSE

The Commodities Market

- **Brent** price fell by 15.95% to \$58.01pb on October 9th from \$69.02pb on September 16th. The decline in prices was due to Saudi Arabia returning to its pre-attack oil output level, rising US stockpiles and slowing demand.

Outlook & Implications

- We expect oil prices to remain around its current levels of \$55pb - \$58pb in the coming month. The threat of retaliation from Saudi Arabia on Iran, heightened tensions between the US and Iran and a slowdown in global demand would keep prices down next month.

- **Natural gas** prices decreased by 16.79% during the review period to close at \$2.23/mmbtu, from \$2.68/mmbtu at the beginning of the review period as a result of strong global supply.

Outlook & Implications

- The downward trend in prices is likely to continue in the near term due to ample supply in the US. LNG is Nigeria's second main export; lower prices will have a negative impact on the country's export earnings.

- **Corn** prices rose by 5.41% to close at \$394.25/bushel from \$374.00/bushel at the beginning of the review period due to adverse weather conditions in Argentina.

Outlook & Implications

- Prices are expected to remain high due to expectations of lower corn output from Argentina. Nigeria is a net importer of corn. An increase in corn prices will push up the country's import bill.

- **Wheat** prices increased by 2.35% to \$500.25/bushel on October 9th from \$488.75/bushel on September 16th due to expectations of stronger global demand.

Outlook & Implications

- We expect an increase in prices as adverse weather condition in Canada and Argentina is expected to increase the prices of wheat in the coming weeks. Nigeria imports approximately 3% of global wheat output. An increase in the price of wheat will push up the cost of production for wheat dependent firms such as Flourmills and Honeywell.

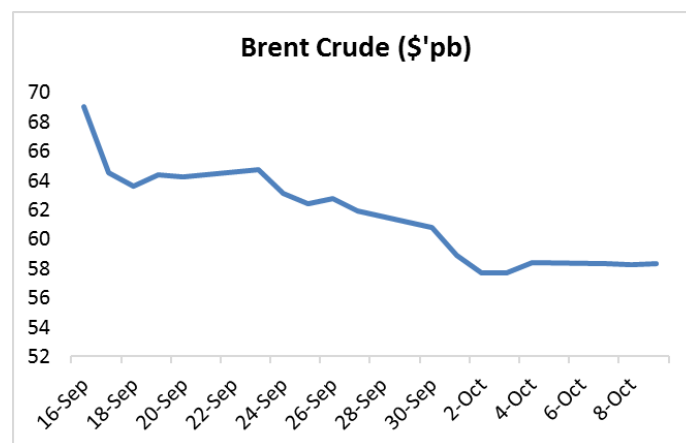
- **Sugar** prices rose by 1.22% to close the period at \$12.41/pound from \$12.26/pound at the start of the review period as a result of weaker exports from India.

Outlook & Implications

- Prices are expected to maintain the current trend due to a decline in India's sugar production. Nigeria is a net importer of sugar. A rise in the price of sugar will increase the production cost for sugar-producing companies like Dangote.
- **Cocoa** prices increased by 1.01% to \$2,407/mt at the end of the review period from \$2,383/mt at the beginning of the review period, despite large stockpiles of cocoa output in Ivory Coast.

Outlook & Implications

- We expect cocoa prices to decline due to expectations of ample supply in Ivory coast in the coming weeks. A decrease in the price of cocoa will drive down Nigeria's export revenue.



SOURCE: Bloomberg, EIA, Newsnow

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Lifestyle A



5 Workplace Etiquette Tips Every Professional Should Know

Culled from Career Education³

Whether you are starting your first internship or have many years of professional experience under your belt, how you present yourself to others in the workplace matters. Setting a professional tone is crucial to building new relationships and ensuring you have a positive, successful experience in the workplace.

Make a Good First Impression

People often form impressions about others within seconds of meeting them, so it's important to ensure you present yourself as a professional. Be aware of your body language and how others may perceive it. A good rule of thumb is to stand straight, maintain eye contact, and smile! Make sure you know the workplace dress code and office policies ahead of time. Arrive on time and be prepared for important meetings.

Avoid Gossip

How you treat people says a lot about you. Don't make value judgments on people's importance in the workplace or speak negatively about your coworkers, even if you find yourself frustrated over a certain situation. Be thoughtful about how you interact with your supervisor(s), peers, and subordinates as well.

³ <https://www.careereducation.columbia.edu/resources/5-workplace-etiquette-tips-every-professional-should-know>

Communication is Key

Communication is an important part of workplace etiquette. It's sometimes not what you say, but how you say it that counts, so be mindful of how you communicate with your colleagues in meetings and one-on-one conversations. In regards to emails, be sure your correspondence inside and outside of your workplace is written clearly and free of spelling errors. Remember, an email is a permanent record of any conversation so never put anything in writing that you would not say to someone's face.

Understand your Work Environment

The values, policies, and procedures of a workplace can be difficult to discern at first. If you are in a larger organization with a structured human resource division, you may have access to an HR Manager or in-house trainings to keep you informed of your organization's expectations. In a smaller workplace setting, some of that knowledge may come from observing others and asking questions of your colleagues when needed. Lastly, observing the atmosphere and actions of others can help you understand what's appropriate and what's not, and how to best navigate the workplace while maintaining your professionalism.

As the global market grows, the need to understand multiple international standards of business etiquette is also growing. If you take a job or internship in another country, be sure to research the proper etiquette, culture and customs for both that country and the organization you plan to work for.

Be Personable yet Professional

Sharing information about your personal life is your choice, but be cautious when it comes to what you share; some colleagues may be more open than others and might choose to keep their personal life private as well. Similarly, you may want to limit personal calls, emails, and other non-work related tasks to after work hours. Within your workspace, it's okay to add personal touches but remember that your colleagues will see the space and consider it a reflection of your professional self. Lastly, getting to know your colleagues is a good thing but always be respectful of others' space. If you need to discuss something with them, don't just walk in; knock or make your presence known, and always offer to schedule a meeting for later in the day if they are busy.

Lifestyle B



Nigeria's empty malls get lonelier as economy stalls

Culled from BusinessDay⁴

The number of empty stores at shopping malls in Nigeria is growing, mirroring the deteriorating state of the economy, as a large portion of the country's 200 million people live in poverty.

Landlords are gnashing their teeth because beleaguered tenants struggling with rising rents and service charges are finding it difficult to honour obligations. Consumers have also refused to open their purse strings, which means retailers are losing money.

Sources tell BusinessDay that service charge (cost of maintaining the building) alone is eroding the profitability of retailers and that the huge chunk of shoppers at the malls, especially Shoprite, are low-income earners who buy basic food items.

"The economy doesn't support growth and a lot of companies are closing down due to high cost of production. We don't have the amenities and tenants can hardly survive" said Otukoya Abiola, centre manager, Leisure Mall in Surulere, a Lagos suburb.

"Next year will be tougher because the VAT increase will result in increased price of diesel, which means the service charge will further go up. The service charge would

⁴ Full version available at <https://businessday.ng/exclusives/article/nigerias-empty-malls-get-lonelier-as-economy-stalls/>

have gone down if there was no need to run the generator” said Abiola. Abiola said that landlords bear the burden of overhead cost so that tenants can stay.

“It is another form of subsidy,” he said. Service charge costs as much as N120,000 and N150,000 per store but it has been increasing every year.

A total of nine stores at Shoprite in Surulere are under lock and key, and in some of them, the vacant spaces are large enough to take two offices. The stores are on the same floor with KFC Foods, but the 26 stores at Leisure Mall are occupied.

A recent visit to the Apapa Mall showed a total of 19 stores are closed, even the cinema hall has been sealed. Some of the top brands that have evacuated include Ruff and Tumble, Samsung Phones, and Cash and Carry.

Experts attribute the vacancies in Apapa to the menacing gridlock in the city as a lot of high-end earners have relocated to other parts of the city, while those that stay very close to the city rather go shopping in other malls or conventional markets.

“Even if economic activities pick, the gridlock will continue to discourage people from coming here to shop”, said Adebukunola Taiwo, an architect and head of the Apapa Management Office of the mall.

Contact Information

Would you like to open an account with us?

Kindly direct all account opening enquiries to:

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