

*FG to revise 2nd supplementary budget oil price benchmark to \$20pb*



Economic News

Social

Lifestyle

# Unity Bank Digest

*May 07, 2020*

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## *Oil price budget benchmark down 33.3% to \$20pb*



*In the past 3 months, the federal government has had to slash the 2020 budget twice. Crude oil price has crashed by over 60% to \$20pb from \$57pb. This is primarily due to the sharp fall in oil prices and the economic contraction related to the lockdown. Brent crude fell to \$19pb in April. Nigeria like other emerging markets have had to make fiscal and monetary adjustments to meet the current economic realities. The gloomy news is that, oil revenues will be affected as they could decline by almost 80% to N1.1trn. FAAC disbursements could contract from N700bn to N250bn and the disposable income of consumers will fall in tandem. This will ultimately lead to a decline in aggregate demand. Commercial banks like Unity bank are in a position to help in efficient settlement of electronic transactions especially at this time of the lockdown.*

## *CBN resumes dollar sales in the forex market*



*In view of the phased easing of the lockdown the CBN resumed forex sales to commercial banks. The aim is to facilitate imports and support essential transactions like the payment of school fees . The sales which had stopped for six weeks resumed on April 29 and this caused the naira to appreciate sharply by 8.51% to N430/\$ from N470/\$ on May 4. In the past two months, the currency weakened due to a decline in inward foreign portfolio investment and the persisting depletion of external reserves.*

# *The IMF disburses \$3.4bn for fiscal and balance of payment support to Nigeria*



The IMF Board has disbursed the \$3.4bn emergency financial support to Nigeria. The fund is expected to support the Nigerian government in addressing the adverse impact of the pandemic and the shock of the sharp drop in oil prices. According to the IMF, the pandemic alongside the fall in oil prices has magnified the existing vulnerabilities, leading to an inevitable contraction in economic growth. The financial support will also help to curb the steady decline in external reserves and serve as additional revenue for budget implementation. External reserves which have steadily declined since July 2019, has climbed to \$33.89bn. The IMF holds that after the COVID-19 shock passes, the focus of the government should remain on medium-term macroeconomic stability with revenue based fiscal consolidation to keep Nigeria's debt sustainable and ensure optimal implementation of the Economic Recovery and Growth Plan.

## *The U.S. Economy contracts to 4.8% in Q1'2020*



### *For the first time since 2014*

In the recent report by the U.S Bureau of Economic Analysis (BEA) GDP growth in the country contracted by 4.8% in Q1'2020. The negative growth was largely attributed to the stay-at-home orders and shutdown of businesses that led to rapid changes in demand patterns. The COVID-19 pandemic brought crucial economic activities to a screeching halt. This is coming after 26 million people have filed for jobless claims and the shrink in domestic (-7.6%) and service (-10.20%) consumption during the crisis. Consumer spending accounts for about two-third of economic activities in the US.

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# *The Highlights*



## **Global economy to contract to -3% in 2020**

In its latest World Economic Outlook report, the International Monetary Fund (IMF) estimates that the global economy will contract to -3% in 2020. This is a sharp reduction from its earlier forecast in January of an expansion of 3.3%. The IMF now expects that the global economy will experience its worst recession since the Great Depression in the 1930s. While the IMF estimates that China will grow at the rate of 1.2% in 2020, most other economies/regions are projected to contract this year including advanced economies (-6.1%), emerging and developing countries (-1%), and the euro area (-7.5%) among others.

## **IMF regional economic outlook**

According to the IMF, real GDP within the Sub-Saharan African region is projected to contract by -1.6% in 2020. The bleak outlook is primarily driven by the fallout of the spread of COVID-19 in the region as well as lower than expected commodity prices. The region's top economies are also expected to contract within the year: Angola (-1.4%), South Africa (-5.8%) and Nigeria (-3.4%).

# *Federal Government eases lockdown in Lagos, Abuja and Ogun states*



President Buhari in a public address to the citizens announced his approval of a phased and gradual easing of the lockdown measures in the Abuja, Lagos and Ogun states effective from May 2. This directive will be accompanied by aggressive testing and contact tracing measures while permitting operations of some economic and business activities. There will also be a strict curfew from 8pm to 6am. Movements are still restricted except for those in essential services. Interstate passenger travel is prohibited and authorities are to ensure the mandatory use of face masks or coverings in public in addition to maintaining social distancing and personal hygiene. Restrictions on social and religious will also continue till further notice.

### **FBN PMI slips to 45.80points**

The purchasing managers' index declined further by 4.38% to 45.80points from 47.9points in March. All five sub—indices – output, employment, new orders, delivery times, and stock purchases– fell below the 50 points benchmark. The output index contracted to 40.5points. This was largely because of the economic contraction associated with the lockdown.

### **US WTI crude crashes to negative territory**

For the first time in history, the US benchmark West Texas Intermediate (WTI) plunged by over 300% to a negative territory (-\$40.32 per barrel). The massive decline was largely due to the weak oil demand and heightened storage concerns. The negative prices indicate that oil traders are actually paying to sell-off oil. In addition, the supply cut from Kuwait and the US-Iran tensions triggered a slight rebound in oil prices. WTI recovered slightly by over 10% to \$15pb. However, as oil supply remains at current levels with little or no storage space and global demand remains depressed, oil prices could crash again in the near term.

### **Federal government postpones WASSCE & NECO indefinitely**

The Federal Ministry of Education recently announced that the West African Senior Secondary Certificate Examination (WASSCE) and National Examinations Council (NECO), scheduled for May and June, have been postponed until further notice. The closure of schools due to the lockdown imposed has disrupted the school calendar. Most schools have adopted e-learning platforms to limit the effect of the disruption. According to the minister of education, 15 states have already commenced e-learning for their students through local television and radio channels.

### **FAAC disbursement spikes 34.27% to N780.92bn**

The Federal Allocation Accounts Committee (FAAC) meeting for April was held via video conferencing. The amount shared was 34.27% higher at N780.92bn compared to March's disbursement of N581.60bn. The increase is mainly due to exchange rate gains, implementation of the new VAT (7.5%) and statutory revenue. The impact of the plunge in oil proceeds capped the gains. Meanwhile, the excess crude account balance stands at \$72.22mn.

## **CBN disburses N50 billion as COVID-19 relief fund**

The apex bank has begun disbursement of the first tranche of its N50bn targeted credit facility. The stimulus package will be used to support households, as well as Micro, Small and Medium Enterprises (MSMEs) affected by the COVID-19 outbreak. NIRSAL microfinance bank, which manages the fund, has received over 80,000 applications with successful applicants already receiving payments.



## **China & G20 countries grant debt relief to International Development Association countries**

In a bid to support financially vulnerable countries battling COVID-19, China and other G20 member countries have agreed to grant debt relief to International Development Association (IDA) countries. About 76 countries, including Nigeria, are IDA-eligible, meaning that these countries have very low per capita income and are invariably the world's poorest countries. The President of the World Bank Group and Managing Director of the IMF confirmed this relief claim.

## **EU supports Nigeria with N21bn to fight COVID-19**

As the coronavirus takes a toll in Nigeria, the European Union has provided support worth €50mn (N21bn) and an additional €1.2mn for humanitarian assistance through UNICEF to the country. The EU says that the fund is expected to provide relief and safety for the poor, elderly and internally displaced persons in Nigeria. The donation is also meant to enhance the testing capacity for the virus, provide life-saving tools and kits in the country.



## We will **SUCCEED** in this Battle, together...

With the rapid spread of COVID-19 and its effect on business operations globally, we have put in place measures to help contain the spread of the virus while still meeting your banking needs and keeping you safe.

### 1 Provision of Alternative Banking Channels



### 2 Maintenance of High Hygiene Practices



### 3 Activation of our Business Continuity Plan to encourage Social Distancing



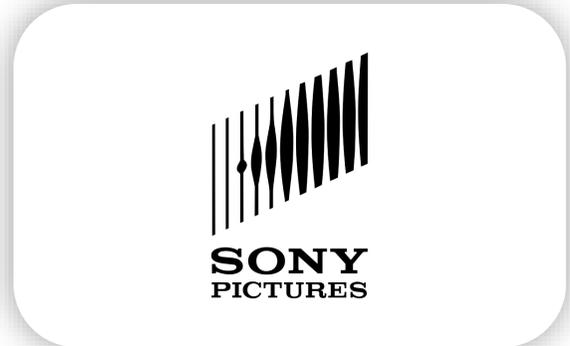
We consider the health and safety of our customers, employees and other stakeholders as high priority, and we will continue to maintain standards that protect you and your investments.

Our Contact Centre will remain operational 24 hours daily, and we can be reached through the following platforms:

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# Social Corner



## UEFA postpones Euro 2020 until 2021

- ◆ According to the Norwegian football federation, UEFA has postponed the European championship until 2021 due to the ongoing health crisis in Europe.
- ◆ The tournament that was initially scheduled for June 12 in 12 host countries will now run from June 11 to July 11, 2021.
- ◆ UEFA also hosted a video conference with all stakeholders and 55 member associations to determine the prospects for European football in the coming months.

## Sony to develop “One-Punch-Man” movie

- ◆ Sony has decided to develop the “one-punch-man” anime series into a movie.
- ◆ The studio is reuniting screenwriters, Scott Rosenberg and Jeff Pinker who had earlier worked together to write the film “Venom”. Avi Arad, who produced all “Spiderman” movies and the first three “X-Men” movies, will be producing “One-Punch-Man”.
- ◆ A Japanese artist created “One Punch Man” as a webcomic. However, the anime series became very popular after it streamed on Netflix.

## *Social Corner*



### **Black Entertainment Television holds benefit concert to raise COVID-19 relief fund**

- ◆ On April 22, the Black Entertainment Television (BET) held its COVID-19 relief benefit themed “*Saving ourselves: A BET COVID-19 Effort*”
- ◆ Anthony Anderson, Regina Hall, Kelly Rowland and Terrence J. hosted the event. Meanwhile, there were special performances from artists like H.E.R., Usher, John Legend, Alicia Keys, Chloe x Halle, Jhene Aiko and more.
- ◆ At the concert, John Legend performed his new single “Bigger Love” and there were gospel performances from Kirk Franklin, Fantasia and Kelly Price. Other celebrities like Tiffany Haddish, Idris Elba, Chance the Rapper, Ciara and DJ Khaled made appearances.
- ◆ BET collaborated with United Way Worldwide and the NAACP on the relief fund that will distribute money to local charities providing food and emergency assistance to African Americans in need. The Television special aired across all BET channels and YouTube.

# Main Report

*March inflation rises marginally by 0.06% to 12.26%*



Headline inflation (Y-o-Y) rose marginally to 12.26% from 12.20% in February. The slight uptick was mainly due to the base year effects of the border closure and the implementation of the new VAT rate (7.5%). March inflation figures did not reflect the adverse effect of the lockdown as the directive took full effect in April. Month on month inflation rose to 0.84% while core and food inflation rose to 9.73% and 14.98% respectively. Kwara (9.94%), Abuja (10.19%) and Lagos (10.82%) recorded the lowest inflation levels while Bauchi (15.55%), Niger (14.04%) and Kebbi (13.90%) had the highest.

As a result of the lockdown, businesses were shutdown, supply chains disrupted and panic buying commenced. On average, some domestic commodities prices spiked by over 50%. In all, it is expected that inflationary pressures will intensify and headline inflation for April could spike to 14%.

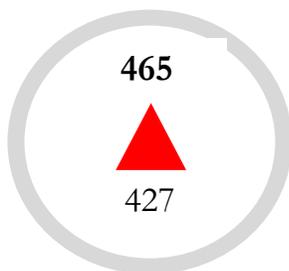
## **Outlook & Implications**

The upward trend is likely to persist in the near term. The exchange rate adjustments and the commencement of the planting season is expected to push up food inflation figures and ultimately headline inflation next month.

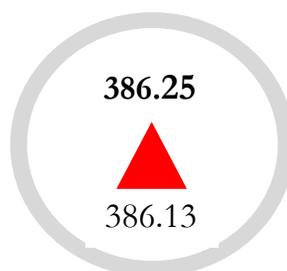
# Business Update

(Review Period : April 17th - 28th, 2020)

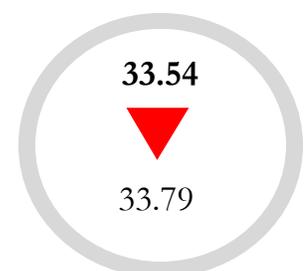
## The Foreign Exchange Market



Forex: Parallel (₦/ \$)



Forex: IEFX (₦/ \$)



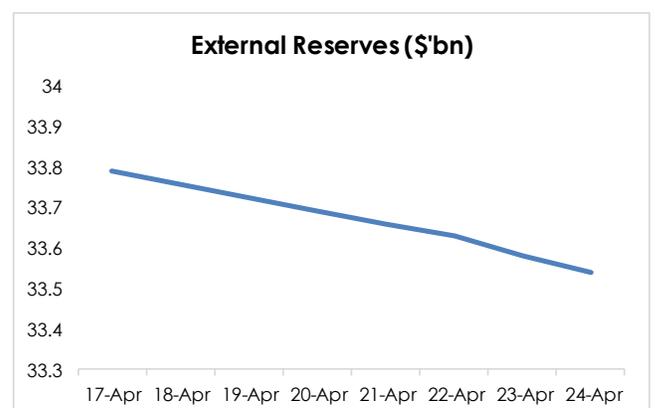
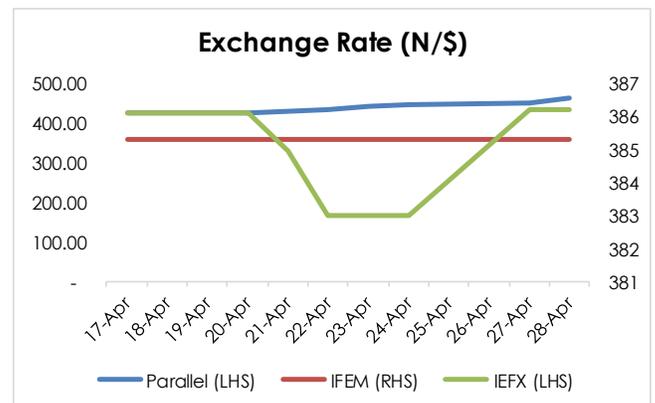
External Reserves (\$/bn)

The sharp decline in oil prices and external reserves have exacerbated the pressures on the naira due to the dearth in dollar liquidity. The currency depreciated by 8.90% to N465/\$ (parallel market) and to N535/\$ at the NDF markets. However, the currency fell marginally to close at N386.25/\$ at the IEFX window on April 28. The average daily turnover at the IEFX window has fallen sharply to approximately \$30mn from \$200mn in 2019.

External reserves fell by 0.74% to \$33.54bn (April 24). The country's import cover currently stands at 8.35 months from 8.44 months in the first half of April.

### Outlook & Implications

We expect the depletion in external reserves and oil prices to continue to stoke exchange rate pressures.



## The Money Markets

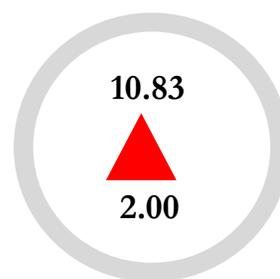
**Q**verage opening position for banks rose by 4.15% to N558.71bn compared to N536.46bn in the first half of April. OMO sales (N246.65bn) were higher than OMO maturities (N226.78bn) resulting in a net outflow of N19.87bn. This was partly due to the intervention by the CBN in the markets. There was a bond auction of N156.06bn which was 160% above the offer amount of N60bn. The rates declined across all tenors.

Short term interest rates (OBB/ON) rates jumped by an average of 933bps to close at 10.83%pa and 12.08%pa respectively. The sharp increase was due to the CRR debit of N1.4trn by the CBN.

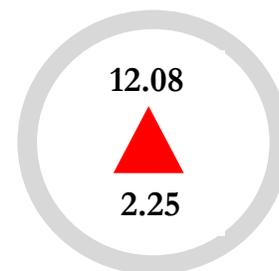
The CBN has also lifted its temporary embargo on cheque clearing activities. This will increase the demand for money in the interbank market to meet interbank clearing obligations.

### Outlook & Implications

We expect interest rates to remain at current levels due to the low level of liquidity in the system.



NIBOR: OBB (%p. a)



NIBOR: O/N (%p.a)

## Bond auction details

Tenors	5-year	15-year	30-year
Offer (N'bn)	20.00	20.00	20.00
Subscription (N'bn)	49.70	107.47	118.50
Total Sale (N'bn)	30.07	72.25	53.74
Stop rates (%)	9.00	12.00	12.50
Previous stop rates (%)	10.00	12.50	12.98

## Primary Market and Secondary Market rates

Tenor	Secondary market rates at April 17, 2020 (% pa)	Secondary market rates at April 28, 2020 (% pa)	Change (%)	Primary market rates at April 01, 2020 (% pa)	Primary market rates at April 15, 2020 (% pa)	Change (%)
91-day	2.16	2.51	-0.35	2.20	1.93	0.27
182-day	2.90	2.75	0.15	3.20	2.74	0.46
364-day	3.91	3.11	0.80	4.30	4.00	0.30

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## The Stock Market

22,727.87



22,921.59

NSE ASI

11.84



11.95

Market Cap. (N'trn)



NSE ASI



The stock market rally ended during the review period as the NSE ASI lost 0.85% to close at 22,727.87points. The YTD loss is 15.33%. Very thin trading was done during the review period. Meanwhile, with limited funds, low earnings and weak investor appetite, the market is likely to remain bearish in the near term.

### Outlook & Implications

As companies resume operations, we expect a gradual pick up in market activities. This points to a possible reversal in the bearish trend.

## The Commodities Market

Brent prices (\$/b)



18.95



28.08

### Outlook & Implications

Oil prices are expected to trade between \$21-\$25pb as supply/demand imbalance persists and storage concerns linger. Meanwhile, the oil output cut to take effect on May 1 may result in a further decline in Nigeria's oil production quota to 1.45mbpd.

Natural gas (\$/mmbtu)



1.84



1.75

### Outlook & Implications

Demand for LNG is expected to pick up as cooler weather approaches in the US. Hence we expect an uptick in LNG prices.

### Corn (\$/bushel)



#### Outlook & Implications

Tepid demand from ethanol producers will keep corn prices low in the coming period.

### Wheat (\$/bushel)



#### Outlook & Implications

Lower global demand will keep wheat prices depressed in the near term. Lower prices will reduce Nigeria's spending on wheat imports.

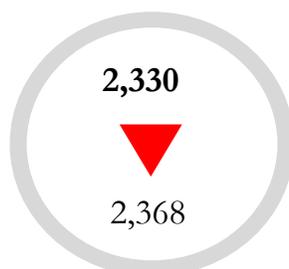
### Sugar (\$/pound)



#### Outlook & Implications

Prices are expected to remain low as the importer-retailer dispute in Tanzania disrupts the global sugar market. This will reduce Nigeria's import bill.

### Cocoa (\$/mt)



#### Outlook & Implications

Supply shortages from export countries amid the lockdown is expected to support cocoa prices in the near term

## *Tips to Boost Your Body's Natural Defences*

**Culled from Health line**



If you want to boost your immune health, you may wonder how to help your body fight off illnesses.

While bolstering your immunity is easier said than done, several dietary and lifestyle changes may strengthen your body's natural defences and help you fight harmful pathogens, or disease-causing organisms.

Here are some tips to strengthen your immunity naturally.

### **Get enough sleep**

Sleep and immunity are closely tied. In fact, inadequate or poor quality sleep is linked to a higher susceptibility to sickness. In a study of 164 healthy adults, those who slept fewer than 6 hours each night were more likely to catch a cold than those who slept 6 hours or more each night. Getting adequate rest may strengthen your natural immunity. Also, you may sleep more when sick to allow your immune system to better fight the illness.

### **Eat more whole plant foods**

Whole plant foods like fruits, vegetables, nuts, seeds, and legumes are rich in nutrients and antioxidants that may give you an upper hand against harmful pathogens. The antioxidants in these foods help decrease inflammation by combating unstable compounds called free radicals, which can cause inflammation when they build up in your body in high levels. Furthermore, fruits and vegetables are rich in nutrients like vitamin C, which may reduce the duration of the common cold.

### **Limiting Added Sugars**

Emerging research suggests that added sugars and refined carbs may contribute disproportionately to overweight and obesity. Obesity may likewise increase your risk of getting sick. Curbing your sugar intake can decrease inflammation and aid weight loss, thus reducing your risk of chronic health conditions like type 2 diabetes and heart disease. You should strive to limit your sugar intake to less than 5% of your daily calories. This equals about 2 tablespoons (25 grams) of sugar for someone on a 2,000-calorie diet.

### **Engage in moderate exercise**

Although prolonged intense exercise can suppress your immune system, moderate exercise can give it a boost. Studies indicate that even a single session of moderate exercise can boost the effectiveness of vaccines in people with compromised immune systems. Regular and moderate exercises may reduce inflammation and help your immune cells regenerate regularly. Examples of moderate exercises include brisk walking, steady bicycling, jogging, swimming, and light hiking. Most people should aim for at least 150 minutes of moderate exercise per week.

### **Manage your stress levels**

Relieving stress and anxiety is key to immune health. Long-term stress promotes inflammation, as well as imbalances in immune cell function in particular, prolonged psychological stress can suppress the immune response in children. Activities that may help you manage your stress include meditation, exercise, journaling, yoga, and other mindfulness practices. You may also benefit from seeing a licensed counsellor or therapist, whether virtually or in person.

### **Supplement wisely**

It's easy to turn to supplements if you hear claims about their ability to treat or prevent COVID-19. According to the National Institute of Health (NIH), there's no evidence to support the use of any supplement to prevent or treat COVID-19. However, some studies indicate that the following supplements may strengthen your body's general immune system: Vitamin C, Vitamin D and garlic.

### ***The bottom line***

You can make several lifestyle and dietary changes today to strengthen your immune system. These include reducing your sugar intake, staying hydrated, working out regularly, getting adequate sleep, and managing your stress levels. Although none of these suggestions can prevent COVID-19, they may reinforce your body's defences against harmful pathogens.

# Contact

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