

Unity Bank Digest

November 8th, 2018



THE HIGHLIGHTS

Nigeria ranks 146th in Ease of Doing Business Index

According to the World Bank's Doing Business Index 2019 report, Nigeria's Ease of Doing Business score improved by 2.66% to 52.89 (out of 100). However, its ranking dropped to 146th position (out of 190 countries surveyed) from 145th in the 2018 ranking. New Zealand, Singapore and Denmark remained the top three economies with their Ease of Doing Business scores at 86.59, 85.24 and 84.64 respectively. Other high ranking economies include Hong Kong, Korea, Georgia, Norway and United States. On the other hand, Libya, Yemen, Venezuela and Somalia ranked the bottom four economies. Among the sub-indices used in measuring Nigeria's ranking, Starting a Business scored the highest at 82.97 (out of 100) followed by Dealing with construction permits (57.84 points), Getting electricity (42.63 points) and Registering property (28.89 points). We expect Nigeria's business policy reforms through the Presidential Enabling Business Environment Council (PEBEC) to enhance the business environment and improve our Ease of Doing Business Index.

Nigeria moves up 10 places to 115th in Global Competitiveness Index

In the recently released Global Competitiveness Index (GCI) report of the World Economic Forum, Nigeria moved up 10 places to 115th of 140 countries. On the other hand, Nigeria's score declined by 0.5 points to 47.5 (out of 100) from its previous score of 48 in 2017. In Sub-Saharan Africa, Nigeria ranked the 12th highest. Leading countries within the region include Mauritius at 49th position followed by South Africa at 67th and Seychelles at 74th. Nigeria's improved ranking was driven by increased investment in infrastructure, ICT adoption and business dynamism. The Index, which is a measure of a country's productivity, reflects Nigeria's low productivity growth (-1.3% between 2015-2018). Nonetheless, we expect productivity levels to improve on the back of a likely minimum wage review and ease of doing business reforms. This would push Nigeria up in both ranking and score in the next report.

Consumer Confidence Index drops to 60.8 points in Q3'18

Nigeria's Consumer Confidence Index declined by 9% to 60.8 points in Q3'18 from 67 points in the preceding quarter. The Index, which measures the perception of consumers regarding their present and future economic prospects, consists of the Present Situation Index (PSI) and Expectation Index (EI). Both sub-indices also declined within the review period- PSI decreased from 43.1 points in Q2 to 41.7 points and the EI declined to 75.1 points from 84.77 points. The decline is reflective of a decline in consumer purchasing power and spending patterns of many households. However, a likely minimum wage review could improve the economic conditions of Nigerians and boost consumer confidence.

Federation Account Allocation Committee (FAAC) down 5.8% to N698.71bn in October

The Federation Account Allocation Committee (FAAC) disbursed a total of N698.71bn, 5.8% lower than an allocation of N741.84bn in September. Whilst Nigeria's oil revenue increased by \$8.48mn, the average unit price of oil dropped by 1.8% to \$75.69pb. A further breakdown of the revenue distributed shows that the gross statutory revenue stood at N569.28bn and gross revenue from Value Added tax (VAT) was N75.9bn.

Meanwhile, the Minister of Finance, Mrs Zainab Ahmed, stressed the need for the three tiers of government to save as a hedge against future risks. We expect FAAC disbursements to remain stable within a range of N680-720bn as Brent oil trades above \$70pb.

Money supply up 3.58% to N24.86trn in August

Money supply increased by 3.58% to N24.86trn in August. This is significantly below the Central Bank of Nigeria's target of 10.48% for 2018. Likely drivers of money supply growth include: increased election spending, the release of capital funds from the 2018 budget and the minimum wage review, which is expected in the coming weeks. This will have a negative impact on headline inflation, which has already reversed its downward trend (up to 11.28% in September).

Senate approves \$2.8bn Eurobond issuance

The Senate has approved a \$2.8bn Eurobond issuance from the International Capital Market. This comes eight months after an earlier \$2.5bn Eurobond issuance in February

2018. The bond issue, which will be used in part to finance the 2018 budget, will raise Nigeria's external debt to 32% of its total debt, up from 30% as of June 2018. The Senate also approved a debt issuance of \$82.54mn geared towards refinancing the balance of a \$500mn matured Eurobond. Increased borrowing at the international market at a cheaper interest rate will reduce the government debt service burden in the long term.

Buhari inaugurates new terminal at Port Harcourt International Airport

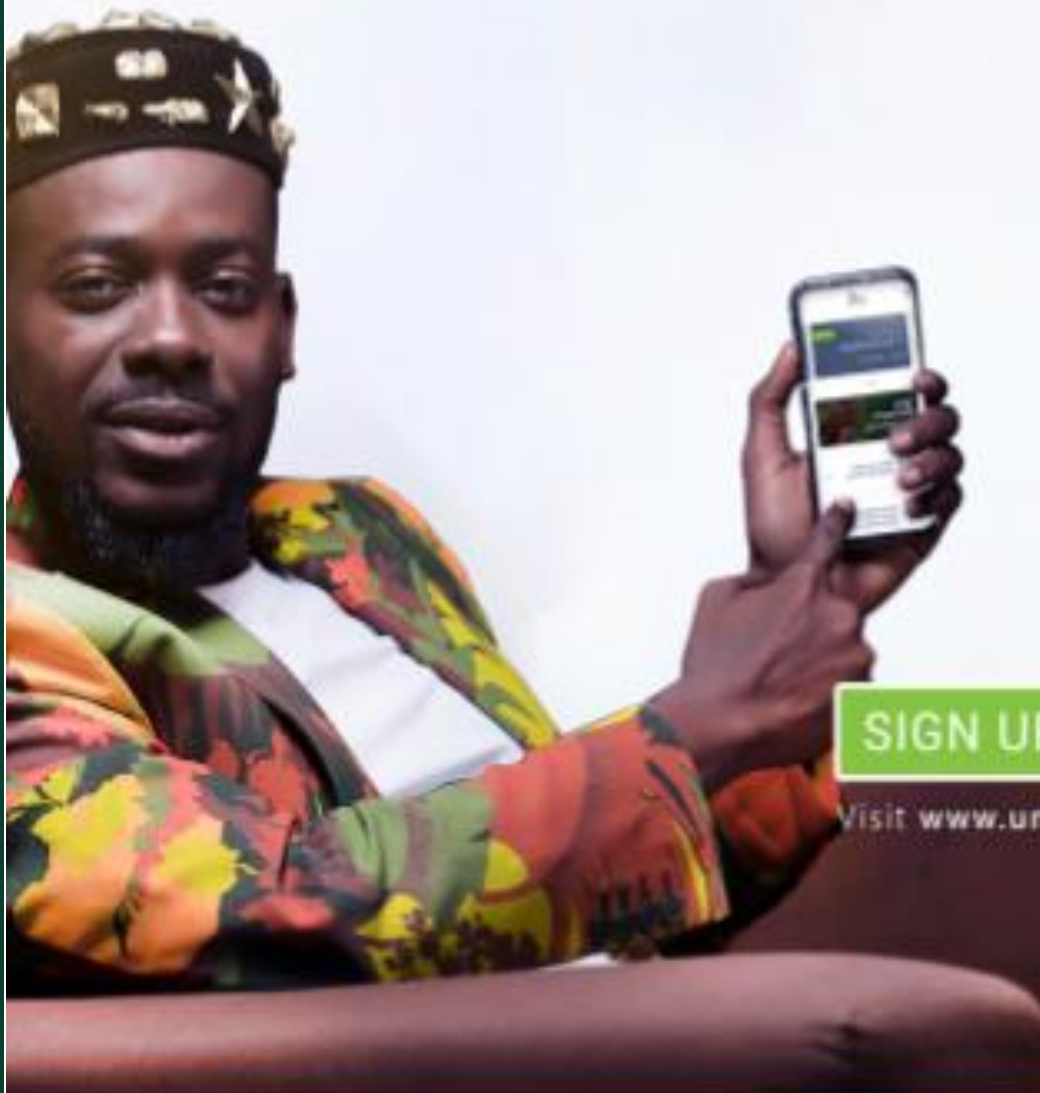
President Buhari inaugurated a new terminal at the Port Harcourt International Airport on October 25th. The terminal, which was initially scheduled to be delivered in 2013, is one of four projects expected from a \$500mn Chinese loan. According to the host governor, Nyesom Wike, the domestic wing of the airport would be commissioned in December. New terminals are also expected in the Abuja, Lagos and Kano international airports in the near term. We expect increased investment in airport infrastructure to create employment and attract investors to Rivers state.

Power Update

The average power output between October 1st and 23rd was 3,770MWh/hour. This is 8.43% higher than the output of 3,477MWh/hour recorded in the corresponding period in September. During the review period, output reached a five-month high of 4,115MWh/hour. The improvement in power supply was partly driven by increased rainfall, as there were no records of water constraints. However, grid and gas constraints resulted in a revenue loss of N37.96bn within the power sector. With rainfall expected to subside in the coming months, power supply will be largely dependent on the availability of gas. We expect output to remain within a range of 3,600-3,900MWh/hour in the coming weeks.



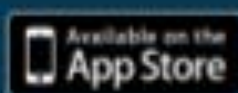
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China opens longest sea crossing bridge in the world

- China has opened the world's longest sea crossing bridge, costing \$20 billion and taking nine years to construct.
- The 34-mile (55km) long bridge consists of a series of six-lane bridges and tunnels, winding between man-made islands across the Pearl River Delta.
- It connects the financial hub of Hong Kong with the Pearl River Delta in Guangdong province, the Chinese city of Zhuna, and the former Portuguese colony and gambling hub of Macau. It is expected to stimulate economic activities.
- Critics see the bridge as a push by the Communist Party of China to bring Hong Kong more firmly under its control, raising fears that Hong Kong's cherished freedoms and democratic culture are facing the threat of being eroded.



The 46th Annual American Music Awards

- The 46th Annual American Music Awards, hosted by Tracee Ellis Ross, were held on October 9, 2018, at the Microsoft Theater in Los Angeles, California.
- Cardi B and Drake led the list of nominations with eight mentions each. Taylor Swift and Camila Cabello were the big winners, with four awards each.
- Taylor Swift bagged the evening's top prize, Artist of the Year, becoming the most decorated female artist in AMA history with a total of 23 wins, unseating Whitney Houston.
- The award winners include:

Artist of the Year: **Taylor Swift**

New Artist of the Year: **Camila Cabello**

Collaboration Of The Year: **Camila Cabello Feat. Young Thug, "Havana"**

Favorite Music Video: **Camila Cabello Feat. Young Thug, “Havana”**

Favorite Male Pop/Rock Artist: **Post Malone**

Favorite Female Pop/Rock Artist: **Taylor Swift**

Favorite Pop/Rock Duo or Group: **Migos**

Favorite Pop/Rock Album: **Taylor Swift, Reputation**

Favorite Song Pop/Rock: **Camila Cabello Feat. Young Thug, “Havana”**

Favorite Male Country Artist: **Kane Brown**

Favorite Female Country Artist: **Carrie Underwood**

Favorite Country Duo or Group: **Florida Georgia Line**

Favorite Country Album: **Kane Brown, Kane Brown**

Favorite Country Song: **Kane Brown, “Heaven”**

Favorite Rap/Hip-Hop Artist: **Cardi B**

Favorite Rap/Hip-Hop Album: **Post Malone, Beerbongs & Bentleys**

Favorite Rap/Hip-Hop Song: **Cardi B, “Bodak Yellow (Money Moves)”**

Favorite Soul/R&B Male Artist: **Khalid**

Favorite Female Soul/R&B Artist: **Rihanna**

Favorite Soul/R&B Album: **XXXTentacion, 17**

Favorite Soul/R&B Song: **Bruno Mars & Cardi B, “Finesse”**

Tecno Mobile wins big at NTITA 2018

- Tecno Mobile won Most Popular Smartphone Brand of the Year and Smartphone of the Year at the second edition of the Nigeria Tech Innovation and Telecoms Award which was held on October 12, 2018 in Lagos.
- The awards recognized Tecno Mobile's massive contribution to the tech-space in Africa, popularity amongst smartphone users in Nigeria, leadership status in the industry and the brands dedication to mobile technology development in Africa.
- Tecno's strategy to be affordable, smart and compact, combined with improved software and its multi-sim feature, has allowed the Chinese brand to



dominate over brands like Apple, Samsung, Huawei, LG and Nokia in Nigeria's mobile market.

- Tecno remains the largest smartphone seller in Nigeria, with an estimated market share of 41%.

Apple confirms serious camera problem in iPhones

- After receiving mixed reviews about the new iPhones. Apple has recently admitted to another serious launch problem with the front-facing camera of the iPhone XR, iPhone XS and iPhone XS Max.
- The problem, popularly known as "Beauty Gate", arises from an airbrushing technique in the high-dynamic-range (HDR) function which makes pictures smoother than normal, thus resulting in blurry facial points.
- The flaws were first spotted in September by Lewis Hilsenteger, a popular YouTuber and smartphone analyst on his YouTube channel called 'Unbox Therapy'.
- Apple was silent over the issue for almost a month, which made many to think that the image processing and camera feature was deliberate.



Wanda Ferragamo, the matriarch of Ferragamo shoes, dies at 96

- Salvatore Ferragamo's widow, Wanda Ferragamo, who took over her husband's business when he died more than 50 years ago, died on October 19.
- The widow expanded the Italian shoe company into a luxury-goods empire with celebrities like Madonna, Charlize Theron, Audrey Hepburn, Greta Garbo and Marilyn Monroe as clients.
- After her death on October 19th, the shares of the company gained 9.52% to 21.29, prompted by speculation that her children might sell their stakes in the brand.



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TOP STORIES

Nigeria moves up 10 places to 115th in Global Competitiveness Index

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Global Competitiveness Index Summary (by score)		
Top Five (global)	Bottom five (global)	Top five (sub-Saharan Africa)
United States 85.6	Chad 35.5	Mauritius 63.7
Singapore 83.5	Yemen 36.4	South Africa 60.8
Germany 82.8	Haiti 36.5	Seychelles 58.5
Switzerland 82.6	Angola 37.1	Botswana 54.5
Japan 82.5	Burundi 37.5	Kenya 53.7

Analysis & Outlook

Nigeria's improved ranking was driven by increased investment in infrastructure, technology and ICT adoption. However, the performance of the country was dragged down by macroeconomic instability, as well as product and labor market indices. The GCI, which also measures productivity within a country, further highlights Nigeria's low level of productivity growth (-1.3% between 2015-2018). Nonetheless, we anticipate improvements with the expected minimum wage review, ease of doing business reforms and investments in rail infrastructure. These will likely push Nigeria up, both in ranking and score, in the next report.

Consumer Confidence Index drops to 60.8 points in Q3'18

- In its latest report, NOIPolls reported a 9% decline in Nigeria's Consumer Confidence Index from 67.0 points in Q2'18 to 60.8 points in Q3'18.
- The index, which measures consumer optimism about their present economic circumstances, consist of two sub-indices-Present Situation Index (PSI) and Expectation Index (EI). Both sub-indices also declined within the review period: the PSI declined to 41.7 points while EI declined to 75.1 points.

Analysis & Outlook

The decline is reflective of a decline in consumer purchasing power and spending patterns of many households. This is likely to make the current minimum wage negotiations more acrimonious.

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BUSINESS UPDATE

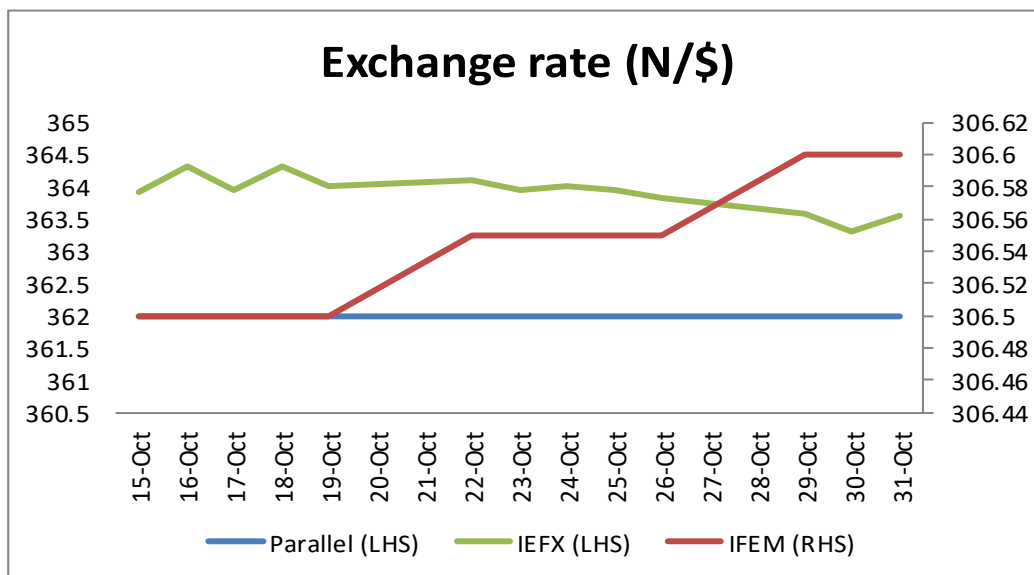
(Review Period: October 15th –31st, 2018)

The Forex Market

At the parallel market, the naira traded flat against the US dollar to close at N362/\$. However, it appreciated by 0.63% and 1.20% against the pound sterling and euro to close at N412/€ and N472/£ on October 31st from N417/€ and N475/£ on October 15th.

At the interbank foreign exchange market, the naira depreciated marginally by 0.03% to close the period at N306.60/\$, from N306.50/\$ on October 15th. The naira appreciated marginally by 0.10% to close at N363.54/\$ at the IEFX window from N363.92/\$ on October 15th. However, the currency is still below the parallel market rate, partly due to increased capital reversal as political uncertainty intensifies. Total forex traded in the IEFX window was \$2.83bn, 10.73% lower than a turnover of \$3.17bn between 14th-28th September. The CBN sold a total of \$757bn in the forex market within the review period. This was 43.50% higher than its intervention of \$527.52bn in the corresponding period in September.

In addition, the level of Nigeria's gross external reserves decreased by 2.19% (down \$940mn) to \$42.06bn as at October 30th from \$43.00bn on October 15th. This resulted in a decline in the import cover to 10.47 months from 10.71 months on October 15th.

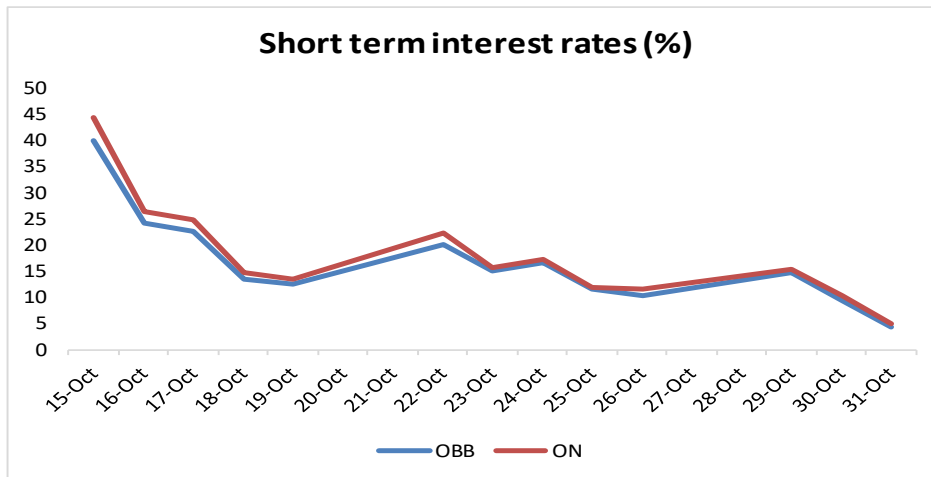


SOURCE: FDC Think Tank, CBN, FMDQ

The Money Market

Short term interest rates (OBB and ON), started the period at a four-month high of 39.92% and 43.33% before declining sharply to close at 4.33% and 4.92% pa respectively on October 31st. Total OMO sale during the period was N520.05bn compared to maturities of N720.01bn resulting in a net inflow of N199.96bn. Average opening position of the banking system during the period was positive at N119.69bn, 66.89% lower than N361.50bn recorded in the corresponding period in September. At the last primary market auction, the 91-day, 182-day and 365-day T/Bills tenors increased by 26bps to 10.96% pa, 12.69% pa and 13.45% pa respectively on October 17th. At the secondary market, the 182-day and 364-day tenors increased by an average of 68bps to 12.78% pa and 14.20% pa respectively. On the other hand, the 91-day tenor declined by 10bps to 12.22% pa. As at October 30th, the Nigerian Inter-Bank Treasury bill True Yield (NITTY) rates were 11.80% (30-day), 12.95% (90-day) and 13.27% (180-day).

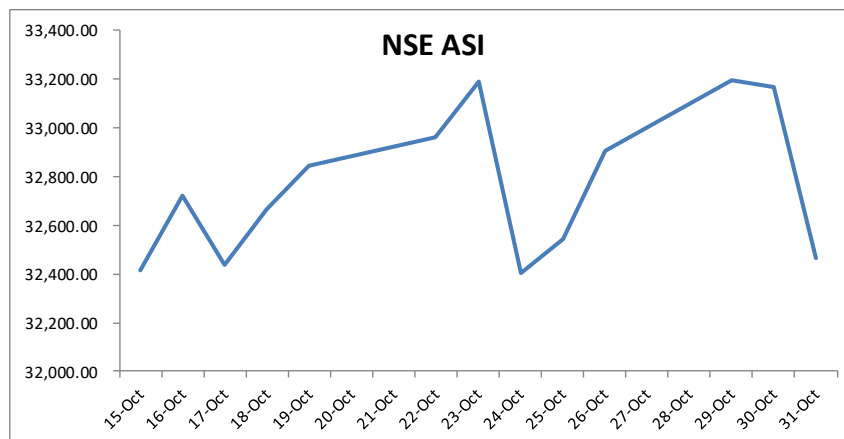
Tenor	Secondary market rates as at October 15 th 2018 (%)	Secondary market rates as at October 31 st 2018 (%)	% change	Primary market rates as at October 12 th 2018 (%)	Primary market rates as at October 17 th 2018 (%)	% change
91-day	12.32	12.22	-0.10	10.90	10.96	0.06
182-day	12.34	12.78	0.44	12.10	12.69	0.59
364-day	13.28	14.20	0.92	13.33	13.45	0.12



SOURCE: FMDQ, CBN

The Stock Market

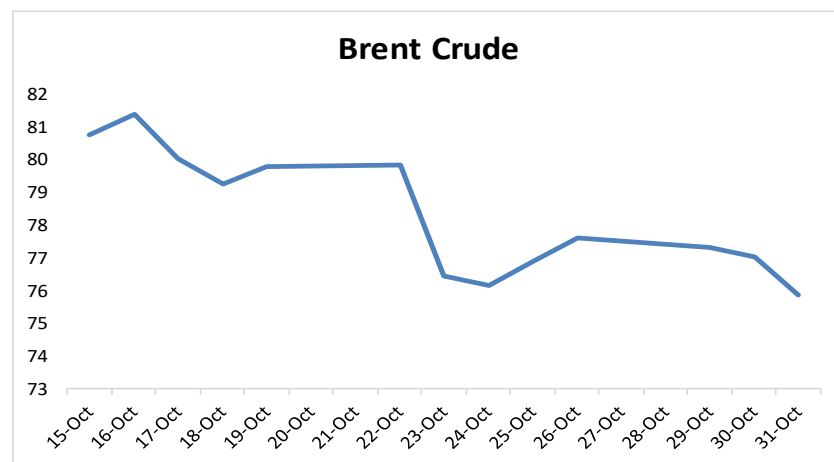
The Nigerian Stock Exchange All Share Index (NSE ASI) gained 0.16% to close at 32,466.27pts on October 31st from 32,413.00pts on October 15th. Total market capitalization also gained 0.17% to close at N11.85trn compared to N11.83trn on October 15th. The market recorded 8 positive days and 5 negative days.



SOURCE: NSE

The Commodities Market

- Brent crude down 6.84% to \$75.85pb on October 31st from \$81.42pb on October 15th.
 - Due to rising US crude inventories and stronger dollar
- Natural gas fell by 1.54% to close at \$3.19/mmbtu from \$3.24/mmbtu on October 15th.
 - Due to a rise in US natural gas inventories and forecast of warmer weathers during summer.
- Corn prices declined by 3.44% to \$3.65/bushel from \$3.78/bushel on October 15th.
 - Driven by strong pace of the US corn harvest.
- Wheat prices lost 5.52% to \$4.96/bushel from \$5.25/bushel at the end of the review period.
 - On robust output from Black Sea region and US harvest.
- Sugar prices declined by 1.56% to \$0.1322/pound on October 31st from \$0.1343/pound at the start of the period.
 - Driven by export subsidy to Indian sugar mills
- Cocoa prices increased by 5.46% closing the period at \$ 2,258/mt from \$2,141/mt.
 - Following reports of a rise in global chocolate demand.



SOURCE: Bloomberg, EIA, Newsnow

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SCAN TO OPEN



LIFESTYLE



Why Investing Is Simple but Not Easy - Culled From Forbes¹

If you ask people what's the most complicated part of managing their finances, many if not most will tell you it's investing (especially with all the recent market volatility). Is it a good time to invest in stocks? Which fund managers will beat the market? What's the perfect asset allocation? I would argue that investing is actually the simplest part of financial planning, not because I know the answers to those questions but precisely because I don't, and neither does anyone else.

Study has shown that the vast majority of professional investment managers can't successfully time or beat the market and the few that do happen to outperform aren't able to continue to do so. As for the "perfect asset allocation," a comparison of model portfolios put together by various investment experts found that they almost all performed about the same since the 1970s. Which fund managers and asset allocation strategies will outperform in the future is anyone's guess.

¹ <https://www.forbes.com/sites/financialfinesse/2018/10/28/why-investing-is-simple-but-not-easy/#462c98c47f67>

So what does this mean for you as an investor? Trying to time the market, find winning fund managers, or perfect your asset allocation is probably a waste of time that will likely backfire. The irony is that investing is so complex that your best bet is to keep it simple by following these three steps:

1) Match your asset allocation to your risk tolerance.

Risk tolerance comes in two forms. The first is how much risk you can afford to take, which is largely a function of when you might need the money. Anything you might need in the next 3-5 years (savings for emergencies, a vacation/holidays, or purchasing a car or home in the next few years) should be kept safe in cash. Beyond that, the longer your time frame, the more aggressively you can invest in stocks, which are extremely volatile in the short run but are less likely to lose money the longer you hold them (assuming you're well diversified).

The second is your personal comfort with risk. After all, if you can't sleep well at night when your portfolio falls in value, you may be tempted to cash out and miss the recovery. The more conservative you are, the less you may want to have in stocks and vice versa.

There are three basic ways to match your long term investments to your risk tolerance. The simplest is to use a target date fund for retirement or an age-based portfolio (found in many 529 college savings plans) for education expenses. These "one stop shop" solutions are fully diversified so all you need to do is pick the target date fund with the year closest to when you think you'll retire or the age-based allocation closest to your child's age. (These are typically designed for moderate investors so if you're more conservative you choose an earlier date/older age or if you're more aggressive you can choose a later/younger one.) You then put everything into that one fund or portfolio and the money will be diversified and gradually become more conservative as you get closer to the target retirement or college date.

Another option is to design your own portfolio. You can take a risk tolerance questionnaire like this and follow the basic guidelines for your corresponding risk level. This gives you a little more control in deciding exactly what kind of investments to pick.

Finally, you can use a financial advisor, either a traditional one or a "robo-advisor," which is a computer program that designs a portfolio for you based on your risk tolerance and typically for less than a human advisor would charge. Robo-advisors

are more customized than a target date or model portfolio fund and many also offer tax efficient investing strategies. However, they lack the hand holding that a human advisor can provide to help you stick with your portfolio when the going get rough.

2) Minimize your costs.

Regardless of which method you choose, you'll want to look for ways to reduce how much you lose to taxes, fees, and transaction costs. To reduce taxes, make sure you're using tax-advantaged accounts like your employer's retirement plan. There are also steps you can take to minimize taxes on your regular taxable accounts. This can be quite complex so if you have a lot of money in taxable accounts, you may want to work with a financial planner.



As for mutual fund costs, a Morningstar study found that low costs was the “most proven predictor of future fund returns” when comparing similar mutual funds. Whether you're looking for target date funds, age-based portfolios, or funds to implement your own asset allocation strategy, you'll want to pay attention to the fund's expense and turnover ratios. The former is what the fund charges you every year and the second is how often the fund trades, which is an approximation of what you'll pay in transaction costs. You can generally minimize both by choosing index funds that passively track the market rather than try to beat it.

The same holds true when choosing an advisor as their advisory fee will come on top of any fund fees you're paying. Most advisors collect a commission from selling high-fee funds or charge a percentage of the assets they manage for you. Both can be expensive and present conflicts of interest. Instead, look for advisors that charge a flat annual, monthly, or hourly fee as this can be both cheaper and less biased.

3) Stick to your plan.

Once you've created a reasonable (there is no perfect) and low cost portfolio, the most important thing you can do is to stick with it. You may be tempted to jump onto the next hot investment fad (dot com stocks in the 90s, and then real estate, and more recently cryptocurrency), chase top performing funds or strategies, or bail out during the next bad news or market downturn, but any of these actions

can decimate your portfolio returns. If you can't help yourself, put aside some "play money" you can afford to lose by speculating and consider hiring a financial advisor to talk you out of a bad decision with the rest of your money. (Vanguard estimates that this "behavioral coaching" can boost your returns by 1.5 %.)

This last step may be as simple as the others, but it's not easy. The hardest part of investment management isn't complexity, taxes, or even fees. In fact, it's not managing investments at all. It's managing ourselves.



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