


GDP Falls to 1.87%

Oh No!!! 



Economic News

Social

Lifestyle

Unity Bank Digest

May 28, 2020

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Flash Note !!!

MPC cuts MPR by 100bps to 12.5%



In a surprise move, the MPC cut the benchmark interest rate by 100bps to 12.5%pa from 13.5%pa. This is the first rate cut since March 2019. The impact on the market will be mute as the purpose of the MPR is more for signaling and to anchor expectations. Other monetary policy parameters were left unchanged:

- Asymmetric corridor of +2%/-5%*
- Cash Reserve Ratio of 27.5%*
- Liquidity Ratio of 30%*

Q1 GDP Slows to 1.87% -

Preview of a Limping Economy



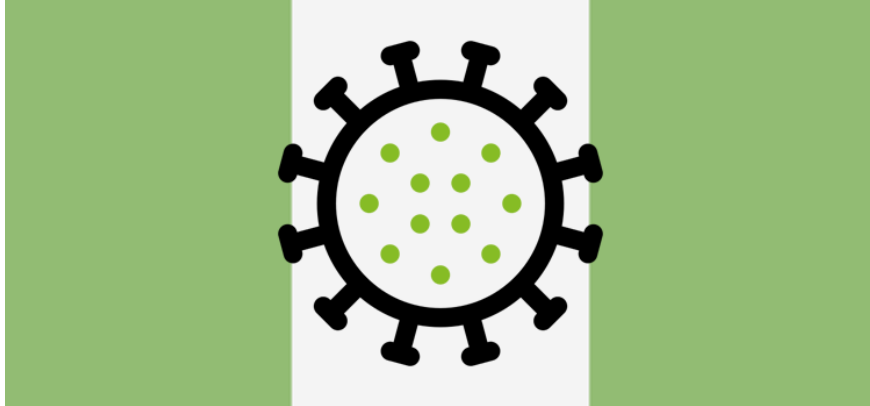
As widely expected, Nigeria's Q1 real GDP slowed to 1.87% from 2.55% in the preceding quarter . This is the slowest quarterly GDP growth since Q3'18 and represents the early signs of the disruptive impact of COVID-19. Of the 46 activities tracked by the National Bureau of Statistics (NBS), 9 outperformed GDP growth with an average growth rate of 6.3% while 37 activities underperformed GDP growth.

GDP is projected to contract by a range of -3% to -8% in 2020 depending on the severity of the Coronavirus outbreak in Nigeria. The road to economic recovery for Nigeria will depend on the economic discipline of policymakers in the adoption of an efficient pricing model for exchange rates and refined petroleum products.

Covid-19 Dashboard in Nigeria (As At May 26th)

Total Cases - 8,344

Casualties - 249



Recovered - 2,385



States with the highest cases

	Infected cases	Number of deaths
Lagos	3,756	47
Kano	923	38
FCT	519`	14
Katsina	335	14
Bauchi	256	25

States with the lowest cases

	Infected cases	% of Total
Benue	5	0
Abia	8	0
Anambra	10	1
Bayelsa	12	0
Taraba	18	0

- *Lagos remains the epicentre of the virus in Nigeria*

The Highlights

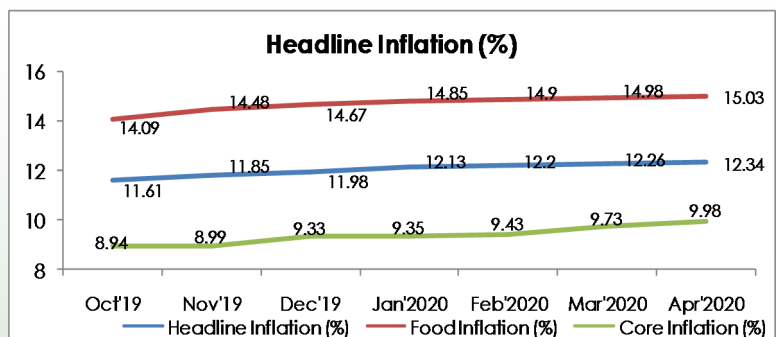
Capital importation spikes by 53.97% to \$5.85bn in Q1

The total value of capital importation in Q1 2020 increased sharply by 53.97% to \$5.85bn from \$3.80bn in Q4'19. This was attributed by a spike (128.79%) in Foreign Portfolio Investment (FPI) to \$4.31bn from \$1.88bn in the previous quarter. FPI accounted for 73.61% of total capital importation in the quarter. However, other investment and foreign direct investment declined by 19.92% and 16.72% to \$1.33bn and \$214.25mn respectively. We expect significantly weaker inflow in the second quarter due to frail investors' sentiment as a result of the COVID-19 pandemic.



Headline inflation up by 8 bps to 12.34% in April

Headline inflation rose for the eighth consecutive month to 12.34% in April from 12.26%. The increase, though lower than expected was primarily driven by the inflationary impact of the lockdown, movement restrictions and panic buying by consumers. Core inflation increased, albeit at a faster pace to 9.98% from 9.73% due to a spike in transportation costs ensuing from the movement restrictions. All other sub-indices moved in tandem with the headline index. Month-on-month and food inflation increased by 0.18% and 0.05% to 1.02% and 15.03% respectively.

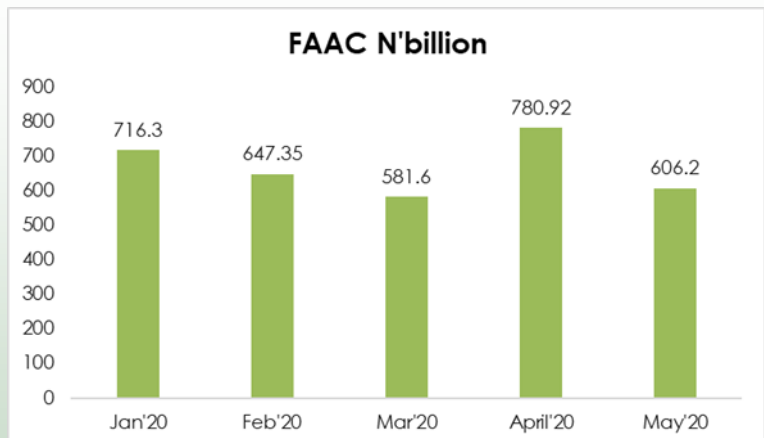


We expect inflationary pressures to persist in May due to the combined effects of shortages and rising imported inflation as a result of the currency weakness.

FAAC allocation falls sharply by 22.37% to N606.20 billion

The Federation Accounts Allocation Committee (FAAC) disbursement to the three tiers of government fell by 22.37% to N606.20 billion (bn) in May from April's allocation of N780.92 bn. The lower disbursement was due to the sharp decline in petroleum profit tax, corporate income tax, import and export duties, the price of oil and the value added tax. The gross statutory revenue also decreased by 38.03% to N370.41 bn from

N597.68 bn in the previous month. We expect FAAC allocations to remain low in the coming months due to lower crude oil proceeds and reduced revenue from the VAT.



President Buhari extends easing of the lockdown by two weeks

According to the chairman of the Presidential Task Force on COVID-19, President Buhari has extended the gradual easing of the lockdown by two weeks, from May 18, 2020 to June 1, 2020. The extension is expected to prepare other segments of the economy for opening and to ensure total compliance to the lockdown guidelines. The President maintained the existing lockdown in Kano state for another two weeks plus no interstate movement.



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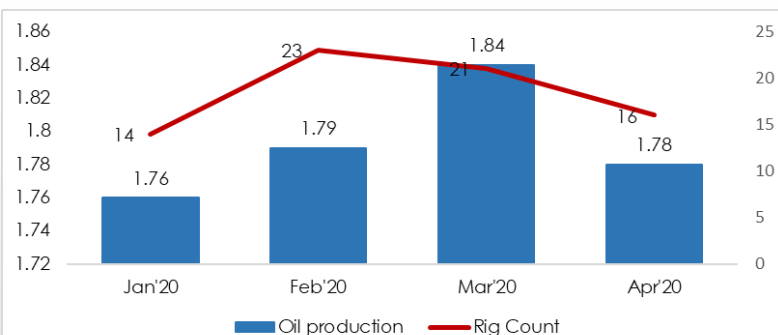
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Oil production down to 1.78 mbpd, rig count down to 16

Nigeria's crude oil production declined by 3.26% to 1.78 million barrels per day (mbpd) from 1.84 mbpd in March. Similarly, the country's active rigs declined to 16 from 21 in the preceding month.

OPEC and its allies agreed in April to cut output by 9.7 mbpd in May and June. In



addition to the agreed production cut, three of the members announced that they would voluntarily deepen oil output from June onwards: Saudi Arabia (1 mbpd), the UAE (100,000 bpd), and Kuwait by 80,000 bpd, in an effort to rebalance the oil market. Nigeria is also expected to cut production by 417,000 bpd to 1.41 mbpd in May and June. Lower oil production will exacerbate pressures on fiscal revenues and widen the deficit financing. However, the expected pickup in oil prices due to production cuts will cushion the effect of lower oil production.

Federal Executive Council cuts 2020 budget to N10.523 trillion

In a teleconference chaired by President Buhari, the federal executive council revised downwards the 2020 budget by N71.5 billion (0.67%) to N10.523 trillion from a previous estimate of N10.594 trillion. In addition, the 2020 oil price benchmark was revised downwards to \$25 per barrel (pb) from \$30 pb. This represents the third downward revision of the oil price benchmark in the last five months.

Other revisions made to the budget include

	New Assumption	Previous Assumption
Revenue (N'trn)	5.158	8.42
Oil production (mbpd)	1.94	2.18
Exchange rate (N/\$)	360	305

The revisions to the budget widen Nigeria's fiscal deficit to N5.365 trillion which will be mainly funded by external and domestic borrowing. The federal government has already received and drawn down some of the foreign borrowing such as the IMF's loan of \$3.4bn.

Social Corner

Disney executive becomes Tik Tok's new CEO

- Walt Disney Company's former executive, Kevin Mayer, is now the CEO of TikTok. He will also serve as the Chief Operating Officer of ByteDance, the Chinese conglomerate that owns TikTok.
- Mayer was with Disney for over a decade and earned a reputation as a deal maker who worked on the company's acquisition of Pixar, Lucasfilm, Marvel and online video company BAMTech.
- TikTok's app gained more followers during the pandemic. The app was downloaded 307 million times in Q1'20, which is more than any other social media app.



Naomi Osaka becomes world's highest paid female athlete

- According to Forbes, 22-year old tennis player Naomi Osaka is the world's highest paid female athlete. Osaka's net worth of \$37.4million is more than any other female athlete in history.
- Naomi Osaka's earnings is \$1.4million more than Serena Williams, who had previously held the title for four consecutive years. Maria Sharapova had previously held the record with a worth of \$29.7million in 2015.



Main Report

Q1 GDP Slows by 68bps to 1.87%



According to the National Bureau of Statistics (NBS), Q1 GDP slowed to 1.87% from a previous growth rate of 2.55% in Q4'19. This represents the slowest growth since Q3'18. Within the quarter, the fastest growing sectors were Finance & Insurance (20.79%), Transport (2.82%) and Construction (1.69%). Agric and ICT, which were amongst the fastest growing sectors in the preceding quarter, recorded slower growth rates of 2.2% and 7.65% respectively. Other slowing sectors were Manufacturing (0.43%) and Mining (4.58%). These sectors are employment elastic and interest rate sensitive. Real Estate slipped further in the negative territory, recording a growth rate of -4.75% from -3.45% in the preceding quarter. Trade and Accommodation sectors also contracted with growth rates of -2.82% and -2.99% respectively.

Outlook & Implications

Q1 GDP report offers only a preview of the disruptive impact of the lockdown restrictions on the Nigerian economy. The fallout of COVID-19 will become manifest by Q2 when GDP is estimated to contract by -3.5%.

Experience
EXCITING!

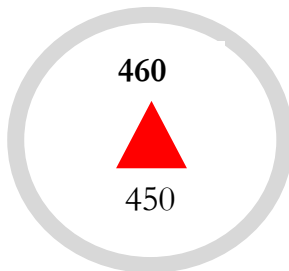
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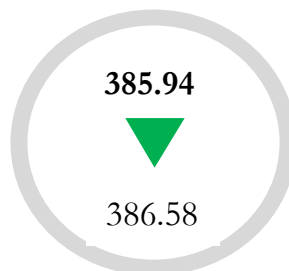
Business Update

(Review Period : May 14th - 27th, 2020)

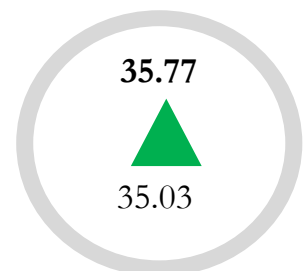
The Foreign Exchange Market



Forex: Parallel (₦/\$)



Forex: IEFX (₦/\$)



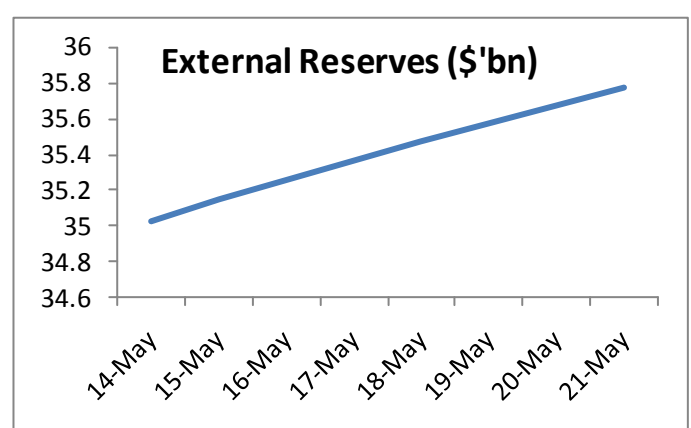
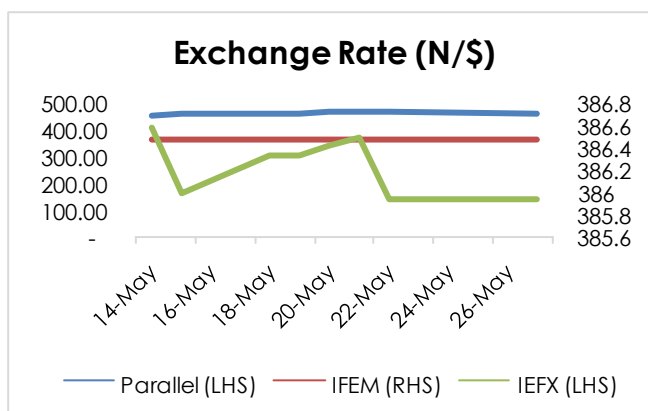
External Reserves (\$/bn)

At the parallel market, the currency depreciated from N450/\$ on May 14th to close the period at N460/\$. The depreciation at the parallel market was in spite of the 2.11% accretion in external reserves (\$35.77 bn) in the period. On the other hand, the naira appreciated at the IEFX window from N386.58/\$ on May 14th to close the period at N385.94/\$.

The external reserves level rose steadily from \$35.03bn on May 14th to \$35.77bn (May 21st). The country's import cover now stands at 8.91 months from 8.72 months on May 14.

Outlook & Implications

Sparse dollar liquidity coupled with rising speculative demand will keep the exchange rate at current levels of N460-N465/\$ in the near term.



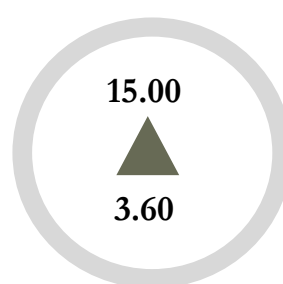
The Money Markets

Average liquidity within the banking system spiked by 64% to N464.06bn compared to a previous position of N282.96bn in the first half of May. The spike in naira liquidity could be largely attributed to CBN's retail forex auction.

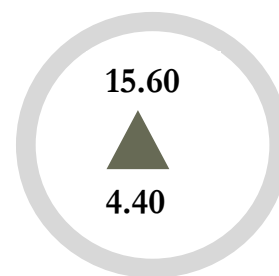
NIBOR (OBB/ON) rates increased by an average of 1,130bps to close at 15%pa and 15.60% pa respectively.

Outlook & Implications

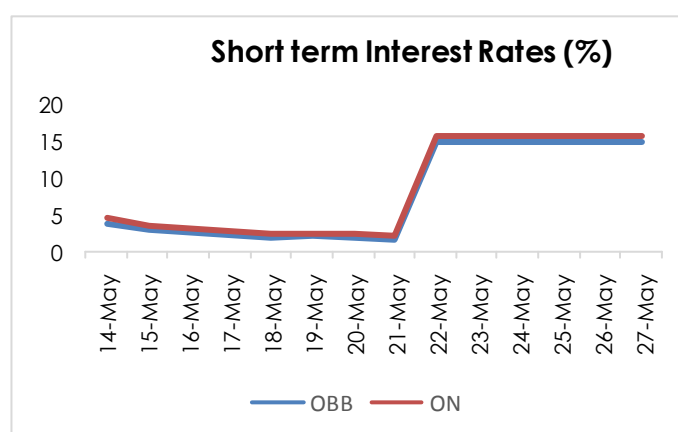
The money market is expected to remain unchanged barring any adjustments to monetary policy parameters at the MPC meeting.



NIBOR: OBB (%p. a)



NIBOR: O/N (%p.a)



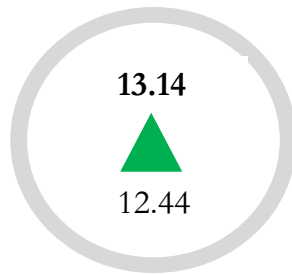
There was a bond auction of N296.20bn on May 20th. This was 393.66% more than the offer amount of N60bn. It was also over-subscribed by 43.54%.

Tenor	Secondary market rates as at May 14 2020 (% pa)	Secondary market rates as at May 22, 2020 (% pa)	Change	Primary market rates at May 13, 2020 (% pa)	Primary market rates at May 27, 2020 (% pa)	Change
91-day	1.85	1.34	-51bps	2.50	2.45	-5bps
182-day	2.03	2.10	7bps	2.85	2.72	-13bps
364-day	3.11	3.00	-11bps	3.84	4.02	18bps

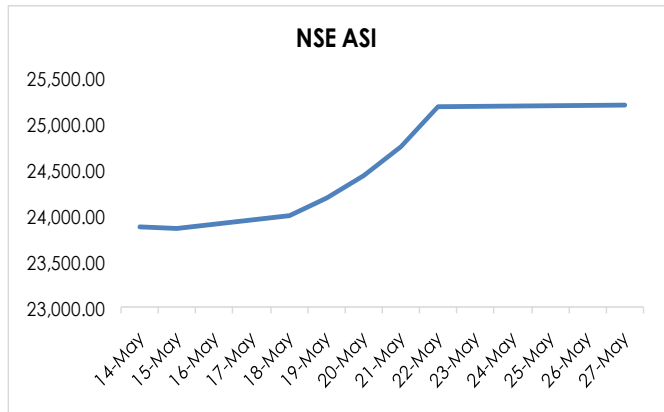
The Stock Market



NSE ASI



Market Cap. (₹'trn)



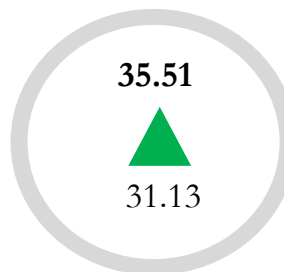
The NSE ASI gained 5.56%, losing only once during the 8-day review period. During the review period, investor sentiment was swayed mainly by released earnings compared to market fundamentals. This is evident in the decline in average turnover during the period. YTD return is now at -6.04%.

Outlook & Implications

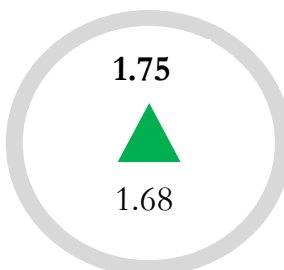
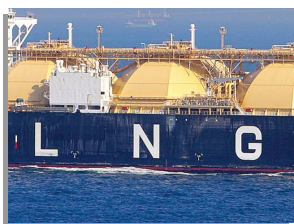
We expect the stock market to reverse its bullish trend in the near term barring any change in market fundamentals.

The Commodities Market

Brent prices (\$/b)



Natural gas (\$/mmbtu)



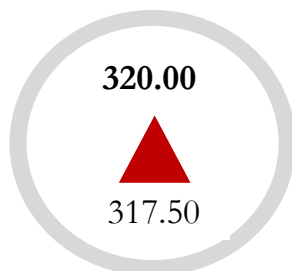
Outlook & Implications

We expect an uptick in oil prices in the coming weeks due to improving demand as several economies ease lockdown restrictions. Saudi Arabia's additional output cut of 1mbpd is also expected to commence on June 1. This will prop up prices.

Outlook & Implications

We expect natural gas prices to continue its bullish trend driven by increased demand from China.

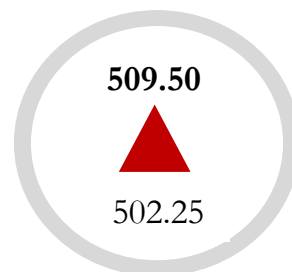
Corn (\$/bushel)



Outlook & Implications

Expectations of increased supply from the US and Brazil will likely push corn prices down in the near term.

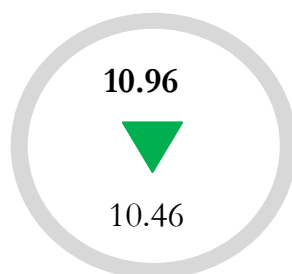
Wheat (\$/bushel)



Outlook & Implications

Wheat prices are expected to increase in the coming weeks on forecast of dry weather condition in Europe.

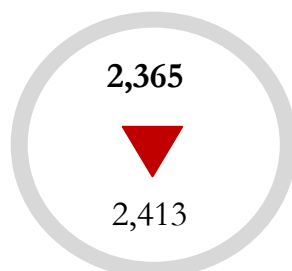
Sugar (\$/pound)



Outlook & Implications

We expect increased supply from India to lead to a reduction in sugar prices in the near term.

Cocoa (\$/mt)



Outlook & Implications

We expect prices to decline slightly in the coming weeks as key producing countries ease lockdown restrictions.

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How COVID-19 Will Change The Future Of Work

Culled from Forbes



There are big changes coming to the future of work.

Here's what you need to know - and how it will affect you.

Future Of Work

With 62% of employed Americans working from home due to the COVID-19 pandemic, what is the future of work? For the past few months, you've worked at home, done countless Zoom calls, juggled home schooling, and have tried to maintain composure in the face of uncertainty. How will your job change in the future? Some changes may be temporary until there is a Coronavirus vaccine, while other changes may become permanent. Here are some ways that your job may change due to COVID-19:

1. Get used to working from home

This won't apply to every job, but it turns out many people can actually work from home productively. Plus, the majority of employed Americans who have been working from home would prefer to continue a work-from-home policy. According to Gallup, approximately 60% of Americans workers prefer to work remotely as much as possible, even when public health restrictions are lifted. If more employees work from home, there is increasing potential to disrupt the commercial real estate market. As more employees work from home, there is less overall need to own or rent office space. Watch for the impact on supply and demand in commercial real estate.

2. Get used to being monitored by your employer

If more employees work from home, employers may increase monitoring of their employees. That means your productivity could be measured and tracked, even if you're working outside a traditional office environment. Many companies already do this, but now it would take place in your home. For example, your employer could track your keystrokes on your computer to analyze your productivity, or understand how often you are away from your computer. While there are evident privacy concerns, this is not a spy novel. Companies argue that responsible monitoring is necessary to ensure productivity.



3. Your office is not completely disappearing

The entire world won't work from home. Offices will still exist. However, they may look different. Big trading floors or other open floor plans may be replaced in some cases by cubicles or other partitions for health reasons. How will social distancing be maintained at work? These may be temporary changes until there's a Coronavirus vaccine, or employers may find that this new normal layout may continue so long as it doesn't hinder productivity, jeopardize health or adversely affect employee morale.



4. More video calls and fewer in-person meetings

What will happen to all those standing-room-only, in-person meetings in conference rooms? Video conference calls have become more popular than ever during the COVID-19 pandemic. This could continue even after a Coronavirus vaccine. If you work in any sales-oriented job, in-person contact may be essential to your business. However, from a public health perspective, frequent business travel may be replaced by more video conference calls. It may not hap-

pen in every industry, but companies will want to protect employees and clients alike in a post-COVID world. This doesn't mean business travel is going away (it's not), but companies may limit travel. This has direct implications for the airline and hospitality industries, at least in the short-term.

5. Happiness at work matters

Your happiness at work matters. There are many lessons from the COVID-19 pandemic. As more than 30 million people have lost their job due to COVID-19, many people will start to think critically about their job, where they work, their health and other financial realities in the wake of Coronavirus. As more people work from home, your work life and personal life will become more connected.

This has important implications for your happiness. No longer can you think of your “work life” and “personal life” as separate. Your happiness at home and at work both need to be present. If you're happy at home and miserable at work, that formula won't work. One silver lining is this may be your wake-up call to go find more meaningful work in which you feel more inspired and can create impact.

Final Thoughts

Business will go on. Life will continue. It just may look different than before. Will all these changes happen at once? Maybe. It depends on your employer, industry, job type and other financial and non-financial factors. Will these changes become permanent? It's too soon to tell. Employers may test the waters, monitor the public health situation and collect employee feedback. One thing is certain in this uncertain time: changes to the future of work are coming.

Contact

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