

*President reopens land borders after 16 months*



Economic News

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Lifestyle

# Unity Bank Digest

*December 22, 2020*

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## *President reopens land borders after 16 months*

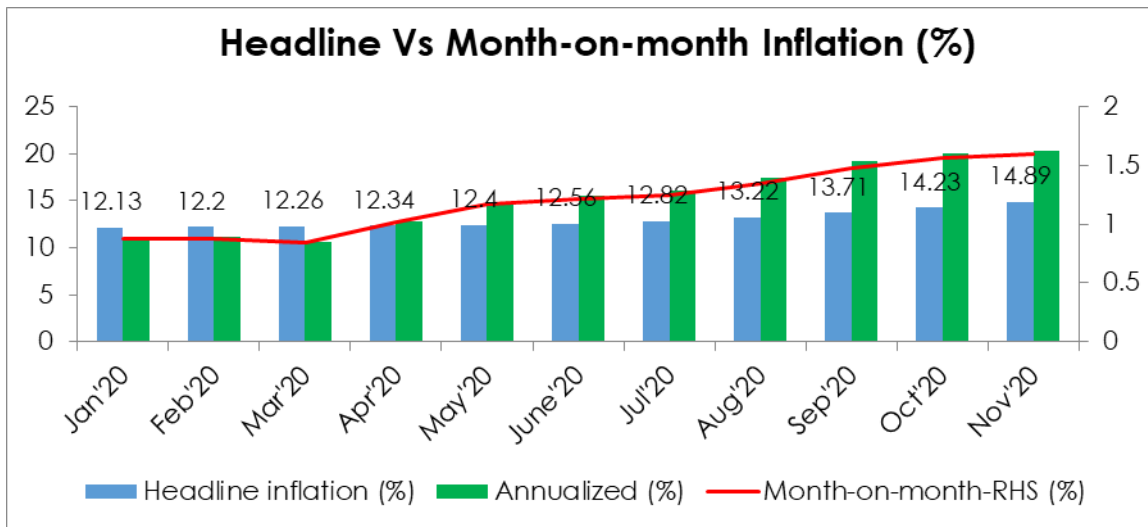
*The president has ordered the reopening of Nigeria's land borders after closing them in August 2019 to curb smuggling activities. The government in the past few years had deepened its import substitution strategy, which has boosted local production.*

*However, existing capacity constraints continue to constrain the production levels of manufacturers.*

*The reopening of the borders is expected to ease political tensions between Nigeria and its neighbors especially Ghana and we expect to see an increase in trade flow between these countries. However, the ban on imported items such as rice, poultry, persist and this will encourage smuggling which was curtailed to an extent when the borders were closed.*

*The improvement in trade flows from the reopening could be the antidote to rising food prices (18.3%) and a catalyst to spur growth. Also, with AfCFTA coming in-to effect in January, Nigeria will need to comply with the underlying principles of a free trade zone.*

## Headline inflation up again (14.89%)



*Nigeria's headline inflation jumped by 0.66% to 14.89% in November from 14.23%. This is the 15th consecutive monthly increase. Apart from the PMS price increase, other inflation inducing factors include insecurity in the food belt, exchange rate adjustment and rationing as well as the lingering impact of the border closure.*

*The direction of the sub-indices were mixed in November. The food sub-index increased sharply by 0.92% to 18.30%, month-on-month rose by 0.6% to 1.60% (20.99% annualized), while core inflation declined by 0.09% to 11.05%. Higher inflation implies widening negative real returns on investment with MPR at 11.5%p.a and declining real consumer income. With headline inflation at over 6% above the CBN's target inflation of 6% - 9%, we could see a reversal of the apex banks accommodative stance in January 2021.*

## *Capital importation increases to \$1.46bn in Q3'20*



*G*ross capital imports to Nigeria increased by 12.31% to \$1.46bn in Q3, from \$1.30bn in Q2'20 and a 74.07% decline compared to \$5.63bn in the corresponding period of 2019.

*The increase quarter on quarter can be attributed to improved global economic activities in the period as restrictions were gradually lifted and international trade and capital flows picked up. Of total capital importation, other investments (trade credits, loans, currency deposits and other claims) recorded the largest increase (43.75%), followed by Foreign Direct Investment (FDI), which accounts for 28.38% and Portfolio Investment (27.87%).*

*The most attractive destination for capital inflows remains Lagos, which accounted for 82.71% (\$1.21bn) of total inflows. Abuja (\$195.57mn) and Abia (\$56.07mn) were other top destinations within the review quarter.*

# *The Highlights*

## **Trade Deficit increases to a four year high**

Nigeria's merchandise trade deficit widened to N2.39trillion in Q3'20, a 32.78% increase from the N1.8trillion recorded in Q2'20 and compared with a surplus of N1.4trn in the third quarter of 2019 . The value of both imports and exports rose in the third quarter, but the increase in the inflow of goods was greater. Imports totaled N5.4trn in the quarter, the highest level in at least four years, up from N4trn in Q2'20 and N3.9trn a year earlier.



The increase in the trade deficit is a result of increased import demand created from the backlog of requests during the lockdowns and also low levels of oil exports. Also, high inflation and the overvalued currency which has led to high and rising real effective exchange-rate (REER) appreciation, encouraged Nigerians to import.

We expect the trade deficit to widen slightly in Q4'2020 due to the EndSARS induced disruptions and increased imports as high inflation relative to trading partners encourages imports and suppresses non-oil exports. An expansion in the trade deficit will dampen the current account deficit which is about 2.2% of GDP and negatively impact external reserves due to lower forex inflows from exports (World oil remains low).



### **OPEC+ to increase output by 500,000bpd starting in January**

OPEC and its allies, after days of discussion and a postponed meeting, agreed to increase production by 500,000 barrels per day per month in the first quarter of 2021. This compromise runs counter to the plan proposed by Saudi Arabia to extend the current OPEC+ production quotas for another three months as the coronavirus pandemic continues to suppress oil demand. This strategy will reduce the production cuts to 8.2mbpd from 7.7mbpd. The decision was reached as it is expected that the impending vaccinations will increase demand for oil. Following the meeting, global oil prices rallied to \$49 per barrel.



OPEC + controls about 50% of global production. Yet, the expected vaccine-driven increase in oil demand could be offset by the increase in output led by OPEC+. Thus, oil prices could remain below \$50pb in the first quarter of 2021. Also Iran is preparing to start production in anticipation of the US' relaxing its sanctions. This coupled with Libya's increase in output will increase supply in an oversaturated market, further depressing prices.

### **US removes visa reciprocity fees for Nigeria**

The United States has announced the removal of the reciprocity fee which was ordered in August 2019 for its non-immigrant visa category. The removal, which took effect on December 3, 2020, was a result of the Nigerian government's removal of excess visa application fees for United States citizens applying for Nigerian visas.



### **State governors to borrow N17trn from pension funds**

The state governors are proposing to borrow N17trn from the pension funds for infrastructural development. This decision was reached at the Nigeria Governors Forum where El Rufai briefed the governors on a proposal to access a N2trn loan through the Nigerian Sovereign Investment Authority.



El Rufai is the chairman of the National Economic Council's ad hoc committee investigating the possible leveraging of a portion of the accumulated pension funds for investment. The CBN also disclosed a similar proposal of N15trn for national infrastructure.

### **FG reduces the petrol pump price to N162.44 per liter**

The federal government has announced the reduction of the pump price of premium motor spirit from N168 per liter to N162.44 per liter, effective December 14, 2020. The initial increase was due to the rise in global oil prices owing to the news of a 95% effective COVID-19 vaccine. However, the price increase was reversed after a meeting between NNPC and labor representatives. The 3.31% drop in the pump price will make no significant change as the consumers' spending cost remain high. This also indicates that the purpose of the effective pricing mechanism is null if the government will always intervene. There are speculations that pump prices could increase as oil prices near \$50pb.





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## *Social Corner*



### **Burna Boy wins 'Best World Album' at 2020 Edison Awards**

- Nigerian Grammy nominated artist, Burna Boy, has won the 2020 Edison Award for Best World Album for his album "African Giant".
- Burna Boy has become the third African to win the award, following Youssou N'Dour winning it first in 1994 and Angélique Kidjo in 2018.
- The award jury praised Burna Boy for his seamless fit with modern pop music culture and for his fusion of afrobeats, reggae, rap and RnB.



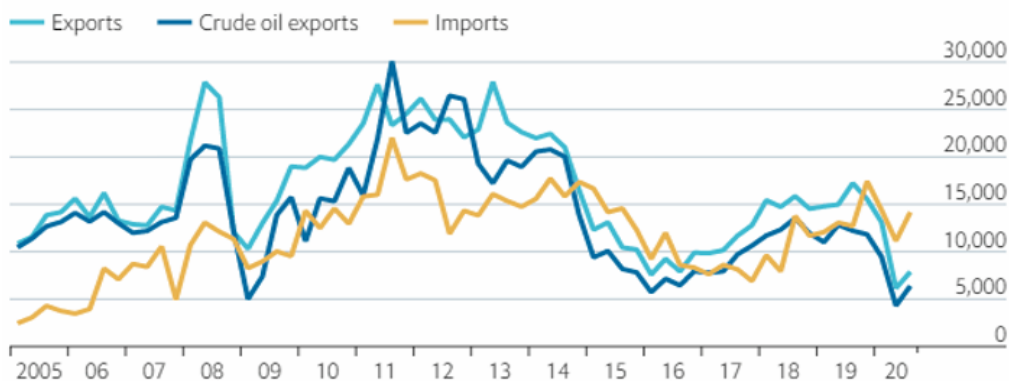
### **Nigeria's Headies releases nomination list**

- Nigeria's most popular awards show, the Headies, has released its nomination list.
- Davido, Wizkid, Burna Boy, Mayorkun and Tiwa Savage have been nominated for artist of the year.
- Davido and Burna Boy received nominations for best Pop Album of the Year.
- Burna Boy, Fireboy DML and Adekunle Gold received nominations for Best Album of the Year.
- Chike received four nominations including Headies Revelation, Best R&B Album and Album of the Year.

# Main Report

*Nigeria's trade deficit widens to N2.39trn (32.78%) in Q3'20, a 4-year high*

**Nigerian goods trade**  
(US\$ m)



- According to the National Bureau of Statistics, Nigeria's merchandise trade grew by 34.13% to N8.37trn in Q3'2020 from N6.24trn in Q2, but declined by 8.85% when compared to Q3'2019. Total trade YTD stood at N23.20trn.
- The trade balance recorded a deficit of N2.39trn, the highest in 4 years, compared to a deficit of N1.80trn in Q2. This is because the international travel ban was still in place for the better part of the quarter until the airspace was re-opened in September.
- During the quarter, Nigeria imported goods mainly from China (30.51% - N1.64trn), USA (8.96% - N482bn) and Netherlands (8.24% - N443.5bn), while the top export trading partners were India, Spain and Netherlands.

## Outlook and Implications

We expect the trade deficit to widen slightly in Q4'2020 due to the EndSARS induced disruptions and increased imports as high inflation relative to trading partners encourages imports and suppresses non-oil exports. An expansion in the trade deficit will dampen the current account deficit which is about 2.2% of GDP and negatively impact external reserves due to lower forex inflows from exports (World oil remains low).

\*7799#

in Hausa, Yoruba & Igbo



Account  
Opening



Airtime  
Top-Up



Bills  
Payment



BVN  
Verification



Funds  
Transfer



Balance  
Enquiry



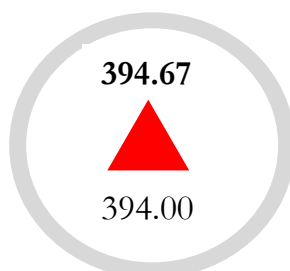
# Business Update

(Review Period: December 1st – 9th, 2020)

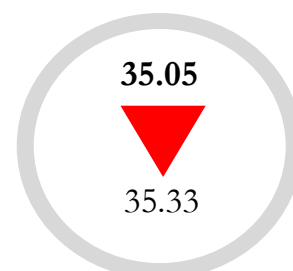
## The Foreign Exchange Market



Forex: Parallel (N/\$)



Forex: IEFX (N/\$)



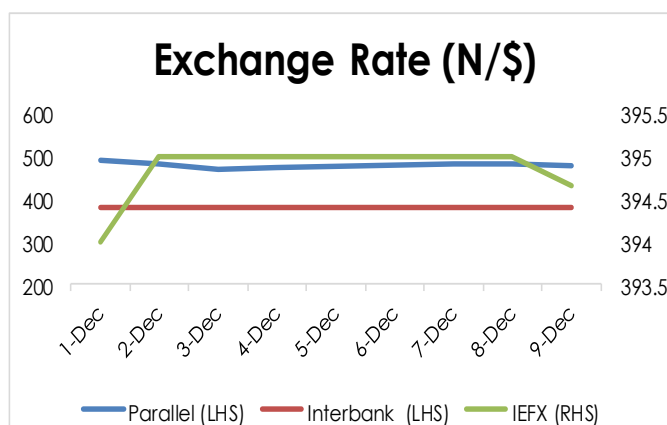
External Reserves (\$/bn)

At the parallel market, the currency recorded some aberrational movement. The naira started the period at N490/\$ before appreciating to close at N478/\$. Currency volatility has been largely driven by heightened forex demand pressures, forex supply shortages and rationing. The currency stayed around the current levels of N394/\$ - N395/\$ at the I & E window, while it remained flat at the interbank market (N379/\$).

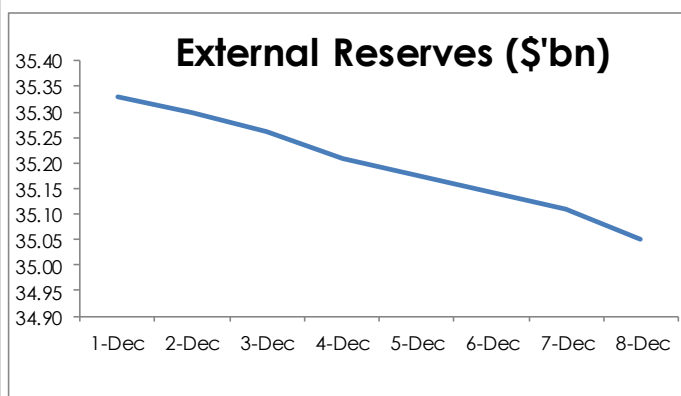
The external reserves depleted at a faster pace in the period. It was down by 0.79% to close at \$35.05bn on December 8. The reserves level can only cover 8.73 months of imports.

### Outlook & Implications

We expect the exchange rate to remain relatively volatile. However, the CBN's Diaspora remittances policy is expected to ease the forex liquidity dearth.

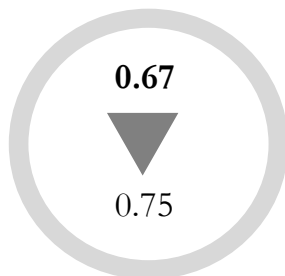


SOURCE: FDC Think Tank, FMDQ

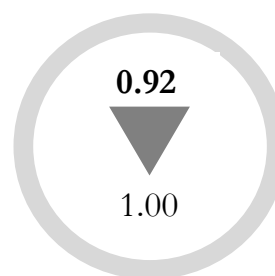


SOURCE: FDC Think Tank, CBN

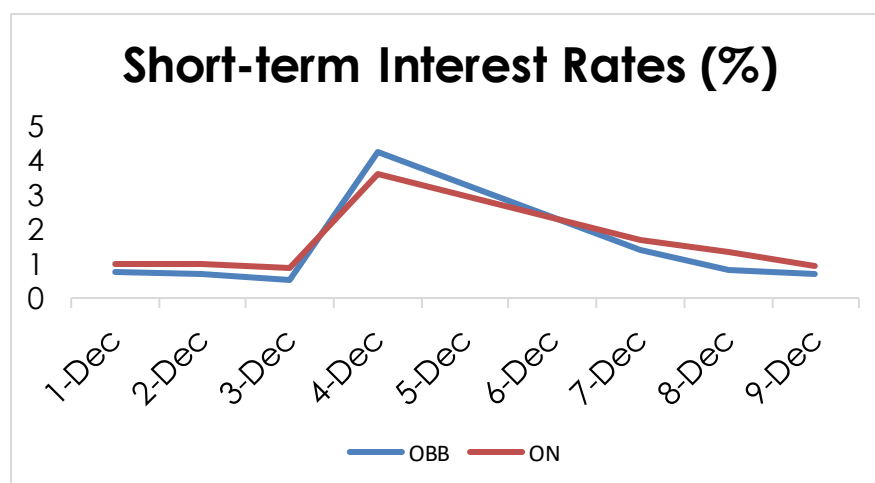
## The Money Markets



NIBOR: OBB (%p.a.)



NIBOR: O/N (%p.a.)



SOURCE: FDC Think Tank, FMDQ

Liquidity in the banking system averaged N466.54bn in the period, a 21.26% increase compared to the average of N384.74bn in the last half of November. Total OMO repayments stood at N621.19bn, while OMO sales were N60.00bn, which resulted into a total inflow of N561.19bn. Interbank interest rates (OBB/ON) rates increased by an average of 1.5bps, due to the spike in rates on Dec. 4. Rates closed the period at 0.67% pa and 0.92%pa respectively.

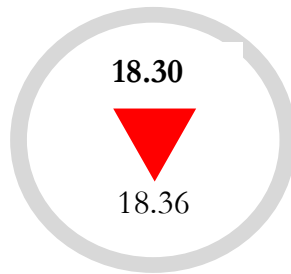
### Outlook & Implications

Interbank interest rates are likely to remain at current levels pending any significant injection or withdrawal from the system.

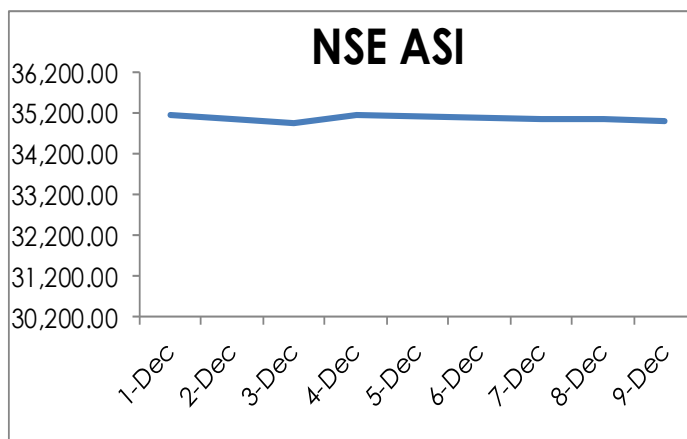
## The Stock Market



NSE ASI



Market Cap. (₹'trn)



SOURCE: FDC Think Tank, FMDQ

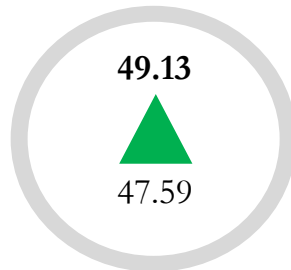
The NSE ASI fell by 0.08% to close the period at 35,021.26 points. During the review period, the market gained in 1 trading day and lost in 5. This was largely driven by negative investor sentiments and cautious trading by investors. The 52-week return is positive at 31.26% while the YTD return declined to 30.47%.

### Outlook & Implications

We expect this bearish performance to continue in the short term as negative investor sentiment continues.

## The Commodities Market

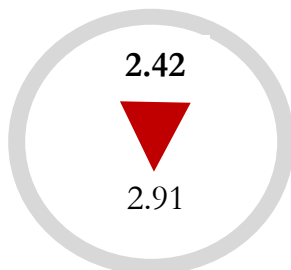
Brent prices (\$/b)



### Outlook & Implications

Oil prices are expected to remain around the current levels of \$48-\$49 due to optimism about the Covid vaccine and the expected rebound in energy demand.

Natural gas (\$/mmbtu)



### Outlook & Implications

Natural gas prices are expected to fall on lower than expected winter weather, which has resulted to frail demand.

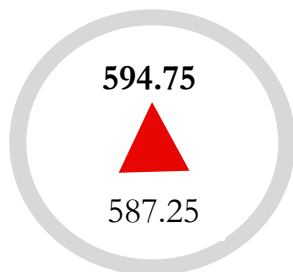
### Corn (\$/bushel)



#### Outlook & Implications

Improving crop weather in South America could ease global corn supply concerns, which would in turn lower corn prices.

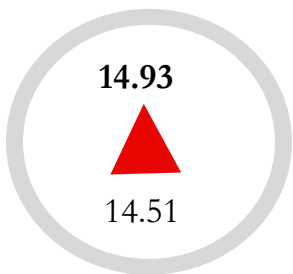
### Wheat (\$/bushel)



#### Outlook & Implications

Improved weather in producing nations has eased supply fears, which could taper prices in the coming months.

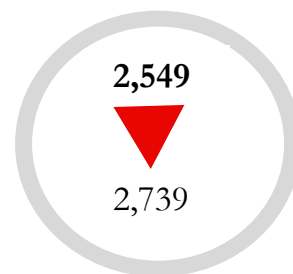
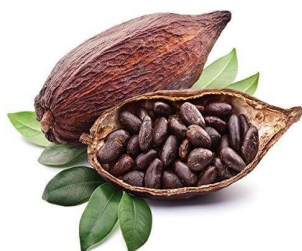
### Sugar (\$/pound)



#### Outlook & Implications

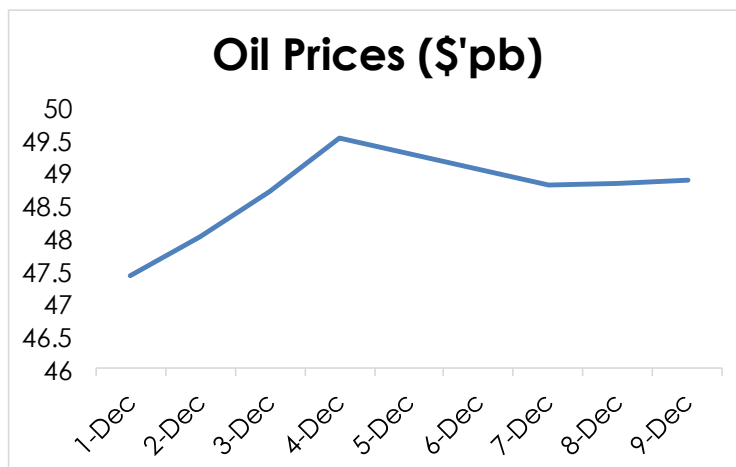
Increased Rain in Brazil (world's biggest sugar producer), has led to an improved global supply outlook. Prices are likely to fall in the coming months.

### Cocoa (\$/mt)



#### Outlook & Implications

Prices are expected to increase in the coming months due to dry weather conditions in Ivory Coast.



SOURCE: FDC Think Tank, Bloomberg

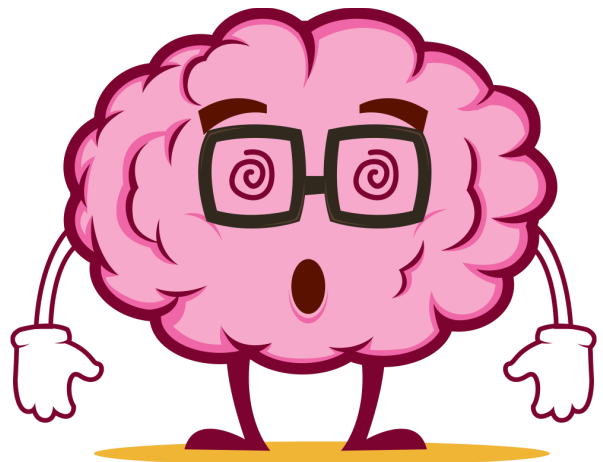


## Riddles

1. *I speak without a mouth and hear without ears. I have no body but come alive with wind. What am I?*
2. *What can be touched but can't be seen?*
3. *Feed me and I will live, but give me a drink and I will die. What am I?*
4. *What has four fingers and a thumb, but isn't alive?*
5. *What can you keep after giving it to someone?*
6. *What do you bury when it's alive, and dig up when it's dead?*
7. *What runs all around a backyard, yet never moves?*

## Answers

1. *An Echo*
2. *Someone's heart*
3. *A fire*
4. *A thumb*
5. *Your word*
6. *A plant*
7. *A fence*



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# How To Stay Productive During The Holidays

*Culled from Prosky<sup>1</sup>*

With the holiday season approaching, everything becomes a little chaotic. There are parties to attend, gifts to buy, meals to make, and family members coming into town... As the seasonal pressure builds up, chances are employees are feeling pretty overwhelmed, and work isn't a huge priority.

It's common to have lower productivity and motivation to complete tasks disappear during this time. In addition to the mounting personal to-do lists, having colleagues and managers leave on vacation can add to the distractions.



Keeping a productive energy in the workplace during the holiday season can be challenging. Although it may be tempting to blow off work during the holidays, this time of the year is an excellent opportunity to get a lot of important work done. Not only will you finish the year with a “bang,” but it will lay the foundation for your company to be prepared for the new year.

Keeping employees engaged during this time of year is more important than ever. With all of the holiday energy, it is a great time to foster new ideas, positivity, and creativity. When everyone's morale is on a high, employee motivation and productivity will increase. Not only will individual employee performance improve, but employees will work together better as a team. Use the following strategies to make this holiday season a success:

## Set Holiday Goals

A great way to engage employees is to set goals. If you set both long and short-term measurable goals for employees to reach, they have something to be accountable to. When employees have something to be held accountable for, they are more likely to stay focused.

<sup>1</sup><https://talkingtalent.prosky.co/articles/how-to-stay-productive-during-the-holidays>





In the months of October and November, start meeting with employees to plan achievable goals. Before planning these goals, consider the company's year-end goals, and what you can do to achieve the goals that haven't been fully met. If you've already reached all your goals, this is a great opportunity to get a head start on next year by setting new goals.

After you have determined the appropriate goals that need to be achieved, meet with each individual employee or team. During this meeting, set some measurable goals that can be met during the holiday season.

### Monitor Employee Progress

Once these goals are set, create a way to monitor their progress throughout the season. This is an especially important step for the holiday season, as distractions are at an all-time high.

Having leadership around to participate and supervise progress sets a productive tone. Development goals can be altered for the holiday season and give opportunities for different employees to work together as a team. Not only will there be more creative ideas, but they will have other people to be accountable to.

When rating their progress, make sure that the floor

is open to express any concerns or questions. Be sure to provide any constructive feedback at this stage and acknowledge the progress that they have already achieved. It's a great opportunity for improvement and recognition of your employees' performance.

This leads us to the last step, "rewarding employees". Your employees will appreciate a small token of appreciation for their work in your company. You could even make your rewards be holiday-related! Include holiday-themed rewards such as small gifts or a company holiday party.

### Celebrate With Your Employees



The team that celebrates together stays together! Michael Alexis, CEO of Teambuilding.com believes that improving productivity is all about shifting your perspective on what productivity means. Big companies like Facebook and Google celebrate the holidays in their own unique ways. Google leans on the more extravagant side by giving gifts to their employees during the Christmas season. Facebook keeps the celebrations more modest by holding a dinner and throwing a holiday party.

You can keep things as simple as putting up holiday decorations. However, it's a good idea to find something that fits your company, whether it's throwing a holiday party or potluck or celebrating in



other ways. A holiday party is also a great opportunity to build teamwork. Remember, you don't have to throw an extravagant party. It's all about having something for everyone to look forward to and bringing everyone together.

### Keep Lines of Communication Open

Communication is key! Ensure that employees know that it's business as usual by communicating with them about expectations throughout the holidays as well as being available for communication when needed.

Consider either scheduling a company-wide meeting or an email that ensures that everyone is on the same page with company policy during the holiday season. If needed, set weekly meetings and request progress updates to ensure that everyone is staying productive.



During the holiday season, employees might not feel the need to be productive and many might want to take time off. Coordinating time off requests might be one of the most difficult things to do during the holidays. By keeping organized with the coordination of time off requests you can avoid scheduling conflicts.

Holidays are a time for good cheer. Don't be the office Scrooge, and keep a positive attitude throughout the season! Remember that although working on the holidays might not be the most appealing idea, it doesn't have to be a bad situation. Small gestures go a long way during this time of the year.

With these tips, you can make work a place that employees look forward to going to during the holiday season. Remember, holidays are a great opportunity to foster a productive and creative environment to jet start the new year.

## Contact

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