

*FG Declares January 2021 AfCFTA Campaign Month*



Economic News

Social

Lifestyle

# Unity Bank Digest

*January 05, 2021*

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# *FG Declares January 2021 AfCFTA Campaign Month*



**Creating One African Market**

*The Federal Government, through the Minister of Industry, Trade, and Investment, has declared the month of January 2021 to campaign for the African Continental Free Trade Agreement (AfCFTA). AfCFTA is to commence on January 1 and is expected to boost intra regional trade by over 50%. Nigeria just recently ratified the agreement. Being the largest African economy, Nigeria stands to benefit from economies of scale, localization of industries, a readily available and large market size. Also, the misaligned currency and multiple exchange rates have discouraged exporters who would rather smuggle out. The AfCFTA is expected to provide a readily available market for such to tap into.*

*However, there are concerns that the country may not benefit as much from the trade bloc, due to reasons ranging from limited exports with comparative advantage to port congestion especially at the largest commercial ports in Lagos (Apapa and Tin Can). Port congestion remains one of the major challenges to Nigeria's trade sector. According to the Financial Times, logistic costs have risen sharply to about \$4,000/container and this has led to supply chain disruption and contributed to the high cost of consumer goods.*

# *CBN Devalues Naira for the Third Time in 2020*



*The CBN adjusted the IEFX rate to N410/\$ on the last day of the year from N394/\$, making it the third exchange rate adjustment in 2020. This has narrowed the spread between the IEFX and parallel market rates to N60 from N76. It is symbolic as a significant part of forex transactions are carried out at this window and it is expected to mop up liquidity in the money market, thereby pushing up interest rates. So far in January, the IEFX rate has appreciated to N393.83/\$. We expect to see a further convergence of the multiple exchange rates towards the IEFX window. For instance, the parallel market theoretically should appreciate towards N450/\$, all things being equal. Also, the inverse relationship between stock prices and interest rates will trigger a reversal in the ongoing rally in the Nigeria equities market. As interest rates increase because of reduced liquidity, stock prices are expected to fall.*

*The impact of the devaluation on imported inflation is negative. Imported goods are likely to record a further increase in price, keeping Nigeria's inflation rate elevated above 15%.*

# The Highlights

## Europe bans flight from the UK and South Africa

A number of European countries including Germany, Switzerland, Turkey, France, Italy and the Netherlands have banned travel from the UK and South Africa. This is in a bid to curb the spread of a new COVID-19 variant, which is said to be more contagious.



The UK was the third most important destination for goods (€193.7bn) exported from the EU in 2019 and the second leading supplier of goods (€318.1bn) after China (€384.4bn). In addition, South Africa is Europe's largest African trading partner and the most industrialized economy in Africa. Hence, the flight ban will have a negative impact on international trading activities in the UK and Africa. For South Africa in particular, it will affect its balance of payment position, exchange rate stability and economic recovery.

## Domestic oil production down, rig count down



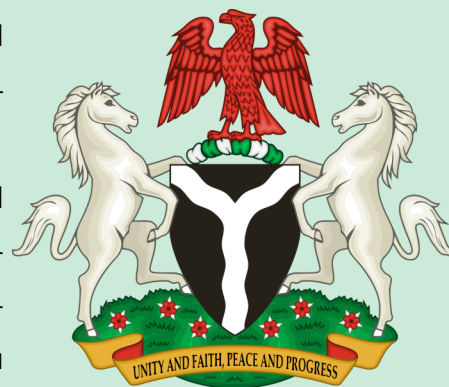
Nigeria's oil production fell marginally by 0.68% to 1.47mbpd in November, from 1.48mbpd in October. This was in a bid to meet its OPEC production quota of 1.4mbpd. Meanwhile, active rigs increased from seven in October to eight in November. OPEC+ has agreed to ease oil production cuts by 500,000bpd from January 2021. As a price taker in the cartel, Nigeria

could benefit from an increase in oil output. This would boost export earnings and in turn support the government in meeting its 2021 budget obligations. In addition, Nigeria is more sensitive to changes in oil production than prices.



### **FAAC allocation down slightly by 0.48% to N601.1bn**

The Federal Account Allocation Committee (FAAC) disbursed a sum of N601.1bn to the three tiers of government in December 2020. This represents a marginal decline of 0.48% (N2.9bn) compared to the amount shared in November. This has had no impact on money supply growth. Average FAAC allocation in 2020 is now N644.53bn, 4.24% lower than the 2019 average of N673.07bn. The drop in allocation was largely due to a sharp fall in company income tax (CIT). Its impact was, however, cushioned by substantial increases in petroleum profit tax, import duty, excise duty, and oil and gas royalties. Gross statutory revenues, which accounted for approximately 73% of total disbursement, increased by 15.42% to N436.46bn while VAT rose by 23.98% to N156.79bn. Forex equalization revenue amounted to N7.87bn. The balance in the excess crude account was \$72.41mn as at December 16.



### **Analysis**

The sharp drop in CIT could be partly attributed to the effects of COVID-19 on corporate revenues and margins. With the renewed spike in infections, the government is likely to enforce renewed restrictive measures, including a precision lockdown. This means that CIT could decline further in the coming months. Unemployment is also likely to continue to climb (above 35%) as companies' lay-off staff to reduce operating expenses.

### **CBN threatens firms over diaspora remittances**

In a circular issued on December 18, the CBN directed payment switching and processing companies to stop transferring diaspora remittances received through international money transfer operators (IMTOs) in local currency. Firms who default stand the risk of getting their licenses revoked. The apex bank also directed mobile money operators to block fund transfers from IMTOs. According to the CBN, this was done to ensure that beneficiaries of diaspora remittances receive their funds in foreign currency. It was also to ensure strict compliance to the recent diaspora remittance guidelines. This policy could boost remittance inflows and in turn increase forex liquidity in the near term.





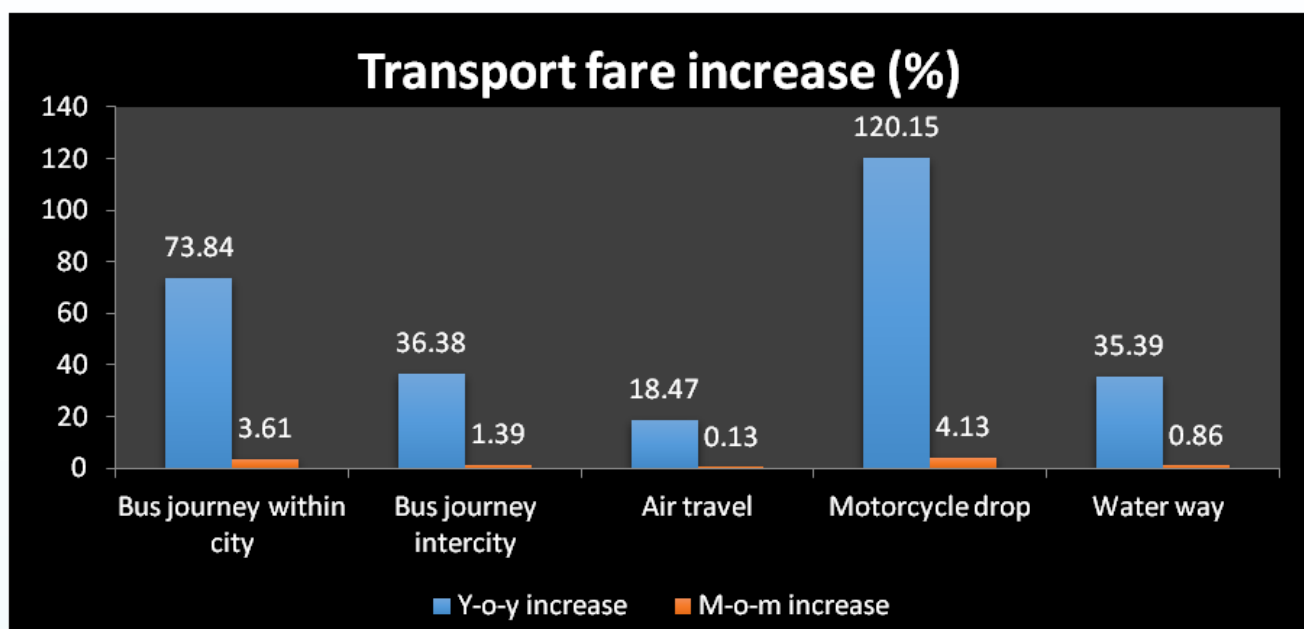
### **FG extends NIN & SIM Synchronization by six weeks, SIM Suspension Lifted**

The Federal Government has extended the national identity number (NIN) and SIM synchronization process by 6 weeks. This is a welcome development by the general public and telecommunication operators. The government has also lifted the suspension of SIM card replacement and activation. On December 16, the National Communication Commission announced a compulsory linkage of NIN to SIM cards in a bid to reduce unregistered numbers and intensify security measures. With about 192mn SIM subscribers in Nigeria and just a meager 42mn people with their NIN, about 150mn individuals are yet to get their NIN and sync with their phone numbers and these stand the risk of getting their phone numbers blocked. At a time when COVID-19 cases are increasing, the policy direction, even though important, seems counterproductive. It also has significant implications for business owners, Nigerians in diaspora and general economic activities. In addition, it is imperative for the government to address the lingering bottlenecks regarding NIN registrations. Most importantly the process should be automated. The FG could work with commercial banks to link the NIN to people's bank verification number as that would ease the process significantly.

### Transport fares up in November

The NBS, in its transport fare watch report for November, reported an increase in transport fares across the various transport categories. The average fare paid by commuters for bus journeys within cities spiked by 73.84% (y-o-y) and 3.61% (m-o-m) to N333.86 in November. For intercity bus journeys, transport fares rose by an average of 36.38 (y-o-y) and 1.39% (m-o-m) to N2,240.66.

For air travel, the average fare was up by 18.47% (y-o-y) and 0.13% (m-o-m) to N36,301.74 in November. The average fare paid for motorcycles jumped by 120.15% (y-o-y) and 4.13% (m-o-m) to N276.38 while the average fare for waterway passenger transport rose by 35.39% (y-o-y) and 0.86% (m-o-m) to N756.84.



m) to N276.38 while the average fare for waterway passenger transport rose by 35.39% (y-o-y) and 0.86% (m-o-m) to N756.84.

The increases in transport fares were largely due to the uptick in the price of petroleum products particularly petrol. This is in line with the guidelines of a deregulated market wherein the commodity traded is determined by market forces. In November, the average national price of petrol increased by 14.62% to N167.27/liter. With oil prices trading above \$52pb, petrol prices are likely to increase further, which also implies a further increase in transport fares. Transport fares account for 6.5% of the consumer price basket.



## *Social Corner*



### **Trevor Noah Set to Host the 2021 Grammy Awards**

- Daily show host and South African comedian, Trevor Noah, will be the host of the 63rd Grammy Awards ceremony
- This will be his first time hosting the show, which is scheduled for January 31, 2021 at the Staples Centre in Los Angeles, California
- Trevor is an Emmy award winner and also a one-time Grammy Award nominee for best comedy album with Son of Patricia. He lost to Dave Chappelle.
- Nominees for the auspicious event have also been released. Beyoncé has the most nominations (9). Other artists include, Taylor Swift, Lady Gaga and Dua Lipa. BTS, Harry Styles and Chika also earned their first-ever Grammy nominations



### **Africa Movie Academy Awards (AMAA)**

- On December 20, the 16th edition of the AMAA awards held virtually
- The Milkmaid directed by Desmond Ovbiagele received four awards and Akin Omotoso's The Ghost and The House of Truth won the award for achievement in editing. Ramsey Nouah also bagged the award for best actor in a supporting role in Living in Bondage: Breaking Free.
- Here is a list of some of the winners in various categories:
- EFERE OZAKO AMAA 2020 AWARD FOR BEST SHORT FILM - **The letter reader – South Africa**
- JUBRIL MALAFIA AMAA 2020 AWARD FOR BEST ANIMATION - **I'm Living in Ghana Get Me Out of Here – Ghana**
- AMAA 2020 AWARD FOR BEST DOCUMENTARY - **No gold for Kalsaka – BurkinaFaso**
- AMAA 2020 AWARD FOR BEST DIASPORA SHORT - **Boxed – USA**
- AMAA 2020 AWARD FOR BEST DIASPORA DOCUMENTARY - **Becoming Black – Germany**
- AMAA 2020 AWARD FOR BEST DIASPORA NARRATIVE FEATURE - **Joseph – Barbados**
- MICHAEL ANYIAM OSIGWE AMAA 2020 AWARD FOR BEST FILM BY AN AFRICAN LIVING ABROAD - **No Shades – Clare Anyiam Osigwe**

# Main Report

## *Banking sector credit up 5.58% to N19.87trn*

- Total banking credit to the private sector increased by 5.58% to N19.87trn in Q3.
- Oil and gas had the largest share of credit (18.8%; N3.74trn), followed by manufacturing (15.3%; N3.03trn), and finance, insurance and capital (7.1%; N1.4trn)
- Lagos state received the highest share of credit (N15.13trn), accounting for 77.74% of total credit, while Yobe state had the least share (N19.38bn), which is equivalent to 0.09% of total credit.
- Lagos state is a commercial hub, accounting for approximately 25% of the nation's economic activities.
- Total volume and value of e-payment transactions rose to 2.78bn and N319.99trn respectively in Q3, from 2.16bn and N263.78trn in Q2.
- The volume of transactions was dominated by RTGS transfers. There were 1.8mn transfers valued at N116.06trn
- Banks' non-performing loans declined by 2.5% to N1.17trn in Q3 from N1.2trn in Q2
- Reflecting a rebound in economic activities as lockdown restrictions eased



### Implications

The increase in banking credit is in line with the CBN's efforts to boost credit growth and in turn reflate the economy. However, most of the sectors that received the highest share of credit are relatively job inelastic. The oil sector accounts for only 0.1% of total employment, while the manufacturing and finance sectors account for 8.3% and 1.5% respectively. This suggests that the increase in credit might have little or no impact on job creation. Nigeria's unemployment climbed to a decade high of 27.1% in Q2'20 and is projected to cross 35% in the coming quarters.

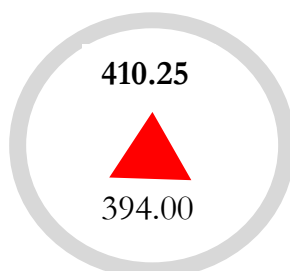
# Business Update

(Review Period : December 16th – 31st, 2020)

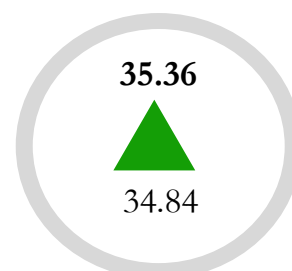
## The Foreign Exchange Market



Forex: Parallel (N/\$)



Forex: IEFX (N/\$)

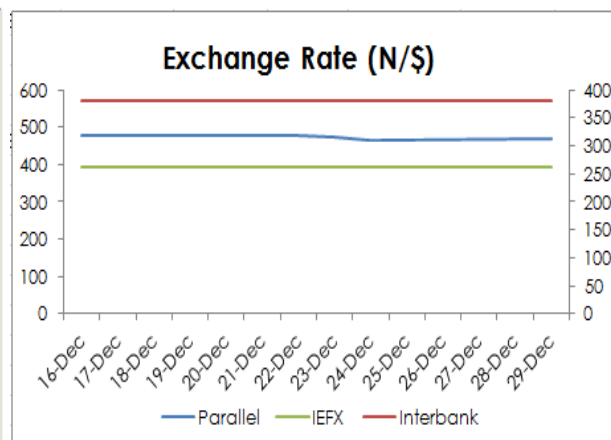


External Reserves (\$/bn)

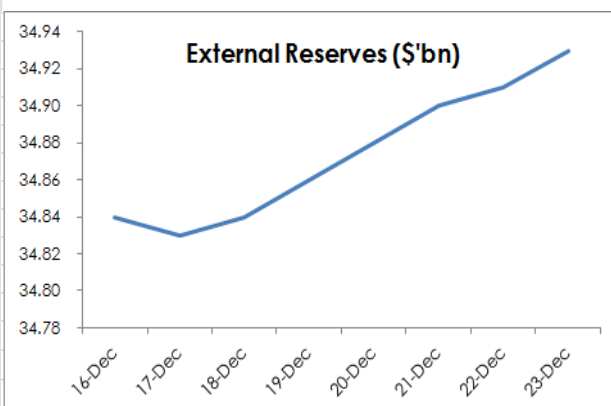
At the parallel market, the exchange rate oscillated between a range of N465/\$ and N476 against the dollar, before closing the review period at N470/\$. The appreciation was supported by increased CBN sales at the IEFX window and dollar inflows from visiting international family and friends. At the IEFX window, the naira depreciated by 4.12% to close the year at N410.25/\$ but traded flat at the interbank market (N379/\$). Nigeria's gross external reserves resumed a steady accretion in the second half of December, gaining 1.49% to close the period at \$35.36bn. The import and payment cover has increased to 8.8 months from 8.67months.

### Outlook & Implications

The total naira adjustment made in 2020 was about 12% and this is expected to lead to a 2.4% increase in inflation, given that every 1% devaluation leads to a 0.2% spike in inflation. This means that Nigeria's inflation levels could increase to 17%.



SOURCE: FDC Think Tank, FMDQ



SOURCE: FDC Think Tank, CBN



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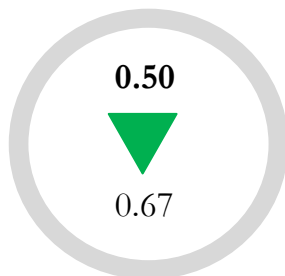
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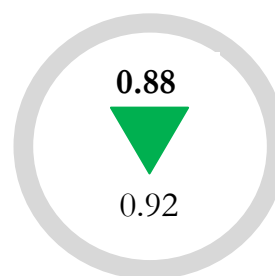
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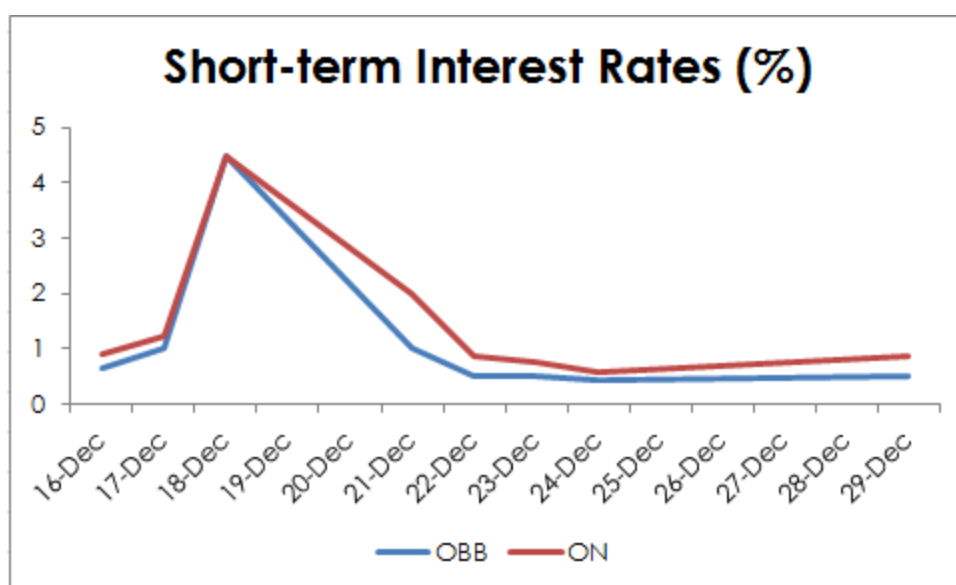
## The Money Markets



NIBOR: OBB (%p. a)



NIBOR: O/N (%p.a)



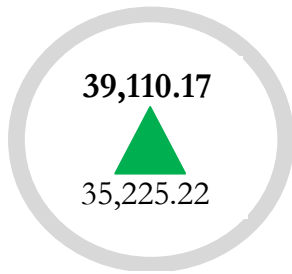
SOURCE: FDC Think Tank, FMDQ

Average opening position of banks increased by 25.01% to N563.2bn from N450.52bn in the first half of December. Short-term interbank interest rates (OBB/ON) rates fell by an average of 11bps to close at 0.50%pa and 0.88%pa respectively.

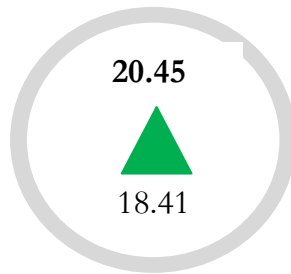
### Outlook

Market liquidity is likely to decline with the recent devaluation of the currency at the IEFX window and lead to an increase in interest rates. Due to the inverse relationship between stock prices and interest rates, we expect the recent rally in the Nigerian equities market to fizzle out.

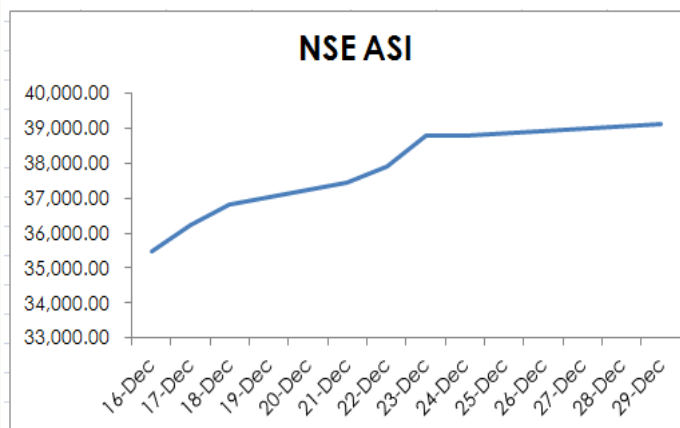
## The Stock Market



NSE ASI



Market Cap. (₹'trn)



SOURCE: FDC Think Tank, FMDQ

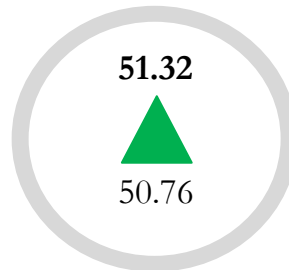
The stock market has maintained its Santa Claus rally throughout December, recording a year to date gain of 50.03%, making it the best performing stock market globally by Bloomberg.

### Outlook & Implications

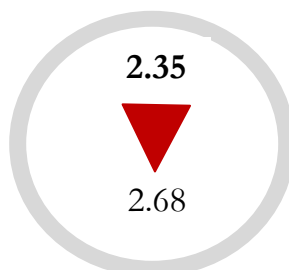
We expect the ongoing rally to be short lived. The market is expected to correct itself by middle of January as economic activity levels resume. Also, it is unlikely for the stock market to repeat its 2020 stellar performance which was partly driven by the low interest rate environment. The anticipated change in the interest rate environment this year will lead to a shift away from equities to more interest yielding instruments like fixed income.

## The Commodities Market

Brent prices (\$/b)



Natural gas (\$/mmbtu)



### Outlook & Implications

Oil prices are expected to increase albeit marginally on rising middle east tensions. Also the outcome of the OPEC+ meeting of January 4 is expected to have limited effect on oil prices, as the market has already factored in the increase in output of 500,000bpd. Also, the China/Iraq oil swap deal will improve Iraq's balance of payment positions.

### Outlook & Implications

The demand for gas for heating purposes will support natural gas prices as countries in the temperate region slide deeper into winter.

### Corn (\$/bushel)



456.00



424.75

#### Outlook & Implications

Increased demand for corn will keep corn prices elevated, increasing Nigeria's import bill

### Wheat (\$/bushel)



616.00



599.75

#### Outlook & Implications

Russia's imposition of an export tax on its wheat will spur higher prices. This will feed into the domestic price for a bag of flour currently at N14,000

### Sugar (\$/pound)



14.86



14.21

#### Outlook & Implications

Bumper harvest from Brazil is expected to taper prices which is positive for Nigeria and sugar dependent local companies.

### Cocoa (\$/mt)



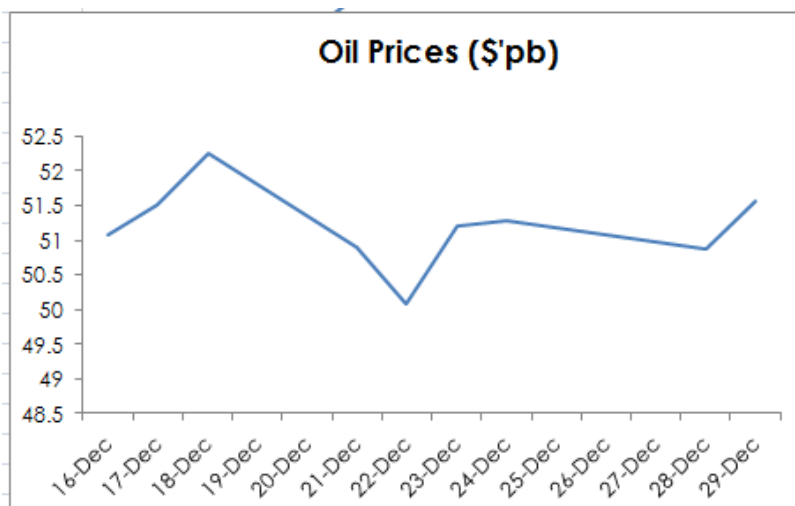
2,513



2,541

#### Outlook & Implications

Likely increase in global cocoa supply will depress prices, affecting Nigeria's export earnings. Cocoa is one of Nigeria's main non oil exports.



SOURCE: FDC Think Tank, Bloomberg



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## *Bank News*

### *Unity Bank holds 3rd edition of Corpreneurship Challenge*

As part of efforts to contribute to the growth of entrepreneurship and boost job creation in Nigeria, Unity Bank Plc has announced the third edition of its Entrepreneurship Development Initiative, also known as Corpreneurship Challenge for the National Youth Service Corps, NYSC 2020 Batch B, Stream 1B corps members.

Unity Bank Corpreneurship Challenge features a mentorship programme in which participating Corps members engage in developing business plans to make a sales pitch that could earn them matching grants. It is thus a challenge that presents an invaluable opportunity for corps members with outstanding business ideas to receive N12-million worth of grant to pursue their ideas. In a statement, the retail lender stated that the pilot scheme is currently being held in 4 states which include Lagos, Edo, Ogun and the FCT, while efforts are on top gear to even expand the entrepreneurship initiative to 10 more locations in the second phase.

To ensure the success of the scheme, Unity Bank, in collaboration with Skill Acquisition Entrepreneur Development (SAED) of the NYSC has embarked on sensitisation of the corps members deployed to the selected states at their various orientation camps to facilitate participation in the Corpreneurship Challenge.

Commenting on the initiative, Divisional Head, Retail, SME & E-Business, Mr. Olufunwa Akinmade said: "The Corpreneurship challenge was launched in 2019 as a value addition to the youth market. Over the period, twenty-four serving corps members have benefited from the programme and have been empowered through funding ranging between N200,000 to N500,000 in grant to start and grow their businesses.

"Through the Corpreneurship Challenge, Unity Bank has set out on a journey to contribute its quota to job creation by empowering young people through financial literacy aimed at creating prosperity. The Unity Bank Corpreneurship Challenge is instituted to promote entrepreneurship development, savings culture, creativity, business acumen and wealth creation."

He added: "Indeed, the encouraging feedback that has been received from Corps Members that received Business Grant in the 1st and 2nd edition after successful pitch in the Corpreneurship Challenge indicates that the initiative is creating the needed impact in society. "Our value proposition is to therefore reach out and equip more corps members by improving the quality of the mentoring programme in the Corpreneurship challenge and in the process, build increased capacity amongst the Youths who will become a catalyst to Nigeria's economic development."

## *How to Have Your Vision Board Ready To Start 2021*

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

The end of the year is the perfect timing to reflect on how your year turned out and how you plan to make it even better. 2020 particularly, is an odd year with the Covid-19 crisis.



You probably left many of your

goals behind, but indeed you accomplished others that you had not considered. It is an excellent starting point to think of a long-term purpose that makes you happy, considering you as a whole person, not just a parent or an executive, and make it flexible enough to allow for change.

The vision board is the simplest way to capture your vision and strategy at a glance. Some people use it for personal matters, others only for business strategy and product development. I would suggest you have your personal vision board, including all the aspects of your life that you want to prioritize next year.

### **How to start?**

Look for a giant board, white or black, whatever is more comfortable for you. You can also use a flipchart, or if you want to share it with someone else, you can also use online brainstorming tools, such as Mural.co. You can even use a wall or a window and post-its, you don't need to spend any money upfront. I would not recommend using a Word document or an A4 sheet only. Take this time to expand your mind by using a format that doesn't limit your thoughts, something big.

### **Some things to consider:**

- Handwrite your goals instead of typing them, it helps you embrace them. Computers may dominate our lives, but research suggests handwriting brings us significant cognitive benefits, such as improving learning and retention.

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



- Keep the board handy. Visualization is a powerful mind exercise. According to the popular book *The Secret*, "The law of attraction is that you become what you think about." It recommends holding images of what you want in your mind, helps you improve your focus and attention, therefore increasing the odds of achieving it. You can include pictures, colors or anything you want to make you feel blissful when you see it. Feel that you achieved it before you actually did. What you focus on expands. Olympic medallist Michael Phelps would picture in his mind "a tape" of him swimming every day and night.

Try to do this activity in an hour or so, nonstop. Let your mind guide you, and plan to prevent interruptions by blocking or silencing your phone or doing it at a time of the day when you are alone and feeling energetic. A Saturday morning or Sunday afternoon could work, to make you feel like you are not working, this is part of your life planning.

### **How to do your vision board**

*Your vision board should focus on the things that you want.*

- 1) **Write down the scope of your vision board.** Remember this should be a long term exercise, such as 2021-2025. So you are going to write down the things you want to work on and improve in the next five years.
- 2) **Write down your goal.** Who you want to be-

come or be known/recognized for. Example: I want to be a coach who empowers people to take action and cultivate their authentic selves.

3) **Think of the main categories you want to work on**, which are how the goal statement will be achieved. Ideally, no more than five. Write them down across your board. The categories could be self-development, self-care, writing, leading a team, developing a business or business unit, or creating a new product. Think basically about how you want your week to be. Your week should be full of these five categories of activities. You can even assign them a priority number and a day of the week to achieve them.

4) Then, continue **writing down what you need to do to achieve that specific category**. Examples are creating a weekly newsletter, journaling at night, taking a course or contacting new clients. There is no specific order or way to do this. It depends on how your creative mind works. I prefer using a tree diagram to break down each major headline into smaller boxes or tasks, similar to an org chart. You can also use mind mapping, a tool very much used in design thinking: write the title of the subject or project that you're exploring in the centre of a page and draw a circle around it. Then draw lines out from this circle to connect with the subheading or sub-circles, and so on. Other ways to do it is by using post-it

notes, stickers, drawings or images. But remember to connect them. It must look like a net. If the ideas are not connected to the main goal and each other, you will have a hard time making them work for you. It will be like multitasking, and you want to avoid that. Focusing on one goal is essential. Go down no further than three levels of details on your board, otherwise, it is going to be too much information to visualize.

- 5) You can **include the impediments or potential block roads** you may have to tackle on one side of the board.
- 6) You can also do an exercise trying to remember **what worked well last year, what did not work well, and what to continue**, and review your vision board to make sure you don't stumble with the same stone.
- 7) **Feel like you are done? Review it again**, and make sure every activity that is included will make you happy. If not, try to see how you can eliminate it, reduce it or delegate it. Take a picture, and print it so that you can keep it safe. You can modify it later on, anytime.

### **Converting the vision board into actionable items**

You have a vision board ready. Now what? Is that all? To make it work for you and avoid becoming just an adoration figure that seems more like a daydream, define actionable items and book calendar entries. That is, make it really part of your day-to-day. Define the tasks that you can achieve this week, next month and next year, and start assigning a specific date and time for each task. The recurrent ones, like writing, exercising or developing your employees, should have a weekly schedule. Block your calendar with those tasks.

Last but not least, be very specific about quantifying what you want to achieve. For example, how many clients you want to get per month? How much money do you want to make? How many stories do you want to write? Use these metrics to check your success.



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