

FBN PMI up 3.11% to 53 points in April



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May 10, 2021

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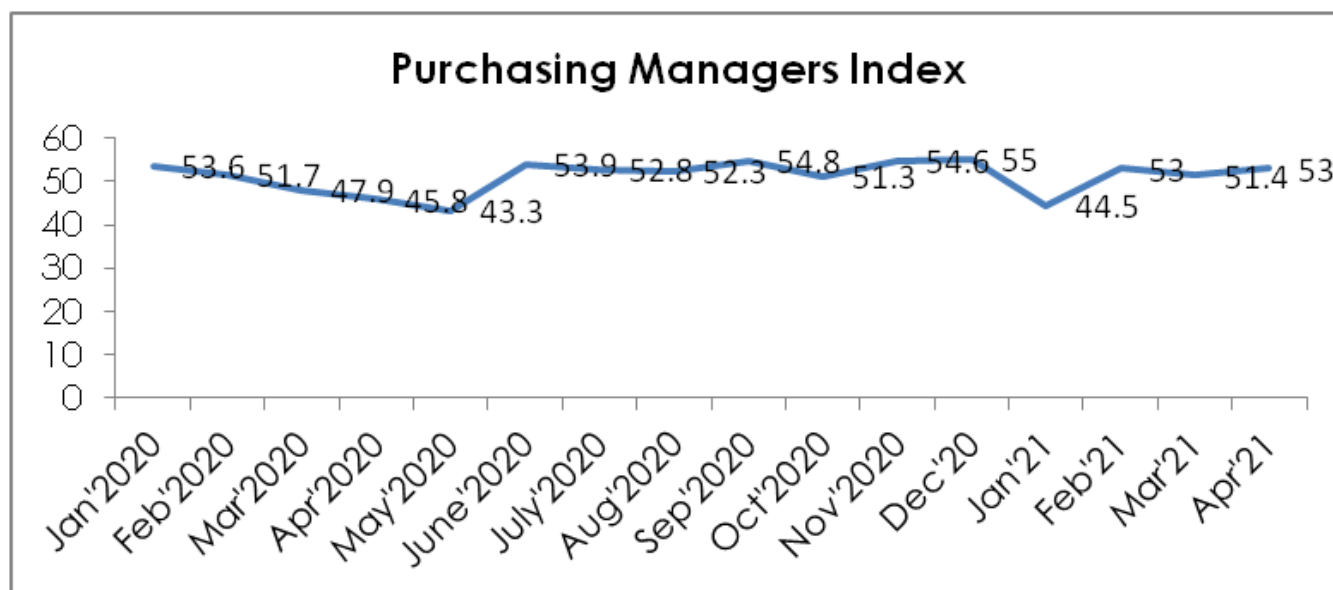
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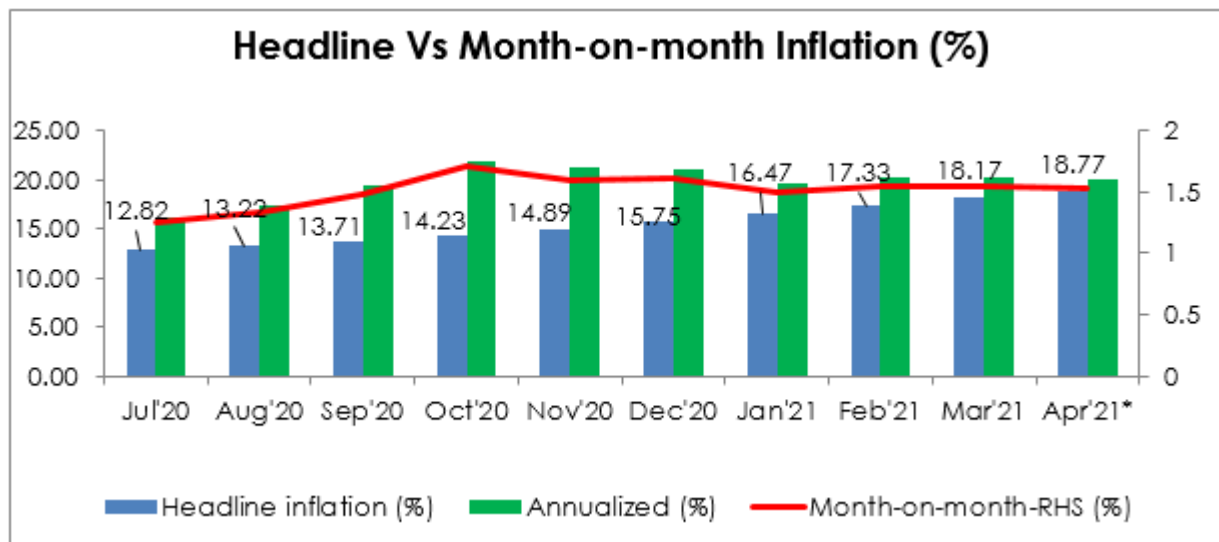
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FBN PMI reading rises by 3.11% to 53 points in April



The FBN purchasing managers index (PMI) reading for April 2021 increased by 3.11% to 53 basis points (pts) from 51.4pts in March 2021. The increase in PMI readings was driven by positive expansions experienced in the manufacturing industry. In addition, the gradual ease in covid-19 restrictions and quicker access to securing adequate raw materials at cheaper prices contributed to the increase in the PMI readings. Of the five variables four increased (output, workforce, new orders and stocks of purchases) while supplier delivery time declined. Also, from the four sub indices, stock of purchases recorded the highest PMI reading. We expect the PMI reading to maintain the upward trend in the coming months on increased demand. However, inflationary pressures and limited dollar supply would continue to pose a challenge to the manufacturing sector.

Headline Inflation to Climb to 18.77% in April



The April inflation numbers would be released by the NBS on May 17 and we are projecting a further spike by 0.6% to 18.77% from 18.17% in March. This would be the 20th consecutive monthly increase and the highest level of inflation in over a decade. The food and core sub-indexes are estimated to increase to 24% and 12.9% respectively. The upward trend would be largely driven by insecurity in the food belt that is inducing food shortages and in turn increasing the price of domestic commodities. In April alone, there were about 400 killings by bandits, Boko Haram, herdsmen and unknown gunmen. The rise in inflation would also be exacerbated by the exchange rate pass through effect as restrictions to food imports linger. The immediate impact would be a further squeeze to consumer disposable income and a decline in aggregate demand. The EIU projects aggregate private consumption to fall by 2.7% to \$337bn in 2021 from \$346.4bn in 2020. In addition, this alongside the outcome of the Q1'21 GDP figures to be released on May 24 would be major considerations for the MPC at its next meeting (24/25).

The Highlights

Electricity tariffs likely to increase in July



Electricity tariffs in Nigeria are likely to increase in July, as the Nigerian Electricity Regulatory Commission (NERC) plans to review the multi tier tariff. The review process would involve the 11 electricity distribution companies and would capture the impact of current changes in inflation, oil prices and exchange rate on the performance of the Discos. Meanwhile, the FGN has ruled out the possibility of a major hike in electricity tariff. The minister for Power in Nigeria has assured Nigerians to expect increased efficiency in the power sector while managing headwinds from foreign exchange and inflation. Prior to this, the NERC had revised upwards the tariffs two times. The review process indicates the possibility of an imminent hike in electricity tariff. This will heighten financial constraints for Nigerians and could stoke public unrest.

CBN approves 10 additional IMTOs, appeals to exporters to repatriate proceeds

The Central Bank of Nigeria, CBN, has approved 10 additional international money transfer operators (IMTOs) to boost Diaspora remittances. Prior to this, the apex bank had authorized 47 IMTOs. This brings the total number of IMTOs operating in Nigeria to 57. The decision will encourage a smoother and easier collection process for recipients of remittances and improve the availability of forex. Furthermore, the CBN has urged exporters to repatriate their export proceeds back into the country. This is expected to boost forex inflow and will positively impact the country's gross external reserves and support exchange rate dynamics.



FAAC allocations rises 12.5% to N681.33 billion in April

The federation accounts allocation committee (FAAC) disbursed N681.33 billion among the three tiers of government in April. This is 12.5% higher than March's allocation of N605.59 billion. A further breakdown shows that gross statutory revenue was N466.69 billion while Value Added Tax (VAT) revenue was N181.71 billion and exchange rate gains was N2.93 billion with an additional N30 billion



for augmentation purposes. Of the total distributable revenue, the Federal government received N212.15 billion from the N681.33 billion with state governments sharing N179.242 billion while the Local Governments were allocated N132.193 billion. Also, the sum of N40.03 billion was given to the relevant States as 13% derivation revenue while N154 billion was transferred to the non-oil revenue savings with a balance of \$72.413 million in the excess crude account. Higher FAAC allocations will reduce the states deficit financing needs and enable them meet outstanding obligations such as salary arrears.

CBN purchasing managers index report for January 2021



The CBN purchasing managers index (PMI) reading for January 2021 declined by 4.7% to 44.9 index points and corroborates the trend recorded by FBN Quest's PMI, which fell to 44.5 index points. The decline in the CBN PMI reading was driven by a fall in demand, rising production costs and supply chain disruptions experienced by firms in the manufacturing sector.

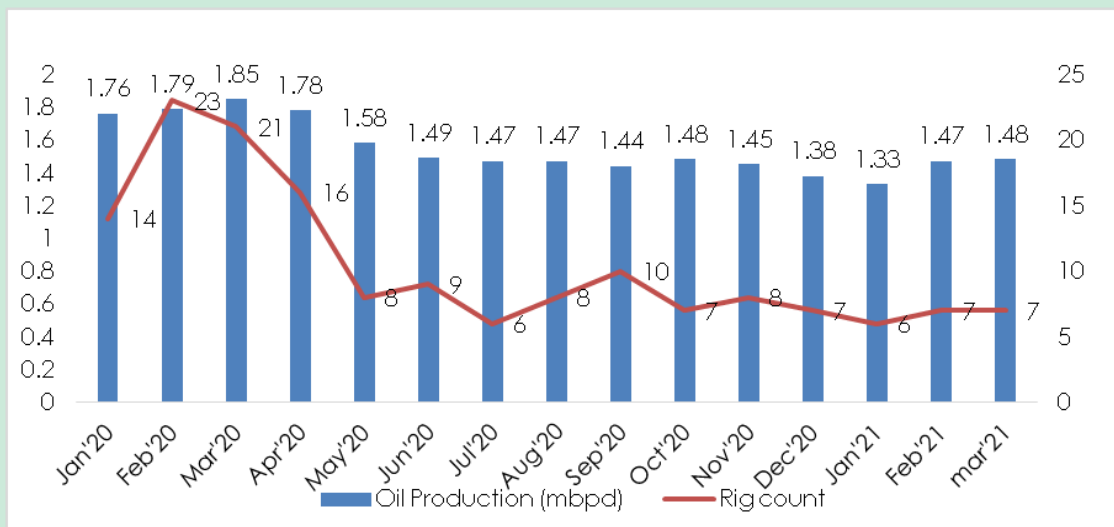
Also, the lingering effects from COVID-19, combined with the resurgence of a second wave in January, contributed to the sector's low performance. All components of the composite Manufacturing PMI contracted except supplier delivery time which increased to 55.7 index points from 51.2 points in December 2020. This was driven by ample improvements in logistics, shipments and inventory control. Similarly, the composite non-manufacturing PMI contracted to 43.3 index points in January from 45.7 index points recorded in December 2020 while new orders, production level, employment level and raw materials inventories contracted during the period. However, we expect the PMI reading for April to remain in the contraction territory due to increased currency pressures in the forex market amid weak aggregate demand and low disposable income.

Nigeria senate approves \$2.7 billion external loan

The senate has approved Nigeria's external loan request of \$2.7bn targeted at financing the government's fiscal deficit and meeting state needs and as a covid stimulus response. This is coming at a time when government revenues were down 12.8% in January. The loans will be sourced collectively from the World Bank, Export-Import Bank of Brazil and Deutsche Bank of Germany and disbursed across the 36 states in the country to finance major projects. The approved loan is a concessionary loan which means low interest rates. However, it will increase Nigeria's external debt stock, which is currently at \$86.39bn. While Nigeria has a low debt to GDP ratio of 34.4%, its debt to revenue ratio is alarmingly high at 99%. This means that the government spends most of its revenue generated on servicing its debt, which could increase as interest rates start to rise globally and domestically.



Nigeria's oil production increases to 1.48mbpd in March



Nigeria's crude oil production increased by 0.68% to 1.48mbpd in March from 1.47mbpd in February, according to OPEC's monthly oil report. Furthermore, OPEC and its allies have agreed to ease supply cuts in May. This alongside the relaxation of sanctions placed on Iran means that global oil production would increase. Meanwhile, there has been an upward revision of Nigeria's oil production quota to 1.54mbpd in May, allowing Nigeria to increase its oil output. This will offset the anticipated fall in oil prices once the ease in output cuts takes effect in May.

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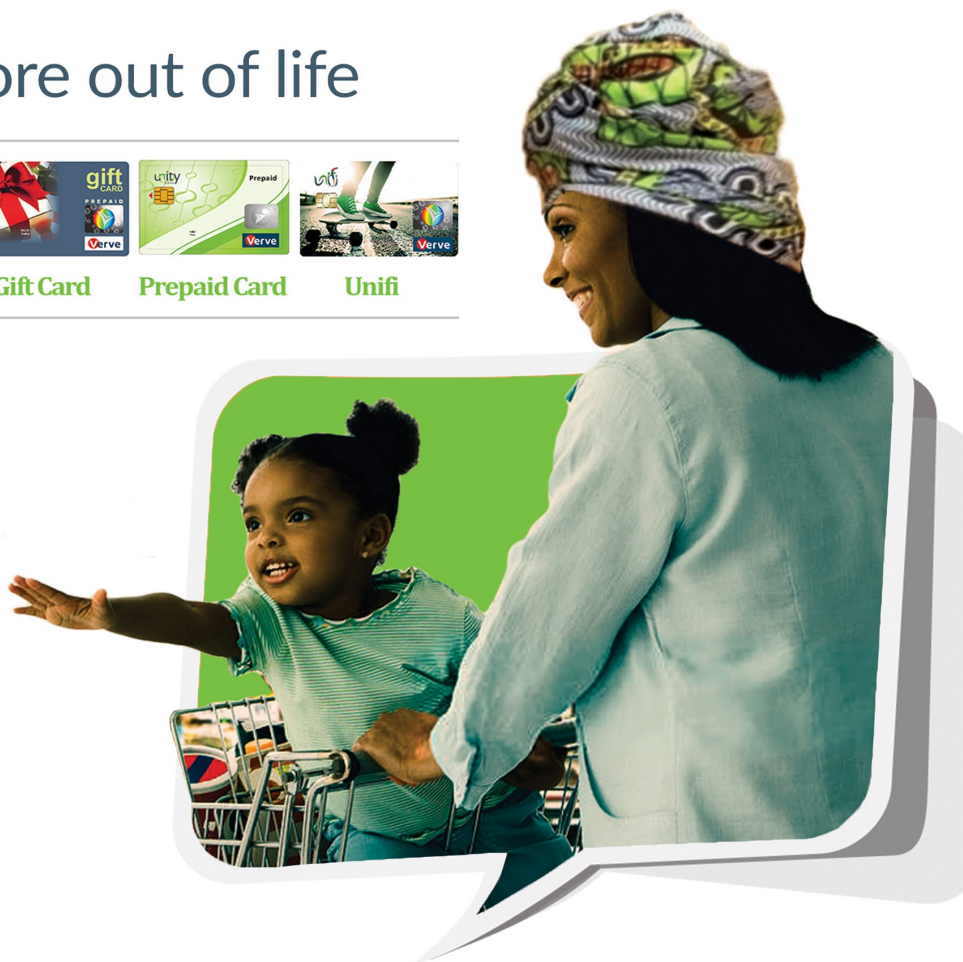
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CBN plans on including wheat and sugar to its forex restriction list

The CBN is considering including wheat and sugar in its forex restriction list. The list currently has 44 commodities such as margarine, poultry and eggs and rice. This new policy shift by the government aims at supporting local production while reducing the country's reliance on imports. However, the inclusion of both wheat and sugar on the forex list will increase forex demand pressures at the parallel market. In addition, the federal government of Nigeria has banned the importation of refined sugar and its derivatives from free trade zones as part of its ongoing effort in encouraging local production while protecting the sugar industry. However, the prohibition is likely to result in the higher price of sugar related consumer goods in the near term coupled with a shift in consumer taste. This to an extent could prevent the government from going ahead with its intended policy shift on sugar.



UK unemployment falls to 4.9% while inflation climbs 0.3% to 0.7% in March



According to the office for national statistics, UK's unemployment rate fell by 0.1% to 4.9% between December 2020 and February 2021. This would be the second time in three months the rate of unemployment dropped. The spike was driven by the twin impact of COVID-19 coupled with the country implementing strict COVID lockdowns. The aim of the lockdown was to ensure minimal spread of the virus. In

addition, parts of Europe have also tightened lockdown restrictions due to the resurgence of a third wave that has been threatening full economic recovery. However, despite the fall in employment, inflation rate in the UK rose to 0.7% in March from 0.4% in February. This was driven by higher cost of fuel, clothes and transport. The Bank of England projects that inflation will attain a 1.9% extension by the end of 2021. The assumptions were drawn mainly on the effects of COVID-19 on the UK economy coupled with increases in consumer spending. Nonetheless, full recovery is projected to occur in the UK economy but at a slower pace in the coming months. This is achievable through increased vaccine inoculations. This is expected to boost employment levels and general economic activity. A recovery in the UK economy would increase employment levels and this has a positive impact on remittances into emerging markets such as Nigeria.

Social Corner



2021 Oscar Award Winners list

- The 93rd Academy Awards held on April 25th at both the Union Station and the Dolby Theatre in Los Angeles
- History repeated itself at this ceremony as it was the first time since the 78th Academy Awards in 2006 where no film won more than three awards
- Chloé Zhao, became the first woman of color to win an Academy Award for directing
- Other winners on the list include:
 - Best actor - Anthony Hopkins, "The Father"
 - Best actress - Frances McDormand, "Nomadland"
 - Best picture - Nomadland
 - Best supporting actress – Youn Yuh-jung, "Minari"
 - Best supporting actor – Daniel Kaluuya, "Judas and the Black Messiah"
 - Best animated feature - Soul
 - Best documentary feature - My Octopus Teacher
 - Best film editing - Sound of Metal
 - Best cinematography - Mank
 - Best costume design – Ma Rainey's Black Bottom



Chocolate City appoints Abuchi Peter Ugwu as CEO

- West Africa's premier music label, Chocolate City, has appointed Mr Abuchi Peter Ugwu as its new Chief Executive Officer
- He is succeeding the former CEO Jude Abaga aka M.I
- Abuchi was the head of Chocolate City's business development in 2015 and the Vice President for Bean Creative Agency in 2019
- He started his journey in the music industry as producer/sound engineer and has since garnered over a decade of experience
- His creative insights and skills earned him several recognitions in Nigeria's evolving entertainment industry

Amazon to set up African headquarters in South Africa

- American multinational company, Amazon, plans on investing over R4 billion in South Africa
- The US company is investing in the real estate sector
- River club will be the new commercial hub for Amazon in South Africa
- This development is aimed at creating affordable housing and more jobs for the South African people.

Main Report

Transport fare report for March 2021- Uber and Bolt drivers withdraw services from Nigeria



- According to the NBS, the average fare paid by commuters increased across board for journeys made by motorcycle, air and waterway passengers.
- The average cost of transport fares for bus trips within cities in Nigeria increased by 82.5% year on year (Y-o-Y) to N377.27 in March from N361.31 in February. Month-on-month the increase was 4.42%.
- Zamfara, Bauchi and Ekiti states recorded the highest intracity bus journey fares for the month.
- The increase in fares was driven primarily by the increase in PMS prices coupled with increased demand following the return to normalcy. This time last year, most parts of the country were in a lockdown and this led to a sharp decline in transportation.

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Main Report

- Meanwhile, Uber and Bolt drivers in Lagos and across Africa are contemplating going on strike following a request for an increase in fares to reflect the current economic realities in the country.
- The Nigeria National Petroleum Corporation (NNPC) has assured Nigerians that there will be no increase in the price of fuel in May and would continue to subsidize the price of fuel.
- So far, the government has spent over N500bn on fuel subsidy and it plans on spending an additional N720mn for the next six months pending further conclusions with the NLC



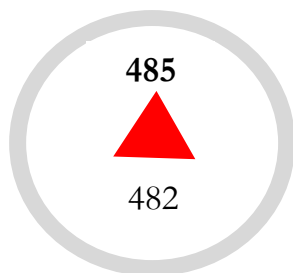
Implications

Pending the ongoing conclusions between the NNPC and the NLC, we expect PMS prices to remain at N162/litre to N165/litre. However, PMS prices could increase in the near term given that the level of subsidy payment by the corporation is unsustainable. The removal of fuel subsidies is inflationary as transport fares will increase.

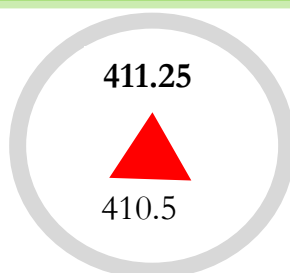
Business Update

(Review Period : April 15th – 28th, 2021)

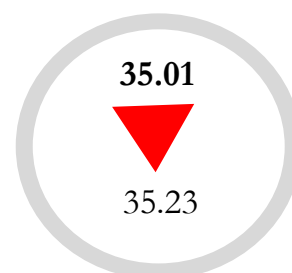
The Foreign Exchange Market



Forex: Parallel (N/ \$)



Forex: IEFX (N/ \$)



External Reserves (\$/bn)

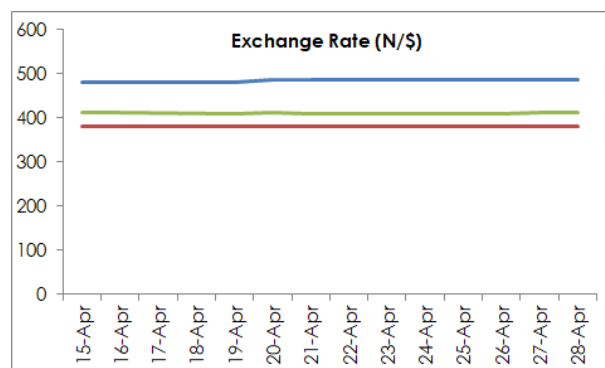
At the parallel market, the naira remained flat at N482/\$ before depreciating by 0.62% to close at N485/\$ on April 28. At the interbank market, the naira traded flat at N379/\$. The currency remained stable for 4 consecutive days at N410/\$ at the I & E window before closing at N411.25/\$.

So far in April, the average daily forex turnover at the I & E window dropped by 13.4% to \$57.70mn compared to \$66.63mn recorded in March.

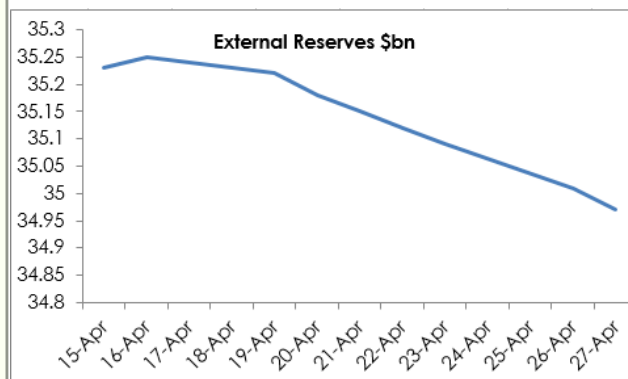
Gross external reserves declined marginally by 0.74% to close at \$34.97bn on April 27 from \$35.23bn recorded on April 15. The country's import cover fell by 0.81% to 8.58months from 8.65months.

Implications & Outlook

We expect gross external reserves to slip further below \$34bn in the near term as the CBN resumes its dollar sales to foreign portfolio investors.

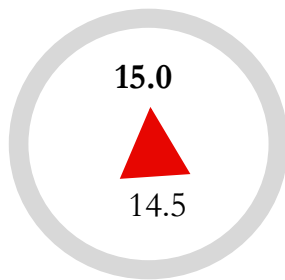


SOURCE: FDC Think Tank, FMDQ

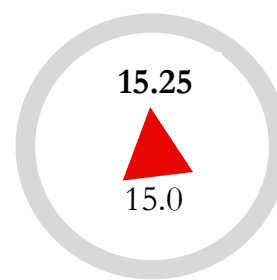


SOURCE: FDC Think Tank, CBN

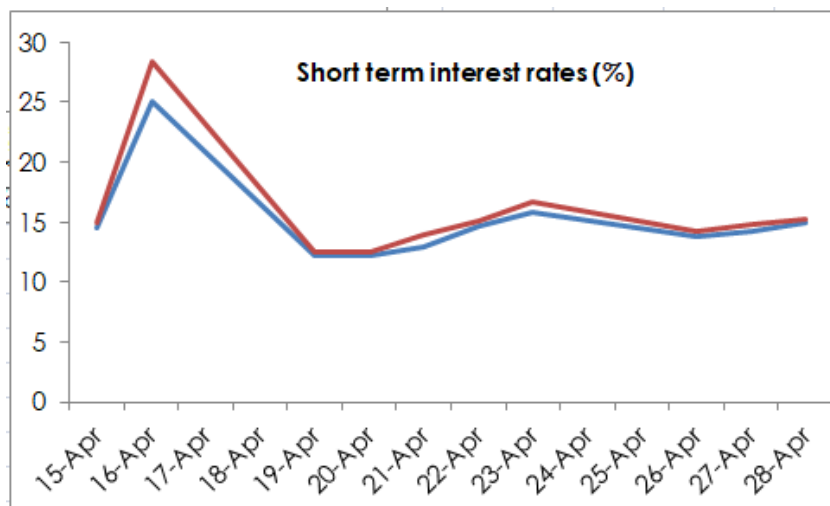
The Money Markets



NIBOR: OBB (%p.a)



NIBOR: O/N (%p.a)



SOURCE: FDC Think Tank, FMDQ

The average opening position for banks was negative, falling by 83.06% from N202.63bn in the corresponding period in March. The market maintained a negative trajectory between April 21st to 28th.

On the average, short term interbank rates (OBB and ON) rose by 250bps to 15.45% from 12.95% in the second half of March.

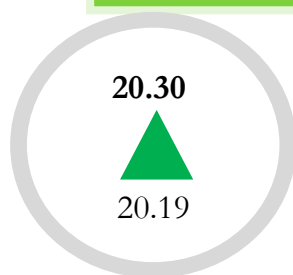
Outlook

The market was in a negative position six out of the 10 trading days in the review period due to market illiquidity. We expect this trend to continue barring any major inflows and this will keep interest rates high.

The Stock Market



NSE ASI

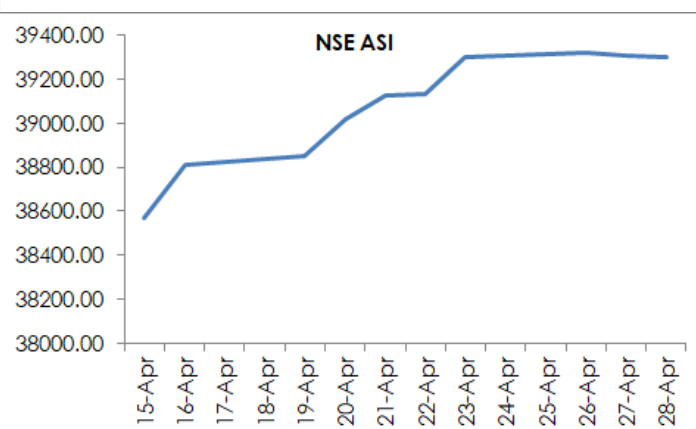


Market Cap. (N'trn)

The NSE ASI gained 1.90% to close the period at 39,303.09 points. Similarly, the market capitalization increased by 0.54% to N20.3trn from N20.19trn recorded on April 15. Of the 10 trading days, the market gained in 7 days and lost in 3 days. The 52-week return was positive at 72.92% while the YTD return was flat at -2.40% as at April 28.

Outlook & Implications

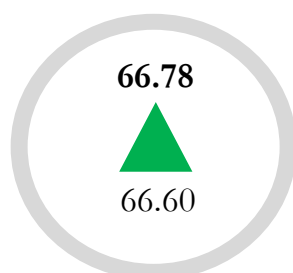
The NSE is expected to continue with its negative performance in the near term on weak investor sentiment.



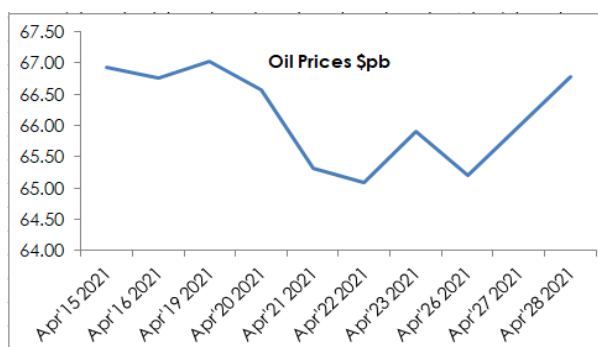
SOURCE: FDC Think Tank, FMDQ

The Commodities Market

Brent prices (\$/b)



Natural gas (\$/mmbtu)



Outlook & Implications

Despite the resurging virus cases in India, oil prices stayed above \$66pb during the review period. This was driven by signs of improved economy recovery in China and the US. Meanwhile OPEC+ plans on maintaining its forecast for oil demand growth of 6 million barrels per day starting from May. This would increase global oil supply and could depress oil prices. However, the increase in Nigeria's oil output will offset the anticipated fall in oil prices.

Natural Gas (\$/Mmbtu)



2.87



2.60

Outlook & Implications

We expect prices to remain bullish on higher global demand for LNG. However, Asia's LNG demand has been dampened due to the resurging covid cases in India. This could taper prices in the near term.

Corn (\$/bushel)



634.50



582.25

Outlook & Implications

Corn prices to remain elevated on tightening global supply amid dry weather conditions in Brazil and parts of the US. Higher corn prices would increase Nigeria's import bill for corn. This would increase the cost of production for firms that use corn as a raw material.

Wheat (\$/bushel)



716.75



651.75

Outlook & Implications

Increased global demand amid planting delays in Russia would continue to keep the price of wheat high. Higher prices would negatively affect the country's import bill. Meanwhile, the CBN is considering including wheat in its FX restriction list to encourage local production. This may be difficult to implement because of the difficulty in changing consumers' tastes.

Sugar (\$/pound)



17.75



15.75

Outlook & Implications

Persisting supply tightness amid dry weather conditions in Brazil would continue to push sugar prices up. Higher prices would feed into the cost of manufactured commodities made with sugar.

Cocoa (\$/mt)



2,478



2,459

Cocoa prices inched up on expectations of supply tightness in Ivory Coast. So far, Nigeria's cocoa yield has been affected by poor hybrid. This would reduce Nigeria's mid crop 2021 yields while pushing up prices.



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Neuroscience explains why you need to write down your goals if you actually want to achieve them

Culled from Forbes¹

I'm sure you've heard that if you want to achieve a goal, you need to write it down. I know it sounds a bit cliché, but it actually does work.



One of my studies, called "The Gender Gap and Goal-Setting," found that both men and women need to do a much better job of writing down their goals (although men did perform a bit better than women on this issue). Study participants were asked to rate the question "My goal is so vividly described in written form (including pictures, photos, drawings, etc.) that I could literally show it to other people and they would know exactly what I'm trying to achieve." Sadly, fewer than 20% of people said that their goals were 'Always' written down this vividly.

Vividly describing your goals in written form is strongly associated with goal success, and people who very vividly describe or picture their goals are anywhere from 1.2 to 1.4 times more likely to successfully accomplish their goals than people who don't. That's a pretty big difference in goal achievement just from writing your goals on a piece of paper. So why does writing your goals help? It's an important thing to know; after all, it might seem like a lot of extra work to write something down when you can just as easily store it in your brain, right?

Writing things down happens on two levels: external storage and encoding. External storage is easy to explain: you're storing the information contained in your goal in a location (e.g. a piece of paper) that is very easy to access and review at any time. You could post that paper in your office, on your refrigerator, etc. It doesn't take a neuroscientist to know you will remember something much better if you're staring at a visual cue (aka reminder) every single day.

But there's another deeper phenomenon happening: encoding. Encoding is the biological process by which the things we perceive travel to our brain's hippocampus where they're analyzed. From there, decisions are made about what gets stored in our long-term memory and, in turn, what gets discarded. Writing improves that encoding process. In other words, when you write it down it has a much greater chance of being remembered.

Neuropsychologists have identified the "generation effect" which basically says individuals demonstrate better memory for material they've generated themselves than for material they've merely read. It's a nice edge to have and, when you write down your goal, you get to access the "generation effect" twice: first, when you generate the goal (create a picture in your mind), and second, when you write it down because you're essentially reprocessing or regenerating that image. You have to rethink your mental picture, put it on the paper, place objects, scale them, think about their spatial relations, draw facial expressions, etc. There's a lot of cognitive processing taking place right there. In essence, you get a double whammy that really sears the goal into your brain.

Study after study shows you will remember things better when you write them down. Typically, subjects for these types of studies are students taking notes in class. However, one group of researchers looked at people conducting hiring interviews. When the interviewers

took notes about their interviews with each of the candidates, they were able to recall about 23% more nuggets of information from the interviews than people who didn't take notes. Parenthetically, if you're being interviewed for a job, and you want the interviewer to remember you, you better hope he or she is taking notes. It's not just general recall that improves when you write things down. Writing it down will also improve your recall of the really important information. You know how when you're in a classroom setting there's some stuff the teacher says that's really important (i.e. it'll be on the test) and then there's the not so important (i.e. it won't be on the test)? Well, one study found that when people weren't taking notes in class, they remembered just as many unimportant facts as they did important facts (there's a recipe for a "C"). But when people were taking notes, they remembered many more important facts and many fewer unimportant facts (and that, my friends, is the secret of "A" students). Writing things down doesn't just help you remember, it makes your mind more efficient by helping you focus on the truly important stuff. And your goals absolutely should qualify as truly important stuff.

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