

*PIB Passed, PMS Price likely to Increase as Landing Cost
Climbs 61.6% to ₦232/litre*



Economic News

Social

Lifestyle

Unity Bank Digest

July 02, 2021

Unity Bank Towers

Plot 42, Ahmed Onibudo Street,
Victoria Island, Lagos. Nigeria.

Head Office Annex

Plot 785, Herbert Macaulay Way,
Central Business District, Abuja, FCT.

www.unitybankng.com

PIB Passed, Landing cost of PMS up 61.6% to N232/liter from a year ago (N143.6/liter)



The Oil & Gas industry of Nigeria has received some respite as the NASS broke a 14-year jinx to pass the petroleum industry bill (PIB) yesterday. This bold move is expected to help recoup revenue losses, stop subsidy payments and encourage investments in the downstream petroleum sector. The landing cost of petrol has increased by 61.6% to N231.98/liter from an average of N143.6/liter in December 2020. This is largely due to the rally in global oil prices (\$76pb) and currency adjustment - N410/N411 (NAFEX/IEFX) - that has led to an increase in landing costs for imported refined products. Based on this new template, the expected price of PMS will increase to N254.90/liter from N239/liter estimated in April. Meanwhile, the NNPC has said that the price of petrol will remain at N162-N165/liter in July. With Nigeria's daily consumption of petrol up by 60.9% to 93mn liters from an average of 57.8mn Q1'20, subsidy payments could still rise to N7.1bn daily from N5.5bn in June. This will also be exacerbated by the impact of smuggling. An increase in subsidy payments diverts funds from critical capital projects. This will lead to a further increase in petrol prices. Furthermore, higher energy costs coupled with rising food prices will continue to erode consumer disposable income.

The Highlights

FAAC disbursements down by 1.8% in June to N605.69bn

The total amount shared to the three tiers of government fell to N605.69bn from N616.88bn in May. This was partly due to a decline in statutory revenue by 13.9% to N428.20bn from N497.39bn. The fall in FAAC allocation can also be attributed to continued subsidy payments. The NNPC had earlier hinted at zero remittance to the monthly statutory account as it maintained its N120bn monthly payments to subsidize petrol. With oil prices at \$75pb, subsidy payments are estimated to have increased to N500bn monthly. In addition, Company Income Tax (CIT), oil & gas royalties, and import and excise duty also decreased in the month of May. However, VAT revenue rose by 2.49% to N181.1bn from N176.7bn. FAAC disbursements are likely to pick up in the coming months on higher oil receipts and exchange rate gains, although the increase may be capped by the NNPC's low to nil remittance. Higher statutory allocations will support state governments in meeting their internal obligations like salary payments. Many state governments such as Ekiti state have reverted to the old minimum wage of N18,000 minimum and cut executive salaries by 25% due to financial constraints



Global oil price up (\$75pb), domestic production down

Brent crude is trading at its highest level in over a year (\$75pb) as global demand continues to pick up in the US and Asia. On the other, Nigeria's oil output fell by 2.82% to 1.38mbpd in May from 1.46mbpd recorded in April despite the ease in OPEC output cuts. The fall in Nigeria's crude production can be attributed to disruptions from pipeline vandalism and force majeure imposed by the international oil companies. However, the good news is that OPEC and its allies are looking to further increase supply as from August. This implies a further increase in Nigeria's production quota from 1.58mbpd in the near term. A rise in production coupled with higher oil prices would boost government revenue and increase the states' ability to meet its obligations. It could also lead to an increase in FAAC allocations that fell by 1.8% to N605.96bn in June.



Buhari seeks approval for supplementary budget

The president is seeking Senate approval for a supplementary budget of N895.84bn (\$2.18bn) for the 2021 fiscal year. This is to procure COVID-19 vaccines and purchase military equipment. The country had earlier planned to spend a total of N13.6trn in 2021 (up 25.92% from N10.8trn in 2020). So far, Nigeria has received nearly 4mn doses of COVID-19 vaccines under the COVAX scheme initiative and about 30mn Johnson & Johnson vaccines are underway.



The procurement of more COVID-19 vaccines will help Nigeria achieve herd immunity against the virus as the number of vaccinated citizens increases. Currently, only a meagre 4.6% of the total population has been inoculated. However, the source of funds for the supplementary appropriation bill involves drawing on existing World Bank loans and new borrowings from the Special Reserve Levy Account. This will worsen the country's external debt burden. More worrisome is the possible rise in global interest rates, which will make debt servicing excruciating.



FG invests over \$1bn on infrastructural development

The Federal Government plans to invest \$1bn in the construction of the Lagos-Ibadan Expressway, Second Niger Bridge, and Abuja-Kaduna-Zaria-Kano Expressway. This will increase construction sector activities that grew by 1.42% in Q1'21 compared to 1.21% in Q4'20. In addition, the increased government focus on infrastructure development, would aid productivity and in turn increase economic output. The successful and timely implementation of these projects would also encourage FDI inflows and bridge the country's infrastructure gap. The government currently needs about \$3trn for 30 years to plug the country's infrastructure deficit. Meanwhile, Nigeria (\$45.1bn) is the second largest recipient of foreign direct investments in Africa after Egypt (\$56.2bn).





..Succeeding Together.

Convenient Banking

*7799#

Account Opening

Balance Enquiry

Airtime TopUp

Fund Transfer

Bills Payment

BVN Verification

PIN Change

Loans

Cardless Withdrawal

Get started today..



[f](#) [t](#) [in](#) [ig](#) [y](#) [g+](#) @unitybankplc

www.unitybankng.com

CBN to slash imports by 35%

The CBN has stated that Nigeria's import bill would decline by 35% as the Dangote refinery takes off in Q1'22. The apex bank also expects the export of urea, which is used for fertilizer production, to boost foreign exchange earnings. Nigeria's import bill has consistently remained above its export revenues in the last five quarters, resulting in a negative trade balance. The country's trade deficit widened by 1,094.2% to N3.94trn (\$9.61bn) in Q1'21 from N329.93bn (\$804.71mn) in Q1'20. The reduction in total import value and a possible increase in export earnings would improve the country's trade and current account balances. It will also reduce pressure on the gross external reserves that has depleted steadily in the last two months by 4.06% to \$33.59bn on June 23.



Inflation pushed 7mn Nigerians below the poverty line

The World Bank stated in its Nigeria development report for June that rising food prices pushed about 7 million Nigerians into abject poverty in 2020. Average consumer price inflation rose by 1.82% to 13.21% in 2020 from 11.39% in 2019.

So far in 2021, domestic commodity prices have remained sticky upwards. However, in recent times, there has been a contradiction between available data and market reality. Headline inflation declined to 17.93% in May, primarily driven by a fall in the food sub-index to 22.28% from 22.72% in April. Meanwhile, the price of services, food and luxury items including rice, flour, maize, milk, soft drinks, cement & airfares have climbed by 33.67% compared to a year ago. While some analysts attribute this to base year flaws, others remain confounded and believe that inflationary pressures will persist in the near term. June inflation could climb to 18.1% as the exchange rate pass through effect to commodity prices becomes more pronounced. The currency adjustment (NAFEX) took place May 24. This would also be exacerbated by insecurity, higher energy costs, likely electricity and fuel pump price hike and the planting season effect.



Social Corner

Burna Boy wins BET Award for Best International Act

- ◆ The 2021 BET award ceremony, which was hosted by Taraji P Henson, held on 27th June, 2021 at the Microsoft Theater in Los Angeles
- ◆ At the ceremony, Burna Boy bagged the Best International Act award for the third time in a row
- ◆ Megan Thee Stallion received the most awards while Queen Latifah was honored with the life time achievement award
- ◆ Other winners include
 - ◆ Album of the year - Jazmine Sullivan (Heaux Tales)
 - ◆ Best female R&B / pop artist - H.E.R
 - ◆ Best male R&B / pop artist - Chris Brown
 - ◆ Best female hip hop artist - Megan Thee Stallion
 - ◆ Dr. Bobby Jones best gospel/inspirational award - Kirk Franklin (Strong God)
 - ◆ BET HER award - SZA (Good Days)
 - ◆ Viewer's choice award - Megan Thee Stallion ft. Beyoncé (Savage Remix)
 - ◆ Youngstars award - Marsai Martin



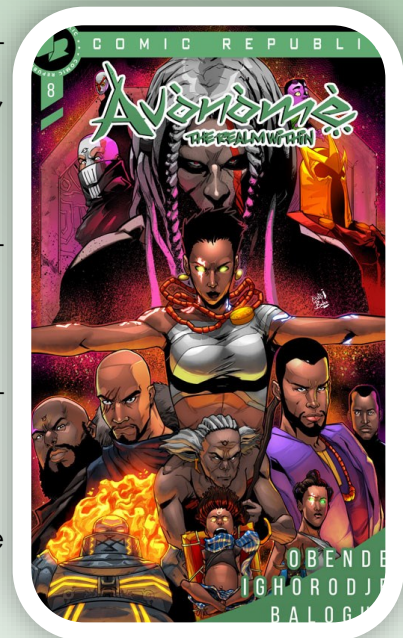
Fast & Furious 9 now in cinemas

- ♦ The long-awaited action movie sequel Fast & Furious 9 (F9) was released in Nigeria on June 25th 2021
- ♦ The release of F9 in 2020, like other movies was stalled, due to the COVID-19 pandemic
- ♦ This sequel introduces a star-studded blend from Wrestlers to Rappers. Some cast members are Vin Diesel, Cardi B, Jason Statham, John Cena, Bow Wow, Michelle Rodriguez, Charlize Theron, Ludacris, Ozunna and Eva Mendez.



Nigeria's Comic Republic to adopt African superheroes for film & TV

- ♦ Like the Black Panther movie that is based on African fictional stories, Nigeria's Comic Republic is set to bring to life, African Superheroes
- ♦ To make this happen, the Republic signed a deal with Imagine Content and JackieBoy Entertainment
- ♦ Nigeria's Comic Republic is the largest publisher of independent comic books in Africa
- ♦ This breakthrough achievement will increase the relevance of the Nigerian comic industry



Main Report

Debt crisis looming in Nigeria

- ◆ Nigeria is fast heading towards a debt crisis as government debt continues to climb amid constrained revenue, mismanagement and unproductive use of borrowed funds, and currency weakness
- ◆ According to the Debt Management Office, total public debt surged by 15.65% to N33.11trn in Q1'21 from N28.63trn in Q1'20. However, in dollar terms, it increased by 10.01% to \$87.24bn from \$79.3bn in Q1'20.
- ◆ Domestic debt climbed by 10.7% to N20.64trn (62.33% of total) while external debt increased by 24.9% to N12.47trn (\$32.86bn), accounting for 37.67% of total debt stock.
- ◆ Lagos (N507.38bn), Rivers (N266.94bn) and Akwa Ibom (N232.2bn) states had the highest debt levels while Jigawa (N31.57bn), Sokoto (N38.55bn) and Ebonyi (N43.79bn) states had the least debt stock.



Implications

At the current level, public debt stock is approximately 21.47% of total GDP. This is one of the lowest in the world and is 8.53% below the IMF threshold (30%). However, a major concern is the country's debt stock to revenue and debt service to revenue ratios, which have surpassed the international debt sustainability thresholds. Nigeria's total debt stock is estimated at 842.49% of total revenue (N3.93trn in 2020) compared to the 250% threshold while debt service costs accounted for 86.77% of total revenue as against the threshold of 25%.

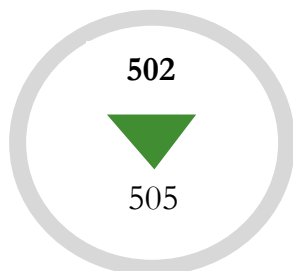
Hassle Free
Salary Advance
make it **unitypay**
Loan.



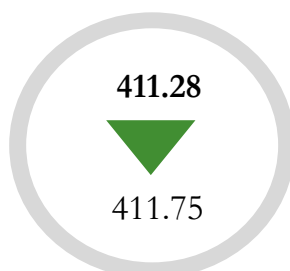
Business Update

(Review Period: June 16th - 28th 2021)

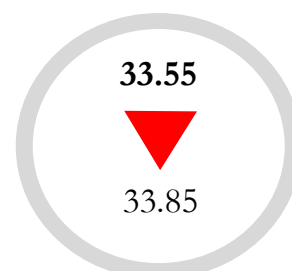
The Foreign Exchange Market



Forex: Parallel (N/\$)



Forex: IEFX (N/\$)



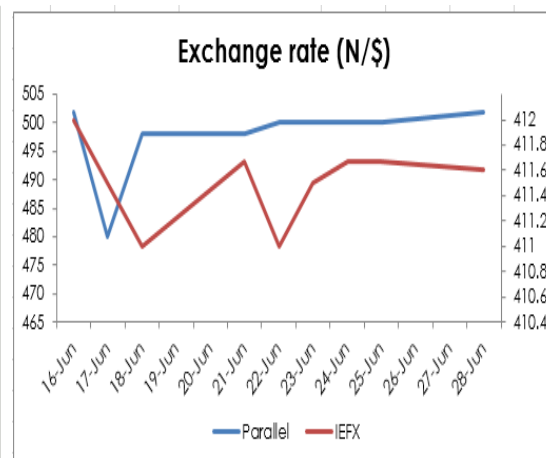
External Reserves (\$/bn)

The exchange rate was volatile at the parallel market, as it oscillated between N493/\$ and N500/\$ before closing the review period at N502/\$. The naira was relatively stable at the I & E window, trading within a band of N411/\$-N412/\$. Average forex daily turnover at the window was \$130.03mn, 12.91% lower than \$149.31mn in the first half of the month.

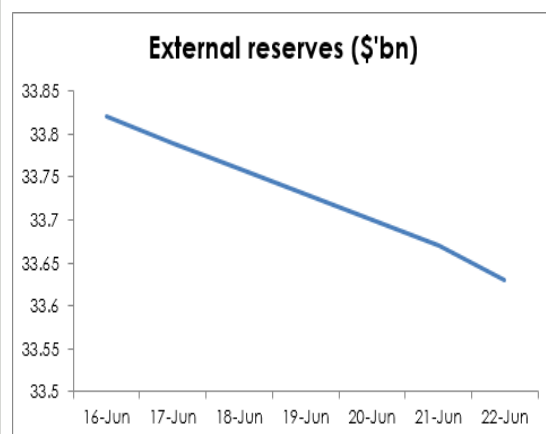
Despite the continued rise in oil prices (\$75.31pb), the gross external reserves depleted further, falling to a 2-month low of \$33.55bn on June 24 from \$33.85bn on June 15. The reserves level can only cover 8.23 months.

Outlook & Implications

Speculative activities at the parallel market are expected to fizzle out as the CBN increases its forex supply to banks and BDCs. This will lead to an appreciation of the naira at the parallel market towards N495/\$ but the external reserves could continue the steady depletion.

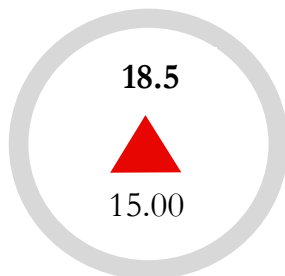


SOURCE: FDC Think Tank, FMDQ

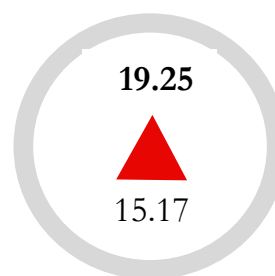


SOURCE: FDC Think Tank, CBN

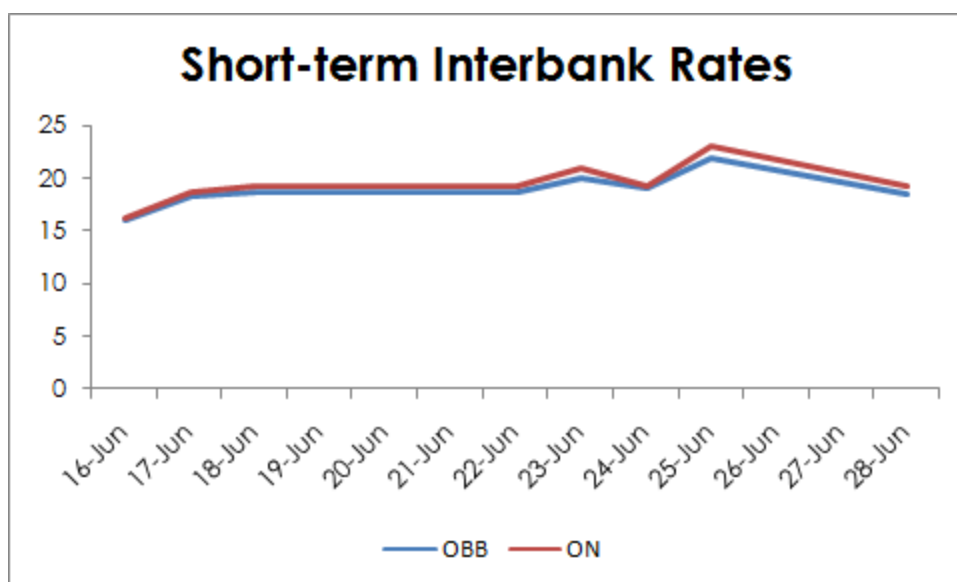
The Money Markets



NIBOR: OBB (%p.a.)



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



SOURCE: FDC Think Tank, FMDQ

During the review period, banks' opening position averaged N121.55bn, down 29.21% from N171.7bn in the first half of the month. This was partly due to a net OMO outflow of N2.3bn, CRR debits and funding for the CBN's forex sale. The reduction in market liquidity led to a spike in short term interbank rates. Average NIBOR rates (OBB/ON) increased to 19.20%p.a. from 15.48%p.a. in the first half of June.

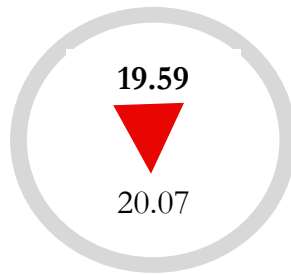
Implications & Outlook

Interest rates are expected to stay elevated in the near term due to tight liquidity in the money markets.

The Stock Market

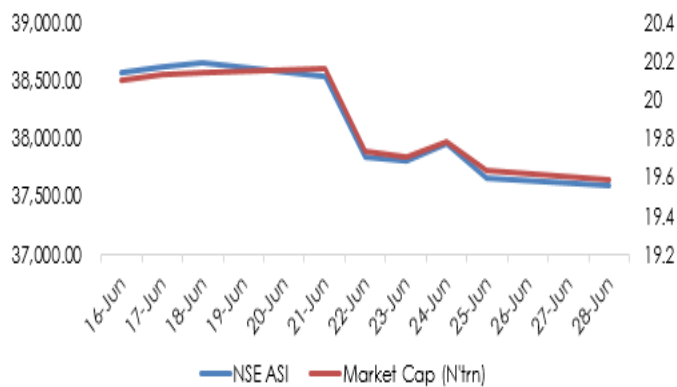


NSE ASI



Market Cap. (N'trn)

NSE ASI & MARKET CAP



SOURCE: FDC Think Tank, FMDQ

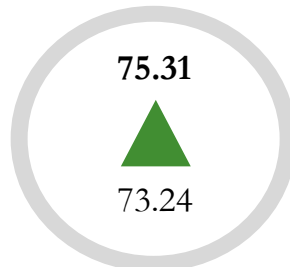
The NSE ASI lost 2.39% to close at 37,585.25 points compared to 38,507.29 points on June 15. This can be attributed to weak investor sentiment. Market capitalization also fell by 2.39% to N19.59trn. Of the 9 trading days, the market gained in 4 and lost in 5 days. As at June 28, the 52 week return is positive at 51.19% and YTD return is negative at 6.67%.

Outlook

The performance of the bourse will be largely influenced by the release of Q2'21 earnings results in the near term. In addition, we expect weak investor sentiment and cautious trading to still pervade the stock market.

The Commodities Market

Brent prices (\$/b)



The oil market maintained its bullish trend in the second half of the month. It is currently trading at \$75.31pb, 88.28% above the 2021 oil price benchmark.

Outlook

OPEC and its allies are expected to meet on July 1. Analysts are projecting a further ease in output cuts by 500,000bpd. This could however be sub-optimal to meet growing oil demand. Hence oil prices could remain above \$70pb in the near term.

Natural gas (\$/mmbtu)



3.58

3.36



Outlook & Implications

Natural gas price to remain elevated in the near term due to strong global demand amid tight supply. This will boost the country's export earnings as LNG is one of Nigeria's major exports.

Corn (\$/bushel)



519.25

588.25



Outlook & Implications

Corn prices are likely to increase due to reduced supply from the US. This will push up Nigeria's import bill, thus increasing the cost of corn related products like cereals.

Wheat (\$/bushel)



651.75

671.50



Outlook & Implications

Wheat prices are expected to increase on strong Chinese demand. This means Nigeria will be spending more on wheat imports which will translate into higher price of flour.

Sugar (\$/pound)



17.35

17.67



Outlook & Implications

Sugar supply to reduce due to the drought in Brazil. This will keep prices elevated and increase Nigeria's import costs.

Cocoa (\$/mt)



2,360

2,402



Outlook & Implications

Cocoa prices likely to decline further due to a bumper harvest in Ghana and Ivory Coast. Cocoa is one of Nigeria's major non-oil exports. Hence, lower prices imply a reduction in export earnings.

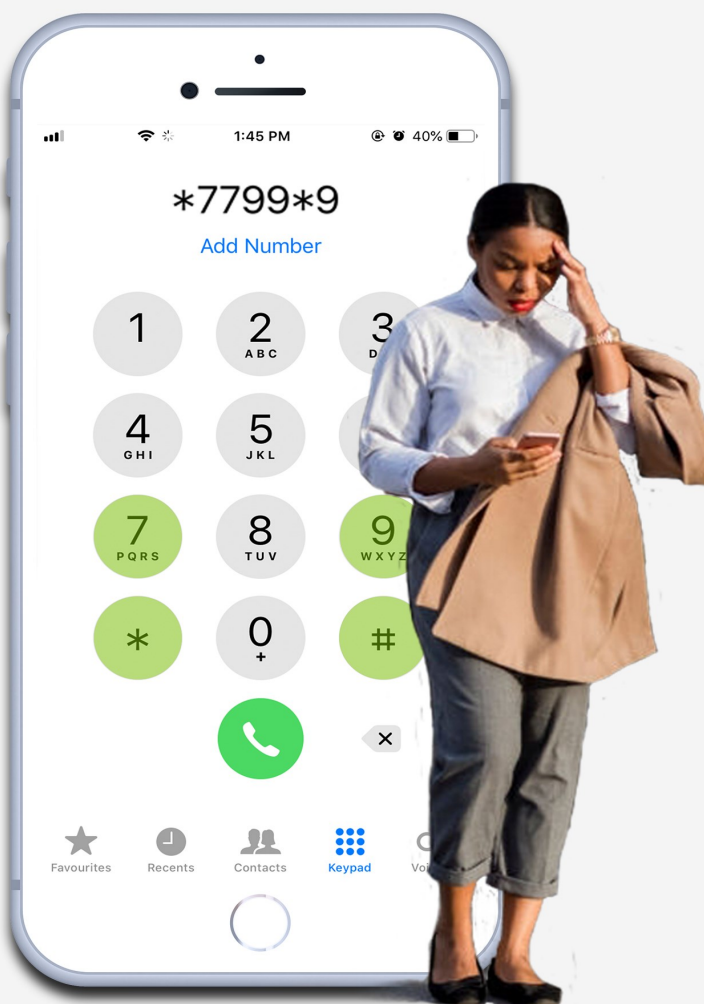
SOURCE: FDC Think Tank, Bloomberg

SUSPECT A FRAUDULENT TRANSACTION?

DIAL

***7799*9*PhoneNumber#**

To conveniently restrict access to your account.



Note: Use the phone number registered to the account.

Why now is the time to question everything

-Culled from Forbes'



By questioning everything, you can reset, renew and refresh.

The past 12-16 months have brought about some of the greatest disruption in our lifetimes, and this creates the perfect conditions for change, reinvention and new beginnings. These are circumstances which can inspire us to think in new ways and challenge individual and community belief systems so we can harness unexpected opportunities and improve.

Ancient Greek wisdom from Euripides is right: you should question everything. In modern times, we've updated this advice to "assume nothing and question everything." Questioning your previous assumptions may be uncomfortable at first, but the process reaps significant benefits—for your career, for your future and for your community. Through challenging what you think you know, you can create happiness and fulfilment.

Now is indeed the time to embrace your inner devil's advocate and ask all the right questions about all the important things. Asking plenty of questions can help you in many ways—from growing your career and yourself to improving your contributions and your relationships.

Growth, Contribution and Decision Making

Growth and development. One of the hallmarks of wisdom (no matter your age), is realizing how much you don't know. When you ask questions, you pave the way for your own growth and development. The Dunning-Kruger effect is a cognitive bias in which you tend to think you know more than you do. When you have a little knowledge of something, you don't know what you don't know. You can overestimate your abilities. A better approach is to assume you don't have all the answers. You may assume you know what someone else's experience is, but you can benefit by actually asking them about what they've been going through. By asking questions, you can enhance your understanding, and discover and learn more about where you need to grow.

Expanded contribution. There are three types of curiosity: diversive curiosity is the urge to learn tons of information about a wide range of things, but at a superficial level. Empathetic curiosity is the desire to learn about another person, and epistemic curiosity is the desire to learn more about a particular field or topic with depth and focus. Epis-

temic curiosity is especially helpful in driving us in new directions and motivating our engagement. When we learn about a new area, it can inspire us to try something new or think in unexpected ways. For example, you may think you are expert at your job as a project manager, but by learning more about a key topic—say, conflict management—you may discover how you can contribute in other ways such as helping people navigate disagreement and compromise to accomplish more.

Better decisions. The best decisions are informed by plenty of facts, data and insights. By definition, when you ask more questions, you'll be able to generate better potential alternatives and choose among them. Perhaps you want to get a new job. When you know the field a little, it will guide you where to look, but if you ask more questions about the future of the profession, you can discern more opportunities.

As famous hockey great Wayne Gretzky said, "You can skate to where the puck will be, instead of where it is."



Relationships, Fulfilment and Character



Stronger relationships. When you ask more questions, you learn more about topics, but you also learn more about the people around you—their values, beliefs, priorities and expertise. When you discover more about others, you deepen relationships and can appreciate more about them. Even if you disagree on a viewpoint, you continue to build your relationship, and relationships are good for happiness. Joy isn't based on the number of connections you have, but on their quality. Asking questions increases the quality of your relationships because by learning more about others you signal you care and want to invest in them. This has a reinforcing effect, leading them to invest in you as well.

Greater fulfilment. Awe is the sense of being a small part of something greater than yourself. Studies on happiness demonstrate the more you have moments of awe, the more you will feel joyful, content and fulfilled. Asking questions is related: the more you ask, the more you learn and the more you appreciate what is beyond you. As the saying goes, "The larger the island of knowledge, the longer the shoreline of wonder." Asking questions helps you uncover all that is beyond you, and this provides prospective and greater happiness.

Expanded humility. Arrogance shuts down relationships, and people avoid those who are over-confident or self-aggrandizing. On the other hand, when you are humbler, you can be a magnet for others. Asking questions assumes you don't have all the answers and demonstrates you are open to new ideas, learning and perspectives. This mind set is evidence of strong character and contributes to connections where you'll be valued and appreciated for your willingness to learn from others.

How to Question

As you're questioning everything, you'll want to keep these tips in mind:



Question yourself. Be sure to challenge your own thinking. Some values are set, but some of your thinking may benefit from a bit of push back. Cognitive Behavioral Therapy (CBT) is an approach to talk therapy which provides a good example: when people struggle with depression or anxiety and are encouraged to think about their potentially distorted thought processes, they experience an improvement in their mental health. Your belief systems may not always be correct, and your ideas can be slanted or intensified by emotions or triggers. So, it's constructive to reflect on your thinking and challenge your beliefs now and then to ensure you're open to new possibilities.

Question others. When you question others, they'll be most open to your positive prodding when they know you value them as a person.

Ask questions about topics, ideas and facts, and ensure people know you're not questioning their personal value. When people know you care about them, you'll be able to have a livelier debate in which you can challenge and learn deeply.

Question information. With huge numbers of outlets and sources from which we get information, you'll want to question everything. As news comes into your feed, pay attention to the source and beliefs of those reporting it. If you see a study, consider its size, whether it is truly representative, and the agenda of those sharing it. When you're exposed to a new post, think twice about where it's coming from and why it's being shared. When you're discerning and ask plenty of questions, you can be sure you're thinking for yourself and making your best judgements.

In Sum

Now is the time to begin again and reinvent ourselves, our work and (maybe even) our lives. By challenging your assumptions and questioning everything, you have the opportunity to create happiness and fulfilment, to be your best self and create your renewed future.

Contact

Would you like to open an account with us?

Kindly direct all account opening enquiries to:

Nosakhare Omoigui

08078148762, 08160956889

nomoigui@unitybankng.com

For all other enquiries, contact:

Phone number: 07080666000 / 07057323225-30

Email address: we_care@unitybankng.com

Website: www.unitybankng.com

Address:

Unity Bank Plc

Plot 42, Ahmed Onibudo Street

Victoria Island

Lagos

Connect with us on Social Media: @UnityBankPlc



IMPORTANT DISCLAIMER: *This commentary has been prepared by UNITY BANK. Opinions and any other content including data and market commentary in this document are provided by us for personal use and informational purposes only. Nothing contained in this document constitutes investment, legal, tax or other advice and is not to be relied on in making an investment or other decision. Any pricing included in this communication is indicative and is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has been obtained from sources believed to be reliable but UNITY BANK does not represent or warrant that it is accurate and complete. Neither UNITY BANK, nor any officer or employee thereof accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. Any securities recommendations made herein may not be suitable for all investors. Past performance is no guarantee of future returns. Any modeling or back-testing data contained in this document is not intended to be a statement as to future performance. UNITY BANK is incorporated as a public limited liability company in Nigeria and is regulated by the central bank of Nigeria (CBN)*