

FEC approves NNPC acquisition of 20% stake in

Dangote refinery



Economic News

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Lifestyle

Unity Bank Digest

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The Highlights

FEC approves NNPC acquisition of 20% stake in Dangote refinery

The Federal Executive Council (FEC) has approved the NNPC's acquisition of a 20% stake in the Dangote refinery for the sum of \$2.76bn. The Dangote refinery is expected to begin operation in 2022. The refinery has a production capacity of 650,000 barrels per day. This, coupled with Nigeria's three major refineries, (Kaduna, Port Harcourt and Warri -all three currently undergoing rehabilitation) is expected to meet all Nigeria's refined crude demand, with room for export. In tandem, the successful completion of the Dangote refinery coupled with the rehabilitation of other refineries will reduce Nigeria's import bill for refined petroleum products. This move will also increase Nigeria's oil export earnings and impact favorably on the country's trade balance and external reserves. This will reduce Nigeria's import bill for refined crude, support gross external reserves accretion and the government's ability to meet outstanding obligations.



CBN issues guidelines for payments service holding companies



The CBN announced procedures for the establishment of Payment Service Holding Companies (PSHCs). This corresponds with its obligation to encourage an effective and reliable payments system. It also approved new licence categories for participants in the payments system. This is expected to avert any unnecessary blend of activities, assist in the management of risks, allow the CBN to implement ample regulatory oversight on all the companies operating within the Group, and reduce conflict of interests. In addition, the CBN banned PSHCs from borrowing from deposit money banks to finance themselves or any of their subsidiaries.

The MPC maintains status quo on all parameters, stops forex sale to BDCs

The MPC concluded its MPC meeting and as widely anticipated, left all its monetary policy parameters unchanged: the monetary policy rate (MPR) at 11.5% pa, cash reserve requirement of 27.5%, liquidity ratio of 30% and the asymmetric corridor of +100/-700 bps around the MPR. The committee based its decision on two major considerations the declining inflation trend and positive GDP growth. The committee was unanimous in its vote for a status quo. In a twist of event, during the question and answer session, the CBN governor announced an immediate discontinuation of its forex sales to Bureau de Change (BDC) operators. The BDCs are an important segment of the retail forex market and receive approximately \$110mn from the CBN via forex sales, amounting to about \$5bn a year. The implication of the CBN's decision will be an initial spike in the parallel market exchange rate in reaction to the news before stabilizing. The parallel market rate depreciated sharply to N522/\$ on July 28. The CBN is expected to increase its supply to banks and this will lead to an appreciation of the exchange rate for invisible transactions.



CBN to launch digital currency by October 1



In its effort to boost and exclusively encourage digital currency in Nigeria, the CBN, at its 306th bankers' committee meeting disclosed its plans to launch its digital currency system by October 1. In 2017, the committee had set a target of launching the new digital currency by the end of 2021.

The introduction of the CBN digital currency will improve the efficiency of the payment system and cross border trade. This move will also accelerate and deepen financial inclusion in Nigeria while mitigating the challenges of using crypto. The CBN has issued several warnings in the past regarding cryptocurrencies due to its currency volatility. The scheme will provide control and regulation by the CBN. Also, several countries, like China and the US, are gradually beginning to embrace and develop a keen interest in owning their digital currency due to its long term benefit. Meanwhile, the Economic Community of West African States (ECOWAS) is set to launch a common currency (eco) in 2027. While a single currency has its pros such as facilitating cross border trade, it may be difficult to implement as member countries will be forced to let go of their independence and autonomy on their monetary policy stance.

CBN restricts sugar importation to Dangote, BUA and FMN

As part of its forex policy and backward integration plan to reduce forex demand, the CBN has restricted the sale of forex to only three sugar companies- Dangote Sugar, BUA and Golden Sugar Company (owned by Flour Mills of Nigeria). These are the leading players in the domestic sugar trade. Nigeria currently spends between \$600



million (mn) to \$1 billion (bn) annually, to import sugar into the country. The apex bank had earlier announced its plan to add sugar to its foreign exchange restriction list in a bid to reduce the annual import bill and encourage local production. The annual demand for sugar is 1.7mn metric tonnes, out of which 93% (1.5mn metric tonnes) is imported while domestic production stands at 38,597 metric tonnes. The CBN's restriction could be counterproductive in the short term due to the low domestic production capacity relative to available demand. This means shortages and a likely increase in the domestic price of sugar. Sugar is currently above \$17/ pound on the back of a weak global demand.

FAAC disbursement up sharply by 21.03% to N733.09bn in July



The Federal Accounts and Allocation Committee (FAAC) shared a total of N733.09bn among the three levels of government in July. This is a 21.03% increase over N605.69bn disbursed in the previous month. The increase was because of the 36.79% increase in statutory revenue from N428.20bn to N585.75bn and an exchange rate gain of N3.69bn. Oil and gas royalties, plus import and excise duties also increased. However, the revenue from the value added tax declined by 20.68% to N143.65bn. In June, oil prices averaged \$75.27 per barrel (pb), 7.58% above May's average of \$68.11pb, while Nigeria's oil production was relatively unchanged at 1.4 million barrels per day (mbpd). We expect FAAC disbursement to keep trending upward, on the back of an expected increase in oil output, which will offset the impact of lower global oil prices. Higher FAAC allocations will reduce the fiscal pressures of the federal and state governments, enabling them to meet their outstanding obligations.

OPEC+ agrees to increase supply by 2mbpd

The impasse within OPEC+ is finally over. The new agreement will allow the cartel to increase its oil output by 2mbpd between August and December. Individual production quotas were also increased. The UAE's baseline was increased to 3.8mbpd from 3.2mbpd, while Nigeria's quota was increased to 1.83mbpd from 1.5mbpd. In response to OPEC+'s decision, oil prices fell sharply, losing over 4% in



one day to trade at \$69pb before recovering to \$74.80pb. There were also other factors that contributed to oil price volatility with the most prevalent factor being the Delta variant spreading across Europe and Asia. However, analysts are of the opinion that the demand recovery is strong enough to dampen these price moderating factors. Therefore, we expect oil prices to trade around \$72-\$74pb in the near term. An increase in price coupled with an anticipated increase in production will boost Nigeria's oil earnings. This will support government efforts in financing most of its obligations.



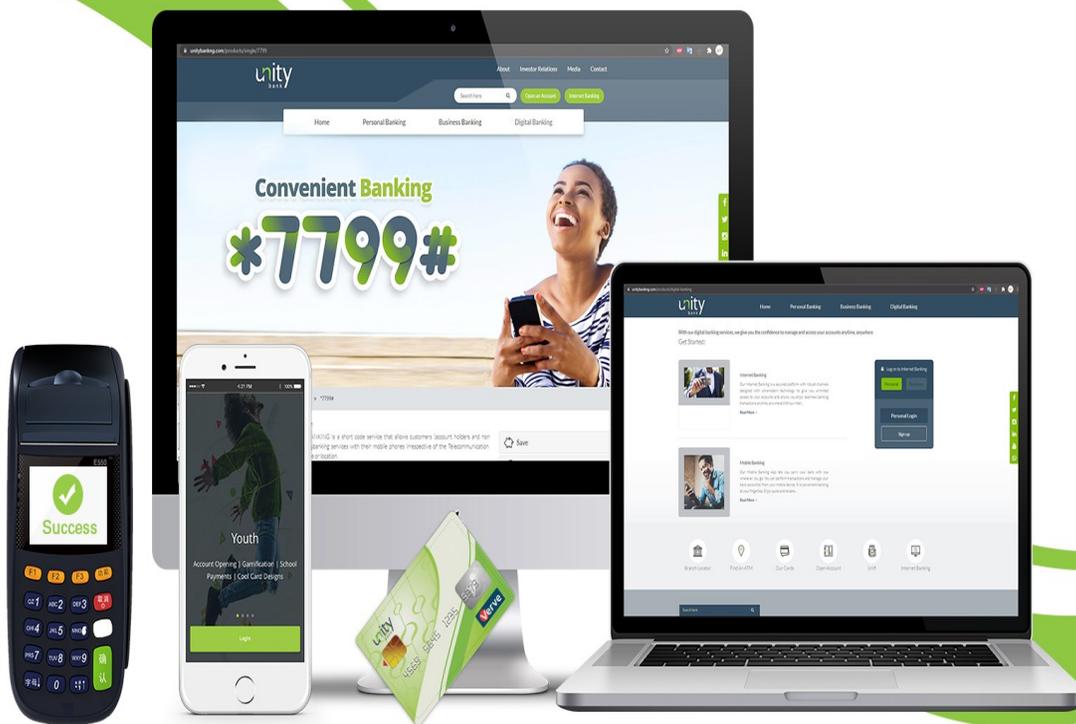
FGN raises new borrowing limit to N61trn



The federal government of Nigeria has approved a new medium-term debt management strategy for Nigeria, for the period 2020-2023. The approved document stipulates that Nigeria can now borrow as much as N61 trillion (trn). The new borrowing limit increases the country's debt profile by N27.82trn from N33.11trn in Q1'21. The federal government has benefitted from a low interest rate environ-

ment both domestically and globally. However, once interest rates start to rise, the cost of servicing debt will become more onerous. In the first five months of the year, the government spent 98% of its revenue on debt service.

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Social Corner



Tokyo Olympics Games finally begin

- After a year long delay with the sceptre of covid-19 hanging over it, the Tokyo 2020 Olympic games has officially begun
- The games commenced on July 23rd and was opened by “Roto's Theme” from the Dragon Quest series
- Fewer than a thousand masked spectators were present during the opening ceremony held at the national stadium in Tokyo, Japan
- Athletes from over 200 countries were in attendance during the opening ceremony and are expected to participate in 33 sports
- The cauldron was lighted by 23 year old Japanese tennis star “Naomi Osaka”
- As at July 26, Japan (8) has won the highest number of gold medals followed by the US (7) and China (6)



Wizkid's "Essence" becomes first Nigerian song to make Billboard HOT 100

- Wizkid and Tems have broken an historic record as their song, *Essence*, became the first Nigerian song to make Billboard Hot 100.
- *Essence*, the fourth song in the afrobeat singer's "Made in Lagos" album, was released on October 30, 2020.
- It has become a summer hit song for fans in America and other parts of the world.
- Hot 100 rankings are based on sales (physical and digital), radio play, and online streaming in the US and it is the biggest billboard ranking platform.



Jeff Bezos is back from space

- The world's richest man, Jeff Bezos, successfully flew to space on his first human rocket spaceship 'New Shepard' built by Blue Origin.
- The 10 minutes 10 seconds flight included four passengers - Bezos, his brother Mark, Oliver Daemen and Wally Funk.
- Other billionaires, like Richard Branson, have gone to space (86km) but Bezo's capsule reached a higher altitude of 107km, making him the first billionaire to reach such heights.
- The multimillion-dollar spaceship company aims to support scientific research and tourism.

Main Report

World Bank; Nigeria Going through Its Worst Unemployment Crisis

- According to the World Bank, so many people in Nigeria are seeking for asylum in other countries.
- In the space of a decade, the number of refugees grew by 1,308.85% from 27,557 to 408,078 while the number of abandoned children rose to about 4,000 between March 2020 and July 2021
- Furthermore, the World Bank asserts that 2.1 million Nigerian people were rendered homeless in November 2020
- The increase in asylum seekers was driven by an expansion in the working age population and those actively seeking for work.
- Similarly, the effects from covid coupled with economic hardship, poor governance and high end corruption have also contributed to an increase in unemployment.
- As at 2020, Nigeria's unemployment rate was 33.3% compared to 7.5% in Q1'2015



Implications

High unemployment and inflation rates coupled with rising poverty could trigger social unrest and political backlash. In addition, the severe brain drain experienced in the country will negatively impact on the productivity and growth of the economy.

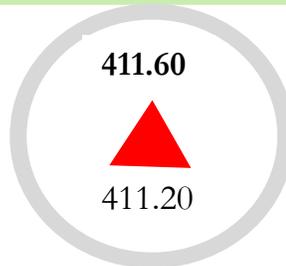
Business Update

(Review Period : July 16th – 28th, 2021)

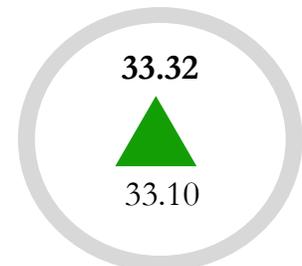
The Foreign Exchange Market



Forex: Parallel (N/ \$)



Forex: IEFX (N/ \$)



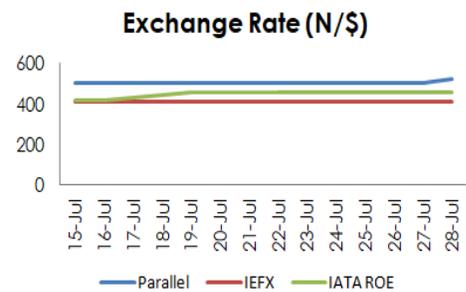
External Reserves (\$/bn)

At the parallel market, the naira depreciated sharply by 3.37% to N522/\$ from N505/\$ on July 15. This was in response to the CBN's suspension of forex supply to BDCs. At the I&E window, the naira also depreciated to close the period at N411.60/\$. The average daily turnover increased by 1.88% to \$135.50billion (July 16-28) from \$133bn in the first half of July. The IATA rate depreciated to N460/\$ on July 28 from N420/\$.

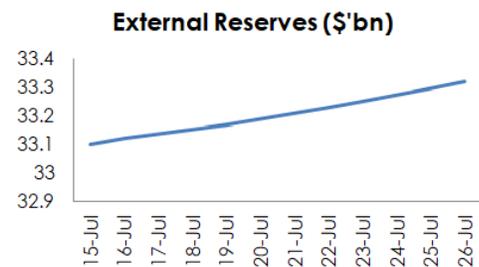
Nigeria's gross external reserves maintained its upward trend, increasing by 0.66% (\$220million) to \$33.32billion on July 26 from \$33.10 billion at the end of the previous fortnight. The import and payments cover has increased to 8.18 months from 8.12 months.

Implications & Outlook

The kneejerk reaction of the parallel market rate to the CBN's discontinuation of its forex sales to BDCs will keep the exchange rate volatile in the next few weeks. However, as the market regularizes, there will be a convergence around the IEFX rate. The implication of this is a possible spike in prices of imported goods in the short term.



SOURCE: FDC Think Tank, FMDQ



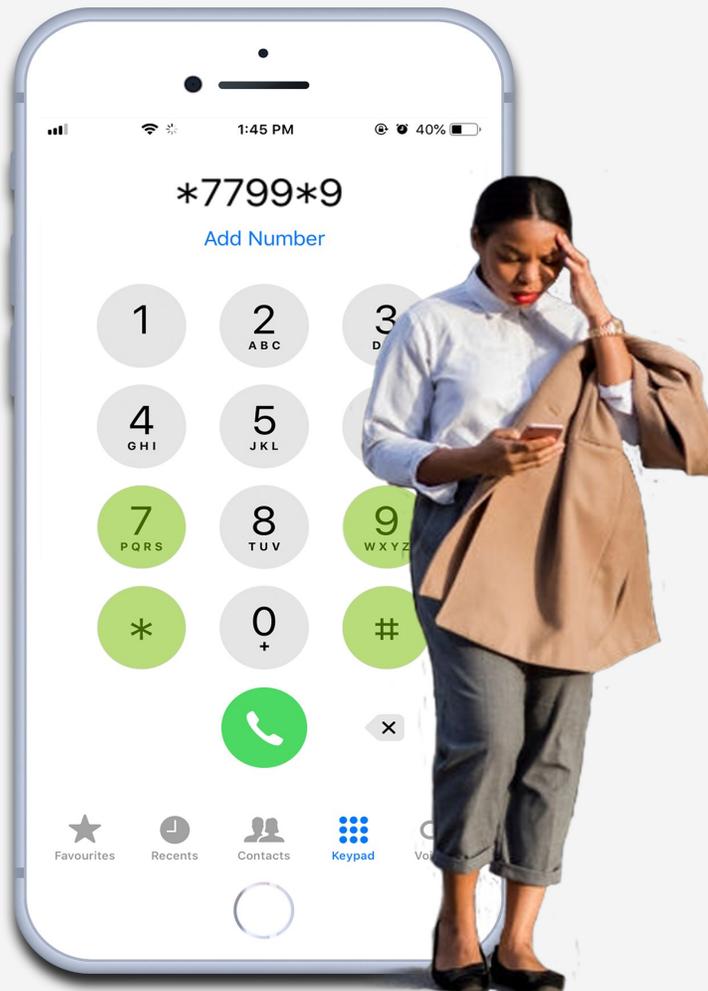
SOURCE: FDC Think Tank, CBN

SUSPECT A FRAUDULENT TRANSACTION?

DIAL

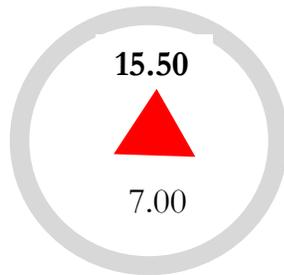
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Note: Use the phone number registered to the account.

The Money Markets

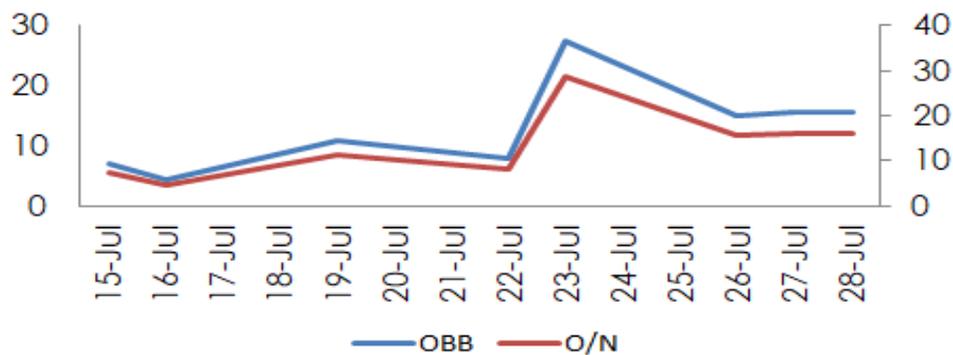


NIBOR: OBB (%p.a)



NIBOR: O/N (%p.a)

Short-term InterBank Rates



SOURCE: FDC Think Tank, FMDQ

In the second half of July, the average opening position for banks decreased by 3.64% to N169.24bn from N175.63bn in the first half of July. In response, average short-term interbank rates (OBB/ON) rose by 134bps to 14.18% from 12.84% in the first half of July. Total OMO sales during the period increased to N20bn from N17bn in the last fortnight.

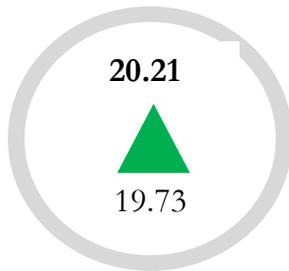
Outlook

The movement of interbank market rates will continue to be determined by the CBN's liquidity management measures.

The Stock Market



NSE ASI



Market Cap. (N'trn)

The NSE ASI gained 2.44% to close at 38,791.03 points compared to 37,866.90 points on July 15. Market capitalization increased by 2.43% to 20.21trn. Of the 8 trading days, the market gained in 5 and lost in 3 days. As at July 28, the 52 week return is positive at 57.37% while the YTD return improved to -3.67% from -5.97% on July 15.

Outlook & Implications

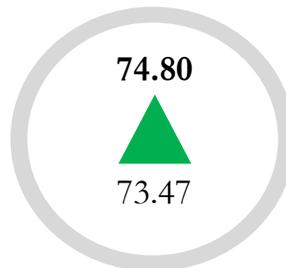
The stock market performance in the next two weeks would be driven by the release of more mid year corporate results.



SOURCE: FDC Think Tank, FMDQ

The Commodities Market

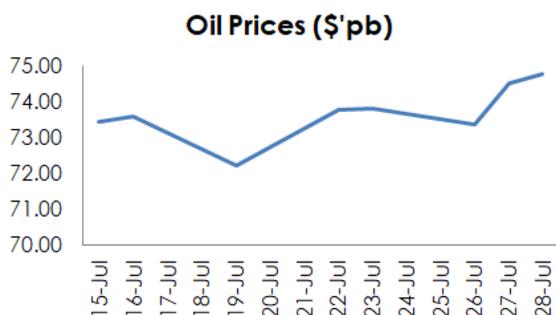
Brent prices (\$/b)



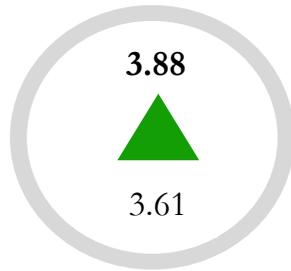
In the second half of July, Brent oil prices gained 1.81% to close the period at \$74.80pb from \$73.47pb. Prices are up in spite of the 3% fall in Chinese import threatening oil demand recovery.

Outlook

We expect prices to continue to increase on improved demand and increased vaccination. Higher oil prices will be positive for Nigeria's fiscal and external buffers



Natural gas (\$/mmbtu)



Outlook & Implications

LNG prices are expected to trend upward in the coming weeks due to increased demand in Asia and Europe. LNG is one of Nigeria's major export commodity, an increase in the price of Natural gas is positive for the country's export earnings.

Corn (\$/bushel)



Outlook & Implications

We expect corn prices to remain bearish in the coming weeks due to soft global demand for US corn. This would lead to a decrease in Nigeria's import bill.

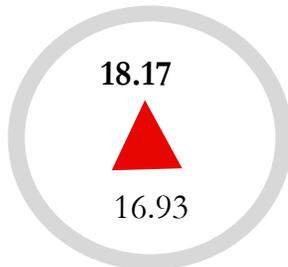
Wheat (\$/bushel)



Outlook & Implications

We expect wheat prices to continue to rise due to strong global demand and limited output from the US. The USDA annual report forecasts 2021 US spring wheat harvest outlook to fall by 41% to 345 million bushels. An increase in global price of wheat is likely to result in increased domestic prices of commodities made from wheat.

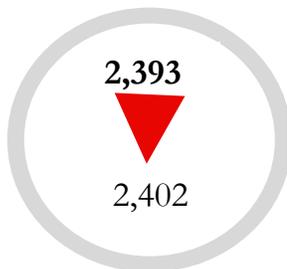
Sugar (\$/pound)



Outlook & Implications

Sugar price is expected to remain high on increased global demand for sweeteners and persisting frost conditions in Brazil. An increase in the global price of raw sugar coupled with the CBN's sugar restriction to only three companies will increase the price of sugar locally.

Cocoa (\$/mt)



Outlook & Implications

Cocoa prices to remain soft on ample supply from Ivory Coast and Ghana. Meanwhile, cocoa prices are steadily rising in Nigeria as improved rainfall boosts 2021 crop harvest. Higher cocoa price is favorable for Nigeria's cocoa earnings.

SOURCE: FDC Think Tank, Bloomberg

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WITH



Three ways to immediately improve your savings habit

Culled from [debtfix.com](https://www.debtfix.com) ¹



Lifestyle

Embracing a saving culture is one of the most important decisions you can ever make in life. Saving enables you to prepare for the unexpected and plan for life after retirement. You need to do everything possible to develop a savings habit. It needs to be something you enjoy doing instead of a burden. Here are three strategies that can keep you motivated to save.

1. Automate your savings



A good way to encourage saving is to come up with an automated way of transferring money from one place to another. The automated system should take a portion of your regular paycheck and deposit it into a savings account. Most banks will allow you to set up an automatic transfer between your paycheck account and a savings account at regular intervals. The payment intervals can either be two weeks or one month. Establish a direct deposit mechanism with your employer that automatically splits your earnings into a high-interest online-based savings

¹<https://www.debtfix.com.au/3-ways-to-immediately-improve-your-savings-habit>

account. Apply for a credit card that allows you to earn cash back. Many companies offer cash back as an incentive; the credit card holder receives a certain portion of money spent as a refund. However, make sure you use the credit on something you can afford at that moment. It is also important to automate your bills to avoid being hit by late penalties every now and then.

2. Eliminate unnecessary spending



There are a lot of unnecessary daily and monthly expenses you can

get rid of. Take some time to track down and review each of your expenses. Determine which ones you can comfortably live without and the ones that are necessary. Get rid of landline phones that cost more than \$50 per month and replace them with cheaper cell phones. Cancel your gym membership. There are many ways you can stay fit without necessarily going to the gym. Get rid of cable TV or reduce the number of channels you watch. If you love movies, use Netflix and other free sites instead. Avoid the internet cable if you can use a smartphone to set a Wi-Fi hotspot for your personal computer. Once you get rid of these expenses, calculate the amount of money you can save from them. Channel this

amount to your savings bank account and be consistent.

3. Consider a high-interest term deposit account



A high-interest term deposit account is a good option if you want to get serious about saving.

Sometimes you may be tempted to spend from a normal savings account. In this case, a term deposit may be more suitable for you. It has restrictions that keep you from withdrawing any money during the life of your deposit. Your money will remain safely tucked away until it matures. The best thing about this account is that you know how much you are going to get after the set period expires. Term deposits can last anywhere between 30 days and five years. Make sure you choose a high-interest rate when opening a term deposit account. The interest rates usually range from 2.0 to 3.4 percent. The longer you save, the higher the interest, so it is important to establish a long-term saving goal to get the most out of this plan. Consult a savings professional to help you make the right decision about saving now and in the future.

Contact

Would you like to open an account with us?

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