

Nigeria's foreign trade rises to ₦12.03trn in Q2'21



Economic News

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Unity Bank Digest

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The Highlights

FEC approves the deployment of 5G Network

The federal government has approved the national policy on 5G network in Nigeria. This is expected to take effect immediately and transition in phases. The deployment of the 5G network has commenced in countries such as the United States, United Kingdom, Republic of Korea, South Africa and Lesotho. The 5G network is a high-speed internet service spectrum which is expected to improve the performance of the



telecommunication industry, deepen the country's broadband penetration and improve telemedicine, virtual conferencing and virtual learning. Nigeria's broadband penetration declined by 2.23% to 39.79% in July 2021 from 42.02% in July 2020. The World Health Organization (WHO) and the International Telecommunications Union (ITU) have confirmed the safety of the deployment of the 5G, stating it has no adverse effects on human health.

Implications for the Nigerian economy and the telecoms industry

Improved telecoms industry performance: The Nigerian telecoms industry grew by 5.90% in Q2'21, down from 7.69% in Q1'21 and 18.10% in Q2'20. The deployment of the 5G network is expected to improve telecoms services (voice and data) and increase broadband penetration, which would increase demand for telecoms services and support industry's growth.

Boost productivity and output growth: We expect the deployment of the 5G network to lead to improved quality of service especially data. This will boost total factor productivity and bolster output growth. Nigeria's total factor productivity has consistently remained in the negative territory, averaging -1.58% in the last 5 years.

Stanbic IBTC's purchasing managers' index slows by 5.78% to 52.2 points in August



According to Stanbic IBTC, the manufacturing purchasing managers' index (PMI) for August slowed by 5.78% to 52.2 points from 55.4 points in July. The dip in PMI was largely attributed to weak demand for goods and services coupled with growing concerns of COVID-19 infections threatening demand recovery. In addition, currency pressures at the forex market also contributed to a fall in PMI readings, especially for firms who rely on imported raw materials for production. Three of the five sub-indices (output, new orders, and employment) contracted while the other two (suppliers delivery time and stocks of purchases) expanded. The highest PMI reading recorded was for stocks of purchases while the lowest was for employment. We expect the PMI reading for September to remain in the expansion region. This will be based on increased vaccinations, which will improve consumer demand and boost the level of economic activities in the manufacturing sector.



Nigerian pension fund asset rises to N12.8trn as RSA contributors hit 9.4mn

Nigeria's aggregate pension asset value increased by 13.0% year over year (Y-o-Y) and by 0.95% month over month (M-o-M) to N12.78 trillion (trn) in July 2021. This was in tandem with a 0.24% (189,765) increase in retirement savings accounts contributors M-o-M to 9.4mn. This was driven by the 1.68% increase in the stock mar-



ket's performance in July relative to June. The appreciation in the stock market was driven by lower yields for interest bearing securities and a largely positive corporate earnings season. Of the 22 pension fund administrators, the top three gainers in 7M'21 were Stanbic IBTC, Veritas Glanvills Pensions and APT Pension. It is noteworthy to mention that the implementation of the retirement savings accounts) transfer window led to heightened competition among pension fund administrators. The rise in pension fund assets is likely to be sustained due to the recovery of the Nigerian economy. Most of the sectors that expanded further in Q2 are job elastic. Thus, we expect this to trickle down into a rise in employment data and an increase in pension contributions.

Mixed fortunes for Nigeria's trading partners

Nigeria's trading partners (Europe and India) seem to have different tales to tell. There was a surprising expansion in India's economic growth to 20.1% in Q2'21, after a 24.4% contraction in the corresponding quarter in 2020. The spike in growth was driven by the recovery of the service and agricultural sectors. On the other hand, the UK seems to have reached a point of inflection as the British Retail Consortium shop price index for August revealed that shop prices fell 0.8% Y-o-Y from 1.2% recorded in July. This is indicative of a gradual increase in retail prices, which could be attributed to the rise in commodity and transport costs. Meanwhile, the inflation rate of the Eurozone rose to a decade high of 3% in August, far above expectations of 2.7% and 100 basis points (bps) above the European Central Bank's 2% target. The increase was mainly driven by a 15.4% increase in energy costs compared to 14.3% in July and a surge in the price of industrial goods to 2.7% from 0.7% in July.



Country	Inflation (Y-o-Y)	Q2'21 GDP	Contribution to Nigeria's trade
EUROZONE	3%	13.6%	34.13% of total import
UK	2%	4.8%	1.95% of total import
INDIA	6.26%	20.1	18.70% of total export

Implications for Nigeria

India is Nigeria's largest export market (18.70% of total exports). Therefore, a stronger and expanding Indian economy will benefit Nigeria's trade flows as it implies that India will be demanding more of Nigeria's exports (predominantly oil). This will increase Nigeria's export earnings and boost the accretion of the external reserves. On the other hand, rising inflationary pressure in the Eurozone and UK will spur imported inflation in Nigeria as the higher prices filter into the cost of imported goods. Nigeria imports refined crude products and machinery equipment from the Eurozone and electrical equipment from the UK. This could lead to a reversal in the downward trend of inflation rate in Nigeria. In addition, higher inflation in the Eurozone could spur the ECB to reduce slow its pace of quantitative easing and possibly start to increase interest rates. Higher interest rates are positive for the Eurozone as this will boost the value of the euro, but negative for Nigeria in terms of trade. An appreciation in the value of the currency of the Eurozone, 31.30% of Nigeria's total imports, will make its imports from the Eurozone more expensive for Nigeria and also lead to a spike in imported inflation.

OPEC+ reaffirm plans to boost oil production



At the recently concluded meeting (September 1), OPEC and its allies agreed to stick to its plans to increase oil production by 400,000 barrels per day (bpd) in October. The cartel agreed in July to gradually ramp up oil production on a monthly basis by 400,000bpd starting from August 2021 until the 5.8 million barrels per day (mbpd) production adjustment is phased out. This decision was on the back of an improved global oil demand outlook as economic recovery continued in most parts of the world due to increased vaccinations.

What does this mean for the Nigerian economy?

Oil has remained a major source of government revenue and foreign exchange earnings in Nigeria. In Q2'21, crude oil accounted for 80.29% of total export proceeds. The cartel's decision to continue with the planned increase in oil production allows the country to ramp up its production, as its quota has been increased to 1.83mbpd. Higher oil production will offset the possible decline in oil price as the country is more sensitive to production than price. An improvement in oil proceeds is positive for the Federal Allocation Accounts Committee's (FAAC) allocation, which could increase towards N800bn from N760.71bn in August.

CBN drafts guidelines to Nigerian banks on e-naira

The Central Bank of Nigeria (CBN) has announced preliminary guidelines for e-naira operations in Nigerian banks. As part of the country's digital currency initiative, the CBN had earlier stated that the virtual currency will be launched in October. The apex bank has partnered with Fintech company Bitt Inc, who will act as its



technical adviser. The e-naira will serve as a recognized payment instrument and will offer seamless transactions for customers. The guidelines will consist of five stages and is expected to capture the proposed cost of e-naira transaction obtainable by Nigerian banks. Eligibility requirement for non-account holders will include proof of identification and fixed cash transaction limit of N50,000. The implementation of the e-naira will boost transaction volumes and serve as a convenient mode of payment and settlement. This will support the CBN's financial inclusion drive in the country. In addition, the introduction of the digital currency will facilitate cross border trade and address user anonymity, a major challenge of using cryptocurrency.

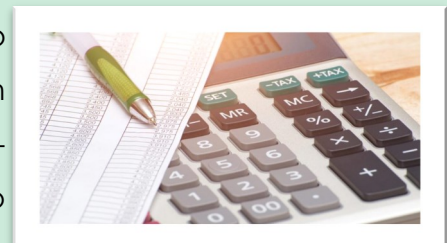
FGN implements import tax on imported liquefied petroleum gas



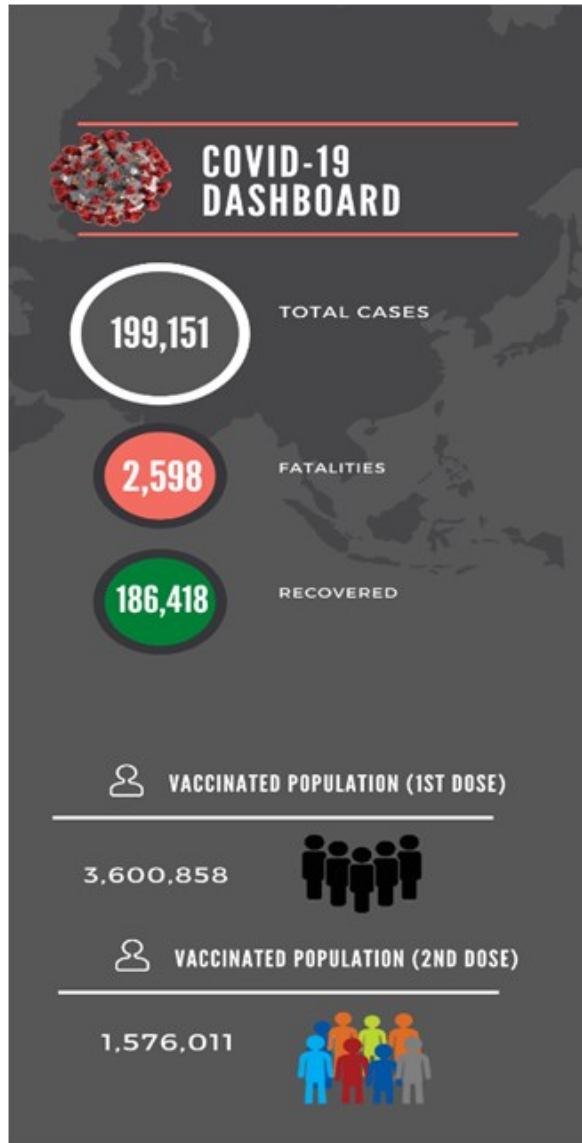
The federal government of Nigeria has increased the tax on imported cooking gas by 7.5%. The tax increase was driven by a rise in the global price of LNG, as well as the depreciation of the naira around the Investors and Exporters Foreign Exchange window. This is in addition to the mixed sentiments on the spread in COVID-19 infections globally threatening the demand for LNG. Nigeria currently imports 70% of LNG and produces 30% locally. A 7.5% tax on imported cooking gas will affect aggregate consumption, increase the cost for alternative energy sources and squeeze consumer disposable income. The increase in the global price of LNG will further increase Nigeria's import bill for LNG which increases the cost of liquefied petroleum gas (LPG) in the country. Meanwhile, the NLGN has increased its local supply of LPG from 350,000 metric tonnes (MT) to 450,000MT. The increase in supply aims to boost domestic production of cooking gas to meet local demand. As at December 2020, LPG prices have risen by 85% from N3,500 to N6500/per 12.5 kilogram (kg). The increase in the cost of LPG in the country will negatively affect the average standard of living in Nigeria.

FG's three-year deficit hits N15.35trn amid revenue crisis

Nigeria's fiscal deficit has widened sharply by 595.5% to N15.35trn as revenue continued to fall short of expenditure. In the last three years (July 2018- June 2021), the federal government generated a cumulative revenue of N12.79trn relative to aggregate expenditure of N28.14trn. The burgeoning deficit financing needs have led to an increase in government borrowing. In July, the FG approved an increase in the borrowing limit to N33.11trn from N61trn. The country appears to be close to falling into a debt trap on the back of low government revenue and rising government expenses- which has necessitated an increase in borrowing. There is also a risk associated with the possibility of global economies, like the US and UK, increasing their interest rates. When this happens, the cost of servicing external debt becomes more expensive. This could affect the country's sovereign credit risk rating. Fitch ratings rated Nigeria B with a stable outlook.



Covid-19 Dashboard



What the News Says...

- So far, the government has fully vaccinated 2.9mn Nigerians, 1.37% of the total population.
- As of August 2021, Nigeria received 592,880 doses of AstraZeneca vaccines from the UK, bringing the total vaccine (AstraZeneca) donation to 1,292,640 doses while it expects the receipt of 7.7mn Sinopharm vaccine later in the year.
- To the boost vaccination drive, the government has made it compulsory for civil servants to get vaccinated. Failure to do so will warrant sanctions.
- A lot of countries, including the US and Canada, have begun to adopt similar actions.

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Social Corner

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a blue rectangular background.

Facebook Unveils its first smart glasses

- Facebook has launched its first smart glasses, called 'Ray Ban Stories,' barely a month after unveiling its virtual software app for remote workers in August.
- The new video glasses will allow users capture and share experiences by syncing with their phones
- Users can also listen to music and podcasts while making or receiving phone calls
- Prior to this, several other high-tech companies, including Google and Snapchat, came up with comparable concepts
- According to Facebook's CEO, Ray Ban Stories will address the obstacles and issues experienced by Google Glass and Snapchat Glass. One of which include poor user compatibility and affordability
- Zuckerberg believes that the new smart glasses will play a significant role in the development future computing platform



Daniel Craig is now the world's most paid actor

- Daniel Craig, who is famous for the 'James Bond' role, is now recognized as the world's most paid actor.
- This happened after Craig, 53 years, signed a new deal with Netflix for the next two sequels of 'Knives Out.'
- The new contract offers the actor \$100mn, bringing his estimated net worth to \$163.83mn.
- Craig surpassed his co-star, Dwayne Johnson, for this position. Dwayne Johnson, popularly known as 'The Rock,' held this title after being offered about \$50mn for the movie 'Red Notice' scheduled to be released in November 2021.



Ronaldo is back to Manchester United

- On August 27, it was announced that Cristiano Ronaldo has moved from Juventus to Manchester United.
- Ronaldo played for Manchester United under the tutelage of Alex Ferguson for six years from 2003 before transferring to Real Madrid in 2009.
- The five-time Ballon d'Or winner currently holds the Guinness World Record for the most goals scored in international football by an individual male (2003-2021)
- Ronaldo who is retaining the number of his old jersey '7', is also the most followed individual on Instagram with at least 342mn followers.
- According to Forbes, he is the richest footballer in the world with a net income of \$105mn, closely followed by Lionel Messi (\$104mn).

Main Report

Nigeria's total foreign trade rises to N12.03trn in Q2'21



- Nigeria's total volume of trade rose by 23.28% to N12.03trn in Q2'21 from N9.76trn in Q1'21
- The trade deficit recorded in the quarter narrowed by 52.54% from N3.94trn in Q1'21 to N1.87trn in Q2'21. This was due to exports rising at a faster pace compared to the import bill. Quarter-over-quarter (Q-o-Q), Nigeria's export revenue increased by 74.72% while the import bill rose at a slower pace of 1.45%. Compared to a year ago, export revenue increased by 128.29% relative to 67.49%.
- Crude oil remains the country's largest export commodity, accounting for 80.29% (N4.08trn) of total exports. Other export commodities include liquefied natural gas (8.5%), vessels and other floating structures (1.9%), other petroleum gases (1.27%) and fermented Nigerian cocoa beans.

- Nigeria's key import commodities were motor spirits (11.26%), durum wheat (4.67%), used vehicles (2.48%), gas oil (2.19%) and machines for the reception, conversion and transmission or regeneration of voice, images (2.05%).
- India (18.7%) remains Nigeria's largest export trading partner followed by Spain (10.3%), Canada (7.0%), Netherlands (5.9%) and the USA (5.1%).
- While China (29.91%), India (18.20%), Netherlands (8.02%), USA (7.58%) and Russia (4.09%) were Nigeria's largest import trading partners.



Implications

We expect Nigeria's total foreign trade to increase in subsequent quarters on increased vaccinations globally as this will facilitate the relaxation of lockdown restrictions across countries. However, a major threat to this projection will be the continuous spread in COVID (Delta variant) and the emergence of a new and deadly variant ("Mu"). "Mu" has been earmarked by the World Health Organization as a variant of interest with most cases spreading across Chile, Colombia, Peru and parts of the US and Europe. The renewed spike in the Delta variant across countries globally will trigger the possibility of another lockdown. This will negatively affect global trade flows, which will affect Nigeria's balance of trade position.

Business Update

(Review Period : September 1st– 13th, 2021)

The Foreign Exchange Market

549.00



526.00

Forex: Parallel (N/ \$)

412.75



411.08

Forex: IEFX (N/ \$)

34.78



34.02

External Reserves (\$/bn)

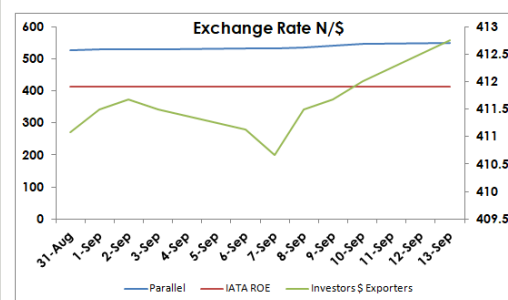
During the review period, the naira at the parallel market depreciated by 4.37% from N526/\$ on August 31 to close at N549/\$ on September 13. Between September 1 & 13, the IEFX rate of exchange traded between N411/\$ - N412/\$.

The weakening of the naira at the parallel market was primarily driven by increased speculative activities.

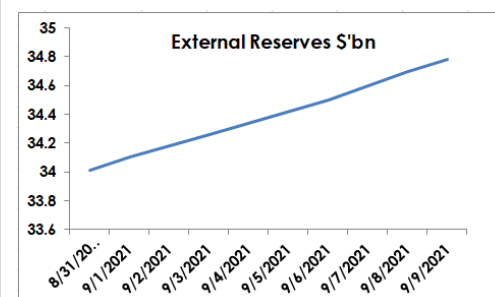
Gross external reserves maintained a steady accretion all through the review period. It rose by 2.23% from \$34.02bn on August 31 to close at \$34.78bn on September 09. The country's reserves level is sufficient to cover only 8.53 imports. Cumulatively, the YTD loss is \$590mn.

Implications & Outlook

For the next few weeks, we expect the parallel market rate to continue to depreciate on speculative buying and reduced supply to the BDCs. Meanwhile, the IEFX rate will continue to hover around its current level of N412/\$.



SOURCE: FDC Think Tank, FMDQ



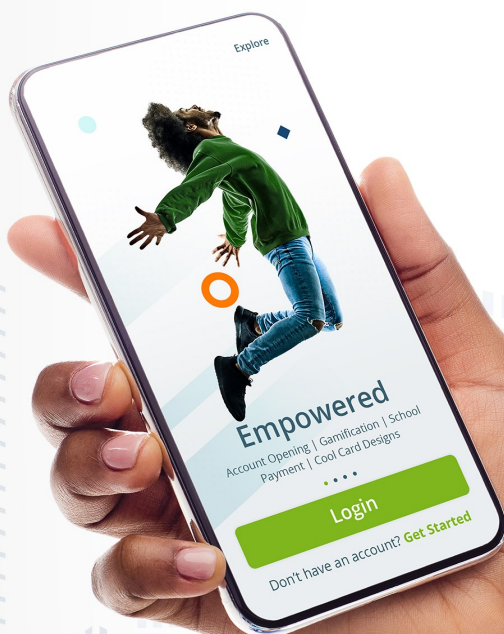
SOURCE: FDC Think Tank, CBN

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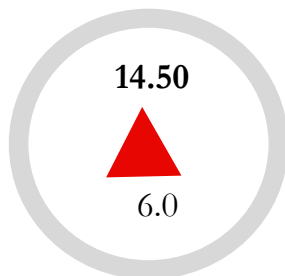
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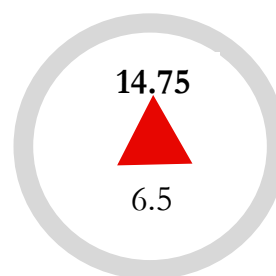
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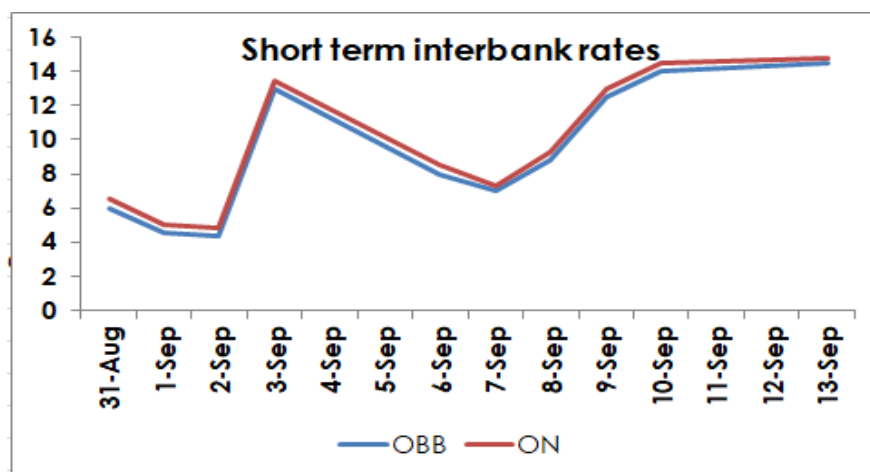
The Money Markets



NIBOR: OBB (%p. a)



NIBOR: O/N (%p.a)



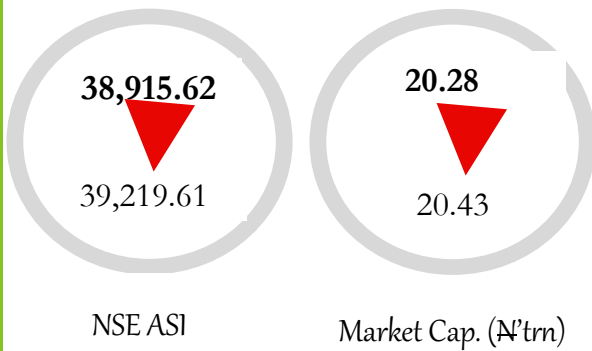
SOURCE: FDC Think Tank, FMDQ

The average opening position for banks increased by 82.97% to N218.45bn from N119.39bn in the last review period. The increase in market liquidity was due to a net OMO inflow of N19.07bn where cumulative OMO repayment and sales for the period stood at N119.07bn and N100bn respectively. During the review period, average OBB/ON rates fell to 9.85% from 14.30% in the last fortnight. At the primary market, stop rates for the 364-day treasury bill rose by 40bps, for the first time in three months, while the 182-day tenor declined by 1bp for the first time in six months and the 91-day tenor rate remained flat at 2.5% as of September 8. In the same vein, the 91-day, 182-day and 364-day tenor closed at 3.48%p.a, 4.50%p.a. & 6.31%p.a at the secondary market.

Outlook

The MPC meeting is scheduled for September 20/21 and we expect the committee to maintain its stance on interest rates. This will have a nil impact on interbank interest rates.

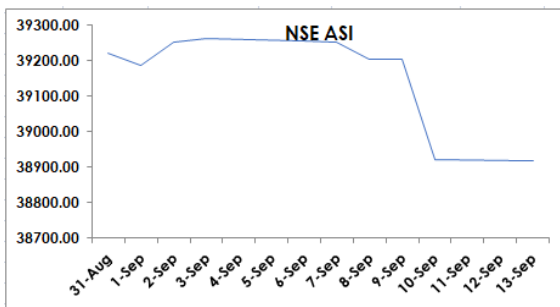
The Stock Market



The NSE ASI lost 0.78% to close at 38,915.62 points compared to 39,219.61 points on August 31. Similarly, market capitalization also fell by 0.73% to N20.28trn from N20.43trn on August 31. The loss was driven by weak investor sentiment and cautious trading. During the period under review, the market gained in 2 and lost in 7 days. The 52-week and the YTD returns declined to 51.98% and -3.36% respectively.

Outlook & Implications

We expect the market to be more volatile as investors shy away from equities due to low trading volumes. These uncertainties are expected to continue for the next couple of days as we await the outcome of the MPC meeting scheduled for September 20/21.



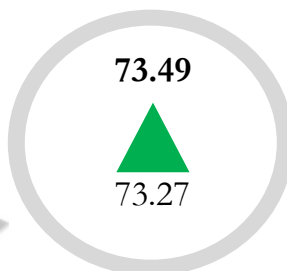
SOURCE: FDC Think Tank, FMDQ

The Commodities Market

Outlook & Implications

During the review period, oil price were driven by the impact of the Hurricane Ida on offshore output in the US, which raised the prospect of supply tightening. The increase in oil price was further supported by growing concerns about a new storm building in the Gulf of Mexico. OPEC+ met September 1 and agreed to maintain its supply increase of 400,000bpd which it started in August. The shortage in supply caused by the Hurricane Ida will keep oil price above \$70pb for the next two weeks. This coupled with higher domestic production is favorable for Nigeria's fiscal and external balances.

Brent prices (\$/b)



Natural gas (\$/mmbtu)



4.94



4.33

Outlook & Implications

We expect LNG price to remain elevated in the near term as projections of lower natural gas output from the US and in Asia threaten supply. Increased LNG price would positively affect Nigeria's export earnings.

Corn (\$/bushel)



514.00



544.00

Outlook & Implications

Corn price is likely to remain soft due to weak demand and expectations of increased harvest from the US. Low corn price will reduce Nigeria's import bill for corn.

Wheat (\$/bushel)



686.5



722.00

Outlook & Implications

Wheat price is likely to reverse the downward trend in the next two weeks, due to adverse weather conditions in Russia & North America. High wheat price will feed into the cost of locally produced goods such as bread and pastries that use wheat as a raw material.

Sugar (\$/pound)



19.44



20.22

Outlook & Implications

We expect sugar price to remain elevated in the next couple of weeks. This will be based on increased global demand for sweeteners. Limited output from major sugar producing regions will also keep sugar prices high in the near term. High sugar price will have a negative impact on Nigeria's

Cocoa (\$/mt)



2,603



2,597

Outlook & Implications

Strong global demand for cocoa to support cocoa price, leading to an increase in the country's cocoa export earnings. This will support the accretion of the external reserves level.

SOURCE: FDC Think Tank, Bloomberg



Find the missing words!!

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A	H	Z	N	I	E	H	Q	S	P	H	A	F	O	F	Y	R	Z	O	F	D	H	V	G	Y	Y	M	L	T	P
J	Y	U	P	W	M	T	R	L	Q	R	X	U	P	V	X	N	H	Y	W	P	L	Y	I	L	P	A	X	N	M

AUCTION, BELGIUM, BULLETIN, CONCESSION, CONSOLIDATE, CONSORTIUM, CONSTRUCTION, CONTRACTION, COUNTER, GERMANY, GUIDELINE, INFLATION, INVERSE, LAUNCH, LIQUIDITY, PIPELINE, POLICY, POWERSECTOR, PRELIMINARY, PRODUCTION, PROJECTION, QUANTITATIVE, REBOUND, REFLECT, REGULATION, RELATIONSHIP, RESURGENCE, REVENUE, SLOVAKIA, SPIKE, STRUCTURAL, TELLER, TRADE, TREASURY, UNITYBANK, VACANT

Three ways to prepare an exceptional brand pitch

Culled from Forbes¹



What good is a brand if no one wants to buy into it? Your company may be the next big thing, but if you can't effectively sell it to consumers, investors, and influencers, you're in a load of trouble.

Pitching for new business is about everything from the numbers to the branding to the "wow" factor but you've already got those fully locked down. What separates an exceptional brand pitch from a good one is some big picture thinking. Take a step back, adopt a new perspective, and get ready to sell. Here's how you can do just that:

1. Have a story to tell.



There are a number of fundamentals to keep in mind when creating your pitch, but none is more important than the art of storytelling. It doesn't matter how jaded a potential investor is: it's impossible not to be compelled by a well-crafted narrative.

A brand is only as strong as your ability to tell the story. Brand consulting firm, The Blake Project, once determined that up to 90% decisions in business are based on emotion; keep that in mind as you create your pitch. Frame the history of your business or product the same way you would a blockbuster movie: ups and downs, highs and lows, ultimately leading to a

¹<https://www.forbes.com/sites/serenitygibbons/2021/08/31/3-ways-to-prepare-an-exceptional-brand-pitch/?>

triumphant ending for everyone involved. Grab them with a story, and they're sure to stay for the rest.

2. Be on the same page as your creatives.



It's easy to imagine a great pitch by yourself: a beautiful design, dynamic photos, exciting language, and so on, but creating one is something else entirely. When you brief the creatives responsible for bringing

your brand's vision and story to life, they need to know exactly the impression you're trying to get across to your audience. Inconsistencies in communication or verbiage could easily lead to your pitch materials coming up short of what you imagined.

You can circumvent these pitfalls by sticking to a strategy while building your brief. Brand management firm, Gurulocity, recommends following the S-I-A model: strategic, inspirational, and agreement. This means that creative briefs need to be strategic and inspirational in order to be successful, and that you need to always be in lock step with your creative team. Once you've all achieved perfect synergy, a stand-out pitch is surely in the pipeline.

3. Keep it simple.



The last thing you want to do is over-complicate things. The more complicated your pitch is, the more oppor-

tunity you're giving yourself to make mistakes. A recent analysis from document sharing platform Docusend shows that investors now spend about two minutes and 45 seconds on average looking at a pitch deck. If you can't get across your core message, key figures, and other crucial information in that timeframe, you're doing something wrong.

Before you even start developing your pitch, decide on the exact information you want anyone who receives your pitch to walk away with. Once you know what that is, build your pitch *around* that: emphasize the key points and transition between them smoothly. Someone completely unfamiliar with your business's operations should be able to get the gist in under three minutes; if they can't, something needs to hit the chopping block.

Just because you have a great business doesn't mean that you automatically have a great pitch to sell it with. Proceed slowly with your pitch-making, give it the attention it deserves, and always focus on whoever's going to be on the receiving end — they're the ones who will ultimately determine whether it's successful or not.

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VERVE PHOTOCARD

REQUIREMENTS

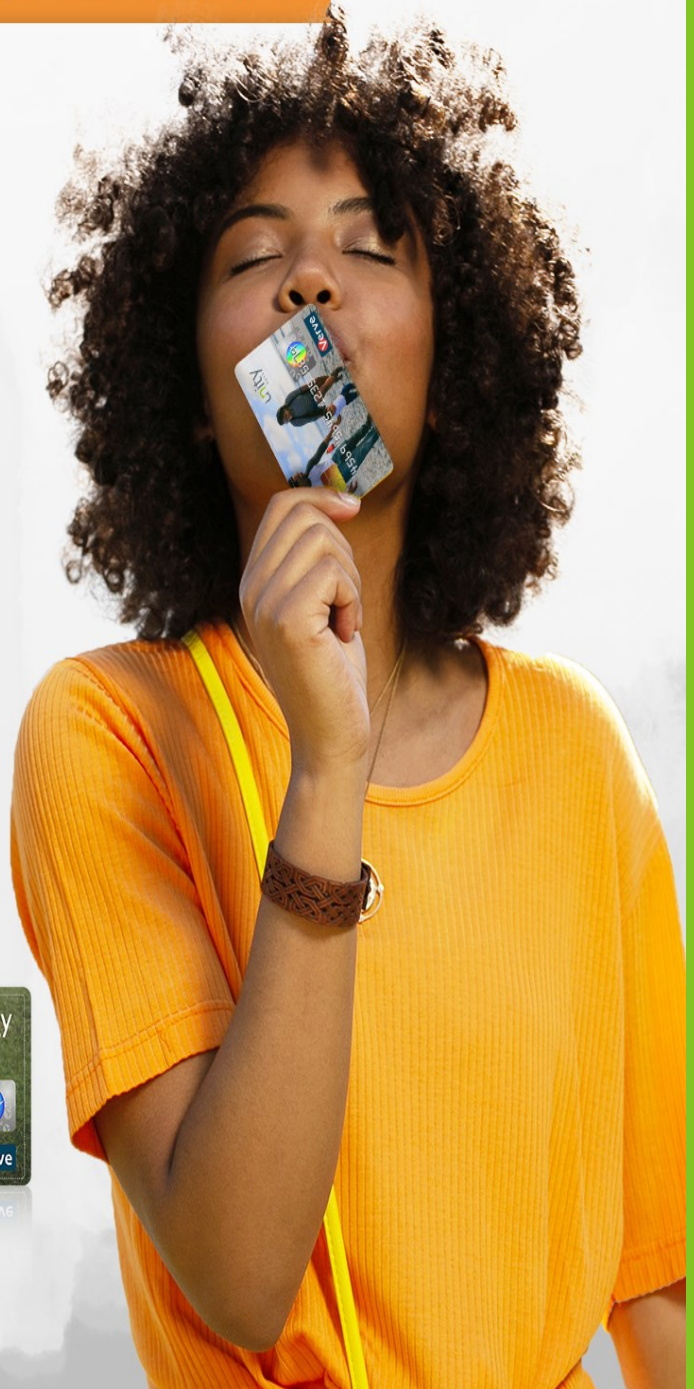
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