

Nigeria to achieve 2.5% GDP growth as Official

Inflation Falls Again (14.9% - 15%)



Economic News

| Social

| Lifestyle

Unity Bank Digest

January 13, 2022

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

Theme Story

Headline Inflation Likely to Decline Towards 14.9% - 15%



December 2021 inflation numbers are likely to be released next week and we are forecasting a further decline in the official headline inflation to 14.9% - 15%. This could be largely due to the impact of the harvest season and low consumer demand that kept commodity prices relatively flat during the festive period. Meanwhile in January 2022, the downward trend is likely to be maintained and this would be due to the typical lull in economic activities, weak consumer demand and low supply due to limited farming activities. Most commodities prices including sugar, garri and cement were flat, based on our recently conducted inflation survey.

From our analysis, the month-on-month inflation will keep rising, which is an indication that inflation risks such as insecurity, exchange rate pass through effect, supply chain disruptions and higher logistics costs are elevated. In addition, as the year progresses, headline inflation could buck the declining trajectory on the back of the removal of fuel subsidies in H2'22, imposition of new taxes (sugar tax and digital services tax) and a possible increase in electricity tariffs. All these point to an inevitable decline in consumer disposable income that will keep deteriorating aggregate consumption and demand levels in the near term.

Federal Government to impose new taxes

The Nigerian Minister of Finance, Budget, and National Planning, Mrs. Zainab Ahmed, during the public presentation of the 2022 budget, disclosed that the government is instituting a 6% tax on turnover for non-resident e-commerce businesses. As a result, Nigerians who make purchases from nonresident e-commerce platforms such as Amazon, will have to pay VAT on the items they purchase. The government expects this to boost growth in the nation's non-oil tax revenue.



The government has also reintroduced a N10/liter excise duty on all carbonated, non-alcoholic and sweetened beverages. This excise duty was previously repealed in 1993. This sugar tax is aimed at discouraging excessive consumption of sugary drinks, which contribute to health issues such as obesity and diabetes. Like the tax on non-resident e-commerce services, this is expected to boost revenue for the government and cover health-related, as well as other critical expenditure. However, the long-term cost of these taxes may outweigh the short-term revenue generated. For instance, the government may lose as much as N1trn in VAT and companies income tax from the imposition of the sugar tax as production levels fall with the anticipated decline in demand and sales revenue.



Nigerian government lifts Twitter ban

After seven months of clamping down Twitter operations in Nigeria, the federal government has lifted the suspension on the social networking site. Twitter became accessible to the public again from midnight, January 13th 2022. According to the government, the reversal of the ban was primarily supported by the consensus which the Nigerian government was able to reach with Twitter, regarding a host of factors including clamping down on fake news, taxation and legal registration of operations within the country. Although, many Nigerians continued to access the site through the use of Virtual Private Networks (VPNs) during the period of suspension, most corporate entities made the decision to obey the government's order.



The ban cost the Nigerian economy about N546.5 billion, with small businesses and startups that use the platform to gain visibility and reach potential customers bearing the major brunt of the loss. With the ban lifted, businesses are back on track and information asymmetry will reduce. Although, we expect the major economic impact to be gradual as investors sentiments as well as affected companies slowly recover. Nigeria's Twitter ban draws comparison to the UAE's long standing ban on internet calls through applications such as WhatsApp and FaceTime, with residents of the country similarly making use of VPNs to bypass restrictions.

Economic & Business Update

Global economy to slow while Nigerian economy set to rise – World Bank

According to the latest Global Economic Prospects Report from the World Bank, global growth is projected to slow to 4.1% in 2022 from 5.5% in 2021. This is largely due to a host of factors including, the Omicron variant, soaring inflation, high government debt levels and the threat of rising income inequality in developing economies. The World Bank also predicts that all advanced economies will have achieved a full recovery in output, while emerging and developing economies will remain 4% below its pre-pandemic levels.

In addition, the World Bank projects the Nigerian economy to grow by 2.5% in 2022, up from its estimated growth rate of 2.4% in 2021. This is premised on increased oil sector activities driven by higher oil prices – Brent is currently trading above \$80pb, gradual easing of the OPEC+ production cuts and domestic regulatory reforms. More so, improved service sector activities, particularly in telecommunications and the financial industry will support economic growth. However, like many other developing economies Nigeria will be faced with threats from the spread of COVID-19, high inflation, rising debt service costs as well as broad based income inequality. The optimistic outlook of the World Bank for Nigeria is likely to support the much needed investment inflows in the country that could in turn continue to boost output levels.

Nigeria's Capital Importation rose by 97% in Q3 2021

Nigeria's capital importation rose by 97.73% to \$1.73bn in Q3'21. The report highlights that only five states in the country received capital investments during the period. Lagos state received 85.57% of the total capital inflows (\$1.48bn). Other recipients were the FCT (\$249.19mn), Anambra (\$44mn), Kano (\$15mn) and Abia (\$0.01mn). Foreign Portfolio investments was the largest type of investment, accounting for 70.3% (\$1.22bn) of the total capital inflows. Meanwhile, Foreign Direct Investments (FDI) accounted for 6.23% (\$107.81mn) and other investments took up 23.47% (\$406.35mn). By sectors, finance received the highest amount and accounted for 27.10% (\$469.17mn). The banking sector received 26.59% (\$460.39mn) and the production sector accounted for 18.7% (\$323.83mn).

The United Kingdom remained the major source of capital into the country, accounting for 40.99% (\$709.8mn), followed by South Africa (22.5%; \$389.54mn) and then the United States with 14.85% (\$257.12mn). Nigeria's total capital imports between January and September 2021 was \$4.51bn, a 47.6% drop from the \$8.6bn value in the same period in 2020. The increase in investment inflows could boost capital projects in the country. However, with hot money being the major type of investment, it signals a possible pull back by investors once election campaigns begin to intensify. Additionally, at a time where most global economies are considering interest rate hikes, foreign investments into Nigeria could slow signifi-

President Buhari signs 2022 budget (N17.13trn)

The President has signed the 2022 budget of N17.13trn, which is 4.51% (N735.85bn) higher than the initial budget of N16.39trn and 26.05% above 2021 (N13.59trn). A further breakdown of the budget shows:

- ⇒ GDP growth rate - 4.2%
- ⇒ Inflation target - 13%
- ⇒ Exchange rate benchmark - N410.15/\$
- ⇒ Oil price benchmark of \$62pb, and oil production target of 1.88mbpd
- ⇒ Budget deficit of N6.25trn, approximately 3.39% of GDP
- ⇒ Debt servicing costs of N3.8trn
- ⇒ Recurrent expenditure of N6.9trn and capital expenditure estimate of N5.4trn. The ratio of the recurrent to capital expenditure is 1:0.78

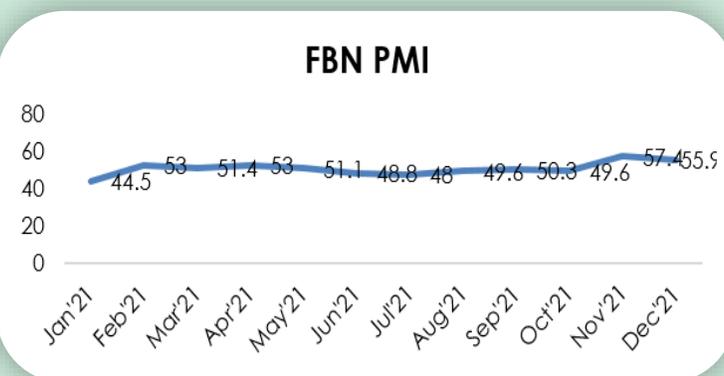
BUDGET



The approval of the budget is expected to facilitate a timely implementation and support economic recovery. More so, an increase in government spending could boost consumer disposable income and in turn support aggregate demand/consumption levels. However, this could be offset by the increase in tax burdens from the newly introduced digital and sugar taxes, and from the increase in transport costs once

FBN Manufacturing PMI fell by 2.6% to 55.9% in December

The FBN manufacturing PMI reading – a forward looking indicator – declined to 55.9 points from 57.4 points in November despite the festive period. The reduction was driven by increased uncertainty among manu-



facturers due to the spread of the Omicron variant, supply chain disruptions, and weak consumer demand. The slowdown in the PMI reading signals reduced manufacturing sector activities and a possible decline in the GDP growth rate for Q4'21. We are forecasting a decline of 0.53% to 3.5%, from 4.03% in Q3'21. The PMI reading is expected to remain above the 50 points threshold as economic activities improve in the near

term. However, manufacturers will still be plagued with supply chain disruptions, forex supply challenges, and weak consumer demand.

OPEC+ raises oil output amidst lagging production

OPEC+ will continue with its gradual monthly output increase program in February. The cartel plans to boost oil output by 400,000 barrels per day, despite rising worries about the organization's ability to deliver on its proposed output. Oil prices are currently high, supported by OPEC+'s inability to raise its output according to a schedule it had released in July. This happened amidst the threat of falling oil demand and stalling economic activity owing to surging Omicron variant cases. The slow production increase has the potential to build tension between the cartel and the US, which is seeking an increase in production to dampen rising gasoline prices within its borders.

Nigeria's oil quota was increased to 1.703mbpd, as part of OPEC+'s program. The country has suffered from a string of setbacks and force majeure at its oil production facilities, such as the force majeure which occurred at the Forcados facility in December and led to a total shut down in activities. Ships scheduled to carry cargo were left stranded and contract holders had no idea when their orders would be fulfilled. As a direct result, Nigeria is estimated to miss out on \$1bn a month in potential earnings due to its inability to fulfill its production quota.



Convenient Banking

DIAL

*7799#

Account Opening

Fund Transfer

PIN Change

Balance Enquiry

Bills Payment

Loans

Airtime / Data TopUp

BVN Verification

Cardless Withdrawal

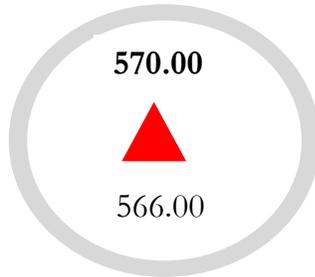
Get started today...



Business Update

(Review Period : January 3rd – 12th, 2021)

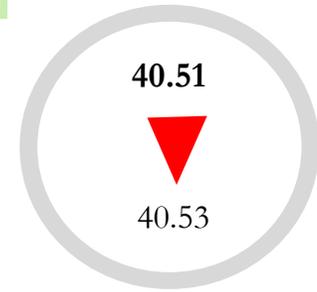
The Foreign Exchange Market



Forex: Parallel (N/ \$)



Forex: IEFX (N/ \$)



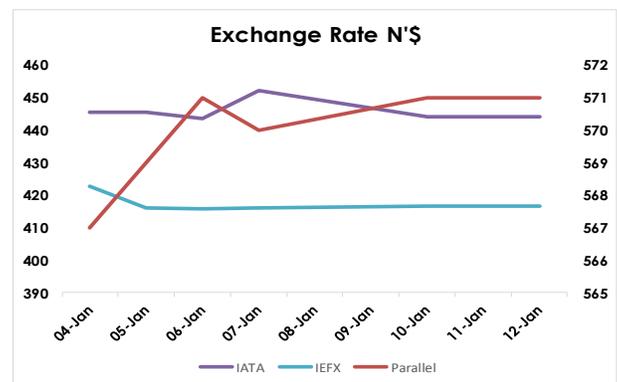
External Reserves (\$/bn)

In the period under review, the naira at the parallel market fell by 0.70% to N570.00/\$ from N566/\$ on December 31st. On the other hand, it appreciated at the I & E window by 4.57% to close at N416.00/\$.

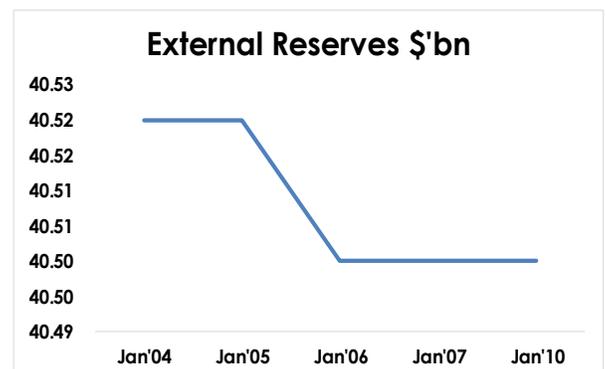
The gross external reserves continued its steady decline in the first half of January losing 0.05% to close at \$40.51bn from \$40.53bn on December 31st, this occurred due to the CBN's increased forex intervention activities. During this period however the external reserves ended its nearly three month long losing streak by gaining 0.02% to \$40.51bn on the 10th of January from \$40.50bn on the 7th. Import cover, which fell by 7.73%, is only sufficient to fund 9.19 months of imports and payments.

Implications & Outlook

With oil price trading at over \$80pb and the gradual increase in the country's oil production quota by OPEC+, we expect these factors to boost external reserves and support the CBN's forex market intervention capability.

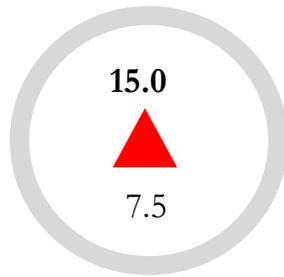


SOURCE: FDC Think Tank, FMDQ

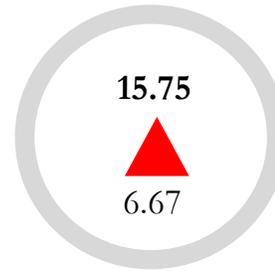


SOURCE: FDC Think Tank, CBN

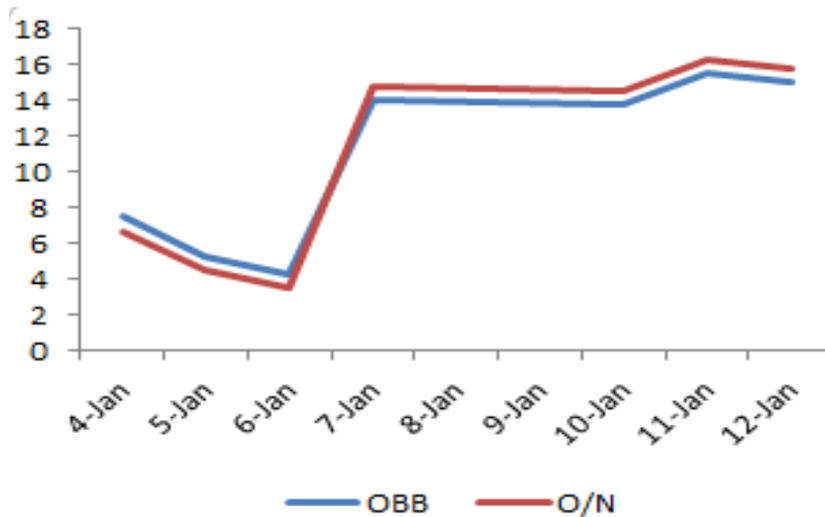
The Money Markets



NIBOR: OBB (%p.a)



NIBOR: O/N (%p.a)



SOURCE: FDC Think Tank, FMDQ

The average opening position for banks rose by 65.55% to N182.98mn from N110.53mn recorded in the second half of December. This led to a decline in the average short term interbank rates (NIBOR) fell by 20bps to 10.8% from 11% in the previous period. Meanwhile, as at January 12, OBB and ON rates rose sharply to close at 15% and 15.75% respectively due to the N60bn OMO repayments on January 11.

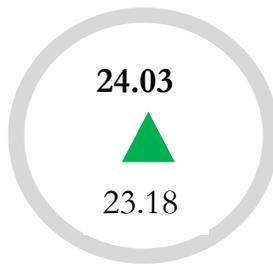
Outlook

Short term interbank interest rates could remain at current levels pending any significant withdrawals or injections into the system. Meanwhile, the CBN could maintain the use of orthodox monetary policy tools to regulate the market in the near term.

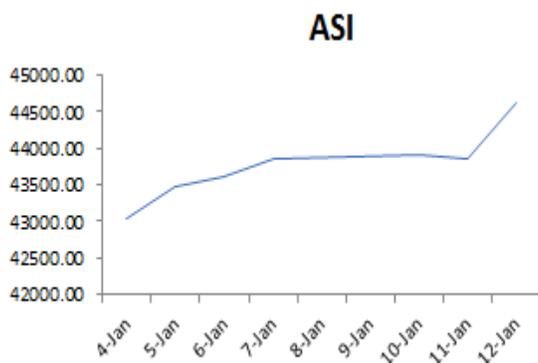
The Stock Market



NSE ASI



Market Cap. (N'trn)



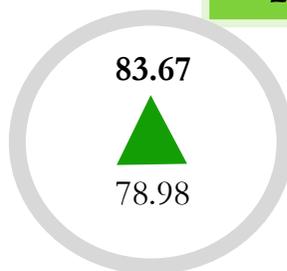
SOURCE: FDC Think Tank, NGX

The NSE ASI gained 4.43% to close the review period at 44,608.82 points compared to 42,716.44 points at the end of the second half of December. The market capitalization also climbed by 7.61% to N24.03trn from N22.33trn recorded in the previous period. This is happening despite the typical lull in economic activities at the beginning of the year. Bargain hunting and speculative activities have also pervaded the market further supporting the rally. Of the 7 trading days, the market gained in 6 days and lost in 1 day. As at January 12, the 52 week and YTD returns stood at 10.7% and 4.43% respectively.

Outlook & Implications

The bullish trend in the stock market could be maintained in the near term as speculative and bargain hunting activities continue. Also, the release of 2021 full year corporate earnings reports will also determine the direction of the bourse in the coming weeks. However, with the expectations of a rise in global interest rates coupled with the pre-election jitters, investors are likely to divest into other advanced economies and this will taper market activities.

Brent prices (\$/b)



The Commodities Market

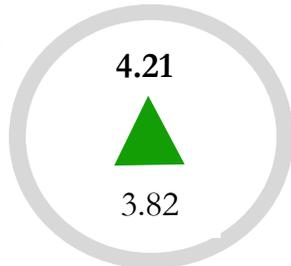
Outlook & Implications

In the period under review, the price of Brent increased by 5.94% to \$83.67pb from \$78.98pb on January 3rd. This is due to supply disruptions in major producing regions, Libya and Kazakhstan. Additionally, supply from OPEC+ producing countries is falling below OPEC+ production quotas and exacerbating concerns of tight supply.

Impact

An increase in oil prices is positive for the Nigerian economy. The oil sector accounts for majority of Nigeria's foreign exchange earnings and its fiscal revenue.

Natural gas (\$/mmbtu)



Outlook & Implications

The price of natural gas is expected to rise in the short-term due to a supply crunch as major producer, Russia, reorders pipelines. This coupled with rising global demand is expected to keep prices high. Elevated LNG prices will prove positive for Nigeria's export earnings as LNG is one of the country's major exports.

Corn (\$/bushel)



Outlook & Implications

A rise in corn prices is expected due to supply concerns, as dry weather condition in major producing countries Brazil and Argentina clouds supply outlook. This will push up Nigeria's import bill, thus increasing the cost of corn-related products such as cereals and animal feed.

Wheat (\$/bushel)



Outlook & Implications

We expect the price to increase in the short-term driven by rising global demand and declining supply. This means Nigeria will spend more on wheat imports resulting in an increase in the domestic price of flour and flour dependent commodities such as bread.

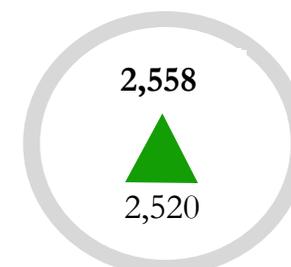
Sugar (\$/pound)



Outlook & Implications

A decrease in sugar prices is expected in the short-term due to favourable weather conditions in major Brazilian sugarcane growing regions. This will positively impact Nigeria's import costs, as the country will spend less on sugar. This will also reflect in the local prices of confectionaries.

Cocoa (\$/mt)



Outlook & Implications

Cocoa prices are likely to increase in the short-term owing to improved global demand for cocoa. An increase in the global price of cocoa is positive for Nigeria's cocoa earnings.

SOURCE: FDC

Empowering



for Growth & Success.

Locate a branch:



RC: 94524
Contact: we_care@unitybankng.com
Website: unitybankng.com

 @unitybankplc

Social Corner

Golden Globes 2022: A muted and closed affair



- On the 9th of January 2022, the popular Golden Globe awards event was held privately at the Beverly Hilton Hotel in Los Angeles by the Hollywood Foreign Press Association (HFPA).
- The Golden Globes is considered to be the younger and more relaxed sibling of the formal and prestigious Academy Awards or Oscars.
- Despite the event's history of being a lavish affair, this year's awards ceremony was not televised and did not include an audience or glamorous red-carpet moments.
- Winners were revealed by the HFPA via press release on their official website and social media platforms.
- The HFPA press release indicated that these measures were taken for health and safety reasons linked to the Covid-19 pandemic.
- Some winners include Will Smith, Lady Gaga and Jennifer Lawrence for their performances in "King Richard", "House of Gucci" and "Don't Look Up" respectively.



Buju launches music NFT as Afrobeats meets the Metaverse

- On New Year's Day 2022, Nigerian music artist Daniel Benson, popularly known as Buju, announced the launch of his music inspired non-fungible token (NFT) collection on the metaverse community.
- A non-fungible token is a unique and non-interchangeable unit of data stored on a block chain. It is a form of digital ledger that cannot be replicated.
- Titled 'Heads by Buju', this project is a first for a Nigerian artist, and a key landmark in the fusion of afrobeats with new age digital culture.
- Speaking from a post on his Instagram page, Buju expressed that the project gives everyone a chance to connect with him on a deeper level and experience more music and creativity through the metaverse.
- NFTs have been growing in popularity with both international conglomerates and celebrities hopping on the train to create their own NFTs.

Puzzle

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

Afrobeat	Budget	Buju
Business	Carbonated	Consumption
Council	Digital services	Entrepreneur
Expenditure	Food	Inflation
Metaverse	NFT	Politics
Production	Retail	Sales
Senate	Sugar tax	

Five Realistic New Year Resolutions for Small Business Owners

Culled from Forbes¹



Lifestyle

Small business owners often go into the New Year with the goal of strengthening and expanding their business. Like all New Year's resolutions, these plans can be limited when business owners are hit with the day-to-day challenges of life. However, there are some realistic resolutions that small business owners can set and achieve. Here are five of them.

1. Build an Online Presence and Take Advantage of Digital Tools

The pandemic created a need and opportunity to rely more on digital capabilities. The Small Business Roundtable's annual report said that in 2020 many businesses are using web presence for awareness, customer acquisition, e-commerce capabilities, and digital fulfillment (no touch) where possible. If business owners are assessing whether they have fully implemented digital resources, they should ask themselves if they have a website and ways to receive payments digitally. If they do not, there are many resources to help them make the digital transition. For example, Forbes offers a step-by-step guide for pivoting your small business to online.

2. Create a Caregiving Plan for Your Employees

Covid-19 also highlighted and exacerbated challenges facing working caregivers. Business owners can support employees who are also caregivers by making a plan to adapt their business operations to meet the needs of family caregivers. Incorporate practices like flexible work-schedules, phased part-time, and cross-training to back-stop essential duties and prepare for employee absences due to personal illness or caring for children, senior citizens, and/or ill family members. AARP offers a

caregiver guide for small business owners.



3. Get Certified

Business owners who are part of an underrepresented population or operate their business in an underserved community can apply for certifications intended to improve their access to hundreds of corporate representative and supplier diversity professional contacts. For example, the Biden Administration launched new efforts to build Black wealth and narrow the racial wealth gap and the U.S. Black Chambers, Inc., has created the ByBlack initiative to give Black entrepreneurs access to valuable business resources. In addition, the National Minority Supplier Diversity Council, Disability: IN, and Women's Business Enterprise National Council are just a few of the organizations that offer such a certification. Take time to explore what opportunities are available and the process for applying.

4. Get up to Speed on Federal Opportunities

For the rebuilding of the economy and infrastructure post-pandemic, there will be lots of funding going to states and localities from federal legislation, most notably the American Rescue Plan and Bipartisan Infrastructure Deal. Small business owners should look into these and other federal contracting opportunities to determine if it makes sense to

bid on them. The U.S. Department of Commerce offers a Good Jobs Challenge and the Minority Business Development Agency to support small businesses and Women Impacting Public Policy has targeted efforts to increase federal contracting for women business owners.

5. Join a Small Business Organization

Organizations for business owners exist in most communities. Not only do they give small business owners' greater connections and leadership roles in their communities, these organizations can also help lead to more business opportunities. Business owners can learn more about the organizations in their cities or towns, such as a chamber of commerce or rotary club, and determine what makes the most sense to join. It may also make sense to become a member of a national business organization, such as the U.S. Hispanic Chamber of Commerce, Asian American and Pacific Islander Chamber of Commerce and Entrepreneurship, National Association for the Self-Employed, Small Business for America's Future, and National Small Business Association.

Making changes and improvements can always be a challenge, but these resolutions are achievable if business owners begin working towards them now.

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)*