

# Reeling from Inflation, as Ramadan approaches.

Economic News

| Social

| Lifestyle

## Unity Bank Digest

March 31, 2022

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# CONTENTS

**02**  
THEME

**03** THE  
MACRO

**08** THE BUSINESS  
ENVIRONMENT

THE SOCIAL  
ANGLE **15**

**19**  
LIFESTYLE

# THEME

## Nigerians Reeling from Inflation

**N**igerian consumers are in between a rock and a hard place. From higher food prices to fuel scarcity, flight cancellations and epileptic power supply, the situation seems to be growing worse by the day. According to the World Bank, four in every 10 Nigerians are living below the poverty line. Major contributing factors are the ongoing Russia-Ukraine war coupled with a number of structural bottlenecks. Here are the implications for consumers and businesses:

- An estimated 80% of electricity in Lagos state, comes from off-grid generators due to shortages from the national grid. The lack of electricity coupled with the high price of diesel (N600-N750/liter) will continue to raise business and living costs, thereby squeezing consumer disposable income and aggravating inflationary pressures.
- The Nigerian government raised \$1.25bn at the Eurobond market to pay for high fuel subsidies, following the elevated price of Brent crude above \$100 per barrel. This will raise Nigeria's debt servicing burden and divert funds that could have been used for infrastructure and development projects.
- The increased price of global food prices including wheat will spill into the prices of derivative commodities such as flour, spaghetti, semovita and bread. These are widely consumed staples, and it will be difficult for Nigerian consumers to find adequate substitutes. Rising food prices will continue to erode consumer spending power and reducing the marginal propensity to save.





# THE MACRO







## **Nigeria's total public debt rises by 20% to N39.56trillion in 2021**

Total public debt in Nigeria has increased to N39.56trn in 2021 from a total of N32.92trn recorded in 2020. This amount, when compared to the population of the country (206 million) means that every citizen owes an approximate sum of N192,000 as a portion of the country's debt. The rising debt stock emanates from new borrowings in order to correct recurring budget deficits. Although the total debt stock (22.47% of GDP) is still within the World Bank/IMF and ECOWAS recommended limit of 55% and 70% respectively, the country still faces revenue challenges. Nigeria's debt service to revenue ratio is 76%, indicating a rising debt service payment. Also, the new issue of Eurobonds worth \$1.25bn (N520bn) in the international capital market to cover the cost of fuel subsidy payments has further driven the total debt stock up to N41.03trn. In the near term, the federal government will continue to spend a large chunk of its limited revenue on debt service payments and recurrent expenses rather than infrastructural development projects that could boost living standards and improve economic growth.



## **Headline inflation rises to 15.70% in February**

Consumer price inflation rose by 10bps to 15.7% in February from 15.6% in January. This was due to an increase in cost inflation that climbed by 14bps to a four-year high of 14.01%, amid surging energy costs. The retail price of diesel is up 294.7% to N750/liter in just two years.

The increase has triggered a rise in transport, logistics, distribution and operating costs.

On a month-on-month basis, inflation also rose by 16bps to 1.63%, this coupled with rising cost-push pressures signal that inflation will maintain the upward trend in the near term. However, the food sub-index, which typically dictates the direction of headline inflation, declined marginally by two basis points to 17.11% on weak demand and price resistance as income levels remain squeezed. Inflation is expected to rise in the coming months as higher global commodity prices

and sustained currency pressures exacerbate the domestic increase in the price of imported food and energy products (diesel, PMS, kerosene, aviation fuel and cooking gas). Also, this will be compounded by the further increase in cost reflective electricity tariffs in the near term.



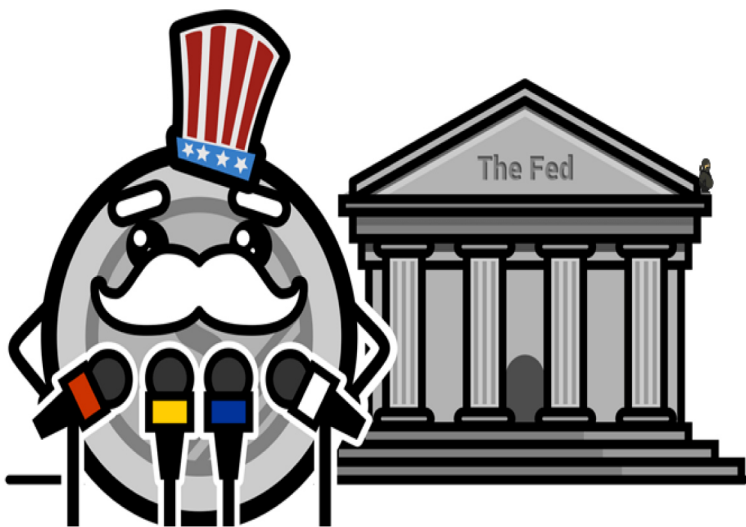
### 3 Monetary Policy Committee holds monetary policy rate at 11.5% p.a.

As was widely expected, the Monetary Policy Committee (MPC), at its meeting in March, made the decision to hold the monetary policy rate (MPR) at 11.5%. The reason was continued stimulation of output growth. The implication of the MPC decision is that inflation could keep spiraling and this will remain a huge disincentive to investors, businesses and consumers. Nigeria's official headline inflation rose to 15.7% in February and is likely to increase further as high fuel and food prices weigh on consumer spending. Worthy of note is that of the 10 members, six voted to hold the rates, three voted to increase the MPR by 25 basis points (bps) and one voted for a 50bps hike. This means that the MPC is starting to acknowledge the significant threat posed by inflation, and we are likely to see the committee raise rates as early as May. An increase in interest rates could boost investor appetite towards the economy especially as fixed income instruments become attractive. In tandem, inflation could start a marginal decline and this would support growth prospects in the near term



### 4 US Fed raises interest rates for first time since 2018

US inflation hit a 40-year high of 7.9% last month, driven by rising gasoline and food prices. In response, the US Fed increased interest rates for the first time since 2018, by 25bps to 5% per annum. According to the Fed chairman, the aim is to restore price stability while maintaining a strong labor market. The US Fed is planning a series of rate hikes this year. The decision came against the backdrop of uncertainty across the global economy, fueled by the Russia-Ukraine war and rising COVID-19 cases in China. The increase in rates will increase demand for US bonds, treasury bills and other fixed income securities, whilst cooling the prices of domestic commodities and lowering inflationary pressures. Other global and regional central banks have also adopted a monetary policy tightening stance. However, Nigeria remains lukewarm and there are severe implications for the country. Firstly, debt servicing will become more expensive particularly because the value of the US dollar will strengthen while the naira continues to languish. Secondly, import costs will increase, further heightening inflationary pressures. Finally, the risk of investors divesting from the economy increases significantly as they can garner more yields from other stable and more profitable economies in Africa and beyond.





# 5

## Q4'21 balance of trade improves though still negative

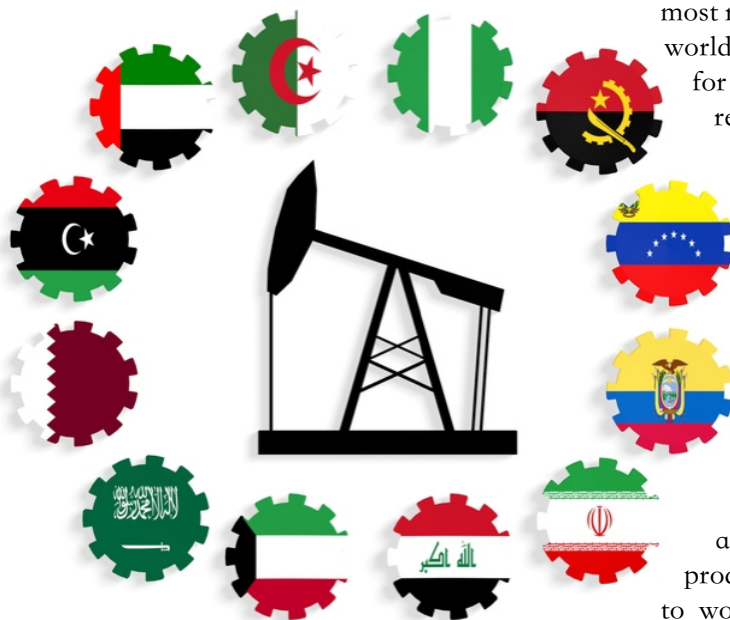
Total merchandise trade in Nigeria increased by 74.71% to N11.71trn in Q4'21 from N6.70trn in Q3'21. However, imports (N5.94trn) surpassed exports (N5.77trn) leading to a balance of trade deficit of N173.96bn. In 2021, total imports were up 64.11% to N20.84trn compared to 2020, while total exports were up 50.99% to N18.91trn. This represents a deficit of N1.94trn with an improvement of 76.68%, from N7.37trn recorded in 2020. An improvement in trade balance will boost government revenue and external reserves accretion in the near term. This will further increase the CBN's ability to keep the Naira stable. Meanwhile, the country's major export commodity, crude oil, which accounts for 74.04% of total exports is facing significant threats. This could continue to keep the country vulnerable to oil price volatility, and worsen external imbalances and exchange rate swings in the near term. More so, the Russia-Ukraine war could negatively affect trade activities for the country as Europe accounts for about 37% of Nigeria's foreign trade.



# 6

## OPEC pessimistic about global oil demand

The Organization of Petroleum Exporting Nations (OPEC) has become increasingly pessimistic about global oil demand for 2022, as a result of the ongoing Russia-Ukraine war and rising COVID-19 cases in China. In its most recent monthly report, OPEC decided to maintain its world oil demand forecast at 4.15 million barrels per day for 2022 and there are signs of a possible downward revision by their next meeting. The organization also retained its current output expansion plan of 400,000 barrels per day to keep oil prices strong. However, the recent challenges within the global economy – including the renewed lockdown restrictions, slowdown of economic growth, rising inflation, and the ongoing geopolitical turmoil – are posing significant threats to global oil demand. Lower oil demand means softer prices that could taper energy induced inflation on the global scale, but on a domestic level, lower oil demand risks worsening Nigeria's already existing revenue woes. The country still produces oil at sub-optimal levels and this will continue to worsen forex inflows and increase external reserves depletion. This also means that the loop of forex rationing and a fast depreciating currency will remain in the near term with no respite in sight.

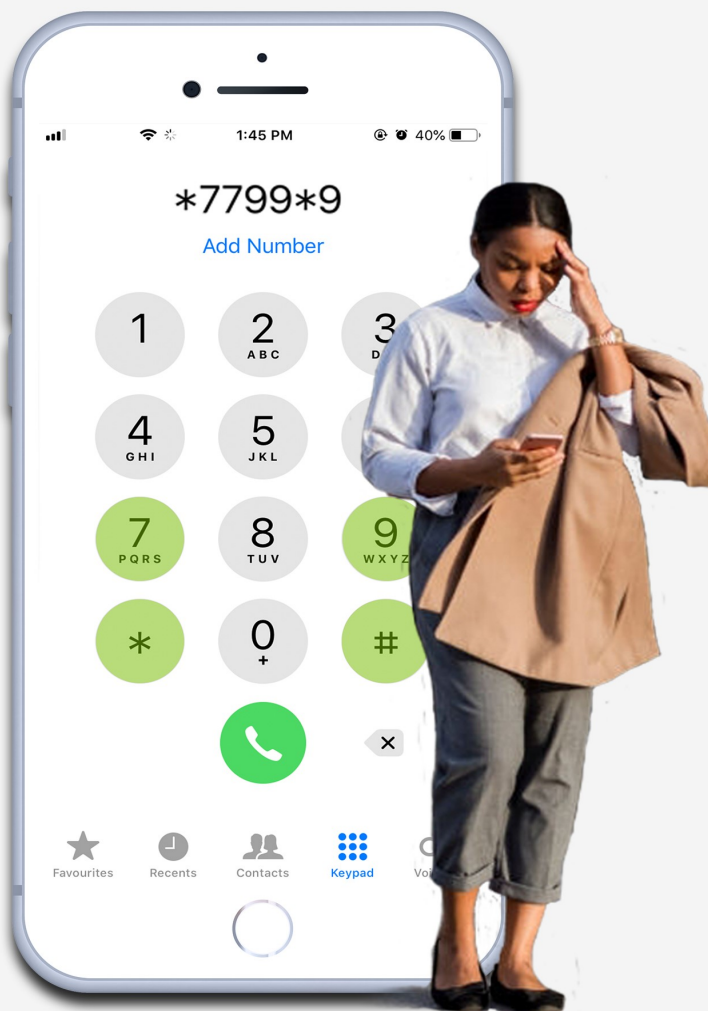


# SUSPECT A FRAUDULENT TRANSACTION?

DIAL

**\*7799\*9\*PhoneNumber#**

To conveniently restrict access to your account.



**Note:** Use the phone number registered to the account.

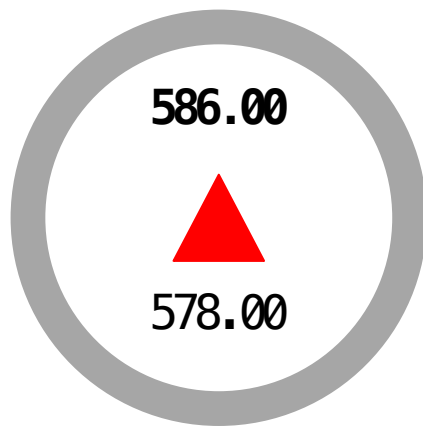


# THE BUSINESS ENVIRONMENT

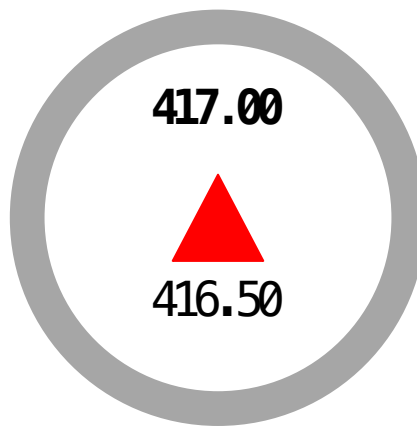
Business

Review period: March 16<sup>th</sup>-29<sup>th</sup>, 2022

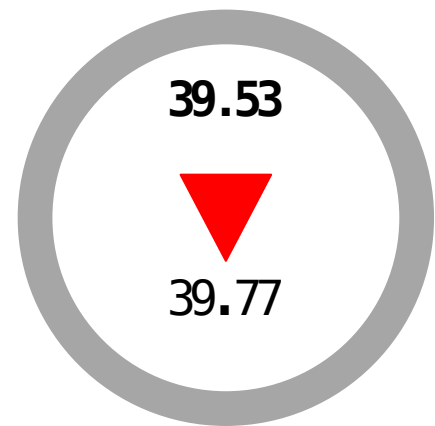
# Forex Market



Forex: Parallel (N/ \$)



Forex: IEFX (N/ \$)



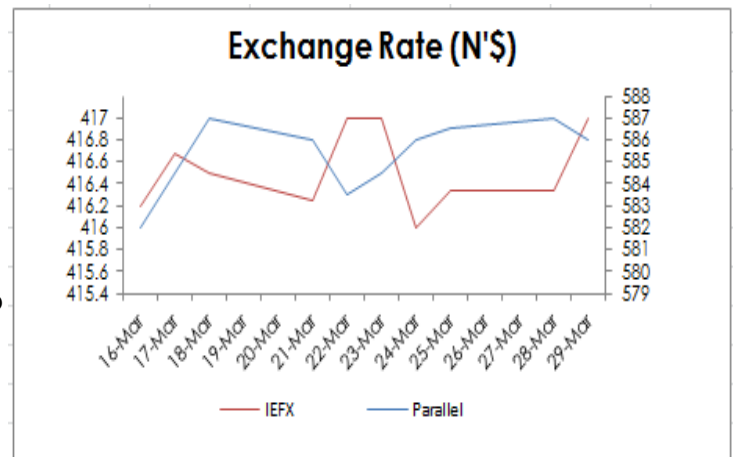
External Reserves (\$/bn)

During the review period, the Naira fell sharply to N600/\$ (intraday) at the parallel market before recovering mildly to close at N586/\$. Compared to the close of the preceding period (N580/\$), the currency lost 1.03% and YTD the Naira has depreciated by 4.09%. Meanwhile, the IEFX rate depreciated marginally by 0.12% to close at N417/\$. Forex demand has continued to outweigh supply despite higher global oil prices (\$114.38pb). The average daily turnover rose marginally by 9.17% to \$130.30mn from \$119.36mn in the first half of March.

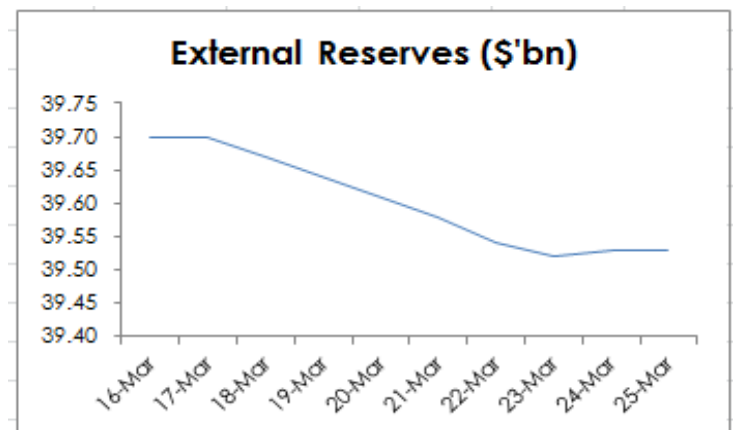
Gross external reserves declined consistently from March 16 - 23, before increasing by 0.03% to close the period at \$39.53bn. Import cover is down 0.44% to 8.97months from 9.01 at the beginning of the review period.

## Implications & Outlook

We expect currency pressures to persist on the back of low forex inflows due to dwindling oil production level. The parallel market rate could continue to languish until supply in-creases and/or there is a change in market fundamentals.



SOURCE: FDCThinkTank, FMDQ

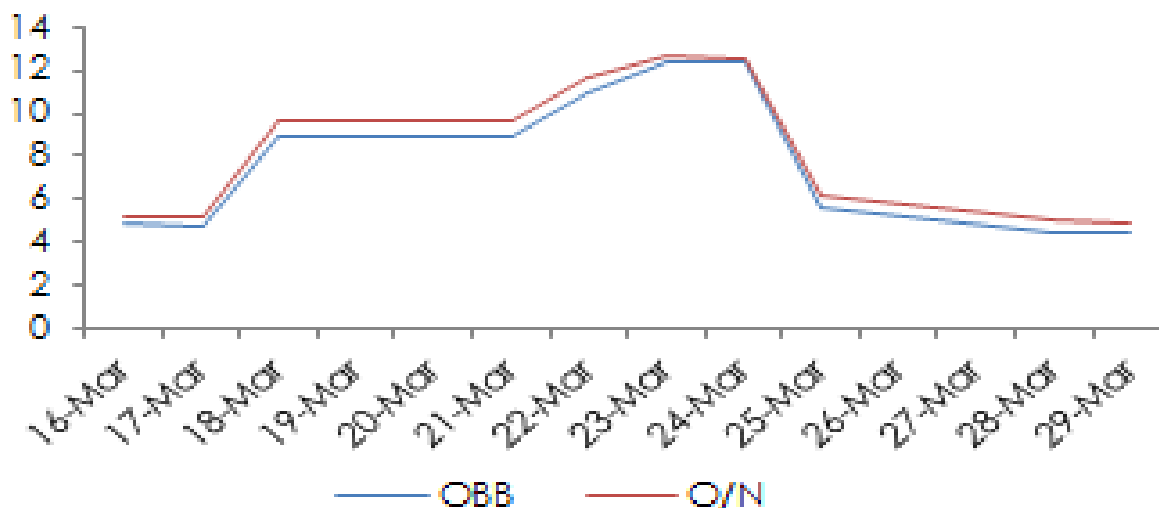


SOURCE: FDCThinkTank, CBN



# Money Markets

## Short Term Interbank Rates (%)

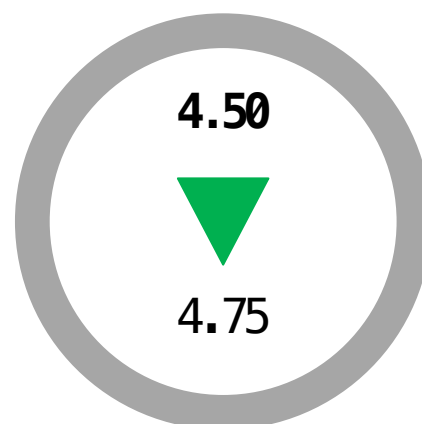


SOURCE: FDCThinkTank, FMDQ

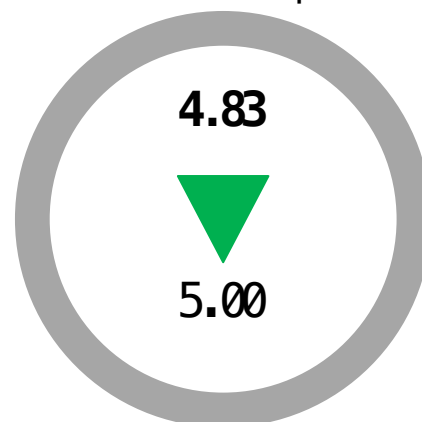
Banks average opening position for the review period declined by 18.04% to N233.53bn from N284.94bn recorded in the first half of March. There was a net outflow of N8bn as OMO sales (N50bn) were 19.05% higher than OMO repayments (N42bn). The decline in market liquidity led to the sharp increase in the average short term interbank (NIBOR) rates by 203bps to 8.03% from 6.00% in the previous period. The OBB and ON rates at the end of the review period, declined by 25bps and 17bps to 4.50% and 4.83% respectively from 4.75% and 5.00% recorded at the end of the first half of March. At its last meeting, the MPC voted to leave rates unchanged, signaling that interest rates would remain at current levels in the coming months. The 364/day T-bill rate which is currently 4.02% is 94bps above the 3.08% recorded at this time last year.

### Outlook

Interest rates would remain at current levels pending any significant withdrawals or injections into the system.



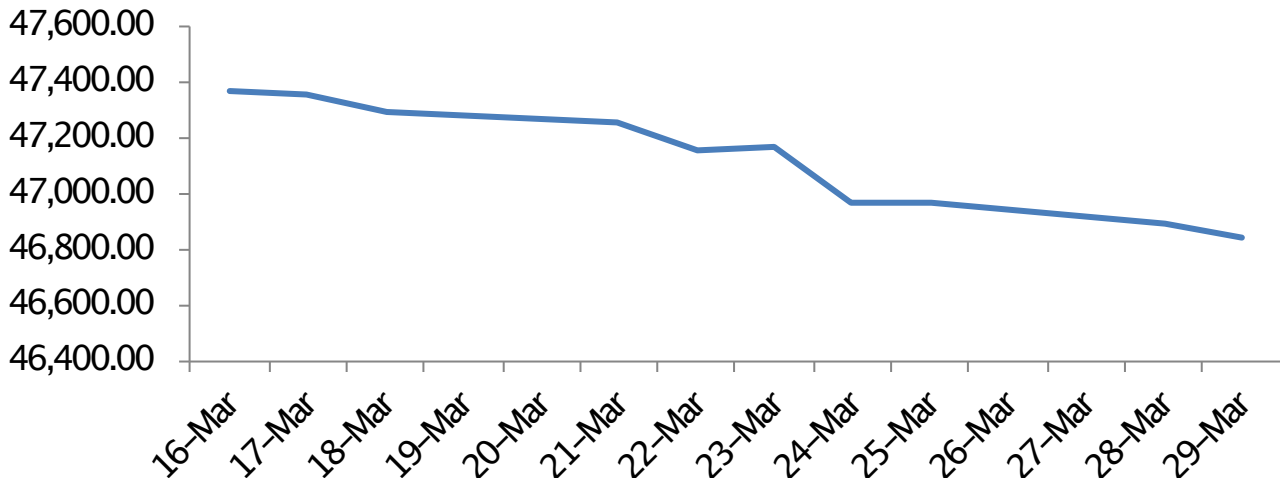
NIBOR: OBB (%p.a)



NIBOR: O/N (%p.a)

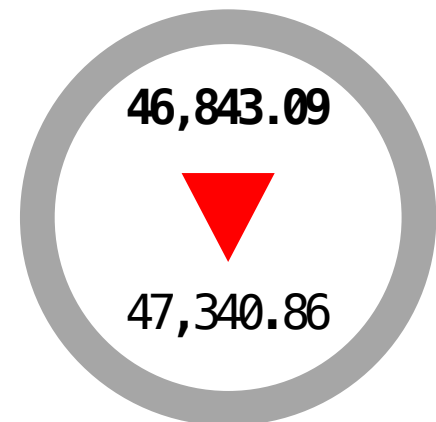
# Stock Market

## NGX

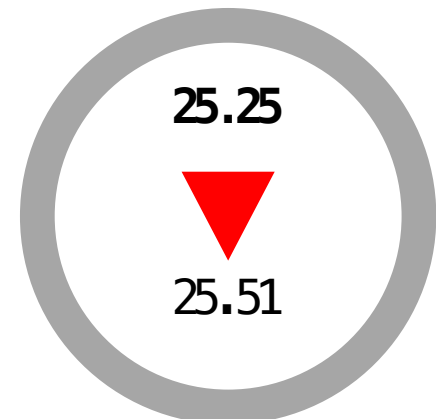


SOURCE: FDCThinkTank, NGX

The NGX lost 1.10% to close the review period at 46,843.09 points from the 47,364.46 points recorded at the end of the previous period in spite of the low interest rate environment. Similarly, the market cap declined by 1.02% to close the period at N25.25bn from N25.51bn on March 29. Of the 10 trading days, the bourse gained in 3 days and lost in 7 days. As at March 29, the 52 week and YTD returns stood at 20.97% and 9.66% respectively.



NGX



Market Cap. (N'tm)

## Outlook & Implications

In the coming weeks, negative market sentiment will pervade the stock market thereby leading to a weak performance, despite the fact that interest rates on fixed income securities are low. This would be driven by increased investor appetite towards other advanced and emerging markets with higher and more attractive yields including UK, US, Ghana, Egypt & South Africa. Of the 22 Central Banks whose MPCs met in the last week, 16 increased their policy rates by an average of 67bps.



# Commodities

## Brent prices (\$/b)



114.38



99.91

### Outlook & Implications

Brent price touched a high of \$121.78pb in the 2-week review, before closing at \$114.38pb. Average oil price in the review period was relatively unchanged at \$113.13pb, due to the sanctions on Russia, reimposition of a lockdown in Shanghai and the possibility of a truce between Russia and Ukraine.

In the next two weeks, oil prices could soften further on renewed lockdowns in China (the largest oil importer) and the near-completion of the Iran deal, which would boost oil supplies. Also, a possible resolution of the Russian-Ukraine war will further taper prices. Meanwhile, Nigeria's fiscal woes could remain on the back of limited oil production levels.

## Natural gas (\$/mmbtw)



5.36



4.57

### Outlook & Implications

LNG price to remain elevated on projections of increased demand amid projected cold weather conditions in some continents. Meanwhile, the EU has reached out to Nigeria to bridge the global gas supply gap. While this is positive for the FG's fiscal position, the domestic price of the refined products like LPG would increase.

## Corn (\$/bushel)



744.25



758.00

### Outlook & Implications

Corn prices are expected to stay high owing to supply concerns due to the lingering Russia-Ukraine war amid surging demand. This will worsen Nigeria's grain import bill, causing a rise in the price of cereals, animal feed and other corn-dependent commodities.

# Commodities

## Wheat (\$/bushel )



1,044.00



1154.20

### Outlook & Implications

The price of wheat is expected to decline on waning supply concerns as the market turns to EU and India to source for wheat. Wheat is Nigeria's largest imported agriculture commodity. A decline in its price would taper the import cost in the near term. This could also reflect in the prices of bread and other wheat-dependent commodities.

## Sugar (\$/pound)



19.54



18.73

### Outlook & Implications

Sugar prices could increase on possible supply shortages, as India, a key exporter, plans to limit sugar exports. This will increase Nigeria's sugar import bill and, as a result, push up the price of goods requiring sugar as a raw material.

## Cocoa (\$/mt )



2,614



2,522

### Outlook & Implications

Cocoa prices could remain elevated due to tight global supply from major producers. However, late rain which is delaying Nigeria's cocoa harvest will cap the expected gains from high cocoa prices for the country.

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# THE SOCIAL ANGLE





# Press Release

## MAAN Commends Unity Bank for Supporting Maize Farmers

Maize Farmers Association of Nigeria (MAAN) has commended Unity Bank Plc, for its role in facilitating the financing of maize production by smallholder farmers in the country through the Anchor Borrowers' Programme (ABP).

The President of MAAN, Dr. Bello Abubakar, gave the commendation while delivering an address at the official unveiling of 21 maize pyramids in Kaduna last week. Abubakar said Unity Bank has proved to be a trusted and reliable partner of Nigerian maize farmers in their journey to boost the capacity of maize production in the country.

"What we celebrate today would have been impossible without our finance partner, Unity Bank. The Bank has been a reliable partner in the journey and we shall continue to partner to greater heights," Abubakar said.

Through Unity Bank's strategic partnership with the maize farmers under the ABP, maize production output has risen to 11 million metric tonnes from 10.1 million metric tonnes in 2014.

As a major financial institution partner of the ABP, the bank has facilitated the disbursement of billions of naira to at least 4.52 million smallholder farmers across the various commodity value chains. This includes an additional 120,000 maize farmers reached in 2021 alone, a statement by the bank said.

Speaking at the event, the Managing Director of Unity Bank, Oluwatomi Somefun, said the lender remains committed to its strategic partnership with maize farmers to support their capacity to sustain sufficiency in maize production.

She said: "When we say that we are farmers' best friends, we walk our talk. And I am glad that the association appreciates the invaluable support that we provide by facilitating the financing of their activities. As a Bank, we are driven by the overarching objectives of the federal government to drive food sufficiency, while creating the much-needed jobs for sustainable development."

Since its launch in 2015, the central bank has, through the ABP programme, disbursed a total of N975.61 billion to over 4.52 million smallholder farmers, who have cultivated 21 commodities across the country. The fund is for the procurement of inputs and cultivation of maize, rice and wheat.

# billboard

## U.S. AFROBEATS SONGS

IN ASSOCIATION WITH



### BILLBOARD TO LAUNCH NEW US AFROBEATS SONGS CHART

- Billboard recently announced its partnership with the global Afrobeats and music festival brand, Afronation, to launch the first-ever US chart for Afrobeats music.
- The weekly chart will rank the 50 most popular Afrobeats songs in the US based on a formula that comprises of official streams and download sales from top music retailers.
- The US Afrobeats Songs chart will be available on Billboard's official website on March 29, 2022.
- The collaboration was attributed to the tremendous growth of the genre in the US.
- Afronation has been a significant driver in pushing the Afrobeats sound globally, especially in the US.
- This new development follows Afronation's collaboration with the UK's Official Charts Company, which released the Top 20 Afrobeats Chart in July 2020.





## FOURTH SEASON OF THE VOICE NIGERIA KICKS OFF WITH A NEW TWIST

- The Nigerian division of the popular international talent show, The Voice, kicked off a new season with an exciting twist.
- The show's producers introduced The Voice Train, which includes live auditions of shortlisted talent who applied online and funfair activities for their supporters (family, friends and fans).
- The Voice Train commenced in Abuja on March 22, 2022 and will tour Lagos, Abuja, and Port Harcourt. The train is the first of its kind in the show's history.
- This innovative move provides an opportunity to meet the talent before shortlisting them for the blind audition stage.
- The four coaches on the panel of the latest season are Waje, Yemi Alade, Darey and Falz.

# PUZZLE



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

AFROBEATS

AGGREGATE

BILLBOARD

DEMAND

ELECTRICITY

ENERGY

FORECAST

HEADLINE

INFLATION

INTEREST

MOSCOW

PETROL

SLOWDOWN

TIGHTENING

VOICE



# LIFESTYLE





# BE A THINKER, BE A WINNER.

Culled from Forbes<sup>1</sup>



## What is thought leadership?

Thought leadership is defined as the expression of ideas that demonstrate you have expertise in a particular topic. When you share relatable stories that your audience can see themselves in it helps your audience to understand themselves better.



**A thought leader** is someone whose expertise and ideas are important enough to provide a new perspective. A thought leader can add value for others through inspiration and promoting change in their lives. Customers that recognize others as thought leaders describe them as trustworthy and credible.

### The difference between a thought leader and an influencer

There are key differences between an influencer and a thought leader. An influencer is someone with a large social media following that people want to be like, and their influence can get others to try the products that they use. This is known as influencer marketing, and many brands pay good money to get their brands in front of their target audiences using influencers. As a thought leader you are in a position of influence and leadership where you are sharing stories and asking your audience to think deeper on issues and make a connection through building that trust with your community.



### Why use thought leadership in your business?

Public speaking is an excellent way to elevate the message and ideas that you are putting out into the world. It increases your visibility and offers your target audience more time on an intimate level to get to know you better. People become attracted to you because they appreciate you on a level that goes beyond a sales message, and you have the potential to draw in more customers this way because you are building trust in your community.

Helping your audience imagine new possibilities and imaging new ways of being is a great way to create a connection.

### How you can get started as a thought leader today:

#### 1. Ask why things are the way they are in your industry

When you see a problem in your industry and you want to address it so that you can help people see that there is a better way, this makes room for thought leadership.

#### 2. Start talking about these things

Spreading your message has never been more accessible. It's easy to talk about it on social media, through newsletters, or other mediums you choose. When you open conversations up with your audience and speak to them in a way that

they can relate to, it improves your platform.

The bottom line is that for professionals and executives, getting your message out into the world and building that connection with your target audience through relatable stories and building trust, you will be attracting your ideal clients that you will enjoy working with. When you are attracting the right people to work with, and booking paid speaking engagements, this is a direct impact to your revenue.



# Contact

Would you like to open an account with us?

**Kindly direct all account opening enquiries to:**

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08078148762, 08160956889

nomoigui@unitybankng.com

**For all other enquiries, contact:**

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