

Unity Bank Digest

August 17, 2022

Finance

Economic News

Lifestyle



Inflationary pressures shrinking consumer income

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The Macro



Nigeria's headline inflation accelerated by 19.64% in July

Nigeria's headline inflation surged to 19.64% in July from 18.60% in the previous month. This is the sixth consecutive monthly increase and the highest rate since September 2005 (24.32%). The persistent uptick in inflation in the country has been largely attributed to the rising food prices and energy costs (particularly diesel prices) amid severe currency depreciation in the country. Month-on-month inflation increased marginally by 0.001% to 1.817% in July, partly reflecting the impact of the harvest season which typically commences at the beginning of Q3. Since 2016, Nigeria's headline inflation has been in double digits, partly due to the pass-through effect of the weakened Naira on domestic prices. Inflationary pressures have particularly been exacerbated by ripple effects of the Russia/Ukraine war on the global commodity prices. A breakdown of the inflation report statistics revealed that annual food inflation quickened by 1.42% to 22.02%. Also, the annual core inflation rose by 0.51% to 16.26% due to currency depreciation and higher energy prices.

Heightened inflationary pressures imply a further strain on households' purchasing power as the living expenses grow. As a result, aggregate demand and consumption levels fall, impairing businesses' sales and profits. This is on top of the higher costs of operation for businesses caused by rising import and energy costs. On the other hand, the current rate of inflation widens the negative real return on investment further to 5.64%p.a, which dampens investor confidence. This coupled with currency pressures will increase the risk of divestment and sluggish growth. Meanwhile, it is expected that the monetary policy committee will remain committed to its price stability mandate,

and may further hike the interest rate if inflation remains elevated.

US inflation softens to 8.5% in July

In July, the US inflation eased to 8.5% after hitting a record high of 9.1% the previous month. The breakdown of the inflation figures showed that energy price slowed to 32.9%, after hitting a 42-year high of 41.6% in June. Gasoline prices fell 7.7% in July and offset increases in food and shelter prices, resulting in the index for all items being unchanged in July on month-on-month basis. Food prices increased 10.9% in July, the largest 12-month increase since May 1979. Also, Consumer prices for electricity rose 15.2% while the prices for natural gas increased 30.5%, while core inflation was flat at 5.9%.

The decline in US inflation indicates that cost of living has eased somewhat, which could positively impact consumers' disposable income and welfare.

In turn, this could boost aggregate demand and consumption levels. As increase in aggregate demand and consumption levels will boost sales and profits of businesses, supported by the decline in their operating costs. In the interim, the US Fed is committed to employing the strategy of raising interest rates in an effort to curtail the inflation rates that are far higher than its long-term target of 2%. The US fed had, in its last meeting hiked interest rates by another 75 basis points to 2.50% from 1.75% and the authorities have made clear signs that subsequent hikes are imminent. On the other hand, the gradual decline in the US inflation could reduce the probability of a further hike in interest rates. This will bode well for the country's economic growth, which has contracted in the past two quarters.



IMF retains its 2022 growth forecast for Nigeria at 3.4%, revises downwards the global growth forecast

The IMF, in its July World Economic Outlook, expressed optimism about Nigeria's growth outlook, retaining its 2022 growth forecast for Nigeria at 3.4%. IMF's optimism is buoyed by the expectation that the elevated international oil prices will support Nigeria's growth and significantly counteract the raging global headwinds. However, analysts believe that spiraling inflation, coupled with the high interest rate environment and worsening macroeconomic imbalances, could dampen the growth outlook. In April, the fund had estimated that Nigeria's economy would grow by 3.4% in 2022 from the earlier projection of 2.7% on the back of higher oil prices. However, it was reiterated that the country, like many other developing economies, will remain threatened by the above economic challenges, which would cause growth to slow to 3.2% in 2023 against the previous projection of 3.6% in April.

Meanwhile, the Fund slashed the global growth forecast to 3.2% for 2022 and 2.9% for 2023. The forces shaping the Fund's downgrade of the global growth outlook include the risk of spread of new COVID-19 variants spiraling global inflation, monetary tightening and the impact of the war in Ukraine. Also, inflation is expected to maintain its upward trajectory in line with the IMF projection of 6.6% in advanced economies and 9.5% in emerging and developing economies due to the war-induced rise in commodity prices. This will prompt more aggressive monetary policy tightening by central banks across the globe.



FAAC allocation spiked by 17.86% to N802.41bn in July

In July, the total revenue disbursed by the Federation Account Allocation Committee (FAAC) to the three tiers of government rose by 17.86% to N802.41 billion (bn) from the amount of N680.78bn shared in June. The spike was due to the significant increases in company income tax (CIT), petroleum profit tax, import duty and oil and gas royalties. The total distributable revenue comprised gross statutory revenue of N608.58bn and value added tax receipts of N193.83bn. In June, the country's excess crude account balance slumped to \$376,655.09 from \$35.37 million in May.

FAAC allocation for July (which is expected in August) will remain elevated due to the expectation of a sustained increase in the CIT as more corporates declare their H1 results. However, the gross earnings will trend below the June figure. Meanwhile, the possible improvement in FAAC revenue will ease the state government's financial burden, positively affecting salary payout and job security. As a result, aggregate demand and consumption levels could increase as income levels improve. In addition, the dip in the excess crude account will limit the federal government's ability to withstand shocks in the economy.





BoE hikes interest rate by 50bps in August

In line with expectations of a rate hike of half-a-point, the Bank of England raised interest rates by 50bps to 1.75% per annum during its meeting in August. This is the sixth consecutive rate hike and the largest single increase since 1995. The recent hike in the interest rate pushes borrowing costs to the highest level since 2009. The bank warned that the UK is heading for a recession that will begin in Q4'22 and last for more than a year under the weight of soaring inflation. The annual inflation rate in the United Kingdom reached a 41-year high at 9.4% in June 2022 driven by high food and energy costs. It is also projected to peak at 13.3% in October due to the gas price surge, before falling to its 2% target in 2025.

The hike in the interest rate, which is intended to rein in the spiraling inflation in the country, could pose a threat to the country's growth outlook as the cost of borrowing rises in tandem, negatively impacting the business and investment environment in the economy. The UK is already facing a prolonged economic contraction, which will have an impact on the country's standard of living. Families in the UK are expected to be around 5% worse off by the end of 2023, with incomes falling both this year and next. This is likely to have an impact on the external balance of some developing nations, like sub-Saharan African countries, through the fall in diaspora remittances from the UK. Also, for African countries with high debt levels, high interest rates would increase the cost of debt servicing, potentially worsening their financial conditions.

Nigeria secures \$8.5bn from World Bank, gets US-backed loan of \$1.5bn for solar projects

In a bid to boost agricultural production and human capital investment in Nigeria, the World Bank has pledged the sum of \$8.5bn to Nigeria to fund the agricultural and education sectors. The bank highlighted the country's financial indiscipline in terms of funding fuel subsidies at the cost of well-being and educational training despite the enormous knowledge gap, which is predicted to adversely affect the nation's economy. Meanwhile, the fund by the World Bank is expected to support the agricultural sector and assist with local agricultural production. At a time when global commodity prices are rising, Nigeria can take advantage of the opportunity to increase production of basic food items like rice, and beans, to meet domestic and possibly export demand in the coming term. This will boost the government's non-export revenue and aid reserves accretion.

Also, Nigeria has secured a \$1.5bn loan from the US-EXIM bank for the development of solar power infrastructure in the country. This is part of the efforts by the government to integrate solar power into the country's energy supply in order to boost access to electricity in both underserved and unserved communities. The loan will aid the realization of the proposed energy development initiatives in the identified locations in Nigeria. This is expected to improve energy access, creating more employment and industrial development. Improved industrial sector development will raise the energy export potentials, earnings and strengthen the economy's attractiveness to investors. It will also contribute to human development, poverty reduction and the attainment of the Millennium Development Goals. All these will support the country's economic growth.



SAVE Their **MONEY.**
SAVE Their **FUTURE.**

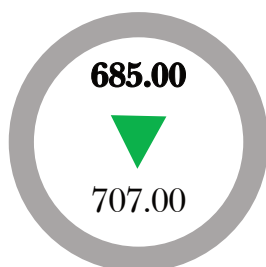


The Business Environment

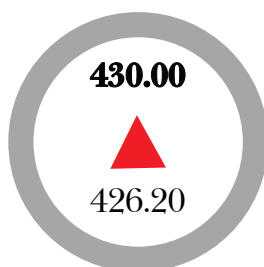
(August 1st - 12th, 2022)



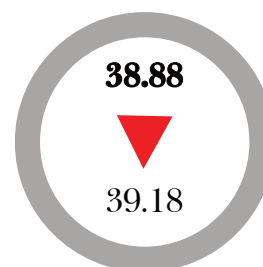
Forex Market



Forex:Parallel (N/\$)



Forex:IEFX (N/\$)



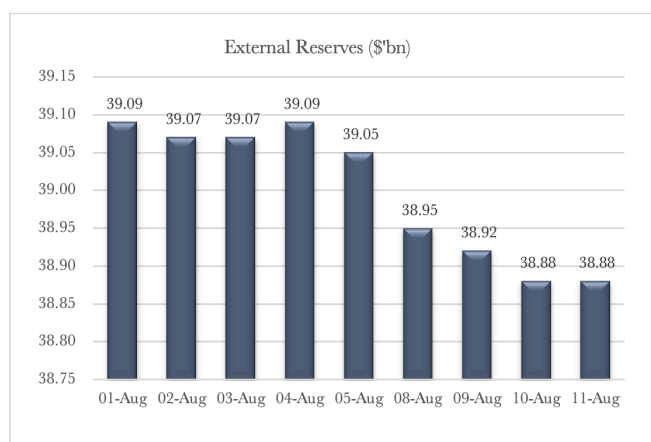
External Reserves (\$/bn)

At the parallel market, the Naira appreciated by 3.11% to close review period at N685/\$ from N707/\$ on July 29. The appreciation was largely due heightened intervention by the CBN in the forex market despite the lingering forex shortages. Contrarily, the IEFX rate depreciated marginally by 0.89% to close the review period at N430/\$ from N426.20/\$ at the end of the previous period.

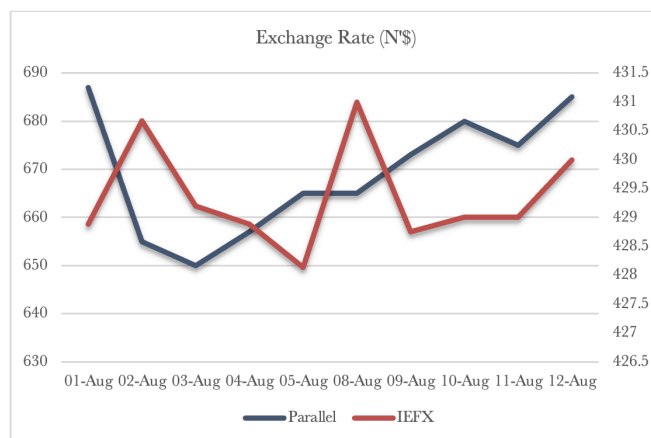
Meanwhile, the gross external reserves continued its steady depletion throughout the review period, losing 0.77% to close at \$38.88bn compared to \$39.18bn at the end of the last half of July due to the sharp decline in oil prices (below \$100pb) and lower oil earnings. The current level of external reserves can only cover 8.82months of imports.

Outlook and Implications

We expect the pressure on the Naira at the parallel market to continue in the near term as forex shortages persists. The Naira is could revert back to N700/\$ in the coming weeks.

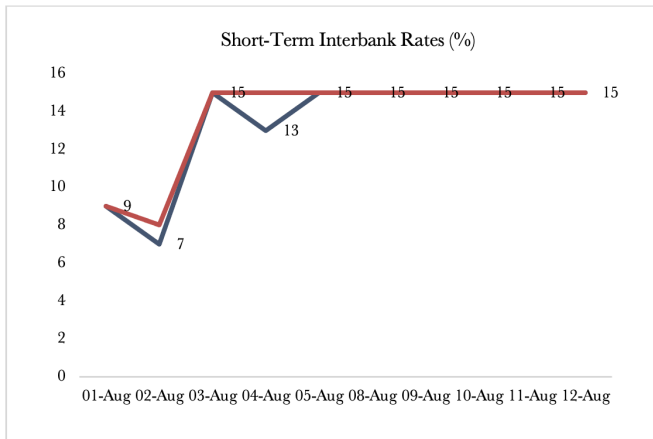


SOURCE:FDCThinkTank,FMDQ



SOURCE:FDCThinkTank,CBN

Money Markets



SOURCE:FDCThinkTank,FMDQ

In the review period, banks average opening position spiked by 96.53% to N53,388.37bn from the preceding period close of N27,165.60bn. The increase in market liquidity led to the sharp decline in the average short term interbank (NIBOR) rates by 45basis points (bps) to 13.55% from 14.00% in the previous period. On the other hand, the OBB and ON rates rose by 100bps and 100bps to 15.00% and 15.00% respectively.



NIBOR: OBB(%p.a)

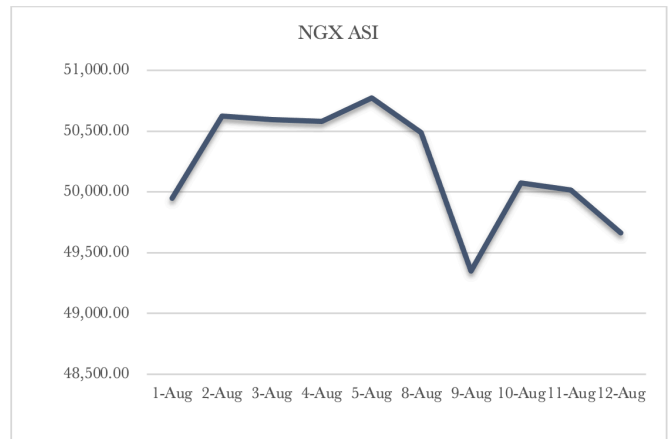


NIBOR: O/N(%p.a)

Outlook and Implications

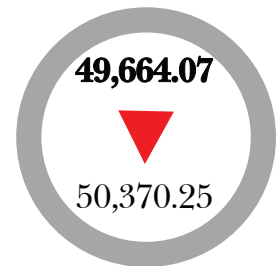
Interbank interest rates will likely remain elevated due to the current hike in interest rate.

Stock Market

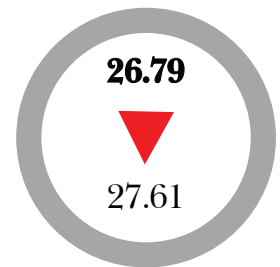


SOURCE:FDCThinkTank,NGX

The NGX ASI lost 1.40% to close the first half of august at 49,664.07points compared to 50,370.25points at the end of the last half of July. The decline can be attributed to the high interest rate environment and profit taking activities. Similarly, the market cap declined by 2.97% to N26.79bn from N27.61bn. Of the 10 trading days, the bourse gained in 3 days and lost in 7 days. The YTD returns stood at 16.26% as at August 12.



NGX ASI



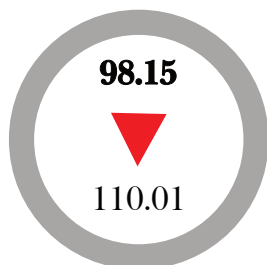
MarketCap. (N'trn)

Outlook and Implications

We expect the negative stock market performance to continue in the coming week as investor tentativeness persist pending the release of the July inflation report as well as the lingering economic challenges.

Commodities

Brent prices(\$/b)

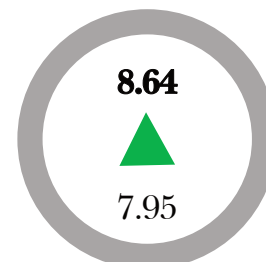


Outlook and Implications

Brent crude traded at \$100.03 per barrel (pb) and \$100.54pb at the beginning of the first half of August before falling below \$100pb throughout the rest of the review period. It closed the review period at \$98.15pb, 10.78% lower than \$110.01pb at the end of the preceding period due to an increase in US crude stockpiles amid global recession concerns. On average, the price of Brent declined by 7.75% to \$97.45pb from the preceding average of \$105.64pb due to the lingering Russia-Ukraine war.

In the coming weeks, oil prices are likely to decline to continue trading below \$100pb on improved supply from Libya. Lower oil prices will be negative for the FG revenue and external reserves accretion. This will be worsened by the country's low oil production level brought on by lingering oil theft and other operational challenges. In consequence, this might in the near run have a negative impact on subsequent FAAC allocations.

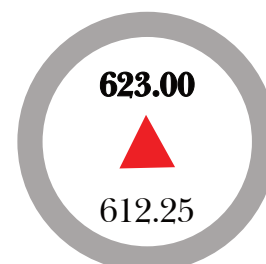
Natural gas(\$/mmbtw)



Outlook and Implications

LNG could stay strong in the coming weeks due to supply shortages in the EU as Russia cuts gas supplies. Higher LNG prices will boost the federal government revenue and aid researches accretion.

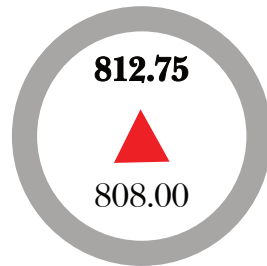
Corn(\$/bushel)



Outlook and Implications

Corn prices will remain high due to the anticipated shortages as unfavorable weather condition persists in major corn-producing regions in the US. As a result, the cost of importing corn into Nigeria will increase, pushing up the price of corn-related goods like cereals and animal feed on the domestic market.

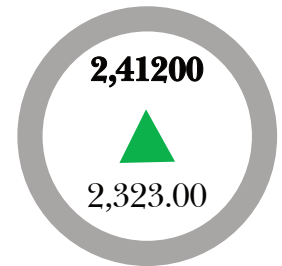
Wheat(\$/bushel)



Outlook and Implications

Wheat prices edge higher due to unfavorable weather condition in the US. Higher wheat prices will increase the cost of importing wheat, which will hurt the FG's earnings. Additionally, it could raise the cost of production for wheat-dependent firms. As a result, the cost of flour and other products derived from wheat will most likely go up.

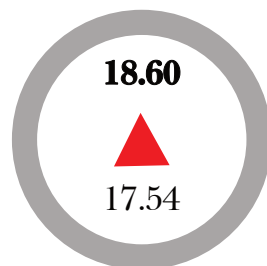
Cocoa(\$/mt)



Outlook and Implications

Cocoa prices will remain elevated in the coming weeks on supply shortages due to below-average rainfall and lack of fertilizer in top producer, Ivory Coast. Higher cocoa prices would bolster the FG export revenues and support gross external reserves accretion.

Sugar(\$/pound)



Outlook and Implications

Unfavorable weather condition in the EU, which could affect sugar production will cause sugar prices to inch higher in the near term. Higher sugar prices will increase Nigeria's sugar import bill, which could in turn increase the cost of production for confectioners.

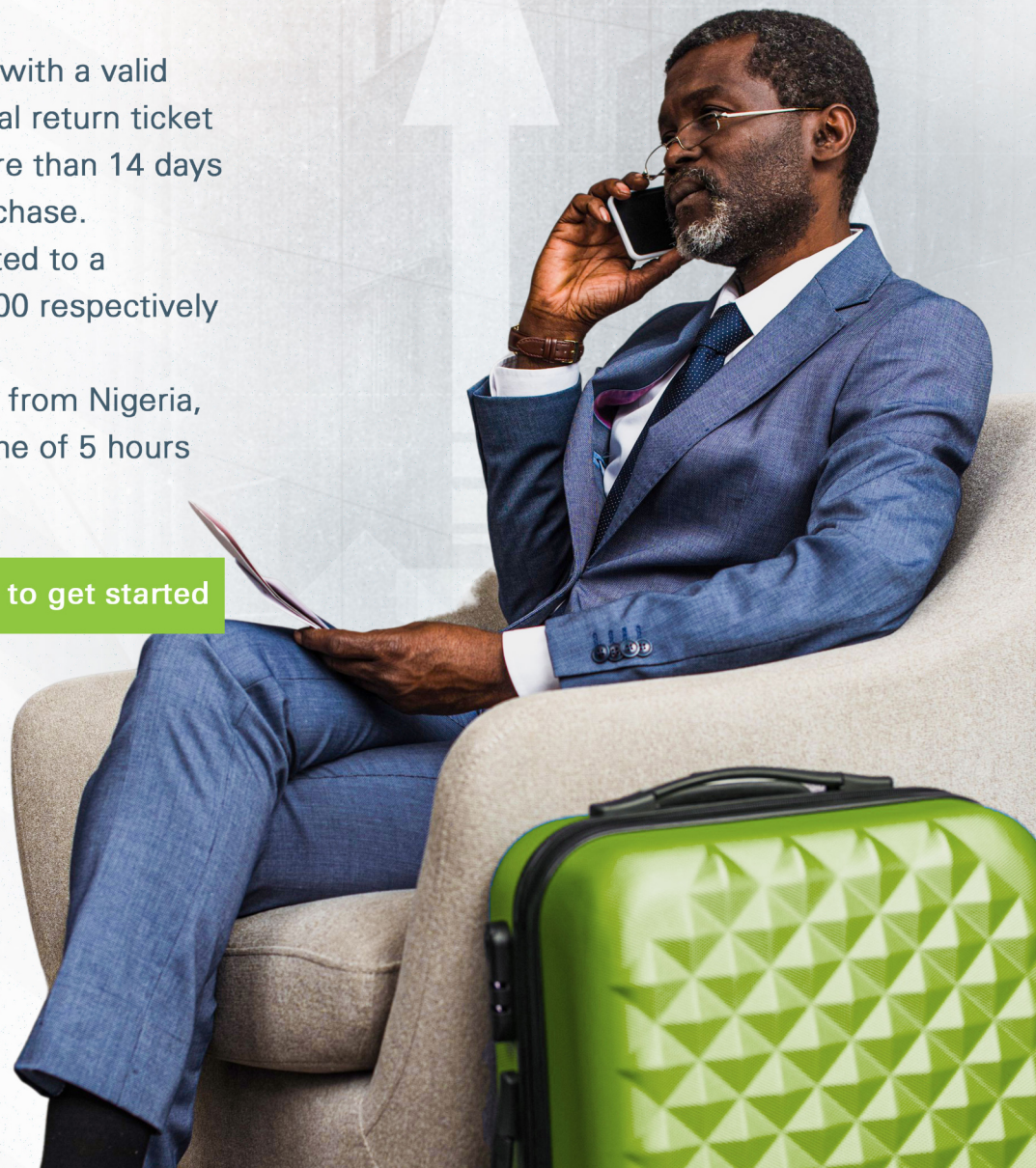
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Requirements

- You should be 18 years and above, and have a valid Bank Verification Number (BVN)
- A valid Nigerian passport with a valid visa, and valid international return ticket with a travel date not more than 14 days from the date of BTA purchase.
- PTA/BTA request are limited to a maximum of \$4,000/\$5,000 respectively per quarter.
- A return ticket originating from Nigeria, with a minimum travel time of 5 hours to your destination.

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Social Story

WOMEN RESTORE GLORY TO NIGERIA: TOBI AMUSAN AND NIGERIA'S TEAM SET NEW AFRICAN RECORD

The astonishing athletic achievements of Nigerian female athletes have been sources of optimism and hope in these worrying economic times. These women have placed Nigeria on the global map again following their exceptional performances at the recent 2022 Commonwealth Games.

The annual competition was held at the Alexander Stadium in Birmingham, United Kingdom from July 28 to August

8, 2022. Within these few days, all news headlines have been centered on the extraordinary performances of the female Nigerian gold medalists: Amusan Oluwatobiloba, Brume Ese, Favour Ofili, Rosemary Chukwuma, Grace Nwokocha, Mercy Genesis, Oborududu Blessing, Odunayo Adekuoroye, Folashade Lawal and Adijat Olarinoye. These names have brought joy to a distressed Nigeria, giving the downhearted citizens something new to discuss

and celebrate amidst the ongoing problems of insecurity, unemployment, and poverty. The last time Nigeria received a gold medal was in 1994.

Jamaica's Brigitte Foster-Hylton's record was eclipsed by Tobi Amusan as she breezed through a time of 12.30 seconds. This happened a few weeks after she broke the world record with her 12.12 seconds semi-final win before going to win the world title.



Lifestyle

STEPS FOR THE MOST PRODUCTIVE 24-HOUR DAY

Culled from Life Hack

“Rome wasn’t built in a day” is a saying that demonstrates the need for time to create great things. Mastering a skill, craft, or habit can take a long time – sometimes years. John Heywood (1564-1627), who was an English playwright, added a twist onto this famous saying: “Rome wasn’t built in a day, but they were laying bricks every hour.” According to Heywood, Rome is just the result and the bricks are the system. The system is greater than the goal.

Whether you want to launch a successful business, get promoted to a management position within your company, or invent the next big social media network, in order to reach your goal, a brick-by-brick approach is going to have to be taken from the moment you get up until the second you fall asleep. Envisioning the entire day ahead of you can be a daunting task. Whether you have deadlines to meet, a flight to catch or important meetings to attend, making sure you have a positive outlook for the day ahead is crucial for being able to tackle issues and accomplish goals. Throughout the span of 24 hours, a great deal of work can be achieved for the most productive 24-hour day.



1. Wake Up Early

This might sound difficult to pull off, but doing so will provide you with more time to accomplish important tasks and activities. Apple’s CEO Tim Cook is known for getting up early and sending out company emails at 4:30 in the morning. According to an article by CBS, emails sent from 6 am to 7 am are about three times more likely to be opened than emails sent at 4 pm. Many CEOs and top-level executives wake up in the early morning. What is holding you back? With limited distractions in the morning, this time has the potential to be your most productive part of the day.

2. Visually See Your Goals

Jeff Gittomore, author of *The Sales Bible*, suggests that you put your goals in front of your face. Write your goals on Post-It Notes on your bathroom mirror and read them twice a day until they’re accomplished. Then post them on your bedroom mirror. Visually seeing your goals every day will not allow for you to forget about what you are trying to accomplish. Looking at your goals each day will make your 24-hours more productive.

3. Watch Motivational Videos

Let’s face it; projects at work aren’t going to go perfectly 100% of the time. It can be hard to stay motivated if something doesn’t go your way. Each day before you open your first email, watch a motivational clip online to get your mindset in the right place. Zig Ziglar is a master for motivating individuals, businessmen and businesswomen. When you watch a short and positive video to start the day, your mind will start thinking optimistically, which will provide you with a positive outlook for the day



4. Leave Drama Behind

If you want to be able to concentrate properly at work, there cannot be drama and stress weighing over your head. If you got into an argument with your significant other the night before, make sure to make up before you start the workday. According to helpguide.com, emotional intelligence is built by reducing stress. The ability to resolve conflicts positively and with confidence will help reduce your stress level. This will lead to a more productive day.



5. Eat a Healthy Breakfast

According to WebMD, adults need to eat breakfast every day in order to perform at their optimal levels. Eating a wholesome, nutritious morning meal will get your body feeling great. By recharging your brain and body, you'll be more efficient in just about everything you do.



6. Write Down Daily Goals

The author of The Sales Bible, Jeffery Gittimore, suggests looking at your long-term goals every day. There is nothing better than accomplishing a task from your “to-do” list and being able to cross it off your checklist. Writing down daily goals will help you stay more organized and accomplish more.



7. Stay Hydrated

When you are putting in long work hours over the course of 24 hours, it is vital to hydrate your body so it can perform mentally and physically at its peak level. According to the Mayo Clinic, the lack of water can lead to dehydration, a condition that occurs when you don't have enough water in your body to carry out normal functions. Even mild dehydration can drain your energy and make you tired. Make sure to drink 8 glasses of water per day and you will see your energy levels over the course of the day start to increase.



8. Check Fewer Emails

In the digital age that we live in, it is hard to unplug from our desktop and mobile devices. This can also result in an obsession with checking email. When you are constantly checking and responding to emails, you will be less productive with other tasks that you are trying to accomplish. According to a study out of the University of British Columbia, the average person checks email 15 times a day. Amazingly, the study suggests three times is the right amount to keep added stress away. Start checking your inbox less frequently and start accomplishing more. You will feel like a completely new person with the added time you have by not obsessing over your inbox.

Contact

Would you like to open an account with us?

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