


Unity Bank Digest

November 18, 2022

Finance

Economic News

Lifestyle



Consumers
are reeling
under
mounting
inflationary
pressure

Unity Bank Towers

Plot 42, AHmed Onibudo Street
Victoria Island, Lagos, Nigeria

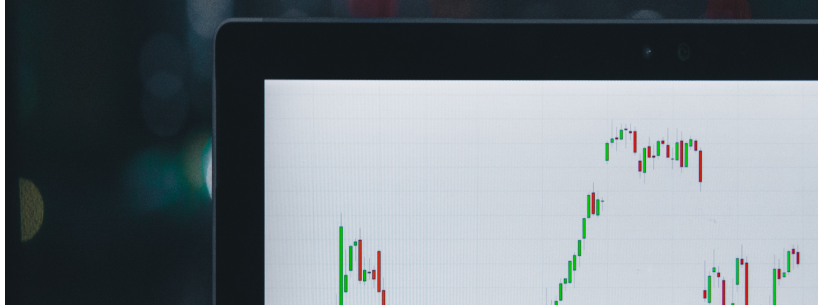
Head Office Annex

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Central Business District, Abuja, FCT

www.unitybankng.com

unity
bank

The Macro



Nigeria's headline inflation balloons to 21.09% in October

Nigeria's inflation rate accelerated for the ninth consecutive time to a new 17-year high of 21.09% in October. This rate represents an increase by 0.32% from 20.77% recorded in September. The stubborn rise in inflation rate was largely due to currency weakness, which drove the price of imported commodities higher.

The naira maintained its steady depreciation in October. It weakened to its lowest at N875/\$ in November after the announcement of naira redesign. On the other hand, month-on-month inflation rate stood at 1.24%, this was 0.11% lower than 1.36% recorded in September. Meanwhile, inflation sub-indices moved in tandem with the headline inflation. Food inflation soared higher to hit 23.72%, the eighth consecutive increase and the highest since October of 2005. The persistent rise in food inflation was fuelled by supply shortages triggered by the widespread flooding in regions in Nigeria as well as high import costs. Food importation climbed 18.1% year on year. Also, annual core sub-index spiked by 0.16% to 17.76% on the back of rising energy cost.

Inflation rate is likely to remain elevated throughout the year owing to the sustained depreciation of the naira amid tight food supply due to the flood impact. Consumers and corporate will remain badly hit by the surge in inflation. Amid stagnant wages, rising costs will further shrink consumer's disposable income and intensify the cost of living crisis in the country. This would deter standard of living while also increasing the level of poverty. Businesses will continue to battle with high cost of production amid unfavorable business environment. This, coupled with a decline in consumer demand will weigh on profitability and productivity. A decline in business activities is a dent to the country's growth prospects. Meanwhile, the monetary policy committee, in its next meeting on November 21 and 22, may be compelled to hike interest rates in response to the spiraling inflation. Sadly, higher interest rates will further raise cost of borrowing, which could crowd out

private investment. This in turn will further retard economic growth.

US Inflation Falls to 7.7% in October

The U.S inflation fell by more than expected in the month of October to 7.7% from 8.2% in September.

While inflation remains a threat to the US economy, the decline indicates that inflationary pressures in the US are beginning to ease faster than expected, and the US Fed may be less aggressive in raising rates in its coming meeting in January 2023, despite the fact that inflation remains above the Fed's target of 2%. The US inflation rate came in after the US Federal Reserve (US Fed), raised interest rate for the sixth consecutive period by another 75basis points to 4.00% p.a .

Although the rate hike in the US may eventually rein in inflation and possibly return it to its long-term target rate of 2%, there are concerns that it could precipitate recession in the US. In Q2'22, the US economy contracted by 0.9% following a 1.6% contraction in Q1'22. Meanwhile, job openings increased unexpectedly in September, indicating that labor demand remained strong. With the increase in demand for labor, the wage growth could remain elevated, fueling inflation. This could temper the expectations of a renege in the US Fed aggressive rates hike in the coming months. On the other hand, interest rate hikes could make the US more appealing for investment while increasing the risk of capital flow reversal in Nigeria. As a result, the Naira could depreciate further. In addition, the US rate hike will increase borrowing costs and the debt burden for Nigeria and other African nations, many of which are already at high risk of debt distress. This would exacerbate the already bad financial condition of the Nigerian economy.

The UK Economy Shrinks as Recession Looms

The UK economy shrank in the three months to September for the first time since 2021. The economy contracted by 0.2% in what looks like the beginning of a lengthy recession. Earlier, the Bank of England (BoE) had warned that the United Kingdom could fall into a deep and prolonged recession, which is expected to continue up until



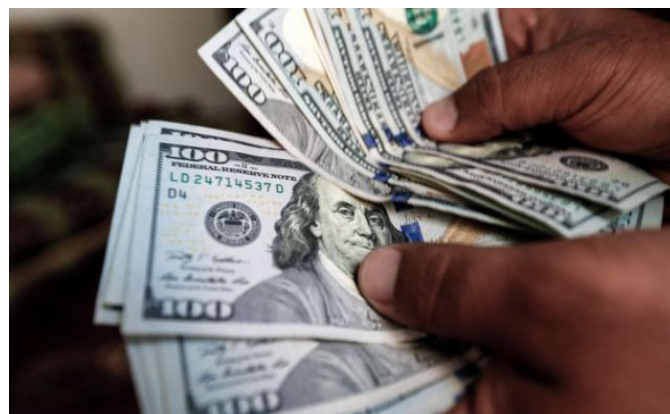
the first half of 2024 while the unemployment rate, which is currently at a 50-year low, could double to 6.5%. According to the BoE, it will not be the deepest recession but the longest. The BoE seems to have succumbed to a trade-off of a deep recession for inflation. The bank, just like other major central banks, has remained dogged in the fight against inflation. The bank's monetary policy committee hiked interest rates in its latest meeting by a 75bps to 3.00% per annum, the highest in 33 years. Inflation in the UK has hit a fresh four-decade high of 11.1% in October due to elevated food and energy prices. This is despite the hawkish stance by the BoE. The persistent rise in inflation will prompt the BoE to maintain tightening stance. Higher interest rates are believed to make borrowing more expensive and discourage people from spending while lowering the pressure on prices.

Analysis of the real GDP report showed that the services sector stalled, driven by a fall in consumer-facing services while the production sector went down 1.5%, a 7th consecutive quarter of losses, including a 2.3% fall in manufacturing and a 1% loss in mining and quarrying. In expenditure terms, household spending went down 0.5%, business investment shrank 0.5% while exports jumped 8% and imports sank 3.2%. Meanwhile, the expectation of a long-lasting recession could dampen investors' confidence and may likely reduce investment in real sectors which will subsequently exacerbate the unemployment problem in the country. Longer term unemployment coupled with rising inflation could weigh on the income and living condition of UK residents. The UK is a major source of diaspora flows in Nigeria; a recession in the UK would reduce remittance inflows into Nigeria and other sub-Saharan African countries.

IMF Warns Nigeria about Dollarization Risks

Sequel to the announcement by the CBN to redesign and issue new bank notes, the IMF, in its recent report "Digital Money and Central Banks Balance Sheet"¹, cautioned Nigeria on the dangers of dollarization. Dollarization is when a country uses the US dollar as a legal tender for conducting transactions alongside or in place of its domestic currency. Although dollar is usually used as a super reserve currency and medium of settlement in international trade, there is a rising appetite for the use of dollar as a store of value and medium of exchange, thereby creating a bi-monetary system. However, one of the major drawbacks of bi-monetary system is that it is difficult to reverse, even after the forces that caused it have been tamed.

One of the risks of bi-monetary system is that it weakens the effectiveness of the monetary policy. It also increases the risk of spillover effect of US monetary policy on the domestic economy: when interest rates are raised in the US for example, it will have a ripple effect in Nigerian market in much the same way as in the US. Currency mismatches and liquidity problems are brought on by financial dollarization, which affects both the financial sector and the economy as a whole.



OPEC revises downwards the global oil demand forecast

The Organization of Petroleum Exporting Nations (OPEC) has become increasingly pessimistic about global oil demand for 2022, as a result of the mounting economic challenges including rising interest rates, high inflation, tight labour markets and supply disruption. In its most recent monthly report, OPEC decided to cut its global oil demand forecast by 100,000 million barrels per day for both 2022 and 2023. This is the fifth cut in eight months, this year. World oil demand is expected to grow by 2.55mbpd and 2.24mbpd to 99.6mbpd and 101.8mbpd in 2022 and 2023 respectively.

The persistent global headwind is rising recession fears in Europe and indeed, across the globe. The rising COVID-19 cases in China, the largest oil importer in the world, and the lingering Russia-Ukraine war are posing significant threats to global oil demand. Lower oil demand will cause oil prices to fall, which could taper energy induced inflation on the global scale. However, on a domestic level, a decrease in oil demand and the anticipated decline in oil prices will exacerbate Nigeria's already existing revenue woes. Nigeria, one of the largest oil producers in Africa has continued to produce sub optimally due to incessant oil theft, production shut-ins and underinvestment in the oil sector. This will continue to worsen forex inflows and increase external reserves depletion and quicken the depreciation of the naira.



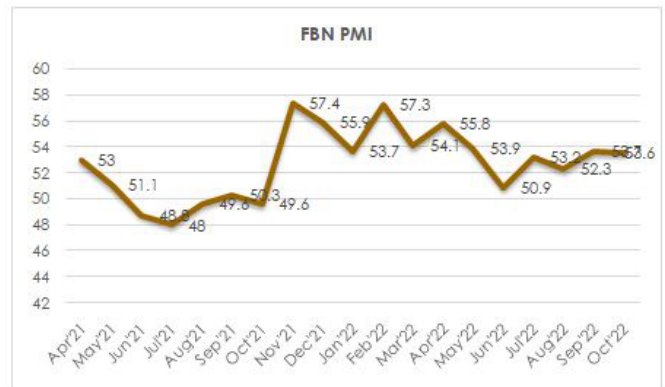
¹ Andrian Armas, 2022. "Digital Money and Central Banks Balance Sheet", IMF, Pg. 29.

Emirates Suspends Flight to Nigeria Indefinitely

Emirates, the Dubai-owned airline, has suspended operations in Nigeria for the second time this year due to blocked funds, leaving the airline unable to cover operating expenses or maintain commercial viability in the country. The flight suspension took effect on October 29, 2022, with no set date for resumption. Emirates had previously suspended flights to and from Nigeria in August due to difficulties in repatriating \$464 million (mn) from Nigeria, resulting in an \$85mn revenue shortfall for the airline. Following the suspension, the CBN released \$265mn to compensate for some of the trapped funds, after which the airline resumed operations. In October, the CBN promised to release an additional \$120 million, though Emirates claimed to have not yet received its share of the blocked money.

Despite several meetings and discussions between airline representatives and the Nigerian government discussing possible solutions to the backlog of blocked funds, strategies to prevent further issues with repatriation, and allocation assurances by CBN, nothing has been done. The persistent depreciation of the Naira is a significant contributor to the CBN's default. Meanwhile, other airlines are likely to follow suit with Emirates in order to hedge against the rising operating expenses. Flight cancellations would change travel plans during this holiday season, which is known for its high passenger traffic, while ticket prices might increase even more. More so, the domestic economy could be hurt severely due to a further decline in foreign exchange from investors.

country's macroeconomic challenges. A PMI of above 50 points, which indicates a boost in economic activity, is positive for the health of the overall economy.



Purchasing Manger's Index Falls Marginally by 0.1point in October

Nigeria's manufacturing Purchasing Managers' Index (PMI) - a forward looking indicator- maintained points above the 50-point threshold in October. But from 53.7 points in September, it dropped 0.1 points to 53.6 points. This indicates a marginal decline in economic activities as buying activities and new order purchases slows. The PMI reading is expected to remain above the 50 points threshold as the private sector remains resilient in the face of the

Important Information on the **New Naira Notes**

Dear Esteemed Customer

Further to the CBN's announcement on the redesigning and release of new Naira notes which will be in circulation from December 15, 2022, the information below is provided for your clarity and ease.

What you *need to know*:



What happens to my old 200, 500 and 1,000 notes?

The existing notes will remain the legal tender until January 31, 2023. The Bank has commenced collection of old notes Monday through Saturday.



What if my Account is dormant?

It is very easy and seamless. The Account will be activated once cash deposit is made.

**Zero
Charges**

Will charges apply for excess deposits?

NO. Cash deposits of any amount is FREE



What if I do not deposit at my domiciled branch?

Your deposit of any amount at any of our branches will reflect in your account balance instantly.



What about my family and friends without Unity Bank accounts?

An instant account will be opened in their names and cash deposit can be made immediately at no cost to them.

What if I have more questions?



Please contact our 24/7 interactive Customer Experience Centre via the channels of communication provided for you below.

Be an early bird and avoid long queues.

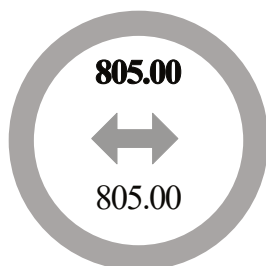
Thank you,
We Care.

The Business Environment

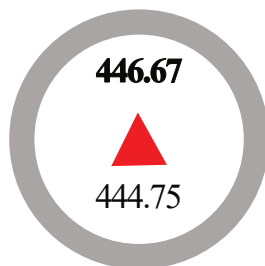
(November 1st- 16th, 2022)



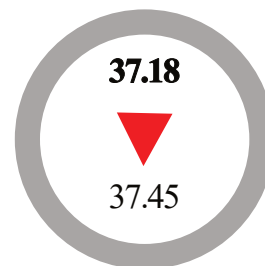
Forex Market



Forex:Parallel (N/\$)



Forex:IEFX (N/\$)



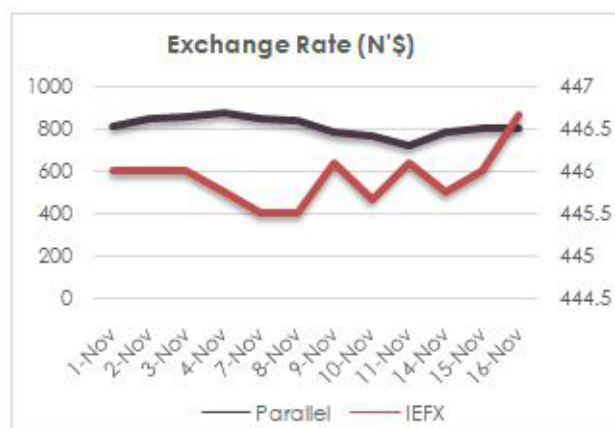
External Reserves (\$/bn)

The Naira at the parallel market traded flat at N805/\$ compared to the value at the end of the last half of October. On November 3, the Naira at the parallel market touched a low of N855.00/\$ following the announcement of the currency redesign amid low forex supply. It however, appreciated throughout last week due to increased forex supply, before reverting to its free fall. The IEFX rate maintained its depreciation, losing 0.43% to close at N446.67/\$ from the previous period's close of N444.75/\$.

Meanwhile, gross external reserves maintained value below the \$39 billion threshold throughout the review period. It declined further by 0.72% to close at \$37.18bn from \$37.45bn at the end of the second half of October. The steady depletion of the external reserves was largely driven by lower oil earnings despite the current oil price rally.

Outlook and Implications

We expect the naira at the parallel market to depreciate further, due to increased dollar demand and tight liquidity in the forex market. The naira is likely to sustain trade above N750/\$ in the coming weeks. Meanwhile, external reserves will maintain its steady depletion due to low forex inflows.

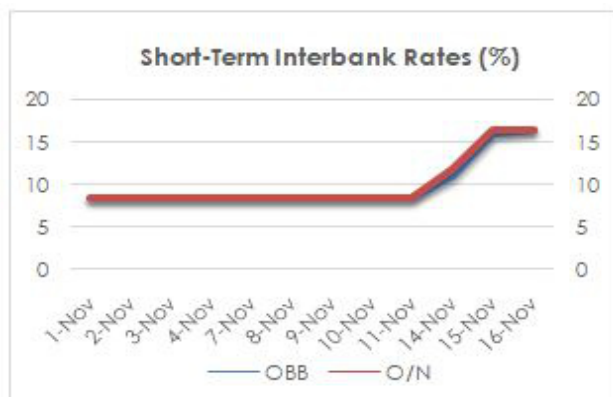


SOURCE: FDCThinkTank, FMDQ



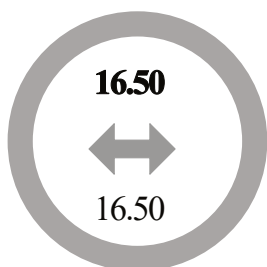
SOURCE: FDCThinkTank, CBN

Money Market

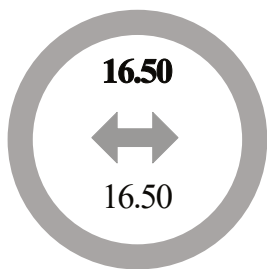


SOURCE: FDCThinkTank, FMDQ

Banks average opening position rose to a positive value at N335.05bn in the review period. This value represents a 570.91% rise from the preceding period's negative average of N71.15bn. The increase in market liquidity led to a sharp decline in the average short term interbank rates (NIBOR) by 361 basis points (bps) to 9.94%p.a. in the review period from 15.55%p.a. in the last half of October. Meanwhile, OBB and ON rates closed flat at 16.50%p.a. and 16.50%p.a. respectively. On November 10, there was primary market sales of N310.12bn and primary market repayment of N193.03bn, leading to a net outflow of N117.09bn.



NIBOR: OBB(%p.a)

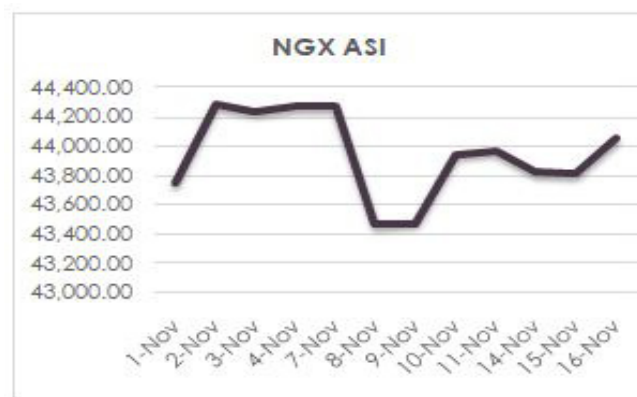


NIBOR: O/N(%p.a)

Outlook and Implications

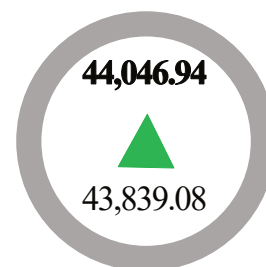
We expect the interbank rates to remain elevated due to tight liquidity in the market.

Stock Market

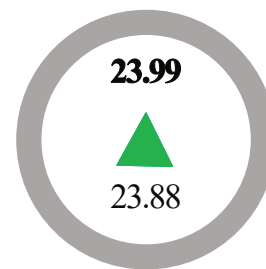


SOURCE: FDCThinkTank, NGX

The NGX ASI sustained trade at below 50,000points. It however, gained 0.47% to close the review period at 44,046.94points compared to 43,839.08points at the end of the last half of October. The slight improvement in the stock market performance can be attributed to the recovery of bellwether stocks especially Airtel, which recorded a great loss in the previous period. In the later period of the review period, the positive performance was supported by the lower-than-expected inflation rate in the US. In the same vein, the stock market capitalization rose slightly by 0.46% to close at N23.99trn from N23.88trn at the end of the previous period. Of the 12 trading days, the bourse gained in 7 days and lost in 5 days. As at November 16, the 52 weeks and YTD returns stood at 13.75% and 3.11% respectively.



NGX ASI



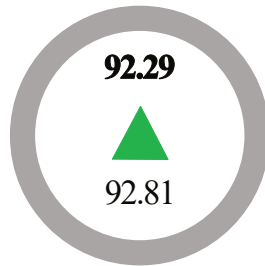
MarketCap. (N'trn)

Outlook and Implications

Investor sentiment in the first half of November was largely tepid as investors traded with cautious optimism. Although the NGX index gained slightly last week after the US posted a lower-than-expected inflation rate in October, most investors will continue to trade cautiously until Nigeria's the Q3 GDP is released. MPC decision on November 22 as regards the MPR will further drive the market in the second half of November.

Commodities

Brent prices(\$/b)

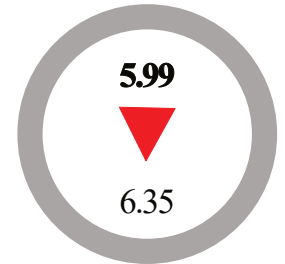


Outlook and Implications

Brent crude traded above \$90 per barrel (pb) throughout the first half of November. It however, declined by 0.56% to close the review period at \$92.29pb from the previous period's close of \$92.81pb majorly due to concerns about weak global demand amid rising recession fears. Conversely, the average price of Brent rose by 1.43% to \$94.79pb in the review period from an average of \$93.45pb in the preceding period.

Oil prices are likely to fall in the coming weeks due the resurgence of COVID-19 cases in China, which could induce a lockdown and consequently a fall in demand from the world's largest importer of oil. This will be compounded by the weak global oil demand outlook. Declining oil prices are expected to weigh on FGN revenue. Despite the slight increase in oil production level by 33,000 barrels per day to 1.057mbpd, the production level still remains suboptimal and below OPEC's quota for Nigeria (1.8mbpd). Meanwhile, Nigeria will continue to battle with revenue challenges arising from low forex inflows. This will be a dent on the country's foreign exchange reserves.

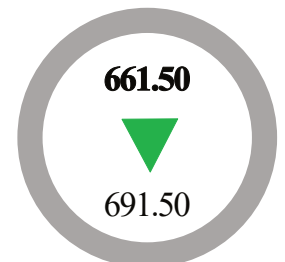
Natural gas(\$/mmbtw)



Outlook and Implications

Increased US demand due to cold weather conditions amid tight global supplies are likely to boost LNG prices in the near term. A surge in the price of LNG could exacerbate the domestic price of cooking gas. The price of 12kg cooking gas has spiked approximately 67.35% to N10,500/year on year.

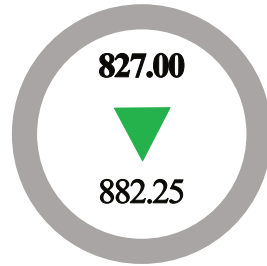
Corn(\$/bushel)



Outlook and Implications

The prospect of increased corn production in the US is expected to taper corn prices. Corn production is forecasted to rise to 13.93 billion bushels from 13.89 billion bushels. Consequently, Nigeria corn import bill will decrease, which will in turn lower the domestic prices of corn-related commodities such as cereals and animal feed.

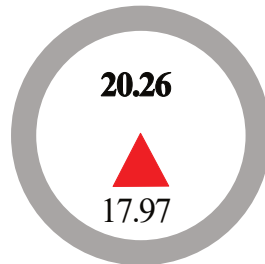
Wheat(\$/bushel)



Outlook and Implications

The expectation of improved supply due to growing optimism about extension of the black sea export deal will taper wheat prices in the near term. As a result, the cost of importing wheat in Nigeria will fall. Likewise, the cost of production for wheat-dependent firms will decline. This will reduce the cost of flour and other products made from wheat.

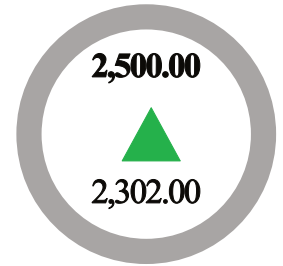
Sugar(\$/pound)



Outlook and Implications

In the coming weeks, sugar prices could remain elevated as India, a major sugar producer, restricts corn exports by 6 million tonnes. This will be compounded by the lower than expected decline in sugar production in Brazil. Higher sugar prices will raise Nigeria's import bill. Rising imports will worsen the country's external balances. Also, this could weigh on the cost of production for FMCGs, especially beverages and confectioners.

Cocoa(\$/mt)



Outlook and Implications

Cocoa prices could fall due to improved supply in West Africa's major cocoa producers. Cocoa is Nigeria major non-oil export commodity. Lower cocoa prices will shrink Nigeria's foreign exchange earnings, quickening the depletion of the country's external reserves.

Verve
Christmas Giveaway



To win, get a Verve card
and keep transacting

T & C Applies

Social Story

Twitter Makes a U-turn Slashes Verification fee to \$8



On completing the \$44 billion deal to own Twitter, Elon Musk announced that Twitter will begin charging \$20 per month to own the blue verification badge. However, Musk has made a U-turn, promising to charge only \$8 per month to users for retaining their verification badge or for obtaining a new one.

The highly sought-after blue check was previously offered only to verified accounts that exceeds a threshold of followers and held by celebrities, politicians, corporations, and news organizations who have high risk of impersonation.

In a major overhaul of one of the Silicon Valley's most valued company, Musk sacked about 50% of the staff.

In a tweet, the Twitter CEO expressed his displeasure with the blue app's class system, saying the "current lords' and peasants' system for who has or doesn't have a blue checkmark is bulls**t."

He planned to stop the usage of adverts on the app with the latest update, which includes "half the ads" and "much better ones."

At the current fee, verified users will be able to post lengthy videos, with their content prioritized in responses, mentions, and searches.

Recently, Twitter revealed a new 'Official' label for certain verified accounts including government accounts, businesses, significant media outlets, and other selected prominent figures.

The new feature is not intended for sale and not inclusive of all previously verified accounts.

TOP WORK ETHIC SKILLS AND WAYS TO IMPROVE

Culled from Indeed²



Productivity: A strong work ethic translates to outstanding productivity. Productive employees often have a higher output than their counterparts. They complete projects early and do more than the minimum requirements.

Cooperation: A good work ethic is something that employees often spread to those around them by cooperating willingly on projects. They show good teamwork and readily assist others when needed.

Responsibility: Demonstrating a strong work ethic requires a keen sense of responsibility. Those who are ethical and responsible hold themselves accountable for their actions. They will accept the blame for errors they've contributed to and proactively work to fix these issues.

Professionalism: Employees with a good work ethic almost always maintain their professionalism. They exhibit a professional attitude clear in the way they dress, speak and carry themselves. They're respectful, focused, organized and neat.

What is work ethic?

Work ethic is an attitude of determination and dedication towards one's job. Those with a strong work ethic place a high value on their professional success. They exhibit moral principles that make them outstanding employees in any position.

Work ethic characteristics

Discipline: Discipline is an essential part of showing a good work ethic. Highly disciplined employees show determination and commitment to the job. They strive to meet or exceed expectations and seek opportunities to learn new skills and improve their performance.



² Jennifer Herry, 2020. "Top work ethic skills and tips to improve yours", Indeed, <https://www.indeed.com/career-advice/career-development/work-ethic-skills>



How to improve on your work ethic.

1. Act as an ambassador of the company

Maintain a positive attitude toward the company in both professional and personal interactions. Seek ways to further the business even if they're outside the scope of your job. For example, a finance professional may pass a potential lead along to a sales representative.

2. Prioritize your professional responsibilities

Maintain good attendance, return promptly from lunch and arrive for meetings early. Strive to make personal appointments that don't interfere with your work schedule and only take personal calls on your cell phone when you're at lunch.

3. Seek professional development

Independently seek ways to improve your work performance, such as taking night classes, attending weekend seminars or reading industry publications.

4. Review your work

Submit thorough work that you have double-checked for quality and consistency. Manage your time properly so you can deliver projects early and give each task the time and attention it requires.

5. Show respect to others

Speak politely to and about others in the workplace. Keep your interactions professional to show your respect for others.

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:

 07080666000/ 07057323225-30

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