

Unity Bank Digest

May 12th, 2023

Finance

Economic News

Lifestyle

Business activities surge as consumer demand rebounds

Unity Bank Towers

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

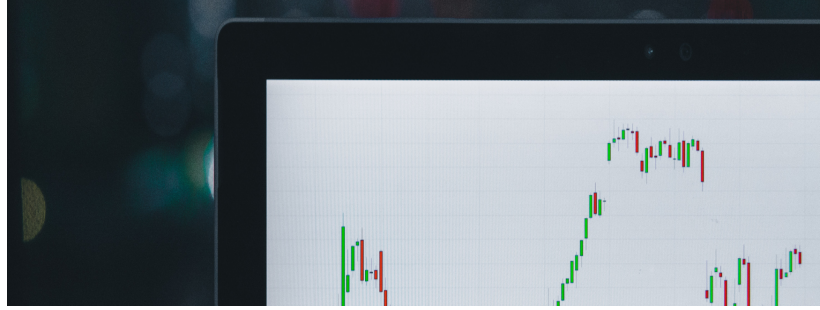
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The Macro



US Fed hikes interest rates by 25bps

In its latest meeting in May 2023, the US Fed raised the benchmark interest rate by 25 basis points from 5% per annum to 5.25% per annum, the highest level in 16 years. This is the tenth consecutive rate hike and the slowest since the beginning of its tightening cycle last year.

The slowdown in the pace of monetary tightening by the US Fed highlights the central bank's commitment to balance the risk of instability in the banking system, an economic recession and high inflation. In April 2023, headline inflation in the US fell for the tenth consecutive month to 4.9%, a far cry from the 40-year peak of 9.1% in June 2022 but still 2.9% above the Fed's target of 2%. Of more importance though, is the core inflation sub-index which remains stubbornly high at 5.52%.

Even though the rate hikes are tapering inflation, borrowing costs continue to soar, stoking recession fears. With high borrowing costs, output levels are under threat as access to credit becomes expensive for businesses. What this points to, is an eventual slowdown in economic growth that is negative for employability, aggregate demand/consumption levels and general business sentiments. More so, higher interest rates combined with renewed recession fears and the probability of a banking crisis, will hurt the performance of the US equities market and slow down the rush for government securities. What will happen instead is that investors will flock towards safe-haven assets like gold and silver. Already, the global price of gold touched a record high of \$2,072/toz on May 4.

However, the positive side to this is that higher interest rates will make the US a safer bet for investors compared to other unstable emerging markets, improving the dollar's strength against other currencies.



Meanwhile, other major central banks are following the lead of the US Fed to slow down the pace of their rate hikes. For instance, the European Central Bank (ECB) increased interest rates by 25 basis points at its most recent meeting. In Nigeria, this could mean that the monetary policy committee at its next meeting on May 22/23, will join the global bandwagon to raise rates, albeit at a slower pace.

Domestic oil production dips below 1mbpd in April

Nigeria's oil production crashed to 998,602 barrels per day (bpd), a 21.3% decline compared to the revised output of 1.268 million barrels per day (mbpd) in March. This is the second consecutive decline and the lowest in seven months. The fall in oil production in the month was partly due to the closure of oil platforms and declaration of force majeure by ExxonMobil in Nigeria mid last month. The decision to declare force majeure followed an industrial action by the company's workers' union, thereby constraining output in the month. The decline in the oil production was also supported by lingering oil theft, pipeline vandalism, underinvestment in the IOCs and de-prioritisation of funding of hydrocarbon development arising from the energy transition.

Unfortunately, the sustained decline in the level of oil production undermines the recent progress made from renewed efforts by the FG combating the oil production challenges, particularly oil theft and pipeline vandalism. It also reduces the country's chances of meeting its FG's output target of 1.69mbpd for 2023 or its OPEC quota of 1.8mbpd. Meanwhile, oil prices are projected to rise further in May as the OPEC+ oil supply cut begins to take effect. Therefore, low oil production is expected to cap the gains of the expected increase in oil prices. This, in addition to the rising in fuel subsidy payment (as oil prices stay elevated) will weigh on the FG revenue earnings and foster the depletion of the gross external reserves, which will in turn trigger the faster depreciation of the naira.



Airfares are set to rise as the IATA rate climbs to ₦610/\$

The exchange rate for airlines (IATA) has increased significantly in the last two months. It rose from ₦460/\$ to ₦551/\$ in March 2023 and then to ₦610/\$ in April 2023. This is amidst the rise in airlines trapped funds¹ in Nigeria from \$744 million in March to \$802 million in April, which sent a bad signal to foreign investors about the repatriation of their funds after investment.

The increase in the airline exchange rate will compound the issues faced by airline operators. Already, the price of JET A1 fuel is up 60% to ₦800/liter from ₦500/liter a year ago. The president of the National Association of Nigerian Travel Agencies' acknowledged the hike in airline exchange rates and stated that this will likely result in an additional hike in airfares. Airfares have increased by 13.33% to ₦1.7mn from ₦1.5mn between April and the first week in May. Also, a return ticket from Nigeria to London has spiked to about ₦1.5mn and ₦1.8mn in the last year.

Rising costs of airfares could affect the demand for air travel as consumer disposable income remains weak. Inter-country business activities could slow down, consequently stalling growth. More people could switch to alternative means of transportation including road or rail, which is currently unsafe.



Purchasing managers' index rose by 27.19% in April

The Stanbic IBTC purchasing managers' index rose by 27.19% to 53.8 points in April from 42.3 points in March, indicating a recovery in business activities in Nigeria's private sector as the naira scarcity eased. The total cash in circulation is up 71% to ₦1.68trn in March from ₦982bn in February, the peak of the cash crunch.

In the last two months of Q1'23, the PMI reading fell below the 50 points benchmark to 44.7 points in February and 42.3 points in March, revealing the dire impact of the naira scarcity on businesses across the country.

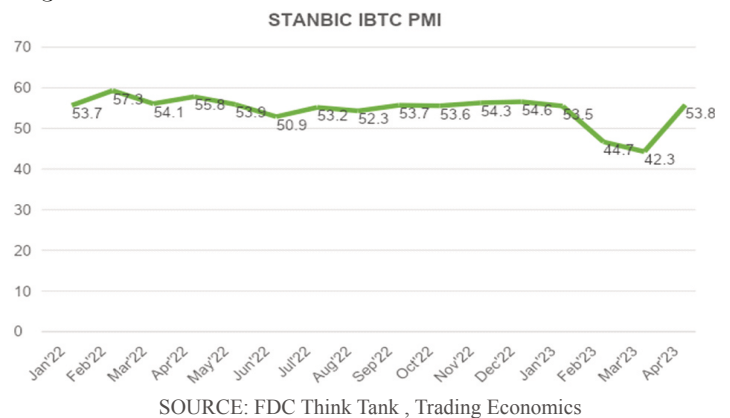
Thankfully, the improvement in cash supply is not only supporting businesses but also boosting consumer demand. Consumption contributes over 70% to Nigeria's GDP.

A further breakdown of the PMI reading showed that

employment fell slightly as companies remained cautious about hiring due to rising input costs, exacerbated by the lingering forex scarcity and exchange rate fluctuations. The naira at the parallel market depreciated by 0.41% to ₦740/\$ in April from ₦737/\$ at the beginning of the year. More so, the exchange rate premium between the official and black market rates has continued to widen (up 1.04% to ₦277.87/\$ in April from ₦275/\$ in January), worsening the blended rate for manufacturers.

Furthermore, business sentiments remained subdued in April, pointing to higher chances of divestments and lower investment inflows in the near term.

The good news though is that barring an erratic policy pronouncement (like the naira scarcity) in the coming months, there could be an improvement in Q2'GDP numbers, given that the private sector contributes 11.2% to Nigeria's GDP.



Global food prices rise for the first time in a year, led by sugar – FAO

The global food-price index, which analyzes changes in the price of food around the world, increased to 127.2 points in April 2023, up 0.6% from March 2023 (126.5 points). This is the first increase after 12 consecutive monthly declines. According to the Food and Agriculture Organization (FAO) of the United States', the increase was mainly driven by rising sugar prices. The sugar price index climbed by 17.6% to 149.4 points in April due to poor harvests in India, Thailand and Europe. It was compounded by the late harvest in Brazil. A further breakdown by FactSet² revealed that raw sugar prices are at the highest level (26 cents per pound) since October 2011.

Moreso, meat prices rose by 1.3% in April to 114.5 points, led by pork and poultry. During the steady decline in global food prices, sugar and meat remained outliers among the declining food items.

The FAO's Chief Economist, Maximo Torero holds that global food prices are likely to stay elevated in the coming months on increased demand. Despite the increase in global food prices, the FAO food index remains 19.7% below its level in April 2022 (158.5 points) when the Russia-Ukraine war drove prices to record levels. Meanwhile, as food prices continue to rise globally, inflation, poverty, and food insecurity will rise in emerging countries that rely heavily on imports.

¹ Trapped cash is money that cannot be transferred cross-border for an extended length of time due to regulatory, tax, or business process constraints.
² FactSet. 2023. Sugar prices at 11-year highs, buy or sell. Reuters. <https://www.reuters.com/article/sugar-outlook-prices/sugar-prices-at-11-year-highs-buy-or-sell-idUSKBN2WW1BA>



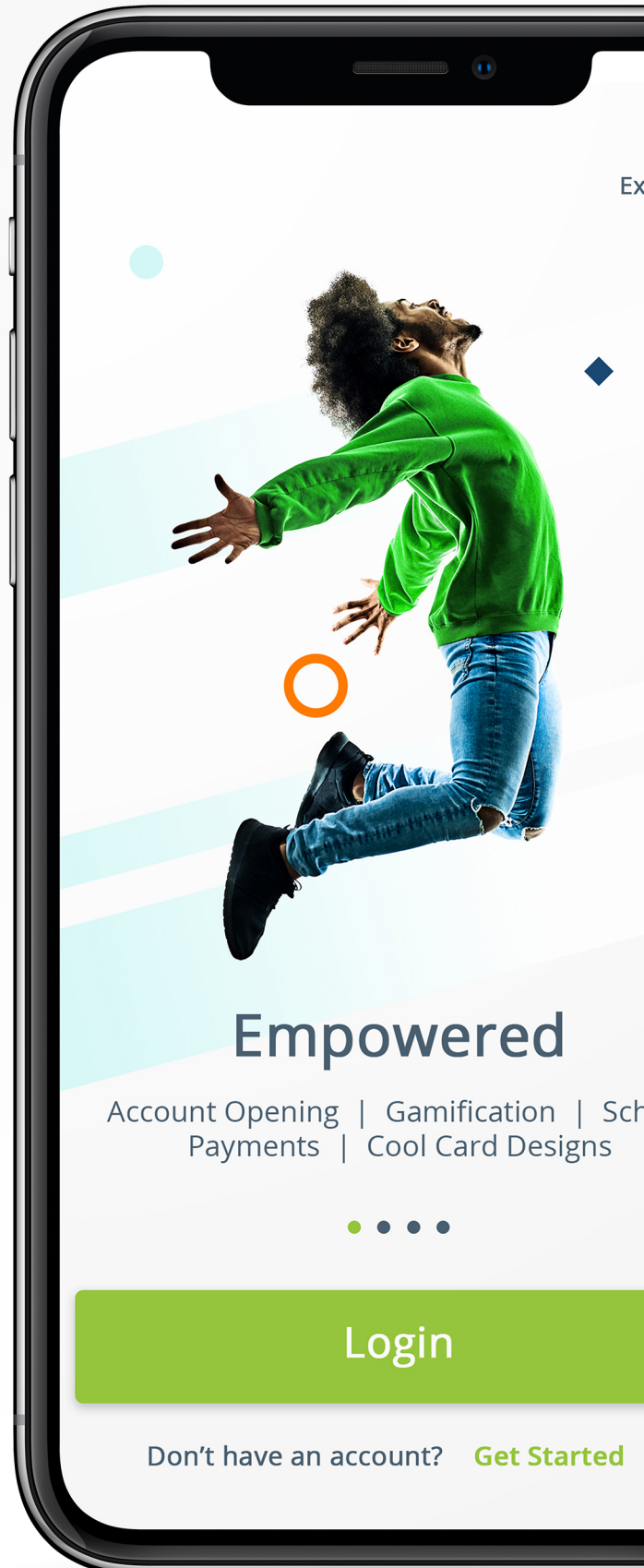
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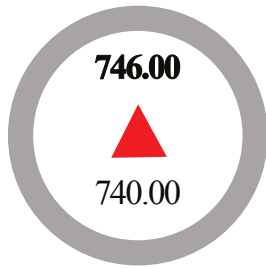


The Business Environment

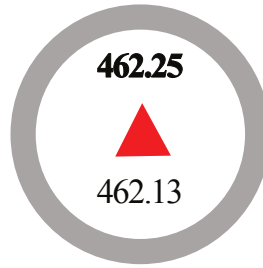
(May 2nd - 10th, 2023)



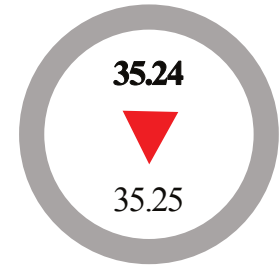
Forex Market



Forex:Parallel (N/\$)



Forex:IEFX (N/\$)



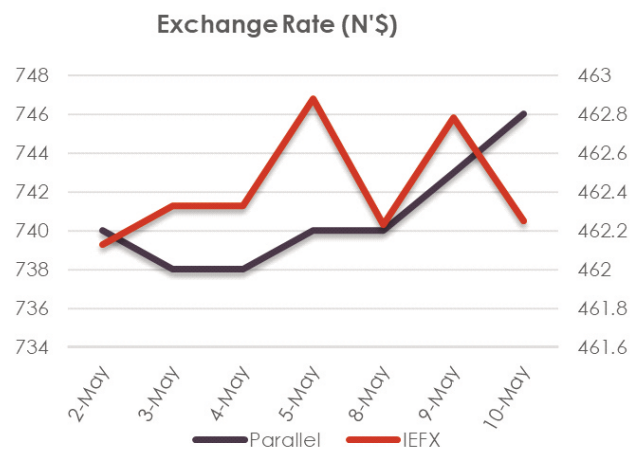
External Reserves (\$/bn)

The naira was highly volatile during the review period, trading within a band of ₦738/\$ - ₦746/\$. It depreciated by 0.81% to close the first half of May at ₦746/\$ from ₦740/\$ on April 28. This was despite the 27.56% increase in forex supply at the I & E window to \$98.84mn from \$71.6mn at the close of April. Similarly, the naira at the I & E window depreciated slightly by 0.03% to close the review period at ₦462.25/\$ from ₦462.13/\$ at the end of the second half of April.

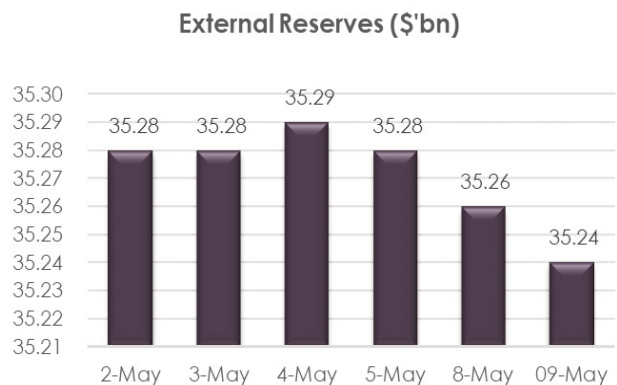
In the first two weeks of May, the gross external reserves depleted further to a new year low of \$35.24bn after gaining some ground in the first few days. The decrease in gross external reserves was partly attributed to the sustained decline in oil prices during the period. Currently, the level of external reserves can only cover 8.00 months

Outlook and Implications

The naira at the parallel market is likely to appreciate in the coming weeks due to the sustained increase in forex supply and the subdued demand for the US dollars. Meanwhile, the country's gross external reserves could maintain a downward trend due to CBN's consistent efforts to support the naira.



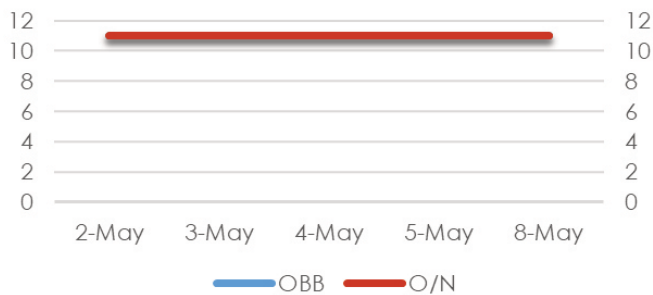
SOURCE: FDC Think Tank, FMDQ



SOURCE: FDC Think Tank, CBN

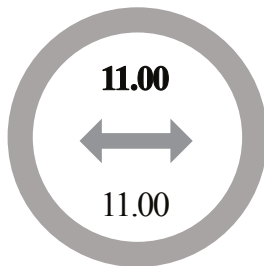
Money Market

Short-Term Interbank Rates (%)

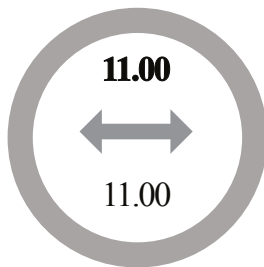


SOURCE: FDC Think Tank, FMDQ

In the review period, banks' average opening position surged by 495.41% to ₦450.61bn from ₦75.68bn in the last two weeks of April. The increase in market liquidity led to the decline in average short-term interbank rates (NIBOR) plunged by 438basis points (bps) to 15.38%p.a from 11.00%p.a. in the previous period. Individually, OBB and ON rates remained flat at 11%p.a. and 11%p.a respectively on May 9. There was an OMO repayment of ₦50bn during the review period without any corresponding OMO sales.



NIBOR: OBB(%p.a)



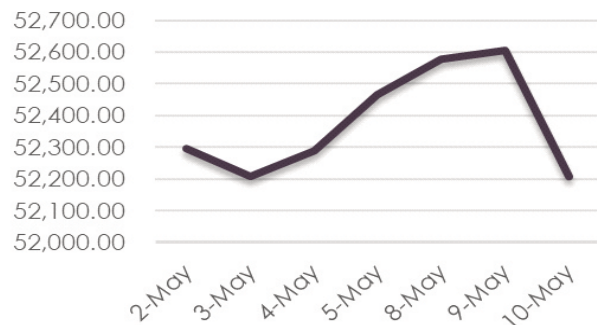
NIBOR: O/N(%p.a)

Outlook and Implications

Interbank rates are expected to rise due to the ₦50bn drop in liquidity.

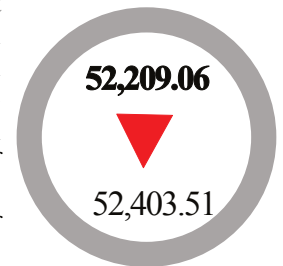
Stock Market

NGX ASI

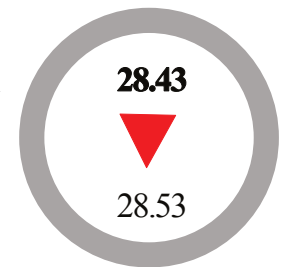


SOURCE: FDC Think Tank, NGX

The stock market performance was largely choppy in the first half of May. Of the 7 trading days, it gained on 4 days and recorded losses on 3 days. The mixed performance was due to a sharp decline in treasury bill rates which increased the attractiveness of stocks, coupled with cautious trading by investors, ahead of Nigeria's inflation data release. Compared to its close in the last half of the month (52,403.51 points), the market lost 0.37% to close the review period at 52,209.06 points. Similarly, the stock market capitalization fell by 0.35% to close at ₦28.43trn from ₦28.53trn at the end of the previous period. As of May 11, the 52 weeks and YTD returns stood at 34.83% and 1.87% respectively.



NGX ASI



Market Cap. (N'trn)

Outlook and Implications

The stock market performance is expected to be choppy due to cautious trading by investors in the near term. Investor sentiments are likely to be driven by the country's inflation data, which will be released on May 15.

Upward Review of Savings Rate

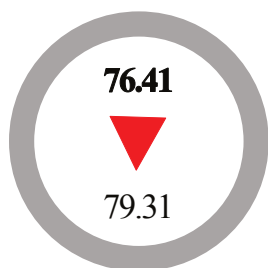
	New rate	Old rate
Savings Rate	5.40%	5.25%

**All rates are per annum*



Commodities

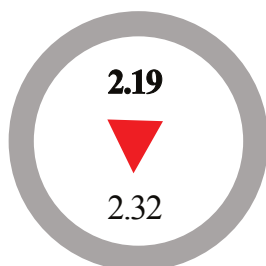
Brent prices(\$/b)



Outlook and Implications

Brent price remained bearish in the first half of May owing to the unexpected rise in US crude inventories and renewed banking jitters in the US. The price of Brent dropped below Nigeria's budget's benchmark of \$75pb and a month low of \$72.33pb on May 3 before rising slightly to close the review period at \$76.41pb. Similarly, the average Brent price fell by 3.41% to \$75.19pb from \$83.66pb in the previous review period. However, we expect oil prices to rise in the coming weeks as the OPEC supply cut begins to take effect. Higher oil prices is positive for the FG earnings and reserves accretion.

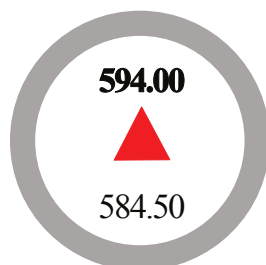
Natural gas(\$/mmbtw)



Outlook and Implications

LNG prices rose slightly in the first two weeks of May buoyed by increasing demand from Asian countries. In the next half of the month, we expect LNG prices to resume their downward trend as Europe continues to build its gas inventories ahead of the next winter. LNG constitutes 11% of Nigeria's export earnings, therefore, lower prices will weigh on the country's revenue and widen its fiscal deficit.

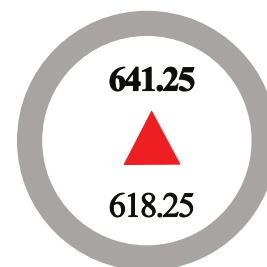
Corn(\$/bushel)



Outlook and Implications

The global price of corn maintained its steady decline within the review period on forecast of improved supply from the US due to its favourable weather conditions. However, corn prices could uptick in the near term due to deepening supply concerns as worries about Black Sea supply subside. This will cause import costs to surge and stoke inflationary pressures in the country.

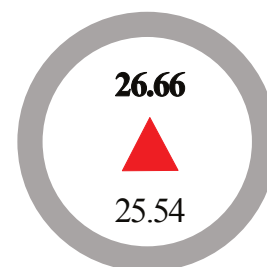
Wheat(\$/bushel)



Outlook and Implications

Wheat prices were relatively low in the first few days of May but began to rise, ending the review period at \$641.25/bushel. This was a result of lingering uncertainties concerning Black Sea supply, which, if prolonged, will push wheat prices higher in the coming weeks. Higher wheat prices will worsen the country's trade balance and increase the domestic prices of wheat-related commodities.

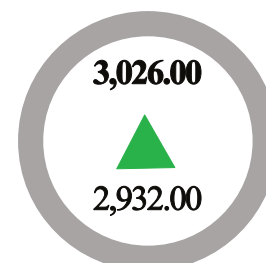
Sugar(\$/pound)



Outlook and Implications

Sugar prices remained elevated during the review period owing to lower crop yield in India, Thailand and Brazil. These factors are expected to linger in the near term, causing sugar prices to remain bullish and the import bill costs to soar.

Cocoa(\$/mt)



Outlook and Implications

Cocoa prices continued their upward trend in the first half of May as supply constraints persisted globally. However, increased rainfall in top producers, Nigeria and Ivory Coast, will boost the demand prospects and weigh on cocoa prices in the near term. This in turn, will weigh on Nigeria's export earnings and farmers' income.

Press Release

World Earth Day 2023: Environmentalist, Desmond Majekodumi, commends Unity Bank's sustainability strides



UNITY Bank Plc has received commendation from one of Nigeria's foremost environmentalists, Mr Desmond Majekodunmi, for its consistent environmental sustainability initiatives and programmes aimed at protecting the planet earth.

Mr Majekodunmi, who is the founder of Lufasi Nature Park, Lagos - Nigeria's only urban forest reserve - gave the commendation at the bank's beach cleaning and tree planting exercise held to commemorate the World Earth Day 2023.

According to the nature park promoter, Unity Bank's commitment to environmental protection through consistent investment in sustainability programmes and initiatives has set the institution apart.

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Also as featured in the previous editions, the bank carried out a tree planting exercise in 23 locations across the country, with members of staff participating in planting at least a tree in each of the locations.

Speaking at the event, the Divisional Head, Resources, Unity Bank Plc, Mr Hillary Ajuebon, said that the World Earth Day initiatives have become a core focus of the bank's Corporate Social Responsibility aimed at promoting climate action and reduction of environmental pollution.

Citing recent reports on ocean pollution, he decried gloomy statistics, stating that "of the over 380 million tonnes of plastic produced globally every year, about 10 million tonnes of plastic waste escapes into the oceans from different coastal plains. There are 5.25 trillion pieces of plastic waste estimated to be in our oceans. While 70 percent of the debris sinks into the ocean's ecosystem, 15 percent floats and 15 percent lands on our beaches."

While noting that plastic pollution has become one of the world's most pressing environmental issues, he said Unity Bank would continue to join collaborative efforts aimed at eliminating plastic pollution in the oceans.

Ajuebon further recalled that in addition to the beach cleaning and tree planting exercise, the bank had, throughout the month of April, embarked on aggressive sensitisation on environmental sustainability, reinforcing the bank's culture of prioritising sustainable practices, adding that the bank has over time promoted corporate and business philosophy that encourages low paper usage, recycling and adoption of renewable energy through increased investment in solar-powered branches and ATMs.

Social Story

2023 MET GALA



The biggest fashion show of the year took place at the Metropolitan Museum of Art in New York City on May 1.

This year, the theme of the event was "Karl Lagerfeld: A Line of Beauty" to intentionally celebrate the renowned designer, Karl Lagerfeld who died in 2019

The German fashion icon had worked with many popular brands like Patou, Balmain, Chloé, Fendi, Chanel, and his very own namesake brand, putting his stamp on the global fashion scene.


Many famous celebrities were in attendance, all dressed up in a wonderful display of costumes and in line with the dress code, 'in honour of Karl'.


In all, the event was a big success thanks to the hosts, Penélope Cruz, Michaela Coel, Roger Federer, Dua Lipa, and Anna Wintour, who were dedicated to keeping things entertaining.




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Lifestyle

How Sleep Deprivation is Secretly Killing Your Career

Culled from [coinstatics](https://coinstatics.com)³



Are you on the bandwagon to earn, earn and earn more to build up a good account balance and indulge in all the luxuries of life? Well, believe it or not we all are bitten by the consumer bug where we essentially work to earn more and have access to the latest iPhone, the grandest car and to park that car in the most royal and majestic villa.

What more...to pursue those larger than life dreams we stretch ourselves thin, often to the extent of depreciating our well-being and manipulating our healthy lifestyle. Time for a reality check...more often than not, you skip breakfast, ignore the mid-day hunger pangs that creep up between an important presentation, binge an extra loaded cheese sandwich to compensate for a healthy lunch, drive straight into a pub after work to unwind the load of a hectic day, return home to gorge on a cold frozen dinner and head straight to bed when it is already past midnight and still struggle to sleep!

Yes...this is our ultra-modern lifestyle where we are branching out to

widen the canopy of our career while poisoning our roots to the core and yet expecting the best results. To put it simply, you cannot expect to deliver your best at work, if your body is un-rested and undernourished. While a number of modern vitamin and health supplements flooding the markets may make up for the deficiency in vitamins, there is absolutely no substitute for good sleep.

One or two nights of sleep deprivation can bring you laurels at work in terms of a better framed business strategy for a client or a presentation that was completed at the cost of precious sleep but in the long run, it shall ruin your career! Yes... you heard it right.... Ruin your Career! Why? Because we need adequate sleep to perform well each day and every day.

Why do we need adequate sleep to perform well?

If I tell you that you need adequate sleep to rebuild and recharge your body cells, then it may sound cliché. So let's get deeper and know the science behind sleep and our performance. Studies and research from the

³ <https://coinstatics.com/how-sleep-deprivation-is-killing-your-career/>

University of Rochester suggest that sleep acts as a cleanser. When we are off to sleep, our brain removes the toxic proteins from its neurons that are by products of neural activity when we are awake and our brains are functioning. Our brain can engage in this cleansing activity only when we are asleep and most of the nerves are resting. Sleep deprivation would mean missing out on this important cleansing regime. When we deprive our bodies of sleep, the brain cannot drive out or sanitize the nerve cells, hampering our thinking and cognitive abilities to a large extent.

Sleep deprivation literally kills or impedes many of our brain functions resulting in the following consequences:

Increased irritability, impairs cognitive thinking, leads to memory lapses or loss, increases stress, leads to impaired immunity system, slows down our response time, decreases accuracy and lowers our concentration levels

Not only this, lack of sleep over a period of time develops into a sleep disorder commonly called insomnia. It catapults your stress levels, increases anxiety and leaves you emotionally impaired. You start feeling lost with a degenerating IQ and EQ worse than that of a kid. With so many hitches, surely you have got a profound answer to the imperative question of how sleep affects our functioning or rather productivity. With all the above downsides of sleep deprivation, do you think you can do justice to your professional performance and build a growing career? Of course not!

So, take a step back and face the reality

Sleep deprivation is like dissolving slow poison which one day takes a gigantic shape with irrevocable loss. You will certainly agree that the way you handle your emotions and thoughts has a direct influence on your performance. What if you carry the aftereffects of the tiff that you had with your better half at the breakfast table to the conference room? You will not only show unbalanced emotions there but also perhaps lose out

on the deal cursing the tiff you had. Whereas if you go down deeper, you should not be cursing the quarrel but your late night sleep schedule that triggered the tiff.

High EQ thinkers and performers know that it is not only the 7-8 hours of sleep that does good to them but also the quality of sleep that shapes up their health, emotions and in the long run their performance and career. Today's lifestyle offers various instances that pull down or hamper quality sleep. Some of the killers of good sleep that can disrupt your daily rest schedule are:

Irregular sleep schedule, intake of alcohol and caffeine close to bedtime, certain medications, over exposure to electronic gadgets during sleep time, lack of sleep hygiene, wrong choice of mattress and pillow, and many more...

Having cited so many justifications, it is still likely that you may be impressed by your co-worker's ability to stay all night and work on a project while performing reasonably well during the day hours too, thus not whole heartedly acknowledging all that has been stated here. But remember, what you see of him is only what he shows to the world; you may be oblivious of the underlying issues. He may be suffering-poor metabolism, undiscovered health issues, emotional irritability, mood imbalances and more.

Take a sneak look into his daily life and you will know how he may be melting fast by burning the candle at both ends. Revisit the old adage 'Take care of the pennies and the pounds will take care of themselves' with a new perception. Yes, you take care of your health and quintessential sleep and everything else will fall into place-your health, your lifestyle, your emotions, your relationships, your job and not to forget - your applaudable performance in the boardroom!



Contact

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