


Unity Bank Digest

May 1st, 2023

Finance

Economic News

Lifestyle



Persistent
inflationary
pressures
heighten
consumer
dilemma

Unity Bank Towers

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Victoria Island, Lagos, Nigeria

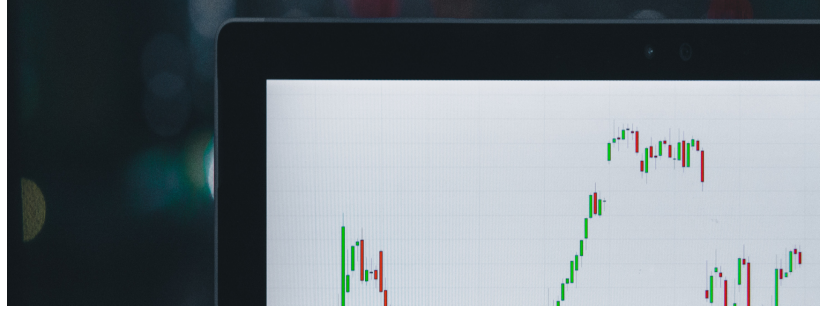
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The Macro



The price of local rice climbs by 200% in seven years

Local rice is now almost 200% more expensive than it was in 2016. According to data released by the National Bureau of Statistics, the average price of one kilogram of rice, which was ₦172.74 in 2016, has now risen to ₦520.84 as of February 2023. The import prohibition imposed on the commodity in 2015, rising insecurity, and the high inflation rate are the primary factors contributing to this price increase.

The increase in the price of local rice is despite the government's continuous efforts to boost domestic rice production, as the supply shortfall still exists in the market. Domestic supply of rice stands at 4.5 million metric tonnes, while consumption is at 8 million metric tonnes, creating a supply gap of 3.5 million metric tonnes that imports typical plug.

Over the years, the government has embarked on several supply-incentive projects for local rice, such as the Anchor Borrowers' Programme, the Real Sector Support Facility Agriculture Development Scheme, and the Paddy Aggregation Scheme.¹ These have increased the number of large-scale integrated rice processing facilities to 100 from 13 in 2014. However, poor implementation and monitoring measures have capped the success of these initiatives, keeping local rice production sub-optimal.

Rice is a major staple food in Nigeria. As a result, the price surge could intensify the cost-of-living crisis currently pervading the economy. Nigeria is already battling an elevated inflation rate (22.04%), therefore the increase in the price of rice will further stoke this problem.



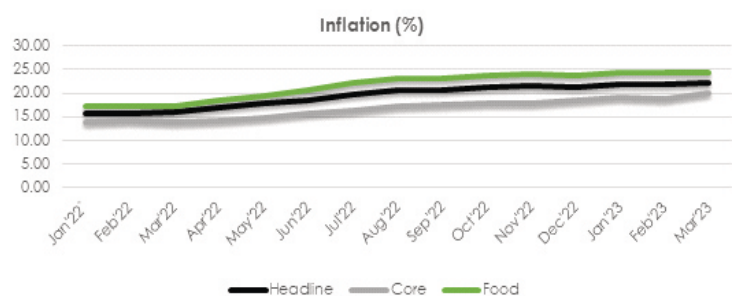
Nigeria's headline inflation soars to 22.04% in March

Nigeria's headline inflation for March 2023 rose by 0.13% to a new 17-year high of 22.04% from 21.91% in February 2023. This is the third consecutive monthly increase since the decline in December 2022. The uptick in March's inflation was due to increases in prices of both food and non-food items as the reinfusion of the old naira notes improved consumer demand. Similarly, month-on-month inflation (which measures the current price movements) rose by 0.15% to 1.86%, emphasizing that inflation risks are elevated.

The inflation breakdown revealed that all sub-indices rose in tandem with the headline inflation. Annual food inflation climbed 0.1% to 24.45% in March as food prices remained elevated. Also, core inflation spiked by 1.02% to 19.86% supported by the rise in house rents and electricity tariff hikes, following the gradual phasing out of the electricity subsidy.

In April, headline inflation is expected to edge higher, supported by increased demand due to Easter and Ramadan celebrations during the month. This will be compounded by supply shortfalls owing to the commencement of the planting season.

Spiraling inflation will continue to strain consumer disposable income while businesses battle with rising costs of operations amid persistent forex scarcity. On the other hand, as the inflation rate remains above interest rates, the negative real return on investment widens. Unfortunately, this increases the risk of divestment and sluggish growth. Noteworthy is that the sustained spike in inflation heightens the probability of another rate hike at the monetary policy committee meeting next month. We expect a 25 basis points hike in the interest rate, which will bring the total monetary policy rate to 18.25%. Meanwhile, the IMF has urged the CBN to maintain a hawkish monetary policy stance to rein in inflation.



SOURCE: FDC Think Tank, NBS

1. The Real Sector Support Facility Agriculture Development Scheme was established to meet the funding requirements for new business ventures and big firm expansion projects with a maximum amount of N10 billion and a total value of N300 billion. The Paddy Aggregation Scheme provides an avenue for Integrated Rice Millers and Large Scale Aggregators to purchase locally cultivated rice paddy for a single digit interest rate.

Currency-in-circulation rises by 71% to ₦1.6trn

In March 2023, currency in circulation backpedalled with an uptick of 71% to ₦1.6 trillion (trn) from ₦982.09 billion at the end of February 2023. This is the first increase since the implementation of the naira redesign policy, which led to cash shortages in the country. The policy successfully mopped up a cumulative total of ₦2.3trn, evident in the four consecutive declines in currency in circulation between October 2022 and February 2023. However, the sharp uptick in March was due to the reversal of the naira redesign policy by the CBN. The CBN had instructed banks to adhere to the Supreme Court's order to extend the validity of old naira notes until December 31, 2023, thereby boosting the amount of money in circulation.

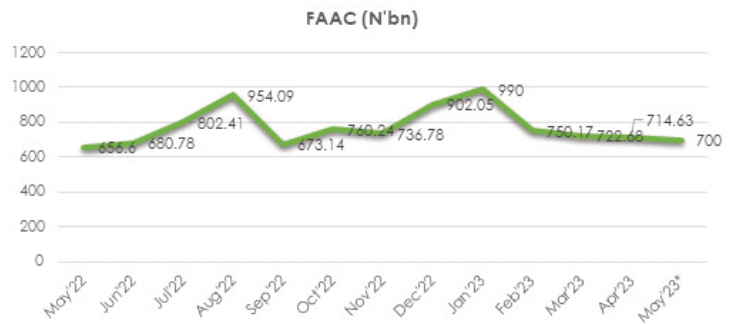
While this has had a positive impact on consumer demand and productivity levels, it contributed to the surge in March's inflation, which soared by 0.13% to 22.04%. Even worse, the sustained rise in currency in circulation, due to the reinfusion of the old naira notes, will inadvertently stoke demand-pull inflation, thereby worsening the cost-of-living crisis in the country amid stagnant income levels. Consequently, more people will fall below the poverty line. Already, over 60% of the total population in Nigeria is multidimensionally poor.



FAAC allocation falls further to ₦714.63 billion in April

The total amount disbursed to the three tiers of government by the Federal Account Allocation Committee (FAAC) in April fell by 1.11% (₦8.05bn) to ₦714.63bn from ₦722.68bn shared in the previous month. This is the third consecutive decline and the lowest allocation since January 2023. The shortfall is attributable to a considerable decline of 9.62% in value-added tax and lower oil prices in the month of March. This is despite the increases in the petroleum profit tax, corporate income tax, oil and gas royalties, import and excise duties, and the electronic money transfer levy (EMTL).

The total distributable revenue for the month under review is composed of gross statutory revenue (₦497.45bn), value-added tax (₦202.69bn) and EMTL ₦14.49bn. From the total distributable revenue, the federal government received ₦276.14bn, the state governments received ₦232.13bn, and the local government councils received ₦171.26bn.



SOURCE: FDC Think Tank, NBS

FAAC disbursement is expected to decline further in May due to lower oil earnings as oil production fell for the first time since October 2022 (down 1.24% to 1.354mbpd from 1.371mbpd in February 2023). This is in addition to the existing subsidy payments as oil prices remain high (above \$80 per barrel). The good news, however, is that the fuel subsidy is scheduled to be removed in June 2023. While this has huge inflationary effects, it will improve the government's revenue and thus, the FAAC allocation. Meanwhile, a lower FAAC allocation to the state governments will exacerbate their already dire financial positions, making it difficult to pay salaries and provide other critical socio-economic infrastructure. Consequently, aggregate demand and consumption levels will fall, likely impairing manufacturers' sales and profit levels.

Nigeria spent 96% of its revenue to service debt in 2022

The World Bank, in its Macroeconomic Poverty Outlook² for Nigeria 2022, revealed that Nigeria's debt servicing in 2022 gulped 96.3% of the country's revenue compared to 83.21% in 2021. According to the Bretton Woods Institutions,³ Nigeria's fiscal deficit has worsened the country's total debt stock, which amounted to ₦44.6trn in 2022, or 5% of the GDP. Rising fiscal pressures are compounded by the country's bloated fuel subsidy payments. In 2022, fuel subsidy payments amounted to ₦4.39trn and the government plans to spend an additional ₦3.36trn in H1'23.

This is amid dwindling revenue stemming from low oil earnings and subsidy payments. The increase in the country's debt stock has pushed the debt service to revenue ratio to over 96% in 2022. Meanwhile, the debt service payment is expected to rise further as major central banks around the world maintain an aggressive monetary policy stance. Unfortunately, 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.



2. IMF. 2023. "Macroeconomic Poverty Outlook." <https://www.worldbank.org/en/publication/macro-poverty-outlook>

3. Bretton Woods Institutions refer to the International Economic Organizations including World Bank and International Monetary Fund (IMF)

FG to increase public servants' salaries by 40% in April

In response to the rising inflation rate, as well as the elevated unemployment rate, the federal government has proposed an increase in public servants' salaries by 40%. According to the proposal, the increase in salaries which is expected to commence at the end of April was initially scheduled to begin in January 2023. The outstanding payments for January, February, and March would then be reimbursed to government workers later in the year. However, it has been made clear that the increase in these salaries is not a direct increase but rather an increase in personal allowances, which have now been termed 'peculiar allowances'.

Nigeria's March 2023 inflation rate stands at a 17-year high of 22.04% and the unemployment rate remains steady at 33%. Similarly, Nigeria's poverty level continues to increase, with the poor population now at 133 million, up from 83 million before the COVID-19 pandemic. These issues have greatly depleted consumers' disposable income, with the recent naira cash saga delivering a significant blow to income levels. However, the possible increase in salary payments to public servants (currently estimated at 2.12 million people) will help ease the current cost of living crisis and increase the standard of living in the country as consumption levels pick up.



Nigeria ranked 88th in Global Logistics Performance Index

The World Bank, in its latest Logistics Performance Index (LPI)⁴ report titled "Connecting to Compete 2023: Trade Logistics in an Uncertain Global Economy," ranks Nigeria 88th out of 139 countries in the world in terms of trade logistics performance. The country's rating is behind other African countries like South Africa (19th), Egypt (57th), Benin Republic (66th), Botswana (57th), Namibia (66th), Djibouti (79th) and Rwanda (73rd).

The latest LPI report, which came after three years of unprecedented supply chain disruptions and extended delivery times caused by the COVID-19 pandemic, provides

a measure of countries' ability to move goods across borders with speed and reliability. The report also offers useful information for decision-makers and stakeholders in the logistics sector to pinpoint areas where their nations' logistics performance may be improved to be competitive in the global market.

The LPI, which is benchmarked at a score of 5.0, revealed Nigeria's performance in segments. Nigeria scored 2.6 on customs, 2.4 on logistics infrastructure, 2.5 on international shipments, 2.3 on logistics competence and quality, 3.1 on timeliness and 2.7 on tracking and tracing. These ratings call for improvement in Nigeria's logistics performance. Noteworthy is that the biggest delays in Nigeria occur at seaports and airports due to the lack of adequate infrastructure, technology and poor clearance processes. Therefore, as long as these problems remain unresolved, Nigeria's logistics sector is likely to remain challenged, which could have an impact on trade and ultimately impede the nation's growth prospects.




4. The LPI is an interactive bench-marking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics, including shipping and what they can do to improve their performance.

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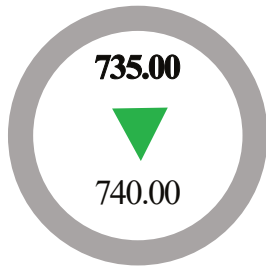
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The Business Environment

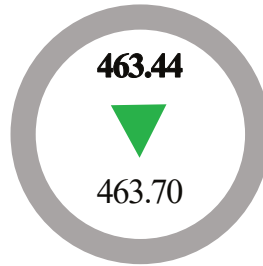
(April 17th - 26th, 2023)



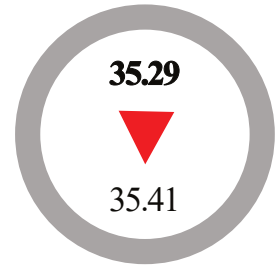
Forex Market



Forex:Parallel (N/\$)



Forex:IEFX (N/\$)



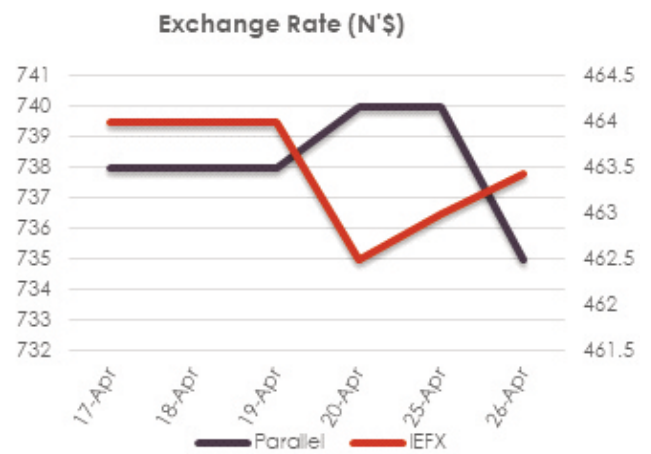
External Reserves (\$/bn)

At the parallel market, the naira remained relatively stable trading flat for three out of the six trading days and within a tight band of ₦735/\$ - ₦740/\$. It appreciated by 0.68% to close the second half of April at ₦735/\$ from ₦740/\$ on April 14. The slight appreciation was supported by the 125% surge in forex supply (\$139.85mm) within the period. Similarly, the naira at the I & E window appreciated slightly by 0.06% to close the review period at ₦463.44/\$ from ₦463.7/\$ at the end of the first half of April.

During the review period, the gross external reserves depleted further to the lowest this year \$35.29bn. The decrease in gross external reserves was partly attributed to the persistent fall in oil prices in the second half of April, compounded by the fall in oil production. Currently, the level of external reserves can only cover 8.01 months, 0.37% down from 8.04 months on April 14

Outlook and Implications

The naira is likely to appreciate further in the coming weeks on sustained increase in forex supply amid subdued demand for the US dollars. However, the continuous intervention of the CBN to support the naira will weigh on the country's external reserves.

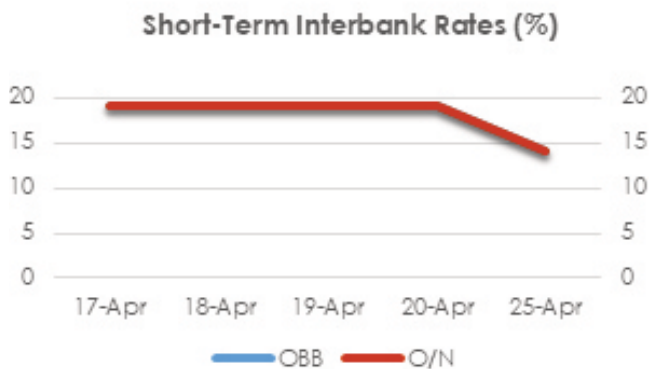


SOURCE: FDC Think Tank, FMDQ



SOURCE: FDC Think Tank, CBN

Money Market

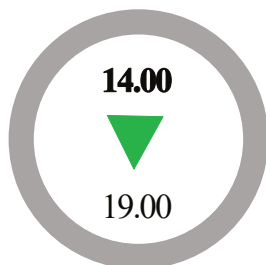


SOURCE: FDC Think Tank, FMDQ

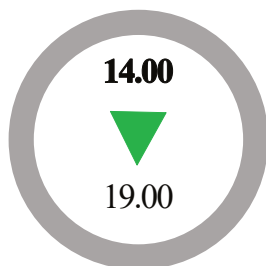
Banks' average opening position remained negative for the most part of the review period before crossing into the positive threshold to close the month. It surged by 391% to ₦350.92bn from ₦120.61bn short in the first two weeks of the month. Consequently, the average short-term interbank rates (NIBOR) fell by 75basis points (bps) to 18%p.a from 18.75%p.a. in the previous review period. Individually, OBB and ON rates dropped by 500bps each to close at 14%p.a. and 14%p.a respectively on April 25. There were no OMO sales or repayments during the review period.

Outlook and Implications

Interbank rates are expected to drop further due to inflows from NTBs repayment of ₦174.86bn.

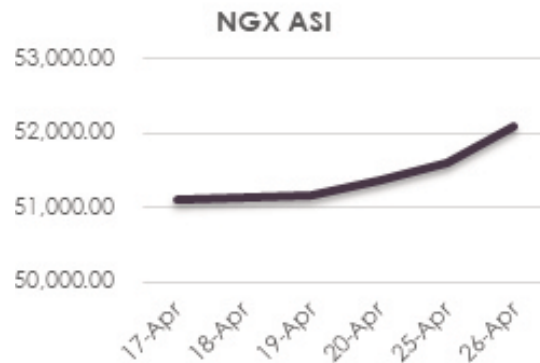


NIBOR: OBB(%p.a)



NIBOR: O/N(%p.a)

Stock Market

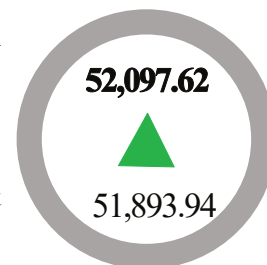


SOURCE: FDC Think Tank, NGX

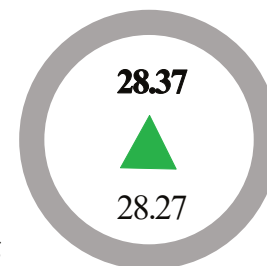
In the second half of April, the stock market recovered some losses, gaining in 5 days out of the 6 trading days. The positive stock market performance was due to renewed investors sentiments as investors rushed to take advantage of previous market losses. Compared to its close in the first half of the month (51,893.94 points), the market gained 0.39% to close the review period at 52,097.62 points. Similarly, the stock market capitalization rose by 0.35% to close at ₦28.37trn from ₦28.27trn at the end of the previous period. As of April 26, the 52 weeks and YTD returns stood at 34.54% and 1.65% respectively.

Outlook and Implications

The stock market performance is likely to be choppy in the coming weeks. Investor sentiment will be driven by Q1'23 quality of earnings (impacted by cash crunch and existing inflationary pressures). Profit taking activities will also flood the market as stocks get marked down for dividend.



NGX ASI



Market Cap. (N'trn)



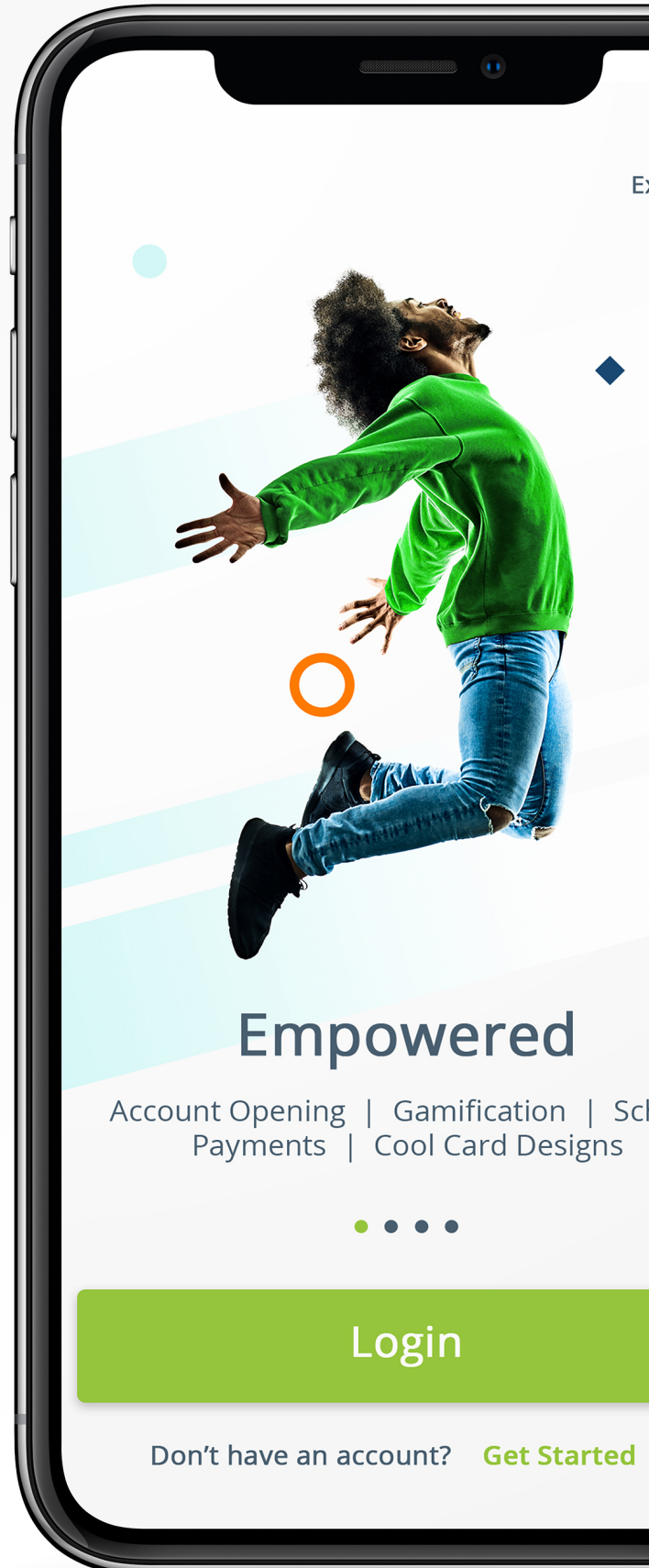
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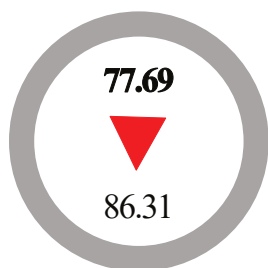
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Commodities

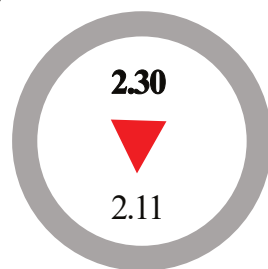
Brent prices(\$/b)



Outlook and Implications

During the review period, Brent price declined steadily, falling from \$86.31pb on April 14 to close the review period at its lowest level of \$77.69pb in April. The steady decline was due to mounting recessionary fears and anticipation of a rate hike by the US Fed. This is despite OPEC's effort to tighten global supply and growing optimism about China's demand. In like manner, the average price of Brent dropped 3.41% to \$82.68pb from \$85.60. However, we expect oil prices to rise in the coming weeks due to the larger-than-expected drop in US crude stockpiles by 5.1 million barrels and the anticipated increase in oil consumption due to the May holiday travel in China. Higher oil price is positive for the FG earnings and reserves accretion.

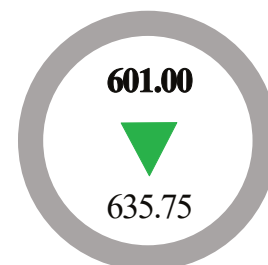
Natural gas(\$/mmbtw)



Outlook and Implications

In the coming weeks, we expect LNG prices to fall further as warmer weather condition in regions like the US, limits its demand. LNG account for 11.08% of the total export, therefore lower LNG prices will reduce Nigeria's export earnings and widen its fiscal deficit.

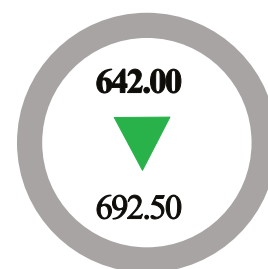
Corn(\$/bushel)



Outlook and Implications

The global price of corn maintained a bearish trend within the review period due to forecast of improved weather conditions in the US. However, Corn prices are expected to rise next month on mounting supply concerns owing to Russia's threat to halt Black Sea supply. This will cause import costs to surge, which will most likely filter into the domestic prices of corn and corn-related products.

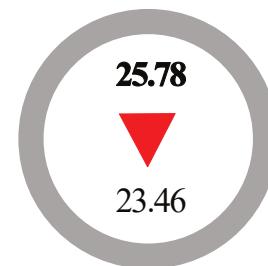
Wheat(\$/bushel)



Outlook and Implications

Wheat prices were relatively low in the last two weeks of April. This was despite Russia's threat to halt Black Sea supply and lower crop yield in US due to its adverse weather conditions. However, these factors will start to significantly bolster wheat prices in the near term. This will worsen the country's trade balance and increase the domestic prices of wheat-related commodities.

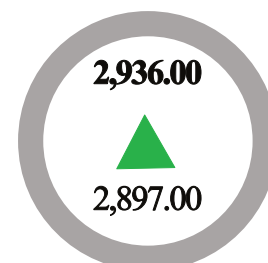
Sugar(\$/pound)



Outlook and Implications

Sugar prices climbed to an 11-year high in the second half of April. This was due to the decline in production in some of its major producing countries such as Brazil and Thailand. The global price of sugar is likely to remain bullish as output from Asia begins to dwindle causing supply concerns to grow. This will be unfavourable for the Nigerian economy as the import bill rises and inflationary pressures intensify.

Cocoa(\$/mt)



Outlook and Implications

Cocoa prices have remained volatile in the review period. However, improved supply prospects due to the above-average rains in Ivory Coast will cause cocoa prices to fall in the coming weeks. Lower cocoa prices will reduce Nigeria's export earnings as well as farmers' income.

Social Story

Queen Charlotte: A Bridgeton Story, premiered in South Africa

- The long-awaited prequel to the Emmy award-winning Netflix show 'Bridgeton' is finally to appear on screens on May 4.
- As part of the celebrations to usher in the series' release, Netflix South Africa and Nigeria organized a glam elite premiere on the 16th of April.
- The theme of the event was regency style with a hint of Afrochic, and it was held at Quoin Rock Wine Estate, South Africa.
- Many renowned African celebrities did not fail to show up in style for the exquisite garden party.
- From the looks of things, the six-episode series is bound to keep viewers glued to their screens, patiently waiting to hear Lady Whistledown's famous line "Dear Readers."



Some celebrities that graced the occasion

Upward Review of Savings Rate

	New rate	Old rate
Savings Rate	5.40%	5.25%

**All rates are per annum*



Lifestyle

4 ways to learn gratitude and bring positivity to your life

Culled from medium⁵

Have you ever questioned why some people who do not have much are miraculously happy while some have all a person can ask for and more but still lack peace in their lives? I have always wondered and pondered over this question. Suddenly an answer popped out of nowhere while reading the book called “The Boy, the Mole, the Fox and the Horse” by Charlie Mackesy. There was a conversation between the mole and the boy where the mole asks the boy, “Is your glass half empty or half full?” and the boy responds to it, which blows my mind. It said “I think I’m grateful to have a glass,” and then everything suddenly fell in place and the puzzle was solved.

It was all about how grateful you were for your current situations that made the person happy or sad, positive or negative. We are so engrossed in life that we sometimes forget how beautiful the present moment is, how serene the current breath and how glorious life is.

“The more you practice gratitude, the more you see how much there is to be grateful for, and your life becomes an ongoing celebration of joy and happiness.” – Shari Alyse.

How to cultivate GRATITUDE?

After having the big Ah-ha moment, the question that pondered my mind was, if gratitude is so great, why no one talks about it? Since no one talks about it, I wasn’t sure how I should start, how I should be grateful, and what I should do to practice gratitude. So just like any other centennial, I asked Google (oh! sorry, ChatGTP!) about this. I tried many techniques, but the ones that stand out the most are so simple that I finally understood what Paramhansa Yogananda meant when he said, “Be as simple as you can be; you will be astonished to see how uncomplicated and happy your life can become.”



POSITIVE

5. Anubhav Singh Guleria.2023. 4-ways to learn gratitude and bring positivity into your life.medium. <https://medium.com/@anubhavsguleria/4-ways-to-learn-gratitude-and-bring-positivity-to-your-life-fcc34eaf8aaa>.

Here are my four rules, which have changed my perspective on life, pain and struggle.

Be Grateful for this day: People forget how lucky they are to wake up another day. I see many people waking up and condemning their life, condemning God for their life, their problems or their struggles. People often overlook one crucial aspect. Steve Harvey has put it beautifully when he says: If God really was through with you, you won't even wake up the next day.

So, be grateful for the new day, and be excited about things this day has in store for you, as Denzel Washington has knocked it off the park with this quote (Be prepared, it hits hard!) Today is the first day of the rest of our lives. So be grateful, excited and happy for the first day of the rest of your remaining life.

Focus on the good that happens in your life and appreciate it: All of us, even the people who live the harshest of lives, have some moments of happiness and bliss in our life, so I believe every one of us should put more emphasis on these good moments and should appreciate and cherish them.

Find positivity and optimism even in the darkest moments: This might seem funny to hear, like who in their right mind can do this? But the reason why I believe this is because this has worked for me. First, let me tell you a famous Chinese story that made me think this

might work. The story begins like this; "Once there lived an old farmer who had worked his crops for many years. One day his horse ran away. Upon hearing the news, his neighbours came to visit. "Such bad luck," they said sympathetically. "Maybe," the farmer replied. The next day the horse returned, bringing three other wild horses. "How wonderful," the neighbours exclaimed. "Maybe," replied the old man. The following day, his son tried to ride one of the untamed horses, was thrown, and broke his leg. The neighbours

4 commandments to practice

GRATITUDE

again came to offer their sympathy for what they called his "misfortune." "Maybe," answered the farmer. The day after, military officials came to the village to draft young men into the army. Seeing that the son's leg was broken, they passed him by. The neighbours congratulated the farmer on how well things had turned out. "Maybe," said the farmer." This story taught that no good news is 100% good and no bad news is 100% bad, and this is a Taoist story about the yin-yang concept. So please find positivity and good in everything. This will help you, as it has helped me a lot.

Before going to bed, be grateful for three things that happened to you: Trust me, this step has done wonders for me, as this method is the culmination of the other methods. As this method forces you to do all methods stated above. Before going to sleep, try to be grateful for things in your life and trust me, your life will change in a couple of weeks.

Contact

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