

Unity Bank Digest

September 4th, 2023

Finance

Economic News

Lifestyle



Higher
FAAC to
boost
government
spending

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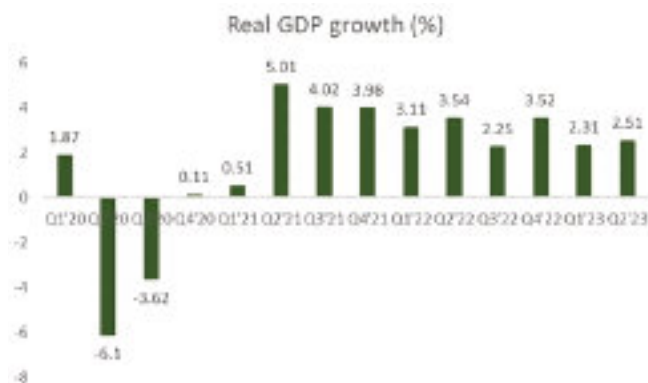
The Macro



Nigeria's GDP slowed to 2.51% in Q2'23

The Nigerian economy encountered significant headwinds in Q2'23, with GDP growth slowing to 2.51%, a notable drop from the 3.54% recorded in the corresponding period of the previous year. This downturn can be primarily attributed to the persistent effects of the naira redesign policy, high operating costs and weak consumer demand that affected sales and overall output in key sectors. Similarly, the pivotal oil sector, responsible for over 50% of government revenue and more than 80% of foreign exchange earnings, contracted further by a substantial 13.43% from -11.77% in Q2'22, extending the sector's three-year-long recession.

The oil sector's continued decline can be attributed to persistent challenges such as oil theft, pipeline vandalism, and force majeure, which led to lower oil production. In Q2'23, average daily oil production dropped to 1.22 million barrels per day (mbpd) compared to 1.51 mbpd in Q1'23 and 1.43 mbpd in Q2'22. This contraction resulted in the oil sector's contribution to GDP shrinking to 5.34%, down from 6.21% in Q1'23 and 6.33% in Q2'22.



Analyzing the data further reveals that among the 46 activities tracked by the National Bureau of Statistics (NBS), 16 experienced expansion compared to 12 in Q1'23, 22 experienced deceleration, while 8 contracted. The slowdown in growth was predominantly felt by employment intensive sectors, grappling with currency devaluation, weakened consumer spending, and heightened security concerns. Certain sectors like the metal ores, quarrying, and rail transport sectors exhibited robust growth. However, they remained insufficiently labor-intensive, hinting at potential unemployment escalation.

The prolonged recession in the oil sector and the broader economic challenges will further deplete Nigeria's external reserves and lower fiscal revenues. Additionally, businesses are likely to face reduced demand owing to shrinking consumer's disposable income, necessitating cautious financial planning and cost management

strategies. The decline in consumers' disposable income will stem from the potential job market strains which will decrease their purchasing power and worsen their standard of living.

Nigeria's unemployment rate stands at 4.1% using new methodology

After a two-year hiatus, the National Bureau of Statistics released the latest unemployment report, showing a drop in Nigeria's unemployment rate to 4.1% from 5.3% in the last quarter of 2022 (Q4'22). The sharp improvement in the country's unemployment rate was solely due to the newly adopted ILO methodology used in computing the unemployment rate.

The ILO had earlier announced a new methodology for computing employment data, in line with international standards. Under this methodology, the employed comprises people who are working at least one hour a week compared to the previous 20 hours a week. Also, the working age population was expanded to people over 15 years of age compared to the previous 15-64 years. This brought the number of employed persons to 73.6% and 76.7% of total population in Q4'22 and Q1'23 respectively. However, it is essential to acknowledge that individuals above 64 years actively seeking employment are unlikely to secure jobs, rendering their inclusion within the expanded working age potentially inconsequential or even negligible in terms of contributing to the country's GDP.



Based on the figures released, Nigeria's unemployment is lower than in many comparable countries, even in some advanced countries like Germany (5.6%), and Canada (5.5%). Noteworthy is that the substantial decline in the unemployment figures is attributed to the newly adopted methodology, as opposed to the emergence of new employment opportunities or an improvement in economic conditions. This distinction is crucial because, when considering the minimum wage of ₦30,000/month and the standard 8-hour daily work hours, the minimum

hourly wage in Nigeria equates to ₦187.5 (\$0.23 when using the ₦799.9/\$ exchange rate), which is barely enough to improve living standards and lift people out of poverty. This is lower compared to Germany (\$11.1) and Canada (\$11.2).

On the flip side, by adopting a new method for calculating the unemployment rate, Nigeria could align itself with international standards and facilitate improved cross-country comparisons. Nevertheless, as concerns regarding the accuracy of this data in capturing the true unemployment situation in Nigeria escalate, there is a potential risk that formulating policies solely based on this data might prove to be ineffectual. Such a scenario could potentially exacerbate the existing inequality gap, worsen consumers' standard of living, and impede the overall economic progress of the nation.

FAAC Shared ₦966bn July Revenue

The Federal Account Allocation Committee (FAAC) announced in a communique that it distributed ₦966.11 billion as July 2023 revenue among the three tiers of government in Nigeria: the federal, state and local governments. This was the highest revenue allocation this year, representing a 6.5% increase (₦59.06 billion) from the ₦907.05 billion allocated for June 2023.

The increase in FAAC allocation was largely due to the removal of the fuel subsidy, which according to the NNPC, gulped ₦400bn monthly. This is in addition to the impact of the exchange rate difference, which also contributed 16% to the total FAAC allocation. The total distributable revenue breakdown includes statutory revenue of ₦397.42bn, VAT of ₦271.95bn, electronic money transfer levy income of ₦12.84bn and N283.9bn from exchange differences.

FAAC allocation for the coming month is expected to rise further on elevated oil prices (Brent crude remains above \$80pb), the sustained depreciation of the naira and NNPC disbursement to the federation account. Higher FAAC allocation means more funds for the government to provide social safety nets and increase spending on infrastructure, in order to alleviate the policy-induced hardships faced by the masses. For state governments, it improves their ability to pay salaries, which will in turn boost aggregate demand and consumption levels.

Currency in circulation fell by 0.29% in July to ₦2.59trn

In July, currency in circulation decreased by 0.29% to ₦2.59trn. This is the first decline since February 2023 (₦982bn). The reduction is due to the relentless efforts of the CBN to mitigate excess money supply in the economy, a situation exacerbated by challenges in implementing the Naira redesign policy. The naira redesign policy which was initiated in March 2023, aimed to replace old Naira notes with new ones, thereby

reducing the substantial amount of money in circulation which stood at ₦3.29 trillion in October 2022. Consequently, both old and new notes continued to coexist in the market, resulting in a 54.17% surge in currency in circulation to ₦2.59 trillion in July, up from ₦1.68 trillion in March.

The decrease in currency circulation indicates a weakening aggregate demand, as the circulating currency constitutes only 4-6% of the total money supply. However, this development can enhance banks' liquidity, enabling them to extend more loans for investment and consumption and also increase the effectiveness of monetary policies. Nonetheless, rising inflation and increasing cost of living may cause currency in circulation to increase in the coming months.

Diesel price soar to ₦890/litre amid forex scarcity and VAT

Diesel prices surged by 36.9% nationwide in August, reaching ₦890 per litre from ₦650 per litre in July. The president of the National Oil and Gas Suppliers Association of Nigeria attributed this surge to forex scarcity in the official market, forcing importers to use the parallel market where the naira hit an all-time low of ₦955/\$ on August 11.

Also, the 7.5% VAT applied to diesel imports in June by the Federal Inland Revenue Service (FIRS). The president of the National Oil and Gas Suppliers Association also stated that diesel importers were unaware of this as they believed diesel was VAT-exempt like petrol and kerosene. However, FIRS clarified that diesel's HS code (2710.19.21.00) isn't in the exempted range (2709.00.00.00 - 2710.19.12.00) per the VAT Modification Order 2021.



This price hike will lead to higher operational costs for businesses as most businesses depend on diesel-powered generators for electricity due to the unreliable power supply in the country. These costs will be passed on to consumers through higher prices of goods and services, which will worsen inflationary pressures in the economy, which rose for the sixth consecutive month by 1.6% to 24.08% in July, driven by high food and transport prices.

The Federal government disburses N5bn aid and rice to states.

The National Economic Council (NEC) has endorsed the federal government's plan to allocate ₦5 billion and five trucks of rice to the 36 states and the federal capital territory. These funds are intended for procuring staple grains like maize, millet, sorghum, and wheat, to be distributed to economically disadvantaged Nigerians. The NEC has instructed the National Emergency Management Agency (NEMA) to provide additional food items to states sharing borders with Niger Republic.

These palliative measures represent short-term interventions to lessen the effects of fuel subsidy removal, which has caused a notable hike in both petrol prices and general commodity costs. According to the National Bureau of Statistics (NBS), inflation soared to 24.08% in July, reaching its highest rate since 2005.

While the ₦5 billion palliatives and trucks of rice may provide some relief to the people, they are not long-term solutions to Nigeria's economic challenges. The government needs to address the root causes of inflation, unemployment, and low productivity, as well as improve the security situation in the country. Moreover, the influx of refugees from Niger Republic may put more pressure on the already scarce resources and create social tensions.

CBN reinforces BDCs with new operational regulations in Nigeria.

The CBN introduced a new regulatory regime for BDCs on August 17, 2023, that aims to improve their efficiency and effectiveness in the forex market. The CBN will also restart the provision of foreign exchange to BDCs.

The CBN had suspended BDC operations in July 2021, on the premise that BDC activities distorted the forex market by creating and exploiting arbitrage opportunities. The CBN further claimed that BDC operations fostered the dollarization of the Nigerian economy.

However, the new regulations from the CBN stipulate that BDCs must operate within a band of -2.5% to +2.5% of the previous day's weighted average rate of the Nigerian Foreign exchange market window. For instance, the weighted average rate of the Nigerian foreign exchange market window for the naira/US dollar pair on August 28, 2023 was ₦799.9/\$1. This means that on Tuesday, the lowest price that a BDC can buy the naira/US dollar pair is ₦779.9/\$1, and the highest price that a BDC can sell the naira/US dollar pair is ₦819.9/\$1. Any BDC that operates outside this band will be penalized by the CBN. The CBN also mandates BDCs to submit periodic financial reports and violations will incur penalties, including license cancellations.

The new regulations for BDCs are designed to increase the efficiency and transparency of the forex market by creating a framework that ensures accountability and compliance among BDC operators. It will also narrow the gap between the demand and supply of forex in the market and facilitate the access of foreign exchange to

importers and individuals for their economic activities and transactions abroad. This will reduce Nigeria's import bill and the prices of imported goods and services by increasing access to the dollar at slightly higher exchange rates within the band.

Oil production fell by 10.7% in July to 33.5 million barrels

Nigeria's total oil production dropped by 10.7% in July, reaching 33.5 million barrels from 37.5 million barrels in June. The daily output also decreased by 13.6%, going down to 1.08 million barrels per day (mbpd) in July from 1.25 mbpd in June. This decline resulted in a loss of approximately \$320.4 million (₦249 billion) in oil revenue for Nigeria in July. This calculation is based on the World Bank's average Brent price of \$80.1 per barrel for July and an average exchange rate of ₦777.3/\$ in the official market during the same month.

The drop in production was primarily due to repairs at the Forcados terminal in July, making Nigeria the second-largest contributor to OPEC's output decline that month. Lingering oil theft and pipeline vandalism also contributed to the decline. Daily output has been unstable since February, after recovering from a record low of 0.94 mbpd in September 2022. Monthly production varied from 0.99 mbpd to 1.27 mbpd between March and July.

However, the prospect of oil production looks bright as Forcados terminal resumes oil export of about 220,000 barrels per day. Also, the NNPC has discovered oil in commercial quantities in Nasarawa and Bauchi. Therefore, increasing oil production in these states will help boost total oil production. Higher oil production will bolster Nigeria's export earnings. This will in turn support the government's investment in infrastructure projects that can boost growth, and improve the citizens' standard of living.



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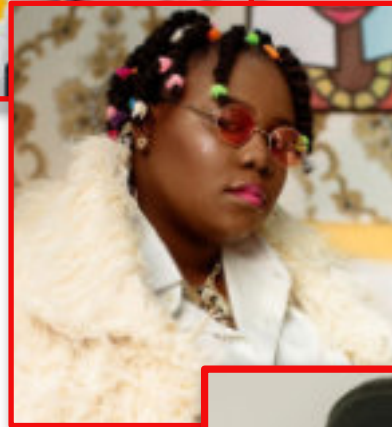
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Social Story

Headies Awards 2023

- The 16th edition of the trailblazing Headies Award took place on Sunday, September 3, at Cobb Energy Performing Arts Centre in Atlanta, USA.
- The show was hosted by the dazzling duo of Nollywood star Osas Ighodaro and Hollywood heartthrob Terrence J.
- Afrobeat artist Rema dominated the Headies award show with multiple wins.
- He won Best Male Artist, Digital Artist of the Year, and African Artist of the Year for Nigeria.
- Rema also received the Best Music Video award for "Calm Down" on behalf of Director K and delivered a heartwarming speech on why Nigerian artists need to support local institutions and grow the ecosystem.
- Asake also made history by being the first artist to win both the Next Rated and Album of the Year awards (for Mr. Money with the Vibe) on the same night.
- Other winners include Blaqbonez winning the Best Rap Album award for his album 'Young Preacher' and Burna Boy winning Best Song of the Year for his hit single "Last Last," among others.
- While this year's Headies Award is done and dusted, many promising tracks are gaining popularity and could stand a chance of winning an award in the next edition. One such example is Teni's latest single, "Lanke," a perfect choice for any occasion when you're looking to dance and enjoy yourself.



Lifestyle



Five lifestyle changes to enhance your mood and mental health

Culled from theconversation.com

When someone is diagnosed with a mental health disorder such as depression or anxiety, first line treatments usually include psychological therapies and medication. What's not always discussed are the changeable lifestyle factors that influence our mental health.

Even those who don't have a mental health condition may still be looking for ways to further improve their mood, reduce stress, and manage their day-to-day mental health.

It can be empowering to make positive life changes. While time restrictions and financial limitations may affect some people's ability to make such changes, we all have the ability to make small meaningful changes.

Here are five lifestyle changes to get you started:

1. Improve your diet and start moving

Wholefoods such as leafy green vegetables, legumes, wholegrains, lean red meat and seafood, provide nutrients that are important for optimal brain function. These foods contain magnesium, folate, zinc and essential fatty acids.

Foods rich in polyphenols, such as berries, tea, dark chocolate, wine and certain herbs, also play an important role in brain function.

In terms of exercise, many types of fitness activities are potentially beneficial - from swimming, to jogging, to lifting weights, or playing sports. Even just getting the body moving by taking a brisk walk or doing active housework is a positive step.

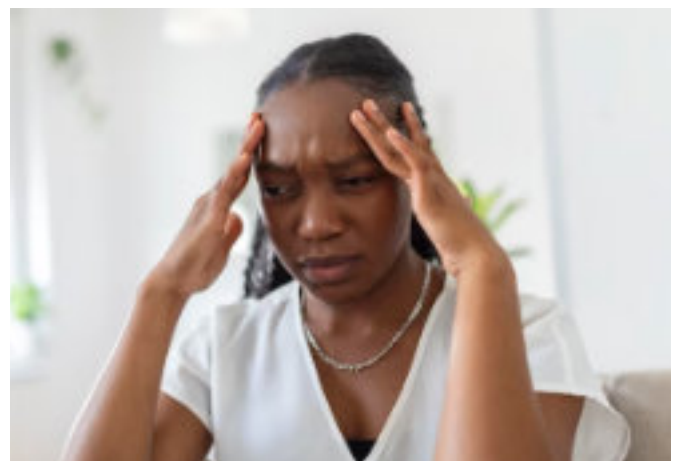
Activities which also involve social interaction and exposure to nature can potentially increase mental well-being even further.

General exercise guidelines recommend getting at least 30 minutes of moderate activity on most days during the week (about 150 minutes total over the week). But even short bouts of activity can provide an immediate elevation of mood.

2. Reduce your vices

Managing problem-drinking or substance misuse is an obvious health recommendation. People with alcohol and drug problems have a greater likelihood than average of having a mental illness, and have far poorer health outcomes.

Some research has shown that a little alcohol consumption (in particular wine) may have beneficial effects on preventing depression. Other recent data, however, has revealed that light alcohol consumption does not provide any beneficial effects on brain function.



Stopping smoking is also an important step, as nicotine-addicted people are constantly at the mercy of a withdrawal-craving cycle, which profoundly affects mood. It may take time to address the initial symptoms of stopping nicotine, but the brain chemistry will adapt in time.

3. Prioritize rest and sleep

Sleep hygiene techniques aim to improve sleep quality and help treat insomnia. They include adjusting caffeine use, limiting exposure to the bed (regulating your sleep time and having a limited time to sleep), and making sure you get up at a similar time in the morning.

Some people are genetically wired towards being more of a morning or evening person, so we need to ideally have some flexibility in this regard (especially with work schedules).

It's also important not to force sleep - if you can't get to sleep within around 20 minutes, it may be best to get up and focus the mind on an activity (with minimal light and stimulation) until you feel tired.

The other mainstay of better sleep is to reduce exposure to light - especially blue light from laptops and smartphones - prior to sleep. This will increase the secretion of melatonin, which helps you get to sleep.

Getting enough time for relaxation and leisure activities is important for regulating stress. Hobbies can also enhance mental health, particularly if they involve physical activity.

4. Get a dose of nature

When the sun is shining, many of us seem to feel happier. Adequate exposure to sunshine helps levels of the mood-maintaining chemical serotonin. It also boosts vitamin D levels, which also has an effect on mental health, and helps at the appropriate time to regulate our sleep-wake cycle.

The benefits of sun exposure need to be balanced with

the risk of skin cancer, so take into account the recommendations for sun exposure based on the time of day/year and your skin colour.

You might also consider limiting your exposure to environmental toxins, chemicals and pollutants, including "noise" pollution, and cutting down on your mobile phone, computer and TV use if they're excessive.

An antidote to this can be simply spending time in nature. Studies show time in the wilderness can improve self-esteem and mood. In some parts of Asia, spending time in a forest (known as forest bathing) is considered a mental health prescription.

A natural extension of spending time in flora is also the positive effect that animals have on us.

Research suggests having a pet has many positive effects, and animal-assisted therapy (with horses, cats, dogs, and even dolphins) may also boost feelings of well-being.

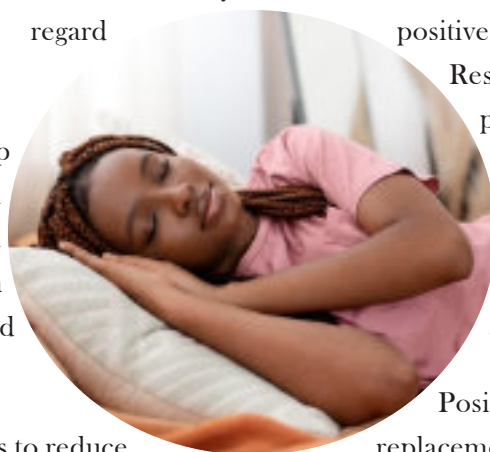
5. Reach out when you need help

Positive lifestyle changes aren't a replacement for medication or psychological therapy but, rather, as something people can undertake themselves on top of their treatment.

While many lifestyle changes can be positive, some changes (such as avoiding junk foods, alcohol, or giving up smoking) may be challenging if being used as a psychological crutch. They might need to be handled delicately, and with professional support.

Strict advice promoting abstinence, or a demanding diet or exercise regime, may cause added suffering, potentially provoking guilt if you can't meet these expectations. So go easy on yourself.

That said, take a moment to reflect how you feel mentally after a nutritious wholefood meal, a good night's sleep (free of alcohol), or a walk in nature with a friend.



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