

# Unity Bank Digest

September 19<sup>th</sup>, 2023

Finance

Economic News

Lifestyle

Brent hits  
11-month  
high in  
September

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# The Macro



## Nigeria's inflation rate hits 18-year high in August

In August, Nigeria's inflation rate rose by 1.72% to a staggering 25.80% from 24.08% in July. This is the eighth consecutive monthly increase and the highest since 2005. A breakdown of the data showed that prices increased across board with food inflation rising to 29.34% and core inflation climbing to 21.15%. The usual suspects behind this August inflation surge include the naira depreciation, money supply growth, and higher energy costs (diesel price rose by 3.66% to N850/liter). In August, the naira touched a record low of N955/\$, pushing imported food inflation to 20.46% from 19.79% in July.

Meanwhile, month-on-month inflation, which reflects the current economic situation, climbed 0.4% to 3.29% (46.23% annualized) in August from 2.89% (40.77% annualized) in July. This suggests that inflation risks are high and will likely persist throughout the rest of the year. In September, we anticipate continued inflationary pressures, driven by elevated energy costs and currency devaluation. Nonetheless, the onset of the harvest season could potentially temper the rate of increase in inflation.

However, surging inflation will tighten its grip on consumer wallets, necessitating adjustments to spending habits. Consequently, aggregate demand and consumption will decline, possibly putting a dent in manufacturers' bottom lines. This is in addition to rising costs of operations for manufacturers brought on by pricey imports, global price hikes, a jolt in energy prices, and the scarcity of foreign exchange.

Concurrently, the monetary policy committee is scheduled to meet on September 25-26. Given the persistent inflation uptick and positive Q2'23 GDP growth (2.51%), it is likely that the committee will opt to maintain its tight monetary stance.

## Federal Government hikes electricity meter prices

The Federal Government increased the prices of meters on September 6, 2023. The adjustments entail an increase in the cost of a single-phase prepaid meter by 31.2% from ₦58,661.69 to ₦81,975.16. Meanwhile, the price of a three-phase prepaid meter rose by 39.6%, now priced at ₦143,836.10 as opposed to ₦109,684.36. This increase was done to reflect the increased cost of importing meters due to the depreciation of the naira.

The Nigerian Electricity Regulatory Commission (NERC) justified this adjustment by revealing that some meter suppliers had threatened to withdraw from their agreements with the commission if the prices were not reviewed. The NERC further stated that these new prices

are to ensure fair and reasonable prices for both the meter providers and the customers.

However, the price increase was met with widespread criticism from consumers, given the already elevated cost of living and unreliable power supply in the country. According to the World Bank, the lack of reliable power is a significant constraint for citizens and businesses, resulting in annual economic losses estimated at \$26.2 billion (₦10.1 trillion).

Meanwhile, for most Nigerians, the concern extends beyond the increased meter prices; they are also seeking the benefits of these meters in the form of a reliable electricity supply. The nation's power infrastructure remains deficient, plagued by malfunctioning metering systems, energy theft, and other issues, with the national grid experiencing eight collapses in 2022 alone.

Nonetheless, the price hike imposes an additional burden on consumers, who are already grappling with rising costs. Apart from squeezing their already weak disposable income, the upward adjustment of the meter prices will widen the metering gap in the country. Already in Q1'23, only 5.3 million are metered out of the 12.5 million registered energy consumers in Nigeria, revealing a significant gap of about 7.2 million unmetered energy users.



## Lagos Blue Line Rail begins operation in September

The long-awaited Lagos Blue Line rail finally commenced operation on September 4, 2023. This project, initially conceived by the late Alhaji Lateef Jakande during his administration in 1983, experienced numerous setbacks and postponements in subsequent administrations until its recent inauguration for commercial operation this month. This move is aimed at reducing the dependence on a single mode of land transportation in Lagos State.

The Blue Line has two phases in its original design. The first phase runs for 13 kilometers from Marina to Mile 2,

while the second phase covers 14 kilometers from Mile 2 to Okokomaiko. The rail line has a carrying capacity of 250,000 passengers daily in its initial phase, with a potential to increase to 500,000 passengers daily in the future.

The launch of the Blue Line will have a significant impact on the transportation system in the city. First, there could be a substantial reduction in the travel time for passengers in Lagos, typically characterized by chaotic traffic situations.

Also, the Lagos state governor has implemented a 50% cut in the price for commuting, including journeys via train, making it affordable for people. For instance, a full trip from Marina to Mile 2 on the Blue Line was originally priced at ₦750. It has now been reduced to ₦375. Notably, this new rail system will be powered by electricity, a move expected to save approximately 2.3 million liters of fuel annually and reduce carbon emissions by 8,000 metric tons per year. On the downside, potential challenges that could threaten the rail system's long-term operation include insufficient electricity supply and a lacklustre maintenance culture.



### **Nigeria's private sector PMI drops to a five-month low in August**

The Stanbic IBTC purchasing managers' index PMI index, which measures the performance of the private sector, dropped by 2.9% to a five-month low of 50.2 points in August, 0.04% above the expansion benchmark of 50 points. This was mainly due to heightened inflationary pressures which continued to dampen demand, the naira's devaluation and elevated input and output costs which rose to their sharpest level since 2014. On the other hand, business sentiments in the private sector improved from July's record low but remained historically weak.

A closer look at the PMI numbers shows that employment in the private sector grew marginally as did purchasing activities owing to business efforts to raise their input stocks. However, the elevated input and output costs posed difficulties for companies in obtaining fresh orders.

The challenges outlined in the PMI report have significant implications for both consumers and

businesses. For consumers, the sustained inflationary pressures and the rising costs for businesses may lead to higher prices for goods and services, potentially eroding their purchasing power and impacting the overall standard of living.

On the business side, the difficulty in obtaining fresh orders due to price hikes can lead to reduced revenue and profitability, making it essential for companies to carefully manage their costs and explore strategies to maintain competitiveness in a challenging economic environment. This dynamic may also lead to increased competition among businesses as they seek to attract customers amid constrained demand, potentially fostering innovation and efficiency improvements in various sectors of the economy.

### **Nigeria's forex inflows rose 17.5% to \$17.18bn in Q1 2023**

In Q1'23, the Nigerian economy experienced a boost in foreign exchange (forex) inflows by 17.5% to \$17.18bn from \$14.62bn in the preceding quarter, as revealed in the recently released CBN economic and financial report. The improvement in forex inflows during the quarter was largely due to higher crude oil earnings (\$12.66bn vs \$12.63bn in Q4'22).

Meanwhile, FX outflows increased by 12.8%, to \$9.98 bn, compared to \$8.85 bn in Q4'22 mainly due to the external debt servicing, import-related transactions and sustained CBN interventions. Compared to Q4'22 net FX outflows increased by 24.7% to \$7.20bn in Q1'23 from \$5.78 bn.

According to the released data by CBN, the forex inflows did not reflect in the accretion of the gross external reserves and appreciation of the naira at the official market. External reserves during the period fell by 4.01% to \$35.14bn from \$36.61bn in Q4'22. The official rate also depreciated by 3.41% to ₦460.93/\$ from ₦445.71/\$ previously. This shows that demand for forex increased rapidly relative to supply (average daily turnover fell 12.7% to \$0.19bn from \$0.12bn).

On the plus side, forex inflows are likely to improve further in the coming quarters due to higher crude oil earnings (as oil prices climb above \$90pb and oil production improves further). Higher forex inflows would enhance debt repayment, forex accessibility for consumers and businesses involved in imports and overall economic stability. This influx can also strengthen the value of the naira, potentially curbing inflation and increasing the purchasing power of Nigerians.

### **Oil prices cross the \$90pb benchmark on supply concerns**

Brent traded above \$90 per barrel for the first time since November 2022. The increase was spurred by supply concerns as major producers (Saudi Arabia and Russia), announced an extension of their oil production cuts until December 2023. The two oil suppliers have cut oil output by one million barrels per day (mbpd) and 300,000

barrels per day respectively since July. This production cut offset the mounting fears of China's ailing economy and a stronger greenback. As a result, oil prices are likely to stay elevated in the coming weeks.

Meanwhile, oil production in Nigeria increased in August by 9.26% to 1.18 million barrels per day (mbpd) from 1.08mbpd in July due to the resumption of the Forcados export facility and sustained efforts to combat oil theft by the government. Higher oil production combined with oil trading above \$90 per barrel on the global market, could boost oil revenues substantially in Nigeria. Increased export earnings could aid foreign exchange reserves accretion, ultimately strengthening the country's ability to manage the currency value and meet external debt obligations.

### Nigeria's exports jump by 8.15% to ₦7.02 trillion in Q2'23

In Q2'23, Nigeria's trade balance experienced a remarkable increase of 35.9%, reaching ₦1.29 trillion (trn) compared to ₦927.16 billion (bn) in the preceding quarter. The increase is attributed to the surge in the country's export value, which reached ₦7.02 trn during the period.

Concurrently, despite a 2.99% growth in the country's imports, totalling ₦5.73 trn, the overall trade volume also grew, reaching ₦12.74 trn from ₦12.05 trn in the previous quarter. A further breakdown of the data revealed that the country's top export destinations were the Netherlands (12.91%) and the United States (8.93%), while China (23.32%) and the Netherlands (10.35%) were Nigeria's top import partners.

The 35.9% increase in Nigeria's trade balance during Q2'23, signifies positive developments for the country's economy as economic stability could improve and the country's foreign reserves grow, albeit gradually. However, the significant devaluation of the naira and rising imports indicate potential inflationary pressures and the need for continued efforts to reduce import dependency and manage currency fluctuations for sustainable economic growth.

Top traded products			
Imported products	% Share of total import	Exported products	% Share of total export
Motor spirit ordinary	21.50	Crude oil	79.63
Used vehicles	12.82	Liquefied Natural Gas	9.11
Gas oil	4.03	Urea	1.16
Durum wheat	3.64	Other petroleum gases	1.02
Jet fuel	2.51	Cashew nuts (shelled)	0.82

Top trading partners			
Country of origin	% Share of total imports	Country of Destination	% Share of total exports
China	22.17	Netherlands	11.24
United States	16.09	United States	10.24
Belgium	8.04	Indonesia	7.84
India	7.30	France	7.71
Netherlands	6.46	Spain	7.19

Source: FDC Think Tank, NBS

### Federal government expenditure surpasses revenue in Q1 '23

According to the Q1'23 Economic Report by the CBN, the Federal Government recorded a fiscal deficit of ₦1.43 trn, which was 9.6% higher than the previous quarter, but 22.1% lower than the budgeted amount of ₦1.84 trn for 2023. The fiscal deficit was financed by both domestic and external borrowing.

Government spending decreased by 1.3% compared to Q4' 22, resulting in a total expenditure of ₦2.77 trn in Q1'23. This figure represented a notable 36% shortfall in meeting the quarterly expenditure target of ₦4.33 trn. On the revenue front, the government reported retained earnings of ₦1.34 trn in Q1' 23. This amount is 10.7% lower than Q4' 22 revenue of N1.5 billion and a substantial 46.1% deviation from the targeted revenue of ₦2.49 trn.

The main factor behind the revenue shortfall was the low performance of oil revenue. The total revenue from oil was only 31.5% of total retained revenue, compared to the budgeted share of 65.2%. Oil revenue fell due to lower daily oil production, which averaged 1.24 mbpd in March, down by 17.6% from 1.51 mbpd in January. Nigeria still battles crude oil theft, pipeline vandalism, operational issues, and contractual disputes, limiting oil production.

The rising fiscal deficit poses a threat to Nigeria's public debt sustainability and macroeconomic stability. The public debt stock stood at ₦46.2 trn or \$103.1 bn as of December 2022, equivalent to 22.8% of GDP. This excludes the Ways and Means financing by the CBN, which amounted to ₦10.8 trn as of December 2020.

The high public debt burden may limit the fiscal space for growth-enhancing public spending and increase the country's vulnerability to external shocks. High public debt may also crowd out private sector credit and investment. Moreover, high public debt may necessitate higher taxation in the future to service the debt, which may adversely affect the disposable income of households and the profitability of businesses.

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# Social Story

## TOBI AMUSAN AND EZEKIEL NATHANIEL ARE HEADING TO PARIS OLYMPICS 2024!

- The Nigerian duo of Tobi Amusan, the former world 100m hurdles champion, and Ezekiel Nathaniel, the 400m hurdles record holder in Nigeria, have booked their tickets to the next Olympic Games in Paris, France, which is to take place from July 26 to August 11, 2024.
- Amusan is the first female athlete from Nigeria to confirm her place at the Paris Olympics after winning the 100m hurdles race at the BAUHAUS-Galan Diamond League meeting in Stockholm, Sweden on July 2, 2023.
- She clocked a stunning time of 12.52 seconds, beating the world entry standard of 12.77 seconds.
- Nathaniel also achieved his dream of competing in his first-ever Olympics by surpassing the entry standard of 48.70 seconds in the 400m hurdles.
- He ran a superb race at the World Athletics Championships in Budapest, Hungary, finishing in 48.47 seconds.
- Amusan and Nathaniel are among the first athletes from Africa to qualify for the Paris Olympics and will be hoping to make their country proud at the global stage. They have shown excellence and determination in their respective events and are ready to face the world's best in Paris.





## 9 Key Steps for Conflict Resolution at Work

*Culled from indeed*

Conflict resolution strategies allow you to increase workplace productivity by mitigating conflict when it first occurs. They also allow you to improve morale and teamwork within the workplace. Developing the skills and mastering the process of resolving conflicts takes time and practice. In this article, we discuss why conflict resolution is so important in the workplace and the steps you can take to quickly resolve conflicts when they arise.

### *What is conflict resolution?*

Conflict resolution is the process of resolving a dispute between two or more people. Conflict can occur between individual coworkers, between managers, between a manager and a member of their team or between a service provider and a customer or client. It can also occur between groups of people, such as between management and their workforce or between entire departments. When a dispute arises, the best course of action is to use negotiation to resolve the problem. Through negotiation, you can resolve the problem quickly, identify a solution all parties agree to and improve the relationship between the groups in conflict.

### *Why is conflict resolution important?*

Conflict resolution is essential to maintaining a productive workforce and high workplace morale. Through conflict resolution, you can:

- Understand more about the ideas, backgrounds and beliefs of another person and gain a new perspective that may even change your own.
- Better ensure that relationships continue and grow in the future.
- Find peaceful solutions to everyday challenges and put valuable resources like time, energy, reputation and motivation to better use in the workplace.

## *How to resolve conflict in the workplace*

Here are some steps you can use to resolve conflict in your own workplace:

### 1. Understand the conflict

Before you begin communicating with the other party, fully understand your position in the conflict and the position of the other party. It's also important to clarify your own interests and those of the other person. Think about what it is that you really care about in the conflict, what your concerns are and what you would like to see happen. Go through the same exercise, thinking about the conflict from the other party's perspective. Think through what agreements you might be able to reach.

### 2. Explore alternatives

In some cases, the parties are not able to reach an agreeable solution in a conflict. You need to take this into consideration before you sit down with the other party to resolve the issue. Think about at what point you will walk away from the conflict and what you will do if you can't reach an agreement. Then when you're brainstorming possible resolutions to the conflict, you can compare each of those solutions to the best alternative that you have already decided upon and rapidly determine if the new solution is better.

### 3. Find a private, neutral place

It's important to find a quiet and neutral location where you can discuss the conflict in private. Because the goal, ultimately, is to eliminate tension, a private location is essential. A manager's office or even a conference room may work well if you can close the doors and speak privately without being interrupted.

### 4. Be aware of body language

Be mindful of your body language, as you're conveying information to the other party without even having to speak. You want to project calmness and open-mindedness.

### 5. Identify a common goal

In this step, both parties agree on the desired outcome for the conflict. Once everyone has moved past the root cause of the problem, they often discover that they are working towards the same goal, they just have different opinions on how to reach that goal. Discuss what you would like to see happen and what your interests are. Invite the other party to do the same. Once you've identified the common goal, you can start working towards a resolution.

### 6. Use a third-party mediator

In some cases, it may be useful to use a neutral third party whom everyone trusts to be fair. This can help ensure both parties understand one another fully and, if necessary, continually remind everyone of the ultimate goal so that the conversation and brainstorming session remains productive.

### 7. Brainstorm solutions

Now that you fully understand the conflict, the interests of each party and the common goal for all parties, you can start thinking about possible solutions. Try to come up with as many ideas as possible. Look for win-win solutions or compromises that all parties can agree upon. Discuss each idea. Consider what's involved and whether the idea involves other people who should be consulted. If an idea cannot be used, discuss why it won't work. If the conflict is between you and someone who works under you, use their ideas first to increase the personal commitment on their part and make them feel heard.

### 8. Agree on a plan of action

Identify different solutions that both you and the other party can accept and see where there is common ground. Ideally, you would identify a solution that's a win-win for everyone involved. However, if this isn't possible, look for an idea that everyone can agree with and commit to.





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