

Unity Bank Digest

October 9th, 2023

Finance

Economic News

Lifestyle



Naira crosses
₦1000/\$
threshold as
forex shortages
persist

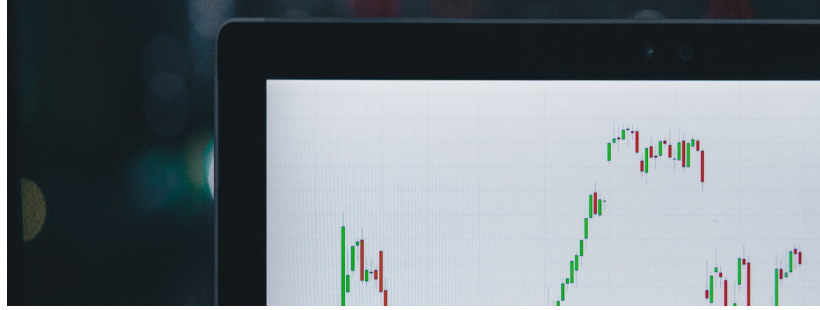
Unity Bank Towers
Plot 42, AHmed Onibudo Street
Victoria Island, Lagos, Nigeria

Head Office Annex
Plot 785, Herbert Macaulay Way,
Central Business District, Abuja, FCT

www.unitybankng.com

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The Macro



Discos resume meter distribution in September

As part of the Federal Government's initiative to end bloated billings and provide free prepaid meters to six million Nigerians, the 11 electricity distribution companies (Discos) in Nigeria have resumed meter distribution since mid-September. The Discos aim to clear the backlog of old orders and install 50,000 new meters by the end of the year. The electricity companies have assured that old meter orders will not be charged an additional fee, following the 40% increase in meter prices announced by the Nigerian Electricity Regulatory Commission earlier in the month. However, the 40% increase will be reflected in new meters. The new price for a single-phased meter is ₦81,975.16 while three-phased meters now cost ₦143,836.10.

On the bright side, the resumption of meter distribution could improve meter access for electricity consumers, reduce estimated billing and increase energy efficiency. However, the frequent collapse of the national grid, with the most recent occurring on September 19, 2023, reducing power generation from a peak of 3,594.60 megawatts (MW) to only 42.7MW, will affect the availability and quality of electricity supply for customers. Also, the operating costs for businesses could rise as they are forced to rely on diesel-powered generators. Meanwhile, diesel is currently being sold at ₦1,100/litre in some parts of Lagos, a staggering increase from ₦750/litre two months ago.



FG pays ₦169.4bn in subsidy to keep petrol price at ₦620/liter

Three months after the announcement of the removal of the petrol subsidy, reports revealed that the federal government has reinstated subsidy payments, with a whopping ₦169.4bn spent on subsidy in August. This is evidenced in the stagnation of petrol prices in the country despite the languishing naira (hit a low of ₦955/\$ in August) and the elevated price of oil globally (Brent traded above \$90pb in August).

Typically, the domestic price of PMS is expected to rise due to the combined pressures of exchange rate fluctuations and the global rise in oil prices. This is primarily because Nigeria relies heavily on importing a significant portion of its refined petroleum products to meet domestic demands. While crude oil constitutes a substantial 79% of Nigeria's total exports, the country lacks adequate refining infrastructure, which creates the need for petrol importation. Worse, as the naira continues to lose value (already at an all-time low of ₦1008/\$ and expected to weaken further), coupled with the expected rise in global oil prices, the cost of fuel importation is likely to edge higher. This could necessitate further government intervention through subsidy payments to stabilise the domestic fuel prices.

Oil marketers are already projecting that subsidy payments amount to ₦1.68 trillion between September and December of this year. While Nigerians are likely to enjoy stable fuel prices, higher fuel subsidy payments at a time when the federal government is grappling with revenue constraints and decreasing foreign inflows will exacerbate the country's revenue woes. This could place additional strain on FAAC allocations in the coming months, thereby limiting the federal government's capacity to pursue crucial capital projects that could stimulate economic growth and attract foreign investments. Also, state governments may also find it challenging to meet their salary payment obligations.

Nigeria's public debt rises to ₦87.38 trillion in Q2'23

Total public debt stock rose by 74.29% to ₦87.38 trillion (trn) in Q2' 23 from ₦49.85 trn in Q1'23, according to the Debt Management Office (DMO). This alarming increase is largely due to the inclusion of the ₦22.71trn CBN's ways and means advances to the government. .

Ways and means are overdrafts that the CBN (apex bank) grants to the federal government to finance its budget deficit, which should not exceed 5% of the apex bank's revenue from the previous year, according to Section 38 of the CBN Act, 2007. However, this limit has been breached since 2015 and the overdrafts have continued to rise. Total domestic debt in Q2' 23 stood at ₦54.13 trn about 61.95% of total public debt while external debt was ₦33.25 trn about 38.05% of total public debt.

High public debt poses challenges to Nigeria's economy and fiscal policy. On the one hand, it increases the debt service burden and reduces government spending on public goods and services. The Nigerian government spent about ₦283.7 billion (bn) on external debt servicing in Q2'23, while its revenue was only ₦1.27 trn. This means that about 22% of its revenue was used for external debt servicing alone, leaving fewer funds for other expenditure items.

On the other hand, a substantial increase in debt servicing can potentially crowd out private sector investment and lead to higher borrowing costs. This is primarily because the government borrows a significant percentage of its deficit finance domestically, resulting in a scarcity of loanable funds and, consequently, higher interest rates. The CBN monetary policy rate is currently set at 18.75%, influencing banks' lending rates to investors. If this rate increases, it could discourage private sector borrowing and investment, potentially impacting economic growth, pending the outcome of the next monetary policy meeting.



Oil revenue rose by ₦191.93bn in August

Nigeria's crude oil revenue rose by ₦191.93 billion in August on improved oil production. The average daily crude oil production in Nigeria increased by 9.3% to 1.181 million barrels per day (mbpd) in August from 1.081 mbpd in July. This brings the total oil production in August to 36,615,125 barrels of crude oil, compared to the 33,761,767 barrels pumped in July. The ₦191.93 billion increase in oil revenue in August resulted from the crude oil excess of 2.85mbpd produced in August, adjusted with the average cost of Brent at \$85.28 per barrel and the average official exchange rate at ₦803.76/\$.

Global price of Brent at above \$90 dollar per barrel coupled with an expected increase in oil production will yield greater oil revenue for the country in September. However, the earnings could be limited by the country's sub-optimal oil production level (34.39% below the OPEC quota of 1.74mbpd due to crude oil theft and pipeline vandalism in the Niger Delta). Therefore, it is crucial that the Nigerian government ensure security in the Niger Delta region to reduce oil theft and vandalism. Furthermore, the discovery of oil in Nasarawa and Bauchi states provides a positive outlook for a further increase in oil production in the medium term.

Dana Motors to launch CNG buses in December 2023

Dana Motors Limited, the exclusive distributor of KIA vehicles in Nigeria, has announced that they will launch buses that run on compressed natural gas (CNG) by the end of 2023. These CNG buses will be made under the Dongfeng Motors (DFM) brand at Dana Motors Lagos plant. DFM is a new car brand that Dana Motors has added to its portfolio and is one of the leading brands in China. This development comes at a time when Nigerians are facing high fuel and car costs due to exchange rate changes.

The launch of CNG buses has the potential to meet the need for more affordable transportation, reduce emissions and help achieve sustainability goals. This is because Nigeria had 111,978.10 kilotons of CO₂ emissions in 2020 and ranks 18th country with the poorest air quality globally in 2022. Compared to the costly petrol prices (due to exchange rate pressures), CNG is a cheaper and cleaner type of fuel. However, the success of these initiatives in changing the Nigerian transportation sector depends largely on the type of buses, their price compared to cheaper secondhand options, their second-hand value, and the availability of CNG for fueling and maintenance of these buses.



Nigerian airlines to fly to UK, Europe soon

The Nigeria Civil Aviation Authority (NCAA) declared that Nigerian airlines including Air Peace, Omni Blu Airline and United Nigeria Airlines will initiate flights to the United Kingdom and other European countries in the near future, following the attainment of the Third Country Operator (TCO) certificate for these airlines.

The TCO certificate is a prerequisite for non-European Union airlines to operate in the EU airspace, as it demonstrates their compliance with the safety and environmental standards of the European Union Aviation Safety Agency (EASA). The Director-General of NCAA, Capt. Musa Nuhu stated that the NCAA would assist the airlines in negotiating with foreign authorities and resolving any issues that may arise.

The TCO certificate is a significant achievement for the Nigerian aviation industry, as it enables the airlines to expand their routes and markets, as well as compete with other international carriers. It will also boost the bilateral relations and trade between Nigeria and its European partners. Furthermore, this development will increase consumers' access to international flights, narrow passengers' wait time for these flights, and reduce the occurrence of capital repatriation. As of August 2023, the International Air Transport Association stated that Nigeria accounts for \$783 million of airline-blocked funds. More so, the TCO certificate will allow Nigerian airlines to operate directly in the UK and EU airspace, without having to rely on intermediaries or third-party operators, which will reduce their operational costs and enhance their profitability.

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Social Story

The MTV Base Video Music Awards 2023



The Barclays Center in Brooklyn, New York, was the epicentre of global music on September 12, as the MTV Base Video Music Awards 2023 honoured the most outstanding music videos and artists from 2022.

The fabulous Doja Cat hosted the event, and also dazzled the audience with a stunning performance of her hit songs like Attention, Paint the town red and Demons.

Other amazing acts, like Miley Cyrus, Nikki Minaj, Lil Wayne, KAROL G, and Maneskin G graced the stage, with their melodious voices.

Taylor Swift bagged the most awards for the night (six), including the coveted Video of the Year for her mesmerizing track “Anti-Hero.” She also swept the awards for Song of the Year and Best Direction.

Other big winners included Bad Bunny (Artist of the Year), Harry Styles (Best Album for “Fine Line”), and Lizzo (Video for Good for “Good as Hell”).

Shakira also received the prestigious Video Vanguard Award, a tribute to her groundbreaking career and influence on music video artistry. Diddy was honoured with the highly coveted Global Icon Award, a nod to his global impact on music and culture.

Of course, Afrobeats was well represented with Rema making history as the first Nigerian recipient of the Best Afrobeats Award for his smash hit “Calm Down” featuring Selena Gomez. He also became the first African artist to join the Spotify Billions Club, an elite league reserved for songs that have garnered over a billion streams.

Lifestyle

How to make a budget and stick to it

Culled from money.usnews.com

For many consumers, the cornerstone of a healthy financial life is a strong budget.

Not only does a good budget help ensure you have the money you need for necessities like food or rent payments, but it also enables you to use your income to lead a balanced life according to your goals.

“A budget is about helping you achieve and do the things you want,” Kyle Enright, president of Achieve Lending, says. “Goals could include everything from taking a vacation and buying a new TV to funding a child’s college education and retirement – and even making sure to have time to pursue a favourite hobby.”

Managing money by creating a budget empowers spenders to achieve their goals while maintaining their needs. Read on to learn how to create a budget – and stick to it.

What Is a budget?

A budget is an organizational tool to help you identify how it is you want to spend your money, Douglas Boneparth, financial advisor and president of Bone Fide Wealth in New York City and co-author of "The Millennial Money Fix," says.

This spending plan usually requires tracking two things: your after-tax income and the amount you're shelling out each month.

At the most basic level, you want your monthly expenses, including savings deposits and debt payments, to amount to less than your take-home pay. After you've accomplished that, you can tweak your spending to achieve goals, pay off debt faster or buy yourself treats.

How to make a budget

According to Enright, making a budget starts with determining your short- and long-term goals. This can include everything from a purchase you want to make for your home to how much you want in savings when you retire.

“You’ll revisit and modify both goals and budget month to month, year to year, throughout life, but approaching budgeting this way will dramatically increase the chances you’ll stick to the budget – and allow you to achieve your goals,” Enright says.

Calculate how much 'money in' you have

After you’ve determined what's



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Calculate how much 'money in' you have

After you’ve determined what’s important to build into your budget, the basics start with two things - money in and money out. The first step toward figuring out how much you can spend -

and on what - will be determining your income.

“Add up all monthly net household income (the amount left after taxes and other paycheck deductions. This may include contributions to retirement plans and any medical insurance premiums you pay). The total is how much you have to spend each month,” Enright says.

Track current spending and categorize

Once you know how much income you have to work with, get an idea of what your expenses are. Start by tracking current spending and categorizing all of your purchases.

“Put ongoing monthly expenses in four categories,” Enright says.

According to him, this includes fixed expenses like mortgage, rent, car and student loan payments. It also includes variable expenses that change each month but are “must buy” items like food, gas and medicine. Add in the amount

you want to save and have for spending money. Last, add any additional debt payments you have like credit card debt.

Don't forget to consider any expenses that don't occur every month like insurance payments or annual membership fees. You'll need to either build in a buffer to account for them the month they're due or divide them by 12 to include in your general monthly budget, Enright says.

Adjust spending targets by category

When you've calculated all your money in and money out, you can start making adjustments. Many experts recommend following standard percentages for wants, needs and savings.

"A common rule of thumb is the 50-30-20 rule," Kerrie Saephanh, founder and certified budget coach at Mindful Budgets, says.

"The idea is that you divide your net income into three categories, spending 50% on needs, 30% on wants and 20% on savings. Keep in mind that this is a generic rule meant to be a starting point, and these percentages will change based on your cost of living, goals and income level," she adds.

But Saephanh points out that this rule of thumb won't work for everyone, especially if you live in an area with a higher cost of living.

"Someone renting an apartment in Manhattan, for instance, will have a much higher percentage of income going toward rent than someone renting a similar-sized apartment in a

small city in the Midwest," Enright says.

Michael Collins, certified financial advisor and professor at Endicott College's Curtis L. Gerrish School of Business in Beverly, Massachusetts, offers a breakdown with a bit more allocated for housing a bit less on savings: allocate 40% for housing (including rent, mortgage, utilities, etc.), 10% for savings, 10% for transportation (car payments, gas, etc.), 10% for food, 10% for entertainment, 10% for clothing and 10% for miscellaneous expenses.

You can use the expenses you've tracked to figure out what breakdown makes the most sense for you. Regardless, aim to put some money away toward an emergency fund each month and you should spend more on your needs than wants.

Review your budget regularly

You'll need to review your budget on a regular basis to ensure you're meeting your goals. Can you afford to save a bit more? Are you regularly struggling to make ends meet with your current spending?

Enright recommends scheduling a regular time to review your budget at least once per month, though weekly or biweekly reviews can be helpful when you're just getting started.

"If you're part of a couple, make sure to set your goals and review the budget together. This avoids talking about the budget all the time, while ensuring dedicated time to

maintain focus. You will find you'll modify goals, income and expenses over time," he says.

Budgeting Tools to Use

All of this might sound complicated, but there are lots of tools you can use to track your budget.

Once you've set up your budget percentages, you can use a budgeting tool or app - like Mint, YNAB (You Need a Budget) or Goodbudget - to help keep track of your spending.

"These tools help you track your spending, set up budget categories and receive helpful alerts when you're overspending," Collins says.

According to Saephanh, Mint is a great app for those getting started - it's free and it automatically tracks your expenses when you connect to your bank accounts. She recommends graduating to YNAB as your needs get more complex.

If you're very serious about making big changes in the way you manage your money, YNAB is a zero-based budgeting app that's very popular in the personal finance community, Saephanh says.

"Though there is a bit of a learning curve, it's a highly effective way of understanding where your

money is going and making a plan for where you want it to go in the future,” she adds.

Tips for sticking to your budget

“Sticking to a budget is the hardest part. Just like building any new habit, creating systems will set you up for success,” Saephanh says.

It's easy to divide expenses into categories on paper, but actually changing your spending habits is a much bigger hurdle. Saephanh recommends new budgeters start small rather than trying to slash spending.

Other tips from experts to help you stick to your budget include:

Use tools that are easy for you to understand:

If your budgeting software requires a lot of math or data input, you'll be less likely to stay on top of it. “Choose what's most comfortable,” Enright says. Saephanh also recommends pinning your app to your phone or browser's home page so it's in front of you every day.

Holding yourself accountable: “Start budgeting with a friend, find online communities to join budget challenges or hire a budget coach to set you up for success,” Saephanh says. This makes you accountable to stick to what you started.

Pay with cash: While using a card to checkout can be easy and convenient, it doesn't have the same emotional response as handing over cash, Enright says. He suggests trying to make your purchases with cash only for a month and see if you save any money.

Make savings an expense in your budget: While saving 20% of your income might not be feasible for everyone, putting away money in case there's an emergency is still critical. Enright recommends you build it into your budget as an expense so you treat it like the priority it is. When you treat savings like a bill you must pay you're much likelier to actually do it, Enright says. “Leaving savings to 'whatever's leftover' usually results in little to no savings,” he

adds.

Automate where you can: Many bank apps allow you to set automatic withdrawals to savings accounts. If your income comes in on a regular schedule, consider doing it so you don't even have to think about moving money to savings.

Sticking to a budget comes down to finding what works for you. While some people thrive using spreadsheets and tracking every expense carefully, others work better with automated savings and tracking tools. The key to long-term budgeting is finding the best system for your personality and needs.



Contact

Would you like to open an account with us?

Kindly direct all account opening enquiries to:

Angela Odoh

08034520362

aodoh@unitybankng.com

For all other enquiries, contact:

 07080666000/ 07057323225-30

 we_care@unitybankng.com

 www.unitybankng.com

 **Unity Bank Plc**

Plot 42, Ahmed Onibudo Street

Victoria Island

Lagos

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