

Unity Bank Digest

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CBN lifts FX restrictions on 43 previously banned items

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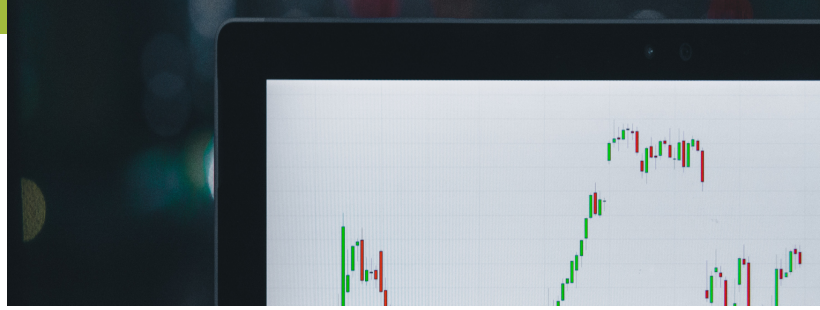
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The Macro



CBN lifts FX restrictions on 43 previously banned items

Following the free fall of the naira, which tumbled to an all-time low of ₦1,042/\$, and the pressure from international organizations, the Central Bank of Nigeria (CBN) has decided to allow importers access to foreign exchange for 43 previously prohibited items. This move is in a bid to boost liquidity in the forex market, strengthen the naira, and is viewed positively by experts as a step towards unified exchange rates and a potential anti-inflationary measure.

The CBN's 2015 restrictions on these items, including rice, cement, and meat, had caused importers to seek US dollars in the very expensive parallel market. This situation had a cascading effect on domestic commodity prices and played a role in contributing to the country's high inflation rate, which reached 26.72% in September 2023.

On one side, the recent move to discontinue the forex exclusion policy on the 43 items may pose challenges for local manufacturers of these goods. They may face heightened competition from imported products and need to enhance their efficiency and quality to stay competitive.

On the flip side, individuals and businesses will now have access to foreign exchange for transactions associated with these items at the more affordable official foreign exchange rate (₦799/\$). By extension, there may be an increase in the import of these previously banned items, providing consumers with a wider array of goods and the prospect of expanded choices and reduced prices.

Furthermore, the upturn in activity at the Nigerian foreign exchange market, formerly known as the I & E window, is anticipated to weigh on the demand for dollars in the parallel market, potentially resulting in an appreciation of the parallel market rate. Nevertheless, the limited supply in the official market may pose a risk to this outlook.

In the meantime, the CBN has reaffirmed its commitment to addressing the foreign exchange backlog and is actively working towards establishing a unified foreign exchange market that encourages transparency, credibility, and price discovery. The central bank plans to achieve this by intermittently bolstering liquidity in the Nigerian foreign exchange market through interventions.

Cooking gas prices are up 60%

The price of cooking gas, also known as Liquefied Petroleum Gas (LPG), has climbed to a record high of ₦1,200/kg. Compared to ₦750/kg in August, this represents an increase of 60%. The spike in gas prices is largely due to factors such as the weak naira (which has crossed the ₦1,000/\$

benchmark at the parallel market), limited bulk storage capacity, stockpiling by importers capitalizing on the local scarcity of the commodity, as well as high demand for the product. Noteworthy is the spike in international LNG prices by 56% in the last two months, which contributed to the increase in cooking gas prices in Nigeria.

Cooking gas is a crucial source of energy for cooking and heating in many Nigerian households. Sadly, this surge in prices at a time when consumers are squeezed will only worsen the cost of living crisis. Higher cooking gas prices will exacerbate inflationary pressures in the near term. More so, rising gas prices can lead to energy poverty, where lower-income households may be forced to switch to cheaper but less efficient cooking methods, such as firewood or kerosene stoves. These alternatives are often less safe and can contribute to indoor air pollution and respiratory problems.

Worse, the domestic price of cooking gas is not expected to taper anytime soon due to lingering forex scarcity, the naira's devaluation, and the persistent scarcity of vessels to bring the commodity from the international market to Nigeria. The vessel scarcity has driven up chartering costs, with vessel rental prices surging from \$50,000 per day in August to \$70,500 per day in September. Transporting this commodity to Nigeria takes approximately 20 days, amounting to about \$1.41 million per vessel. Statistics from Spark Commodities cited by Bloomberg indicate that vessel rental rates will further escalate to \$206,750 per day later this month and to \$284,750 per day in November.



FG suspends 5% excise duties on telecom services

The federal government completely removed the 5% excise duty on telecommunications services, originally introduced in 2022 through the Finance Act of 2020. This duty applied to all telecom services regulated by the Nigerian Communication Commission, including both prepaid and postpaid services, for the years 2022, 2023, and 2024. Initially suspended in March 2023 for a duration of 90 days and

restarted on April 1, this law was first implemented as part of the FG's efforts to boost its revenue.

The decision to retain this tax would have placed a considerable burden on telecom providers that are already subjected to 46 distinct levies, such as the annual operational levy and cyber security fund levy. Unfortunately, these levies are duplicated across various states, leading to instances of double taxation.

The exemption of telecom services from this tax was crucial, as it provided room for further growth of Nigeria's digital economy, a primary revenue focus of the government. The digital economy is pivotal for economic growth, job creation, social inclusion, and national security. Furthermore, the tax exemption will allow the successful execution of the National Broadband Plan, which aims to achieve 70% broadband penetration by 2025.

This decision not only benefits the telecom industry but also alleviates the impact of rising living costs on citizens. Eliminating this tax will reduce the cost of delivering telecommunication services to consumers, consequently lowering prices for customers amidst the backdrop of increasing living expenses.



Nigeria's private sector expands for the first time in five months

In September 2023, Nigeria's private sector displayed a slight uptick in activity, as indicated by the recent purchasing managers' index (PMI) report from Stanbic IBTC Bank and S&P Global Market Intelligence. The PMI increased by 0.9 percentage points to 51.1 points from August's 50.2 points, primarily propelled by a surge in new orders and output. This marked the first expansion in business activities since May, as some companies noted an uptick in demand. However, this expansion was modest due to prevailing weak market conditions and customer resistance to price hikes.

The report attributed the rise in costs and prices to factors such as the removal of the fuel subsidy, currency depreciation, and supply chain conundrums driven by high transportation costs. These factors also affected supplier delivery time, albeit only marginally observed in September.

The report highlighted a mixed performance across various sectors. Agriculture and manufacturing saw an increase in output of 0.6 percentage points and 0.4 percentage points,

respectively. Conversely, wholesale and retail experienced a total decline in activities by 0.5 percentage points, while the service sector remained unchanged.

The uptick in the September 2023 PMI suggests that the private sector in Nigeria is expanding after a five-month period, potentially boding well for the economy. This expansion could have positive implications for GDP growth, industrial production, and a reduction in unemployment. However, accompanying risks, such as inflation, may necessitate additional policy support from the government and the CBN to address inflationary pressures and stimulate aggregate demand.



President Tinubu increased the minimum wage by 83%

On October 1, 2023, President Bola Tinubu announced a provisional wage increment of 83% to ₦55,000/month from ₦30,000/month for junior federal workers for the next six months. This measure is aimed at cushioning the effect of rising living costs in the country post-fuel subsidy and exchange rate reforms. However, this increment is far below the ₦200,000 minimum wage demanded by the Nigerian Labour Congress (NLC), which has threatened to embark on a nationwide strike action if its demand is unmet. The NLC argues that the previous minimum wage of ₦30,000 is no longer realistic and sustainable, given the high inflation rate and the erosion of the purchasing power of workers.

Meanwhile, the upward wage revision could result in a slight recovery in demand as consumer discretionary income improves. On the flip side, the minimum wage increase, without a corresponding boost in productivity, may exacerbate inflation, especially with a money supply growth of 33.3% in the past year. Moreover, businesses may face difficulties meeting higher salary commitments, potentially leading to layoffs or the transfer of cost burdens to consumers through higher prices, which would further contribute to inflationary pressures.



Global maize shortages threaten Nigeria's poultry sector

The poultry sector in Nigeria is facing a serious crisis due to the global shortage of maize, which is a vital ingredient in poultry feed. The global supply of maize has been affected by adverse weather conditions in the US and EU, which have reduced their corn yields by 8% and 18%, respectively, in the past year. Moreover, the military tension in Ukraine, a key corn exporter, has disrupted its grain exports to the world market.

Domestically, the scarcity of maize has worsened amid the weak naira, heightening import costs. Consequently, the purchasing power of consumers and farmers has declined. The price of maize in Nigeria has risen from ₦200,000 per metric ton to over ₦500,000 per metric ton in the past year.

These factors have forced many farmers to buy feed ingredients at exorbitant prices, forcing them to reduce their flock size or close down operations. A potential collapse of the poultry sector in Nigeria not only affects the livelihoods of millions of farmers and workers who are employed in this industry but also threatens the food security and nutrition of millions of Nigerians. The poultry sector contributes about 25% to the country's agricultural GDP and provides a cheap source of protein for many households.



Nigeria's capital importation fell 9.4% in Q2' 23

According to the National Bureau of Statistics, Nigeria's capital importation amounted to \$1.03 billion in the second quarter of 2023. This was 32.90% lower than the \$1.50 billion recorded in the same quarter of 2022 and 9.4% lower than the \$1.13 billion recorded in Q1'23. The National Bureau of Statistics report showed that "other investment" was the largest component of capital importation in Q2'23, accounting for 81.28% (\$837.34 million) of the total amount.

Portfolio investments followed with 10.37% (\$106.85 million) and foreign direct investment with only 8.35% (\$86.03 million). Compared to Q2'22, FPI and FDI fell by 85.89% and 41.36%, respectively, mainly due to naira volatility and the overall macroeconomic uncertainty in Nigeria. Meanwhile, other investments rose by 32.72% from Q2'2022.

In Q2'23, the production sector attracted the highest capital inflow, receiving \$605.04 million (58.73%). This was followed by the banking sector, which received \$194.58 million (18.89%), and the shares sector, which received \$68.63 million (6.66%). In terms of the source of capital, the United States emerged as the top contributor to capital inflow into Nigeria in Q2'23, providing \$271.92 million (26.39%). This marked a shift from the previous dominance of the United Kingdom as the primary source of capital importation, highlighting the challenges faced by the UK, evident in its slow positive growth from 0.5% in Q1'23 to 0.6% in Q2'23.

Regarding the destination of capital, Lagos State emerged as the primary recipient in Q2'23, attracting \$778.06 billion (75.52%), with Abuja following closely at \$194.28 million (18.86%). Notably, 33 other states did not record any capital inflow during this period.

The decline in capital importation suggests a decrease in foreign exchange inflows, which may pose challenges for the Central Bank of Nigeria (CBN) in its efforts to support the naira and fulfill domestic forex demand. This situation could potentially worsen the depreciation of the naira. Moreover, the concentration of investments and development in Lagos and Abuja underscores the necessity for the government to promote more equitable development across the country. This not only diversifies the sources of capital importation but also fosters job creation and organic development in various regions.



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Nigeria, are you ready for the Pyramid game show?!

The Pyramid game show, a thrilling word game with a chance to win millions of naira, launched in Nigeria on October 4, 2023 with a star-studded event in Lagos.

The game show, produced by Mekdoss International and licensed by Sony Pictures Television Entertainment, is a global sensation that challenges the contestants' verbal skills.

It is hosted by the charismatic Nollywood actor Enyinna Nwigwe, who impressed Sony Pictures with his talent and charisma in three rounds of audition.

The game show features two teams of celebrities and contestants, who compete to guess words or phrases based on clues given by their partners in six categories of increasing value.

There will be three exciting rounds: the first round with two categories per team, the second round with three categories per team, and the third round with one category per team.

The team with the highest score advances to the bonus round, where they can win up to ₦10 million.

The game show will air on over five TV stations nationwide in prime time.

It promises to be not only entertaining but also socially responsible as the producers pledge to donate part of the proceeds from the show to charity and social causes.

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Lifestyle



The Importance of Teamwork in the Workplace

Culled from brighthr.com¹

You might dread building teamwork, and you might be thinking, is teamwork important for my business? While trust falls, and escape rooms might seem like a waste of time, the truth is building teamwork is essential for businesses focused on success. When your team works together, they can achieve way more than they ever could on their own.

Think about your biggest wins over the last year. Chances are, it wasn't just the work of one employee. A teammate probably helped brainstorm with the person working on the idea, gave them feedback that made it even better, or worked with them side by side to execute it. Teamwork allows employees with diverse skills, experiences, and ways of thinking to combine their skills and efforts and create new concepts and fresh ideas for the same goal. So, the next time you wonder if the whole team needs to do another team-building exercise, embrace the thought.

Those diverse skills and shared experiences are what turn lone team members into a high-functioning team that can do remarkable things together.

Now, let's get into the importance of teamwork...

Why is teamwork important in the workplace?

Teamwork in the workplace is essential for many reasons. The importance of teamwork links to many benefits for your business.

Here are some key reasons for the importance of teamwork in the workplace:

Working together can improve efficiency and productivity

If you split difficult tasks and share responsibilities, teams can do more in less time and make fewer mistakes.

It's hard to find one employee who is a jack of all trades, but when a team works together, they can benefit from each other's skills.

Teamwork leads to better outcomes and effectiveness

Multiple minds working on difficult tasks or projects will achieve better results and offer different solutions than individuals working alone. Team members are also able to avoid future errors and gain insight from differing perspectives.

Teamwork enhances personal growth and job satisfaction

Working in a team can bring about new skill sets, reduce stress, lead to happier employees, and create a supportive work environment. Which in turn can reduce employee turnover.

Teamwork in the workplace fosters creativity

Collaboration fuels creativity by combining differing perspectives and experiences to generate innovative solutions.

Teams innovate faster

When tackling a task or problem, a team approach can lead to faster and deeper reactive innovation due to the benefit of multiple perspectives, skill sets, and experiences.

Teamwork creates innovative ideas

Teamwork among a diverse group of employees will almost always reveal new ideas. The differing ages, backgrounds, skills, and experience levels of a team means that there's always a unique perspective just waiting to be heard.

Teamwork can create healthy competition

Healthy competition between team members inspires your employees to work their best. Provided the right rewards are in place to promote competition, team performance can keep improving.

Teamwork promotes strong working relationships

When employees work together and succeed as a team, they form bonds that turn into trust and friendship. It's human nature. And it's great for your business since employees who like and trust each other are more likely to communicate well with each other.

Teamwork promotes workplace synergy

Synergy occurs when multiple groups work towards a common goal. It's crucial for business growth and directly reflects the cooperation between workers. Building a strong team that communicates clearly, innovates, and perseveres fosters high-quality workplace synergy.

Teams self-monitor

Performing tasks alone may give one control, but it could also lead to overlooking inefficiencies. Being part of a team allows for shared responsibility, observation of each other's work, and the ability to aid in improving performance when needed. A team that works

efficiently can self-monitor without the need for management intervention. The importance of teamwork cannot be stressed enough. In today's world, most jobs involve interacting with other employees, so being able to perform well with all employees is key to attaining growth and success.

Fostering a collaborative team environment for effective teamwork

To foster a collaborative team environment, start by clearly communicating your business's mission and goals. Explain to the individual members of your team how their roles contribute to the overall vision. This helps motivate them to work together by showing how collaboration benefits everyone.

Encourage creativity and innovation. Ask open-ended questions to get the discussion flowing. Provide opportunities for brainstorming without judgment. New and innovative ideas are more likely to emerge when team members feel empowered to think outside the box.

Build trust through honesty and transparency. Share information that impacts the team and invite your employees to share their input. When employees feel involved and valued, they are more willing to cooperate. Also, admit your own mistakes and limitations. Model the kind of openness you want to see. Promote psychological safety. Foster an environment where employees feel comfortable voicing opinions, asking questions, and proposing solutions without fear of embarrassment. Make it clear that all contributions are welcome. Criticize ideas, not individual employees.

Provide emotional support. When working in a team the workload can be distributed more evenly and employees support each other to avoid burnout and a stressful working environment. Establishing a culture where each employee feels a strong sense of belonging and empowerment is key. Break down barriers between teams and departments. Encourage your employees to look for common goals and ways to support each other.

Cross-functional collaboration leads to greater creativity, productivity, and innovation.

Celebrate wins together. Nothing brings a team together quite like shared success and accomplishment. Take time to recognise and reward each team member for their efforts. Even small wins deserve recognition.

A collaborative team environment depends on open communication, psychological safety, shared purpose, and mutual support. Sometimes though, it doesn't matter how hard you try to build teamwork in your business, some personalities just won't mesh. That doesn't mean you have to forget about the importance of teamwork, nor does it mean that you have to start letting employees go. It could be as simple as switching up which employees work with who day in and day out.

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