

Unity Bank Digest

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Finance

Economic News

Lifestyle

Inflationary pressures in Nigeria likely to ease in 2024

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The Macro

Soaring inflation to push an additional 2.8 million Nigerians below the poverty line in 2023

Nigeria is facing tough macroeconomic challenges including high inflation and sluggish growth. According to the World Bank, these issues could push an additional 2.8 million people into poverty, raising the poverty rate by 0.4pts to 38.8% in 2024 from the current rate of 37.5%.

In October, Nigeria's headline inflation climbed to a new 18-year high of 27.33%, recording its tenth consecutive monthly increase and hinting that the Central Bank of Nigeria (CBN) may maintain its hawkish stance. Since May 2022, the apex bank has raised interest rates by 725 basis points to 18.75%, the highest level since the monetary policy rate was introduced in 2006.

The rise in inflation has been mainly due to the price surge in food and non-alcoholic beverages (food inflation at 31.52% in October) like milk, eggs and potatoes which were further stoked by higher fuel prices during the month.

According to the NBS, the average retail price of a litre of petrol spiked by 222.92% from ₦195.29 in October 2022 to ₦630.63 in October 2023. Interestingly, this was not translated to transport inflation, which fell for the first time in two years. Nigeria's transport inflation slowed to 27.04% in October 2023 from its two-year high of 27.18% recorded in the previous month. This is understandable given that the price of petrol has remained relatively stable in the past three months and transport inflation is only being influenced by the lingering shocks from the subsidy removal in May 2023.

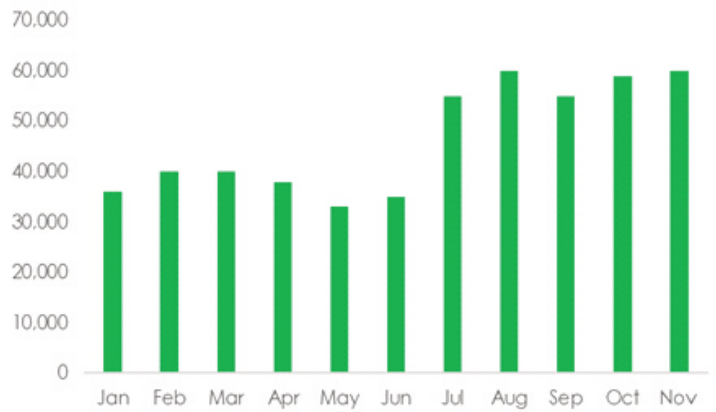
Going forward, the EIU has predicted that elevated inflationary pressures are expected to persist in 2024, largely due to higher oil prices in the global market and unsupportive monetary policies. This was further supported by the World Bank, which stated that the monetary policy rate has not been effective in curbing inflation due to weak transmission mechanisms and central bank interventions in credit markets.

In all, Nigeria's high inflation rate will reduce businesses' profit margins as production costs rise. In turn, investment and employment opportunities in the country could fall, exacerbating the issue of slow economic growth and a cost of living crisis. Additionally, consumers will face a decline in purchasing power due to the high cost of goods and services, leading to a decline in consumption. However, in line with the World Bank's forecast of a moderating inflation in 2024 to 14.5% from an estimated inflation rate of 24.4% in 2023 and increased adoption of cash transfers in the country, the previously mentioned impacts could be outweighed, resulting in economic growth and development in the medium term.

The domestic price of rice climbs by 37% in 2023

The latest AFEX report (AFEX Wet Season Crop Production Report for 2023) has revealed that Nigeria faces a rice shortage of two million metric tonnes per year as demand continues to outweigh supply. The supply gap increased the price of rice by more than 37% since the beginning of 2023 from ₦38,000 per bag to about ₦60,000 per bag (50kg). Since 2022, the decline in domestic rice production can be attributed to a variety of factors, including the adverse effects of flooding, global dynamics such as India's export ban, and El Nino's disruptions in key rice-producing regions.

Rice price in Nigeria (N/50kg bag)



Despite a glimmer of optimism for a positive turnaround in Nigeria's rice production by the end of 2023, the consistently high rice prices (anticipated to rise by 32% year-on-year) present a significant challenge. This predicament not only jeopardizes food security but amplifies fiscal strains on consumers, potentially triggering broader economic repercussions across various sectors like the financial sector and of the Nigerian economy. Addressing the root causes of the production decline by providing input subsidies for rice production will mitigate the adverse effects of low production and ensure a more resilient and sustainable future for the country's food supply chain.

Global debt rises to \$307 trillion in Q3'2023

According to the Institute of International Finance (IIF), global debt has surged to a historic high of \$307.4 trillion in Q3'23 and is anticipated to surpass \$310 trillion by the year's end. This signifies a 25% increase in debt stock in the past five years. The IIF noted that government debt saw the most significant increase in the third quarter, highlighting that budget deficits persist well above pre-pandemic levels in numerous countries.

This is consistent with the expansion of Nigeria’s federal fiscal deficit by 63% between January and May 2023 compared to the same period in 2022. Higher interest payments, capital expenditure, and fuel subsidy costs drove the increase in Nigeria’s fiscal deficit. Consequently, Nigeria’s public debt is estimated to increase to 45% of GDP, and debt service will surpass total revenue in 2023. Although the global debt-to-GDP ratio stayed relatively stable at 333%, it soared to 255% in emerging markets, marking a 32pts increase compared to the same period five years ago.

Further analysis of the data showed that total debt stock for developing countries rose to \$101.3 trillion in the third quarter of the year, household debts amounted to \$57.9 trillion, public sector debts to \$88.1 trillion, debts of non-financial firms came in at \$91.1 trillion and debts of financial institutions were at \$70.3 trillion.

Looking ahead, concern about growing political populism and further escalating debt levels in the coming years will continue to linger. Elevated debt levels will continue to constrain government spending, rendering nations more vulnerable to exchange rate shocks. For developing economies like Nigeria, this scenario could exacerbate the cost of living crisis and impede growth. Moreover, heightened debt levels may exert additional pressure on the naira in the parallel market, making imports more costly.

Nigerian Senate passes the new three-year budget framework

Nigeria’s legislative bodies, the Senate and the House of Representatives, have approved the medium-term expenditure framework for 2024-2026. The roadmap outlines the government’s financial strategy for the next three years, shedding light on spending priorities and funding tactics. The approved framework discloses an initial government spending plan of N26 trillion in 2024, comprising N16.9 trillion in retained revenue, a N9 trillion budget deficit, and N7.8 trillion in new borrowings from foreign and domestic sources. The upper chamber also endorsed the exchange rate of N700 to \$1, N665.61 to \$1, and N669.79 to \$1, as proposed by the executive for 2024, 2025, and 2026, respectively.

MTEF	2024	2025	2026
Exchange rate (N/\$)	750	665.61	669.79
GDP growth rate (%)	3.76	4.22	4.78
Inflation rate (%)	21.4	20.3	18.6
Oil price (\$/pb)	77.96	73.76	69.90
Oil production (mbpd)	1.78	1.80	1.81

Shortly after the MTEF was approved by the National assembly, the 2024 budget was reviewed upward with expenditure now targeted at N27.5 trillion, exchange rate at N750/\$, oil price benchmark at N77.96pb and revenue at N18.32 trillion.

Additionally, the approved economic projections include GDP growth rates of 3.76%, 4.22%, and 4.78% for 2024, 2025, and 2026, along with inflation rates of 21.4%, 20.3%, and 18.6% for the same years.

While the increased expenditure is beneficial for the economy, it also sparks concerns about escalating debt levels, given the reliance on increased borrowing to fuel government spending. However, if the oil production target is met, this will significantly increase government earnings and finances, improving the likelihood of reaching the forecasted growth rates for the fiscal periods. This would help improve living standards in the country and enhance economic conditions.

However, not all is smooth sailing, as some projections within the framework may not accurately align with the current economic landscape. During debates, policymakers suggested adjusting the exchange rate to N900 to reflect present realities better. The potential mismatch between projections and reality underscores a limitation in the framework’s effectiveness as a guiding tool for robust economic planning.

ECA: Africa faces setbacks in SDG progress due to crises

Recently, the global economic landscape has been influenced by a series of shocks (economic, political and financial), varying in magnitude, duration, and recurrence. The Economic Commission for Africa (ECA) highlights the current state of polycrises, stating that shocks related to climate change, the repercussions of the COVID-19 pandemic, and the spillover effects of Russian-Ukraine war have significantly affected the global economy. Regrettably, these crises have impeded or reversed Africa’s strides towards achieving the Sustainable Development Goals (SDGs), set by the United Nations in 2015 to eradicate poverty, reduce inequality, and foster peaceful and prosperous societies by 2030. In 2021 alone, more than 30 million people fell into extreme poverty, and 22 million jobs were lost in Africa.

To navigate these challenges, African countries must enhance risk management and resilience through meticulously crafted national development plans, good governance, and structural transformation. Countries will need to embrace equitable green growth and intelligent industrial strategies. Additionally, fostering a new global cooperation framework and expediting the African Continental Free Trade Area (AfCFTA) can foster collaboration and integration among African nations. This, in turn, will stimulate economic activities within the region, catalyzing economic growth and, subsequently, lowering poverty rates and elevating living standards across the continent.

Nigeria's Cocoa Industry seeks a Regulatory Body

The Chairman of the Ondo State Cocoa Council has emphasized the need for a functional regulatory body to revitalize Nigeria's cocoa industry. Nigeria used to be the second-largest cocoa exporter in the world, producing more than 300,000 metric tons annually in the 1970s. Still, its ranking declined after the cocoa marketing board, in charge of buying and selling cocoa to foreign markets, was abolished in 1986. On the other hand, the top two cocoa-producing countries (Ivory coast and Ghana) have seen a rise in their cocoa production over the years owing to the presence of effective regulatory bodies that oversee their cocoa sectors. Both countries combined account for more than 50% of the world's total cocoa production.

Cocoa is Nigeria's leading agricultural export commodity, accounting for 0.66% of total exports. As of 2023, Nigeria is the world's fourth-largest producer of cocoa, after Ivory Coast, Indonesia, and Ghana. Establishing a national cocoa development council could bring cohesion, set standards, and drive the sector towards increased production and global competitiveness, as seen in the case of Ghana and Ivory Coast. It could further aid Ondo State, Nigeria's leading cocoa-producing state, in achieving its target of increasing output from 83,000 to 150,000 tons by 2025.

Furthermore, Additionally, increasing output in the major cocoa-producing regions would lessen reliance on oil profits and mitigate the effects of swings in oil prices. However, this positive outlook remains threatened by low levels of cooperation and coordination among cocoa stakeholders, poor quality standards, and unregulated practices.



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2023 MISS UNIVERSE

- The ever-entertaining Miss Universe competition has once again graced our screens with beauties from all around the world trooping in to receive the title of the most beautiful woman in the universe.
- This year, a total of 85 beauty contestants enrolled for the highly anticipated 72nd Miss Universe pageant held in El Salvador on November 19.
- Interestingly, Pakistan competed for the first time this year, while ten nations—Denmark, Egypt, Guyana, Hungary, Ireland, Kazakhstan, Latvia, Mongolia, Norway, and Zimbabwe—returned.
- Miss Congeniality was awarded to Spain's Athenea Pérez, who was placed among the top 10 along with Miss Colombia, Karla Guilfú, and Miss Puerto Rico, Camila Avella.
- Eventually, Miss Sheynnis Palacios from Nicaragua took home the crown, while Miss Thailand, Anntonia Porsild, was the first runner-up.



Lifestyle



How to Get Your Voice Heard in Meetings

Culled from Mind Tools¹

Maybe it's the oversized table. The looming presence of your manager. Or the loud co-worker who hogs the mic. Whether your meeting is face-to-face or online, it's easy to feel anxious, self-conscious and lost for words.

Worse still, when you do speak up and share your thoughts, you're ignored or "shot down" by bigger voices. Although it can feel like you're the only one struggling at meetings, you're not alone. And just as others overcome their self-consciousness and speak up, so will you!

Why Make Your Voice Heard?

Meetings are a key way to get yourself noticed. When you "hold your own" in a meeting, you show that you're confident and proactive, and this can mark you out as a future leader.

Unfortunately, your colleagues can't read minds. So no matter how many great ideas you have in your head, they're useless to you, your team, and your organization until you express them.

Let's look at seven ways to build your confidence and gain a sense of control that will allow you to make a valuable contribution to your next meeting.

How to Get Yourself Heard

1. Have Confidence in Your Own Value

Chances are, you've been invited to the meeting because you have something to offer. You're wanted and valued – so be confident! You'll likely have expert knowledge or skills related to the discussed topic. Or perhaps your manager thinks that it's a good learning opportunity for you, and they're interested to see how you perform in this situation.

Tip:

If the reason for your attendance is unclear, ask your manager or the meeting's organizer. If you don't have to be there, have the confidence to politely decline. After all, unnecessary meetings are time-consuming and expensive – consider the hourly rate of everyone present!

2. Ask Questions

If putting your own idea or view across is too nerve-racking, begin by asking questions about what other attendees are saying. This shows that you're attentive, engaged and interested.

To avoid any tendency to go blank with fear in meetings, come armed with a few questions. But be careful not to ask so many that you delay the meeting.

3. Speak up for Others

Learning to push yourself forward can be hard, but most of us tend to find helping and praising others easier. So start building up your confidence by looking out for fellow attendees.

For example, if someone says something that you agree with, say so. After giving them credit for their idea, you might want to build on it by adding your own ideas. Also, you could steer attention back to someone who got interrupted with a simple, "Ayesha, what were you going to say?"

When you become confident about speaking up for others, you'll feel less self-conscious about speaking up for yourself.

Tip:

Remember that your nonverbal cues speak volumes. Maintaining eye contact with the person speaking and nodding in agreement shows that you're alert and respectful. Read on for tips to pick up these signals in virtual meetings.

4. Be One of the First to Speak

Author of "The Power of Presence", Kirsti Hedges, advises you to get your idea out there in the first few minutes. As she says, "The vibe of the meeting is set early, and by contributing then, you're establishing yourself as an active participant." [1] So, take the lead and be assertive.

1. <https://www.mindtools.com/ao7q3k5/how-to-get-your-voice-heard-in-meetings>

Tip:

Be aware that assertive isn't the same as aggressive and that being early to speak doesn't mean always being the first!

5. Embrace the Skills of Introversion

If you're an introvert, you'll likely be reflective, strategic, and observant. You can draw on these attributes in two ways. In the lead-up to the meeting, research the subject under discussion and plan what you want to say or ask. Once you're in the meeting, use your active listening skills to summarize what's being said, show that you value others' opinions, and offer your own perspective.

6. Give Your Idea the Advantage

If you can, get yourself on the agenda so that you'll have a guaranteed opportunity to speak. If this isn't possible, let everyone know in advance that you have something you want to share.

If you use apps such as Asana or Mural, for example, you can post questions and ideas ahead of the meeting. Writing these out will also help you to articulate your thoughts.

7. Keep It Short, With No Apology

Start and end your contribution with conviction. Avoid opening with an apologetic "I'm sorry, but..." This will immediately weaken your position. Start strongly but politely with, "I'd like to say..." or "Can I just add...?"

Once you've said what you want to say, simply finish speaking. Or if you're on a virtual call, close with, "Over to you, Susan." People will appreciate your efficient delivery.

Tip:

Avoid saying, "I disagree." People hear this and immediately feel confronted and annoyed and may stop listening to you. It's far better to say, "I see it a little differently, because..."



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