# Unity Bank Digest

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Finance | Economic News | Lifestyle

## Consumers groan as the cost of living crisis heightens


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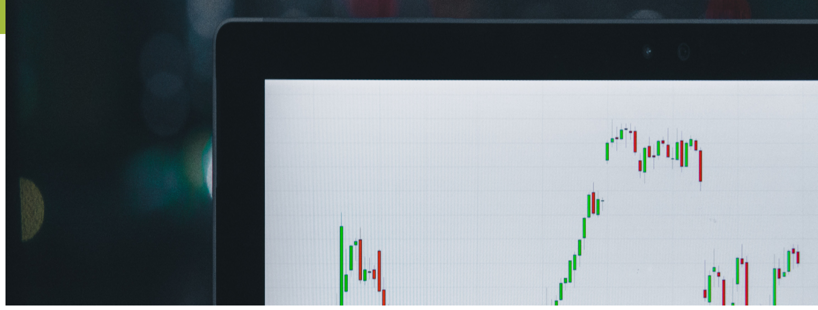

# The Macro

## Nigeria's debt hits N87.91trn as external loans fall to $41.59bn

Nigeria grapples with rising debt and mounting fiscal pressures. In Q3'23, the country's total public debt maintained its upward trajectory, albeit increasing marginally by 0.61% to N87.91trn from N87.38trn in Q2'23. Of the total debt portfolio, 63.62% is owed to domestic creditors, 18% to multilateral lenders (IMF, World Bank), 13.21% to Eurobond investors and 4.89% to bilateral lenders. The rise in Nigeria's debt could be attributed to the securitization of the ways and means amounting to N22.7trn and higher global interest rates. In October 2022, the DMO announced the CBN's ways and means to the FG had been transformed to a 40-year bond at 9% interest rate per annum, meanwhile, global interest rates have risen from near zero to over 5% in the past year.

Notably, domestic debt stock rose by 3.33% to N55.93trn ($72.76bn), accounting for 63.62% of total debt stock while external debt fell by 3.64% to N31.98trn ($41.59bn), representing 36.38% of total public debt. Of the total domestic debt, 57.09% was owed by the federal government and 6.53% by states and the FCT.

The decline in external loans is largely because of the redemption of the $500mn Eurobond and the first tranche payment of $413.86mn from the $3.4bn loan secured from the IMF in 2020 during the COVID-19 pandemic. It is worth mentioning that the servicing of these debts points to the Federal Government's commitment to fulfilling its debt obligations, which is crucial for maintaining financial stability, sustaining the trust of investors, and improving the country's credit ratings. Moody's recently upgraded Nigeria's outlook to positive from stable.

However, while the decline in external debt is expected to reduce the country's vulnerability to currency volatility, increased borrowing from the domestic debt market will crowd out private investment and weigh on output growth. The country's share of domestic debt increased to 63.62% in Q3'23 from 61.08% in Q3'23. Moreover, the lingering worry about repaying these debts persists due to the government's constrained revenue.


## Africa records 2% of global passenger traffic

Despite having about 17% of the world's population, Africa's share in the global travel demographic remains minimal, standing at only 2% in 2023. This is according to Hendrik du Preez, the Vice President of Africa at Qatar Airways. According to the Airports Council International (ACI), the global passenger volume in 2022 was 1.78 billion passengers, and Africa only accounted for 178.7 million of the total volume. This shows that the continent is far behind in the development of its aviation sector. Some of the factors responsible for this are the lack of adequate and affordable air transport infrastructure, economic hardship, unfriendly regulatory environment, and the lack of harmonization and integration among African countries

In terms of infrastructure, many African countries do not have enough airports, airlines, or flights to meet the potential demand. This means that travelers have fewer options and less flexibility to choose their destinations and schedules. Moreover, the low competition among airlines and the high cost of fuel lead to higher fares and a lower quality of service. The average ticket price in Africa is $0.21 per kilometer, compared to $0.10 in Europe and $0.07 in North America. This situation is further worsened by economic hardship and the high poverty rate among Africans. According to the World Bank, the average income per capita in Africa is $1,570, compared to $11,371 in Europe and $16,759 in North America. This means that many Africans cannot afford to travel by air, especially for leisure or tourism purposes.

Another challenge is the regulatory environment. The aviation sector in many parts of Africa is heavily protected by the government. This discourages new investors from investing in the sector and discourages competition, which is necessary for growth. For example, in Nigeria, government interventions through state-owned flag carriers, a wide range of subsidies, and large infrastructure investments have further complicated operations and market transactions.

The lack of harmonization and integration among African countries is also a big barrier. Despite some progress made by initiatives such as the Single African Air Transport Market (SAATM), many African countries (e.g., South Africa, Kenya) still require visas from non-citizens entering their countries, even if they are from Africa. These barriers limit the connectivity and mobility of people and goods across the continent and reduce the potential benefits of aviation for economic development, trade, tourism, and social integration.

Despite the challenges, Africa's air traffic grew significantly in 2023. According to Booeing's Commercial Market Outlook (CMO), 2023, Africa's air traffic growth for 2023 stands at an impressive 7.4%. This exceeded the global average of 6.1% and also ranks as the third-highest rate in the world. This growth can be attributed to pent-up demand and economic growth, partly driven by higher global commodity prices and the consistent efforts of initiatives such as the African Continental Free Trade Area (ACFTA) and Single African Air Transport Market (SAATM) to stimulate trade and enhance intra-regional connectivity in Africa.

The IATA predicts that Africa will be one of the fastest-growing regions in terms of passenger traffic in the next decade, with an average annual growth rate of 5.6%. This means that Africa could double its share of the global market by 2033, reaching 4% of the total passenger traffic.

Without a doubt, there is huge potential for growth and development in the continent's aviation sector. However, this also requires addressing the challenges of high operational costs, regulatory barriers, and infrastructure gaps that hinder the expansion of air travel in Africa. Some positive signs of recovery and investment have been observed, such as new airports in Nigeria and Angola and increased flight frequencies by Qatar Airways. The International Air Transport Association (IATA) expects Africa to fully recover its passenger traffic by 2024 and to nearly double it by 2035, reaching 263 million passengers. This would have significant benefits for the economy, tourism, trade, and connectivity of the region.

## 3 FAAC revenue rose by 20.04% as FG, States, and LGAs shared N1.08 trillion in November

In November 2023, the FAAC shared a total sum of N1.088 trillion among the three tiers of government, representing a 20.04% increase from the N906.97 billion shared in October 2023. This was derived from a total revenue of N1.62 trillion generated during the period, marking a 31.71% increase (N390 billion) when compared to the N1.23 trillion reported in October 2023.

According to the communiqué issued by the FAAC, the gross statutory revenue received for November 2023 was N882.56 billion, which was 33.70% (N222.47 billion) higher than the N660.09 billion received in October 2023.

The gross revenue available from value-added tax (VAT) in November 2023 was N360.46 billion, which was 3.78% (N13.11 billion) higher than the N347.34 billion available in October 2023. The Electronic Money Transfer Levy (EMTL) revenue was N11.95 billion, while the Exchange Difference revenue was N364.87 billion.

The FAAC also disclosed that the balance in the Excess Crude Account (ECA), which is a savings account for oil windfalls, was $473,754 as of December 15, 2023.

Of the N1.088 trillion shared, the Federal Government received N402.87 billion, the State Governments received N351.7 billion, and the Local Governments received N258.81 billion. In addition, the oil-producing states received N75.41 billion as derivation revenue, which is 13% of the oil revenue.

The increase in revenue was attributed to various factors, such as higher oil prices, improved tax collection, exchange rate gains, and the electronic money transfer levy.

This increase in FAAC disbursement will boost the fiscal capacity of the three tiers of government to meet their expenditure obligations, such as payment of salaries, pensions, debt servicing, infrastructure development, and social services. Moreover, it will enhance intergovernmental fiscal relations and reduce the potential conflicts among the different levels of government over revenue sharing.

The outlook for Nigeria's FAAC revenue is positive, as the global oil market is expected to recover from the pandemic-induced slump and increase the demand and price of crude oil, which fell from an average of $81.35bbl in November to $78.66bbl currently. According to OPEC, the world oil demand is projected to grow by 4.2% in 2024, reaching 100.8 million barrels per day (mb/d), while the world oil supply is expected to increase by 2.5% to 102.3 mb/d, resulting in a slight surplus of 1.5 mb/d. As a major oil exporter, Nigeria will benefit from the higher oil revenue and foreign exchange earnings, especially since the naira has been under pressure in the past few months due to low forex reserves. Furthermore, the ongoing reforms in Nigeria's tax system, which introduced various measures such as the proposed reduction of the 200 odd taxes on businesses to not more than 10 and the streamlining of levies and fees imposed at various levels, will also contribute to increasing non-oil revenue for the country.

## 4 World Bank approves $750 million for DARES clean energy project in Nigeria

On December 14, 2023, the World Bank approved $750 million International Development Association (IDA) credit for the Distributed Access through Renewable Energy Scale-up (DARES) project in Nigeria. This funding will help in leveraging over $1 billion from private investors and additional support from development partners, including $100 million from the Global Energy Alliance for People and Planet and $200 million from the Japan International Cooperation Agency (JICA). Other collaborating partners include the United States Agency for International Development (USAID), the German Development Agency (GIZ), Sustainable Energy for All (SEforAll), and the African Development Bank (AfDB).

The primary aim of the DARES project is to increase the access to clean energy to over 17.5 million Nigerians (8% of the population). The project will build on the accomplishments of the Nigeria Electrification Project (NEP), funded by the World Bank. So far, NEP has enabled the establishment of 125 mini-grids and the distribution of over a million Solar Home Systems, providing electricity access to more than 5.5 million Nigerians. Also, NEP has generated over 5,000 local green jobs within the private sector in Nigeria.

The newly approved DARES programme will play a crucial role in assisting the Federal Government of Nigeria in coordinating and financing off-grid electrification efforts. Additionally, it will support states in enhancing their capacity and formulating policies to promote the adoption of rooftop solar energy. This collaborative effort signifies a significant step towards achieving sustainable and inclusive energy solutions for Nigeria.


### Multiple taxation negatively impacting telecom growth in Nigeria

The multiple tax burden on the Nigerian Communication Commission (NCC) has become a cause for concern in the economy due to its crowding-out effect on the telecom industries in Nigeria. Recently, multiple tax collections have emerged from both appropriate authorities following due processes (value-added tax and sales tax) and many other irregular taxes and charges imposed on them by some state and local government agencies. Some of these include environmental impact charges, maintenance of infrastructure, and waste collection charges.

The tax burden is a significant push factor that discourages domestic and foreign investors. Conversely, multiple taxes mean an increase in operational costs and a reduced profit margin as part of their earnings intended to be reinvested goes to fulfilling tax obligations. Investors need an investment climate where they will have compensation for operating costs. To cope with the multiple tax burdens, the NCC has to pass on the cost to consumers by increasing the cost of the services they render. This, in turn, will stoke inflationary pressures and reduced consumer purchasing power, potentially affecting overall economic stability. As such, growth in the telecom sector will remain subdued. In 2023 alone, the Nigerian telecommunication sector grew 3.5% (7.74% in Q3'23) slower from 11.24% in Q4'22.

Consequently, the need to strike a balance between tax revenue and ensuring a good business environment for investors is crucial. Hence, implementing clear tax reforms that will help streamline and simplify tax structures to minimise duplication and overlap can contribute to a more predictable business environment. For consumers, this means less strain on their disposable incomes as data costs drop.

### Nigeria's Q2'23 unemployment rate holds steady at 4.2%

In Q2'23, Nigeria's unemployment rate rose marginally to 4.2% from 4.1% in Q1'23. Nevertheless, when compared to the unemployment level in Q4'22, there was a notable decline of 1.1%. Unemployment among the youth (ages 15–24) also rose to 7.2% from 6.9% within the same period, raising concerns about the economic prospects for this demographic.

A further breakdown of the data revealed that the labour force participation rate among the working-age population remained elevated at 80.4% in Q2 2023 from 79.9% in Q1'23, while the employment-to-population ratio stood at 77.1%. Also, unemployment in urban areas climbed to 5.9% from 5.4% in the first quarter of the year.

Despite a decrease, underemployment continues to be a lingering concern in the country. Time-related underemployment stood at 11.8% in Q2'23 from 13.7% in Q4'22. The looming threat of exacerbating underemployment is underscored by the stagnant progress in Nigeria's labour sector, despite the country's escalating population growth rate. Currently, the nation's population growth rate stands at 2.4%, prompting the need for serious reforms to cater to the growing population.

Moreover, apprehensions linger regarding the accuracy of the unemployment data vis-à-vis the actual economic situation in the country. This uncertainty in the macroeconomy may deter investors, as misaligned and ineffective policies pose substantial risks. Addressing these concerns is pivotal to instilling confidence and attracting investments in Nigeria's economic landscape.

Furthermore, the misalignment between available employment opportunities and individuals' skill sets in the country will sustain the emigration trend ("japa wave"). As a result, there will be a loss of skilled individuals, particularly in critical socio-economic sectors such as health. While this could lead to an uptick in remittance inflows, there is a pressing need for the government to implement measures that enhance productivity, fostering business expansion and enabling the absorption of the expanding workforce.

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# Social story

## A Tribe Called Judah

- Funke Akindele's latest film, "A Tribe Called Judah," smashed records within its first 12 days in theatres.
- Launched on December 10, "A Tribe Called Judah" officially graced cinemas on December 15, 2023, amidst stiff competition from other Nollywood releases like "Ada Omo Daddy."
- Within a mere 48 hours of its release, the movie garnered an impressive N60 million (with N50 million on Sunday alone), securing the title of the largest single-day gross for a Nollywood film.
- It also claimed the second-highest December release spot after Spider-Man: No Way Home.
- Directed by Adeoluwa Owu, the film boasts an A-list cast featuring Boma Akpore, Ebele Okaro-Onyiuke, Etinosa Idemudia, Fathia Balogun, Funke Akindele, Jide Kene Achufusi, Nse Ikpe Etim, Olayode Juliana, and more.
- The plot of the film tells the tale of a family embarking on a daring mall heist, only to encounter an unforeseen confrontation with armed robbers.
- Funke Akindele is emerging as a master in the movie production field, underscored by her noteworthy achievement with 'Battle on Buka Street' from a year ago.
- The success of "A Tribe Called Judah" ushers in an exhilarating chapter for Nollywood, injecting the industry with well-deserved recognition and cranking up the competition on the global movie production stage.


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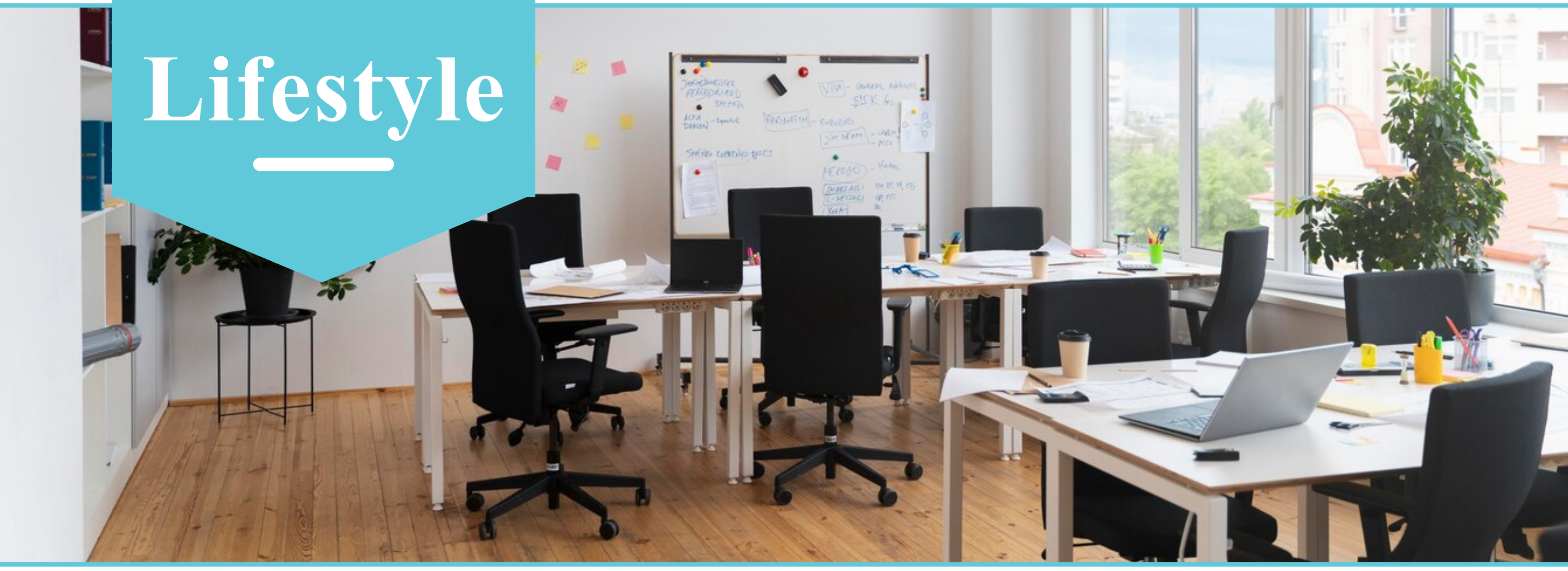

# Four Ways To Create A Healthy Work Environment

*Culled from Forbes*[1]

When you spend the majority of your time at work, it's essential to have a healthy environment. It's no secret that a healthy work environment is crucial to both our physical and mental wellbeing. In fact, studies have shown that happy employees are more productive, have lower levels of stress, and are more likely to stick around at their jobs. Conversely, an unhealthy work environment can lead to stress, anxiety, and even depression.

## Establishing an effective work-life balance

According to the founders of OSIS, Chris Goma and Jalal Ibrahimi, "A healthy workplace is not a privilege. It's a right. It's a fundamental need like food and shelter. When we don't have access to these things, our health and wellbeing suffer," Goma told me over email. Ibrahimi added, "when you have a healthy work environment, you are more likely to be productive, creative, and happy."

Both executives believe a healthy work environment is essential to physical and mental wellbeing. "If you're unhappy with your current situation, don't be afraid to speak up or make a change. Your health is worth it," said Goma. His family fled Rwanda during the infamous genocides when his mother was still pregnant with him, eventually settling in Canada. Ibrahimi, originally from Afghanistan, also emigrated to Canada. Now aged 27, Goma and Ibrahimi are committed to ensuring workers everywhere can access a healthy work environment. "We want to equip people with the tools they need to create a healthy workplace for themselves," said Ibrahimi. "No one should have to sacrifice their health for their job."

Their latest market offering, a VISA-backed neo-bank, CoinCare, which has helped thousands of small business owners recover after the pandemic, provides advice and resources on creating healthy workplaces. "We want to empower people to take control of their health and wellbeing," said Goma.

## But what about burnout?

According to MIT Mentor in Residence, Terence Mauri, the problem is that workers are tired. "Zoom fatigue. Meeting fatigue. Collaboration fatigue," he articulated via email. According to Mauri, Hack Future Lab research shows that "76% of workers struggle to focus on what really matters, and 66% report the risk of burnout." Mauri continued, "everybody is talking about Quiet Quitting, but what about lousy leading?" His research revealed that after family, the most crucial factor for a worker's satisfaction is their direct relationship with their boss. However, 77% of workers claim their seniors cause the most stress. According to Mauri, quiet quitting and its close cousin, anxiety and disengagement, are responsible for $7 trillion in lost productivity for companies annually.

Katja Einola, a former program manager at Ericsson, turned professor of the Stockholm School of Economics and her co-author, William Degbey, a professor of the University of Vaasa in Finland, agree with Mauri. Both

1. https://www.forbes.com/sites/benjaminlaker/2022/09/26/four-ways-to-create-a-healthy-work-environment/?sh=2ed7bcb0b23d

academics suggest that healthy, well-performing teams can build resilience from mundane yet crucial everyday teamwork challenges. Their research, consistent with that of Hack Future Lab, demonstrates that even members of geographically dispersed virtual teams can proactively engage in team resilience-building practices such as self-reflection, regulation of emotional expression, and engagement in concrete actions promoting team inclusion—that in turn help these groups become more robust and prepared to face new adversities.

So, how can you apply these empirical findings and create a healthy work environment for yourself and your team?

### 1. Encourage open communication

Make sure that everyone feels comfortable communicating with each other. Encourage workers to share their ideas and concerns openly. For example, you could hold regular team meetings where everyone has a chance to share their thoughts.

### 2. Promote collaboration

Encourage workers to work together towards common goals. For example, you could create project teams where people from different departments collaborate to work on a common goal. When colleagues feel like they are part of a team, they are more likely to be motivated and productive.

### 3. Encourage healthy living

Promote a healthy lifestyle for yourself and your team—including healthy eating, exercising regularly, and sleeping sufficiently. To help these activities, you could hold monthly wellness challenges or offer discounts for gym memberships.

### 4. Create a positive work-life balance

Make sure that you are taking time for yourself outside of work. This includes hobbies, spending time with family and friends, and vacations. For example, you could offer flexible work hours or allow people to work from home occasionally.

In summary, plenty of companies out there understand the importance of a healthy work environment, and they're reaping the benefits. Employees who feel supported and valued are more engaged, productive, and loyal.

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