Unity Bank Digest

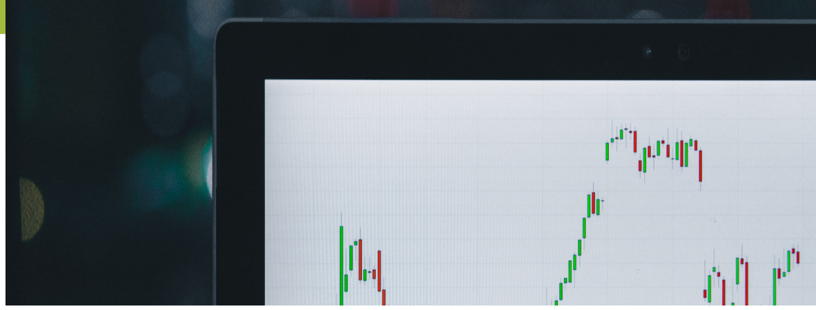
January 18th, 2024

Nigeria's headline inflation climbs to approx. 30%

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

The Macro



How do you feel about the new year?

Was it a good start ?

is it "comme ci comme ça" (so-so) ??

or is it deja vu ???

Naira plunges to an all-time low of N1,355/$

The naira has lost 10.7% (N1,355/$) in 2024 alone. This is mainly due to the rising US dollar demand for educational purposes and the new CBN guidelines on bank cryptocurrency trade. The naira's constant depreciation is despite the $2.5 million Afrexim Bank loan and the spike in forex liquidity to $147.81 million on January 16 from $89 million on December 29.

In an effort to stabilise the currency, Nigeria has initiated discussions with the World Bank to secure a $1.2 billion aid package. This aid, if granted, is anticipated to enhance the supply of dollars in the country and alleviate pressure on the naira in the near term.

What the naira depreciation means for you

- Purchasing power erosion
- Higher inflationary pressures
- Increased cost of living
- Diversion of palliatives

Nigeria's headline inflation climbs to a 27-year high in December 2023

In December 2023, Nigeria's inflation rose by 0.72% to a 27-year high of 28.92% from 28.20% in November 2023. This marks the twelfth consecutive monthly increase since January 2023. The heightened inflationary pressure in the country was driven by the substantial (38.84%) depreciation in the exchange rate, the 39.33% surge in money supply, and elevated transportation costs. Higher diesel prices further stoked inflation as logistic costs climbed. According to the NBS report, the primary contributor to the headline index was food and non-alcoholic beverages, constituting 14.98%. This was followed by housing, water, electricity, gas, and other fuels at 4.84%, clothing and footwear at 2.21%, and transport at 1.88%.

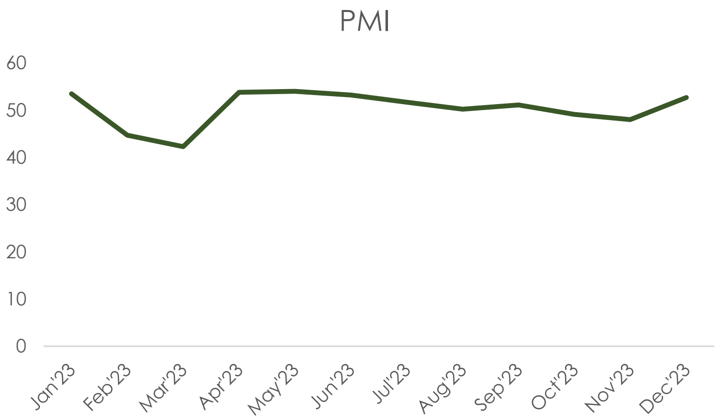
More concerning is that core inflation, which excludes seasonality and energy costs, rose by 0.68% to 23.06%. This is expected to prompt monetary policy authorities to adopt a more aggressive stance in managing money supply in the near term. Meanwhile, Nigeria's inflation will remain elevated in January 2024 due to lingering issues of suboptimal domestic production, excessive money supply growth, and a weaker naira. Sustained inflationary pressures, particularly in essential sectors like food and transportation, will continue to erode the purchasing power of consumers and worsen the standard of living.

Nigeria's PMI rebounds in December to 52.7 points

Private sector activities in Nigeria climbed by 9.79% to 52.7 points in December after contracting for two consecutive months prior. Moreso, the rate of increase in the country's December PMI reading is the highest recorded in H2'2023, and second-highest in 2023 after the 53.2 recorded in June. Notably, the rise in the country's PMI occurred despite heightened inflationary pressures fueled by a weaker currency and increased fuel costs. The naira is down by over 50% YTD, and fuel prices have more than doubled compared to 2022. Meanwhile, inflation is expected to maintain the upward trend, rising to 28.7% in December from 28.2% in November.

Nonetheless, the boost in the PMI reading attests to the pick up in consumer demand and economic activities during the festive period. This resilience was driven by a recovery in output and new orders. Noteworthy, is that in October and November 2023, new orders declined owing to lower purchasing power by consumers.

However, looming inflationary pressures pose a potential threat to the sector's continued expansion. Such pressures could discourage manufacturing firms from making new purchases in January. The Manufacturing Association of Nigeria has revealed that the elevated inflation in the country, coupled with the naira's constant depreciation, will weaken its performance until June 2024 (mid-year). Without adequate government intervention, lower manufacturing activities and higher prices will hinder the nation's economic growth and spur disinvestment in the country as the business environment worsens. In 2023, seven multinationals exited the country, citing the tough business environment.



Foreign direct investment in Nigeria plunged by 89% in the past five years

Nigeria's business environment has been a significant concern for both domestic and foreign investors, as evidenced by the rising number of foreign companies exits . According to the National Bureau of Statistics (NBS), foreign direct investment (FDI), typically involving foreign investors acquiring or establishing companies, plummeted by 89% to \$59.77 million in Q3'23 from \$530 million in Q3'18. Additionally, other forms of foreign participation in Nigeria's economy have declined, with total capital importation falling by 43.55% to \$654.65 million in Q3'23 from \$1.16 trillion in Q3'22. The primary factors contributing to this decline in FDI include the inability of foreign firms to repatriate profits due to a shortage of forex supply (dollars) and the country's previous multiple exchange rate windows. Other deterrents for foreign investors encompass over-taxation, negative real interest rates, and challenges in Nigeria's oil sector, which accounts for 90% of export earnings.

A continuous decline in FDI inflows into the country could constrain economic growth due to the lack of employment from foreign companies. Additionally, the declining inflow limits forex supply, constraining the Central Bank's ability to bolster the value of the naira. This could lead to further currency depreciation, resulting in higher import costs and increased prices for goods. However, the current administration has prioritized growing foreign investments, signalling policy reforms to enhance Nigeria's economic attractiveness for foreign investors.

Nigeria's GDP growth to rise in 2024 while global growth slows

Since June 2023, Nigeria has witnessed a series of policy reforms ranging from petrol subsidy reductions to forex market de-segmentation and tax reforms. These reforms, especially in the hydrocarbon sector, are expected to have a positive impact on the Nigerian economy in 2024. One of the projected impacts of the policy changes is a slight improvement in the country's Gross Domestic Product (GDP) to 3.3% from an estimate of 2.9% in 2023 according to the Department of Economic and Social Affairs of the UN. However, the issues of rising debt levels heightened inflationary pressures, an unfavourable business environment, and the cost-of-living crisis in the nation could threaten the economy's positive outlook.

Moreso, on a global scale, the United Nations World Economic Situation and Prospects (WESP) has forecasted a slowdown in growth to 2.4% in 2024 from 2.7% in 2023. This is in line with the IMF's projection of a global economic growth rate of 2.4% in 2024. The projection is driven on the back of persistently high-interest rates, geopolitical tensions, slow international trade, and increasing climate change effects. Interestingly, while global inflation is expected to drop sharply to 3.4% this year from 5.7% in 2023, low income developing countries are still expected to experience elevated inflation levels.

The Nigerian president has implemented a series of reforms aimed at enhancing the nation's overall economic growth, while the Central Bank of Nigeria (CBN) has underscored its dedication to curbing inflation. As both global and domestic inflation rates show signs of decline, it is anticipated that interest rates will follow suit. This has noteworthy implications for developing nations like Nigeria. In the third quarter of 2023 alone, 36.38% of Nigeria's debt was acquired from external sources. Consequently, the anticipated reduction in interest payments is poised to bolster Nigeria's fiscal conditions, leading to a decrease in the fiscal deficit.

Nevertheless, it is crucial to acknowledge that the ongoing reforms in the country may still exert a negative impact on the economy as Nigeria stands to either win big from these reforms or lose everything.

Nigeria ranks low in the 2023 Competitive Industrial performance Index

Nigeria ranked 97 out of 153 countries in the 2023 Competitive Industrial Performance Index, with government foreign exchange (forex) restrictions and import bans identified as contributing factors. This index, from the United Nations Industrial Development Organization (UNIDO), evaluates countries based on manufacturing capacity, technological advancements, and global impact.

In 2015, the government imposed a forex ban on 43 items on the import list, which lasted until October 2023. The forex restrictions, while not explicitly prohibiting goods on the restriction list, posed significant challenges. Importers, unable to access official forex channels, turned to expensive parallel markets with an exchange rate premium as high as N409/$ (N1,300/$ in the parallel market and N891/$ at the I&E window) in October 2023. The negative effect of the forex restriction was further compounded by the lack of adequate support for local production.

Unsurprisingly, Nigeria ranks low in terms of its industrial competitiveness. In addition, the country has the seventh-lowest Human Capital Index (HCI) in the world. In 2022, Nigeria ranked 144th in the world and 14th among African countries in terms of global competitiveness. The low level of HCI has severely limited the overall productivity level in the economy, reducing competitiveness. In the near term, Nigeria's low industrial competitiveness could discourage investors. As a result, Nigeria's economic growth could slow as output drops.

President Tinubu signs the N28.7 trillion 2024 budget into law

Nigeria's president, Bola Tinubu, signed the N28.78 trillion (trn) 2024 budget into law, thereby maintaining the January-December budget cycle. The budget, which was increased by lawmakers from N27.5trn to N28.78trn, includes N10trn in capital spending, N8.8trn in recurrent expenditure, N8.2trn in debt servicing, and N1.7trn in statutory transfers.

In the 2024 fiscal year, the government is expected to grow revenue through orthodox means, rather than rely on CBN ways and means that irresponsibly grew by between 2022 and 2023. This implies a rise in the issue of government securities as well as a decrease in deficit financing. Consequently, inflation in the country will taper during the year.

The increase in budget allocation for capital expenditures is a welcome development. In 2023, only 26.06% of the budget was allocated for capital spending, while CAPEX this year is 34.75%. This increase could spur development in the country and, in turn, improve consumers' standard of living. Furthermore, the increase in capital expenditure will improve productivity in the country, thereby supporting economic growth as well as the government's goal of curbing inflation during the year.

World Bank forecasts global trade to grow by 2.3% in 2024

In 2023, global trade was sluggish, growing at a meagre 0.2% compared to 1.7% in 2022. This marks the slowest growth rate in over 50 years, excluding recessionary periods. However, the World Bank is optimistic, forecasting a recovery of global trade in 2024 by approximately 2.3%. Noteworthy is that this projection is 0.5% lower than the initial June projection, primarily due to weaker-than-expected growth in China. In Q4'23, China's economy grew by 5.2% year-on-year, slighly lower than analyst's expectations.

Looking ahead, the responsiveness of global trade to global output is anticipated to remain below pre-pandemic levels in the near term, reflecting subdued investment growth. This is because investment tends to be more trade-intensive compared to other types of expenditures. On a positive note, the growth in global trade presents an advantageous scenario for Nigeria which is heavily reliant on imports to satisfy domestic demand. According to the World Bank, trade accounted for 10.74% of Nigeria's GDP in 2021.

Moreover, Nigeria stands to benefit from increased access to more affordable goods and services from other African countries, facilitated by the African Continental Free Trade Area (AfCFTA). This not only reduces the risk of imported inflation but also translates into enhanced access to a diverse range of cost-effective goods and services for consumers.

Verve Goodlife

PROMO 4.0 | Supporting Dreams

unity bank

...Succeeding Together.

Transact & Win

with Verve Card

...and Free Electricity Payments

Transact with your **Unity Verve Card** on POS, ATM or WEB at least twice weekly for a chance to win. The more you transact the more your chances.

PROMO DATE: **3RD AUG, 2023 - 31ST JAN, 2024**

Social story

GOLDEN GLOBE AWARDS 2024

- On December 7, the 81st Golden Globe Awards was held at the Beverly Hilton in Beverly Hills, California with one of the presenters being the famous Angela Bassett.
- The ceremony saw several celebrities from the film and television industries in attendance.
- As expected, both *Oppenheimer* and *Barbie* took home awards for Best Motion Picture (Drama) and Cinematic and Box Office Achievement, respectively.
- *Succession* claimed the spotlight by earning nine nominations, tying with *Barbie* in the process.
- *Succession* was also named the best television drama. Other films in this category were *The Crown* and *The Last of Us*.
- The Golden Globes, being the first televised awards show of the year, play a crucial role in influencing the trends for success at upcoming Academy Awards.
- With most of the focus centred on the competition between *Barbie* and *Oppenheimer*, it looks like *Oppenheimer* has a better chance of winning big at the Oscars.

unity bank

...Succeeding Together

My Levels Don Change With

Yanga Account

SAVINGS & INVESTEMENT

CUSTOMIZED DEBIT CARD

CAPACITY BUILDING SEMINARS

DEDICATED SALES AGENTS

Open a Yanga Account and enjoy

07080666000 | 01-2803010 | 07057323225-30 | 08099152315

we_care@unitybankng.com | www.unitybankng.com

@unitybankplc

Unplug and Recharge: The Importance of a Digital Detox

Culled from Medium[1]

In our hyper-connected, digital world, it's easy to forget there's a life beyond the screens that dominate our time and attention. As the line between our online and offline lives blurs, it's increasingly important to disconnect periodically. Welcome to the concept of a 'digital detox.'

1. What is a Digital Detox?

A digital detox is a period of time during which a person refrains from using electronic devices such as smartphones, computers, and social media platforms. This is to reduce stress and focus more on social interaction in the physical world.

2. Why is a Digital Detox Necessary?

Our constant digital connectivity can lead to chronic stress, digital fatigue, and in some cases, a feeling of being overwhelmed. Here's why a digital detox can be beneficial:

Improve Mental Health: Constant exposure to news, especially negative ones, can lead to increased anxiety. Also, social media's "comparison culture" can impact self-esteem. A digital detox can give your mind a much-needed break, improving overall mental health.

Increase Productivity: Notifications and constant updates can be a significant distraction, reducing productivity. Taking time off from digital devices allows you to focus on tasks and get more done.

Enhance Real-Life Social Interactions: It's easy to neglect real-life interactions in favor of online socializing. A digital detox helps you reconnect with people in the physical world, strengthening these relationships.

Better Sleep: The blue light emitted by screens can disrupt sleep patterns. Reducing screen time, especially before bed, can promote better sleep quality.

3. How to Successfully Undertake a Digital Detox?

Start Small: Going completely offline can be challenging. Start with small steps like turning off notifications for a few hours or designating tech-free zones in your house.

Schedule Screen Time: Designate specific times for checking emails and social media. This can prevent mindless scrolling and help you manage your time better.

Find Alternative Activities: Take up a new hobby, spend time in nature, or engage in physical activities. This can make your detox period more enjoyable and rewarding.

Use Tools to Help: Use apps or features on your devices that track screen time and help you manage it.

Remember, the aim of a digital detox isn't to quit technology entirely but to create a healthier, more balanced relationship with it. Just like our physical health, our digital health needs regular check-ups and conscious efforts to maintain it. So, go ahead, unplug, and discover the benefits that a digital detox can bring to your life.

1. https://medium.com/@findsfitlife/unplug-and-recharge-the-importance-of-a-digital-detox-7447ebce122c

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

Connect with us on Social Media: @UnityBankPlc

IMPORTANT DISCLAIMER: This commentary has been prepared by UNITY BANK. Opinions and any other content including data and market commentary in this document are provided by us for personal use and informational purpose only. Nothing contained in this document constitutes investment, legal, tax or other advice and is not to be relied on in making an investment or other decision. Any pricing included in this communication is indicative and is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has been obtained from sources believed to be reliable but UNITY BANK does not represent or warrant that it is accurate and complete. Neither UNITY BANK, nor any officer or employee thereof accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. Any securities recommendations made herein may not be suitable for all investors. Past performance is no guarantee of future returns. Any modeling or back-testing data contained in this document is not intended to be a statement as to future performance. UNITY BANK is incorporated as a public limited liability company in Nigeria and is regulated by the Central Bank of Nigeria (CBN)