Unity Bank Digest

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Finance | Economic News | Lifestyle

Business activities expand in January 2024

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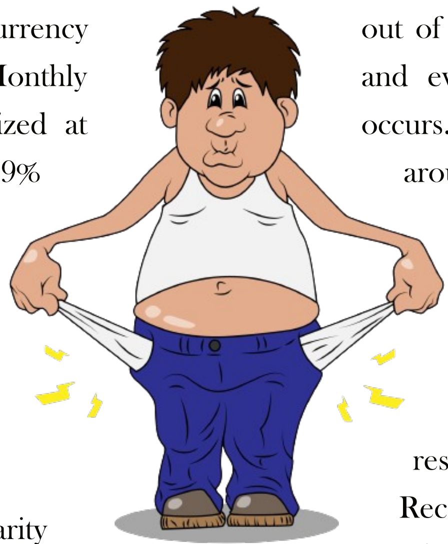
The Macro

Nigeria's headline inflation rises to a 27-year high of 29.9%

The National Bureau of Statistics revealed the January 2024 inflation data on February 15 2024. In line with FDC's expectation, headline inflation rose by 0.98% to 29.90% from December's 28.92%. The increase in the general price level in the country can be attributed to factors such as high diesel prices, logistical costs, a weakened naira, and currency devaluation.

A further breakdown of the data reveals that core inflation, which excludes volatile items, increased to 23.59% from 23.07%. This signals inflationary pressures from non-food factors like currency fluctuations and monetary expansion. Monthly inflation also rose to 2.64% (annualized at 29.20%) from December's 2.29% (annualized at 28.97%), driven by exchange rate pass-through effects and rising logistical expenses. Notably, the naira depreciated by 38% in January alone, hitting a low of N1,610/$.



Equally concerning is the evident disparity between inflation expectations and the current inflation rate. As consumers anticipate higher inflation amidst uncertainty and policy inaction, it exacerbates the cost-of-living crisis, eroding purchasing power and impacting living standards. In February 2024, Nigeria's headline inflation is expected to remain elevated due to ongoing challenges such as insufficient domestic production, excessive money supply growth, and continued currency depreciation. This places additional pressure on the Monetary Policy Committee (MPC) to consider further rate hikes in its upcoming meeting to address inflationary pressures.

Nigeria's food production to hit $67.61bn (N101.42trn) in 2024

According to the Organisation for Technology Advancement of Cold Chain in West Africa (OTACCWA) and Fairtrade, Nigeria's food production is projected to rise by 35.46% to $67.61bn in 2024 from $49.91bn in 2021. In 2022, Nigeria's total crop production stood at N42.68trn,11.4% higher than the N36.35trn recorded in 2021.

While food production has tepidly risen, Nigeria continues to witness challenges plaguing food production. Rising insecurity has forced farmers out of their farms, reducing food production and even when food is produced, wastage occurs. For instance, post-harvest losses of around 40-50% still lingers for key staples like tomatoes, yams and onions, reducing food supply nationwide. These issues have contributed to the sharp increase in food inflation, now at a 27-year high of 33.93%. As a result, the cost of living has skyrocketed. Recently, key food-producing states like Niger, responsible for commodities like rice and corn (maize) have embarked on a protectionist stance, in a bid to solve its food output woes. Additionally, in Kano and Osun, protests have erupted, clamouring for better living standards.

Still, food production could inch up as the FG intensifies its efforts to support food technology, partnering with key players in the food value chain. The crucial directive, though, is for the federal government to address the lingering issues stifling agricultural sector productivity. This means solving insecurity and providing the necessary infrastructure and facilities to reduce food wastage and ease the impact of seasonality on food production. Food accounts for over 56% of household consumption, and the longer prices stay elevated due to supply shortages, the more consumers rebalance their spending to suit the current economic climate. This means that consumption which accounts for over 60% of GDP will keep declining, dampening growth.

Cashless transactions rise by 50% to N600 trillon in 2023 – NIBSS

In 2023, Nigeria witnessed a surge in cashless transactions to an all-time high of N600 trillion, up 50% from the N387 trillion in 2022. Similarly, electronic payment channel volume increased to 11.05 billion in 2023 from 6.28 billion in 2022. A further examination of the data revealed that the volume of transactions (NIP) processed by NIBSS jumped by 90.2% in 2023 to N71.9 billion (January) from N38.8 billion (December), signalling improved acceptance of cashless payments by Nigerians. The value of point of sale (PoS) transactions in 2023 amounted to N862 billion (December), reflecting a 6.8% rise from the N807.16 billion reported in January.

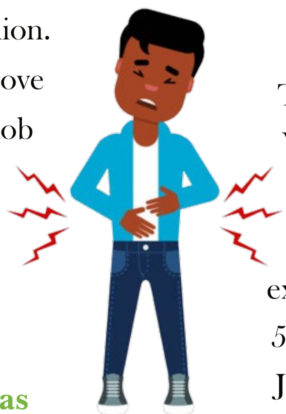
Interestingly, December 2023 recorded the highest value of cashless demand (N71.9tn) due to heightened festive demand and another cash scarcity. This was 49.8% higher than the value recorded in March 2023 (N48trn) which was the month with the second highest volume of transactions. Overall, the rise in cashless transactions in Nigeria will likely spur development in the telecommunication industry, and e-commerce as well ass increase the pace of internet penetration in the country. As of August 2023, Nigeria secured the eleventh position worldwide in terms of global internet penetration, as reported by the Nigerian Communications Commission (NCC). As internet penetration increases and the country's e-commerce grows so will the ease of doing business in Nigeria improve. This could attract potential investors into the Nigerian economy, prime economic growth and in turn improve consumer's standard of living.

S&P affirms Nigeria's credit outlook at stable

On February 2, 2024, Standard and Poor's (S&P) reaffirmed Nigeria's short-term foreign and local currency sovereign credit ratings at 'B-/B' and the long and short-term national scale ratings at 'ngBBB+/ngA-2'. The credit rating agency further rated Nigeria's outlook as stable. The ratings agency revealed that this outlook stems from continuous monetary, economic, and fiscal reforms. These include the liberalization of the naira, removal of fuel subsidies, and initiatives aimed at bolstering non-oil revenues and enhancing domestic refining capabilities. However, this outlook is threatened by various factors including the elevated inflation risks and the sharp depreciation of the naira.

Nigeria's January inflation reached 29.9%, the highest in 27 years, and averaged 24.52% in 2023. This was 5.75% higher than its average in 2022 (18.77%). Meanwhile, at the forex market, the naira has depreciated by over 22%, nearly touching N1,560/$ (parallel market) on February 13. To further support the naira, the Central Bank of Nigeria has introduced measures to stabilize the market, including removing caps on exchange rates by IMTOs and clearing around $500 million in FX backlogs to local companies and banks. There are still risks of reduced investment in productive sectors, which could undermine the reforms' benefits.

The stable outlook will bolster investors' confidence and drive investment inflows into the country. In the third quarter of 2023, Nigeria's capital importation dropped by 43.55% from $1.16 billion recorded in the third quarter of 2022 to $654.65 million. Higher investment inflows will improve economic growth and create more job opportunities in the country. As the employment level increases, so will consumers' disposable income and the standard of living in the country.



Business activities gain momentum as Nigeria's PMI rises to 54.5 in January

In January 2024, business activities across Nigeria relatively increased, exemplified by the 3.42% uptick on the Stanbic IBTC PMI reading to 54.5 points from 52.7 points in December 2023. This increase, driven by robust new orders and output rates, marked the highest increase between 2023 and 2024. Noteworthy was the substantial growth in new businesses.

Across all major sectors surveyed, improvements in output were evident despite exchange rate challenges and elevated transport and raw material costs. Nevertheless, companies increased their new orders, leading to augmented inventories. Employment growth, however, remained restrained, with firms encountering difficulties in meeting wage obligations. Despite the prevailing inflationary pressures, purchasing activity expanded, elevating business confidence to its highest level in 13 months.

The PMI index, a key metric of private sector performance, underscored a solid improvement in January, with an optimistic outlook for increased output in the foreseeable future. With the PMI remaining above the 50 expansionary benchmark, output levels are bound to increase, supporting economic growth.

Food prices remain high world wide

The latest Food Security Update from the World Bank reveals that many countries are facing high food prices. In low-income nations, more than 63.2% experienced food inflation rates exceeding 5%. This is 1.9% higher than the value in January 2023 (65.1%). Meanwhile, the percentage of both lower-middle-income countries (73.9%) and upper-middle-income countries (48%) experiencing food inflation levels above 5% remained the same. The rise in food inflation during the year was driven by the recent attacks on ships in the Red Sea. These attacks disrupted food trading, evident in the 40% reduction in trade volumes through the Suez Canal. However, food prices remained resilient and declined by 9% in 2023 according to the Food and Agriculture Organization.

In the near term (2024–2025), food prices are expected to maintain their downward trend despite the risks of higher energy costs and adverse weather. This outlook is further supported by the significant financial contribution of the World Bank across 90 countries. As of May 2022, the organisation has invested $45 billion to combat food insecurity. This aid is expected to impact 90 countries by providing financial aid to poor families and supporting farmers to increase food production.

Higher food prices globally could cause central banks to maintain a hawkish stance as inflationary pressures intensify, worsening living costs. In turn, interest rates will rise. For import-dependent countries like Nigeria, the risk of imported inflation will increase and worsen the country's trade balance, especially if the naira loses steam.

Capital importation plunges to a 14-year low in 2023

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In 2023, Nigeria recorded a 26.6% decline in foreign capital inflow to $3.91bn from $5.33bn. This decrease represents an all-time low since 2007 when when records began. The recent data released by the National Bureau of Statistics (NBS) revealed that Other investments totaled $2.38bn (60.82% of the total capital importation) in 2023 with foreign portfolio investment (FPI) and foreign direct investment (FDI) settling at $1.15 billion (29.52%) and $377.4 million (9.66%), respectively.

Breaking down the data further, Lagos State emerged as the largest recipient of foreign investments in 2023 with $2.50bn inflow (64%). This was closely followed by the FCT with $1.17 billion (30%). Sector-wise, the production/manufacturing sector emerged as the magnet for capital inflow, attracting a substantial $450.11 million, which accounted for 41.35% of the total capital imported during Q4 2023. It was closely trailed by the banking sector with $283.30 million (26.03%), and financing activities with $135.59 million (12.46%). Originating sources of capital during this period showed a diverse array, with the United Kingdom leading the pack, contributing $267.24 million and commanding a share of 24.55%. Mauritius followed closely with $226.18 million (20.78%), while the Netherlands contributed $149.93 million (13.77%).

Overall, while the decline in foreign capital inflow may raise concerns about the country's attractiveness to foreign investors, the resilience and diversity observed in the investment landscape suggest opportunities for growth and expansion. For consumers, this may translate into increased job opportunities, improved infrastructure, and enhanced economic development in various sectors.

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Social story

GRAMMYS 2024

- On February 2 2024, the 66th Grammy Award occurred, featuring a significant number of Nigerian nominees.
- Noteworthy was the inclusion of a special Best African Music Performance category wherein top hats like Davido and Burnaboy were nominated.
- Despite ten nominations, no Nigerian artist secured a Grammy win, marking an unexpected turn of events.
- Tyla, South African artiste popular for hit song “Water”,emerged victorious in the new Best African Music Performance category, surpassing prominent Nigerian artists like Davido, Burna Boy, Asake, Olamide, and Ayra Starr.
- Still, the 2024 GRAMMYs showcased historic moments, with women dominating major categories, Miley Cyrus winning her first GRAMMY, and Taylor Swift setting a record for the most Album Of The Year wins.

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6 Best Practices for Working Remotely

Culled from Indeed[1]

Knowing what the best practices for remote workers are can help you perform better in a remote working environment. Regardless of the nature of your job or your role on a team, having sound practices and routines can have a direct impact on your productivity. Implementing remote worker practices can be a valuable career step, but it requires research and discipline. In this article, we discuss what remote work practices are and describe some of the most useful practices for efficient remote work.

What are remote work practices?

Remote work practices are ways in which people who work in a different location from their office can remain productive, efficient and motivated. The different dynamic between working in a dedicated workspace and doing so at home or in a public place means there are usually more elements that can distract you and reduce your work performance. By implementing remote work practices, you are reducing the odds of the quality of your work suffering because you are not performing it in a dedicated space.

1. https://www.indeed.com/career-advice/career-development/remote-worker-best-practices

Best remote working practices

Consider these 6 practices for improving your productivity and consistency while working remotely:

1. Have a clear daily routine

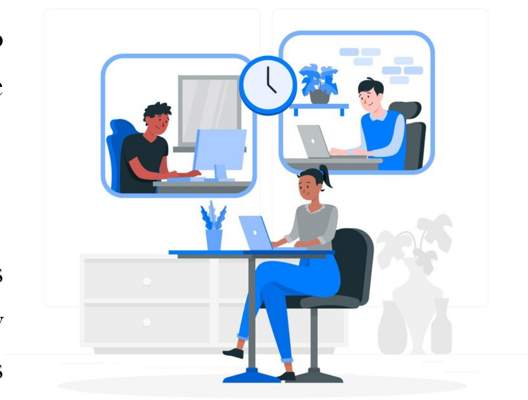
Although remote work is usually more flexible than office work regarding working hours, setting up a routine based on the work you must perform and your personal preferences can significantly increase your productivity. If you can set up your daily schedule, you should do so based on work priorities, but also your natural inclinations. For example, if you are not an energetic person in the morning you can set up a routine where you handle your most difficult tasks after lunch.

2. Create boundaries between office time and personal time

The potential lack of a fixed schedule may indicate to coworkers, clients and anyone needing to communicate with you for professional purposes that you are available even outside office hours. Having a clear boundary between personal time and work can help you mentally by allowing you to fully relax during your hours, but also helps you avoid disappointing a colleague or client who may be expecting you to be on call in a situation when you're not.

3. Constantly communicate with coworkers and managers

Classic office settings make communicating with office peers and superiors easy and natural, but when you are working from a different location you may tend to communicate less. Doing so can be detrimental to your work objectives, as most tasks are better performed as a team. You should proactively seek to communicate with everyone you work with, so you can be sure you are all working towards the same goal.



4. Dress for work

Although working from home or in a café allows you to look and dress as you please, making an effort to appear professional subconsciously puts you in a professional state of mind and your overall productivity is likely to increase as a result. Try to dress like you are going to the office, even though no one sees you.

5. Keep yourself accountable

Most people working in offices or other classic workplaces have managers to keep them focused and accountable. This way, workers are not tempted to spend the time reserved for work on other unrelated activities. When you work remotely, however, there is no physical presence to watch over you and help you avoid different temptations, like chatting online with a friend or reading a website unrelated to work. You are your manager and you need to find ways to keep yourself accountable during office hours.

6. Make time for social interactions

Traditional workplaces usually ensure a certain level of social interaction between coworkers, which can have psychological benefits for those involved. When working remotely, however, you need to proactively make time to meet and communicate with people. Spending too much time alone and indoors can have negative effects on both the mind and body.

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