

Unity Bank Digest

May 17th, 2024

Finance

Economic News

Lifestyle

Expansion in private sector activities to support economic growth

Unity Bank Towers

Plot 42, AHmed Onibudo Street
Victoria Island, Lagos, Nigeria

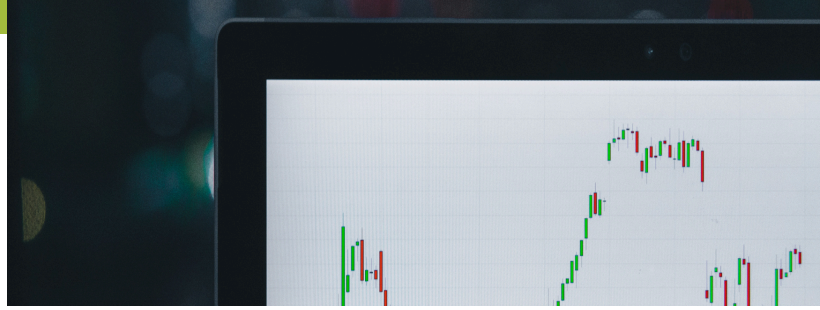
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The Macro



Food prices rise as the planting season begins

The price of food commodities in Nigeria has maintained an upward trend since the beginning of the year, significantly impacting consumers nationwide. This persistent rise, initially driven by currency misalignment and supply chain disruptions, has now been exacerbated by the planting season, which typically leads to food shortages.

In April 2024, the annual food index experienced a notable increase, rising by 0.52% to 40.53%, up from 40.01% in March. However, on a monthly basis, the food index declined by 1.11%, falling to 2.50%. This minor relief does little to offset the broader trend of inflation. During this period, Nigeria's headline inflation climbed to a 28-year high of 33.69% from 33.2% in March.

Key commodities experienced significant price hikes in April, with garri increasing by 33% to N40,000 (bag), tomatoes surging by 42.85% to N50,000 (basket), and onions rising by 37.5% to N55,000 (bag). Additionally, the prices of essential items such as bread, yams, vegetable oil, and fish rose.

In response to these inflationary pressures, the Monetary Policy Committee (MPC) is likely to increase the MPR by 50 to 100 basis points during its meeting on May 20-21. This monetary tightening aims to curb inflation by elevating borrowing costs, thereby reducing consumer spending and cooling off demand.

President Tinubu suspends cybersecurity levy

Nigeria's president, Bola Ahmed Tinubu, has directed the cybersecurity levy to be suspended in a move to reduce the financial strain on consumers. The CBN had instructed banks to levy a cybersecurity charge on transactions, which was set to take effect on May 20. This move, aimed at bolstering cybersecurity measures, responds to rising cyber threats in the financial sector. Recent data reveals a concerning trend, with instances of cyber fraud escalating over the past few years. In 2021 alone, the value of fraud reached N193.5 billion (\$544 million), marking a significant increase

from the N153.4 billion (\$431 million) lost in 2020. This upward trajectory persisted into 2022, with losses due to fraud surpassing N273 billion (\$762 million). Even more alarmingly, projections suggest that these figures may rise further by the end of 2023, with potential losses estimated to exceed N300 billion (\$833 million).

Moreover, the timing of the cybersecurity levy imposition coincides with a pressing need for telcos to implement their first tariff rise in 11 years, potentially straining consumers and small businesses due to higher transaction costs. However, specific financial transactions such as loan disbursements, salary payments, and intra-bank transfers are exempt from the levy.

FG slashes tariff for Band A customers

The Federal Government has recently announced a downward adjustment in electricity tariff for customers falling under Band A, reducing the rate from N225/kWh to N206.80/kWh. This decision ensures that customers within this band will now pay the revised rate while maintaining a guaranteed electricity supply of 20 to 24 hours daily. Notably, tariffs for customers in other categories remain unchanged.

This tariff revision follows the earlier directive by the Nigerian Electricity Regulatory Commission (NERC) on April 3, which saw electricity rates increase to N225/kWh for customers categorized under Band A. These customers constitute approximately 15% of the country's total electricity consumer base.

Furthermore, the downward adjustment in electricity tariffs is set to take effect on May 6, 2024. This move ensures more affordable electricity for customers under Band A and aligns with NERC's objective of reducing fiscal subsidies, as outlined in their statement on April 4. Consumers in this category are likely to experience a decrease in their electricity bills, potentially leading to cost savings on their monthly expenses. Additionally, the guaranteed availability of 20 to 24 hours of electricity supply daily for consumers in band A will provide

this group of people with more reliable access to electricity and improve their overall quality of life and productivity.

34.3% of employed Nigerians are poor due to low-skilled, low-paying jobs

The Nigeria Country Diagnostic Note (CDN) 2023 by the African Development Bank reveals that approximately 34.3%—of Nigerian workers aged 15 and above have earnings below the poverty threshold (N137,430 per year) of despite being employed. This phenomenon is largely attributed to increased low-skilled and low-wage employment opportunities in the economy. 41% of Nigeria's labor force occupies low-skilled positions, while 31% are engaged in highly-skilled roles. Additionally, labor productivity is declining due to low educational levels.

An estimated 60% of employed Nigerians lack fundamental educational qualifications, leading them predominantly into low-paying informal sector and agricultural roles. This educational deficit is exacerbated by the fact that only a minority of the workforce achieves higher education, thus further constraining avenues for securing better employment opportunities. With a large percentage of workers earning below the poverty threshold, many consumers face challenges in meeting their basic needs and improving their standard of living.



Currency in circulation rises to N3.87tn in March 2024

Nigeria's currency in circulation climbed by 4.88% to N3.87 trillion (tn) in March from N3.69tn in February 2024. Concurrently, currency held outside banks experienced a notable uptick, rising by 10.67% to N3.63trn in March from N3.28trn in January 2024. This means that 94% of the currency in circulation is held outside the banking system, reflecting a pronounced preference for cash transactions among Nigerians.

The trend of increased cash demand can be partially attributed to the aftermath of the currency redesign policy implemented by the CBN in 2023. Despite efforts to address cash scarcity issues, including liquidity injections into the system, the volume of cash held outside banks continues to outpace that within. The preference for cash transactions will likely hinder the adoption of digital payment systems, limiting consumers' access to the benefits of financial inclusion and convenience. Moreover, the surge in currency outside banks can exacerbate inflationary pressures in the economy as consumers resort to spending rather than saving, driving up demand for goods and services.



Nigeria's purchasing managers index expands for the fifth consecutive month

In April 2024, Nigeria's purchasing managers' index (PMI) recorded a marginal increase to 51.1 points from 51 points in March 2024. This expansion was driven by the 41.33% appreciation of the naira to N1,355/\$ in April from a low of N1,915/\$ in February. However, the overall improvement of Nigeria's PMI remains marginal, with only a 0.2% improvement from March.

The rise in business activities in April represents the fifth consecutive month of expansion. A PMI surpassing 50.0 indicates an enhancement in business conditions vis-à-vis the prior month, whereas readings below signify deterioration. Moreover, the recent PMI data underscore the resilience of Nigeria's private sector, supported by slower purchase price increases amid heightened inflationary pressures.

Nigeria's inflation rate of 33.2% (March) remains a significant concern, which could hinder output levels as production costs climb and discourage consumer demand. Consequently, firms are likely to implement workforce reductions in May. This cautious approach to hiring is evident in the marginal uptick in labor costs (salaries and wages), the slowest in 13 months. Meanwhile, staffing levels remained largely unchanged in April after declines in the preceding two months.

Expanding business activities in the private sector will increase output levels and the availability of goods and services to consumers. Consequently, this surge in economic activity is anticipated to bolster the standard of living. Furthermore, the Monetary Policy Committee (MPC)'s steadfast commitment to curbing inflation is expected to alleviate production costs. This, in turn, will amplify their ability to expand their workforce and elevate the country's per capita income which is currently \$1,687.

Fitch upgrades Nigeria's outlook to positive

Fitch, a leading global rating agency, revised Nigeria's long-term foreign-currency issuer default rating (IDR) outlook from stable to positive while maintaining the IDR at 'B-' in

2024. This shift is underpinned by the country's recent reforms, including adjustments to exchange rate and monetary policies, reduction of fuel subsidies, and efforts to improve government revenue and oil production.

While these measures have helped alleviate some of the distortions from previous unconventional monetary and exchange rate policies, challenges such as persistently high inflation and volatility in the forex market remain. To ease the negative effects of these factors, further monetary policy tightening is anticipated to strengthen policy transmission mechanisms in the second half of 2024. Consequently, Fitch also expects a 6.9% drop in inflation from 33.2% year-on-year in March 2024 to an average of 26.3% in 2024 and 18.2% in 2025.

Despite these positive developments, Nigeria's credit rating remains constrained by weak governance indicators, high hydrocarbon dependence, limited crude oil production capacity, weak net forex reserves, high inflation, ongoing security challenges, and structurally low non-oil revenue. However, the upward revision of Nigeria's outlook will help strengthen investors' confidence and improve the country's global image. This, in turn, is anticipated to stimulate increased foreign investment inflows, further strengthening the naira in the forex market. A stronger naira is expected to alleviate the challenges associated with the cost of living, thereby enhancing consumers' overall standard of living.



Convenient Banking

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Unity Bank Marks Global Money Week, Engages Students on Financial Literacy

LAGOS.29.04.24. Unity Bank Plc has engaged students from all the geopolitical zones of the federation as it facilitated financial literacy training in 15 schools as part of activities to mark the 2024 Global Money Week.

The Financial Literacy Training was held as a strategy for driving financial inclusion of the Central Bank of Nigeria and Bankers Committee. Unity Bank's Managing Director/Chief Executive Officer, Mrs. Tomi Somefun participated in the programme by facilitating training on financial literacy at NYSC Demonstration Secondary School, Calabar, Cross River State recently.

Mrs Somefun, who was represented by Unity Bank's Chief Compliance Officer, Mrs. Patricia Ahunanya, provided the students with invaluable insights on the path to wealth creation, including imbibing savings habits, investing, and adopting money management skills early.

Her interaction with the students was aimed at instilling financial discipline and financial management skills for the attainment of financial independence and security while promoting a savings and investment culture. During the session, Mrs. Somefun acknowledged outstanding students and presented them with awards.

The Global Money Week (GMW) is an annual campaign dedicated to raising global awareness about the importance of promoting financial literacy among young people from an early age. The initiative focuses on equipping them with the knowledge, skills, attitudes, and behaviours essential for making informed financial decisions, leading to financial well-being. Each year, a minimum of 40,000 organizations participate in this endeavour, collectively impacting over 60 million children globally.

In Nigeria, the Central Bank of Nigeria, CBN, Banker's Committee in collaboration with Junior Achievement Nigeria, coordinates the activities for Global Money Week, which sees the participation of financial institutions with nationwide coverage.

See photo highlights below:



Some members of Unity Bank staff pose for a shot with some of the students and staff of NYSC Demonstration Secondary School, Calabar after the financial literacy day training.



A cross-section of the outstanding students with Mrs. Ahunanya (Middle) after the training.



Mrs. Ahunanya and a student interact during the training



Unity Bank's Chief Compliance Officer, Mrs. Patricia Ahunanya who represented the MD/CEO of Unity Bank, Mrs. Tomi Somefun facilitated the financial literacy training for the students of NYSC Demonstration Secondary School, Calabar.



Social story



Lady Whistledown's
SOCIETY PAPERS

The Bridgerton Affair in 2024

Dear Readers,

- Johannesburg was excitedly buzzing as "Bridgerton" Season Three debuted on May 4, 2024.
- Embracing the theme of "Regency Era Splendor: Into the Spotlight," Nigerian and South African acting stars dazzled in their regal attire, each outfit a masterpiece of historical inspiration.
- Nigerian celebrities stole the spotlight, rocking unique spins on regency fashion that had heads turning.
- Among the night's fashion standouts was Priscilla Ojo, who captivated onlookers in a delicate off-the-shoulder dress in a soft mint green hue.
- Emmanuel Taymesan did not hold back either. In his impeccably tailored suit, he looked like he had just stepped out of a period drama, commanding attention with his suave demeanour.
- A host of other Nigerian celebrities joined the festivities, including Kunle Remi, Kim Oprah, Sharon Ooja, and Hilda Baci, each adding their flair to the evening's festivities.
- Amid the hustle and bustle, the premiere was a reminder that sometimes, it's okay to indulge in a little fantasy and escapism, even if it's just for one night.
- From the intricate details of the costumes to the infectious energy of the crowd, it was a night to remember, proving that when it comes to entertainment, nobody does it quite like "Bridgerton."

The Pros and Cons of a Cashless Society

Culled from the Balance¹

A cashless society might sound like something out of science fiction, but it's coming. Many present-day financial practices and transactions already happen without cash, and financial institutions, service companies, and even governments are proponents of the shift.

On one hand, transitioning to a cashless system can reduce crime rates, streamline financial transactions, and simplify international payments. On the other hand, it raises concerns about privacy, cybersecurity risks, technological dependency, economic inequality, and the potential for increased overspending. As a result, countries attempting to go cash-free have had varying levels of success.

What Is a Cashless Society?

A cashless society is one where cash—paper and coin currency—isn't used for financial transactions. Instead, all transactions are electronic, using debit or credit cards or payment services like PayPal, Zelle, Venmo, and Apple Pay. Many countries are moving in this direction, but it's

difficult to tell which ones will eliminate cash altogether.

In addition to logistical challenges, several social issues must be addressed before a society can give up on cash entirely.

The benefits and disadvantages below can give you an idea of the myriad of effects going cashless can have on money and banking as you know it.

Benefits

- Reduced crime rates without tangible money to steal
- Digital paper trail and less money laundering
- Less time and cost associated with handling, storing, and depositing paper money
- Easier currency exchange while traveling internationally

Disadvantages

- Exposes your personal information to a possible data

1. <https://www.thebalancemoney.com/pros-and-cons-of-moving-to-a-cashless-society-41607>

breach

- No alternative source of money in the case of technical issues or hacker activity
- Technological learning curve
- Lack of control over spending without a physical reminder

Benefits of a Cashless Society

Those with the technological ability to take advantage of a cashless society will likely find it more convenient. As long as you have your card or phone, you have instantaneous access to all your cash holdings. However, convenience isn't the only benefit. Here are some other benefits.

- Lower Crime Rates
- Carrying cash makes you an easy target for criminals. Once the money is taken from your wallet and put into a criminal's wallet, it'll be difficult to track that cash or prove it's yours. One study by American and German researchers found that crime in Missouri dropped by 9.8% as the state replaced cash welfare benefits with Electronic Benefit Transfer (EBT) cards.

Automatic Paper Trails

Similarly, financial crime should also dry up in a cashless society. Illegal transactions, such as illegal gambling or drug operations, typically use cash, so there isn't a record of the transaction, and the money is easier to launder. Money laundering becomes much harder if the source of funds is always clearly identifiable. It is harder to hide income and evade taxes when there's a record of every payment you receive.

Cash Management Costs Money

Going cashless isn't just convenient. It costs money to print bills and mint coins. Businesses need to store the money, get more when they run out, deposit cash when they have too much on hand and sometimes hire companies to transport cash safely. Banks hire large

security teams to protect branches against physical bank robberies. Spending time and resources moving money around and protecting large sums of cash could become a thing of the past in a cashless future.

International Payments Become Much Easier

When you travel, you may need to exchange your dollars for local currency. However, if you're traveling in a country that accepts cashless transactions, you don't need to worry about how much of the local currency you'll need to withdraw. Instead, your mobile device handles everything for you.

Disadvantages of a Cash-Free World

Depending on your perspective, going cashless might be more problematic than beneficial. Here are some of the major downsides associated with a cashless financial system.

Digital Transactions Sacrifice Privacy

Electronic payments aren't as private as cash payments. You might trust the organizations that handle your data and have nothing to hide. However, the more information you have online, the more likely it is to wind up in malicious hands. Cash allows you to spend money and receive funds anonymously.

Cashless Transactions Are Exposed to Hacking Risks

Hackers are the bank robbers and muggers of the electronic world. In a cashless society, you're more exposed to hackers. If you are targeted and somebody drains your account, you may not have any alternative ways to spend money. Even if you're protected under federal law, restoring your financial standing after a breach will still be inconvenient.

Technology Problems Could Impact Your Access to Funds

Glitches, outages, and innocent mistakes can also cause problems, leaving you unable to buy things when needed. Likewise, merchants have no way to accept payments

when systems malfunction. Even something as simple as a dead phone battery could leave you "penniless," in a sense.

Economic Inequality Could Become Exacerbated

Unless special outreach efforts are made, the poor and unbanked will likely have an even harder time in a cashless society. If smartphone purchases become the standard way to transact, those who can't afford smartphones will be left behind. The UK is experimenting with contactless ways to donate to charities and homeless individuals, but these efforts may not be developed enough yet to substitute cash donations.

Payment Providers Could Charge Fees

If society is forced to choose from just a few payment methods, or if one app becomes the standard payment app, the companies who develop these services might not offer them for free. Payment processors may cash in on the high volumes by imposing fees, eliminating the savings that should come from less cash handling.

The temptation to Overspend May Increase

When you spend with cash, you recognize the financial impact by physically taking the cash out of your pocket and giving it to someone else. With electronic payments,

on the other hand, it's easy to swipe, tap, or click without noticing how much you spend. Consumers may have to rethink the ways they manage their spending.

Negative Interest Rates Could Be Passed to customers

When all money is electronic, negative interest rates could have a more direct effect on consumers. Countries like Denmark, Japan, and Switzerland have already experimented with negative interest rates.

Note

Lowering interest rates generally helps stimulate an economy, but lower rates can also feed inflation, making it so money loses purchasing power.

According to the International Monetary Fund, negative interest rates reduce bank profitability, and banks could be tempted to hike customer fees to make up that deficit. Banks are limited in their ability to pass on those costs because customers can simply withdraw their cash from the bank if they don't like the fees. In the future, if customers can't withdraw cash from the bank, they may have to accept any additional fees.

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