

# Unity Bank Digest

July 10<sup>th</sup>, 2024

Finance

Economic News

Lifestyle

Nigeria's  
standard of  
living to  
improve in  
2024

## Unity Bank Towers

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

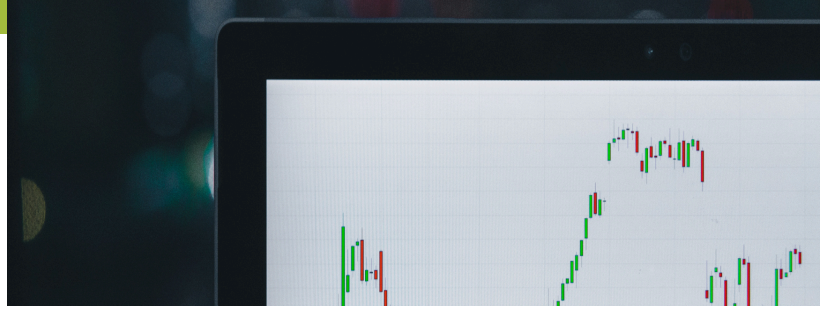
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[www.unitybankng.com](http://www.unitybankng.com)

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# The Macro



## Tariff relief to boost Nigeria's pharmaceutical sector

President Bola Tinubu's recent executive order eliminating tariffs, excise duties, and Value Added Tax (VAT) on essential pharmaceutical raw materials, machinery, and equipment marks a pivotal shift in Nigeria's economic policy. This policy, driven by the need to reduce high production costs in the sector, is expected to yield substantial economic benefits.

The Nigerian pharmaceutical sector has long struggled with exorbitant production costs due to import duties and tariffs on essential inputs. The devaluation of the naira has further worsened operations in the sector. Given that around 50% of the sector's raw materials are imported, its heavy reliance on foreign exchange has rendered it particularly vulnerable to currency fluctuations and inflationary pressures.

The high cost of prescribed drugs has become a major concern in Nigeria. Prices of some essential medications have more than doubled in the past year. For example, the price of malaria treatments (Lonart 80/480) has climbed by 106% to N3,500 in 2024 and Ventolin inhaler by 350% to N9,000. This has led to an increased reliance on alternatives such as traditional herbs and has heightened the risk of adverse health outcomes due to inadequate or incorrect treatments.

For consumers, the expected reduction in production costs is likely to translate into lower prices for essential medicines. Additionally, the tariff relief policy is expected to reduce financial burdens on manufacturers, enhance competitiveness, stimulate local production, and attract investment.



## Inflationary pressures to peak in June 2024

In May 2024, Nigeria's inflation rate surged to 33.95%, marking a 0.26% from April's 33.69%. This represents the fifth consecutive monthly increase and indicates persistent inflationary pressures. However, headline inflation in May showed a decelerated growth rate compared to January's 1% increase. This deceleration suggests a potential tapering of inflation in the coming month. The forecast is underpinned by the base effect and the implementation of stringent monetary policies.

Core inflation, excluding seasonal variances, continued its upward trajectory, rising to 27.04% from 26.84%. Food inflation also increased to 40.66% from 40.53%, driven by supply chain disruptions and agricultural productivity insecurity. Notable commodities contributing to the rise in inflation include palm oil, Irish potatoes, and cassava tuber.

Meanwhile, on a month-to-month basis, inflation marginally declined by 0.15% to 2.14% in May from 2.29% in April,

recording its third consecutive monthly decrease. Rural and urban inflation showed different trends. Monthly, urban inflation dropped to 2.35%, while rural inflation rose slightly to 1.94%. However, urban inflation increased annually to 36.34%, while rural inflation rose to 31.82%.

This continuous rise in core and food prices will significantly erode consumers' purchasing power. Rising food inflation exacerbates food insecurity for low-income households, as many will struggle to afford adequate nutrition. Additionally, higher inflation will reduce the real value of income and savings. Consumers will likely adjust their spending behavior, prioritizing essential goods and services while cutting back on non-essentials. This shift can dampen overall economic demand and growth. Moreover, businesses, especially those reliant on imported goods or raw materials, will face higher operational costs, potentially leading to increased consumer prices and perpetuating the inflationary cycle.

### Credit penetration in Nigeria reaches 14% in 2024

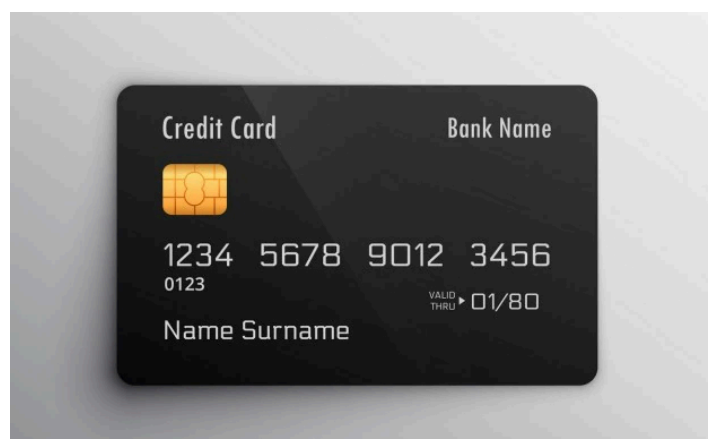
Nigeria's credit penetration has risen to 14% in 2024 from 2% in 2010. This highlights consumers' improved willingness to apply for loans and broader financial inclusion in the country. Historically, Nigeria has faced minimal credit penetration, trailing behind peers like Tanzania at 16% and South Africa at 32% as of 2010. This disparity was primarily attributed to restricted access to formal credit products, exacerbated by challenges such as inadequate infrastructure, corruption, weak contract enforcement, and limited credit information sharing. These factors collectively restrained lending activities and hindered the growth of the private sector.

To address these challenges, the Nigerian government initiated a series of reforms in the early 2000s to strengthen the country's credit infrastructure. These efforts culminated in establishing the National Collateral Registry in 2016 and

enacting both the Secured Transactions in Movable Assets Act and the Credit Reporting Act in 2017. As a result, by 2023, CRC Credit Bureau's database had significantly expanded to include credit scores for 33 million Nigerians, a practice uncommon before these reforms. Additionally, in 2023, credit information was accessed 29.4 million times, with a further 10 million accesses recorded in the first quarter of 2024.

Looking ahead, enhanced access to credit empowers individuals to fund personal and business ventures more effectively. With improved credit scores, borrowers enjoy lower borrowing costs because lenders can assess risk more accurately and offer competitive interest rates. This enables more informed financial decision-making and better overall financial management.

Furthermore, expanding the credit infrastructure promotes greater financial inclusion by integrating previously marginalized groups into the formal financial system. Individuals without traditional collateral can now use movable assets and credit histories to access essential financing options. This inclusive approach stabilizes the economy and stimulates economic growth by fostering entrepreneurship and job creation.



## Rising personal loans amid Nigeria's rising inflation

In January 2024, personal loans in Nigeria surged by 14.3% to N3.03 trillion from N2.65 trillion in December 2023 according to the CBN. This was primarily due to persistent inflationary pressures and the devaluation of the Naira, which severely eroded consumers' purchasing power. As a result, consumers now resort to borrowing to cover their expenses. The country's inflation rate escalated to a 28-year high at 33.95% in May 2023 from 29.90% in January 2024. With loan demand rising, total consumer credit spiked by 11.9% to N3.82 trillion in January.

The surge in personal loans, now 79.2% of total consumer credit, reveals a notable shift in borrowing behavior among Nigerians. With inflation diminishing the real value of income and savings, consumers are forced to borrow more to sustain their living standards, especially among low-income households. The rise in personal loans, driven by necessity rather than discretionary spending, hints that many consumers borrow to finance essential expenditures. This will lead to higher default rates as individuals find it challenging to repay their debts amid ongoing economic pressures.



## Nigeria's Moody's credit rating remains unchanged

According to Moody's Investors Service, Nigeria's credit outlook remains cautiously optimistic. This optimism stems from recent improvements in the external balance, the clearance of the forex backlog, and the CBN's stringent monetary policies. Government reforms, notably the removal of fuel subsidies and the unification of the forex market, have been pivotal in driving this positive sentiment. These measures, introduced by President Tinubu, have facilitated a more stable economic environment, attracting similar positive outlooks from other rating agencies such as Fitch and S&P. The World Bank's approval of a \$2.25 billion loan to stabilize the economy, further bolsters confidence in Nigeria's economic trajectory.

Despite these gains, Nigeria faces persistent challenges. Inflation remains a significant concern, exacerbated by high subsidy costs and reintroduced cash support for vulnerable populations. The CBN's hawkish stance, reflected in a 750 basis point increase in the monetary policy rate to 26.25%, has also driven local borrowing costs up, with interest rates for government borrowing rising from 12.8% in 2023 to 26.25% in May 2024. This increase will elevate interest spending to 36% of government revenue by 2024. This could strain the budget and limit resources for other areas. Additionally, the devaluation of the naira has inflated fuel import costs, putting further pressure on government expenditures.

# Convenient Banking

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Fund Transfer

PIN Change

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Bills Payment

Loans

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# Social story

## 2024 Ojude Oba

- The ancient town of Ijebu-Ode in Ogun State was alive with vibrant colors and cultural flair on June 18, 2024, as it hosted the renowned Ojude Oba Festival.
- Celebrating under the theme "Ojude Oba: Unity and Harmony, Our Gift," the festival unfolded at the majestic pavilion of the Awujale of Ijebuland, Oba Sikiru Adetona.
- Over 90 regberegbe (age groups) dazzled in elaborate traditional attire, competing for honor in the colorful parade. The Balogun Kuku family claimed victory for the eighth consecutive year.
- Adding to the spectacle, a talented horse stole the show, dancing rhythmically to the beat of drums, captivating onlookers.
- Dignitaries, including business leaders and celebrities, such as the CEO of Metropolitan Motors Limited and the Group CEO of FCMB Group Plc, attended.
- Originating in the late 19th century, the festival has evolved from a religious gathering into a major cultural event, boosting the local economy and promoting national unity through cultural diversity.
- In line with this, the federal government plans to list the festival with UNESCO, recognizing its cultural significance and economic potential.





## 4 Tips to Help You Manage Your Personal Loan

*Culled from the loans<sup>1</sup>*

When managed responsibly, a personal loan can be one of the best ways to relieve financial burdens and set yourself up for success. It's an easy way to cover a down payment, handle an emergency, or take your family on a vacation. A personal loan, however, can also be challenging to manage—especially if you're new to loans and budgeting in general—and the last thing you want is to wreck your credit score or miss a payment.

If you're having trouble managing your personal loan, these tips will help you regain control and relieve any financial stress you may be experiencing.

### 1. Create A Budget

Creating a budget is one of the best things you can do for your financial situation, regardless of your income or debt. Trying to manage your personal loan without a budget puts you in a position of vulnerability and confusion—you don't always know where your money is going or how much of it is going there. If you are afraid to

check your bank account, have less money than you should, or are unsure of areas where you're overspending, then creating a budget might be the answer.

The first step in budgeting is to divide your expenses into categories. It's better to start off with broad categories, like "Food", rather than categories like "Coffee", "Fast Food", "Groceries", and "Dining Out". Simple categories are easier to calculate and keep track of. If you have no idea how to make a budget, there are plenty of free resources online to help walk you through the process. There are also many apps that make keeping up with your budget simple and easy.

### 2. Pay On Time

Making your monthly payments on time every month is the best way to avoid late fees and penalties. These are unnecessary and all-too-common consequences that will work against your financial situation, so be mindful of them and do your best to stay on top of payments.

1. <https://www.loan.com/blog/personal-finance/5-tips-to-help-you-manage-your-personal-loan>

Once you create a budget, you'll realize making timely payments is much easier. Having a financial plan and a portion of money set aside each month will prevent you from being unable to make a monthly payment on your loan. If you forget to make monthly payments, see if your provider offers an automated payment system.

If you've just taken out a personal loan or are about to take out a loan, a great way to give yourself a cushion is to make an early monthly payment as soon as you receive the loan. By making a payment ahead of your installment plan, you'll have a buffer against a missed payment.

### **3. Pay More Than Your Minimum**

Following the same strategy, making an early initial payment helps you pay more than your monthly minimum when possible. Paying a little extra each month keeps you ahead of your loan term and provides you with some other financial perks.

For one thing, making extra payments on your loan will reduce the overall length of your repayment plan. This will help clear you of debt and enable you to regain your financial independence even sooner. By paying off your loan ahead of time, you'll reduce the interest you owe, saving you money in the long run.

If you're considering paying more than the minimum on your monthly loan installments, be sure to read up on your provider's policy regarding this. While some will allow you to pay your loan off faster, others may charge fees for doing so, negating the benefits of early

repayments.

### **4. Consolidate Your Loans**

- For borrowers managing multiple personal loans, consolidation could be a great way to simplify your debt repayment. Debt consolidation is when you take out a single, large loan that can be used to repay all of your other loans and debt. Then, instead of paying multiple lenders each month with different interest rates and requirements, you will make a single payment to one provider.
- Debt consolidation is especially helpful if you can secure a lower interest rate on your new loan than the average interest rate on your previous loans.
- The only downside to consolidating your debt is that you will likely have to repay your debt faster than before. Before consolidating your debt, make sure you can pay your new loan. Repaying large portions of your loans on credit rather than with a single loan might also help you consolidate your debt into more manageable pieces.

### **The Bottom Line**

Managing a personal loan can be straightforward and stress-free once you've worked out the kinks involved. Being disciplined with your finances, setting a well-thought-out budget, and getting ahead on your loan whenever you can will put you ahead of the curve and make managing your personal loan as easy as 1-2-3.



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