Unity Bank Digest

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Finance | Economic News | Lifestyle

Fitch upgrades Nigeria's credit rating

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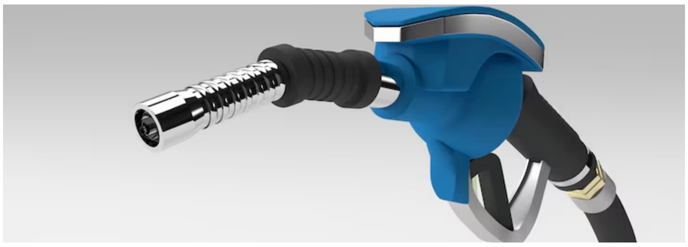
Burning Issues

Dangote refinery cuts the price of PMS to ₦920/litre

Dangote Refinery has reduced the pump price of Premium Motor Spirit (PMS) by 1.08% to ₦920/litre from ₦930/litre. This reduction follows a ₦15 drop in the refinery's ex-depot price to ₦865/litre, driven by the stabilization of global crude oil prices and the renewal of the naira-for-crude sale agreement with the Nigerian National Petroleum Company Limited.

In the transport sector, the reduction in fuel prices could provide some relief, especially for inter-state travel. Many Nigerians rely on road transport and ferries, particularly along coastal areas, where fuel is a key operational cost. A drop in petrol prices could lower transportation costs, benefiting both businesses and consumers. However, despite this reduction, petrol prices remain relatively high, which may increase the shift towards alternative fuels, such as Compressed Natural Gas (CNG). CNG is typically 40%-60% cheaper than petrol, making it an attractive alternative for businesses and consumers looking to reduce fuel costs. This aligns with the government's objective to diversify fuel sources and reduce reliance on petrol.

Moreover, savings from lower fuel prices are overshadowed by inflationary pressures. Rising costs of raw materials, rent, and utilities, along with the continuing depreciation of the naira, erode any potential gains. Additionally, small businesses are struggling with limited access to affordable credit, as high interest rates and liquidity issues hinder their ability to invest in growth or absorb rising operational costs. Consequently, the reduction in fuel prices has a minimal overall impact.



Nigeria's headline inflation reverses its downward trend in March 2025

In March 2025, Nigeria's inflation rate rose to 24.23%, up from 23.18% in February, according to the National Bureau of Statistics (NBS). This 1.05% increase defied expectations for a decline despite the recent rebasing of the consumer price index (CPI). Core inflation, which excludes volatile food and energy prices, continued its upward trend, reaching 24.43% in March from 23.0% in February. On the other hand, food inflation showed a slight easing, dropping to 21.79% from 23.51% in February. However, inflationary pressures remained prevalent on a monthly basis, with headline inflation rising by 3.90%, food inflation increasing by 2.18%, and core inflation advancing by 3.73%.

The elevated inflation rate will have a profound impact on small businesses and traders, who are already grappling with rising costs and reduced purchasing power. For small business owners, higher inflation translates into more expensive raw materials, transportation, and operational costs. As prices for essential goods and services continue to rise, profit margins shrink, leading to operational challenges. Many small businesses are struggling to absorb these cost increases and are faced with the difficult choice of either raising prices or risking reduced sales volume. For traders, especially those in sectors reliant on daily or seasonal demand, the rising inflation dampens consumer spending, as disposable incomes are eroded. In this environment, even businesses that were once relatively insulated from macroeconomic factors are now experiencing lower turnover. Retailers, for example, are finding it harder to maintain steady cash flows, as customers become more cautious with their spending. This in turn affects inventory turnover, with many businesses having to reduce stock purchases to avoid the risk of overstocking unsold goods. As the cost of living rises, many consumers are opting for cheaper alternatives, which creates a ripple effect on the entire supply chain.

Flooding in Nigeria: Staying Safe and Reducing Losses

Flooding is a recurring challenge during Nigeria's rainy season, which typically lasts from April to November and intensifies as the rains peak. With an average annual rainfall ranging from 1,000mm to 3,000mm, states like Lagos, Kano, Benue, and Kaduna often experience significant flooding. This not only causes property damage and displacement but also leads to economic losses, particularly in agriculture, retail, and entertainment. Farmers face crop destruction and lost productivity, while roads and infrastructure are damaged, hampering trade and movement.

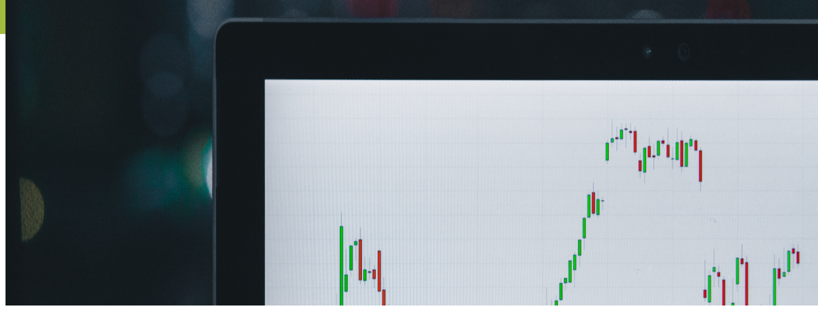
Nigeria experiences significant annual losses due to flooding, with the 2022 floods being the most devastating in a decade. These floods caused an estimated loss of $9.12 billion (₦4.2 trillion, based on the then official exchange rate of ₦460.78/$). Historically, annual flooding in Nigeria has resulted in losses close to $1 billion each year over the past two decades, alongside thousands of fatalities. The economic toll includes widespread damage to agriculture, infrastructure, and businesses, compounding the country's vulnerability to natural disasters.

For homeowners, protecting property from flooding is crucial. Before the rains start, it's important to understand your environment—know your area's flood history, check the weather forecast, and familiarize yourself with emergency routes. Creating an emergency plan for your family, including a common meeting point and essential supplies like first aid kits, flashlights, and power banks, is vital. You should also ensure that valuable items are stored in higher places to prevent water damage.

Insurance coverage is another crucial aspect of flood protection. Most home insurance policies don't cover floods, so it's important to ensure your home is protected. Physical measures, like elevating furniture and installing sump pumps, can help mitigate water damage. During heavy rainfall, sandbags can be used to block water, while electrical safety precautions should be taken to prevent electrocution. If water levels rise, avoid walking or driving through flooded areas, as even shallow water can be dangerous.

The rainy season also affects Nigeria's creative industry, a significant economic contributor. The sector—encompassing music, film, fashion, and event management—relies heavily on public events and gatherings. However, the heavy rainfall and flooding often lead to the cancellation or postponement of these events. Outdoor festivals, concerts, and corporate gatherings suffer the most, as roads become impassable and venues become inaccessible. This disruption leads to a direct loss of revenue for artists, event planners, vendors, and others in the entertainment industry. Additionally, rescheduled or canceled events can have a lasting impact on market confidence, with businesses facing reduced opportunities and canceled contracts.

The Macro



Fitch upgrades Nigeria on policy reforms

In its April 2025 review, Fitch Ratings upgraded Nigeria's sovereign credit rating to 'B' from 'B-', retaining its classification within the speculative-grade category. The upgrade reflects strengthened confidence in the government's commitment to its policy reforms initiated in June 2023, including exchange rate liberalisation, monetary policy tightening and the removal of fuel subsidies. However, the cautious nature of the upgrade underscores lingering structural weaknesses and sustained risks to long-term economic stability.

Nigeria's macroeconomic fundamentals continue to face considerable pressures. Oil, which accounts for approximately 50% of government revenues and about 90% of foreign exchange earnings, remains vulnerable to external shocks. With oil prices currently averaging $63pb—well below the budgeted benchmark of $75—there is heightened fiscal pressure. This discrepancy raises concerns about the government's capacity to meet recurrent and capital obligations without accumulating additional debt.

Moreover, small businesses and traders, which account for nearly 48% of Nigeria's GDP and over 80% of employment, form a critical backbone of the economy and are bearing the brunt of recent policy reforms. Inflation has remained elevated, exceeding 30% year-on-year, eroding consumer purchasing power and weakening aggregate demand. As operational expenses—spanning transportation, logistics, and imported raw materials—continue to climb, small businesses are squeezed between rising costs and falling consumer spending. Although these policy adjustments aim to foster macroeconomic stability in the medium to long term, they have, in the short term, deepened economic hardship for both consumers and enterprises.

African start-ups record the lowest monthly funding since 2020

African startups recorded a substantial decline in venture capital inflows in March 2025, raising only $50 million, according to preliminary estimates by industry analysts tracking startup funding on the continent. This marks one of the lowest monthly performances since late 2020. The downturn follows a relatively strong start to the year, with $300 million secured in January and $119 million in February. Consequently, total startup funding for the first quarter of 2025 fell to $469 million, representing a 3.5% contraction compared to $486 million in 2024. Kenya, Nigeria, and South Africa remained dominant, each attracting approximately $100 million, while Egypt secured $61 million.

The persistent decline in funding raises concerns about the sustainability of innovation-driven growth on the continent. Reduced access to capital is likely to weaken the capacity of startups, particularly fintech and energy firms, to scale operations and introduce cost-efficient services to the market. As these sectors traditionally drive financial inclusion and lower transaction costs, the funding gap may translate into higher service costs and limited consumer financial access. This, combined with existing inflationary pressures in several African economies, could further erode real disposable incomes and dampen consumer demand.

The effects are expected to be particularly pronounced among small business owners and informal sector traders, who rely heavily on digital financial platforms for payments, credit, and operational efficiency. Visa's 2024 report highlights that 83% of merchants in Nigeria view digital payments as crucial for growth, with many cash-only small-medium enterprises planning to adopt these solutions With fintech firms facing capital constraints, the development and accessibility of microcredit products and affordable payment solutions are likely to slow, tightening liquidity for small-medium enterprises and increasing their dependence on costly informal financing channels. Consequently, small businesses may experience rising operational costs and reduced turnover, further constraining employment generation and aggregate demand at the grassroots level.

3 Heatwave worsens the impact of energy cost and power issues on consumers

The intensifying heatwave across parts of Nigeria is imposing significant economic strain on households, eroding real disposable incomes and exacerbating the cost-of-living pressures. As temperatures consistently hover between 38°C and 40°C, according to data from the Nigerian Meteorological Agency, consumers are compelled to allocate a higher proportion of their limited income toward mitigating the effects of extreme heat.

Households have recorded increased expenditures on energy, personal care products, hydration supplies, and alternative cooling solutions, such as rechargeable fans and portable air conditioners. The surge in demand for energy-related products occurs in an environment characterized by a persistent epileptic power supply and elevated energy costs, compounding the financial burden. With limited access to stable electricity, many Nigerians rely heavily on fuel-powered generators, thus exposing themselves further to the volatility of petroleum prices.

The economic implications are particularly severe for small business owners and informal sector traders, who operate within razor-thin margins. Increased personal expenses reduce the liquidity available for business operations, leading to constrained inventory management and a slowdown in service delivery. In addition, as more consumers divert their spending toward essential heat-related products, discretionary spending on goods and services typically offered by small businesses declines. This contraction in consumer demand poses a direct threat to revenue generation among micro, small, and medium-sized enterprises, a sector that contributes over 48% to Nigeria’s GDP and employs over 80% of the labor force.

Furthermore, the heatwave has fueled a sharp rise in

demand for cold sachet water and bottled water, creating temporary windfalls for vendors in these segments. However, this demand shift is highly localized and short-term, providing minimal offset against broader consumer spending declines. The preference for cold water, while offering immediate relief, often leads to health risks and increased household healthcare spending, placing additional pressure on already strained finances.

Consumers are also bearing the secondary burden of the economic dislocation. Rising personal costs mean that real consumption, adjusted for inflation, is likely to decline further, exacerbating an already fragile recovery in domestic demand. Inflation, which remains elevated across key categories such as food, transportation, and utilities, is further intensified by the climate-induced rise in water and energy consumption costs. The erosion of purchasing power weakens overall market liquidity, limiting not just small business turnover but also reducing the potential for savings and investment among lower- and middle-income households.

4 Nigeria's debt servicing rises 68% to ₦13tn

Nigeria's debt servicing costs have escalated significantly, rising by 68% to ₦13 trillion in 2024 compared to ₦7.8 trillion in 2023. This increase underscores the growing fiscal pressure on the nation's economy, driven by domestic and external debt obligations. The surge in debt servicing costs reflects the challenges of managing a large and expanding debt profile, which has reached ₦134.3trn by the second quarter of 2024.

The external debt servicing component has witnessed a dramatic increase, with Nigeria spending $4.66 billion in 2024, a substantial rise from previous years. This escalation is partly due to global interest rate hikes and the depreciation of the naira, which have increased the cost of servicing foreign loans. By the first quarter of 2024, external debt servicing consumed a significant portion of Nigeria's official dollar outflows, highlighting the strain on foreign reserves. This trend is concerning, as it indicates a heavy reliance on external borrowing and the potential for further fiscal strain if global economic conditions worsen.

The high debt servicing-to-revenue ratio is another critical concern. In the first quarter of 2024, the federal government allocated a substantial portion of its revenue to debt servicing, leaving limited funds for vital sectors such as healthcare and education. This fiscal strain threatens Nigeria's ability to invest in essential public services and infrastructure, potentially undermining economic growth and social welfare. The Medium-Term Expenditure Framework projects a cumulative N29trn expenditure on debt servicing between 2024 and 2026, further highlighting the long-term fiscal challenges ahead.

The economic implications of Nigeria's rising debt servicing costs are far-reaching. High debt servicing costs limit the government's ability to fund infrastructure projects and social programs, which are crucial for economic development and poverty reduction. Additionally, the strain on public finances could affect Nigeria's credit rating and borrowing capacity, making it more challenging to secure favorable loan terms in the future. The increased reliance on domestic borrowing may also crowd out private sector investment opportunities, further constraining economic growth.

5 POS boom: Digital surge and the hidden costs for Nigerians

In Q1'25, Nigeria recorded a remarkable surge in Point-of-Sale (POS) transactions, with the total value hitting ₦3.50 trillion—302% higher than ₦871.38 billion in Q1'24. Transaction volume also rose sharply, increasing by 151% from 101.48 million to ₦255.07 million. This growth reflects a significant expansion in financial access, particularly for small businesses and informal traders who are increasingly adopting POS systems as convenient alternatives to cash.

But the implications extend beyond ease of payment. As more transactions shift to digital channels, consumers—especially low-income earners—are faced with rising service fees, occasional duplicate debits, and added charges as merchants attempt to offset their own operational costs.

The role of POS merchants in this shift is complex. On one hand, they have become essential intermediaries in the financial system, particularly in communities with limited bank branches or ATM availability. On the other, the business is increasingly viewed as exploitative, especially with service charges ranging from ₦100 to ₦400 for withdrawals as low as ₦5,000. These fees, often set at the discretion of the operator, add an unspoken tax on financial access for millions. Moreover, the recent increase in ATM withdrawal fees announced by the Central Bank of Nigeria—meant to discourage heavy cash usage—has further pushed consumers toward POS agents, intensifying the demand and giving operators more leverage to adjust prices. Going forward, year-on-year growth is likely to continue, but the rainy season poses a unique challenge. In many parts of the country, rains reduce foot traffic and affect open-market operations, which are key POS hotspots.

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Press Release

Unity Bank's International Women's Day CSR initiative

A cross-section of team members from Unity Bank and Lagos Food Bank during a donation of food boxes to Lagos Food Bank as part of activities commemorating the International Women's Day, 2025.

IWD: Lagos Food Bank team boxing food items donated by Unity Bank Plc.

Social story

Miss World Nigeria 2025

- Joy Mojisola Raimi, a 24-year-old graduate from the University of Port Harcourt representing Osun State, was crowned Miss World Nigeria 2025 during the grand finale at the Federal Palace Hotel in Victoria Island, Lagos, on April 4, 2025.
- Raimi's journey to the crown was marked by her powerful and emotional story of resilience, which struck a chord with both judges and spectators.
- Beyond her title as a beauty queen, Raimi is a committed advocate for social change, having founded 'The Love for Humanity' project, dedicated to fostering compassion and renewing faith in humanity.
- As Miss World Nigeria 2025, she will represent Nigeria at the 72nd Miss World pageant in Hyderabad, India, where she will compete with 140 contestants from across the globe.
- The competition's grandeur was a true celebration of Nigeria's diversity and talent, with contestants from various regions flaunting their unique styles and cultural heritage. From the traditional attire to the modern sportswear segments, the event highlighted the multifaceted beauty of Nigerian women, with Raimi's authenticity and grace shining brightly as the evening's true star.

Everyday Ways You Can Help Strengthen the Naira

The strength of a country's currency, like the naira, isn't only in the hands of government policies or big businesses — it also depends on the habits of everyday people. As consumers, the choices we make daily can either support or weaken the economy. Here are practical ways your lifestyle can contribute to strengthening the naira.

1. Buy Made-in-Nigeria Products

Choosing local products over imported ones reduces the pressure on foreign exchange demand. Every time you buy Nigerian-made clothes, food, furniture, or cosmetics, you're helping local businesses grow, create jobs, and reduce the need for dollars to import goods. The more self-sufficient the economy becomes, the stronger the naira gets.

2. Support Local Businesses and SMEs

Patronizing Nigerian small businesses and startups keeps money circulating within the economy. When local businesses thrive, they pay taxes, employ more people, and boost production — all of which support economic stability and improve investor confidence in the naira.

3. Minimize Unnecessary Dollar Transactions

When individuals rush to exchange naira for dollars (for savings, shopping, or travel), it increases the demand for foreign currency and puts downward pressure on the naira. By saving and spending more in naira, you help stabilize demand and protect the currency.

4. Promote Tourism Within Nigeria

Instead of always traveling abroad for leisure, consider exploring tourist destinations within Nigeria. Domestic tourism supports hotels, airlines, local artisans, and restaurants, reducing capital flight and strengthening internal economic activity.

5. Embrace Nigerian Tech and Financial Services

With Nigeria's fast-growing fintech sector, using local digital apps for banking, payments, and investments helps boost the tech ecosystem. Stronger tech industries attract foreign direct investment (FDI) and contribute to a healthier balance of payments, which ultimately benefits the naira.

6. Encourage Skill Development Locally

Investing in local education and skills training reduces brain drain and dependence on foreign expertise. A skilled workforce makes the economy more productive, innovative, and competitive globally — factors that enhance the value of the naira over time.

7. Be Mindful of Consumption Habits

Simple lifestyle adjustments like reducing reliance on imported foods, avoiding unnecessary luxury imports, and focusing on sustainable living help curb import dependency. The less Nigeria imports, the stronger the trade balance — a critical factor supporting the naira.

Contact

Would you like to open an account with us?

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