

THE NIGERIAN LEASING INDUSTRY MAINTAINS POSITIVE OUTLOOK, GREW BY 14.5% IN 2017

The Nigerian leasing industry continued its positive growth trend in 2017. Outstanding lease volume during the period stood at N1.44trillion as against N1.26trillion in 2016, representing a growth of 14.5%. This growth was facilitated by the relative stability in the macroeconomic environment, increasing demand, new entrants into the leasing industry and increased value of assets due to the depreciation of the Naira.

Analysis of the volume by sector reveals that the oil and gas, took the lead with N449billion, representing 28 percent of the total portfolio, while transportation followed with N355billion, representing 20 percent. Manufacturing moved to N217billion from N180billion in 2016, while Agriculture, Government, Telecommunications and other sectors (education, healthcare, construction and consumer sectors) recorded considerable growth.

Finance lease remained the predominant type of leases accounting for 65% of the transactions while operating lease continued to make strong showing at 35%. In recent times there has been increase in the market share of operating lease due to its growing popularity among lessors as a risk mitigating mechanism against default and response to current market dictates especially from corporate customers who require service-oriented lease.

In terms of transaction value, the banks still takes the lead, particularly financing big ticket leases, and providing funds to lessors for lease transactions. The non-bank lessors however accounted for about 80% of customer base mainly from the Small and Medium Scale Enterprises (SMEs). The industry continued to attract investors from the financial and other sectors desiring to tap into the opportunities in leasing and as means of hedging against other non-performing product offerings.

In terms of assets categorisation, vehicles take the lead with about 52% of the leased assets including trucks for haulage and buses for inter-state commercial transportation, which have been major attraction in recent times.

Market projections indicate that the leasing industry will blossom, given the wide financing gaps in all sectors of the economy, the increasing relevance of leasing to capital formation with the challenge of access to finance especially to MSMEs and the expected Government's commitment to the various initiatives aimed at consolidating growth and development in the economy.

For instance, the implementation of the Economic Recovery and Growth Plan (ERGP) 2018 – 2020, will create enormous market for the leasing business, as a whole range of equipment would be required across the entire value chain of priority sectors including agriculture, mining, manufacturing etc.

Indeed, the future of leasing is bright in Nigeria. The point to emphasis is good will from all stakeholders in the leasing industry to work together to build a virile industry that would contribute more to capital formation in the Nigerian economy.

The Government for instance should continue to support the leasing industry through a more favourable operating environment. The capacity of the industry needs to be strengthened and sustained to enable it perform its developmental role effectively. The Funding challenge is a key area of concern and the Government can intervene by allowing leasing companies to access pension and the various intervention funds for development in specific sectors of the economy. This will no doubt enhance the capacity of lessors to deepen lease penetration in the market and will in the long run promote investments, create wealth and more jobs.

Table 1: Equipment Leasing Table by Sector (2013 – 2017) ('000)

	2017	2016	2015	2014	2013
Manufacturing	217,167,991.02	180,569,189.39	158,871,170.21	124,712,434.42	115,008,806.59
Transport	355,958,400.20	319,359,598.57	289,912,286.83	227,578,528.01	213,640,589.86
Agriculture	96,618,887.04	89,299,126.71	73,800,541.58	57,932,758.91	52,775,849.78
Oil and Gas	449,853,966.53	398,615,644.24	361,419,039.94	283,710,683.68	255,834,867.38
Government	88,143,803.18	80,824,042.85	73,074,750.29	57,363,019.30	53,257,374.59
Telecoms	128,235,736.59	120,915,976.26	99,217,957.08	77,885,200.63	73,245,102.23
Others	109,042,866.55	72,444,064.92	50,746,048.74	39,835,190.16	16,899,342.57
Total	1,445,021,651.11	1,262,027,642.73	1,107,041,794.67	869,017,815.11	780,661,933.00

NB: Others include Education, Healthcare, Construction and Consumers sectors

Table 2: Trends in Nigeria Leasing Market (2007 - 2017)

Year	Leasing Volume ('000)	Growth (%)
2007	245,700,000.00	29
2008	348,894,000.00	42
2009	445,265,650.00	28
2010	537,907,637.75	21
2011	622,907,637.75	16
2012	671,494,433.53	8
2013	780,661,932.99	16
2014	869,017,875.10	11
2015	1,107,041,794.67	27
2016	1,262,027,642.73	14
2017	1,445,021,651.11	14.5

Fig. 1: Sector contribution (2017)

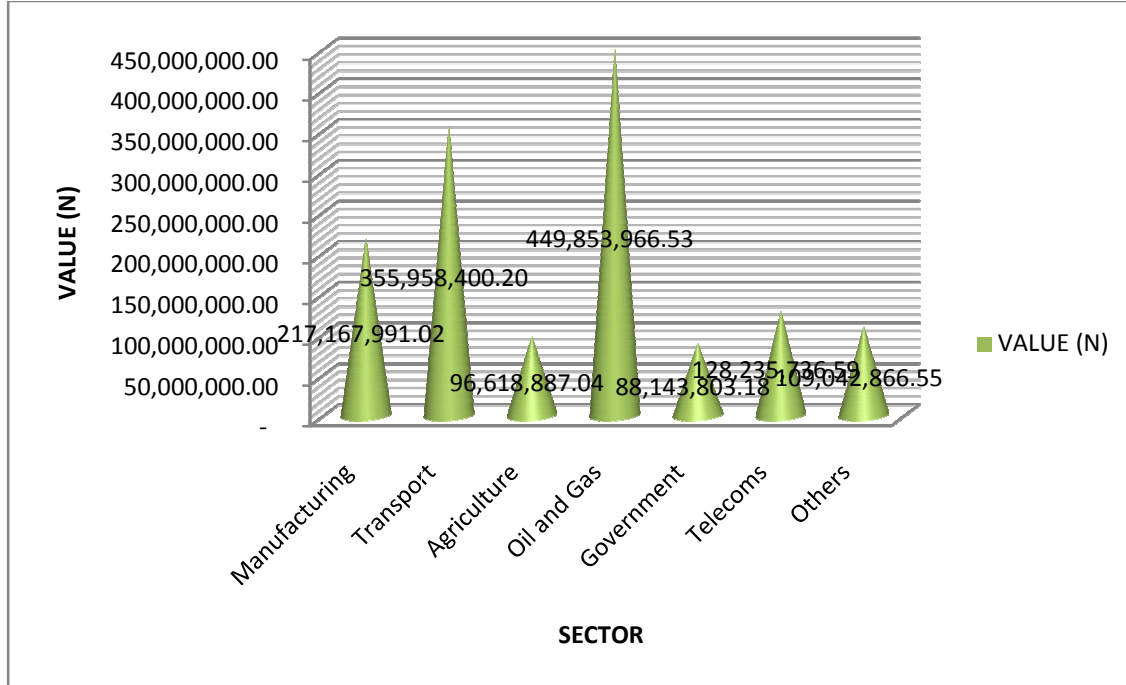


Fig 2: Contribution by Sector

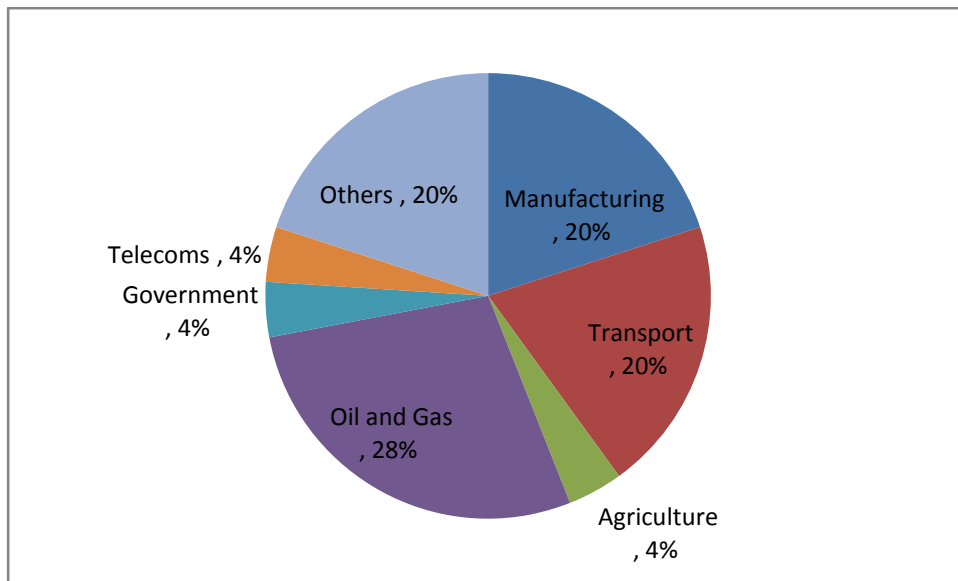


Fig. 3: Analysis by type of Asset

