

ELAN

# LEASING

## FOCUS

A QUARTERLY PUBLICATION OF EQUIPMENT LEASING ASSOCIATION OF NIGERIA LTD/GTE, APRIL 2021

## ECONOMIC THRUST OF GOVERNMENT: OPPORTUNITIES FOR LEASING







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## TABLE OF CONTENTS

**02**

From the Editor

**03**

Global Leasing Review

**06**

Leasing Industry In 2020:  
Marginal Growth Amidst  
Tough Year

**09**

Outlook for the  
Leasing Industry 2021

**13**

Economic Thrust  
of Government:  
Opportunities for Leasing

**20**

Leasing Titbits

**21**

Extra

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## Editor's Note

**W**elcome to the first edition of the Leasing Focus Journal for this year, and thank you for being part of it.

In this edition, our focus is on the economic agenda of government at the Federal and State levels as captured in the budget for 2021 and various policy pronouncements, considering the impact on the leasing industry, especially in the area of opportunities they present. Our effort on this, is discussed under the caption "Economic Thrust of Government: Opportunities for Leasing".

The 2021 economic agenda has been set in the context of the global pandemic that has not only claimed over 2.1 million lives globally, but also caused economic crisis. In Nigeria, the blazing tsunami has equally hit very hard. Policymakers continue to face formidable challenges as they seek to contain the devastating health, macroeconomic, and social effects of the pandemic.

Essentially, Government focus is on its economic recovery plans in response to the prevailing challenges. For instance, the 2021 budget tagged "Budget of Economic Recovery & Resilience" is expected to accelerate the pace of Nigeria's economic recovery, promote economic diversification, enhance competitiveness and ensure social inclusion.

Also, the Federal government under the SEA (Security, Economy and Anti - Corruption) agenda, intends to support the primary goal of national food self-sufficiency; rebuilding of national infrastructure base, interventions to boost job creation and support the entrepreneurial drive of youths.

Indeed, rebuilding the economy requires enormous capital and the growing cost of assets generally presents immense opportunity for leasing as an alternative option. These and other impact analysis are considered further in the main article for this edition.

Also, on the menu are update on the global leasing market and other useful information that will further enhance your knowledge of the leasing industry. We continue to value your support and look forward to more patronage in terms of advert and contribution of articles.

We hope you find this edition rewarding.



**Yemi Eniolawun**







## GLOBAL LEASING INDUSTRY - A DECADE OF GROWTH AND RESILIENCE AS NIGERIA RANKS 42<sup>ND</sup> IN GLOBAL RATING

The global leasing industry has reported the 10<sup>th</sup> year of continuous growth.

The international leasing industry has yet again demonstrated its remarkable contribution to world economic investment and development during 2019. These figures, of course, reflect the state of the global equipment leasing industry preceding the Covid-19 pandemic

According to the World Leasing Yearbook 2021, the top 50 countries in 2019 reported growth in new business volume of 5.85%, rising from US\$1,287.01bn in 2018 to US\$1,362.38bn in 2019. The Report shows that the global leasing industry has grown 129% in the past decade.

Three regions, North America, Europe and Asia, account for more than 96% of world volume. North America experienced growth of 10.8%, Europe was up 4.9% and Asia up 1.5%. South America declined 4.7% and Australia/New Zealand was down 4.1%. Africa was up 21.8%.

**North America** - The North American region consists of the US, Canada and Mexico. The sector maintains its position as the world's biggest leasing market, with new business volume of US\$509.8bn, representing 37.4% of the total global market share in equipment leased.

**Europe** - Europe reported growth of 4.9% in 2019 when expressed in US dollars bringing total new business to US\$448.0bn and it maintains its position as the second largest region in the world. Europe accounts for 32.9% of total world volume. The leading five European countries (UK, Germany, France, Italy and Russia) feature in the world's top 10 countries for new business,

contributing 67% of the total European volume. Poland has dropped out of the top 10 to rank in position 11.

**Asia** - New business volume in Asia increased by 1.5% to US\$355.9bn. Asia occupies a 26.1% share of the world market.

**Africa** accounts for 0.6% of the world market in leasing with five African countries achieving a placing within the top 50: South Africa, Morocco, Nigeria, Egypt and Kenya. The region increased volume by 21.8% to US\$7.5bn.





**Table 1:White Clarke Group Global Leasing Report 2020**

**Table 1:Volume and growth by region (2018 - 19)**

Rank by volume	Reliogn	Annual volume ( US \$ bn)	Growth 2018-19 (%)	Percentage of world market volume 2018	Percentage of world market volume 2019	Change in market share 2018-19
1	N America	509.8	10.8	35.8	37.4	1.7
2	Europe	448.0	4.9	33.2	32.9	-0.3
3	Asia	355.9	1.5	27.2	26.1	-1.1
4	Aus/NZ	27.3	-4.1	2.2	2.0	-0.2
5	S America	13.9	-4.7	1.1	1.0	-0.1
6	Africa	7.5	21.8	0.5	0.6	0.1
	<b>Total</b>	<b>1,362.38</b>				

Source: White Clarke Group Global Leasing Report

**Table 2:White Clarke Group Global Leasing Report 2020**

Ranking	Continent code	Country	Annual volume (US\$bn)	% Growth 2018-19	% Market penetration	Source
1	NA	US	473.38	10.50	22.0	(8)
2	A	China	251.47	0.06	7.8	(9)
3	E	UK	96.44	4.07	34.3	(2)
4	E	Germany	87.08	13.01	18.1	(2)
5	A	Japan	73.56	9.84	5.7	(1)
6	E	France	57.94	7.32	17.4	(2)
7	E	Italy	33.02	- 3.30	14.6	(2)
8	ANT	Australia	27.34	-5.14	39.0	(1)
9	NA	Canada	26.78	1.00	36.0	(1)
10	E	Russia	24.61	19.35	n/a	(2)
11	E	Poland	20.33	- 5.77	22.7	(2)
12	E	Sweden	19.62	2.85	22.8	(2)
13	A	Taiwan	15.55	13.30	10.6	(1)
14	E	Switzerland	14.52	5.80	13.2	(2)
15	A	Korea	11.94	1.62	9.0	(1)
16	E	Denmark	11.79	- 0.61	25.0	(2)
17	E	Spain	11.40	- 2.20	7.3	(2)
18	E	Austria	10.02	10.89	14.7	(2)



19	NA	Mexico	9.60	32.00	n/a	(4)
20	E	Netherlands	9.25	8.29	8.2	(2)
21	E	Norway	8.67	5.99	11.6	(2)
22	E	Belgium	7.96	5.18	10.0	(2)
23	E	Czech Republic	5.44	-8.24	11.1	(2)
24	E	Finland	5.10	-1.96	15.0	(8)
25	E	Portugal	4.50	-7.87	15.2	(2)
26	SA	Chile	4.42	-7.00	n/a	(4)
27	SA	Brazil	4.15	54.00	n/a	(4)
28	AF	South Africa	3.80	8.26	n/a	(8)
29	SA	Colombia	3.27	-32.00	n/a	(4)
30	E	Turkey	3.21	- 30.45	n/a	(2)
31	E	Slovakia	3.18	6.06	17.6	(2)
32	E	Hungary	3.01	6.67	7.2	(2)
33	E	Lithuania	2.08	- 12.03	23.4	(2)
34	E	Slovenia	1.75	- 3.11	19.0	(2)
35	SA	Peru	1.64	6.00	n/a	(4)
36	E	Croatia	1.54	15.59	n/a	(2)
37	E	Bulgaria	1.39	5.76	14.1	(2)
38	A	India	1.33	- 15.98	0.6	(9)
39	E	Estonia	1.33	-6.80	23.0	(2)
40	A	Malaysia	1.32	-7.57	n/a	(1)
41	AF	Morocco	1.30	2.36	15.5	(1)
42	AF	Nigeria	1.01	16.80	n/a	(1)
43	E	Latvia	0.94	- 1.63	14.2	(2)
44	AF	Egypt	0.88	34.00	n/a	(8)
45	A	Iran	0.75	- 13.00	0.5	(8)
46	E	Ukraine	0.72	0.24	n/a	(2)
	E	Serbia	0.63	20.81	n/a	(1)
47	E	Greece	0.52	39.66	2.7	(2)
48	AF	Kenya	0.51	1.59	n/a	(1)
49	SA	Puerto Rico	0.39	9.00	n/a	(4)
<b>Total</b>			<b>1,362.38</b>			

Market penetration rates quoted by Leaseurope appear as those reported and defined in Leaseurope's 2019 Annual Survey.

Country growth figures display the figure reported by each country i.e. it is unaffected by the vagaries of currency fluctuations. It is intended to display true growth as experienced on the ground.

**Key to Sources:** (1) National Leasing Association (4) Alta Group (7) Central Bank Data  
 (2) Leaseurope (5) Other Trade Associations (8) Author's Estimate  
 (3) Asian Leasing Association (6) Government Statistics (9) Others' Data

The White Clarke Group Global Leasing Report is prepared in association with the World Leasing Yearbook.

*Culled from World Leasing Yearbook 2021*



## LEASING INDUSTRY IN 2020: MARGINAL GROWTH AMIDST TOUGH YEAR

The Nigerian Leasing industry continued to demonstrate its remarkable contribution to economic development in 2020. Though affected hugely by the covid 19 pandemic that caused serious health and economic disruptions, the industry remained resilient - recording a marginal growth of 4.3 percent.

Available statistics show that outstanding leases as at 2020 stood at N2.01trillion as against N1.91trillion in 2019. The oil and gas sector took the lead at 29% with N602 billion lease volume, followed by Transportation & Logistics sector taking N490billion (25%), Manufacturing N279billion (12.5%), Others (including Healthcare and Education accounted for N185billion (17%), while Agriculture, Telecommunications, and Government recorded considerable growth.

Obviously, the decline in lease volume in 2020 was mainly as a result of the lock down and other restrictions to contain the pandemic which adversely affected economic activities. The delayed rental payment, slow business activities; increased cost of assets and operations etc. impacted on new lease origination during the year.

Finance lease maintained its position at 60% of total leases with operating lease increasing its market share in recent times due to market

dictates arising from the preference of corporate bodies to focus more on their core activities, while outsourcing other operational functions such as transportation and other logistics services. Operating lease is equally increasingly becoming a risk mitigant and niche market for several lessors in the industry.

In terms of assets categorisation, vehicle constitutes about 55% of the leased assets including trucks for haulage; buses for inter-state commercial transportation and staff shuttle, which have been major attraction in recent times.

It is expected that the equipment leasing industry will continue to grow due majorly to the need to re-inflate the economy, which requires enormous capital. Also, the increasing cost of assets further makes leasing more relevant as an alternative option especially to the MSMEs.







**Table 1: Equipment Leasing Table by Sector (2016 – 2020) (N'000)**

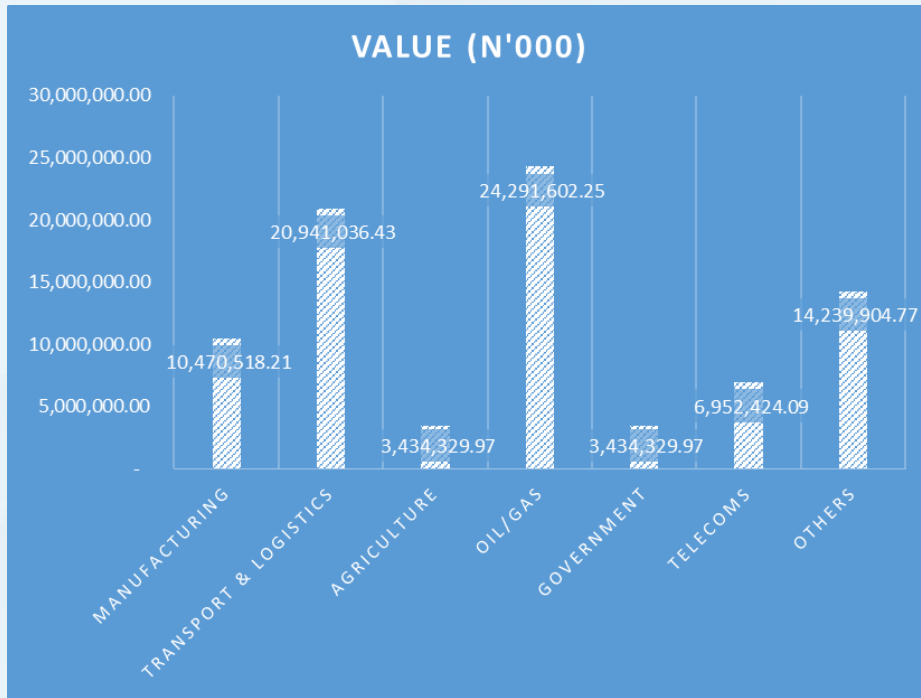
	2020	2019	2018	2017	2016
<b>Manufacturing</b>	279,725,073.29	269,254,555.08	245,432,614.52	217,167,991.02	180,569,189.39
<b>Transport/ Logistics</b>	490,720,981.52	469,779,945.09	421,909,188.36	355,958,400.20	319,359,598.57
<b>Agriculture</b>	148,565,322.14	145,130,992.17	133,106,584.08	96,618,887.04	89,299,126.71
<b>Oil and Gas</b>	602,120,031.43	577,828,429.18	518,160,139.98	449,853,966.53	398,615,644.24
<b>Government</b>	127,206,394.15	123,772,064.18	111,697,656.09	88,143,803.18	80,824,042.85
<b>Telecoms</b>	177,853,183.57	170,900,759.48	147,078,818.92	128,235,736.59	120,915,976.26
<b>Others</b>	185,285,839.80	171,045,935.03	123,175,178.30	109,042,866.55	72,444,064.92
<b>Total</b>	<b>2,011,476,831.90</b>	<b>1,927,712,680.21</b>	<b>1,680,560,180.25</b>	<b>1,445,021,651.11</b>	<b>1,262,027,642.73</b>

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

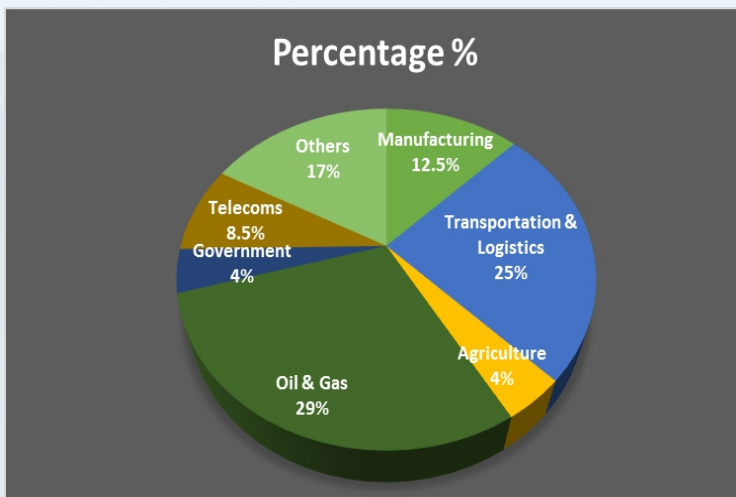
**Table 2: Trends in Nigerian Leasing Market (2010 - 2020) (N'000)**

Year	Leasing Volume ('000)	Growth (%)
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
2018	1,680,560,180.25	16.3
2019	1,927,712,680.21	14.5
2020	2,011,476,831.90	4.3

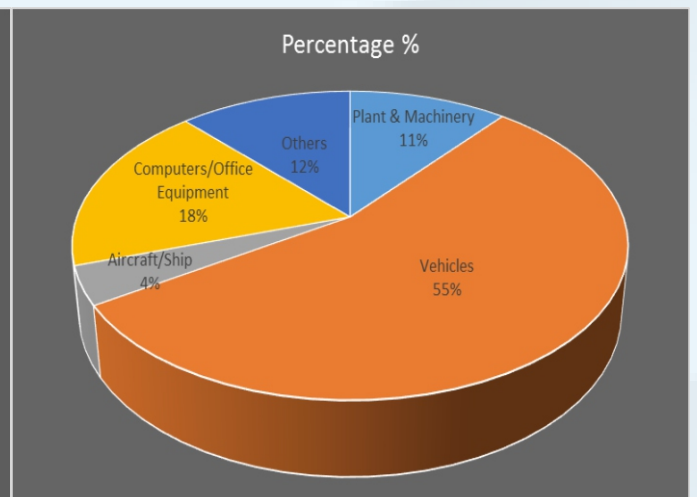
**Fig. 1: Distribution of Lease Volume by Sector**



**Fig. 2: Distribution of Lease Volume by Sector**



**Fig. 3: Analysis by types of Asset**





## OUTLOOK FOR THE LEASING INDUSTRY 2021

**2021 is here. It is year of great expectation for the leasing industry, where everything is expected to turn around for good. It has become the year for a magic which was initially expected for 2020, but which disappointed due, obviously, to the public health crises of COVID-19 that practically all economies, including Nigeria's.**

### THE NIGERIAN LEASING INDUSTRY

The Nigerian leasing industry remains an essential contributor to national economic development and continues to demonstrate innovation and flexibility in the face of economic turbulence. The industry maintained its growth trajectory - recording more than a decade of uninterrupted growth. Available statistics show that new business volume grew by 4.3 percent in 2020, rising from outstanding lease volume of N1.92trillion in 2019 to N2.01trillion in 2020. This growth is a testament to the attraction of leasing and its market potential, facilitated by enhanced lease awareness, increasing demand for leasing services - necessitated by the rising cost of assets and stimulation of domestic production; increased investment and participants as well as relative stability in the macroeconomic environment.

The growth trajectory of the Nigerian leasing industry was expected to continue in 2020 and was set in that path before it was hit by the thunder storm of the ravaging corona virus in the first quarter of the year. The industry's resilience was stretched considerably as a result of massive disruption of economic activities.

The impact of this disruption, macro-economic conditions and other prevailing industry specific factors, defined the leasing industry in 2020.

**Default in rental payment and other commitments;** arising from the instability of

cashflow of customers due to slow business activities. This caused severe liquidity challenge and credit losses in the industry and in some cases repossession and litigation with associated costs.

**Drop in new business origination,** owing to the fear of portfolio risks and low demand. Lessors were focused primarily with the task of managing exiting portfolio and cautious in venturing into new transactions due to uncertainty. Also, the disruption of business activities following the lockdown led to sharp fall in demand for leasing. Though, there were pockets of transactions that were consummated mainly in transport and logistics, the overall picture, is that the industry witnessed a dip in lease volume with a decline of about 45 to 50 percent in new business origination in 2020.

**New business and operational approach in response to the new normal** in compliance to the non-pharmaceutical requirement to combat the spread of the pandemic, like in other businesses, the leasing industry adopted measures such as working from home and dealing with external relations such as customers, through online and other non-physical modes of engagement. This has improved cost profile associated with physical engagement such as office administration - electricity, fueling and transport etc and better time management. At the same time, it might affect staff productivity if not well monitored.

**Emergence of opportunities for the leasing industry** as demand shift to more productive and



essential assets. Some of these areas are Information and Telecommunications (ICT), Healthcare, Food Industry, Waste Management, Transport and Logistics etc.

**Increased cost of assets and operations resulting from the adjustment of the Naira.** The depreciation of the Naira in the Foreign Exchange market and the scarcity of the US Dollar, caused

prices of goods and services to rise. This affected the capacity of leasing companies to finance new transactions where the opportunities were available to do so and equally maintained service-oriented leases. The increasing cost continued to limit the acquisition of assets through outright purchase by consumers and present opportunity for leasing as alternative means of acquisition.

## The Nigerian Leasing Landscape in 2021

- New business volume will remain low
- Maintenance of objective and strategic approach
- Demand shift to more productive and essential assets
- The Low interest regime, expected to continue in 2021,
- Predominance of short-term funding sources
- Market focus on small and medium markets
- Continued movement towards new products development and maturity in the long run
- Slow turnover of equipment will continue due to high cost of acquiring asset
- More business opportunities in economy
- The dwindling appetite from banks for direct leasing investment
- Further regulatory impact is expected especially with implementation of the International Financial Reporting Standard (IFRS 16).
- Low competition amidst increasing number of new entrants in the market

## EXPECTATION FOR 2021

In 2021, the leasing industry is expected to remain resilient, demonstrating flexibility and innovation in the face of economic challenges. However, developments in the macroeconomy, especially the impact of the scourge of the corona virus, will ultimately shape the outcome in leasing industry.

**New business volume will remain low** at least for Q1 2021 as lessors take a caution approach to creating new deals.

**Maintenance of objective and strategic approach** by lessors to withstand shocks, ensuring business survival and continuity. This involves effective cost control mechanism, improving processes and customer relations.

**Demand shift to more productive and essential assets** as non-essential commodities will be less sought after.

**The Low interest regime, expected to continue** in 2021, will reduce the cost of borrowing in the leasing industry. However, the gains may be subsumed by inflationary pressure which may keep the cost of leasing high.

**Predominance of short-term funding sources** will continue to constrain the depth of leasing in





the market place as most leases are confined within the 12-48 months to avoid mis-match. The floating of long bonds and access to CBN intervention funds, could provide succour to the funding challenges of the industry.

**Market focus on Small and medium markets** due to inadequate funds and expertise. This market segment presents greater risk and returns to lessors.

**Continued movement towards new products development and maturity in the long run**, as the leasing industry remains evolving, growing from the simple finance lease phase, through creative finance lease to operating lease in line with market dictates.

**Slow turnover of equipment will continue** due to high cost of acquiring asset. This will also deepen the demand for fairly used assets especially vehicles by customers.

**More business opportunities in economy.** Rebuilding the economy requires enormous capital and the growing cost of assets generally, presents immense opportunity for leasing as an alternative option. Asides the emergence of opportunities in health care, ICT, logistics etc as a fallout of the pandemic, the Federal governments intervention programmes and investment in priority areas - infrastructure, power, food security, works and housing, job creation etc, for the year to drive economic recovery, provide ample business prospects for the leasing industry.

The various States like Lagos are equally embarking on investment on infrastructure and youth empowerment schemes as contained in their budget, which lessors can key into. The Implementation of the African Continental Free Trade Area (AfCFTA) which started on the 1st of January 2021, is another area of interest for the industry.

**The dwindling appetite from banks for direct leasing investment** due mainly to inadequate fiscal incentives and motivations amidst competing products, is expected to continue. Banks are also, expected to step back from smaller-ticket deals and focus on core markets, which may provide an opportunity for independents to increase market share.

**Further regulatory impact is expected** especially with implementation of the International Financial Reporting Standard (IFRS 16). The IFRS 16 has been in operation since 2019, the implications will continue to manifest especially on transaction dynamics with respect to operating leases.

Also, the formal inauguration of the Equipment Leasing Registration Authority expected to take place during the year, will give full effect to the intent and purport of the Equipment Leasing Act. Similarly, the industry will be affected to some extent by the various monetary and fiscal policies of government such as those contained in Finance Act 2020.

**Low competition amidst increasing number of new entrants in the market** while the leasing industry continues to attract new investors, who want to benefit from the market opportunities, the number of active players estimated at 350 organisations, is still not sufficient compared to the market potential, to increase the level of competition in the industry, which is necessary to drive more volume and enhanced value add in terms of better services and solution.

## KEY FACTORS TO DRIVE SUCCESS

It is imperative for the leasing industry to remain resilient in the face of growing uncertainty to navigate through the storm, stay afloat and take advantage of opportunities as it continues to contribute to economic development.



The realignment of strategies and adoption of innovative approach is required in this regard. This will involve thorough understanding of the impact of the emerging scenario while maintaining a win - win posture in addressing the challenges.

Specifically, it would require lease practitioners and the industry to:

**Build strategic alliance within and outside the industry to enhance capacity:** The individualistic approach in the industry is limiting. Lessors for example, can pool resources together under a syndicated lease arrangement to scale up and enhance participation in some of the major opportunities and mitigate associated risks. This arrangement can also be used to engage government, financiers, development partners and other stakeholders to sell leasing and the preparedness of the industry to contribute more to the attainment of development-oriented initiatives. Presenting as a group, will enhance better access to incentives including intervention funds and other support schemes.

**Make risk management part of strategic planning and rethink global strategies** to be more resilient. This will involve monitoring in-house vulnerabilities - assessing financial and operational risks. By making risk management part of the strategic planning, lessors can routinely simulate how interrupting events as well as other variables could disrupt their businesses and use those insights to design their operations and resource distribution.

**Constructive engagement with market and relevant stakeholders.** Clear, transparent and timely communications are necessary to secure support from customers, employees, suppliers, creditors, investors and regulatory authorities at this critical time. It is particularly imperative, that lessors constantly engage with their customers, understand their challenges and reassuring them of having them in mind during whatever times. This will endear the customers to them and sustain the business relationship.

**Strengthen internal capacity to improve processes and performance.** This can be done by constant staff development through capacity building programmes and ensuring adequate working infrastructure including right technology. Leveraging for instance on technology, can greatly improve processes in various areas of operation, including customers on boarding, risk assessment and lease structuring as well as asset management functions and financials. Essentially, to reinvent processes, technology must be seen as a core factor in the business framework.

**Maintaining or improving portfolio quality while keeping the balance:** This requires understanding of the market dynamics, market intelligence, development of product and niche market as well as competitive pricing, and adapting to market shifts, to grow portfolio within acceptable risk appetite.

**Funding ability for sustainability and viability.** Money is the raw material for leasing and the ability to attract adequate and cheaper funds, will determine the extent of participation in the leasing industry.

**Controlled back-office costs.** Financial discipline and adopting cost saving mechanism to achieve a low back office cost, will enhance profitability.

**Adopting appropriate strategies.** The lessor must not base his assumptions on things that he cannot control especially at this prevailing uncertainty in the environment.

**Enhance advocacy, engaging with Government and other relevant stakeholders** to create more visibility for the industry, promote the ideas of leasing, pursue favourable operating environment and exploit business opportunities.

## ECONOMIC THRUST OF THE GOVERNMENT: OPPORTUNITIES FOR LEASING

The 2021 agenda of the government - both Federal and states, has been set in the context of the global pandemic that has not only claimed over 2.1 million lives globally, but also caused economic crisis. The global response to the disruption, has seen several countries providing large-scale macroeconomic support to alleviate the economic blow, which has contributed to stabilisation in financial markets. Central banks in advanced economies cut policy rates and had taken other far-reaching steps to provide liquidity and to maintain investors' confidence. In many Emerging Market and Developing Economies (EMDEs), central banks have also eased monetary policy.

In Nigeria, the blazing tsunami has equally hit very hard. Policymakers continue to face formidable challenges as they seek to contain the devastating health, macroeconomic, and social effects of the pandemic. The nation is weighed heavily with structurally weak economy affected by externally-induced shock as the economy slipped into a recession in the third quarter of 2020, following a GDP contraction of -3.62% and the negative growth of -6.1 percent recorded in the second quarter (Q2), contracting by levels not seen since the 1980s. However, the Nigeria's Gross Domestic Product (GDP) grew by 0.11% (year-on-year) in real terms in the fourth quarter of 2020, representing the first positive quarterly growth in the last three quarters.

**Table 1. Nigeria: Selected Economic Fundamentals, 2013-2020 (%)**

Year	$\Delta P$	$P_f$	Unemployment	Underemployment	$\Delta y$	LR	Deficit/GDP	Oil Growth
2013	8.48	9.70	10.0	14.8	6.67	26.13	-1.44	-13.07
2014	8.0	9.48	7.8	17.5	6.31	27.0	-0.94	-1.32
2015	9.01	10.59	10.4	18.7	2.65	26.0	-1.65	-5.45
2016	15.68	17.39	13.4	19.4	-1.62	26.0	-2.63	-14.45
2017	16.50	19.42	18.8	21.2	0.81	31.40	-3.17	4.69
2018	12.09	14.38	23.1	20.02	1.92	27.0	-2.84	0.97
2019	11.40	19.42	N/A	28.6	2.21	27.0	-3.41	4.59
2020	15.76	19.56	27.1	28.6	-6.01*	27.0	-3.30	-13.89**

Source: National Bureau of Statistics, Abuja

**Notes:**

$\Delta P$  = rate of inflation

$P_f$  = Food inflation

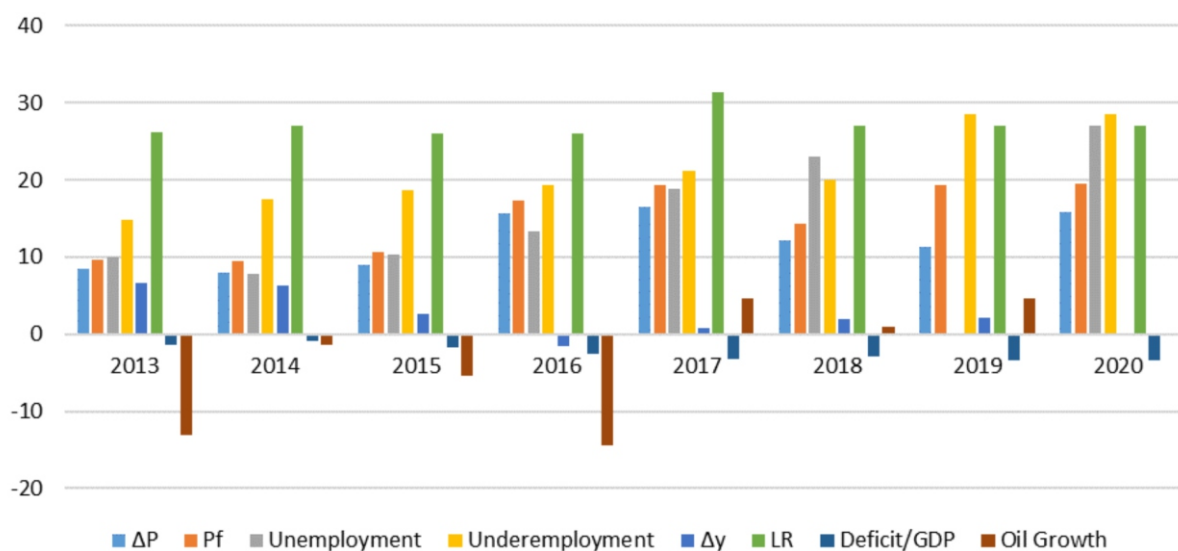
\* = 2nd quarter, 2020, for 3rd quarter 2020 = -3.62%

\*\* = 3rd quarter, 2020

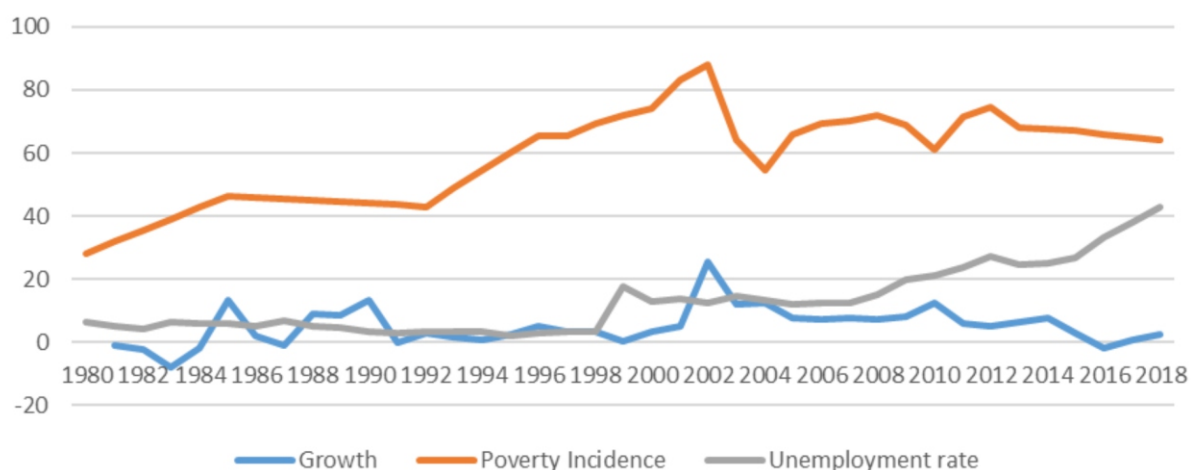
LR = Lending rates

$\Delta y$  = Growth in GDP

**Figure 1. Nigeria: Selected Economic Fundamentals, 2014 – 2020 (%)**



**Figure 2. Poverty incidence, growth and unemployment rate in Nigeria (1980-2018).**







## ECONOMIC THRUST OF THE GOVERNMENT: OPPORTUNITIES FOR LEASING

The Federal and State Governments supported by the private sector, have taken several palliative measures to reduce the impact of the pandemic on the people and businesses. The Federal Government for instance, developed the Nigeria Economic Sustainability Plan (NESP) involving a stimulus package of N2.3trillion in response to the health and economic emergencies. Under the plan, the key projects focusing on mass agriculture, public works and road construction, support for MSMEs and digital technology etc, are expected to sustain economic activity, boost production, create jobs and save foreign exchange.

Part of the stimulus package, is being implemented by the Central Bank of Nigeria (CBN). The Apex bank, had earlier announced the provision of N1.1trillion in loans to boost local production and manufacturing across critical sectors; one-year extension of moratorium on principal repayment on CBN intervention facilities; reduction on interest and intervention loans from 9% to 5%. The package also includes, N50 billion targeted credit facilities for households and Small and Medium Enterprises (SMEs); N100 billion Healthcare loans to

pharmaceutical companies, healthcare practitioners to expand capacity and the temporary and time-limited restructuring of tenor and loan terms for businesses affected by the pandemic.

Essentially, Government focus will continue to be on its economic recovery plans in response to the prevailing challenges. For instance, the 2021 budget tagged Budget of Economic Recovery & Resilience is expected to accelerate the pace of Nigerias economic recovery, promote economic diversification, enhance competitiveness and ensure social inclusion. The appropriation Bill of N13.58 trillion was signed alongside Finance Bill 2020 on the last day of 2020 in line with the promise of Government to return the nation to the January to December budget cycle. The non-debt recurrent expenditure of 5.65 trillion, seeks to ensure the continued payment of salaries and overheads in the public sector, while the capital expenditure of N4.12trillion, indicates new focus of government's intention to complete as many ongoing projects as possible, rather than the commencement of new projects. These level of expenditure, if implemented will stimulate activities in the economy.

Nigeria's 2021 Budget	2021	2020	Change
	N'tr	N'tr	
<b>Expenditure</b>	<b>13.08</b>	<b>10.81</b>	<b>21%</b>
- Capital	3.85	2.69	43%
- Recurrent & sinking fund	6.11	5.44	12%
- Debt service	3.12	2.68	16%
<b>Revenue</b>	<b>7.88</b>	<b>5.84</b>	<b>35%</b>
Deficit	5.2	4.97	5%
Oil production (mbpd)	1.86	1.8	3%
Benchmark oil price p/b	\$40	\$28	43%
Exchange rate to US\$	379	360	5%
Projected growth rate	3%	-4.41%	168%
Inflation	11.95%	14%	-15%

## ECONOMIC THRUST OF THE GOVERNMENT: OPPORTUNITIES FOR LEASING

Government re-echoes its focus for the year to continue to deliver on key strategic priorities under 'SEA' (Security, Economy and Anti - Corruption) agenda. Some of the key priority areas include: re-energising and re-organising the security apparatus and focus on revamping the economy through the National Economic Diversification Agenda that supports the primary goal of national food self - sufficiency; rebuilding of national infrastructure base including rail systems, roads, airports and sea ports; sustaining power sector reforms, interventions to boost job creation and support the entrepreneurial drive of youths as well as sustaining the anti-corruption crusade.

However, accelerating the pace of economic recovery requires fiscal and monetary authorities to promote growth-enhancing and confidence-building policies,

that would attract private capital to the economy. Essentially, this will involve sustaining and deepening policy reforms and real commitment in implementing these reforms that will boost output and put the nation on a path of macroeconomic stability. It is also essential for government in the recovery of growth plan, to expand its engagement with relevant stakeholders, particularly in the private sector to include more sectors. Government at all levels must seek innovative and proactive ways to achieving it development - oriented initiatives. One of these options is Equipment Leasing a creative financing alternative utilised globally to stimulate economic development and growth. The appeal of leasing is underscored in its developmental attributes of enhancing capital formation in the economy, that drives job creation, revenue, better life and economic growth.

## 2021 Economic Agenda in Nigeria and Opportunities for the Leasing Industry

Indeed, rebuilding the economy requires enormous capital and the growing cost of assets generally presents immense opportunity for leasing as an alternative option. To get a clear view of the impact of government economic agenda on the opportunities in the leasing industry, it is essential to examine some macroeconomic projections for 2021 and beyond. Following the recent revision of the 2020-2022 medium term fiscal framework, the key parameters as well as other macroeconomic projections are presented in the table below:

**Table 2: Key Parameters and other Macroeconomic Projections**

Description	2019 Actual	2020 Budget	2021	2022	2023
Oil Price Benchmark (US \$/b)	67.2	28.0	40.0	40.0	40.0
Oil Production (mbpd)	1.96	1.80	1.86	2.09	2.38
Exchange rate (N/\$)	305.0	360.0	360.0	360.0	360.0
Inflation (%)	11.98	14.15	11.95	10.94	11.02
Non-Oil GDP (N bn)	131,810.1	131,155.5	132,592.2	134,154.5	139,304.9
Oil GDP (N bn)	12,400.4	8,691.9	10,102.2	12,640.0	12,159.5
Nominal GDP (N bn)	144,210.5	139,517.5	142,192.1	146,072.8	150,497.7
GDP Growth Rate (%)	2.27	(4.20)	3.00	4.68	3.86
Nominal Consumption (N bn)	119,281.6	117,913.7	118,887.3	120,835.4	125,157.3

Source: Ministry of Finance, Budget & National Planning; NNPC; BOF; NBS



## 2021 Economic Agenda in Nigeria and Opportunities for the Leasing Industry

It is projected that with the Nigerian economy slowly recovering from the effects of the Covid-19 pandemic which resulted in lockdown of economic activities for a period of time, increased demand for oil globally will improve oil prices in 2021 and will stimulate oil-GDP to grow at nearly 8%. This is an improvement over the sharp drop in oil prices orchestrated by the pandemic in 2020. The improvement in oil-GDP has a dire effect on non-oil GDP growth in 2021. It is projected that on a year-on-year basis, the non-oil sector will grow at 2.43% in 2021. As a result, 2021 real GDP growth was projected to be 3.0%, while nominal GDP is expected to increase to N142,192.1 billion in 2021 from N139,517 billion in 2020.

In the same vein, consumption expenditure is projected to be N118,887.3 billion in 2021 with an accompanying inflation rate of 11.95%, a figure slightly above single digit. Aggregate revenue and expenditure were projected to be N6.15 trillion and N12.66 trillion, respectively; and a budget deficit which is projected to be N5.16 trillion in 2021 (Budget Office of the Federation, 2020).

From available economic data, there is a large market for the Nigerian leasing industry. Apart from the above macroeconomic projections, the federal government in collaboration with the states has established a N500 billion COVID-19 Crisis Intervention Fund. The following are some of the intended expenditure items of the COVID-19 Crisis Intervention Fund which holds opportunities for the leasing industry:

- N36 billion to support State Governments
- N12.43 billion for Energy for All: Mass Rural Electrification/Solar Power Strategy Programme
- N60.0 billion for Maintenance of Roads
- N52.0 billion Public Works Programme
- N126 billion for upgrading healthcare, infrastructural facilities and operations

across Federal Medical Centres, Teaching Hospitals and others

·N6.0 billion for Artisanal and Small-Scale Miners.

From the above it can be stated that the leasing industry can leverage on both the federal and state governments economic agenda in areas such as agriculture, construction, mining, technology and healthcare sectors.

## Construction

It has been observed that it is highly unprofitable and unviable for state governments to buy equipment for construction purposes. State governments basically rely on leasing deals. This opens a huge opportunity for operators in the leasing industry to expand the scope of their operations. There is thus the need for such operators to acquire up-to-date equipment because for such high-risk industries like construction, efficient equipment is a priority.

In other words, with state governments pursuing capital projects such as road construction and canal channelization in 2021 in order to alleviate the suffering of the citizenry, the leasing industry has a huge market to explore. In order to support the massive construction that would take place in the rail, roads, power, housing and other infrastructural facilities in 2021 and beyond, the leasing industry will be saddled with much responsibility.

Not to be overlooked is the construction of electrification facilities. In recent times, the federal and state governments have laid much emphasis in the repositioning of the power sector to boost economic growth. This was reflected in the recent hike in electricity tariffs, with government validating their action on the fact that it intended to improve the power situation across the country. The need for more rural electrification projects has been in the increase. To achieve this, more equipment will be leased, since purchasing such equipment can be very expensive. This calls for wide variation in the products



of the leasing industry to meet up with the increasing demand for equipment. Thus, the industry has the potential to expand and contribute towards economic growth.

## ■ **Agriculture**

There are also huge opportunities in the agricultural sector for the Nigerian leasing industry. This sector remains the bedrock of Nigerian economy. It generates about 70% of employment and contributes over 30% to the GDP of the economy. In recent times, the emphasis of the federal and state governments has been on mechanization and commercialization of agriculture across the country. This can be seen in the various agricultural programmes adopted in recent times.

The focus on agriculture for food sustainability can create a large market for the leasing industry in 2021 and beyond. Large equipment will be required in the actualization of these government objectives, ranging from agricultural inputs, harvesting, storage and distribution, which form the crux of the agricultural value chain. That means that there will be urgent need for specialised and general equipment, which will in the long run expand the market scope of the Nigerian leasing industry.

## ■ **Mining**

The mining sector is one of the lucrative sectors of the Nigeria economy. This sector is an ever-growing one with natural resources being discovered and explored in various states of the federation. The discovery of gold in Zamfara State in recent times, is a testimony of this fact. Every investor that wishes to engage in the mining sector requires government approval or license. This sector also requires the use of specialised and general equipment which profitably should be leased by the mining firm since purchasing these equipment is highly expensive. Thus, with increase in application for mining licenses, the leasing industry has the potential to increase its scope in the mining sector in 2021 and beyond.

## ■ **Education**

The ravaging Covid-19 pandemic has brought to the fore the need to expand and improve on the mode of service delivery in the educational sector. The need to adopt modern technology in the supply chain in this sector cannot be overemphasised. The leasing industry can utilise this avenue in providing modern instructional equipment in the educational sector especially with state governments striving to develop non-conventional methods of learning such as distant learning. Facilities such as generating sets, laboratory equipment, and computers can be leased to actualize governments' educational goals.

## ■ **Technology**

The fourth industrial revolution is driven by technology and thus the leasing sub-sector must take advantage of the various programmes and projects by raising awareness of stakeholders particularly up-coming innovators and research institutions by making available equipment for leasing.

## ■ **Health**

Governments' financial resources for the healthcare sector (healthcare centers and hospitals) have been greatly affected by the economic downturn and the ongoing uncertain economic environment orchestrated by the Covid-19 pandemic. With government adopting various health programmes and initiatives to improve the health sector, more healthcare infrastructure are needed. Modern health facilities such as ultrasound devices, remote patient monitoring equipment, X-ray systems and other laboratory equipment are having high demand in the country's health facilities. Currently, the purchase of upgraded medical equipment with novel technologies and features involves high costs and may suffer a high degree of obsolescence, given the rapid pace of technological development, thus requiring regular upgrading.





This trend in the health sector opens a wide range of opportunities for the Nigerian leasing industry. The Nigerian leasing industry need to create more awareness on the availability of health facilities, that can be leased by both the federal and state governments.

While the opportunities are real, there are challenges faced by the leasing industry that might affect their full exploitation, the recent being the impact of the covid 19 pandemic. The leasing industry is not insulated from the impact of the pandemic as it affects business volume and operations. While it is hard to accurately capture the impact due to uncertainties, there are certain headwinds that are becoming glaring. These include, delayed rental payment due to slow business activities; increased cost of assets and operations resulting from recent adjustment of the Naira, demand shift to more productive and essential assets etc.

However, the leasing industry must position itself to play actively and cash in on these opportunities as they evolve. It is imperative for the leasing industry to enhance its capacity and remain resilient in the face of growing uncertainty to navigate through the storm, stay afloat and take advantage of opportunities as it continues to contribute to economic development. The realignment of strategies and adoption of innovative approach is required in this regard. This will involve thorough understanding of the impact of the emerging scenario, while maintaining a win - win posture in addressing the challenges. It would for instance, require building strategic alliance within and outside the industry to enhance capacity. The individualistic approach in the industry is limiting. Lessors for example, can pool resources together under a syndicated lease arrangement to scale up and enhance participation in some of the major opportunities and mitigate associated risks.

While the relevance of leasing to economic development and the need for the industry to

enhance its capacity to fill the financing gap in the economy are not in doubt, it is imperative for all stakeholders to continue to support the development of the industry. Government as a major stakeholder can facilitate the creation of appropriate funding mechanism for leasing, for instance, through access to intervention funds and inaugurate the Equipment Leasing Registration Authority to give full effect to the Equipment Leasing Act 2015. These and other specific interventions, will further take the industry nearer to its destination of contributing more to capital formation in the Nigerian economy.

ELAN as the umbrella body for the leasing industry, will continue to guide and create the platform that would facilitate the attainment of corporate objectives and the diverse interest of stakeholders.

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## LEASING TITBITS

### SOURCING AND CUSTOMER ON BOARDING

#### ■ Product Development

- Products tailored to market in which the lessors have competitive advantage
- Targeted leasing products based on industries or transaction size
- Credit officers and sales managers must be an integral part of the Product development process
- Leasing product prequalifies potential lessees and limits potential lessees

#### ■ Channels of lease business

- Marketing staff
- Brokers
- Existing customers
- Potential lessee
- Advertising
- Vendors
- Center of influence
- Every one

#### ■ Sales Promotion and Prospecting Strategy

- Categorisation
  - Cold or warm prospects
  - Geographical concentration
- List building
  - Sources for general prospects: trade associations, business directories, news story lead etc
- Direct mail
- Lessee follow up
- Speaking engagement

#### ■ Strategy to winning the Lease

- Knowledge of the lessee's needs (who, what, when, where, and how)
- Understand the benefits of leasing and how they apply to the lessee's needs
- Providing answers to objections
- Structure the lease to meet the needs
- Lessee must see you as problem solver



## EXTRAS

### NO PROCASTINATION

Procrastination is not laziness. Procrastination is the act of delaying or postponing a task or set of tasks. It is the force that prevents you from following through on what you set out to do. Procrastinators often put off doing things, leave them to the very last moment or sometimes even spend their time staring at the wall.

Are you someone who enjoys being productive, who likes to see things moving, who gets enormous self-satisfaction by getting things done? And yet, you have a difficulty to start working on an important task or a project? You keep postponing, thinking that you should start, but still you do not feel motivated to get moving. Hours, days or weeks are passing, until your internal pressure goes to the top (or the deadline is tomorrow) and you finally do it. You feel relieved that it has been done (usually quite fast), but deep inside you know that you would have saved a lot of mental energy if you started slightly earlier.

If you are someone who needs to feel productive, efficient, getting things done, the best gift you can give yourself is to learn how to quickly get moving even if you do not feel like starting. It might not be easy at the beginning. Any behavioral change requires a lot of focus, self-awareness, and self-management. But the end is very rewarding. You will waste less time, feel more productive, deliver better results and start enjoying things that you were procrastinating on.

However, our life is not about doing things that are easy and fun. Our life is about doing things that are meaningful, that have a positive impact on our life and the life of other people. We all have

a basic need to accomplish great things. We need to be proud of ourselves and see that we have made a difference to the world. Choosing to do only easy and fun things and postpone the rest will not make us happy. But doing challenging and boring things can make us unhappy too. How do we cope with this conflict?

What if we decide not to choose WHAT to do, but HOW to do it?

Instead of procrastinating on something that is not easy or fun, what if we try to figure out how to make each task easy or fun? Making each step simple to do, simple to remember or just simple in our mind. Creating more fun in everything we do, making it a game or playing with our attitude. I am sure that you already have a couple of ideas how you could cope with your individual challenges,

**Here are some ideas you can get yourself started.**

1. **Decide and act** -The reason why we procrastinate on some things is that we are not fully decided whether or not to do them. There is an internal conflict. We have hundreds of reasons, why we should start working on that task, but we have also hundreds of reasons why we "cannot" start working on the task. Every time you catch yourself procrastinating, you need to make a conscious decision do I really have to do it? Do I really want to do it? The decision is one of the most important steps to get moving. Once you are decided that you want to do it, then take another decision. Decide



whether to do it NOW or to plan it for LATER. Whatever you decide, take an immediate action (do the task immediately or plan it in your agenda).

**2. Take action** - It may sound obvious, but the problem with procrastination boils down to not taking action. The thing is, sometimes, we simply need to warm up, get energized, and start with a task we enjoy that does not involve the things on which we procrastinate. By completing a simpler or more enjoyable task first, you get an extra level of energy to use to tackle the task you have been postponing. For some people, being



active is the best motivation.

**3. Close all doors of escape** - We often procrastinate on tasks that have faraway deadlines because there is no immediate obligation to do them. This usually pertains to our own personal projects or complex, long-term projects. In this case, you need to become accountable to someone else and close all doors of escape. If it is a big project, you need to break the project into steps and make yourself accountable for each step.

**4. Combine (2 in 1)** - We usually procrastinate on things that seem repetitive (not challenging enough) or too hard (too challenging). We know they will take a lot of energy. If you find a task to be boring or difficult, combine it with activities that make you happy and energized.

**5. Limit the time** - Some people postpone tasks that take up a lot of time (or are perceived to) - counter productive. A good way to get around this is to limit the amount of time you will spend on a task. The less difficult and demanding it feels, the better the chance you will do it.

**6. Try and see** - Sometimes we procrastinate on tasks we have never done before. We imagine them to be hard or boring, but we do not actually know how much time or effort they will really take. In this case, you can simply fool yourself and give yourself permission to try and see. You start, try how it feels, and if you do not like it, you can simply stop. In this way, you remove the pressure on yourself that can be very demotivating.

## CONCLUSION

Whatever you procrastinate on, small things or big things, stop being harsh on yourself. Everybody procrastinates from time to time. Trust you can change your habits, trust you can make anything easy or fun. Start playing with your procrastination, experiment and find out what works the best for you.

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