ELAN

EQUIPMENT LEASING ASSOCIATION OF NIGERIA LTD/GTE

Creating Wealth & Growth Opportunities

2024 OUTLOOK: NAVIGATING UNCERTAIN WATERS WITH RESILIENCE

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GLOBAL ECONOMY

The global recovery from the COVID-19 pandemic and Russia's invasion of Ukraine remains slow and uneven. Despite economic resilience earlier in 2023, with a reopening rebound and progress in reducing inflation from 2022's peaks, global growth slowed significantly amid high inflation, tight monetary policy, and more restrictive credit conditions. The possibility of more widespread bank turmoil and tighter monetary policy could result in even weaker global growth and lead to financial dislocations in the most vulnerable emerging market and developing economies (EMDEs).

Economic activity still falls short of its pre-pandemic path, especially in emerging markets and developing economies, and there are widening divergences among regions. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, the war in Ukraine, and increasing geo-economic fragmentation. Others include the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events.

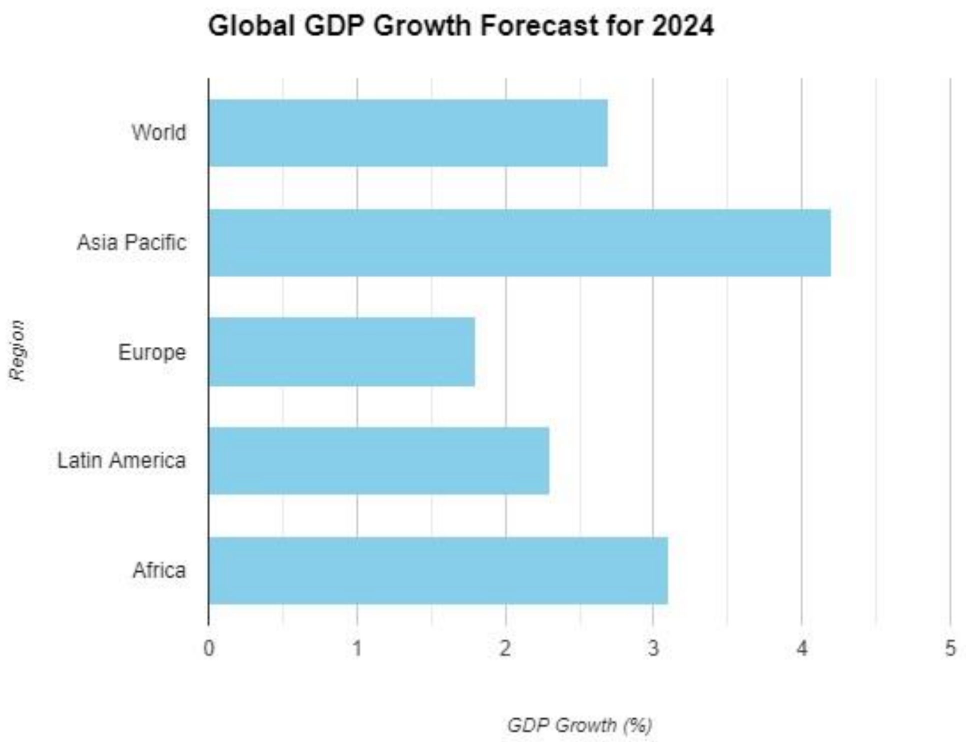
In 2024, most experts predict a slowdown in global economic growth compared to 2023. The International Monetary Fund (IMF) projects 2.9% growth in 2024, down from 3.5% in 2022 and 3.0% in 2023. While inflation is expected to decline gradually in 2024, it will likely remain above central bank targets in many countries. The ongoing war in Ukraine, other geopolitical tensions, and potential supply chain disruptions could pose further challenges**.**

In terms of regional variations:

- Asia Pacific: is expected to remain the engine of global growth, with economies like India and Southeast Asia performing well.
- Europe: The war in Ukraine and its economic fallout will continue to weigh on Europe's growth prospects.
- Latin America: The region's recovery is expected to continue but at a moderate pace.
- Africa: Growth in Africa is projected to be steady, although individual countries will face different challenges.

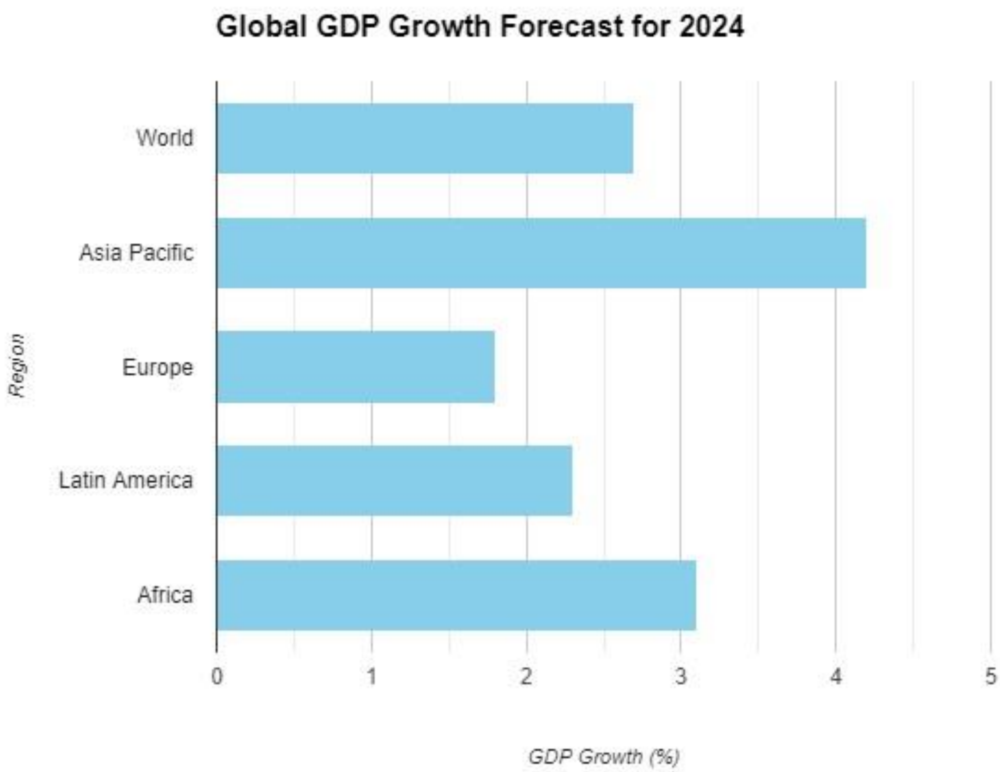
Key factors to watch:

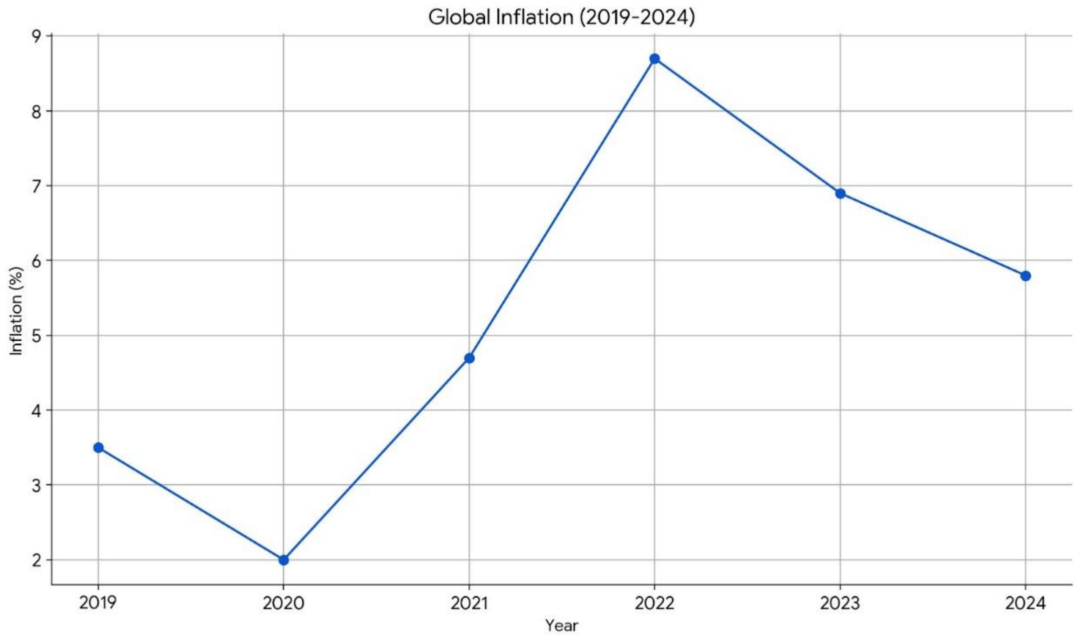
- US interest rates: The Federal Reserve's interest rate hikes to combat inflation will impact global borrowing costs and economic activity worldwide.
- Chinese economy: China's economic slowdown and potential real estate crisis could have ripple effects on global trade and investment.
- Oil prices: Fluctuations in oil prices will affect energy costs and inflation.
- Labour markets: The balance between unemployment and wage growth will be crucial for consumer spending and economic recovery.

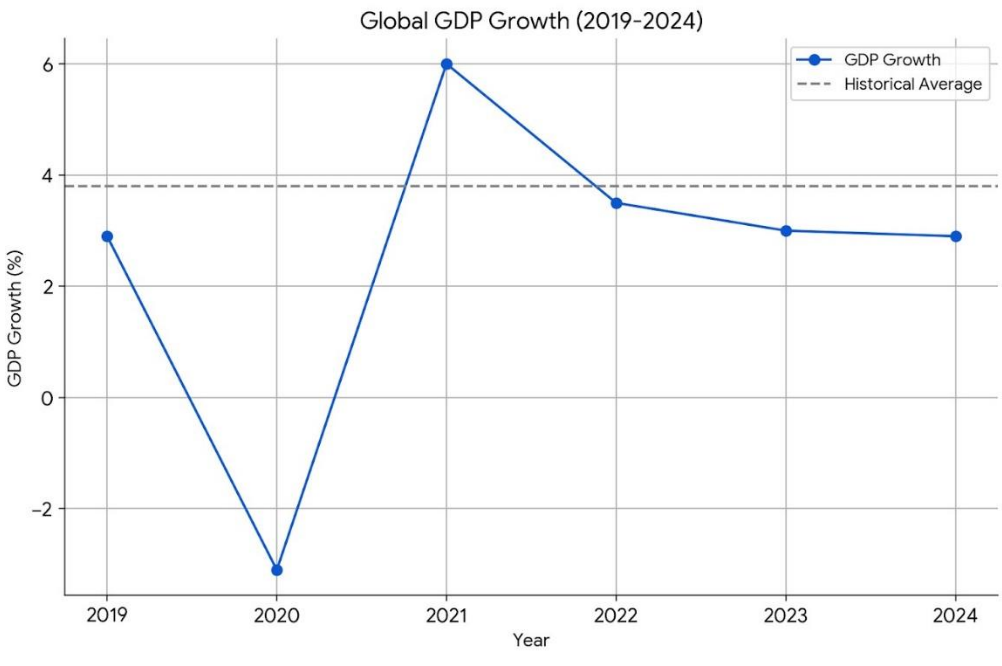


Overall, the global economy in 2024 will likely continue to face headwinds. While a full-blown recession is not the most likely scenario the risks are increasing. Navigating this uncertain landscape will require careful policy coordination from central banks and governments and a focus on building

resilience and mitigating risks. This will include, managing inflation, navigating geopolitical risks, and fostering sustainable growth. However, amidst the challenges, there are also signs of resilience and potential for positive developments. Adapting to new realities and embracing innovation will be crucial for navigating these uncertain waters and laying the groundwork for future economic growth.







Source: International Monetary Fund (IMF) Data

THE NIGERIAN ECONOMY

The Nigerian economy has been walking on its knees for some time now, as major indicators showed adverse performance, against the background of global economic uncertainties, geopolitical tensions, and the aftermath of the COVID-19 pandemic as well as increasing domestic macroeconomic vulnerability. Essentially, the economy is characterised by:

Inflationary pressures: High inflation, driven by global supply chain disruptions, currency depreciation, rising food prices, and transport costs due to the removal of petrol subsidy eroding purchasing power and impacting livelihoods. In November 2023, the headline inflation rate increased to 28.20%, and on a year-on-year basis, the headline inflation rate was 6.73% points higher compared to the rate recorded in November 2022, which was 21.47%. Nigeria's food inflation is an alarming 32.84%.

Oil dependence: The economy remains heavily reliant on oil, making it vulnerable to fluctuations in global oil prices. Diversification into other sectors is crucial for long-term sustainability.

Security concerns: Insurgency, banditry, and kidnapping continue to pose security threats, hindering investment and economic activity in many parts of the country.

Unemployment**:** Youth unemployment remains a significant challenge, requiring concerted efforts in education, skills development, and job creation.

Infrastructure deficit: Inadequate infrastructure, including power, roads, and transportation networks, hampers economic growth and development.

Currency depreciation: The Naira has depreciated against the US dollar in recent years, making imports more expensive and increasing inflation. The Naira closed 2023 on the official exchange window at N 899.893 to the US Dollar and N1,170 at the parallel market as a result of flexibility adopted by the Federal Government in the FX market in June 2023.

Increasing debt profile: Public debt stock which includes external and domestic debt stood at N87.91 trillion (US$114.35 billion) in Q3 2023 from N87.38 trillion (US$ 113.42 billion) in Q2 2023, indicating a growth rate of 0.61% on a quarter-on-quarter basis. Total external debt stood at N31.98 trillion (US$41.59 billion) in Q3 2023, while total domestic debt was N55.93 trillion (US$72.76 billion). The increase was, largely, driven by the exchange rate revaluation and FGN securitisation of Ways and Means Advances.

Rising interest rates*:* CBN started its monetary policy tightening cycle in May 2022, with its benchmark interest rate rising from 11.5 percent to 18.5 percent in May 2023 and again in August at 18. 75 percent. The increase in MPR was to curb rising inflation. The Average prime and maximum lending rates rose marginally by 0.2 and 1.2 percentage points to 14.1 and 28.6 percent in Q3, 2023, as against 13.9 and 27.4 percent, respectively, in the preceding quarter.

These notwithstanding, there are some positive developments including:

Gradual GDP growth: Despite global economic headwinds, Nigeria's Gross Domestic Product (GDP) grew by 2.54% (year-on-year) in real terms in the third quarter of 2023. This growth rate is higher than the 2.25% recorded in the third quarter of 2022 and is projected to grow by 3.2% in 2023. While slower than initial expectations, GDP growth is projected to reach around 3.88% in 2024. The GDP growth is driven by several factors including rising oil prices, increased non-oil exports, and improving agricultural output. The non-oil sector, particularly agriculture, telecommunications, and services, continues to be a bright spot, showing promising growth potential.

Digital transformation drive: The government's focus on digitalisation initiatives, including the National Digital Economy Policy and Strategy, is fostering innovation and creating new economic opportunities.

Social safety nets: The expansion of social safety net programmes like the Conditional Cash Transfer programme is helping to alleviate poverty and improve the well-being of vulnerable groups.

Indeed, successful governments have been twinkling with various policy initiatives to address the barrage of challenges. The new administration on assumption of office took important reform decisions - two of the major ones were the removal of fuel subsidies and the floating of the Naira essentially to avoid a fiscal cliff. These two critical policy decisions have resulted in price and exchange rate adjustments in the second half of the year, impacting adversely on the cost of living as inflation surged further. The Federal Government under the new Administration has been under pressure to ease the economic hardship and is responding through palliatives and several measures to cushion the effects.

Perhaps in recognition of these challenges, the Government made a pronouncement of its eight priority areas for moving the Nigerian economy forward and bringing relief to Nigerians under the

Renewed Hope Agenda. These are food security; poverty eradication; economic growth; job creation; access to capital, especially consumer credit; inclusivity in all its dimensions, particularly as regards youths and women; rule of law, and fighting corruption.

Also, the President has signed the 2024 Appropriation Bill into Law as passed by the National Assembly. The 2024 budget of N28.77 trillion reflected the Renewed Hope Mantra of the government, focusing on the priority areas as contained in the agenda. The budget highlights include:

- Projected revenue of N18.32 trillion, with higher expectations from government - owned enterprises and a weaker exchange rate boosting export income.
- Deficit estimated at N9.18 trillion, a 3.9% of GDP.
- Expenditure increased to N28.77 trillion, with N8.76 trillion allocated for recurrent (non-debt) expenditure and N9.99 trillion for capital expenditure.
- Oil benchmark increased to $77.96 per barrel from the initial $73 per barrel.
- Exchange rate pegged at N800 per dollar, reflecting the current market value.
- GDP growth projected at 3.88%.

The 2024 budget is a significant document with implications for the country's economy and development. It will be interesting to see how the budget is implemented and what its impact will be in the coming year.

The President in his New Year address to the nation re-echoed the goals of the Government for 2024 and expanded on his plans for the socio-economic well-being of Nigerians. He disclosed that his administration will accelerate the pace of service delivery across different sectors. Specifically, this will include:

Food Security and Affordability **-** ensuring constant food supply and reducing food inflation by setting up a plan to cultivate 500,000 hectares of farmlands across the country to grow maize, rice, wheat, millet, and other staple crops. Already, the dry season farming with 120,000 hectares has been launched in Jigawa State last November.

Tax and Fiscal Policy Reforms - to enable a thriving business environment and removal of any clog hindering local and foreign investment in the country.

S*teady Power Supply* through power installation projects across the country, including the delivery of the Siemens Energy power project under the Presidential Power Initiative which began in 2018.

The restart of local refining of petroleum products, with the Port Harcourt Refinery, and the Dangote Refinery which shall fully come on stream. The target is to restart all state-owned refineries during the year.

Implementation of a New Living Wage for workers to cushion the effect of inflationary pressure on real income and stimulate consumer demand.

Indeed, the country is at a critical stage and it is important for the Government not to tread the path of the past, of non-implementation of its policy initiatives. The economic outlook for Nigeria in the short to medium term hinges on the continuation and effectiveness of its macroeconomic stabilisation agenda. According to the World Bank, successful implementation of the initiated reforms will be the first step towards improving Nigeria's growth prospects. The government must therefore take urgent actions, and develop new and improved implementation models and solutions that would ensure the attainment of the agenda and improve the quality of lives of Nigerians. Essentially, the near-term priority should be to enhance the reform effort with a closely coordinated mix of fiscal, monetary, and FX policies to reduce inflation and achieve macroeconomic stabilisation.

Overall, the Nigerian economy remains resilient but with significant challenges. The economic outlook for 2024 is cautiously optimistic, while challenges remain, the potential for growth and development is present. The economy is expected to witness growth in its recovery process with GDP growth projected to reach 3.88% in 2024 according to the government. However, the outlook remains uncertain due to external factors like the global economic slowdown, oil price volatility, and geopolitical tensions. Continued efforts to address inflation, diversify the economy, improve security, and invest in infrastructure, will be crucial for sustained inclusive economic growth and development. Good governance and a focus on domestic demand are also crucial for long-term success in addition to capitalising on opportunities like the Dangote refinery and non-oil sector growth, which are equally key to unlocking Nigeria's economic potential.

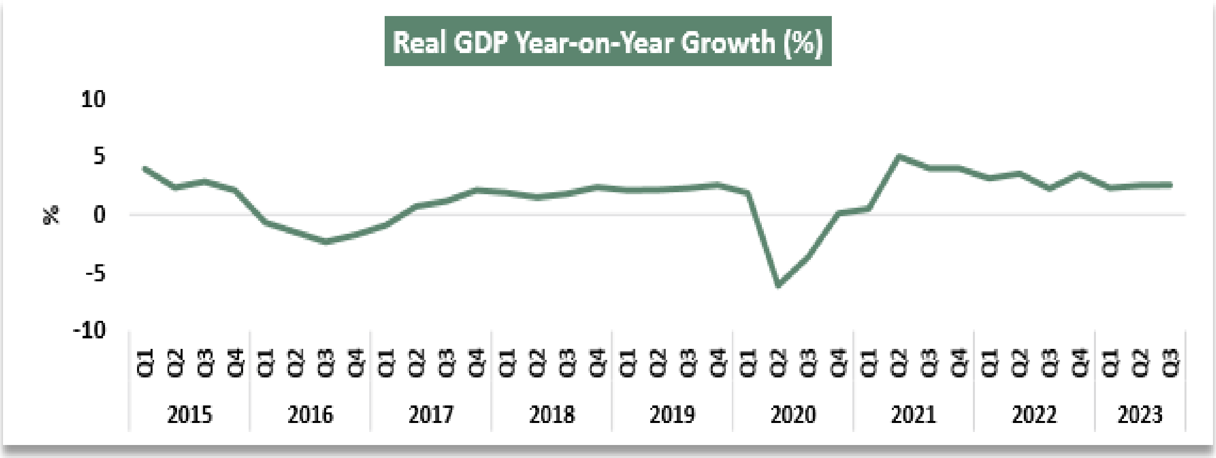


Figure 1: Real GDP Growth

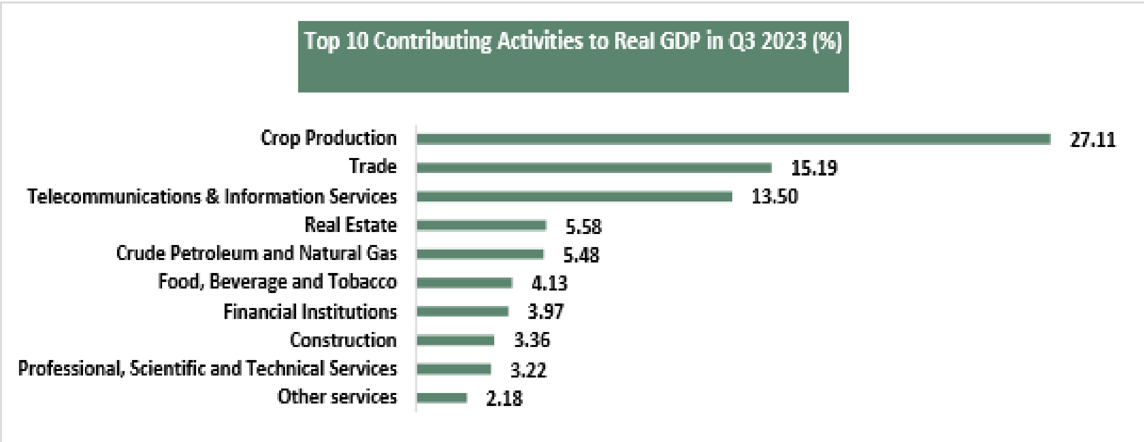
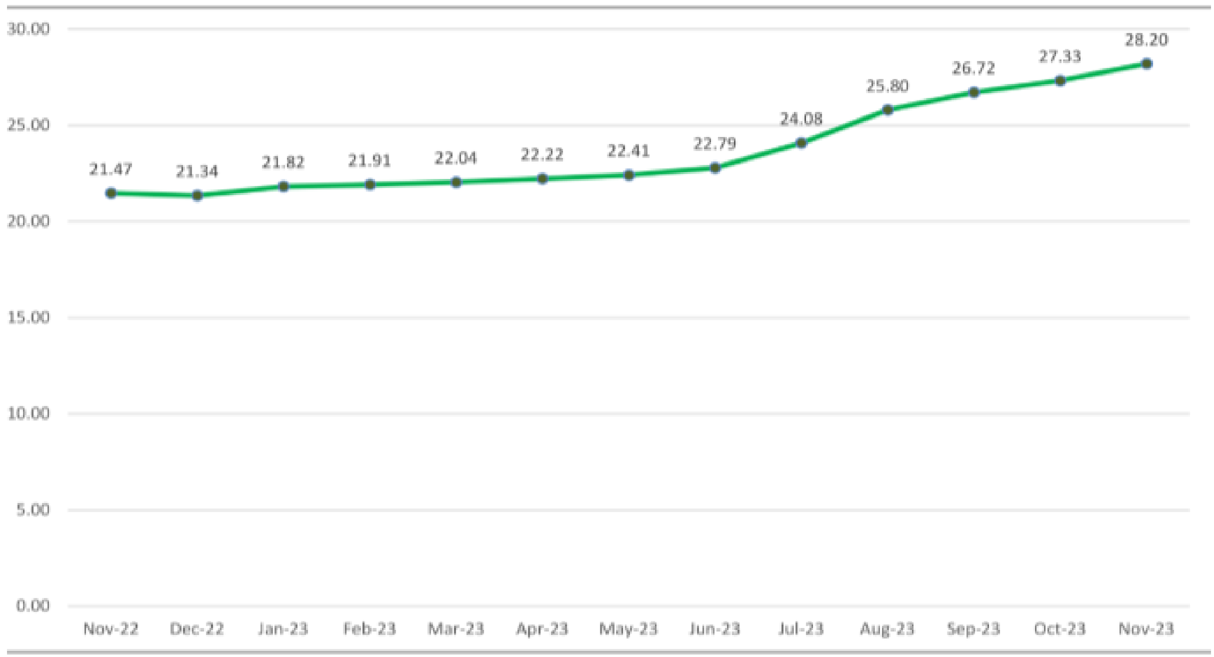


Figure 2: Top Contributing Activities to Real GDP in Q3 2023

CPI (%) Headline 12 Months Series



Source National Bureau of Statistics (NBS).

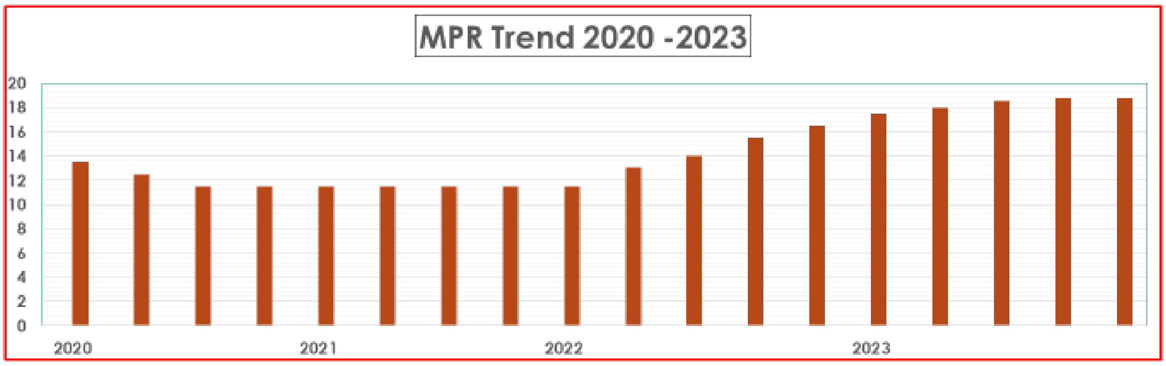
NIGERIA'S TOTAL PUBLIC DEBT PORTFOLIO AS AT SEPTEMBER 30, 2023

	Debt Category	Amount Outstanding (US$'Bn)	Amount Outstanding (₦'Trn)	% of Total
A.	**Total External Debt**	**41.59**	**31.98**	**36.38%**
B.	**Total Domestic Debt**	**72.76**	**55.93**	**63.62%**
	FGN Only	65.29	50.19	57.09%
	States & FCT	7.47	5.74	6.53%
C.	**Total Public Debt(A+B)**	**114.35**	**87.91**	**100%**

Source: DMO, 2023

Monetary Policy Rate (MPR)

	July 2022	August 2023	% Change
	14.0	18.75	33.93



Monetary Policy Rate (MPR) increased to 18.75% in August, 2023. The continued increase in interest rate is impacting on the cost of borrowing and the servicing of loans obtained at floating rates.

12

THE LEASING INDUSTRY

The equipment leasing industry is a vital part of the global economy, and it is playing an increasingly important role in enhancing capital formation in the global economy, helping businesses of all sizes to grow and succeed**.** According to the World Leasing Yearbook 2023, the industry reported an impressive rise of 9.3% in new business volumes in 2021 as global economies emerged from lockdown and equipment investment rebounded. Global leasing has achieved 84% growth in the past decade, driven mainly by the developmental attribute of leasing as the creative financing alternative that meets the diverse needs of the equipment user. The industry is projected to continue its steady growth trajectory, potentially reaching USD 1.6 trillion in 2024, representing a 5-7% increase from 2023. Factors like the ongoing infrastructure boom in developing nations, increasing demand for technological upgrades, and the flexibility and affordability advantages of leasing will continue to drive market expansion.

The global equipment leasing market is quite broad, encompassing various equipment types and industries with a large number of regional players operating in the industry. Individually, the biggest global players like United Rentals, Ashtead Group, and AerCap are estimated to hold around 5-8% market share each. Three regions, North America, Europe, and Asia, account for more than 96.5% of world volume with the United States of America as the largest single leasing global market followed by China in the second position. The United Kingdom and Germany are positioned as the third and fourth-largest leasing markets in the world and remain the dominant players in Europe.

Regional trends in 2024 will expect North America and Europe, the mature markets to maintain steady growth, with an increased focus on niche segments like healthcare and energy equipment leasing. Asia-Pacific region will likely witness the fastest growth, fuelled by rapid infrastructure development and rising disposable incomes in China and India while, Latin America and Africa**, t**he emerging markets hold significant potential for future growth, but economic instability and infrastructure challenges remain obstacles.

Key trends:

- Digitalisation: Online platforms and AI-powered tools will further streamline the leasing process and connect businesses with optimal leasing options.
- Sustainability: The demand for eco-friendly equipment and green leasing practices will gain traction, driven by environmental concerns and regulatory pressures.
- Specialisation: Leasing companies will increasingly focus on specific equipment types and industry verticals to cater to unique customer needs and offer customised solutions.
- Data-driven insights: Utilising data analytics to assess risk, optimise pricing, and personalise offerings will become increasingly important for competitive advantage. Customers will benefit from a more digitised, transparent financing process. as Lessors will be able to better tailor financing packages using data-driven insights into customer behaviour and equipment performance.

Challenges and uncertainties:

- Global economic fluctuations: Geopolitical tensions, inflation, and interest rate hikes could pose potential risks to industry growth.
- Supply chain disruptions: Continuing supply chain disruptions could lead to equipment shortages and price volatility, impacting leasing availability and cost.
- Regulatory changes: Evolving regulations and accounting standards could pose compliance challenges for leasing companies.

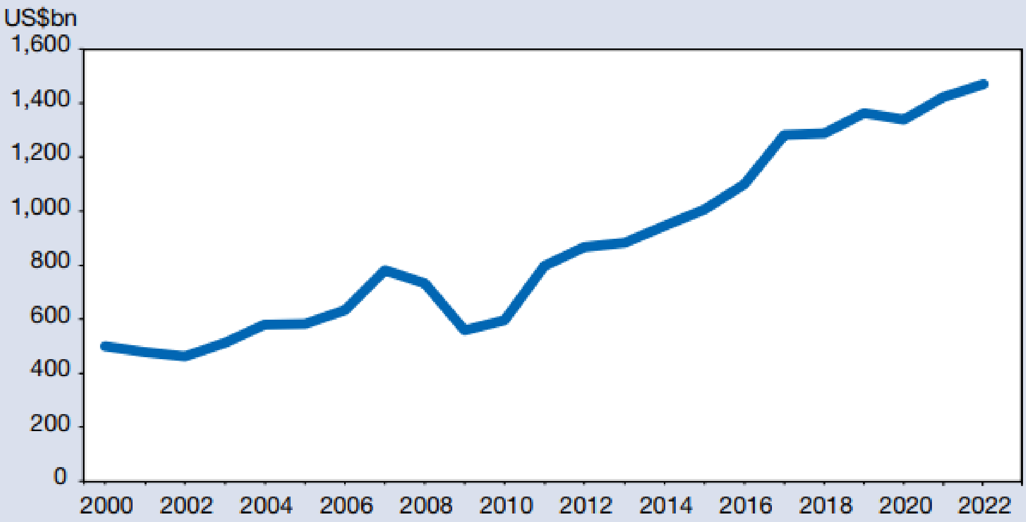
Overall, the global equipment leasing industry in 2024 is expected to remain vibrant and dynamic offering businesses flexibility, access to vital assets, and a means to adapt to technological advancements. However, staying informed about emerging trends, addressing potential challenges, and adapting to changing market dynamics will be crucial for leasing companies and their customers to thrive in the coming year.

Table 1: Volume and growth by region (2021–22)

Rank by volume	Region	Annual volume (US$bn)	Growth 2021–22 (%)	Percentage of world market volume 2021	Percentage of world market volume 2022	Change in market share 2021–22
1	N. America	546.06	7.0	34.88	37.15	2.3
2	Europe	441.73	–1.1	30.52	30.05	–0.5
3	Asia	425.44	–5.0	30.62	28.94	–1.7
4	Aus/NZ	26.50	–0.8	1.83	1.80	0.0
5	S. America	25.33	–5.0	1.82	1.72	–0.1
6	Africa	4.94	0.2	0.34	0.34	0.0
	Total	**1,470.00**				

Source: Solifi Global Leasing Report

Figure 1: World leasing volume (2000–2022)



Source: Solifi Global Leasing Report

THE NIGERIAN LEASING INDUSTRY

The Nigerian leasing industry is expected to remain resilient, in the face of the perennial economic challenges and making significant contributions to capital formation in the economy.

Since its inception in Nigeria, leasing has been supporting economic development. Today, the impact of leasing is pronounced in all sectors of the economy, enhancing capital formation, generating employment, and creating wealth. The Nigerian leasing industry has maintained its growth trajectory over the years navigating complex economic terrain. Outstanding leases in Nigeria in 2022 amounted to N3.18.trn as against N2.58trn in 2021 representing 23.2% growth. This growth was driven basically by sustained stability in the economy, following a rebound out of the ravening Covid - 19 pandemic and its long side effects, increasing innovations and strong resilience by industry's players, and increasing level of awareness of the benefits of leasing among the investing public.

The oil and gas sector took the lead share of the outstanding leases with N877bn, representing 23 percent, followed by the Transportation and logistics sector with N746bn - 22 percent, Manufacturing N466bn (15 percent), Telecoms – N292bn representing 10 percent. Agriculture and Government equally made positive growth showing N218bn (7 percent) and N190bn (6 percent) respectively, while others (including Healthcare and Education) generated N396bn accounting for 17 percent of the volume. The growth for 2023 is projected at 26% (when the figures finally come in) and the trend is expected to continue in 2024 given the growth potential of the industry.

In the last decade, leasing contribution to capital formation in the economy is over N16.3 trillion and it is becoming more relevant in our prevailing economic situation, especially to Micro Small and Medium Scale Enterprises (MSMEs) given the high cost of assets.

Figure1: Distribution of lease volume by sector (2022)

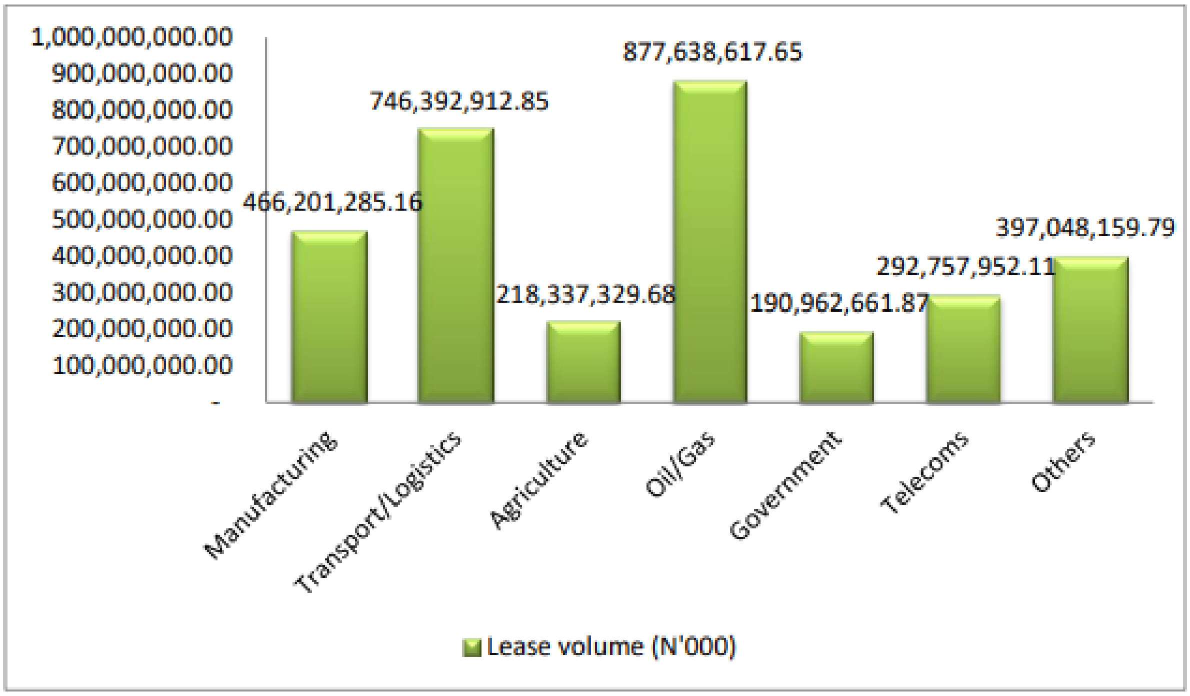


Figure 2: Distribution of lease volume by sector (2022)

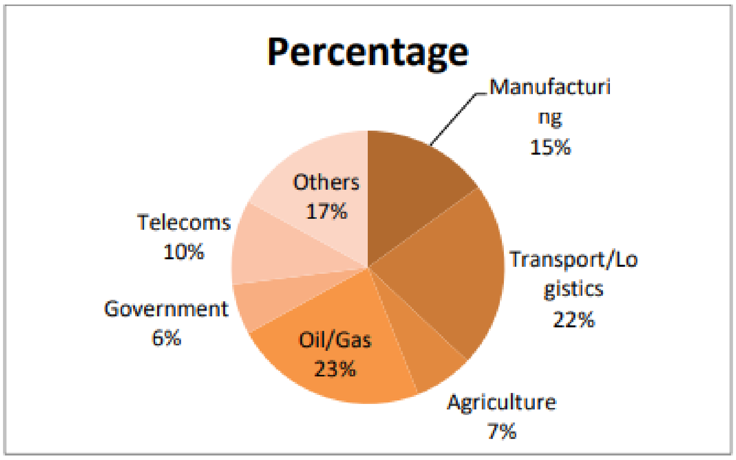
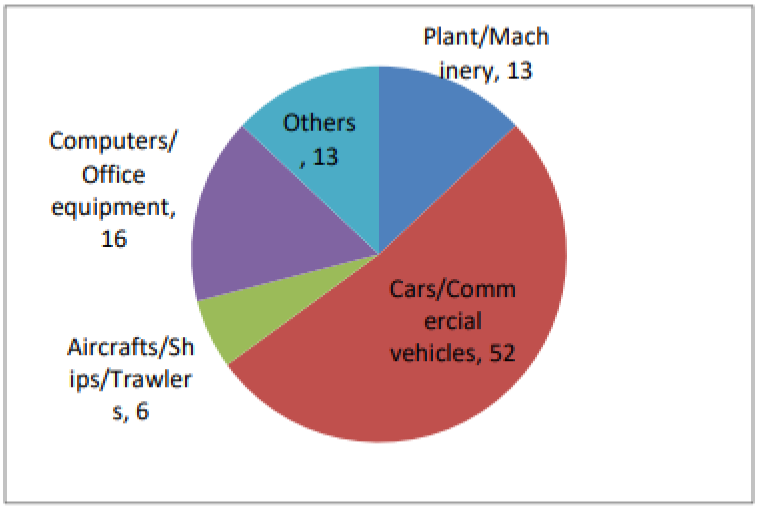


Figure 3: Analysis by type of Asset (2022)



Source: ELAN Research

Essentially, the leasing terrain in 2023, was significantly impacted by the difficult macro-economic conditions, which became more weighing with the tough government reforms initiated by the new administration during the year. Some of the major developments include:

Volatility in prices of assets and cost of operations resulting from adverse macroeconomic conditions. The depreciation of the Naira in the Foreign Exchange market exacerbated by the policy reform to merge the Naira in the FX market and the scarcity of the US dollar, caused prices of goods and services to rise astronomically, especially in the second half of the year. This affected the capacity of leasing companies, to finance new transactions where the opportunities were available and equally maintain service-oriented leases. Cost profile, including energy, repairs and maintenance, and other ancillary services have been very challenging. The increasing cost continued to limit the acquisition of assets through outright purchases by consumers who now go for cheaper alternatives including fairly used assets. This equally presented more opportunities for leasing as an alternative means of acquisition.

Scarce and High cost of borrowing. The absence of an appropriate funding mechanism continued to constrain the depth of lease penetration in the market. The predominance of short-term funds which are even dwindling and expensive (Interest rate around 25 - 30 % per annum (MPR at 18.75 as of August 2023,) cannot support more meaningful development of the industry thus, confining most leases to within 12-48 months to avoid mismatch. The limited sources and high cost of funds have constrained the capacity of most lessors to finance more leases and engage in big-ticket transactions, thereby limiting their scope to small and medium markets.

Increased incidence of default arising mainly from difficult economic environment and consequent difficult repossession process.

Improvement in new business origination, though constrained by the operating environment. The relatively stable economic activities and subsequent demand for asset financing, manifested itself in the increased portfolio of leasing companies, though economic conditions hindered the capacity to fully expand lease offering.

***Continued shift from Finance lease, as a risk protective mechanism and in response to market dictates*.** Finance lease still dominates the market**,** but its share has been dwindling in recent years, especially with its associated risks and demand from corporate bodies for a leasing product, that allows more flexibility and convenience to enable them to focus more on their core activities. This has seen some major lessors, shifting completely to balance their risk appetite and meet the outsourcing needs of customers. Operating leases remain the main attraction and dominant in the Oil and Gas and Maritime sectors for the financing of large ticket transactions involving operational assets like vessels, barges and other heavy-duty equipment.

***The growing attraction of vehicle leasing*.** Vehicles including staff shuttles, commercial buses, trucks for haulage, and operational vehicles, remained dominant as the largest leased asset segment constituting about 60% of the leased assets. Aside from vehicles, a wide range of equipment is leased in Nigeria, including Construction equipment: excavators, bulldozers, cranes, etc.; Industrial equipment: generators, compressors, forklifts, etc.; Agricultural equipment: tractors, harvesters, irrigation systems, Health care equipment for diagnosis and treatment, Office equipment: computers, printers, copiers, etc and general household assets to other heavy duty and specialised equipment in Oil and Gas and Maritime Sectors.

Expansion of SMEs Market. Small and medium-sized enterprises (SMEs) often lack the capital to purchase expensive equipment outright, making leasing a more accessible option. This segment continued to represent a significant market for many leasing companies who tap into the opportunity of better margins, though with higher risk.

***Continued interest in vendor leasing*,** especially from vehicle vendors. Several multinational vehicle manufacturers and major distributors, continued to expand their product offerings through leasing, setting up vendor leasing schemes or leasing companies. The financing of leases of their products is done either directly or most often with banks under various asset acquisition schemes while some have set up leasing companies that provide operating leases of their product range to selected corporate clients and individuals.

More new entrants into the leasing industry from various sectors ranging from financial services to service providers in telecommunications, construction, transport, and logistics as well as oil and gas. The market potential and ease of entry are major drivers attracting investors to the industry.

***Increased leveraging on technology*,** to enhance business operations and processes in response to prevailing conditions.

Inauguration of the Equipment Leasing Registration Authority (ELRA). This was a major development as it set the stage for the full implementation of the Equipment Leasing Act 2015, aimed at bringing certainty, and sanity and promoting investment in the leasing industry. ELRA was established by the Act, to give effect to the intent and purport of the Act and under the supervision of the Ministry of Finance. The quest for more visibility for leasing and a distinctive recognition from other financing options with a specific Law and regulator, appears to be finally realised.

2024 has been described as a year of cautious optimism given the uncertainties in the macroeconomic environment. For the leasing industry, one certain thing is the industry's continued resilience to stay afloat in the waters of economic turbulence and maintain the growth trajectory. Ultimately the performance of the industry will be greatly impacted by developments in the macroeconomic environment. Key influencers and watchers in 2024 will include:

***The inflationary pressure on liquidity as rising costs will continue to impact volume and service delivery*.** The rising cost of assets and dwindling funding means a reduced number of assets being financed. The high cost of assets and operations are not likely to abate, especially against the continued volatility of the Naira, which makes imports more expensive, Already, the free fall of the Naira has continued into the new year. Though it is believed that the Naira will be stable with the injection of S10billoin intervention funds and commencement of the Port-Harcourt and Dangote refineries which will conserve FX, Lessors will continue to require more funds to finance the same kind of assets and maintain operations due to persistent sharp increases in cost.

High cost of borrowing to compensate for rising inflation as funding challenges persist. The Continued absence of appropriate funding mechanisms will remain an albatross for the leasing industry. Money is the raw material for leasing, its adequacy, availability, and cost, are key to the success of the industry. ELAN continues to engage financiers locally and internationally for an appropriate funding mechanism for the industry.

Expected growth in new business volume due to growing appetite for asset finance by consumers in the face of tight cash squeeze and rising cost. Also, many new participants will be attracted to the industry to invest to cash in on the opportunities and other market potential of the industry.

Continued adoption of strategic objectives and approaches by lessors to withstand shocks of the prevailing economic conditions***,*** ensuring business survival and profitability. Lessors will still be on their guard, adopting effective cost control mechanism, improving processes and customer relations, etc, to navigate through the challenges to stay afloat and improve the bottom line.

Full implementation of the Equipment Leasing Act 2015 especially the commencement of the Equipment Leasing Registration Authority (ELRA*),* will be a game changer. The commencement of operation of ELRA is expected to begin in January. The ELRA will provide the integral booster for the faster development of the leasing industry as it gives effects to the full implementation of the Equipment Leasing Act 2015. The ELRA, is saddled among other things, with the responsibility of determining the eligibility of persons to practice leasing, register leases to mainly protect the proprietary rights of the lessor, and investigate the incidence of default. Indeed, these functions will bring sanity into the practice of leasing and certainty in understanding the legal nature of leasing as well as stimulating investment in the industry and increasing visibility and patronage.

Expan***sion of new entrants in the market*** as the leasing industry continues to attract new investors, who want to benefit from the market opportunities. The number will increase considerably with the expected operation of ELRA. Already, foreign participants are waiting in the wings to cash in on opportunities in the Nigerian leasing market.

Increasing business opportunities**.** No doubt, the wide financing gap in various sectors of the economy presents immense opportunities for leasing. Also, the economic agenda of the Government if implemented is another major area of interest to watch. Indeed, equipment leasing is very significant to achieving the Government's economic agenda with a direct bearing on all the eight priority areas. Definitely, there is enough for everyone and it all depends on the individual lessor to choose which part of the pie is best suited for the organisation, whether in terms of assets, sector, customer base, or geographical location. The menu of opportunities is diverse and includes:

Oil and Gas **-** the backbone of the Nigerian economy, which has continued to account for the buck of leasing volume, as the sector has a deep penchant for leasing. The sector is expected to witness more robust activities following a rebound from a two-year recession. The government's recent push towards gas based industrialisation and increased domestic LPG penetration could lead to significant investment in gas infrastructure and processing facilities. The further boost of activities in the sector will equally expand leasing demand in the sector, where leasing culture is already entrenched. Lessors should continue to expand their activities by identifying new market niches across the value chain of the sector.

Construction: The demand for construction equipment and technology is huge, as they are not readily available to users because of the huge cost of acquisition. Rapid urbanization and the growing demand for housing, commercial and educational facilities across major cities will likely fuel construction activity. Also, the government's focus on infrastructure development is creating a strong demand for construction equipment.

Agriculture: There are wide financing gaps across the value chain: production, processing, packaging, storage, and distribution. The government, development partners, and financiers, are encouraging the sector through various support mechanisms. For instance, the renewed government emphasis on agriculture, aiming to achieve food security and boost economic diversification will galvanise activities in the sector. Lessors can key into these initiatives, partnering with these stakeholders to provide equipment to the sector.

Healthcare: The Nigerian healthcare sector presents a multitude of leasing opportunities. Modern healthcare delivery is driven by technology through the provision of hi-tech equipment and infrastructure. The Nigerian healthcare market is large and diverse, projected to reach USD 24.4 billion by 2026, growing at a CAGR of 8.4% from 2021 to 2026. There are immense opportunities especially in replacing outdated healthcare technology and addressing the deficiency in infrastructure. Digital health solutions - the adoption of electronic medical records, telemedicine platforms, and health-monitoring apps, are emerging areas. Health leasing products can be developed to meet the diverse needs of the participants in the sector ranging from manufacturers, health service providers, and insurance, to health education institutions, etc.

Power: there is a renewed government focus on improving the power sector, with plans for sector reforms and increased investments in renewables. For instance, the decentralisation of the sector will see more participants from state governments and the Private sector in the generation, transmission, and distribution of electricity. Also, the Nigerian Energy Transition Plan (ETP), aims to diversify the energy mix and increase renewable energy generation, which could address gas supply limitations and help Nigeria meet its climate change commitments. Renewable energy is now taking root against the background of the rising cost of fuel and the campaign for clean energy to protect the environment. Certainly, leasing will benefit immensely from all these.

Mining: The potential of the sector is huge. Mining activities require the use of specialised and general equipment, which the mining firm, especially artisan miners may not have the capacity to acquire on their own. Lessors can avail themselves of the huge opportunity to meet diverse equipment needs such as sand mining equipment, which are have great demand.

Information and Communication Technology (ICT) – Nigeria is Africa's largest ICT market: accounting for 82% of the continent's telecoms subscribers and 29% of internet usage. The sector contributed 11.57% to the total Nominal GDP in Q3 2023 making it one of the main drivers to the non-oil sector contribution to GDP. Nigeria's quest for a digital economy has positively impacted the contribution of the ICT sector to the National GDP and will continue to boost activities in the sector. The demand for telecom infrastructure and ancillary equipment provides a viable market for leasing.

Cons*umer leasing* - the most rapid transformations in the economy are taking place in the Consumer/retail market, everybody is generally involved - the consumer wants to participate, and so are SMEs, Banks, FINTECHs, HMOs, Insurance, and MFBs. For the leasing industry, this has been a ready market where lessors can deepen their participation, providing, for instance, household items to qualifying individuals to improve their comfort and quality of life. This is expected to get further impetus with the government's promotion of consumer credit as part of its priority area. The 2024 budget introduced consumer credit funds of N100bn. This is something industry watchers should follow and advocate including leasing in the implementation plan.

MSMEs Leasing - Micro, Small, and medium-scale enterprises (MSMEs) are the backbone of the economy but are constrained by several challenges one of which is access to finance. Leasing has been established globally as the last resort, providing a creative financing alternative for MSMEs. The over 40 million MSMEs in Nigeria, cutting across various sectors, provide an ample market for lessors. Again, lessors should follow the policy initiatives of the government to promote access to finance, poverty eradication, economic growth, job creation, and inclusivity, which may translate to further opportunities for the industry.

Public Sector Leasing – The government being the biggest spender presents an opportunity, despite the bottleneck of doing business with the government. The various intervention initiatives and expected huge investment in priority areas not just at the Federal but also at the State and local government levels, sum up the scope of demand for capital assets.

Indeed, the options for participation are wide and it is up to the lessor to identify which is best suited, based on the individual risk appetite and capacity. However, to fully tap into these opportunities requires proactiveness on the part of the lessor, building capacity in areas of interest which will involve total knowledge of the assets, sectors, and customers to mitigate risk and of course, having access to finance to participate effectively.

The Critical Success Factors

Generally, the macroeconomic and industry situations will continue to determine the level of performance of the leasing industry in 2024 and beyond. However, it is imperative for the leasing industry to sustain its resilience, remain on its guard, and be proactive to sail through this testing time. This requires continued realignment of strategies and the adoption of innovative approaches. Specifically, driving success will require:

Expansion of the funding structure to strengthen the capacity of lessors to increase their portfolio and take advantage of emerging opportunities. Access to adequate and cheaper funds determines the level of participation in the leasing industry. ELAN has been advocating for lessors to gain access to various intervention funds and establishment of a National Leasing Fund, in addition to engaging private financiers (local and international), to support the industry with necessary funds. While this is being done, non-bank/financial institution lessors especially, should adopt a proactive approach in addressing the funding challenges, which include trade finance from their vendors and funding from their insurers. Also, lessors can collaborate for syndicate funding of lease equipment to meet the needs of the customer while equally mitigating risks for the lessors.

Focus on risk management. This will involve monitoring in-house vulnerabilities - assessing financial, operational risk, and transaction risks. Lessors for instance by bringing risk management to the fore as part of the strategic planning process, can routinely simulate how interrupting events as well as other variables could disrupt their businesses and use those insights to design operations and resource distribution.

Strengthening internal capacity to improve processes and performance through constant staff development, participating in capacity-building programmes, and ensuring adequate working infrastructure including the right technology. Leveraging for instance on technology can greatly improve processes in various areas of operation, including customer onboarding, 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 model.

Sound Corporate Governance, which has become a major hallmark of any organisation that desires success. Embracing sound corporate governance, will enhance the profile, visibility, and patronage of the organisation and endear it to potential investors.

Favourable Regulatory Environment to support the development of the industry, create more visibility and encourage more effective participation and contribution. The ELRA will be a major booster to leasing activities in this regard. ELAN has been strengthening its advocacy - engaging with Government and other relevant stakeholders to achieve a healthier leasing environment.

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

Cost Reduction Strategy: *Financial discipline and adopting cost saving mechanism in operations especially in providing services for customers as in the case of operating lease and general back-office operations, will enhance profitability. This has been the main strategy in the industry in recent times.*

Building Strategic Partnership. Constructive engagement with market and relevant stakeholders - customers, employees, competitors, manufacturers, suppliers, creditors, investors and regulatory authorities, etc to gain their support to facilitate the attainment of the overall corporate objective.

CONCLUSION

From all indications, the leasing industry will continue to thrive in 2024 and beyond though the challenges are obvious. This is predicated mainly on its large and growing market, potential, diverse range of equipment, increasing awareness of the benefits of leasing, and of course the expectation of a successful implementation of the various economic reforms by the government. The point to stress is the goodwill from all stakeholders to sustain the development and growth of the industry. Equally, lessors need to stay ahead of economic forces and industry trends through realignment of strategies and innovation to continue to deliver value for customers, while positioning themselves for growth. Lessors that strategically adopt this approach, will be best equipped to thrive in the equipment leasing industry.

Indeed, 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 interests of stakeholders.

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