ELAN

EQUIPMENT LEASING ASSOCIATION OF NIGERIA LTD/GTE

Creating Wealth & Growth Opportunities

2025 OUTLOOK

SUSTAINING RESILIENCE AMIDST CONTINUED CHALLENGES

JANUARY 2025

Contents

EXECUTIVE SUMMARY

The global economy has demonstrated remarkable resilience in the past few years despite being subject to major shocks such as the pandemic and an energy crisis. The global economic outlook for 2025 is projected to be one of continued growth, albeit at a moderate pace. Experts from international bodies like the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) project global GDP increasing by over 3% in 2025, and inflation falling towards central bank targets. However, this robust overall performance masks significant differences across regions and countries, and is surrounded by important downside risks and uncertainties. More specifically, there are increasing risks related to rising trade tensions and protectionism, a possible escalation of geopolitical conflicts, and challenging fiscal policies in some countries. The global economy is expected to remain resilient in 2025 despite considerable challenges. However, the risks to the outlook remain tilted to the downside.

On the domestic front, **t**he Nigerian economy has been struggling 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. Since May 2023, Nigeria has implemented significant reforms to stabilise the economy. Two of the cardinal reforms are the removal of petrol subsidies and the floating of the Naira. While these policy reforms have been regarded as necessary to save the economy from immediate collapse, they have imposed short-term pressures on households and businesses, due to rising inflation - the latest figure at 34.6% in November 2024, soaring to a nearly 30-year high.

2025, is expected to witness the consolidation of the policy reforms and stability of the economy, devoid of the major shock or distortion seen in the last 18 months occasioned by the removal of subsidies and floating of the Naira. However, the economy will remain in the woods. Essentially, the economy is expected to improve in key economic indicators. For instance, GDP is expected to grow at a moderate pace at 3.7 % driven by government reforms, increased oil production, and a recovery in global trade. Inflation is expected to ease with the implementation of the current policy mix. However, the flip side remains the high inflation rate - though predicted to fall, the government projection of 15 % appears very ambitious and will continue to be a major headwind during the year;

The Naira volatility**—the Naira remains volatile, creating uncertainty for businesses and investors. Poverty and Unemployment** have increased significantly following the introduction of the reforms. The success of the government's reforms and the ability to address these challenges will determine the long-term trajectory of the economy.

The global leasing industry has demonstrated its continuing innovation and strength notwithstanding global macroeconomic challenges. The industry has grown by 76% in the past decade and the outlook for the industry remains optimistic. Reports indicate that global leasing grew by 5.7% in new business volume at US$ 1.55 trillion in 2023 and an estimated US$1.86. trillion in 2024, moving to USD 2 trillion in 2025. The overall picture is that the global equipment leasing industry will maintain its growth in the coming years amid continued challenges, driven by technological advancements, changing consumer preferences, and a focus on sustainability.

Similarly, the Nigerian leasing industry is expected to remain resilient, in the face of perennial economic challenges and make significant contributions to capital formation in the economy. Leasing contribution to the economy over the last decade is estimated at N20.4 trillion and it is becoming more relevant in our prevailing economic situation. Outstanding leases stood at N4.19 trillion in 2023 as against N3.25 trillion in 2022, representing a 28.7 % increase, while new leases peaked at N935.6 billion against N672 billion in 2022, recording a remarkable 39.2 % growth. The industry is expected to record another impressive double-digit growth in 2024 and this trend is projected to continue in 2025, given the growth potential of the industry.

The impacting macroeconomic and industry-specific variables will shape the performance of the leasing industry. While the challenges are obvious and not likely to significantly abate in the next 12 months, one thing that is certain is that the leasing industry will maintain its sustained resilience amid the continued challenges and maintain its growth trajectory. The prevailing conditions in 2024 will continue to manifest as key influencers and watchers in 2025 and will include: inflationary pressure, funding challenges, increasing business opportunities, more regulatory focus and visibility, etc.

All stakeholders must join hands to sustain the development and growth of the industry. For instance, the government as a major stakeholder should ensure a favourable regulatory environment and other support mechanisms like funding windows to facilitate the development of the industry. Equally, lessors need to stay ahead of economic forces and be abreast with the industry's 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.

2025 OUTLOOK: SUSTAINING RESILIENCE AMIDST CONTINUED CHALLENGES

GLOBAL ECONOMY

The global economy has demonstrated remarkable resilience in the past few years despite being subject to major shocks such as the pandemic and an energy crisis. In 2024, global growth has remained stable, while inflation continued to decline. Despite some easing in labour markets, unemployment rates are still near historical lows in many countries. Global trade has also been recovering. Experts from international bodies like the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) project global GDP increasing by over 3% in 2025, and inflation falling towards central bank targets. However, this robust overall performance masks significant differences across regions and countries, and is surrounded by important downside risks and uncertainties. More specifically, there are increasing risks related to rising trade tensions and protectionism, a possible escalation of geopolitical conflicts, and challenging fiscal policies in some countries.

According to the IMF, "global growth is expected to remain stable yet underwhelming at 3.2 % in 2024 and 3.1 % in 2025. The 5-year forecast at 3.1 %, remains mediocre compared with the pre-pandemic average. Persistent structural headwinds, such as population aging and weak productivity, hold back potential growth in many economies. Cyclical imbalances have eased since the beginning of 2024, leading to a better alignment of economic activity with potential output in major economies. This adjustment is bringing inflation rates across countries closer and has contributed to lower global inflation".

Global headline inflation is expected to fall from an annual average of 6.7 % in 2023 to 5.8 % in 2024 and 4.3 % in 2025, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies. As global disinflation continues to progress, broadly in line with the baseline, bumps on the road to price stability are still possible. Goods prices have stabilised, but service price inflation remains elevated in many regions, pointing to the importance of understanding sectoral dynamics and calibrating monetary policy accordingly.

The global economic outlook for 2025 is projected to be one of continued growth, albeit at a moderate pace.

Key takeaways from these projections include:

- **Global GDP growth:** Expected to reach 3.3% in 2025, up slightly from 3.2% in 2024.
- **Inflation:** Projected to ease further, from 5.4% in 2024 to 3.8% in 2025.
- **Monetary policy:** Expected to remain restrictive in most countries, supporting further disinflation.
- **Private consumption:** Projected to remain subdued in most countries due to weak consumer confidence.
- **Global trade:** Expected to recover, with a projected increase of 3.6% in 2024.

Regional variations:

- **Advanced economies:** Growth is projected to rise from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025.
- **Emerging market and developing economies:** Growth is expected to slow modestly from 4.3% in 2023 to 4.2% in both 2024 and 2025.

Risks to the outlook:

- The ongoing war in Ukraine
- The possibility of a global recession
- Geopolitical tensions
- The impact of climate change
- The Donald Trump presidency in the United States of America to impose and increase import tariffs on China, Canada, and other targets.

\

Overall, the global economy is expected to remain resilient in 2025 despite considerable challenges. However, the risks to the outlook remain tilted to the downside.

Overview of the World Economic Outlook Projections

		Q4 over Q4[8]					
		Projections		Difference from July 2024 WEO *Update*[1]		Difference from April 2024 WEO[1]	
	2023	2024	2025	2024	2025	2024	2025
World Output	**3.4**	**3.3**	**3.1**	**0.1**	**-0.2**	**0.1**	**0.0**
Advanced Economies	**1.7**	**1.9**	**1.7**	**0.2**	**-0.1**	**0.1**	**0.0**
United States	3.2	2.5	1.9	0.5	0.1	0.4	0.1
Euro Area	0.2	1.2	1.3	-0.3	-0.2	-0.2	-0.1
Germany	-0.2	0.3	1.3	-0.5	-0.4	-0.4	-0.5
France	1.3	0.7	1.5	-0.1	0.0	-0.4	0.0
Italy	0.3	1.0	0.6	0.5	-0.7	0.3	0.0
Spain	2.3	2.9	2.0	0.6	-0.1	1.0	-0.1
Japan	0.9	1.8	0.2	0.2	-0.1	0.1	-0.3
United Kingdom	-0.3	2.1	1.1	0.6	-0.5	0.6	-0.2
Canada	1.0	2.3	2.1	0.1	-0.1	0.5	-0.2
Other Advanced Economies[2]	2.0	1.8	2.6	-0.1	-0.2	-0.3	0.0
Emerging Market and Developing Economies	**4.7**	**4.4**	**4.3**	**0.1**	**-0.1**	**0.1**	**0.2**
Emerging and Developing Asia	5.9	5.4	5.0	0.1	0.0	0.3	0.3
China	5.4	4.5	4.7	-0.1	-0.2	0.1	0.6
India[3]	7.8	6.7	6.5	0.2	0.0	0.3	0.1
Emerging and Developing Europe	4.3	2.3	2.7	-0.1	-0.7	-0.9	0.1
Russia	4.8	2.4	1.2	0.6	-0.5	-0.2	0.0
Latin America and the Caribbean	1.3	2.1	2.9	-0.3	0.3	0.0	0.3
Brazil	2.2	3.5	2.2	0.6	0.2	0.5	0.7
Mexico	2.3	1.3	1.4	-1.7	0.3	-0.6	-0.4
Middle East and Central Asia	...	...	...	...	...	...	...
Saudi Arabia	-4.3	2.1	4.6	-0.5	0.3	-1.0	-1.3
Sub-Saharan Africa	...	...	...	...	...	...	...
Nigeria	3.2	3.5	3.7	0.2	1.0	0.0	1.2
South Africa	1.3	1.7	1.0	0.4	0.1	0.4	-0.2
Memorandum							
World Growth Based on Market Exchange Rates	2.8	2.8	2.6	0.1	-0.2	0.1	0.0
European Union	0.5	1.6	1.4	-0.1	-0.4	0.0	-0.3
ASEAN-5[4]	4.2	6.3	3.0	0.8	0.2	1.2	-0.1
Middle East and North Africa	...	...	...	...	...	...	...
Emerging Market and Middle-Income Economies	4.7	4.4	4.3	0.1	-0.1	0.1	0.2
Low-Income Developing Countries	...	...	...	...	...	...	...
Commodity Prices (US dollars)							
Oil[5]	-4.4	-7.3	-4.9	-4.9	0.8	-1.3	0.6
Nonfuel (average based on world commodity import weights)	-0.2	3.8	0.5	-3.9	0.0	3.0	0.1
World Consumer Prices[6]	**5.7**	**5.3**	**3.5**	**-0.1**	**0.0**	**-0.1**	**-0.1**
Advanced Economies[7]	3.2	2.3	2.0	-0.2	0.0	-0.1	0.0
Emerging Market and Developing Economies[6]	7.8	7.7	4.7	-0.1	-0.1	-0.1	-0.1

[7] The assumed inflation rates for 2024 and 2025, respectively, are as follows: 2.4 percent and 2.0 percent for the euro area, 2.2 percent and 2.0 percent for Japan, and 3.0 percent and 1.9 percent for the United States.

[8] For world output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For emerging market and developing economies, the quarterly estimates and projections account for approximately 85 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.

Source: IMF October 2024 World Economic Outlook

THE NIGERIAN ECONOMY

The Nigerian economy has been struggling 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.

Since May 2023, Nigeria has implemented significant reforms to stabilise the economy, resulting in modest growth, improved fiscal health, and rising foreign exchange reserves. Two of the cardinal reforms are the removal of petrol subsidies and the floating of the Naira. The Federal Government has now moved towards market-based pricing of petrol to address the enormous fiscal cost of subsidised pricing while the Central Bank of Nigeria (CBN) initiated major foreign exchange policy reforms in a move towards a unified, better-regulated, and market-reflective official exchange rate.

While these measures were necessary to urgently avert a fiscal crisis and place Nigeria on a stronger development path, they have imposed short-term pressures on households and businesses. Some economic watchers believe that these tough measures are needed to take the economy out of the woods. The World Bank for instance, in its Nigeria Development Update Report, (*"Staying the Course: Progress Amid Pressing Challenges, October 2024)*, highlights the need to sustain these policies while addressing structural issues to combat inflation and promote long-term investment, growth, and job creation.

The Government has maintained this stance for the past 18 months, and in 2024, the economy witnessed a mix of positive and negative trends.

Positive Developments:

GDP Growth: The economy has continued to expand, with GDP growth reaching 3.46 % in the third quarter (Q3) of the year, up from 2.54 % in Q3 2023. This marks the 15th consecutive quarter of economic expansion.

Oil Sector Recovery: The oil sector has shown significant growth, contributing to the overall economic expansion. Average daily crude oil production has increased, reaching 1.57 million barrels per day in the first quarter of 2024. Also, the coming into the stream of local refineries (Dangote, Port Harcourt, and Warri), means lessening the burden of imported fuels and guaranteeing the availability of supplies

Fiscal Improvements: The fiscal deficit has narrowed, indicating improved government finances.

Foreign Exchange Reserves: The nation's foreign reserves have risen to nearly $42 billion, providing a buffer against external shocks.

The debt Service-to-revenue ratio has fallen to under 70%, while foreign direct investments worth over $30 billion have been recorded in the past year.

Trade surplus: currently stands at N5.8 trillion Naira, reflecting rising exports and restricted imports due to the high cost of FX.

The fiscal position is also improving, with the Federal Government's fiscal deficit narrowing to 4.4% of GDP in the first half of 2024 from 6.2% in the first half of 2023, helping to mitigate debt-related risks.

Challenges:

High Inflation: Inflation remains a significant challenge, rising for the third straight month at 34.6% in November, soaring to a nearly 30-year high.

Unemployment: Unemployment rates are expected to rise slowly, exceeding 5.5% in the fourth quarter.

Monetary Policy: The Central Bank of Nigeria (CBN) has maintained a tight monetary policy to combat inflation, which can impact economic growth. The CBN has been increasing the Monetary policy rate (MPR) with the latest increase in November to 27.50% up from 27.25% in September. This has led to an increase in lending rates averaging between 35-40%, the highest since 2022.

Fiscal Imbalance: Despite improvements, fiscal imbalances persist, with debt obligations rising without corresponding growth.

2025, is expected to witness the consolidation of the policy reforms and stability of the economy, devoid of the major shock or distortion witnessed in the last 18 months occasioned by the removal of subsidies and floating of the Naira - petrol prices are expected to be stable and the sharp depreciation in the Naira will ease (The Naira has devalued by over 82% since January 2024, moving from ₦896 to ₦1,635 in mid-October 2024 and closing at N1,535 at year-end). These have started manifesting towards the close of 2024 and will progress in 2025. Specifically, the improving monetary and fiscal outlook will be sustained. The CBN is expected to maintain a tight monetary policy in the fight against inflation and to continue improving policy effectiveness including ensuring the exchange rate is unified and reflects market conditions while expanding the foreign exchange market.

One major interest in the fiscal outlook will be the tax reforms, which have generated debates. While this is going on, the Government has kick-started the year, with the implementation of the Withholding Tax reforms - the implementation of the 2024 Withholding Tax Regulations. According to the government, it is intended "to modernise Nigeria's tax system, streamline compliance, and address longstanding inefficiencies. The reforms are expected to alleviate the financial and administrative burdens on businesses, particularly Small and Medium Enterprises (SMEs), farmers, manufacturers, and producers. SMEs are now exempted from withholding tax compliance. This change is expected to ease administrative and financial challenges for these businesses, fostering growth and innovation in the sector. Businesses with low-profit margins will benefit from reduced withholding tax rates, which will enhance their cash flow and reduce operational costs".

Also, the Government in the 2025 budget presentation, is projecting restored macroeconomic stability, an improved business environment, employment opportunities, poverty reduction, equitable income distribution, and human capital development. It believes “the economy is responding positively to stimulus measures and aimed to further stimulate the economy by implementing targeted fiscal stimulus packages through public expenditures and specific non-inflationary spending".

The proposed 2025 budget of N47.9 trillion christened, “Budget of Restoration: Securing Peace, Rebuilding Prosperity,” represents a significant increase from the 2024 budget. The government aims to reduce inflation from its current rate of 34.6 % to 15 %, improve the foreign exchange rate from about N1,700 per U.S. dollar to N1,500, and assume a base crude oil production level of 2.06 million barrels per day. Key features of the proposed budget include:

Increased spending: The budget aims to address infrastructure gaps and development challenges through increased spending in various sectors.

Focus on security: A significant portion of the budget is allocated to the defence and security sector.

Revenue generation: The government plans to increase revenue generation through various measures, including improved tax collection and revenue from oil exports.

Economic growth: The budget aims to support economic growth by investing in key sectors such as agriculture, manufacturing, and technology.

However, the budget also faces challenges:

High debt levels: Nigeria's high level of debt remains a concern, and the 2025 budget includes significant new borrowings to finance the deficit.

Revenue uncertainty: The budget relies heavily on oil revenue, which is subject to fluctuations in global oil prices.

Implementation challenges: The successful implementation of the budget will depend on the government's ability to effectively manage resources and address potential challenges.

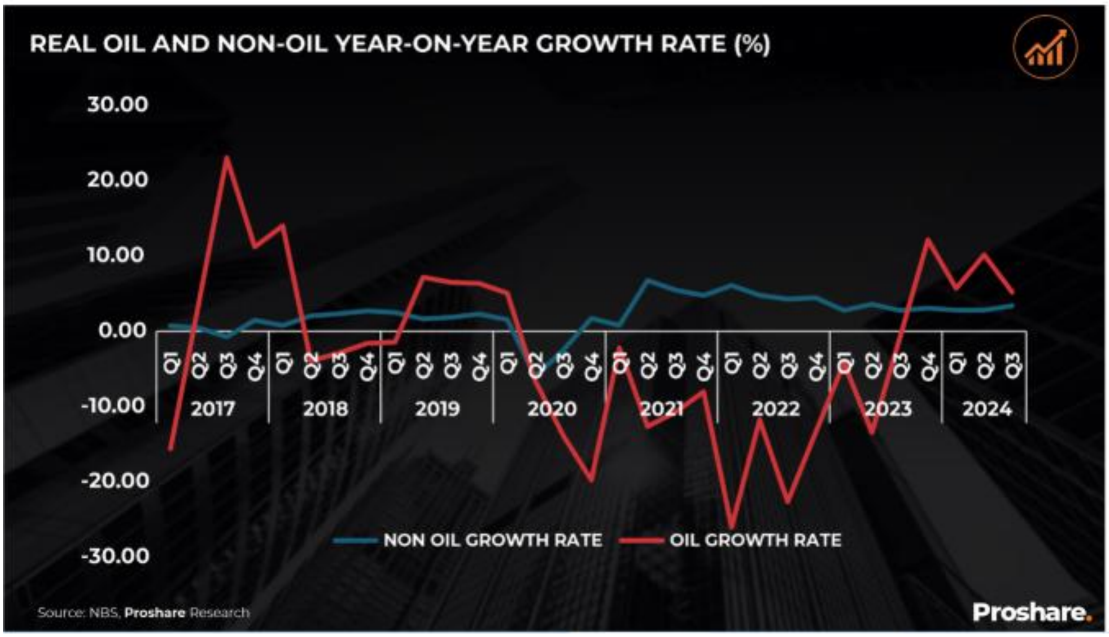
Equally, the various states are making their budget proposal which could be a major area of interest**,** given the fact that the Federal Government and the 36 states of the country have proposed to spend N75.14 trillion as budget next year. Among the states, the heavy spenders are Lagos (N3.005 trillion), Niger (N1.5 trillion), Rivers (1.1trillion), Ogun (N1.0545 trillion), Delta (N979.2 billion), Enugu (N971.8 billion) and Akwa Ibom (N955 billion).

President Tinubu in his New Year’s address to the nation, equally re-echoed, his administration policy direction and moves to ensure economic recovery. These include intensifying efforts to lower the costs of food and drugs “by boosting food production and promoting local manufacturing of essential drugs and medical supplies” in furtherance of the government target to bring down inflation to the targeted 15 %. Also, the National Credit Guarantee company is to be established - expected to start operation before the end of the second quarter "to expand risk-sharing instruments for financial institutions and enterprises", to further consolidate and increase access to credit for individuals and critical sectors of the economy to boost national economic output.

Essentially, the economy is expected to improve in key economic indicators. For instance, GDP is expected to grow at a moderate pace at 3.7 % driven by government reforms, increased oil production, and a recovery in global trade. Inflation is expected to ease with the implementation of the current policy mix. Also, consumer price indices (CPI) will be affected by the expected further drop in fuel prices in the first quarter as the price wars continue and a possible easing in interest rates in the second quarter of 2025 while trade, agriculture, and manufacturing will drive job creation to address unemployment and poverty.

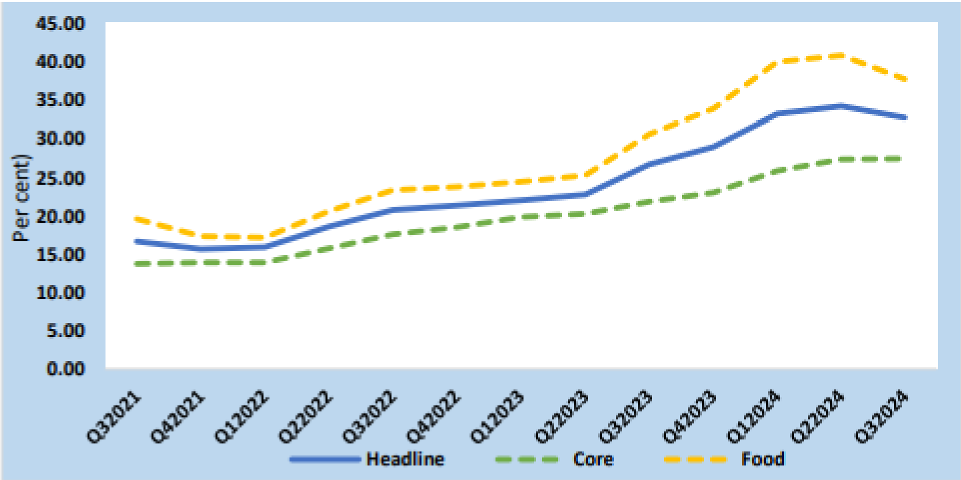
While there are positive signs of economic recovery, the Nigerian economy will continue to face significant challenges. These include the high inflation rate - this remains a major concern, eroding purchasing power and impacting the cost of living. Though predicted to fall, the government projection of 15 % appears very ambitious and will continue to be a major headwind during the year; currency volatility **-** the Naira remains volatile, creating uncertainty for businesses and investors, and poverty and unemployment which have increased significantly following the introduction of the reforms.

Indeed, the success of the government's reforms and the ability to address these challenges will determine the long-term trajectory of the economy. However, the overriding essence of policies is to improve the standard of living of the citizenry especially the most vulnerable. The government appears to recognise this in the message of the "renewed hope agenda" and must therefore strike a balance between policy reforms and the welfare of the people.



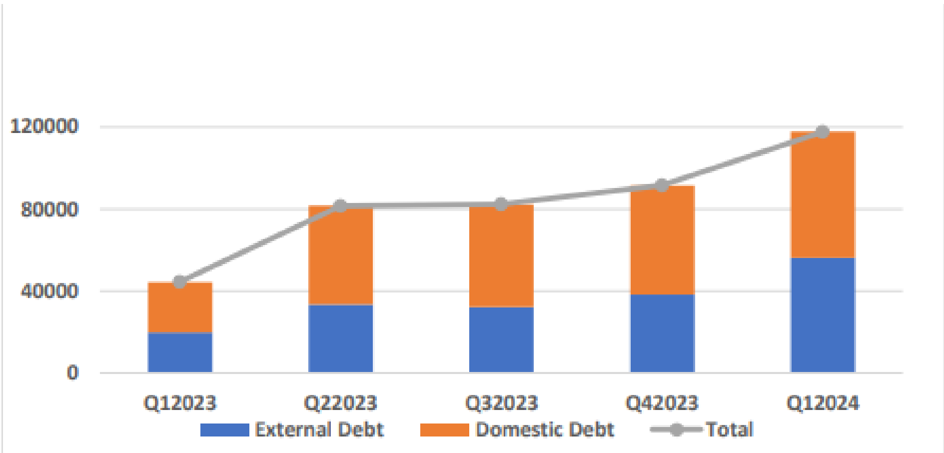
Source: NBS, Proshare Research

Year-on-Year Headline, Food and Core Inflation



Source: Central Bank of Nigeria (CBN)

FGN External and Domestic Debt Composition (₦ Billion)



Source: Debt Management Office (DMO)

THE LEASING INDUSTRY

Global Leasing

Equipment leasing has been established globally as the creative financing alternative that enhances capital formation in the economy and represents about 20% of total investment in equipment, contributing about 1.5% to global GDP. The global leasing industry continues to play a pivotal economic role in providing access to productive equipment, helping businesses of all sizes to succeed and supporting governments' developmental initiatives, contributing to job creation, technological advancements, and international trade. The beauty of leasing lies in the fact that it delivers a multiplicity of benefits to those who choose to lease.

Reports indicate that the global leasing industry has demonstrated its continuing innovation and strength notwithstanding growing challenges. According to Solifi Global Leasing Report 2025, global leasing grew by 5.7% in new business volume in 2023. The top 50 countries reported a new business volume of US$ 1.55 trillion in 2023 which is up from US$1.47 trillion in 2022. The industry has grown by 76% in the past decade and the outlook for the industry remains optimistic.

Also, the Leasing Global Market Report states that global leasing is expected to grow from US$1.65 trillion in 2023 to US$1.86 trillion in 2024, at a compound annual growth rate (CAGR) of 10.1% while the Precedence Research estimated the global enterprise leasing market size at USD 1.33 trillion in 2024 and USD 1.51 trillion in 2025. This growth is attributed to several sectors, including robust emerging market expansion, construction, transportation and logistics, healthcare, and technology, that are increasingly reliant on leased equipment for operational efficiency. Essentially, factors like the ongoing infrastructure boom in developing nations, increasing demand for technological upgrades, and the increasing trend of outsourcing as businesses look for ways to be more efficient and competitive and the overall flexibility and affordability advantages of leasing will continue to drive market expansion.

The global equipment leasing market is dynamic, 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 buoyed by advanced infrastructure and high consumer purchasing power 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. Together with Japan, these five countries account for 72% of global volume and the performance of these countries drives the overall outcome of the global leasing market.

Regional trends in 2025 and beyond 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, the emerging markets hold significant potential for future growth, but economic instability and infrastructure challenges remain obstacles.

Based on asset type, the commercial vehicles segment is expected to continue to make a strong showing, and on industry verticals, the transportation and logistics segment will maintain considerable shares in the global enterprise asset leasing market. The increasing number of organisations that rent or lease commuter cars and trucks is likely to support the segmental growth of the market. Furthermore, the growing necessity to strengthen distribution capabilities from interconnected stakeholders across the supply chain is also likely to support the segment growth of the enterprise.

Key Trends that will continue to shape the Industry:

- **Rise of Technology-Enabled Leasing:** The integration of technologies like AI, blockchain, and IoT is transforming the leasing landscape. These technologies are being used to automate processes, improve risk assessment, and enhance customer service.
- **Focus on Sustainability:** Environmental, Social, and Governance (ESG) factors are becoming increasingly important for businesses and investors. Leasing companies are responding by offering more sustainable equipment options and integrating ESG considerations into their business practices.
- **Growing Importance of Data Analytics:** Data analytics is playing a crucial role in optimising leasing portfolios, identifying profitable opportunities, and managing risk effectively.
- **Expansion of Specialised Leasing:** The industry is witnessing a rise in specialised leasing segments, such as healthcare equipment leasing, technology equipment leasing, and renewable energy equipment leasing.
- **Global fluctuations:** Geopolitical conflicts, and global economic uncertainties, such as inflation and potential recessions, could impact leasing demand.
- **Rising Interest Rates:** Increasing interest rates can impact the cost of borrowing for both leasing companies and their customers.
- **Competition:** The leasing industry is becoming increasingly competitive, with both traditional and non-traditional players entering the market.
- **Regulations:** Evolving regulations and accounting standards could pose compliance challenges for leasing companies.

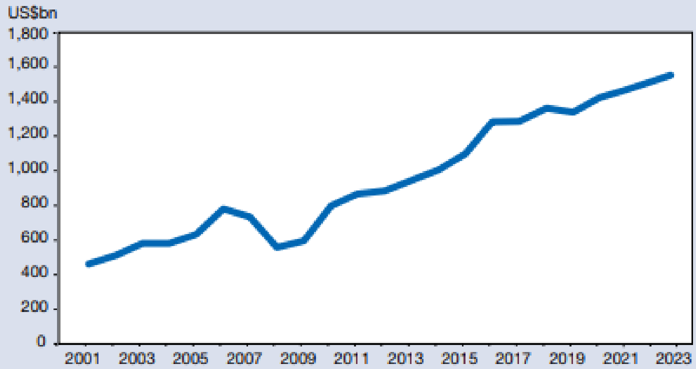
The overall picture is that the global equipment leasing industry is expected to continue to grow in the coming years amid continued challenges, driven by technological advancements, changing consumer preferences, and a focus on sustainability.

Table 1: Volume and growth by region (2022–23)

Rank by volume	Region	Annual volume (US$bn)	Growth 2022–23 (%)	Percentage of world market volume 2022	Percentage of world market volume 2023	Change in market share 2022–23
1	N. America	549.08	0.6	37.15	35.32	–1.8
2	Europe	493.47	11.7	30.05	31.75	1.7
3	Asia	457.09	7.4	28.94	29.41	0.5
4	Aus/NZ	27.80	4.9	1.80	1.79	0.0
5	S. America	21.89	–13.6	1.72	1.41	–0.3
6	Africa	5.12	3.6	0.34	0.33	0.0
	Total	**1,554.45**				

Source: Solifi Global Leasing Report

Figure 1: World leasing volume (2001–2023)



Source: Solifi Global Leasing Report

Source: World Leasing Yearbook 2025

Source: Precedence Research

Table 2: Global Leasing Report 2023

Ranking	Continent code	Country	Annual volume (US$bn)	% Growth 2021-2022	% Market penetration	Source
1	NA	United States	502.77	6.30	22.0	(8)
2	A	China	318.42	1.38	9.6	(9)
3	E	United Kingdom	96.89	9.47	40.0	(2)
4	E	Germany	78.96	1.64	25.0	(2)
5	A	Japan	63.76	11.95	4.2	(1)
6	E	France	62.43	4.82	33.0	(2)
7	E	Italy	35.64	9.72	20.0	(2)
8	NA	Canada	30.68	7.20	39.0	(1)
9	ANT	Australia	26.50	6.28	n/a	(1)
10	E	Sweden	23.94	-0.50	41.0	(2)
11	A	Taiwan	23.66	13.64	11.0	(1)
12	E	Poland	20.12	0.62	44.0	(2)
13	E	Russia	16.00	n/a	n/a	(8)
14	E	Switzerland	14.80	11.76	20.0	(2)
15	A	Korea	14.68	9.08	9.0	(1)
16	NA	Mexico	12.61	86.00	n/a	(4)
17	E	Denmark	12.42	13.31	34.0	(2)
18	E	Spain	12.15	8.24	19.0	(2)
19	E	Austria	9.57	6.08	17.0	(2)
20	SA	Colombia	9.29	5.00	n/a	(4)
21	E	Belgium	9.00	13.89	29.0	(2)
22	E	Norway	8.36	4.53	28.0	(2)
23	E	Netherlands	7.81	0.29	29.0	(2)
24	SA	Brazil	7.36	24.00	n/a	(4)
25	E	Czech Republic	5.32	13.38	15.0	(2)
26	SA	Chile	4.19	-15.00	n/a	(4)
27	E	Finland	4.00	0.00	n/a	(9)
28	E	Turkey	3.62	36.90	n/a	(2)
29	E	Slovakia	3.46	20.18	30.0	(2)
30	E	Portugal	3.38	-1.50	17.0	(2)
31	A	India	3.38	41.73	1.2	(9)
32	E	Hungary	2.60	8.07	11.0	(2)
33	SA	Puerto Rico	2.32	-48.00	n/a	(4)
34	E	Lithuania	2.28	-2.70	35.0	(2)
35	E	Slovenia	2.13	13.59	14.0	(2)
36	AF	South Africa	1.85	-5.40	n/a	(8)
37	E	Bulgaria	1.75	28.14	24.0	(2)
38	AF	Morocco	1.75	8.64	n/a	(2)
39	SA	Peru	1.70	-4.00	n/a	(4)
40	E	Croatia	1.50	29.47	20.0	(2)
41	E	Estonia	1.44	7.94	31.0	(2)
42	AF	Nigeria	1.34	4.39	n/a	(1)
43	A	Malaysia	1.12	0.00	n/a	(1)
44	E	Latvia	0.86	8.79	15.0	(2)
45	E	Serbia	0.75	26.91	n/a	(1)
46	E	Greece	0.55	-10.09	3.0	(2)
47	SA	Argentina	0.39	1.00	n/a	(4)
48	A	Uzbekistan	0.28	20.14	1.1	(1)
49	A	Hong Kong	0.14	30.48	n/a	(1)
50	SA	Costa Rica	0.08	-43.00	n/a	(4)
		Total	**1,470.00**			

Market penetration rates quoted by Leaseurope appear as those reported and defined in the Leaseurope's 2022 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.

Keys to Sources: (1) National Leasing Association; (2) Leaseurope; (4) Alta Group; (5) Other Trade Associations; (7) Central Bank Data; (8) Author's Estimate

Source: World Leasing Yearbook 2024

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.

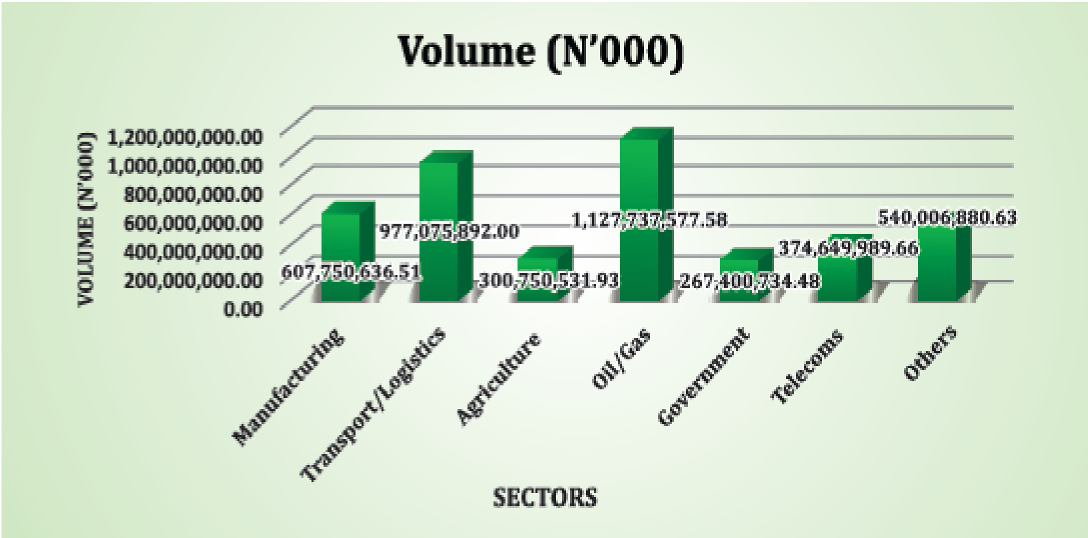
Since its inception in Nigeria, leasing has been supporting economic development. Today, the impact of leasing is pronounced in all sectors of the economy, enhancing capital formation, generating employment, and creating wealth. In the past few years, the industry has continued to sustain its growth trajectory, notwithstanding the prevailing headwinds in the economy. Outstanding leases stood at N4.19 trillion in 2023 as against N3.25 trillion in 2022, representing a 28.7 % increase, while new leases peaked at N935.6 billion against N672 billion in 2022, recording a remarkable 39.2% growth. Leasing contribution to the economy over the last decade is estimated at N20.4 trillion and it is becoming more relevant in our prevailing economic situation.

The statistics indicate that the oil and gas sector held 25 % of the outstanding leases with N1.1trillion; followed by Transportation & Logistics at 23 % having N977 billion; Manufacturing had 14 % with N607bn; Telecoms took 8 % with N374bn; Others (including Consumer leases, Healthcare and Education) had 14 % with N504bn. Other notable sectors are Agriculture 9 % with N300bn and Government equally making positive growth at N267bn (7 %).

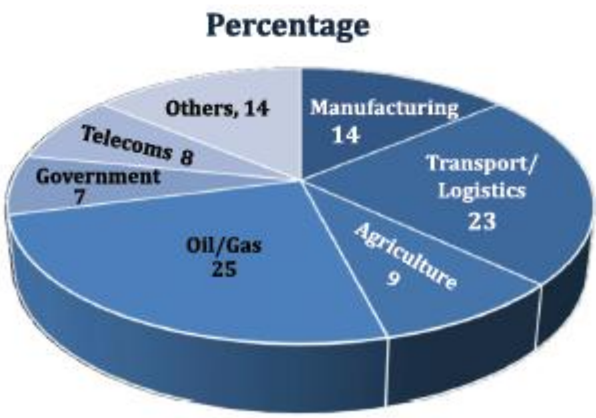
This growth was driven basically by the attraction of new entrants and more investment into the industry; increasing innovations and strong resilience by the industry's players; and increasing level of awareness of the benefits of leasing - which continue to be more compelling given the increasing cost of assets. These activities were buoyed by the relative stability in the operating environment, following the peaceful general elections, and the continued recovery from the effect of the Covid-19 pandemic. The astronomical rise in the cost of assets from the second half of 2023 occasioned mainly by the floating of the Naira, also impacted the figure as more money was required to finance leases.

The industry is expected to record another impressive double-digit growth in 2024 and this trend is projected to continue in 2025, given the growth potential of the industry - the wide financing gap in various sectors of the economy and the growing appetite for asset finance by consumers in the face of tight cash squeeze and rising cost of assets, etc. present opportunities for leasing and notwithstanding the continued challenges posed by macroeconomic environment.

Distribution of Lease Volume by Sector (2023)



Distribution of Lease Volume by Sector (2023)



Equipment Leasing Table by Sector (2019 – 2023) (N' 000)

	2023	2022	2021	2020	2019
Manufacturing	607,750,636.51	476,771,571.40	375,965,188	279,725,073	269,254,555
Transport/ Logistic	977,075,892	761,895,999.32	614,046,637	490,720,981	469,779,945
Agriculture	300,750,531.93	216,549,704.36	176,227,151	148,565,322	145,130,992
Oil & Gas	1,127,737,577.58	893,846,389.89	739,276,602	602,120,031	577,828,429
Government	267,400,734.48	201,911,201.92	154,868,223	127,206,394	123,772,064
Telecoms	374,649,989.66	299,804,809.60	232,600,554	177,853,183	170,900,759
Others	540,006,880.63	409,027,815.52	294,780,581	185,285,839	171,045,935
Total	4,195,372,242.79	3,259,807,494.01	2,587,764,938	2,011,476,831	1,927,712,680

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

Source: ELAN Research

Generally, the leasing industry in 2024, was significantly impacted by the tough macroeconomic conditions, which became more weighed by the policy reforms of the Federal Government. Key highlights of the year include:

The astronomical increase in prices of goods and services affected the capacity of leasing companies, to finance new transactions and equally maintain service-oriented leases as more money is needed than ever before. Cost profile, including energy, repairs and maintenance, and other ancillary services have been very challenging. These exert more pressure on lessors and customers.

***High cost of borrowing*.** The CBN's continued increase in the Monetary Policy Rate (MPR), aimed to curb inflation (The latest increase of 27.25% in November), led to an increase in the cost of borrowing and consequently lease rate which further constrained leasing businesses. In existing leases, many lessors were under pressure from their financiers who reflected the increases in MPR by adjusting their rates in facilities given to the lessors to finance leases in which the lessors already locked in fixed lease rates for the customers.

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 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 default rate arising from the combination of intervening events such as higher rentals necessitated by rising costs of borrowing and assets and provision of services as well as the general adverse effect of the economy on businesses.

Continued improvement in new business origination, ***amid challenging 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.

The growing interest in operating leasing. This is increasingly being used as a risk-mitigating strategy by many lessors and for large corporate organisations, as an outsourcing strategy to achieve operational efficiency. In recent times, the industry has been witnessing a total shift from finance leasing to operating leasing by some major lessors 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 vehicle fleets, vessels, barges, and other heavy-duty equipment.

***The continued dominance 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 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 SME Leasing*.** Small and medium-sized enterprises (SMEs) continued to represent a major market segment for many leasing companies who tap into the opportunity of better margins, though with higher risk. Aside from leasing being regarded as the “last resort” for SMEs, because of its flexibility and convenience, many lessors are constrained by the financial and technical capacity to venture into big-ticket and specialised leases.

Growing partnerships in vendor leasing**,** between leasing companies and vendors necessitated by the increasing cost of assets. The interest in vendor leasing is gradually expanding from vehicles to other assets such as renewable energy and medical equipment.

Continued attraction of 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.

In 2025, the Nigerian economy is predicted to remain underwhelming though it is expected to witness stability without major distortions as in the previous 18 months. **The impacting macroeconomic and industry-specific variables will shape the performance of the leasing industry. While the challenges are obvious and not likely to significantly abate in the next 12 months, one thing that is certain is that the leasing industry will maintain its sustained resilience amid the continued challenges.** The prevailing conditions in 2024 will continue to manifest as Key influencers and watchers in 2025 and will include:

Inflationary pressure as rising costs will continue to impact volume, service delivery, and profitability. The rising cost of assets and services means a reduced number of assets that can be financed and invariably lower margin.

Funding challenges*.* The absence of appropriate funding mechanisms and the associated high cost of borrowing will persist. Money is the raw material for leasing, its availability adequacy, 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.

Growth in new business volume. The tough economic terrain equally presents an opportunity for leasing as the growing appetite for asset finance by consumers increases due to tight liquidity and rising costs. Also, new participants are expected to join the industry to cash in on the opportunities and this will further boost volume.

Increasing business opportunities. A key characteristic of leasing is that leasing thrives no matter the economic conditions and will do so in this trying time. The wide financing gap in various sectors of the economy and increasing demand for creative financing options to meet asset needs by the investing public, the economic agenda of the Governments across all levels especially, increasing spending in critical infrastructure in key sectors such as transportation - the CNG initiatives for instance, power, health care, construction, agriculture, manufacturing, and technology present rich menu of leasing opportunities.

Greater partnership with vendors especially in new areas like renewable energy equipment, CNG, and electric vehicles with their ancillary facilities, in addition to strengthening relationships with regular vehicles and consumer items vendors. Partnership with local manufacturers is expected to attract some consideration, given the bottlenecks of importation and the growing attention to local content.

More regulatory focus and visibility as the Equipment Leasing Registration Authority (ELRA) is poised for full operation. ELRA is expected to 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. 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.

Indeed, sustaining resilience amid challenges in 2025 and beyond will require lessors to continue to be proactive, conscious, and intentional in their approach. Essentially, this will involve:

Strengthening Collaboration - Actively participating in the activities of the Equipment Leasing Association of Nigeria (ELAN) as the industry's Association can provide a platform for knowledge sharing, advocacy, and collective action. Equally, Collaborating with equipment manufacturers, financial institutions, and technology providers as well as other leasing companies can create a multiplicity of benefits. For instance, such collaboration can be useful in alleviating the funding challenges through various options like trade finance from vendors and funding from financial institutions including insurance companies. Also, lessors can collaborate for syndicate funding of lease equipment or back-to-back leasing arrangements.

Diversification - Expanding into new sectors like renewable energy, healthcare, and technology can mitigate risks associated with dependence on specific industries. Also, offering a wider range of equipment types can attract a broader customer base. These require an understanding of the market dynamics, market intelligence, development of product and niche markets, competitive pricing, and adapting to market shifts, to grow the portfolio within acceptable risk appetite.

Customer Focus - Offering tailored leasing solutions to meet the specific needs of different customer segments can enhance customer satisfaction and loyalty. Providing exceptional customer service, including prompt response to the concerns of the lessee and discharge of responsibilities under the lease agreement, can build strong customer relationships.

Prioritise human capacity development to fully understand leasing as a concept, product, and market dynamics. A discerning lessor in this regard stands a better chance of success in the industry.

***Technology Adoption* -** Implementing digital platforms for customer relationship management, equipment tracking, maintenance and portfolio performance, etc, can streamline operations and improve efficiency. Also, utilising data analytics to understand market trends, customer behaviour, and equipment performance can inform strategic decision-making.

***Strengthening risk management process* -** 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.

***Cost reduction* -** Financial discipline and adopting cost-saving mechanisms 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.

***Seek efficient dispute resolution mechanism* -** while the Equipment Leasing Act 2015, by implication, promotes the faster resolution of defaults especially in rental payments, and protects the investment of the lessors through an easy repossession process, it would be equally beneficial for the lessor to seek an alternative dispute resolution (ADR) mechanism for quick resolution of disputes. This can be through mediation and arbitration. The Lagos Multi-Door Court House (LMDC) provides such windows in Lagos State and many States equally have this kind of arrangement in place.

***Focus on corporate governance* -** this is a vital ingredient for the success of any organisation. Embracing sound corporate governance, will enhance the profile, visibility, and patronage of the organisation and endear it to potential investors.

CONCLUSION

In 2025, the Nigerian economy will continue to be challenged though the government and some economic watchers are optimistic of a stable economy as the policy reforms of the government are expected to bring stability in the economy and improvement in the quality of life of Nigerians during the year. As the tough macroeconomic environment takes its toll on the leasing industry, the industry will continue to thrive by sustaining its resilience amid the challenges. It is, however, imperative for all stakeholders to join hands to sustain the development and growth of the industry.

For instance, the government as a major stakeholder should ensure a favourable regulatory environment and other support mechanisms like funding windows to facilitate the development of the industry. The Equipment Leasing Registration Authority (ELRA) as the main regulator of the industry has a major role to play in this regard through effective collaboration with practitioners by ensuring the discharge of its mandate is promotional rather than constraining.

Equally, lessors need to stay ahead of economic forces and be abreast with the industry's 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.