

2025 ECONOMIC OUTLOOK: IMPACT ANALYSIS FOR LEASING INDUSTRY

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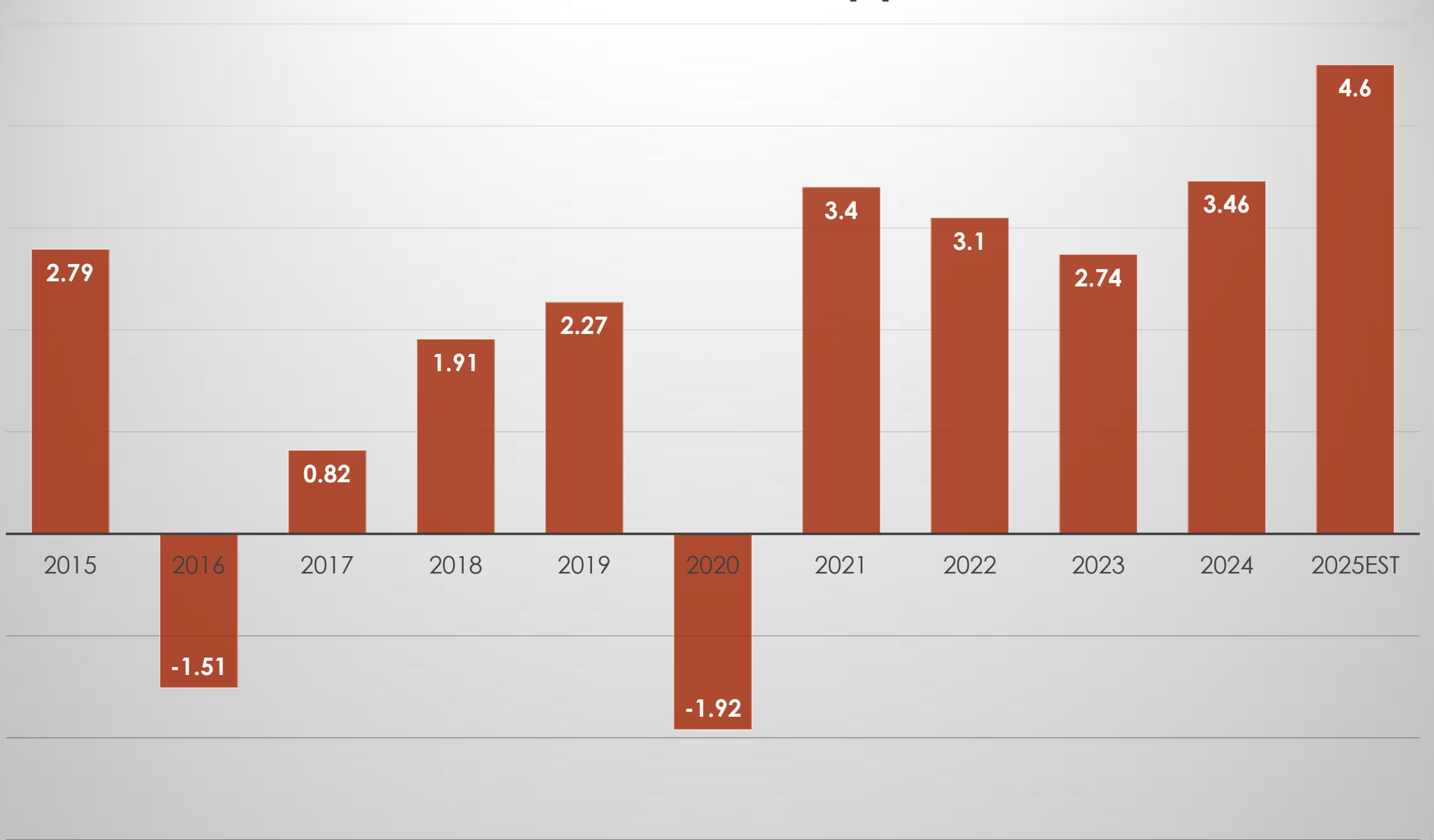
PRESENTATION OUTLINE

- Review of the Economy in 2024 & the Key Reforms
- Foreign Exchange Dynamics and implications for 2025
Economic outlook
- Inflation Dynamics
- Nigerian Economy and the Leasing Industry in 2025
- Trump Presidency: Implications for the Nigerian Economy
- Top Business Risks in 2025
- Emerging Opportunities in the current reforms
- Identifying emerging dynamics in the economy

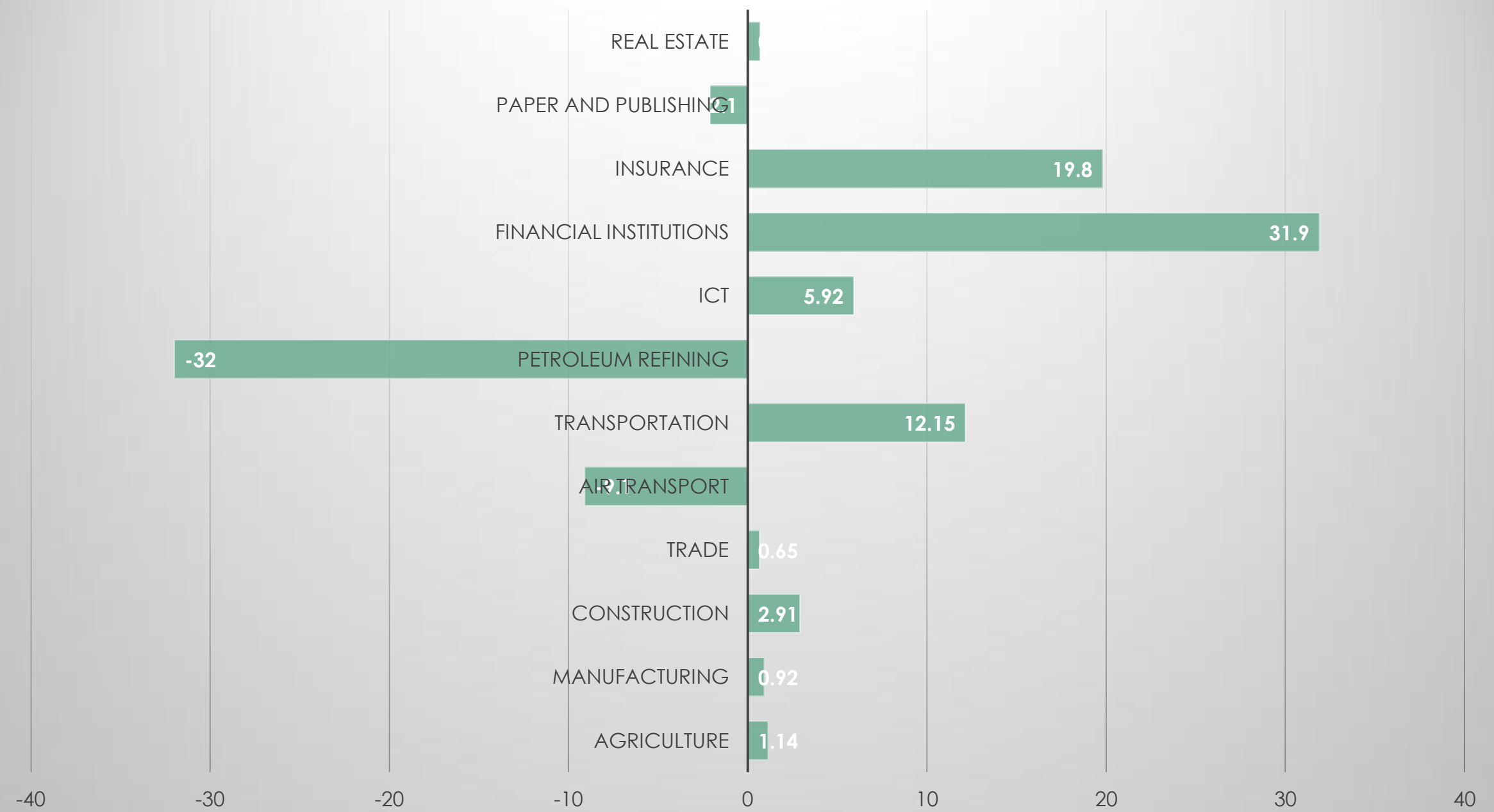
REVIEW OF NIGERIA ECONOMY IN 2024



NIGERIA GDP GROWTH[%]



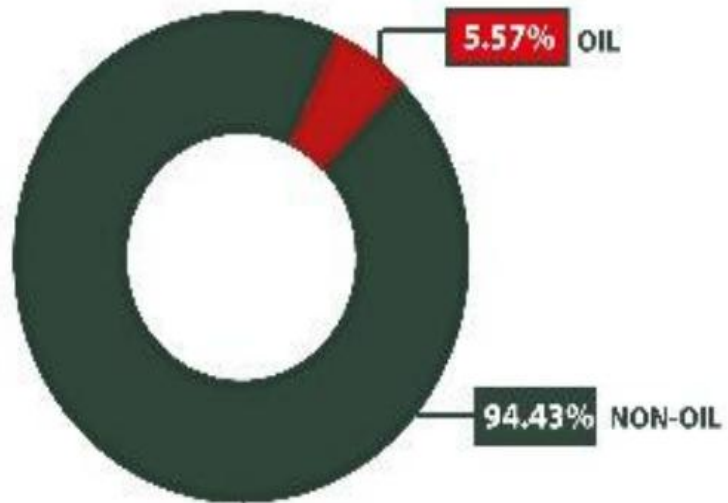
SECTORAL GDP GROWTH Q3 2024 [%]





GDP REPORT Q3 2024

CONTRIBUTION OF OIL AND NON-OIL SECTORS



CONTRIBUTION OF OIL AND NON-OIL SECTORS

NON-OIL GDP

Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
94.34	95.66	93.79	94.66	94.52	95.30	93.62	94.30	94.43

OIL GDP

Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
5.66	4.34	6.21	5.34	5.48	4.70	6.38	5.70	5.57

Top 10 Contributing Activities to Real GDP in Q3 2024 (%)

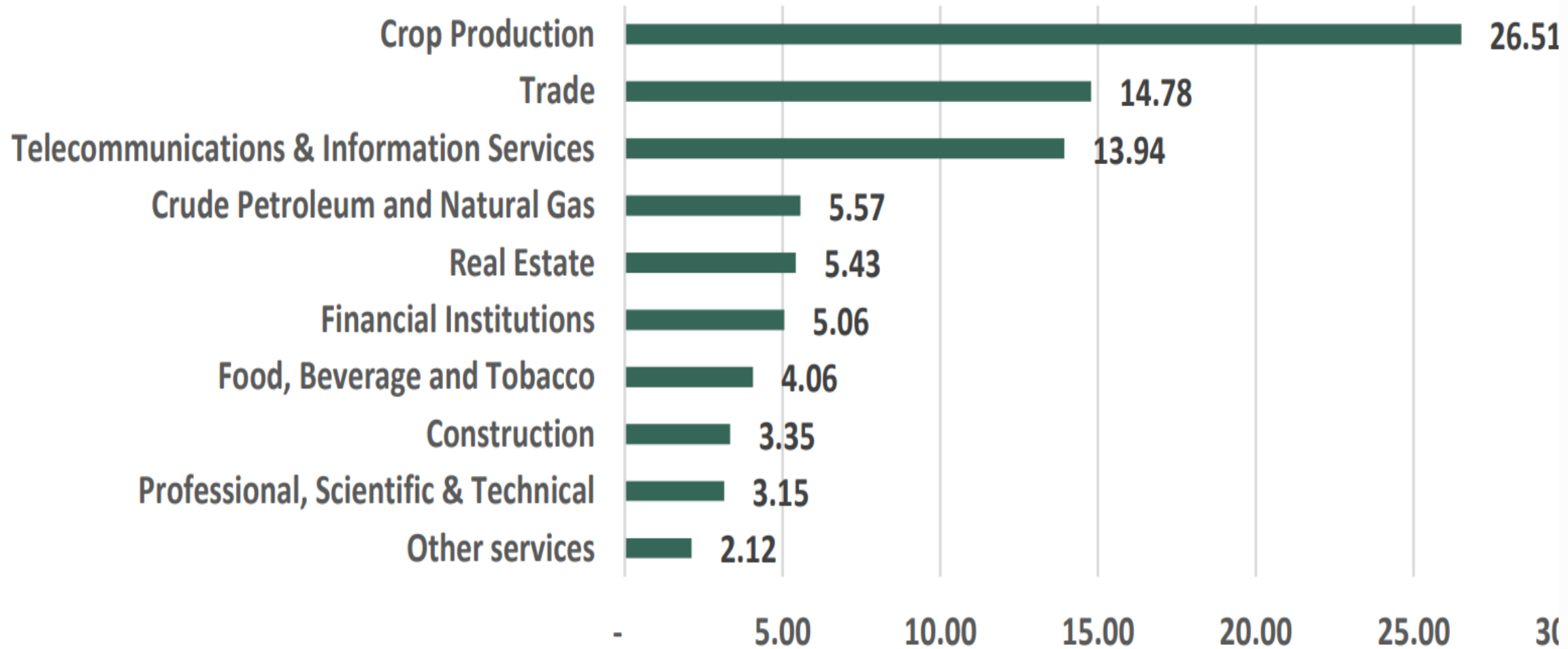



Figure 2: Top 10 Contributing Activities to Real GDP in Q3 2024




SECTORS THAT GREW IN Q3 2024

- Financial Institutions 32%
 - Insurance 19.8%
 - Road Transportation 17.9%
 - Rail Transport 19.7%
 - Construction 2.9%
- 




SECTORS IN RECESSION

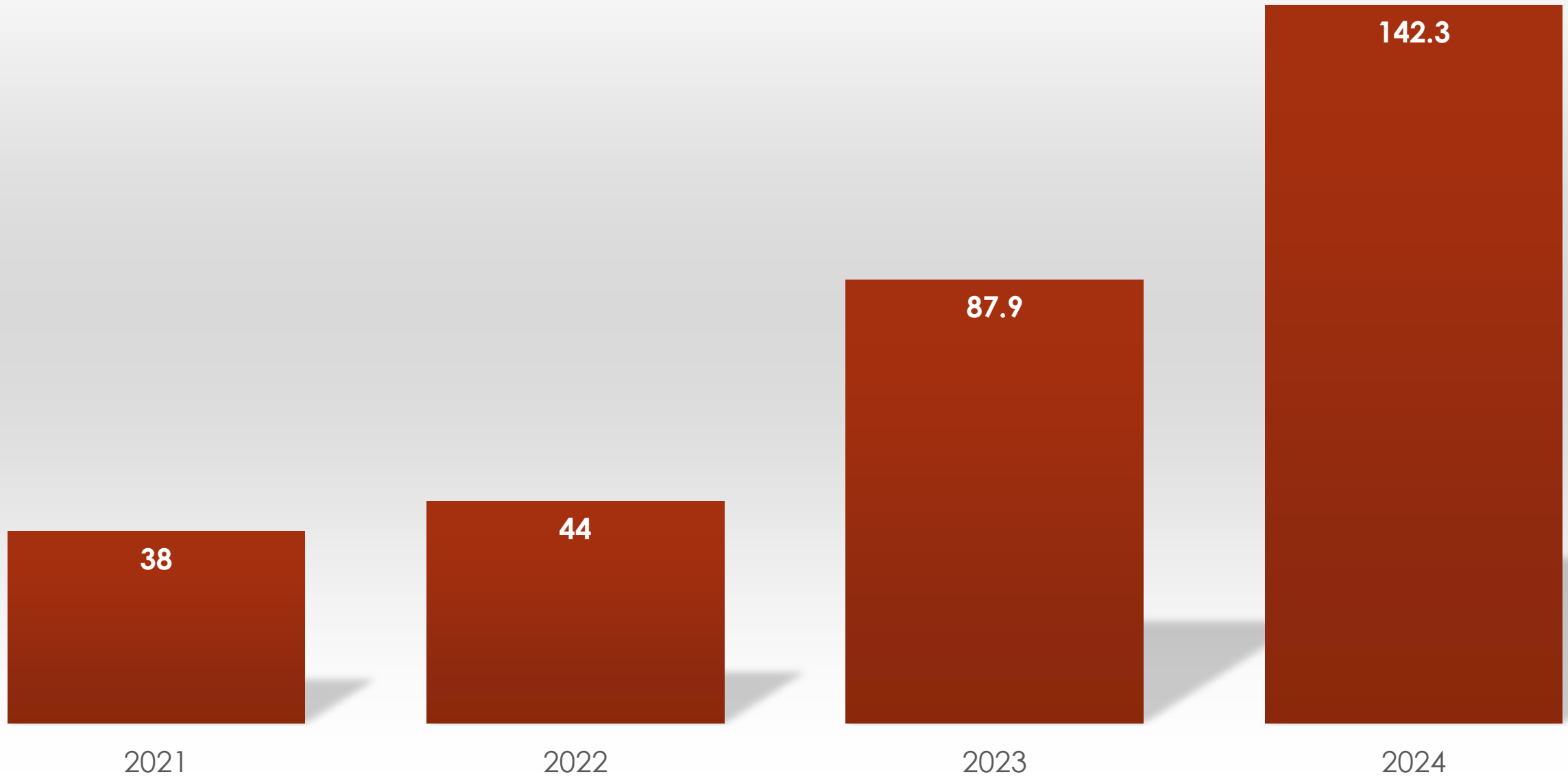
- Air Transport
 - Quarry and Minerals
 - Oil Refining
 - Textiles
 - Motion Pictures, Music
- 



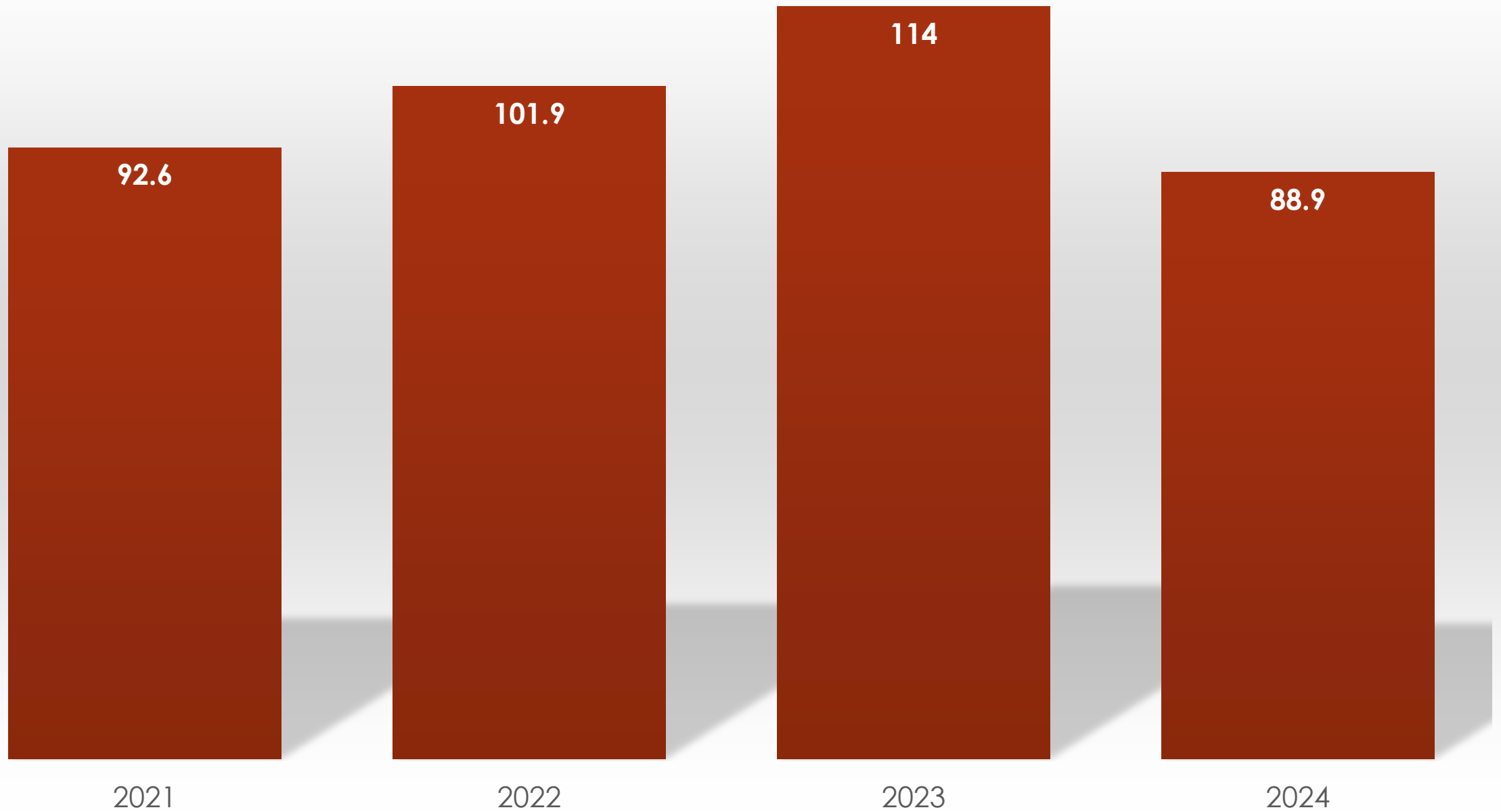
SECTORS THAT SLOWED

- Agriculture 1.14
 - Manufacturing 0.92
 - Real Estate 0.68
 - Trade 0.65
- 

PUBLIC DEBT [N TRILLION]



PUBLIC DEBT [\$ BILLION]



ECONOMIC REFORMS





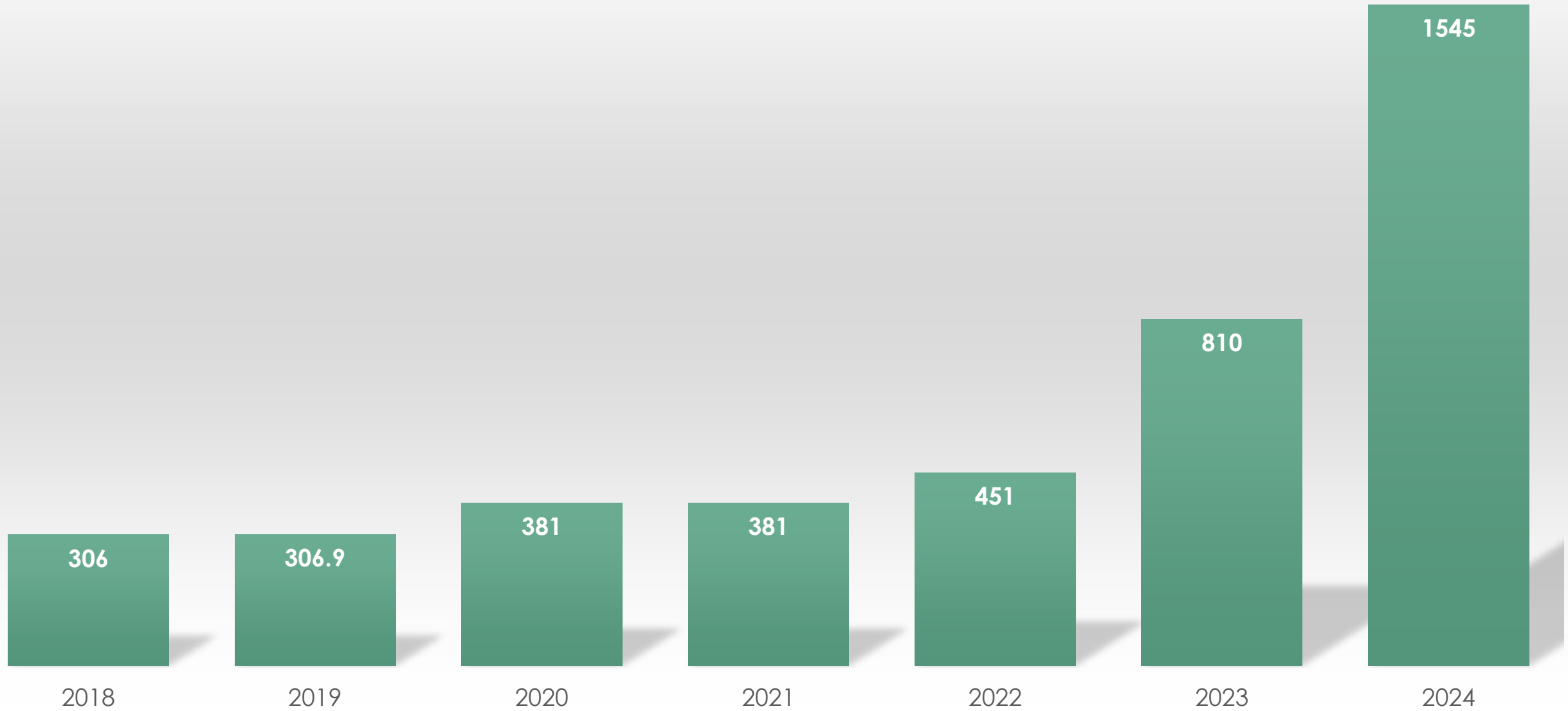
FLAGSHIP REFORMS

- Foreign Exchange Policy Reform
- Petrol subsidy removal/reduction
- Monetary policy tightening by CBN
- Fiscal Policy and Tax Reforms

FOREX REFORM: IMPLICATIONS FOR THE ECONOMY



OFFICIAL EXCHANGE RATE [N/\$]





Foreign Exchange Policy Reforms [Exchange Rate Convergence]

Benefits

- Better transparency
- Positive impact on forex liquidity in the short term.
- Better prospects for forex inflow.
- More revenue for government.
- Better prospects for growth of non-oil sector.

FLIP SIDE OF FOREX REFORM

- Depreciating Exchange Rate came with severe shocks on the economy.
- Speculative pressures on the naira resulting from volatility at the onset of the reform.
- Currency flight to the dollar as store of value.
- Elevated uncertainty in business
- Massive cost escalation across sectors



Implications for the Business

- Cost escalation resulting from currency depreciation. Most budget items have foreign exchange content.
- Worsened uncertainties in business
- Higher risk of request for contract variation requests.
- Risk of increased number of uncompleted projects.



Implications for Business[Contd]

- Negative impact on citizens welfare worsening poverty conditions.
- Need for more social intervention projects by the governments.
- Weaker purchasing power
- Positive impact – more revenue from FAAC resulting from increase forex exchange gains to the federation account which could be used to develop infrastructure

FOREX DYNAMICS 2025: UPSIDES & DOWNSIDES



UPSIDES FOR FOREX OUTLOOK

- Inflows from IMTOs have improved markedly.
- Improvement in crude oil output following the more aggressive stance against crude oil theft.
- Diaspora inflows also improving.
- \$500m Domestic Dollar bond oversubscribed, more to be issued
- \$2 billion Eurobond recently issued was oversubscribed.
- Foreign reserves now in excess of \$40 billion
- \$7 billion Forex backlog obligations have been cleared
- Debt service payments has steadied, no default
- Fiscal deficit monetization has ended

UPSIDES FOR FOREX OUTLOOK

- Import substitution effects of the Dangote refinery, and other domestic Refineries would be significant.
- CBN consistent intervention in the forex market to ensure rate stability
- Sustained monetary policy tightening.
- Tighter CBN regulatory oversight to curb malpractices in the forex market
- Elevated foreign portfolio inflows on the back of high interest rate

DOWNSIDERS FOR FOREX OUTLOOK

- Outlook for crude oil price may be impacted by Trump presidency may lead to significant drop in crude oil price and forex earnings.
- Stronger dollar likely on the back of Trump Presidency. Stronger dollar weakens naira exchange rate.
- Likely rate hike in the first year of Trump Presidency as Trade wars may spike inflation in the US and the Federal Reserve may raise interest rates as a result.
- Fiscal operations of government at all levels would increase and could trigger liquidity surge in the economy . Already a N49.7 trillion naira budget is proposed in the MTEF.
- Fiscal deficit is likely to increase.

NAIRA EXCHANGE RATE [JAN-DEC 2024]



1800
1600
1400
1200
1000
800
600
400
200
0

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Series1	1191.9	1616.5	1303	1389	1484	1525	1660	1590	1669	1643.3	1670.9	1545.3

PETROL SUBSIDY REMOVAL/REDUCTION

Justification

- Not fiscally sustainable
- Too much leakages/corruption
- Smuggling of petrol to neighbouring countries.
- Challenge of monitoring.
- Huge loss of revenue as NNPC could not remit funds to federation account.



PETROL SUBSIDY REMOVAL: IMPACT ON ECONOMY, BUSINESS AND WELFARE



BENEFITS

- NNPC remittance to federation account improved. This is expected to impact on FAAC allocation to states.
- Reduced smuggling of petroleum products.
- Eradicated the inherent corruption in fuel subsidy.



BENEFITS

- Reduced domestic consumption from about 65 million litres daily to about 40 million litres
- Outlook for private investment in the downstream is much brighter.
- Conservation of foreign exchange as less fuel is imported.

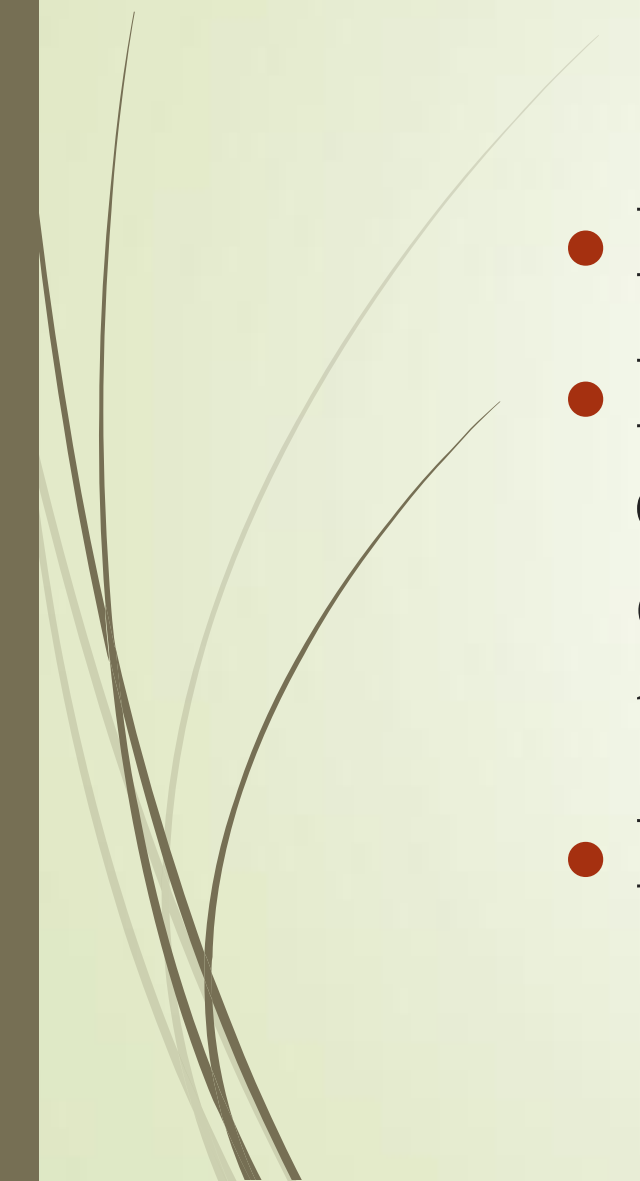


FLIP SIDE OF FUEL SUBSIDY REMOVAL

- The increase in PMS price by over 300% was a huge shock to the economy, investors and the citizens.
- Triggered intense inflationary pressures because of sharp increases in transportation and operating costs.
- Huge impact on the welfare of the citizens – food prices, transportation costs.



FLIP SIDE OF FUEL SUBSIDY REMOVAL

- Poverty level increased.
 - Profit margins of many businesses were considerably eroded due to high operating costs which are not transferable to consumers.
 - High level of social discontent
- 



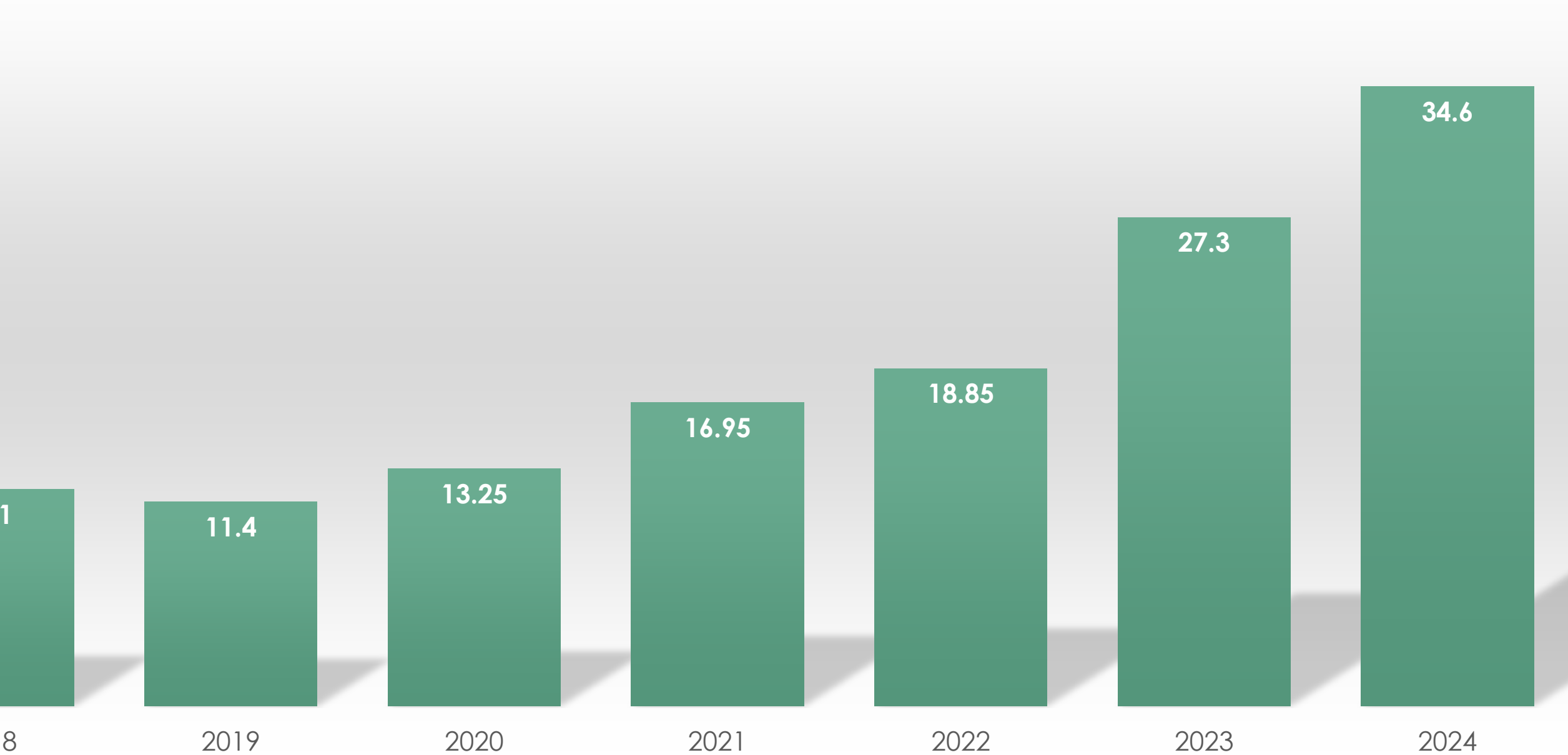
INFLATION DYNAMICS



Inflationary Trend

- Inflationary Pressures had continued to Intensify
- High cost of living fueling social discontent.
- Pressure for salary increases which would require funding.
- Rising project cost
- Elevated risk of loan defaults

ANNUAL INFLATION RATE [%]





KEY DRIVERS OF INFLATION

- Exchange Rate Depreciation
 - High energy cost
 - Cost of Transportation.
 - Insecurity affecting food production.
 - Global Geopolitical issues and conflicts: Russian-Ukraine war
 - Climate Change – flooding impact on food production.
 - High cargo clearing cost
 - High interest rate.
 - Base Effect
- 



2025 INFLATION OUTLOOK

- Inflation is expected to decelerate in 2025 for the following reasons:
- Expected stability in the naira exchange rate in 2025. exchange rate shocks would be minimal.
- Expected easing in global energy prices on the back of easing of geopolitical tension following Trumps Presidency.
- Strong base effect in the computation of inflation rate for 2025.



ECONOMIC GROWTH OUTLOOK FOR 2025

**INSTITUTION****GDP PROJECTION 2025 [%]****IMF**

3.2

WORLD BANK

3.5

AfDB

4.4

CBN

4.17

MTEF

4.6

Description	2024 Budget	2025	2026	2027
Oil Price Benchmark (US\$/b)	77.96	75.0	76.2	75.3
Oil Production (mbpd)	1.78	2.06	2.10	2.35
Exchange Rate (N/\$)	800.00	1,400.00	1,400.00	1,400.00
Inflation (%)	21.40	15.75	14.21	10.04
Non-Oil GDP (N'bn)	223,989.2	301,255.1	356,743.3	409,255.4
Oil GDP (N'bn)	12,316.0	36,783.7	40,744.5	48,667.5
Nominal GDP (N'bn)	236,305.2	338,038.8	397,487.9	457,923.0
GDP Growth Rate (%)	3.8%	4.6%	4.4%	5.5%
Imports	32,453.5	66,898.7	65,670.9	65,698.3
Nominal Consumption (N'bn)	163,227.77	206,826.59	233,311.36	263,946.18

Source: Ministry of Budget & Economic Planning; NUPRC; BOF; NBS



Sectoral Analysis

● As a % of Total Budget

Total Budget

49.74tn **\$33.16bn**



Security & Defense



Education



Health



Power



Works



Agriculture



Social Development and Poverty Reduction Programmes



Communication and Digital Economy



Transportation



Water Resources



Science, Technology & Innovation



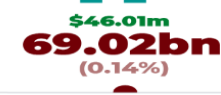
Aviation



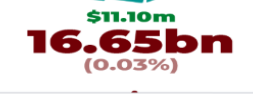
Women Affairs



Industry, Trade and Investment



Solid Minerals Development



The figures include budgetary allocations to the MDAs and service wide votes provisions for the sector

Unit in NGN | Exchange rate: N1,500 / \$

Source: Budget Office of the Federation

**MONETARY POLICY
REFORM:
IMPLICATIONS FOR
BUSINESS OUTLOOK IN
2025**




Key Instruments of Monetary Policy

- Monetary Policy Rate [MPR]
- Liquidity Ratio
- Cash Reserve Ratio [CRR]
- Asymmetric Corridor around the MPR
- Open Market Operation [OMO]



RECENT SHIFTS IN MONETARY POLICY

- Unorthodox Monetary Policy under the Emefiele Regime
 - Return to Orthodox Monetary Policy under Cardoso regime
- 



Unorthodox Policy

- Massive intervention funds to support various sectors – manufacturing, agriculture, health, aviation, SMEs, creative industry
- Multiple exchange rates
- Administrative allocation of forex,
- Exclusion of 41 items from the official forex window



Unorthodox Policy [Contd]

- Bullish support for the real sector of the economy
- Intervention in some strategic areas like creative industry, COVID, Health, Aviation, Power
- Differentiated CRR to Support Real Sector



Orthodox Monetary Policy

- Floating of the currency to promote rate convergence
- Scrapping of intervention funds
- Market driven Interest rates
- Inflation targeting policy
- High interest rate to attract portfolio flows



Orthodox Monetary Policy

- Scrapping of exclusion of 41 items from official forex window.
- IMTOs adopt willing buyer willing seller
- Policy drive to achieve positive real interest rate.

OUTCOMES OF RETURN TO MONETARY POLICY ORTHODOXY

- Sharp depreciation of the currency
- Inflationary pressure
- Better transparency
- Improved liquidity in forex
- High volatility



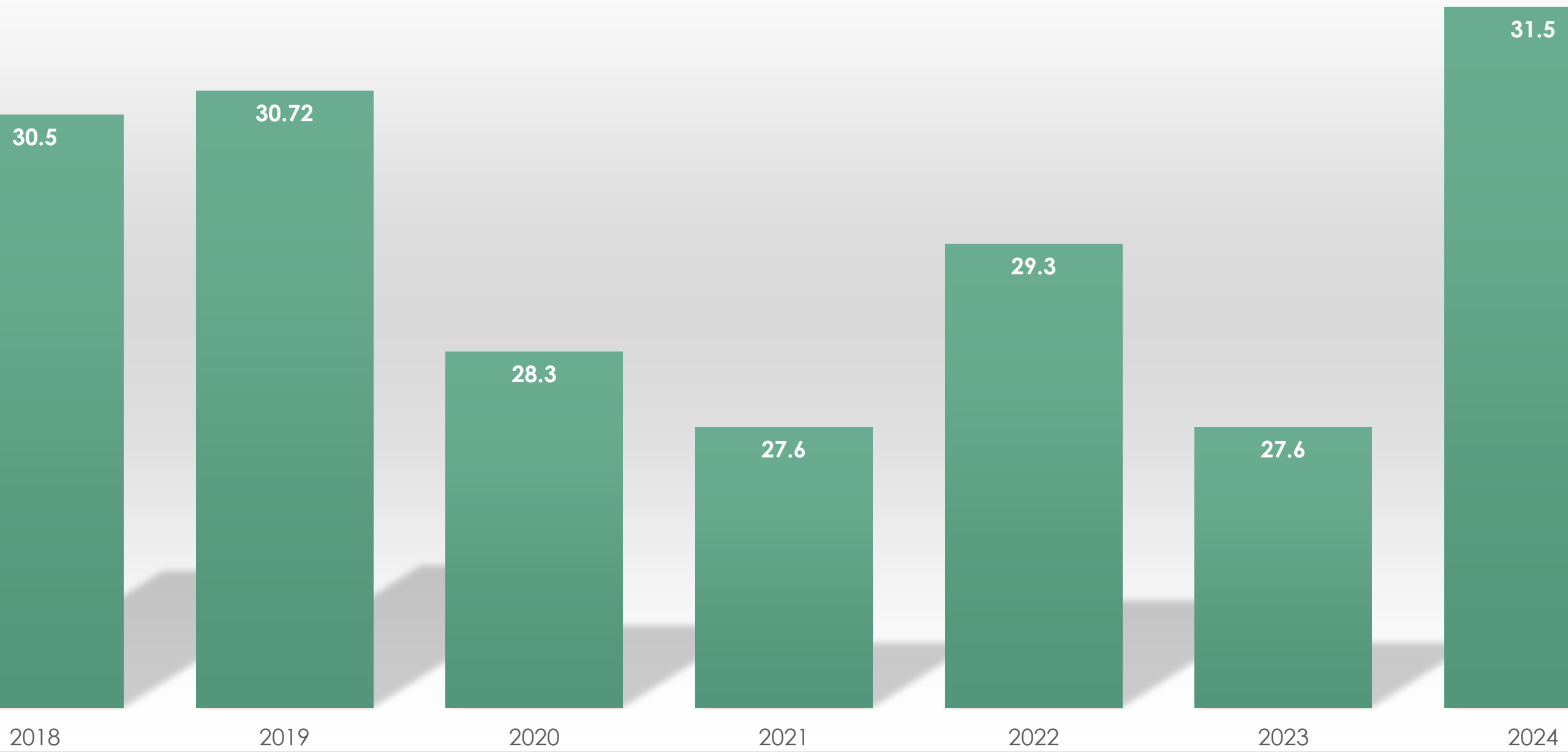
OUTCOMES OF RETURN TO MONETARY POLICY ORTHODOXY

- Exit of multinationals as dollar returns contracted massively.
- Huge forex losses by many large enterprises and multinationals
- Escalation in Cost of doing business, cost of operations and cost of production.
- Social cost very high leading to protests.

MONETARY POLICY TIGHTENING.

- At the last MPC meeting held in Nov 2024, the CBN continued its monetary policy tightening stance to tackle inflation.
- Monetary Policy Rate [MPR] was increased by 25 basis point from 27.25% to 27.5%.
- Cash Reserve Ratio[CRR] of Deposit Money Banks was retained at 50%; and merchant banks at 15%
- Retained Asymmetric Corridor around MPR at +500/-100 basis point.

MAXIMUM LENDING RATE[%]

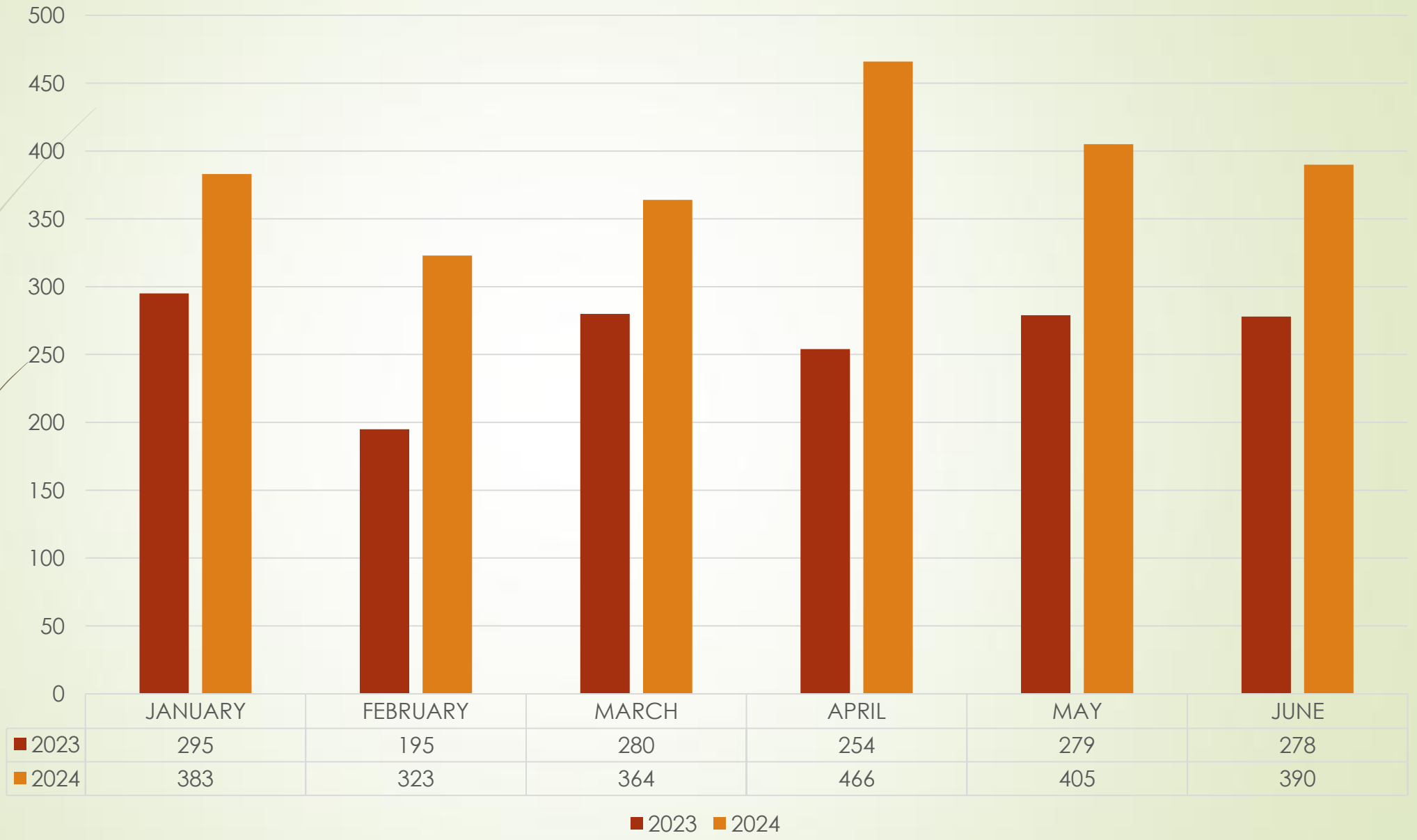




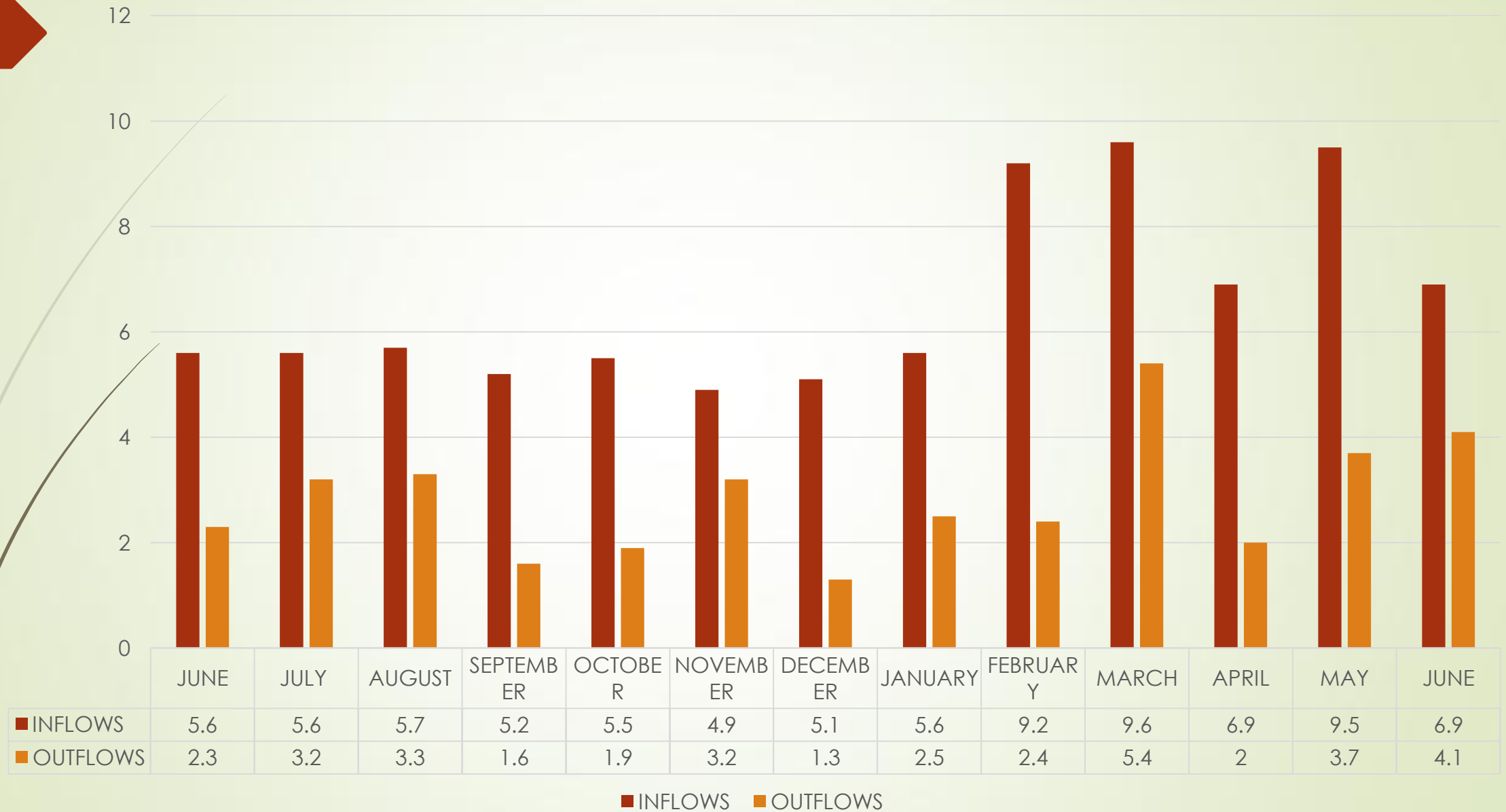
Expected Impact

- Cost of borrowing by investors and contractors would increase and this may increase business and project costs.
- Debt service cost on domestic debt may increase.
- High risk of loan defaults
- Business sustainability vulnerable to elevated risks

FOREX INFLOWS THROUGH IMTOs [\$M] 2023-2024

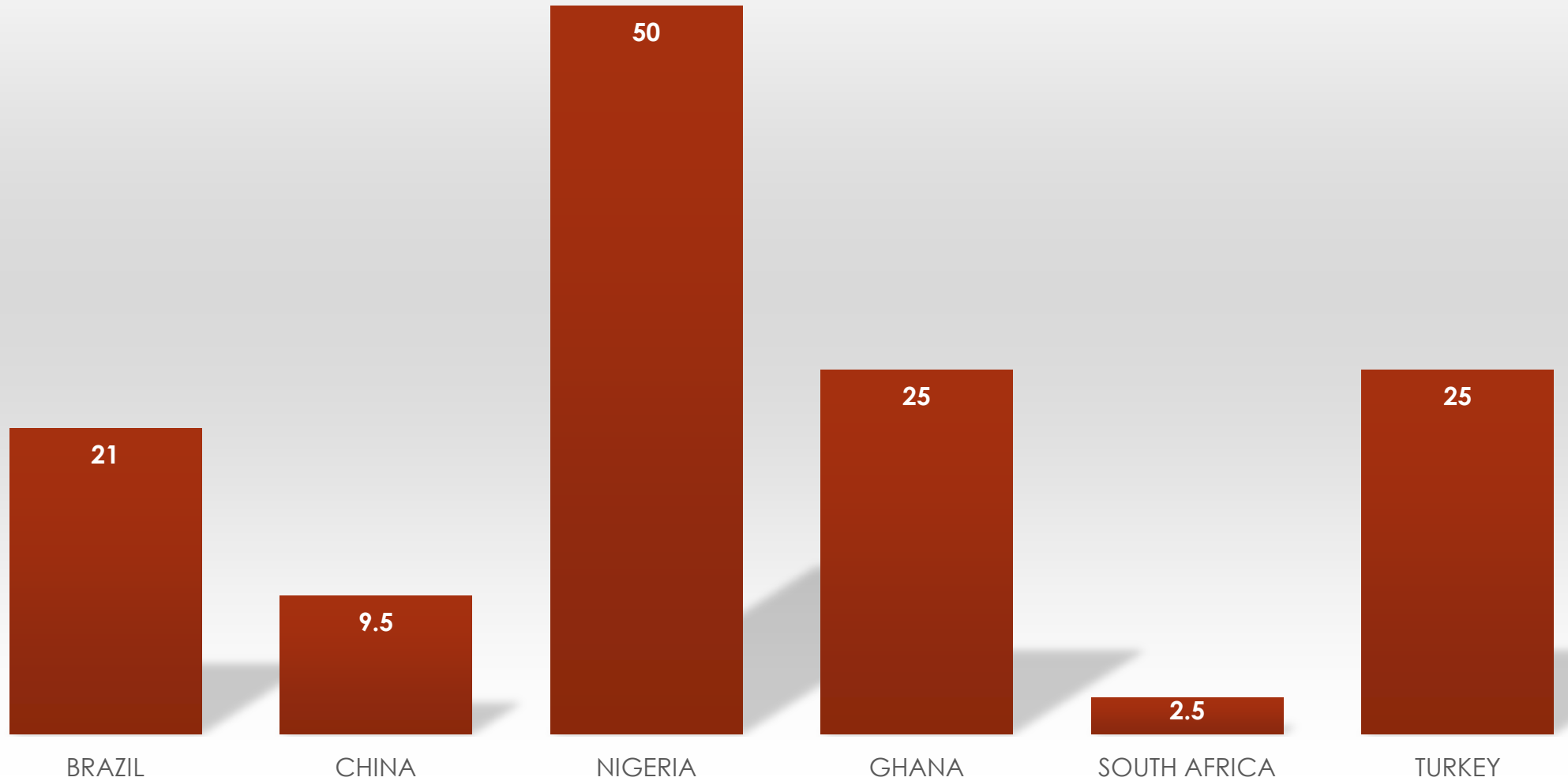


FOREX INFLOWS/OUTFLOWS 2023-2024 [\$ BILLION]

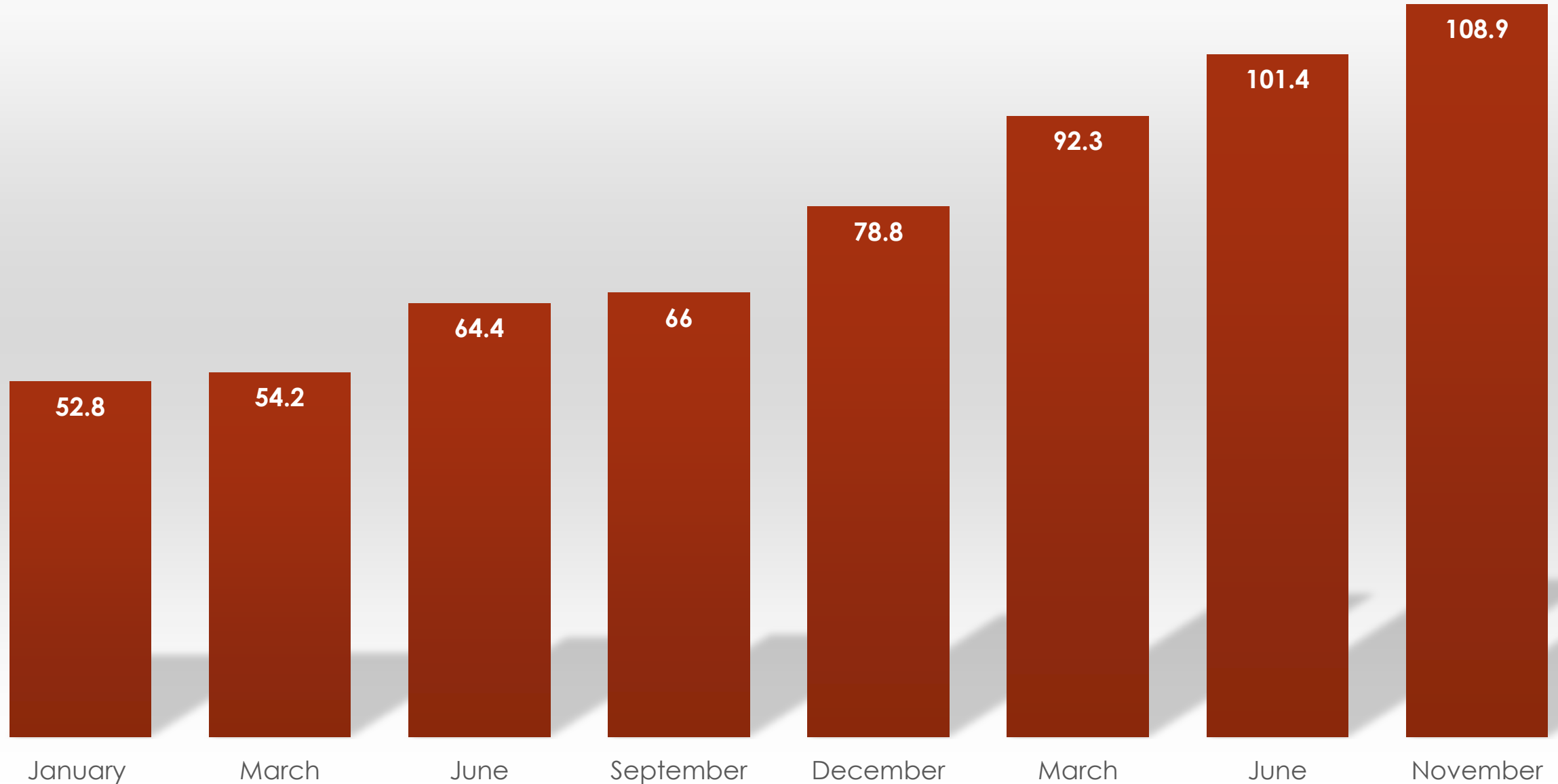


■ INFLOWS ■ OUTFLOWS

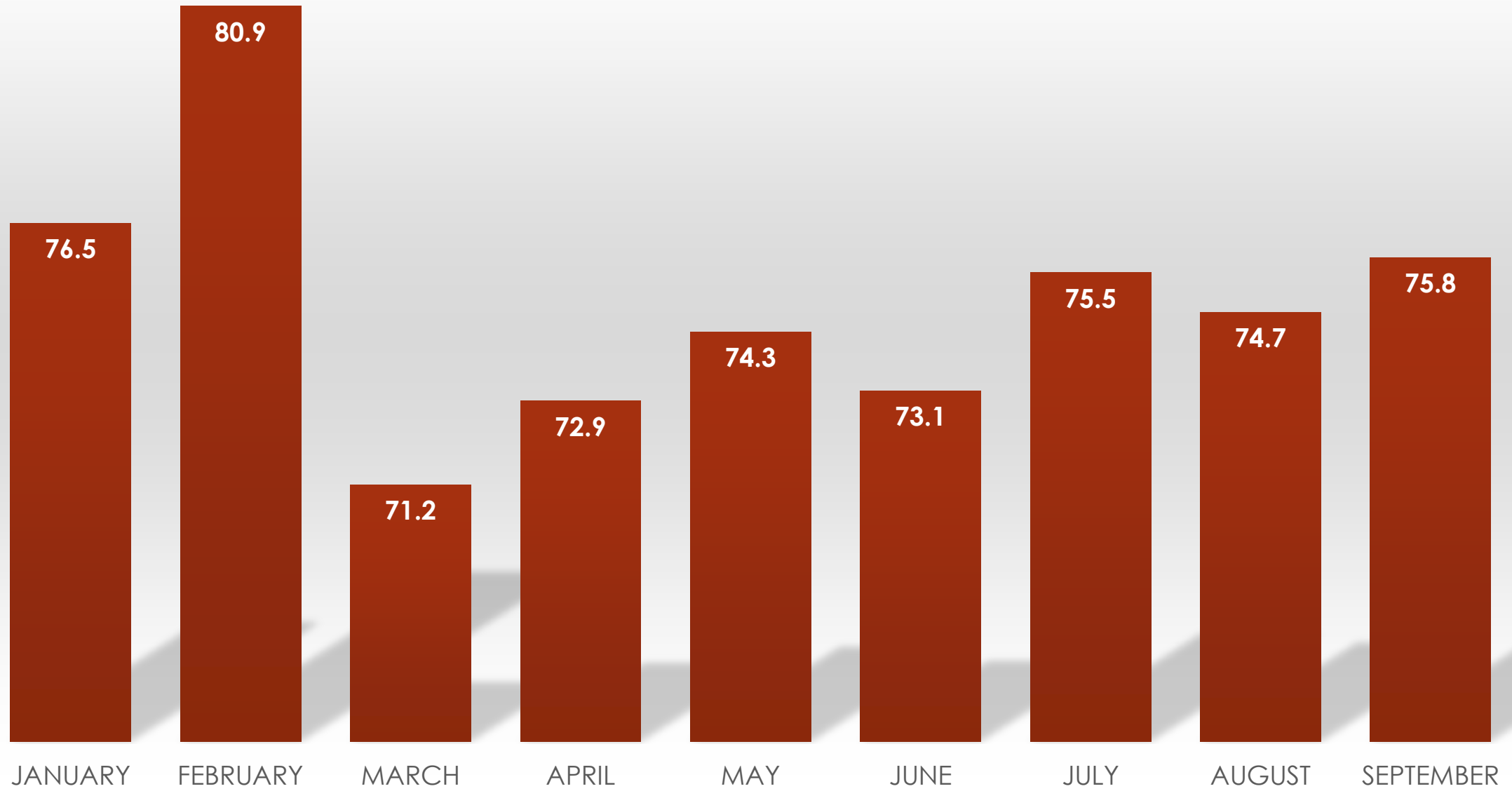
CASH RESERVE RATIO [%]



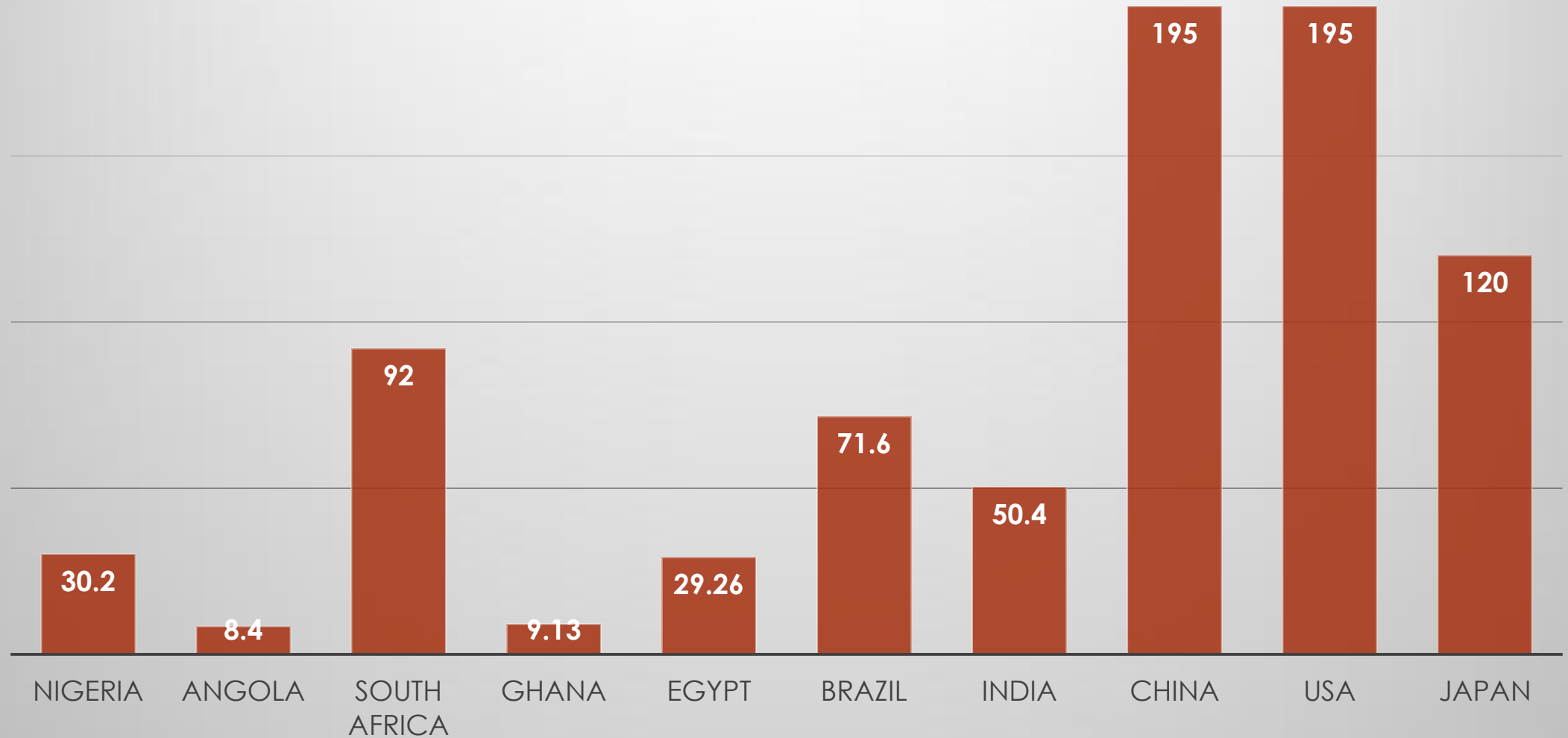
MONEY SUPPLY 2023 -2024 [N TRILLION]



BANK CREDIT TO PRIVATE SECTOR 2024 [N TRILLION]



CREDIT TO PRIVATE SECTOR AS PERCENTAGE OF GDP [%]



TAX REFORMS: IMPLICATIONS FOR BUSINESS OUTLOOK IN 2025



TAX REFORMS

- The Presidential Committee on Fiscal Policy and Tax Reforms is coming up with strategies to improve tax compliance by leveraging technology.
- This may boost tax revenue to the federation account the benefit of which would cascade down to the sub nationals.

TAX REFORMS: IMPLICATIONS FOR BUSINESS

- Reduction in Company Tax from 30% to 25%
- Exemption of SMEs with turnover of N50 million and below from VAT and CIT
- Abrogation of archaic Tax laws
- Abrogation of nuisance taxes – wheel barrow tax, radio and television tax etc.
- Introduction of Economic development tax incentives.
- Rationalization of number of taxes.
- Proposal to increase VAT from 7.5% to 10% commencing 2025



ECONOMIC STABILIZATION PLAN

- The Bill already in the National Assembly.
- The Bill when passed will offer robust fiscal stimulus to businesses through a wide range of incentives.
- Zero Import duty on paddy rice may boost production of rice in Imota Rice mill which is good for the economy of the state.
- It is the largest rice mill in the country.

POWER SECTOR REFORM

- The sector now on concurrent list. States can now expand scope of participation.
- We should see more mini grids and less dependence on the central grid.
- Decentralization opens up opportunities in the entire electricity value chain.
- Opportunities in embedded power solutions.

TOP BUSINESS RISKS IN 2025

- Forex Volatility Risk
- Interest Rate Risk
- Inflation Risk
- Financial And Monetary Policy Risk
- Regulatory Risk
- Insecurity
- Political Risk
- Governance /Corruption Risk
- Environmental /Climate Change Risk.

THE NIGERIAN ECONOMY AND THE LEASING INDUSTRY



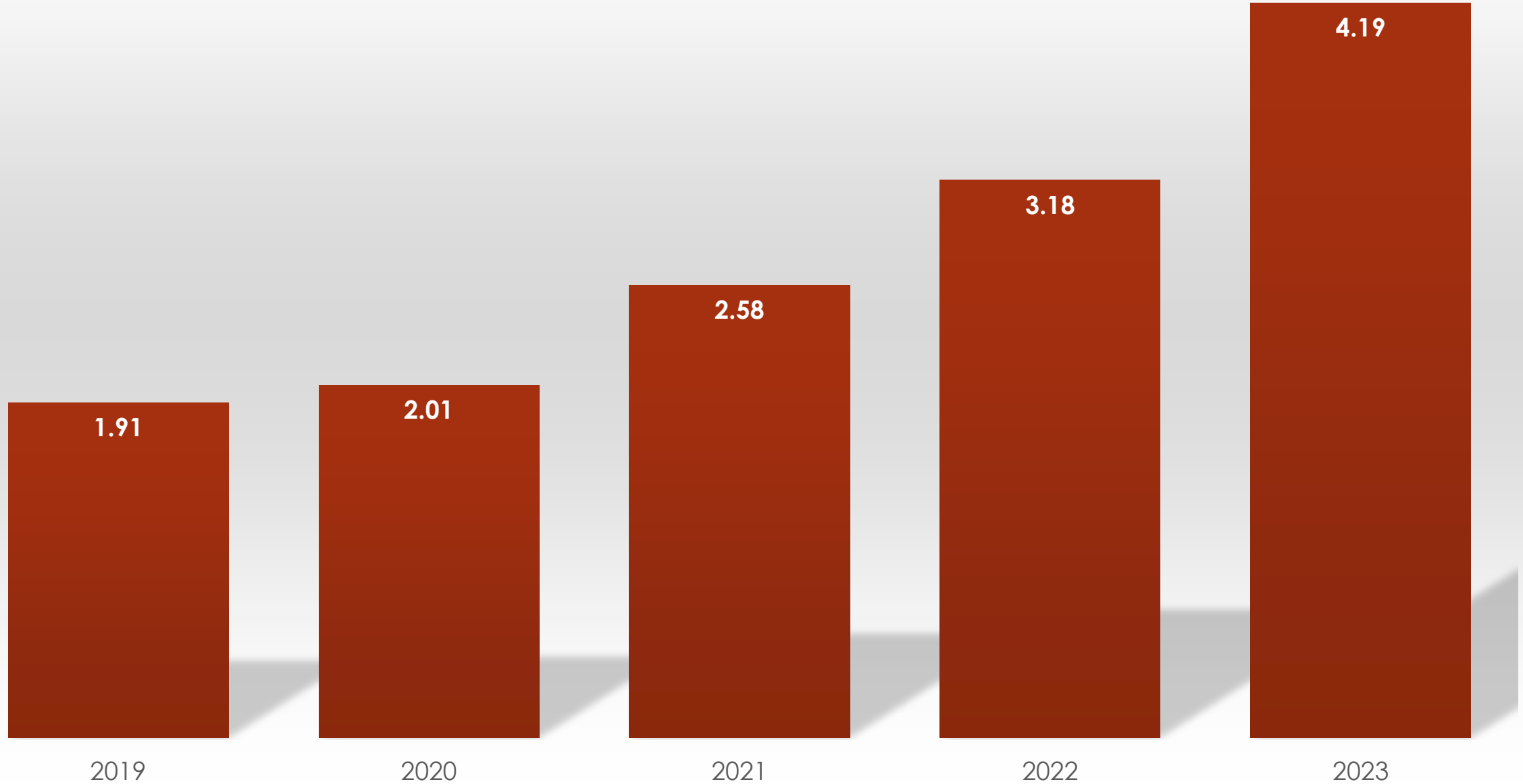


MACRO ISSUES AND THE LEASING INDUSTRY

Macroeconomic factors have very profound impact on the leasing industry.

- Interest rate implications
- Exchange rate implications, most assets are forex based
- Inflation implications
- GDP Growth

OUTSTANDING LEASES IN NIGERIA [N TRILLION]






Leading sectors for Leasing Industry

- Oil and Gas
- Transportation and Logistics
- Telecommunications
- Manufacturing
- Construction
- Real Estate
- Agriculture
- Entertainment



OPPORTUNITIES FOR LEASING INDUSTRY

- Renewable Energy solutions
 - CNG mobility options
 - Creation of the National Credit Guarantee Company
 - National consumer credit scheme
 - Reforms unlocking opportunities in Non-Oil Export Sector
 - Opportunities in import substitution across all sectors
 - Recycling and waste management
- 

Import Substitution Opportunities

- Oil and Gas downstream
- Health sector investment to substitute medical tourism
- Education Sector investment to substitute education tourism
- Recycling opportunities
- Food production
- Solid minerals
- ICT
- Entertainment industry

Leasing Industry: Options for Resilience

- Accessing long term funds from Pension Funds, Insurance, etc.
- Creation of funding window in the DFIs for the leasing Industry
- Funds syndication to finance leasing for big assets
- Sustainable and realistic pricing.
- Hedging against volatilities in the macroeconomic environment
- Creating a niche in the industry

IMPLICATIONS OF TRUMP PRESIDENCY FOR THE NIGERIAN ECONOMY



IMPLICATIONS FOR GLOBAL OIL PRICE

- Easing of Geopolitical Tension, especially the Russian/Ukraine war, may ease global oil price,
- Elevated USA oil production may depress oil price, being largest oil producing country.
- USA may put pressure on major oil producers including OPEC members to boost production in order to reduce energy costs.
- Looming Trade War between USA and its major trading partners may depress the global economy and reduce oil demand.
- Drop in global oil price has implications for government revenue and forex earnings, but would reduce energy cost for business and citizens

IMPLICATIONS FOR NAIRA EXCHANGE RATE

- Depressed global oil price may affect forex inflow and create pressure for the naira.
- Trump protectionist policy may strengthen the US economy and make the dollar stronger. Stronger dollar would result in weaker naira.
- Inflationary pressure resulting from Trump Tariff Policy may trigger a new wave of monetary policy tightening in the USA, resulting in hike in interest rate and possible reversal of portfolio flows from emerging economies.
- New immigration policy may depress remittances from the USA.



NEW TRADE PARTNERSHIPS AND COLLABORATIONS

- Trump protectionist trade policy would trigger new bilateral and multilateral alignments in trade and investment relations.
- Countries affected by the new Trump policy would seek new partners and deepen existing trade partnerships.
- This would offer new opportunities for new relationships



INVESTMENT OPPORTUNITIES IN THE CURRENT REFORMS



OPPORTUNITIES IN THE REFORMS

- Incredible opportunities for import substitution across all sectors.
- Alternatives to industrial raw material
- Boost to recycling business and waste management
- Provision of domestic alternatives to medical tourism
- Alternatives to education tourism
- Alternatives to vacation abroad.
- Local fabrications of spare parts and other mechanical devices.

OPPORTUNITIES IN THE REFORMS

- High food prices are a great opportunity for investment in agriculture.
- Greater opportunities for export business. \$1m is now almost one billion naira. It's incredible.
- Opportunities for diaspora Nigerians to invest at home, especially in real estate and financial instruments.
- Opportunities for export of services – Japa not entirely a bad idea. India had \$125 billion remittances in 2023, Philippines \$40 billion; China \$50 billion; Mexico N67 billion , Nigeria \$22 billion in 2022.

OPPORTUNITIES IN THE REFORMS

- There should be deliberate policy to promote migration abroad. Even our artisans, care givers, truck drivers can benefit.
- Outsourcing opportunities for business abroad.
- Bigger Investment opportunities in the petroleum refineries and related industries following the deregulation of the sector.
- Opportunities in renewable energy investment, cheaper and more environment friendly.
- Better focus by investors and households on energy efficiency.
- New opportunities in the use of CNG, LPG in transportation.



OPPORTUNITIES IN ELECTRICITY SECTOR REFORM

- Decentralization opens up opportunities in the entire electricity value chain.
- Opportunities in embedded power solutions.
- Opportunities in mini-grids.



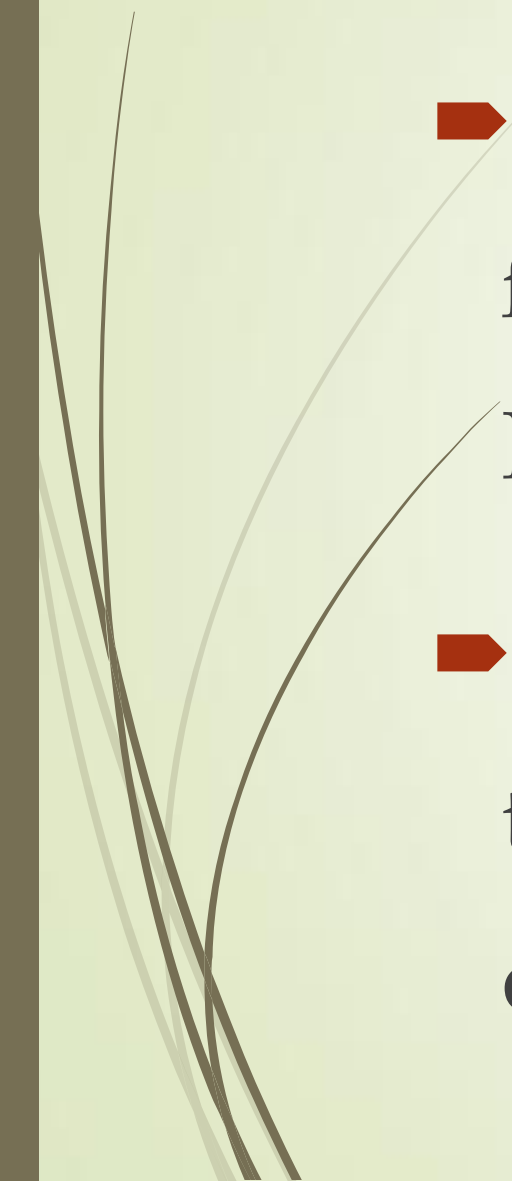
ADAPTING TO CHANGING ECONOMIC AND BUSINESS LANDSCAPE

IMPERATIVE OF FLEXIBLE BUSINESS MODELS IN A RAPIDLY CHANGING BUSINESS ENVIRONMENT

- ▶ The business landscape in Nigeria is very dynamic , driven by technological advancements, macroeconomic headwinds.
- ▶ regulatory issues and rapidly changing consumer behavior, driven by demographic changes and economic conditions have become critical for business strategy
- ▶ These dynamics demand that business strategies are constantly reviewed to ensure relevance, resilience and competitiveness.



Flexibility of Business Models [Contd]

- In a rapidly changing business landscape, flexibility of business model is vital for Nigerian businesses.
 - Being able to respond quickly to market trends, customer demands, and emerging opportunities is critical.
- 



Leveraging Technology

- ▶ Technology is crucial for the response and adaptation of businesses to the dynamics of evolving economic environment. Leveraging technology serves to optimize operations, enhance productivity, and deliver exceptional customer experiences.
- ▶ Embracing digitalization, cloud computing, automation, and data analytics can help businesses streamline processes, improve decision-making, and gain a competitive edge. Moreover, technology enables businesses to reach a wider market and adapt to changing consumer behaviors in an increasingly digital world.



Scenario Planning

- Scenario planning is critical for adaptation of business strategies to changing economic conditions.
- We should construct scenarios for the critical variables that affect our businesses – exchange rate, inflation rate, interest rate, oil price, energy prices.
- This should guide business decisions going forward as it allows for a proactive business decision.



Reduce Forex Exposure

- Reduce exposure to forex as much as possible. Explore import substitution options as much as possible.
- High forex exposure could endanger a business at this time.
- Avoid offshore debt financing because of the weak currency and elevated exchange rate risk, except for export oriented industry. Many companies are paying a huge price for such exposures at this time
- Aim for naira dominant balance sheet.



Reduce Debt Financing

- Reduce exposure to commercial bank credit. Interest rate risks are very high at this time and this may persist for some time.
- Prospects of monetary policy tightening at the domestic and global markets are very high. This could exert tremendous pressure on the business.
- We should seek concessionary credit – BOI, BOA, SME Funds etc
- Equity financing options should be explored more.

Manage Volatility Risks

- Long term contracts could indemnify against price volatility
- Fixed sum contract could also protect against price volatility
- Fixed interest rate facility.
- Domestic currency pricing of contracts
- Avoidance of offshore financing to reduce currency risk.



COST CONTAINMENT

- ▶ Adaptation is also about managing cost to ensure resilience's and competitiveness. It is thus imperative to identify costs that we can reduce.
- ▶ We need to ensure a comprehensive cost audit to effect spending cuts in a way that would not negatively impact the business.



Cost Effective Energy Solution

- Energy cost is a big issue at this time. We should therefore in energy solutions that are efficient and cost effective.
- CNG, LPG, SOLAR, WIND ETC



Stakeholder Engagement

- Stakeholder engagement is critical to manage the external environment such as regulatory authorities, security agencies, electricity suppliers, gas suppliers and the host community.




Embracing Innovation

- Innovation is a key driver of business success in any evolving landscape. Organizations that promote a culture of innovation can proactively identify and create new opportunities.
- This process could involve committing resources to research and development and supporting creative thinking. Value proposition is enhanced and competitiveness is improved.



Talent Development

- The changing business landscape demands new talents that could readily align with the changing dynamics. Investment in talent development across the entire ecosystem is therefore imperative.
 - Talents drive creativity and innovation and also promotes competitiveness and resilience.
- 



Strengthen Customer Focus

- It is the understanding of customer preferences that can sustain a business.
- Therefore, there should be good insights into the evolving customer priorities and preferences, regulatory monitoring of developments in the market, monitoring of competition environment, anticipating potential disruptions and periodic market research.

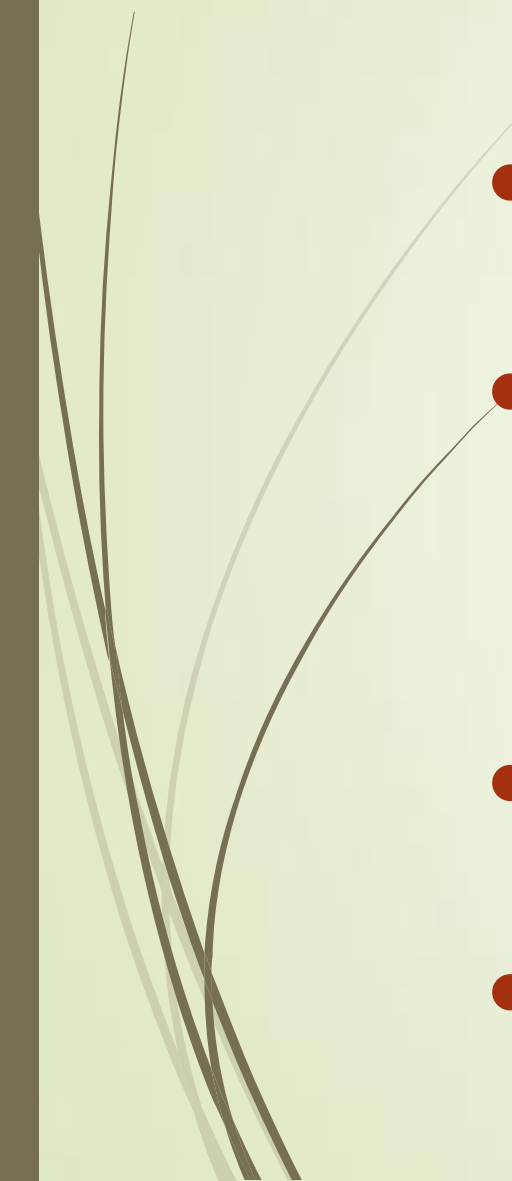


Strengthen Customer Focus

- Other important commitments include customer feedback, information on industry trends, understanding market trends, good information on macroeconomic developments – exchange rate, inflation, energy pricing, changes in import tariffs.
- Others are understanding of the cultural and social contexts; it is also useful to attend business events and exhibitions to be abreast of industry trends, online sources etc. There should be an adaptation plan.



Collaboration and Partnerships

- Partnership and networking.
 - Partnership with complimentary product makers or sellers
 - Partnership with equipment manufacturers
 - Visit industry platforms online
- 

THANK YOU

