

Equipment Finance Industry Confidence Improves in October



The Equipment Leasing & Finance Foundation (the Foundation) has released the October 2011 Monthly Confidence Index for the Equipment Finance Industry (MCI-EFI). Designed to collect leadership data, the index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$521 billion equipment finance sector. Overall, confidence in the equipment finance market is 50.7, up from the September index of 47.6, indicating some respite from the concerns about the global economic situation.

When asked about the outlook for the future, survey respondent Valerie Hayes Jester, President, Brandywine Capital Associates, Inc., said, “The equipment finance industry has weathered and will continue to weather the storms of this economy and all its uncertainty. Access to capital is strong, but demand continues to be weak for small business customers. I do not see that dynamic changing in the coming year to 18 months.”

October 2011 Survey Results:

The overall MCI-EFI is 50.7, an increase from the September index of 47.6.

- When asked to assess their business conditions over the next four months, 9.8 percent of executives responding said they believe business conditions will improve over the next four months, up from 4.9 percent in September. 80.5 percent of respondents believe business conditions will remain the same over the next four months, an increase from 61 percent in September. 9.8 percent of executives believe business conditions will worsen, a decrease from 34.1 percent in September.
- 17.1 percent of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 12.2 percent in September. 68.3 percent believe demand will “remain the same” during the same four-month time period, unchanged from the previous month. 14.6 percent believe demand will decline, down from 19.5 percent who believed so in September.
- 12.2 percent of executives expect more access to capital to fund equipment acquisitions over the next four months, down from 15 percent in September. 87.8 percent of survey respondents indicate they expect the “same” access

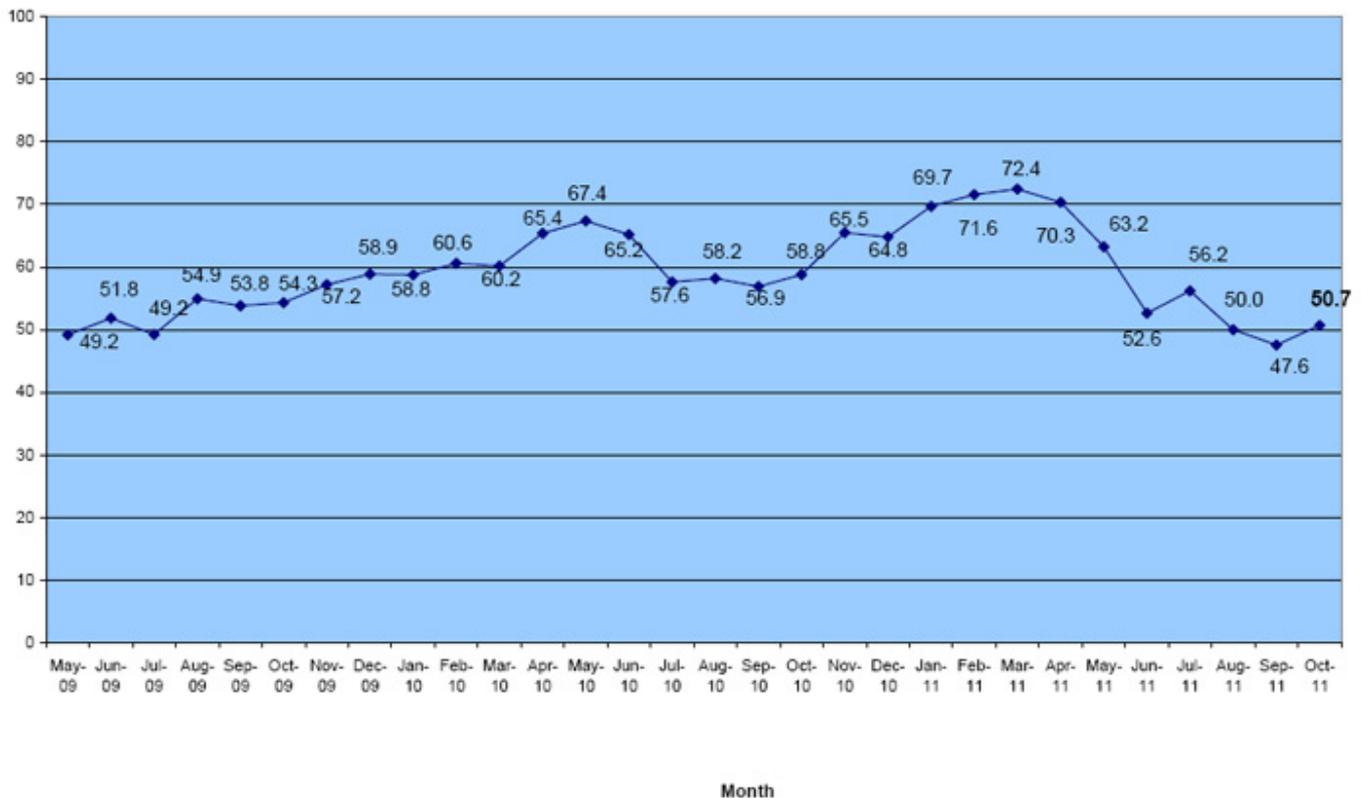
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to capital to fund business, an increase from 82.5 percent the previous month. No survey respondents expect “less” access to capital, a decrease from 2.5 percent who expected less access to capital in September.

- When asked, 14.6 percent of the executives reported they expect to hire more employees over the next four months, down from 17.5 percent in September. 78 percent expect no change in headcount over the next four months, an increase from 72.5 percent last month, while 7.3 percent expect fewer employees, a decrease from 10 percent in September.
- 58.5 percent of the leadership evaluates the current U.S. economy as “fair,” an increase from 55 percent last month. 41.5 percent rate it as “poor,” down from 45 percent in September.
- 4.9 percent of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 2.5 percent in September. 78 percent of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, up from 75 percent in September. 17.1 percent responded that they believe economic conditions in the U.S. will worsen over the next six months, down from 22.5 percent who believed so last month.
- In October, 26.8 percent of respondents indicate they believe their company will increase spending on business development activities during the next six months, down from 30 percent in September. 68.3 percent believe there will be “no change” in business development spending, down from 70 percent last month, and 4.9 percent believe there will be a decrease in spending, up from no one who believed so last month.

Foundation Monthly Confidence Index - Equipment Finance Industry (MCI-EFI)



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October 2011 MCI Survey Comments from Industry Executive Leadership:

Depending on the market segment they represent, executives have differing points of view on the current and future outlook for the industry.

Bank, Large Ticket:

“The equipment leasing and finance industry continues to be resilient. The pipeline of activity remains strong in spite of the negative headline news about the economy.” Executive, Large Ticket, Bank

Bank, Middle Ticket:

“Restraint is the operative word with capital equipment spending. Replacement equipment, refinancing at lower rates, and some select industry growth is creating new business today and in the near future.” Harry Kaplun, President, Frost Equipment Leasing and Finance

Financial Services, Small Ticket:

“Growth will be a challenge for many in the short-term. Successful companies will be driven by innovation and access to low-cost capital.” Executive, Small Ticket, Financial Services

Why an MCI-EFI?

Confidence in the U.S. economy and the capital markets is a critical driver to the equipment finance industry. Throughout history, when confidence increases, consumers and businesses are more apt to acquire more consumer goods, equipment, and durables, and invest at prevailing prices. When confidence decreases, spending and risk-taking tend to fall. Investors are said to be confident when the news about the future is good and stock prices are rising.

Who participates in the MCI-EFI?

The respondents are comprised of a wide cross section of industry executives, including large-ticket, middle-market, and small-ticket banks, independents, and captive equipment finance companies. The MCI-EFI uses the same pool of 50 organization leaders to respond monthly to ensure the survey's integrity. Since the same organizations provide the data from month to month, the results constitute a consistent barometer of the industry's confidence.

How is the MCI-EFI designed?

The survey consists of seven questions and an area for comments, asking the respondents' opinions about the following:

1. Current business conditions
2. Expected product demand over the next four months
3. Access to capital over the next four months
4. Future employment conditions
5. Evaluation of the current U.S. economy
6. U.S. economic conditions over the next six months
7. Business development spending expectations
8. Open-ended question for comment

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Survey results are posted on the Foundation website, <http://www.leasefoundation.org/IndRsrcs/MCI/> [1]. Survey respondent demographics and additional information about the MCI are also available.

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization that provides vision for the equipment leasing and finance industry through future-focused information and research. Primarily funded through donations, the Foundation is the only organization dedicated to future-oriented, in-depth, independent research for the leasing industry. Visit the Foundation online at <http://www.LeaseFoundation.org> [2].

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Links:

[1] <http://www.leasefoundation.org/IndRsrcs/MCI/>

[2] <http://www.leasefoundation.org/>