Equipment, Software Investment To Grow In 2013

Equipment Leasing & Finance Foundation

Washington, DC, April 3, 2013 – Investment in equipment and software is expected to grow 5.6 percent in 2013, according to the Q2 update to the 2013 Equipment Leasing & Finance U.S. Economic Outlook **[1]**released today by the Equipment Leasing & Finance Foundation **[2]**. The Foundation increased its 2013 equipment and software investment forecast to 5.6 percent, up from 2.9 percent growth forecast in its 2013 Annual Outlook released in December 2012. The report, which is focused on the $725 billion equipment leasing and finance industry, forecasts equipment investment and capital spending in the United States and evaluates the effects of various related and external factors in play currently and into the foreseeable future.

The Q2 report predicts growth in the first half of the year will be limited by relatively weak demand and fiscal policy uncertainty. By the second half of 2013, however, investment activity is expected to accelerate due to an improving housing sector, a resurgence of the U.S. manufacturing sector, an energy renaissance and relief from policy uncertainty that will have an unlocking effect on business investment.

William G. Sutton, CAE, President of the Foundation and President and CEO of the Equipment Leasing and Finance Association, said, "As projected in our 2013 Annual Outlook, the Q2 Outlook anticipates that 2013 will be a tale of two halves, with sluggish growth in the first half of the year, followed by a pick-up in overall economic activity in the second half of the year. On balance, we expect the positives to outweigh the negatives as businesses begin to feel more confident and ready to invest in capital equipment."

Highlights from the study include:

- The U.S. economy is expected to generate positive but modest growth of 2.2 percent in 2013.
- Equipment and software investment grew at the unexpectedly rapid rate of 11.8 percent (annualized rate) in Q4 2012, a welcome increase after Q3's 2.6 percent decline. Part of this may have been a "pulling forward" effect as businesses anticipated changes in tax policy in 2013. This suggests that Q1 and Q2 2013 may be a bit weaker than previously anticipated. However, the second half of 2013 is expected to be an improvement over the first half.
- Credit market conditions continue to improve, and many indicators have returned to levels not seen since the onset of the recession.

- Trends in equipment investment include:
    - Agriculture equipment investment is expected to remain negative on

a year-over-year basis, with the potential for positive growth in late in 2013.
  - Computers and software investment is expected to transition from slow growth in the near future to more normal growth in the second half of the year.
  - Construction equipment investment should continue to achieve above average growth over the next three to six months, though the rate of growth will continue to decline from recent highs.
  - Industrial equipment investment is expected to grow at a moderate pace over the next six months as positive and negative drivers more or less balance out.
  - Medical equipment investment should continue to experience little to no growth in the first half of 2013.
  - Transportation equipment investment slowed slightly in the second half of 2012, but should remain near an average rate of growth.

The Foundation produces the **Equipment Leasing & Finance U.S. Economic Outlook** report in partnership with economics and public policy consulting firm Keybridge Research. The annual economic forecast provides a three-to-six-month outlook for industry investment with data, including a summary of investment trends in key equipment markets, credit market conditions, the U.S. macroeconomic outlook and key economic indicators. The report will be updated quarterly throughout 2013.

Download the full report at www.leasefoundation.org/IndRsrcs/EO/ *[3].*

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[1] http://leasefoundation.org/IndRsrcs/EO/
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