

Equipment Lease Finance Industry Confidence Up

The Equipment Leasing & Finance Foundation

Washington, DC — The Equipment Leasing & Finance Foundation (the Foundation) releases the August 2013 Monthly Confidence Index for the Equipment Finance Industry (MCI-EFI) today. 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 \$725 billion equipment finance sector. Overall, confidence in the equipment finance market is 61.0, an increase from the July index of 59.4, and the fourth consecutive increase of the MCI-EFI.

When asked about the outlook for the future, MCI survey respondent William Verhelle, Chief Executive Officer, First American Equipment Finance, said, “We see continued, gradual economic improvement in equipment finance activity across all our markets. Large, creditworthy obligors continue to finance major equipment acquisitions to retain flexibility and preserve capital. Our portfolio performance couldn't be much better, with record low charge-offs and delinquencies. We remain cautiously optimistic about the remainder of 2013 and 2014.”

August 2013 Survey Results:

The overall MCI-EFI is 61.0, an increase from the July index of 59.4.

- When asked to assess their business conditions over the next four months, 32.4 percent of executives responding said they believe business conditions will improve over the next four months, up from 25 percent in July. 67.6 percent of respondents believe business conditions will remain the same over the next four months, down from 71.9 percent in July. No one believes business conditions will worsen, down from 3.1 percent the previous month.
- 23.5 percent of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, up from 15.6 percent in July. 76.5 percent believe demand will “remain the same” during the same four-month time period, down from 81.3 percent the previous month. No one believes demand will decline, down from 3.1 percent in July.
- 20.6 percent of executives expect more access to capital to fund equipment acquisitions over the next four months, down from 21.9 percent in July. 79.4 percent of survey respondents indicate they expect the “same” access to capital to fund business, an increase from 78.1 percent the previous month. No one expects “less” access to capital, unchanged from July.
- When asked, 29.4 percent of the executives reported they expect to hire

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

more employees over the next four months, an increase from 25 percent in July. 64.7 percent expect no change in headcount over the next four months, down from 68.8 percent last month. 5.9 percent expect fewer employees, down from 6.3 percent of respondents who expected fewer employees in July.

- 91.2 percent of the leadership evaluates the current U.S. economy as “fair,” up from 90.6 percent last month. 8.8 percent rate it as “poor,” down slightly from 9.4 percent in July.
- 26.5 percent of survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 34.4 percent in July. 70.6 percent of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 62.5 percent in July. 2.9 percent believe economic conditions in the U.S. will worsen over the next six months, down slightly from 3.1 percent who believed so last month.
- In August, 29.4 percent of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 31.3 percent in July. 70.6 percent believe there will be “no change” in business development spending, an increase from 68.8 percent last month. No one believes there will be a decrease in spending, unchanged from July.

August 2013 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.

Independent, Small Ticket

“The outlook is slowly improving, but there are concerns about effects of changing Fed policy and renewed talk/action/inaction in Washington regarding sequestration and the U.S. budget.” William Besgen, President and Chief Operating Officer, Hitachi Capital America Corp.

Bank, Small Ticket

“From a credit quality and liquidity perspective, the equipment leasing industry is very well positioned for healthy growth. We are still in need of a stronger economic recovery to grow opportunities. Until then, competition is pushing greater risk taking.” Paul Menzel, President & CEO, Financial Pacific Leasing, LLC

Bank, Middle Ticket

“Escalating cost of equipment, rapidly changing technology, increasing interest rates, and previously delayed replacement or additions of new equipment position the industry for a strong finish to 2013, and suggest an even stronger volume of

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business in 2014. Leasing of capital expenditures is growing as the financial product of choice in an environment of continued uncertainty and mixed confidence in the current recovery cycle.” Russell Nelson, President, CoBank Farm Credit Leasing

Bank, Middle Ticket

“With a very sluggish GDP and an another almost certain federal budget battle coming this fall, I believe growth will be more challenged in the second half of 2013.” Adam Warner, President, Key Equipment Finance

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.

How may I access the MCI-EFI?

Survey results are posted on the Foundation website, <http://www.leasefoundation.org/IndRsrcs/MCI/> [1], included in the [Foundation Forecast newsletter](#) [2] and included in press releases. Survey respondent demographics and additional information about the MCI are also available at the link above.

About the Foundation

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 www.LeaseFoundation.org [3] and follow us on Twitter @LeaseFoundation.

Source URL (retrieved on 07/30/2014 - 9:27am):

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Links:

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

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

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