

Equipment Lease Finance Industry Confidence Decreases in December

Washington, DC, December 19, 2012 — The **Equipment Leasing & Finance Foundation** (the Foundation) releases the December 2012 **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 48.5, a decrease from the November index of 49.9, reflecting industry participants' concerns regarding the impact of fiscal issues on capital expenditures, despite an overall sense of optimism in the equipment finance industry.

When asked about the outlook for the future, MCI survey respondent **Russell Nelson, President, Farm Credit Leasing Services Corporation**, said, "Regardless of actions or no action by Congress to address the fiscal cliff and extension of the Bush tax cuts, the equipment finance industry will be proactive in offering creative, innovative and reliable products and structures to retain its market share of financing needs, and remain an integral part of available finance solutions to all customers."

December 2012 Survey Results:

The overall MCI-EFI is 48.5, down from the November index of 49.9.

- When asked to assess their business conditions over the next four months, 5.9% of executives responding said they believe business conditions will improve over the next four months, down from 9.1% in November. 73.5% of respondents believe business conditions will remain the same over the next four months, up from 69.7% in November. 20.6% believe business conditions will worsen, down from 21.2% the previous month.
- 8.8% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 12.1% in November. 58.8% believe demand will "remain the same" during the same four-month time period, down from 63.6% the previous month. 32.4% believe demand will decline, up from 24.2% in November.
- 14.7% of executives expect more access to capital to fund equipment acquisitions over the next four months, down from 21.2% in November. 85.3% of survey respondents indicate they expect the "same" access to capital to fund business, an increase from 72.7% the previous month. No one expects "less" access to capital, down from 6.1% who expected less access to capital in November.
- When asked, 23.5% of the executives reported they expect to hire more employees over the next four months, down from 33.3% in November. 64.7% expect no change in headcount over the next four months, up from 54.5% last month. 11.8% expect fewer employees, down from 12.1% of respondents who expected fewer employees in November.

- 76.5% of the leadership evaluates the current U.S. economy as “fair,” down from 78.8% last month. 23.5% rate it as “poor,” up from 21.2% in November.
- 11.8% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 6.1% in November. 55.9% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, down from 66.7% in November. 32.4% believe economic conditions in the U.S. will worsen over the next six months, an increase from 27.3% who believed so last month.
- In December, 35.3% of respondents indicate they believe their company will increase spending on business development activities during the next six months, up from 27.3% in November. 58.8% believe there will be “no change” in business development spending, down from 63.6% last month, and 5.9% believe there will be a decrease in spending, down from 9.1% who believed so last month.

December 2012 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, Micro Ticket

“Our leasing industry is in fine shape. However, the weak economy will continue to frustrate the growth aspirations of lessees and lessors until and unless our country gets its fiscal house in order.” **Paul Menzel, President & CEO, Financial Pacific Leasing, LLC**

Independent, Small Ticket

“I am optimistic about the future of the equipment finance industry. We continue to provide capital to the commercial markets and to fill many gaps in the traditional "bank" driven lending process. We have seen a late increase in business this month but expect that to be impacted in the new year if the negotiations in Washington do not end successfully.” **Valerie Hayes Jester, President, Brandywine Capital Associates, Inc.**

Bank, Middle Ticket

“U.S. businesses are taking a "wait and see" attitude with respect to capital expenditures due to the pending "fiscal cliff". Until this issue is resolved the general economy and equipment finance activity will remain somewhat stagnant.” **Thomas Jaschik, President, BB&T 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.

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

How may I access the MCI-EFI?

Survey results are posted on the Foundation website, <http://www.leasefoundation.org/IndRsrcs/MCI/>, included in the [Foundation Forecast newsletter](#) 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 and follow us on Twitter @LeaseFoundation.

Follow the Foundation:

Facebook: Equipment Leasing & Finance Foundation

Linked In: <http://www.linkedin.com/groups?gid=89692>