

Equipment Leasing and Finance Industry Confidence Eases in April

Washington, DC, April 20, 2017 — The **Equipment Leasing & Finance Foundation** (the Foundation) releases the April 2017 **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 \$1 trillion equipment finance sector. Overall, confidence in the equipment finance market is 65.8, easing from the March index of 71.1.

When asked about the outlook for the future, MCI-EFI survey respondent **Paul Menzel, President & CEO, Financial Pacific Leasing, Inc., an Umpqua Bank Company**, said, “I believe our industry is in a good place given portfolio performance, access to capital and general economic stability. However, the supply and demand imbalance is causing spreads to stay compressed and credit requirements to be relaxed in order to meet growth expectations. This equation is not healthy in the long run.”

April 2017 Survey Results:

The overall MCI-EFI is 65.8, a decrease from the March index of 71.1.

- When asked to assess their business conditions over the next four months, 36.7% of executives responding said they believe business conditions will improve over the next four months, a decrease from 70% in March. 63.3% of respondents believe business conditions will remain the same over the next four months, an increase from 20% in March. None believe business conditions will worsen, a decrease from 10% the previous month.
- 40% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 70% in March. 56.7% believe demand will “remain the same” during the same four-month time period, up from 20% the previous month. 3.3% believe demand will decline, down from 10% who believed so in March.
- 16.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, unchanged from March. 80% of executives indicate they expect the “same” access to capital to fund business, and 3.3% expect “less” access to capital, both also unchanged from last month.
- When asked, 40% of the executives report they expect to hire more employees over the next four months, a decrease from 43.3% in March. 53.3% expect no change in headcount over the next four months, unchanged from last month. 6.7% expect to hire fewer employees, up from 3.3% in March.
- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from last month. 100% of the leadership evaluate the current U.S. economy as “fair,” and none evaluate it as “poor,” both also unchanged from March.
- 46.7% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 60% in March. 53.3% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 36.7% the previous month. None believe economic conditions in the U.S. will worsen over the next six months, down from 3.3% who believed so last month.
- In April, 46.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 50% in March. 53.3% believe there will be “no change” in business development spending, an increase from 50% the previous month. None believe there will be a decrease in spending, unchanged from last month.

April 2017 MCI-EFI Survey Comments from Industry Executive Leadership:

Bank, Small Ticket

“Small business optimism makes me optimistic, but I am still concerned about margin compression and strong competition that continues to erode as rates increase.” **David Normandin, Managing Director, Commercial Finance Group, Hanmi Bank**

Independent, Small Ticket

“Even though job growth slowed in March the long-term gains in jobs should drive equipment demand.” **David T. Schaefer, CEO, Mintaka Financial, LLC**

Bank, Middle Ticket

“The specter of the national economy has become less of an issue. This has led to more optimism and capital expenditures for equipment.” **Harry Kaplun, President, Specialty Finance, Frost Bank**

Bank, Middle Ticket

“We are beginning to see some green shoots within certain sectors of the agriculture industry with large expansion opportunities. This is in contrast to the cash grain sector where we continue to see a pull back in investment. Overall, we are cautiously bullish that we will experience year over year new placement growth.” **Michael Romanowski, President, Farm Credit Leasing Services Corporation**

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/research/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.

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About the Foundation

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring

thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. Funded through charitable individual and corporate donations, the Foundation focuses on the development of in-depth, independent research and resources for the advancement of equipment finance industry knowledge. Visit the Foundation online at <http://www.LeaseFoundation.org>.

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