

Equipment Lease Finance Industry Confidence Improves In January

Washington, DC, January 23, 2012 — The Equipment Leasing & Finance Foundation (the Foundation) releases the January 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 \$628 billion equipment finance sector. Overall, confidence in the equipment finance market is 59.0, an increase from the December index of 57.2, indicating improved optimism about business activity amid continuing concerns about the global economic situation.

When asked about the outlook for the future, survey respondent Elaine Temple, President, Bancorpsouth Equipment Finance, said it is good, but commented, “Customers are still replacing equipment out of necessity rather than growth. Until the European debt problems have a clearer resolution and the U.S. elections are decided, business is on the sidelines.”

January 2012 Survey Results:

The overall MCI-EFI is 59.0, an increase from the December index of 57.2.

- When asked to assess their business conditions over the next four months, 18.4% of executives responding said they believe business conditions will improve over the next four months, down from 22.2% in December. 76.3% of respondents believe business conditions will remain the same over the next four months, up from 75.7% in December. 5.3% of executives believe business conditions will worsen, an increase from 2.8% in December.
- 18.4% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 19.4% in December. 76.3% believe demand will “remain the same” during the same four-month time period, down from 80.6% the previous month. 5.3% believe demand will decline, up from none who believed so in December.
- 21.1% of executives expect more access to capital to fund equipment acquisitions over the next four months, down from 22.2% in December. 78.9% of survey respondents indicate they expect the “same” access to capital to fund business, an increase from 75.0% the previous month. No survey respondents expect “less” access to capital, down from 2.8% in December.
- When asked, 31.62% of the executives reported they expect to hire more employees over the next four months, up from 22.2% in December. 63.2% expect no change in headcount over the next four months, a decrease from 69.4% last month, while 5.3% expect fewer employees, down from 8.3% in December.
- 89.5% of the leadership evaluates the current U.S. economy as “fair,” an improvement from 75.0% last month. 10.5% rate it as “poor,” also improved from 25.0% in December.
- 21.1% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 19.4% in December. 78.9% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, up slightly from 77.8% in December. No one responded that they believe economic conditions in the U.S. will worsen over the next six months, a decrease from 2.8% who believed so last month.
- In January, 34.2% of respondents indicate they believe their company will increase spending on business development activities during the next six months, up from 22.2% in December. 65.8% believe there will be “no change” in business development spending, down from 77.8% last month, and no one believes there will be a decrease in spending, unchanged from last month.

January 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.

Bank, Middle Ticket

“Business continues to improve but not in a robust manner. Replacement equipment along with some strategic capital investments are driving the improvements. Several historically active equipment segments remain flat.” Harry Kaplun, President, Frost Equipment Leasing and Finance

Independent, Small Ticket

“The industry has lent effectively through the recession and recovery and continues to play a strong role as businesses start to replace outdated equipment and undertake expansion plans. In the small ticket segment, we see opportunities that had not been present over the past few years. We view recent fourth quarter 2011 activity as a sign that 2012 may be the best year we have seen in the past three.” Valerie Hayes, Jester, President, Brandywine Capital Associates, Inc.

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.

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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>.

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