

## Equipment Lease Finance Industry Confidence Up in March

Washington, DC, March 23, 2012 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the March 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 61.7, up from the February index of 59.6, indicating industry participants are optimistic despite concerns that external factors, including gas prices and the upcoming elections, may have on the market.

When asked about the outlook for the future, MCI survey respondent **Valerie Jester, President, Brandywine Capital Associates, Inc.**, commented, “I still remain optimistic, but it seems that increasing gas prices, looming elections, and lack of comfort with future government regulation have created a rather sluggish first quarter as far as the small business marketplace is concerned. We had hoped to see sustained momentum from strong fourth quarter activity, but it has yet to appear.”

### **March 2012 Survey Results:**

The overall MCI-EFI is 61.7, an increase from the February index of 59.6.

- When asked to assess their business conditions over the next four months, 28.9% of executives responding said they believe business conditions will improve over the next four months, up from 23.5% in February. 71.1% of respondents believe business conditions will remain the same over the next four months, down from 73.5% in February. No one responded they believe business conditions will worsen, a decrease from 2.9% in February.
- 34.2% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 26.5% in February. 65.8% believe demand will “remain the same” during the same four-month time period, down from 67.6% the previous month. No one responded they believe demand will decline, down from 5.9% who believed so in February.
- 21.1% of executives expect more access to capital to fund equipment acquisitions over the next four months, up from 20.6% in February. 78.9% of survey respondents indicate they expect the “same” access to capital to fund business, a decrease from 79.4% the previous month. No survey respondents expect “less” access to capital, unchanged from February.
- When asked, 28.9% of the executives reported they expect to hire more employees over the next four months, up from 26.5% in February. 63.2% expect no change in headcount over the next four months, a decrease from 70.6% last month, while 7.9% expect fewer employees, up from 2.9% in February.

- 89.5% of the leadership evaluates the current U.S. economy as “fair,” down from 91.2% last month. 10.5% rate it as “poor,” up from 8.8% in February.
- 31.6% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 26.5% in February. 63.2% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, down from 70.6% in February. 5.3% responded that they believe economic conditions in the U.S. will worsen over the next six months, an increase from 2.9% who believed so last month.
- In March, 28.9% of respondents indicate they believe their company will increase spending on business development activities during the next six months, up from 26.5% in February. 71.1% believe there will be “no change” in business development spending, down from 73.5% last month, and no one believes there will be a decrease in spending, unchanged from last month.

### **March 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**

“I am feeling very positive about the industry and hopeful of expansion as the economy grows over the next year.” **Anthony Cracchiolo, President and CEO, Vendor Services, U.S. Bancorp Equipment Finance**

#### **Independent, Small Ticket**

“Demand is steady and we expect it will remain so through 2012. We are expecting the election to have a chilling effect on business decision makers and this will likely hold demand down at moderate levels throughout the year. Portfolio quality remains excellent but we believe this has bottomed out and we will begin seeing a very slow rise in delinquencies as they work back to a more normal level.” **David Schaefer, President, Orion First Financial, LLC**

#### **Independent, Micro Ticket**

“While capital and portfolio performance issues are behind us, the growth story for our industry continues to be fragmented. Larger companies are the leading source of growth while the small/micro ticket segment continues to be influenced by the consumer segment with muted demand and aversion to debt. Until consumers open up their wallets, the small/micro ticket segment, and the general economy, will continue to sputter.” **Paul Menzel, President and CEO, Financial Pacific Leasing, LLC**

### **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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