

Equipment Lease Finance Industry Confidence Dips in May

Washington, DC, May 21, 2012 -- The **Equipment Leasing & Finance Foundation** (the Foundation) releases the May 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 59.2, down slightly from the April index of 62.1, reflecting uncertainty about the pace of U.S. economic growth and concerns about global political and economic factors.

When asked about the outlook for the future, MCI survey respondent **Russ Nelson, President, Farm Credit Leasing**, commented, “Demand for loans and leases in the industries we serve remains closely tied to external economic factors and conditions, many of which remain volatile and uncertain for the remainder of 2012. Year-to-date activity for equipment has remained strong and we are cautiously optimistic concerning the next eight months.”

May 2012 Survey Results:

The overall MCI-EFI is 59.2, down from the April index of 62.1.

- When asked to assess their business conditions over the next four months, 17.1% of executives responding said they believe business conditions will improve over the next four months, down from 23.5% in April. 77.1% of respondents believe business conditions will remain the same over the next four months, up from 76.5% in April. 5.7% believe business conditions will worsen, up from none the previous month.
- 20% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 23.5% in April. 77.1% believe demand will “remain the same” during the same four-month time period, up from 76.5% the previous month. 2.9% believe demand will decline, up from none in April.
- 25.7% of executives expect more access to capital to fund equipment acquisitions over the next four months, down from 26.5% in April. 74.3% of survey respondents indicate they expect the “same” access to capital to fund business, an increase from 73.5% the previous month. No survey respondents expect “less” access to capital, unchanged from April.
- When asked, 31.4% of the executives reported they expect to hire more employees over the next four months, down from 32.4% in April. 62.9% expect no change in headcount over the next four months, a decrease from 67.6% last month, while 5.7% expect fewer employees, up from none in April.
- 88.6% of the leadership evaluates the current U.S. economy as “fair,” up slightly from 88.2% last month. 11.4% rate it as “poor,” down slightly from 11.8% in April.

- 22.9% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, down from 29.4% in April. 65.7% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, down from 70.6% in April. 11.4% believe economic conditions in the U.S. will worsen over the next six months, an increase from none who believed so last month.
- In April, 37.1% of respondents indicate they believe their company will increase spending on business development activities during the next six months, up from 35.3% in April. 62.9% believe there will be “no change” in business development spending, down from 64.7% last month, and no one believes there will be a decrease in spending, unchanged from last month.

May 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, Small Ticket

“We continue to experience a weaker demand level than we would have expected at this time. Small business owners seem reluctant to invest in business equipment expansion. After the robust end to 2011, we were hopeful that our customers were ready again to take on new equipment, and with such low interest rates still in place, the financing that we provide. It seems as though, absent stimulus, growth is flat. My concern is that we could see this trend continue until after the elections in November.” **Valerie Hayes Jester, President, Brandywine Capital Associates**

Bank, Small Ticket

“Equipment leasing continues to increase as the economy in the United States continues to improve, albeit at a measured pace, especially for small to medium sized businesses. When companies do invest, they are looking for total solutions beyond just the equipment and including all the services that surround it. Those equipment providers that can provide total service-related solutions are seeing a new segment of growth for their business and equipment leasing is an important component of this total solution by providing capital while leveraging expertise in billing and services.” **Ron Arrington, Global President, Vendor Finance, CIT**

Bank, Middle Ticket

“Generally equipment finance is continuing to improve. Some industries like energy and energy-related are particularly robust. Other traditional equipment industries like construction are slowly improving.” **Harry Kaplun, President, Frost Equipment Leasing and Finance**

“We are cautiously optimistic about the improving, short-term opportunity for equipment finance companies serving, large creditworthy borrowers in the United States.” **Bill Verhelle, CEO, First American Equipment Finance, a City National Bank Company**

“Many global political and economic headwinds are causing lack of growth. Demand for quality equipment finance transactions is high and there is too much money chasing too few quality deals and as such spreads continue to be pressured.” **Anonymous**

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.

###

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.

Follow the Foundation:

Twitter @ LeaseFoundation

Facebook: Equipment Leasing & Finance Foundation

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