

## Equipment Lease Finance Industry Confidence Improved in July

Washington, DC, July 23, 2012 -- The **Equipment Leasing & Finance Foundation** (the Foundation) releases the July 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 51.5, up from the June index of 48.5, and reflects continuing concern over external economic factors and regulatory and political uncertainty.

When asked about the outlook for the future, MCI survey respondent **Russell D. Nelson, President, Farm Credit Leasing Services Corporation**, said, "Continued volatility/uncertainty at home and abroad may inhibit planned/needed capital expenditures during the next six months, but low interest rates and tax incentives will enable our industry to generate modest increases in asset volume and profitability through the remainder of 2012." He added, "Improving credit quality, stable earnings, and demand for innovative/creative lease and loan products should position our industry for improved growth in 2013 and beyond."

### **July 2012 Survey Results:**

The overall MCI-EFI is 51.5, up from the June index of 48.5.

- When asked to assess their business conditions over the next four months, 6.5% of executives responding said they believe business conditions will improve over the next four months, down from 8.1% in June. 71% of respondents believe business conditions will remain the same over the next four months, up from 64.9% in June. 22.6% believe business conditions will worsen, down from 27% the previous month.
- 12.9% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 8.1% in June. 71% believe demand will "remain the same" during the same four-month time period, up from 64.9% the previous month. 16.1% believe demand will decline, down from 27% in June.
- 19.4% of executives expect more access to capital to fund equipment acquisitions over the next four months, up from 10.8% in June. 77.4% of survey respondents indicate they expect the "same" access to capital to fund business, a decrease from 86.5% the previous month. 3.2% survey respondents expect "less" access to capital, up from 2.7% who expected less access in June.
- When asked, 35.5% of the executives reported they expect to hire more employees over the next four months, up from 24.3% in June. 64.5% expect no change in headcount over the next four months, virtually unchanged from 64.9% last month, while no one expects fewer employees, down from 10.8% in June.
- 71% of the leadership evaluates the current U.S. economy as "fair," down from 78.4% last month. 29% rate it as "poor," up from 21.6% in June.

- 9.7% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 8.1% in June. 71% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, up from 64.9% in June. 19.4% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 27% who believed so last month.
- In July, 25.8% of respondents indicate they believe their company will increase spending on business development activities during the next six months, down from 29.7% in June. 71% believe there will be “no change” in business development spending, up slightly from 70.3% last month, and 3.2% believe there will be a decrease in spending, up from no one who believed so last month.

### **July 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**

“The long view is bullish for our industry. In the short run, however, I believe we will see sluggish demand unless and until the consumer side of our economy feels more secure about their financial well being and starts to spend more freely.” **Paul Menzel, President and CEO, Financial Pacific Leasing, LLC**

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

“Businesses are showing some reluctance to expand or invest in new capital equipment due to the extremely slow economic recovery. It seems like we are in a wait-and-see mode.” **David T. Schaefer, President, Orion First Financial, LLC**

#### **Bank, Middle Ticket**

“For 2012, I would expect the industry to finish slightly above 2011 levels. However, long-term prosperity for equipment finance and the economy in general will hinge upon the outcome of the November election.” **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.

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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 [www.LeaseFoundation.org](http://www.LeaseFoundation.org).

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