

Equipment Lease Finance Industry Confidence Remains Steady in October

Washington, DC, October 22, 2012 -- The **Equipment Leasing & Finance Foundation** (the Foundation) releases the October 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 53.3, relatively unchanged from the September index of 53.0, reflecting steady industry confidence despite economic, political and regulatory concerns.

When asked about the outlook for the future, MCI survey respondent **Harry Kaplun, President, Frost Equipment Leasing and Finance**, said, “Near term, results will continue to be strong. In the longer term, significant variables like accounting rules, depreciation rates and cost of funds will change the landscape.”

October 2012 Survey Results:

The overall MCI-EFI is 53.3, up from the September index of 53.0.

- When asked to assess their business conditions over the next four months, 8.6% of executives responding said they believe business conditions will improve over the next four months, relatively unchanged from 8.8% in September. 74.3% of respondents believe business conditions will remain the same over the next four months, up from 73.5% in September. 17.1% believe business conditions will worsen, down from 17.6% 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, an increase from 11.8% in September. 57.1% believe demand will “remain the same” during the same four-month time period, down from 76.5% the previous month. 22.9% believe demand will decline, up from 11.8% in September.
- 20% of executives expect more access to capital to fund equipment acquisitions over the next four months, up from 14.7% in September. 80% of survey respondents indicate they expect the “same” access to capital to fund business, a decrease from 85.3% the previous month. No survey respondents expect “less” access to capital, unchanged from September.
- When asked, 34.3% of the executives reported they expect to hire more employees over the next four months, up from 29.4% in September. 57.1% expect no change in headcount over the next four months, down from 67.6% last month. 8.6% expect fewer employees, up from 2.9% of respondents who expected fewer employees in September.
- 65.7% of the leadership evaluates the current U.S. economy as “fair,” down from 76.5% last month. 34.3% rate it as “poor,” up from 23.5% in September.

- 8.6% of survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 5.9% in September. 77.1% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, down from 79.4% in September. 14.3% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 14.7% who believed so last month.
- In October, 37.1% of respondents indicate they believe their company will increase spending on business development activities during the next six months, up from 29.4% in September. 62.9% believe there will be “no change” in business development spending, down from 70.6% last month, and no one believes there will be a decrease in spending, unchanged from last month.

October 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

“As an industry we are fine. However, the economy is limping along in a tortured recovery. We need our politicians to govern as a team and resolve some structural imbalances.” **Paul Menzel, President and Chief Executive Officer, Financial Pacific Leasing, LLC**

Independent, Small Ticket

“The industry continues to fuel what growth is occurring in the marketplace. Strong availability of capital continues to compress margins while quality of submissions and portfolio remain strong. Our customers in the small ticket sector need more certainty in the economy before they begin to hire and invest in their business in any widespread fashion.” **Valerie Hayes Jester, President, Brandywine Capital Associates, Inc.**

Bank, Middle Ticket

“The equipment finance industry is a critical source of capital and structure for the U.S. I expect the economy to remain soft, but positive. At the same time I expect there to continue to be growth in the equipment finance industry.” Executive, Bank, Middle Ticket

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.