

## Equipment Leasing and Finance Industry Confidence Eases in May Amid U.S. Political Concerns

Washington, DC, May 19, 2016 -- The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the May 2016 [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 \$1 trillion equipment finance sector. Overall, confidence in the equipment finance market eased to 55.1 from the April index of 59.1 after two consecutive months of increases. Concerns about the impact of the U.S. political scene were top of mind among respondents.

When asked about the outlook for the future, MCI-EFI survey respondent **Valerie Hayes Jester, President, Brandywine Capital Associates, Inc.**, said, "Application activity has been strong in the last 30 days, but I suspect that is pent-up demand from customers who delayed equipment purchases in the last quarter. Rates continue to be low and credit approvals are not a factor. It is more the reluctance of the small business owner to make expansion decisions given our current political environment that concerns me."

### **May 2016 Survey Results:**

The overall MCI-EFI is 55.1, a decrease from the April index of 59.1.

- When asked to assess their business conditions over the next four months, 16.1% of executives responding said they believe business conditions will improve over the next four months, an increase from 12.1% in April. 67.7% of respondents believe business conditions will remain the same over the next four months, a decrease from 75.8% in April. 16.1% believe business conditions will worsen, an increase from 12.1% the previous month.
- 16.1% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 15.2% in April. 61.3% believe demand will "remain the same" during the same four-month time period, down from 66.7% the previous month. 22.6% believe demand will decline, an increase from 18.2% who believed so in April.
- 19.4% of executives expect more access to capital to fund equipment acquisitions over the next four months, a decrease from 24.2% in April. 74.2% of survey respondents indicate they expect the "same" access to capital to fund business, a decrease from 75.8% the previous month. 6.5% expect "less" access to capital, an increase from none last month.
- When asked, 48.4% of the executives report they expect to hire more employees over the next four months, a decrease from 51.5% in April. 48.4% expect no change in headcount over the next four months, an increase from 45.5% last month. 3.2% expect to hire fewer employees, relatively unchanged from April.
- None of the leadership evaluates the current U.S. economy as "excellent," a decrease from 3.0% last month. 96.8% of the leadership evaluate the current U.S. economy as "fair," relatively unchanged from April. 3.2% rate it as "poor," an increase from none the previous month.

- 6.5% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 3.0% who believed so in April. 64.5% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 87.9% the previous month. 29.0% believe economic conditions in the U.S. will worsen over the next six months, an increase from 9.1% who believed so last month.
- In May, 38.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 54.5% in April. 58.1% believe there will be “no change” in business development spending, an increase from 45.5% the previous month. 3.2% believe there will be a decrease in spending, an increase from none who believed so last month.

### **May 2016 MCI-EFI Survey Comments from Industry Executive Leadership:**

#### Independent, Small Ticket

“Originations have been strong but we are concerned that there are signs of a slow-down economically. This, combined with the political scene, makes us less optimistic than we have been these past few quarters.” **David T. Schaefer, CEO, Mintaka Financial, LLC**

#### Bank, Small Ticket

“The U.S. economy is stable with low interest rates serving as a prop. My concerns are with foreign economies and our own political landscape and how those will factor into the next 12 months.” **Paul Menzel, President & CEO, Financial Pacific Leasing, LLC**

#### Independent, Middle Ticket

“Business volumes remain positive to budget, but competition and rate compression continue. My concern is in how the upcoming election will affect markets and consumer/business attitudes.” **William H. Besgen, Senior Advisor, Vice Chairman Emeritus, Hitachi Capital America Corp.**

#### Bank, Middle Ticket

“I look for the second quarter to show improved industry results over the first quarter, but less than 2015. I believe the second half of 2016 will have a bit more uncertainty as the presidential election draws near.” **Thomas Jaschik, President, BB&T Equipment Finance**

### **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/research/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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### **About the Foundation**

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. Funded through charitable individual and corporate donations, the Foundation focuses on the development of in-depth, independent research and resources for the advancement of equipment finance industry knowledge. Visit the Foundation online at <http://www.LeaseFoundation.org>.

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