

## Equipment Leasing and Finance Industry Confidence Improves in August

Washington, DC, August 18, 2016 — The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the August 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 is 54.8, an increase from the July index of 52.5.

When asked about the outlook for the future, MCI-EFI survey respondent **Adam D. Warner, President, Key Equipment Finance**, said, “There seems to be a general slowdown in capital asset acquisitions. There is enough negative overhang and fallout from the U.S. presidential campaign combined with continued concerns about Europe and China that have businesses unsure about investments in growth.”

### August 2016 Survey Results:

The overall MCI-EFI is 54.8, an increase from the July index of 52.5.

- When asked to assess their business conditions over the next four months, 10.0% of executives responding said they believe business conditions will improve over the next four months, a decrease from 12.1% in July. 80.0% of respondents believe business conditions will remain the same over the next four months, an increase from 75.8% in July. 10.0% believe business conditions will worsen, a decrease from 12.1% the previous month.
- 13.3% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, an increase from 12.1% in July. 70.0% believe demand will “remain the same” during the same four-month time period, up from 57.6% the previous month. 16.7% believe demand will decline, a decrease from 30.3% who believed so in July.
- 13.3% of executives expect more access to capital to fund equipment acquisitions over the next four months, a decrease from 15.2% in July. 80.0% of survey respondents indicate they expect the “same” access to capital to fund business, an increase from 78.8% the previous month. 6.7% expect “less” access to capital, an increase from 6.1% last month.
- When asked, 40.0% of the executives report they expect to hire more employees over the next four months, an increase from 30.3% in July. 50.0% expect no change in headcount over the next four months, a decrease from 63.6% last month. 10.0% expect to hire fewer employees, up from 6.1% in July.
- None of the leadership evaluates the current U.S. economy as “excellent,” unchanged from last month. 90.0% of the leadership evaluate the current U.S. economy as “fair,” a decrease from 100% last month. 10% evaluate it as “poor,” an increase from none in July.
- None of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 3.0% in July. 96.7% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 78.8% the previous month. 3.3% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 18.2% who believed so last month.
- In August, 40.0% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 36.4% in July. 60.0% believe there will be “no change” in business development spending, relatively unchanged from 60.6% the previous month. None believe there will be a decrease in spending, a decrease from 3.0% who believed so last month.

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

### **Bank, Small Ticket**

"I am concerned about slow to no growth in an election year with increasing delinquency and bad debt. Consolidation brings opportunities on a small scale and is challenging on a large scale." **David Normandin, Managing Director, Commercial Finance Group, Banc of California**

### **Independent, Middle Ticket**

"While the employment numbers look positive, the recent GDP number seems anemic. Growth in new business volumes has softened and there is a slight uptick in delinquencies, despite aggressive collections efforts. The outlook is unclear." **William H. Besgen, Senior Advisor, Vice Chairman Emeritus, Hitachi Capital America Corp.**

### **Bank, Middle Ticket**

"We continue to see a pull-back in capital investment for the sectors we serve, especially the cash grain sector. We continue to see opportunities with solar and facility-based financing for those customers looking to take advantage of tax credits and growth opportunities for industries not impacted by low commodity prices." **Michael Romanowski, President, Farm Credit Leasing Services Corporation**

### **Bank, Large Ticket**

Though the market remains competitive, we continue to see financing opportunities from our client base. Concerns over the outcome of the elections could impact spending in the short term." **Thomas Partridge, President, Fifth Third 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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