

Equipment Leasing and Finance Industry Confidence Eases in October

Washington, DC, October 23, 2018 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the October 2018 **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 in October to 63.2, a decrease from the September index of 65.5.

When asked about the outlook for the future, MCI-EFI survey respondent **Harry Kaplun, President, Specialty Finance, Frost Bank**, said, “Business optimism is apparent in all sectors, which leads to more capital spending. While there is some caution with large expansions, most companies are willing to spend on equipment to grow.”

October 2018 Survey Results:

The overall MCI-EFI is 63.2, a decrease from 65.5 in September.

- When asked to assess their business conditions over the next four months, 18.5% of executives responding said they believe business conditions will improve over the next four months, an increase from 17.9% in September. 81.5% of respondents believe business conditions will remain the same over the next four months, a decrease from 82.1% the previous month. None believe business conditions will worsen, unchanged from the previous month.
- 25.9% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a decrease from 35.7% in September. 70.4% believe demand will “remain the same” during the same four-month time period, an increase from 64.3% the previous month. 3.7% believe demand will decline, up from none who believed so in September.
- 14.8% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 10.7% in September. 85.2% of executives indicate they expect the “same” access to capital to fund business, a decrease from 89.3% last month. None expect “less” access to capital, unchanged from last month.
- When asked, 44.4% of the executives report they expect to hire more employees over the next four months, a decrease from 50% in September. 48.2% expect no change in headcount over the next four months, a decrease from 50% last month. 7.4% expect to hire fewer employees, up from none last month.
- 51.9% of the leadership evaluate the current U.S. economy as “excellent,” 48.2% of the leadership evaluate the current U.S. economy as “fair,” and none evaluate it as “poor,” all unchanged from last month.
- 11.1% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, unchanged from September. 74.1% of survey respondents indicate they

believe the U.S. economy will “stay the same” over the next six months, a decrease from 85.2% the previous month. 14.8% believe economic conditions in the U.S. will worsen over the next six months, an increase from 3.7% in September.

- In October, 44.4% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 40.7% in September. 55.6% believe there will be “no change” in business development spending, a decrease from 59.3% the previous month. None believe there will be a decrease in spending, unchanged from last month.

October 2018 MCI-EFI Survey Comments from Industry Executive Leadership:

Independent, Small Ticket

“I’m optimistic because we are at full employment, and I believe small businesses will look to capital equipment to make their workers more efficient since hiring is more difficult. I’m concerned about political instability.” **Quentin Cote, CLFP, President, Mintaka Financial, LLC**

Bank, Middle Ticket

“The fourth quarter will be a good barometer to how our customers are using tax reform to manage their tax positions. We expect that many customers will be advised by their tax advisors to increase their use of leasing resulting in an increase in year-end purchase leaseback activity.” **Michael Romanowski, President, Farm Credit Leasing Services Corporation**

Bank, Middle Ticket

“A change in a congressional majority in the upcoming mid-terms will make decision making at the federal level go from frantic to inoperable.” **Adam Warner, President, Key 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, <https://www.leasefoundation.org/industry-resources/monthly-confidence-index/>, included in the Foundation Forecast eNewsletter, 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 that propels the equipment finance sector—and its people—forward through industry specific knowledge, intelligence, and programs that contribute to industry innovation, individual careers, and the overall betterment of the equipment leasing and finance industry. The Foundation is funded through charitable individual and corporate donations. Learn more at www.leasefoundation.org.
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