

Equipment Leasing and Finance Industry Confidence Eases Further in January

Washington, DC, January 17, 2018 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the January 2019 **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 further in January to 53.4, a decrease from the December index of 55.5.

When asked about the outlook for the future, MCI-EFI survey respondent **Thomas Jaschik, President, BB&T Equipment Finance**, said, “I believe economic conditions in 2019 will be less favorable than 2018. As such, I expect the equipment finance industry to continue its growth, although at a lesser pace than the prior two years. Excess market liquidity will continue to adversely impact margins and will have a long-term impact on industry profitability. Creativity and efficiency will be key to future success.”

January 2019 Survey Results:

The overall MCI-EFI is 53.4, a decrease from 55.5 in December.

- When asked to assess their business conditions over the next four months, 10% of executives responding said they believe business conditions will improve over the next four months, a decrease from 13.8% in December. 70% of respondents believe business conditions will remain the same over the next four months, an increase from 65.5% the previous month. 20% believe business conditions will worsen, down slightly from 20.7% who believed so the previous month.
- 3.3% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, a slight decrease from 3.5% in December. 80% believe demand will “remain the same” during the same four-month time period, an increase from 79.3% the previous month. 16.7% believe demand will decline, down from 17.2% who believed so in December.
- 21.4% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 17.2% in December. 78.6% of executives indicate they expect the “same” access to capital to fund business, an increase from 75.9% last month. None expect “less” access to capital, down from 6.9% last month.
- When asked, 33.3% of the executives report they expect to hire more employees over the next four months, a decrease from 44.8% in December. 53.3% expect no change in headcount over the next four months, an increase from 44.8% last month. 13.3% expect to hire fewer employees, up from 10.3% last month.
- 36.7% of the leadership evaluate the current U.S. economy as “excellent,” a decrease from 41.4% in December. 63.3% of the leadership evaluate the current U.S. economy as “fair,” an increase from 58.6% last month. None evaluate it as “poor,” unchanged from last month.

- 10% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, down slightly from 10.7% in December. 50% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 53.6% the previous month. 40% believe economic conditions in the U.S. will worsen over the next six months, an increase from 35.7% in December.
- In January, 26.7% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 42.9% last month. 73.3% believe there will be “no change” in business development spending, an increase from 57.1% in December. None believe there will be a decrease in spending, unchanged from last month.

January 2019 MCI-EFI Survey Comments from Industry Executive Leadership:

Bank, Small Ticket

“The industry has sufficient liquidity at relatively low cost. While there continues to be slack and uncertainty in business investment, fundamentals in the economy are still positive.” **Paul Menzel, CLFP, President and CEO, Financial Pacific Leasing, Inc., an Umpqua Bank Company**

Independent, Small Ticket

“Businesses seem more cautious to continue expansion until the environment in Washington and the stock market becomes more stable. The government shutdown continues to emphasize the incredible polarization that exists in our government. This type of environment makes it difficult to consider investment in equipment.” **Valerie Hayes Jester, President, Brandywine Capital Associates**

Bank, Middle Ticket

“Fundamentally business and the economy remain strong. Areas of concern in the future like foreign trade, interest rates, and government spending cast a cloud that brings caution to expansion plans.” **Harry Kaplun, President, Specialty Finance, Frost Bank**

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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