

Equipment Leasing and Finance Industry Confidence Increases in February

Washington, DC, February 14, 2019 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the February 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 increased in February to 56.7, an increase from the January index of 53.4.

When asked about the outlook for the future, MCI-EFI survey respondent **Frank Campagna, Business Line Manager, M&T Commercial Equipment Finance**, said, “Our optimism in the economy requires putting a blind eye to the current political climate with the hope that sensible minds will prevail; we are seeing a demand in most industry sectors and geographic regions that we serve. Clients, especially in the transportation sector, are turning over equipment more frequently and are returning to using tax lease structures more than in the recent past. Clients are also more interested in discussing financing alternatives and engaging in the planning process with us early, which indicates a willingness and need to spend on capex.”

February 2019 Survey Results:

The overall MCI-EFI is 56.7, an increase from 53.4 in January.

- 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, unchanged from January. 83.3% of respondents believe business conditions will remain the same over the next four months, an increase from 70% the previous month. 6.7% believe business conditions will worsen, down from 20% who believed so 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 3.3% in January. 83.3% believe demand will “remain the same” during the same four-month time period, an increase from 80% the previous month. 3.3% believe demand will decline, down from 16.7% who believed so in January.
- 20.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, down from 21.4% in January. 79.3% of executives indicate they expect the “same” access to capital to fund business, an increase from 78.6% last month. None expect “less” access to capital, unchanged from last month.
- When asked, 26.7% of the executives report they expect to hire more employees over the next four months, a decrease from 33.3% in January. 56.7% expect no change in headcount over the next four months, an increase from 53.3% last month. 16.7% expect to hire fewer employees, up from 13.3% last month.

- 36.7% of the leadership evaluate the current U.S. economy as “excellent,” 63.3% of the leadership evaluate the current U.S. economy as “fair,” and none evaluate it as “poor,” all unchanged from last month.
- 13.3% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, up from 10% in January. 70% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 50% the previous month. 16.7% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 40% in January.
- In February, 20% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 26.7% last month. 80% believe there will be “no change” in business development spending, an increase from 73.3% in January. None believe there will be a decrease in spending, unchanged from last month.

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

Bank, Small Ticket

“Economic fundamentals are good and the financial condition of the banking industry is as sound as it has ever been. Biggest concerns are the absence of strong political leadership and how it might result in a Black Swan event.” **Paul Menzel, CLFP, President and CEO, Financial Pacific Leasing, Inc., an Umpqua Bank Company**

Independent, Small Ticket

“Low unemployment, low interest rates and rising wages are all positives. I'm concerned about continued trade wars, the uncertainty surrounding the partial government shutdown, and the fact we are increasing the deficit when the economy is booming, leaving no tools at the government's disposal should there be a downturn.” **Quentin Cote, CLFP, President, Mintaka Financial, LLC**

“We are seeing demand increase as the year progresses and the shutdown is temporarily off the table and not constantly in the news. Excess liquidity continues to keep margins compressed. Portfolio performance remained strong at the end of 2018 and we expect this trend to continue this year.” **Valerie Hayes Jester, President, Brandywine Capital Associates**

Bank, Middle Ticket

“We continue to face the head winds of low agriculture commodity prices and tariffs that persisted in 2018. Until there is a light at the end of the tunnel with tariffs and agriculture commodity prices improve, we expect capital expenditures by producers to be muted.” **Michael Romanowski, President, Farm Credit Leasing Services Corporation**

“Within the U.S. the positive trends continue. GDP and workforce growth along with a reasonably low cost of money are just some of the positive indicators.” **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 individual and corporate donations. Learn more at www.leasefoundation.org.

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Media Contact: Anneliese DeDiemar, ADeDiemar@leasefoundation.org