

## Equipment Leasing and Finance Industry Confidence Improves in May, New Data Reveal COVID-19 Impact

Washington, DC, May 14, 2020 – The **Equipment Leasing & Finance Foundation** (the Foundation) releases the May 2020 **Monthly Confidence Index for the Equipment Finance Industry** (MCI-EFI) today. The index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$900 billion equipment finance sector. Overall, confidence in the equipment finance market improved with an index of 25.8, up from the historic low in April of 22.3.

The Foundation also releases highlights of its newly launched [COVID-19 Impact Survey of the Equipment Finance Industry](https://www.leasefoundation.org/industry-resources/covid-impact-survey/), a monthly survey of industry leaders designed to track the impact of the coronavirus pandemic on the equipment finance industry. From 101 survey responses collected from May 4-8, results show that 93% of equipment finance companies have offered payment deferrals. A large majority (88%) of companies have not furloughed or laid off employees. Comments from survey respondents follow MCI-EFI survey comments below, and additional survey results are available at <https://www.leasefoundation.org/industry-resources/covid-impact-survey/>.

When asked about the outlook for the future, MCI-EFI survey respondent **Alan Sikora, CLFP, CEO, First American Equipment Finance, an RBC / City National Company**, said, “While there is currently much uncertainty in the world, the U.S. equipment leasing and finance industry has a history of resiliency during times of crisis. We will get through this, and many companies will innovate and emerge stronger.”

### May 2020 Survey Results:

The overall MCI-EFI is 25.8, an increase from 22.3 in April.

- When asked to assess their business conditions over the next four months, 3.3% of executives responding said they believe business conditions will improve over the next four months, down from 6.9% in April. 10% believe business conditions will remain the same over the next four months, an increase from none the previous month. 86.7% believe business conditions will worsen, a decrease from 93.1% in April.
- 6.7% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, relatively unchanged from April. 6.7% believe demand will “remain the same” during the same four-month time period, an increase from 3.5% the previous month. 86.7% believe demand will decline, a decrease from 89.7% in April.
- None of the respondents expect more access to capital to fund equipment acquisitions over the next four months, unchanged from April. 73.3% of executives indicate they expect the “same” access to capital to fund business, an increase from 53.6% last month. 26.7% expect “less” access to capital, a decrease from 46.4% the previous month.
- When asked, 16.7% of the executives report they expect to hire more employees over the next four months, an increase from 6.9% in April. 60% expect no change in headcount over the next four months, a decrease from 69% last month. 23.3% expect to hire fewer employees, down from 24.1% the previous month.

- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 10% of the leadership evaluate the current U.S. economy as “fair,” up from none in April. 90% evaluate it as “poor,” down from 100% last month.
- 20% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 27.6% in April. 30% indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 6.9% last month. 50% believe economic conditions in the U.S. will worsen over the next six months, down from 65.5% the previous month.
- In May, 23.3% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 17.2% last month. 33.3% believe there will be “no change” in business development spending, down from 48.3% in April. 43.3% believe there will be a decrease in spending, an increase from 34.5% last month.

#### **May 2020 MCI-EFI Survey Comments from Industry Executive Leadership:**

##### Bank, Middle Ticket

“We are seeing opportunities with customers who have not leased with us in the past as they look to conserve working capital. We are seeing an increase in restructure requests and would expect restructure requests to continue for the balance of the year.” **Michael Romanowski, President, Farm Credit Leasing**

##### Independent, Middle Ticket

“The actions by Congress and the Federal Reserve have gone a long way to increasing confidence in our economy and financial markets. This will be a long road, with losers and winners, and only time will tell how our economy and way of life is changed after this health crisis is resolved.” **Bruce J. Winter, President, FSG Capital, Inc.**

#### **Executive Comments from COVID-19 Impact Survey of the Equipment Finance Industry**

##### Other, Middle Ticket

“We focus on understanding how the critical use/revenue generating assets we lend against generate cash flow for our borrowers. A deeper understanding of the borrower's business helps correlate the collateral and credit risk with the ability to repay. These fundamentals won't change in the medium or long term but, to a certain degree, the current short-term impacts of COVID-19 cannot be mitigated in certain industries. To manage a diversified portfolio, we believe working with borrowers to fully understand how COVID-19 is currently impacting their business and may change their business going forward will be key to mitigating potential loss and recovery going forward.” **Aaron Foglesong, Managing Director, Indigo Direct Lending, LLC**

##### Bank, Middle Ticket

“In the short term, our focus is to help the recovery of clients by providing reasonable payment relief. In the medium term we will focus on staying firm on term, structures, marketable pricing, etc., so that our industry credit and business guidelines do not become inverted (too aggressive). In the long term we need to be prepared for service industries that will go through significant consolidation or contraction due to those smaller to mid-size clients who were not able to recover.” **Michael Urquhart, President and CEO, People's Capital and Leasing Corp.**

*To participate in the COVID-19 Impact Survey of the Equipment Finance Industry:* Survey responses are limited to one per company. If you did not receive a survey and would like to participate, please contact Stephanie Fisher, [sfisher@leasefoundation.org](mailto:sfisher@leasefoundation.org), by May 31 to determine eligibility for inclusion in the June survey.

## **ABOUT THE MCI**

### **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 academic outreach programs that contribute to industry innovation, individual careers, and the overall betterment of the \$900 billion equipment leasing and finance industry. The Foundation is funded through individual and corporate donations. Learn more at [www.leasefoundation.org](http://www.leasefoundation.org)

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