

Equipment Leasing and Finance Industry Confidence Steady in July, COVID-19 Impact Survey Data Reveal Deferral Rates and Default Expectations

Washington, DC, July 16, 2020 – The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the July 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 is 45.3, steady with the June index of 45.8.

The Foundation also releases highlights of the [COVID-19 Impact Survey of the Equipment Finance Industry](#), a monthly survey of industry leaders designed to track the impact of the coronavirus pandemic on the equipment finance industry. From 77 survey responses collected from July 1-11, results show that 95% of equipment finance companies have offered payment deferrals. 77% of companies expect that the default rate will be greater in 2020 than in 2019. A majority (83%) 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 Michael Romanowski, President, Farm Credit Leasing, said, “We continue to find solutions for our customers as they traverse through the COVID crisis. In some cases, we are providing leasing solutions to customers who have not considered leasing in the past. We expect these new relationships to continue to grow even after the pandemic has moved on.”

July 2020 Survey Results:

The overall MCI-EFI is 45.3, steady with the June index of 45.8.

- When asked to assess their business conditions over the next four months, 21.4% of executives responding said they believe business conditions will improve over the next four months, down from 37% in June. 50% believe business conditions will remain the same over the next four months, an increase from 18.5% the previous month. 28.6% believe business conditions will worsen, a decrease from 44.4% in June.
- 14.3% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, down from 18.5% in June. 64.3% believe demand will “remain the same” during the same four-month time period, an increase from 44.4% the previous month. 21.4% believe demand will decline, a decrease from 37% in June.
- 10.7% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 7.4% in June. 78.6% of executives indicate they expect the “same” access to capital to fund business, a decrease from 85.2% last month. 10.7% expect “less” access to capital, an increase from 7.4% the previous month.
- When asked, 7.1% of the executives report they expect to hire more employees over the next four months, relatively unchanged from 7.4% in June. 75% expect no change in headcount over the next four months, a decrease from 85.2% last month. 17.9% expect to hire fewer employees, up from 7.4% the previous month.

- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 39.3% of the leadership evaluate the current U.S. economy as “fair,” up from 22.2% in June. 60.7% evaluate it as “poor,” down from 77.8% last month.
- 25.9% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 55.6% in June. 55.6% indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 25.9% last month. 18.5% believe economic conditions in the U.S. will worsen over the next six months, unchanged from the previous month.
- In July, 21.4% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 14.8% last month. 57.1% believe there will be “no change” in business development spending, down from 74.1% in June. 21.4% believe there will be a decrease in spending, an increase from 11.1% last month.

July 2020 MCI-EFI Survey Comments from Industry Executive Leadership:

Bank, Small Ticket

“Business volume is strong and we are maintaining portfolio performance. Yields are better and COVID affected accounts continue to fall.” **David Normandin, CLFP, President and CEO, Wintrust Specialty Finance**

Independent, Small Ticket

“There’s little cause for optimism. I’m very concerned that continued coronavirus infections will cause rolling closures across the country.” **Quentin Cote, CLFP, President, Mintaka Financial, LLC**

Independent, Middle Ticket

“We are starting to see some spending, possibly pent-up demand, with businesses that had put acquisitions on hold at the onset of COVID-19. Stronger borrowers are looking to take advantage of the situation and tuck in, or otherwise acquire weaker competitors.” **Bruce J. Winter, President, FSG Capital, Inc.**

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

Captive, Small Ticket

“The gamble of deferring payments will either pay off or not in the next three months as we see how many of the deferred customers survive. We, a truck manufacturer captive, are more involved in ‘final mile’ delivery, and we see the next one to three years as being steady. Past that it is a guessing game. Everything depends on curbing the pandemic.” **Jim DeFrank, Executive Vice President and Chief Operating Officer, Isuzu Finance of America, Inc.**

Independent, Middle Ticket

“The short term will be challenging for many. By year end, I believe you will see a number of firms exit the business. However, adversity for some also provides opportunity for others. This is a resilient and innovative industry which will manage through these unprecedented times and endure over the long term.” **Nancy Pistorio, CLFP, President, Madison Capital LLC**

Independent, Middle Ticket

“Short term we are extremely focused on helping our clients navigate through the COVID-19 pandemic, and internally focused on leveraging technology to ensure we continue to deliver outstanding service to our clients. Many of our competitors have either ceased originating or scaled back their originations, which has resulted in new opportunities for our firm. Medium- to long-term we are focused on recruiting new talent, along with ‘A Players’ to ensure we are well positioned to meet our aggressive growth objectives.” **Samuel Smith, President, Customers Commercial Finance, LLC**

To participate in the COVID-19 Impact Survey of the Equipment Finance Industry: The Foundation invites all regular ELFA member companies to participate each month. 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, by July 31 to determine eligibility for inclusion in the August 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