

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

Washington, DC, August 20, 2020 – The [Equipment Leasing & Finance Foundation](#) (the Foundation) releases the August 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 48.4, an increase from the July index of 45.3.

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 98 survey responses collected from August 3-14, results show that 89% of equipment finance companies have offered payment deferrals, including extensions, modifications or restructuring. 76% of companies expect that the default rate will be greater in 2020 than in 2019, 19% expect it to be the same, and 5% expect it to be lower. A majority (81%) 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 **Brian Madison, President, TrinityRail Leasing & Management Services**, said, “To date, receivables have held up surprisingly well, which seems to indicate businesses were relatively healthy entering the crisis. The biggest concern is continued limited demand given the amount of uncertainty related to the spread of COVID-19.”

August 2020 Survey Results:

The overall MCI-EFI is 48.4, an increase from the July index of 45.3.

- When asked to assess their business conditions over the next four months, 24.1% of executives responding said they believe business conditions will improve over the next four months, up from 21.4% in July. 51.7% believe business conditions will remain the same over the next four months, an increase from 50% the previous month. 24.1% believe business conditions will worsen, a decrease from 28.6% in July.
- 13.8% of the survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, down from 14.3% in July. 65.5% believe demand will “remain the same” during the same four-month time period, an increase from 64.3% the previous month. 20.7% believe demand will decline, a decrease from 21.4% in July.
- 17.2% of the respondents expect more access to capital to fund equipment acquisitions over the next four months, up from 10.7% in July. 75.9% of executives indicate they expect the “same” access to capital to fund business, a decrease from 78.6% last month. 6.9% expect “less” access to capital, a decrease from 10.7% the previous month.
- When asked, 13.8% of the executives report they expect to hire more employees over the next four months, up from 7.1% in July. 69% expect no change in headcount over the next four months, a

decrease from 75% last month. 17.2% expect to hire fewer employees, down slightly from 17.9% the previous month.

- None of the leadership evaluate the current U.S. economy as “excellent,” unchanged from the previous month. 48.3% of the leadership evaluate the current U.S. economy as “fair,” up from 39.3% in July. 51.7% evaluate it as “poor,” down from 60.7% last month.
- 31% of the survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 25.9% in July. 44.8% indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 55.6% last month. 24.1% believe economic conditions in the U.S. will worsen over the next six months, up from 18.5% the previous month.
- In August, 31% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 21.4% last month. 48.3% believe there will be “no change” in business development spending, a decrease from 57.1% in July. 20.7% believe there will be a decrease in spending, down from 21.4% last month.

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

Bank, Small Ticket

“Increased certainty following the presidential election this year will increase confidence as will more informed clarity regarding the COVID pandemic.” **David Normandin, CLFP, President and CEO, Wintrust Specialty Finance**

Bank, Middle Ticket

“We are continuing to see opportunities in the marketplace. We have seen some delay on projects; however, we have also seen an increase in opportunities with customers who were considering paying for investments with cash and are now looking to finance.” **Michael Romanowski, President, Farm Credit Leasing**

“There are numerous industry sectors that are performing well during the pandemic and are requiring financing for new equipment needs. The pandemic continues to challenge our economy and no one knows for sure how long that will last, but we’ll continue to be there for our customers every day.” **John Wolfe, Group Manager, M&T Commercial Bank**

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

Independent, Small Ticket

“I believe a lot of small undercapitalized companies will be out of business in the very short term. The industry will recover because there will always be a need for new equipment to run businesses. Lenders will be more careful and commit more due diligence in doing business and the providers of the business will need more lenders to be able to fund deals.” **Steven Geller, CLFP, Owner, Leasing Solutions LLC**

Captive, Small Ticket

“The short term will see an increase in requests for financing. Corporations are looking to conserve cash, and lease financing is a great choice. Medium term will remain strong. The long term will be solid as

corporations will see the continued benefit of conserving cash and matching cash flows with the utility of the equipment.” **Walter Stranzl, President, OnPoint Capital LLC**

Bank, Small Ticket

“The short term will be challenging from a collection aspect. Certain industries continue to be depressed and I expect a rise in bankruptcies. I also expect asset values (revenue generating/hard assets) to further decline in value. A robust collection effort as well as strong partnerships with vendors and customers is required. Volume continues to be strong for well capitalized banks who wish to continue lending. There are opportunities for rate and loan growth in this time. The next one to three years should see a climb out of this situation; obviously an effective vaccine will have a huge impact on how the economy and people respond.” **Dan Thompson, SVP, Credit & Risk Management, Midland Equipment Finance**

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 August 31 to determine eligibility for inclusion in the September 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

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