

Equipment Finance Market Confidence Down

Equipment Leasing & Finance Foundation

Washington, DC, December 18, 2013 -- The Equipment Leasing & Finance Foundation released the December 2013 Monthly Confidence Index for the Equipment Finance Industry (MCI-EFI) yesterday. 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 \$827 billion equipment finance sector. Overall, confidence in the equipment finance market is 55.8, a decrease from the November index of 56.9, reflecting industry concerns over uncertainty regarding capital expenditures (capex) and competitive market pressures in 2014, among other issues.

When asked about the outlook for the future, MCI survey respondent Anthony Cracchiolo, President and Chief Executive Officer, Vendor Services, U.S. Bank Equipment Finance, said, "The overall environment continues to be driven by uncertainty. The equipment finance industry is stable with low single digit growth. The industry is well positioned to address increasing demand when the economy improves evidenced by a higher GDP growth rate. There are no indicators currently that suggest stronger growth in the near term."

December 2013 Survey Results:

The overall MCI-EFI is 55.8, a decrease from the November index of 56.9.

- When asked to assess their business conditions over the next four months, 12% of executives responding said they believe business conditions will improve over the next four months, down from 17.2% in November. 78.8% of respondents believe business conditions will remain the same over the next four months, down from 79.3% in November. 9% believe business conditions will worsen, up from 3.4% who believed so the previous month.
- 15.2% of survey respondents believe demand for leases and loans to fund capex will increase over the next four months, up from 13.8% in November. 78.8% believe demand will "remain the same" during the same four-month time period, up from 75.9% the previous month. 9% believe demand will decline, down from 10.3% who believed so in November.
- 24% of executives expect more access to capital to fund equipment acquisitions over the next four months, unchanged from November. 75.8% of survey respondents indicate they expect the "same" access to capital to fund business, up from 72.4% in November. No one expects "less" access to capital,

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down from 3.4% who expected less access in November.

- When asked, 27.3% of the executives reported they expect to hire more employees over the next four months, unchanged from November. 60.6% expect no change in headcount over the next four months, down from 65.5% last month. 12% expect fewer employees, up from 6.9% who expected fewer employees in November.
- 6% of the leadership evaluates the current U.S. economy as “excellent,” unchanged from last month. 85% of the leadership evaluates the current U.S. economy as “fair,” up from 76% last month. 9% rate it as “poor,” down from 17% in November.
- 24.2% of the of survey respondents believe that U.S. economic conditions will get “better” over the next six months, an increase from 17.2% who believed so in November. 66.7% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, a decrease from 72.4% in November. 9% believe economic conditions in the U.S. will worsen over the next six months, a decrease from 10.3% last month.
- In December, 30.3% of respondents indicate they believe their company will increase spending on business development activities during the next six months, a decrease from 34.5% in November. 66.7% believe there will be “no change” in business development spending, an increase from 65.5% last month. 3% believe there will be a decrease in spending, an increase from no one who believed so last month.

December 2013 MCI Survey Comments from Industry Executive Leadership:

Depending on the market segment they represent, executives have differing points of view on the current and future outlook for the industry.

Independent, Small Ticket

“The industry appears to be holding its own with new originations just slightly ahead of 2012 numbers. Lack of clarity on the tax side as well as the continuing saga of Dodd-Frank make our world a bit uncertain. New worries about the pullback of government stimulus make 2014 projections a bit tricky.” Valerie Hayes Jester, President, Brandywine Capital Associates, Inc

Bank, Small Ticket

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“There remains in the general market an imbalance between capex and capital liquidity. While this is good for our industry in the short run, competitive pressures are driving spreads and credit standards lower in the long run. This will present a challenge on those leasing companies that are ill-equipped to manage risk through the next downturn.” Paul Menzel, President & CEO, Financial Pacific Leasing, LLC

Bank, Middle Ticket

“I anticipate 2014 new business volume levels to be slightly better than 2013. My rationale is very simple: in 2013 most industries took a very cautious approach to capital equipment investment for both replacement and expansionary purposes. In 2014 many industries will be forced to acquire new equipment to replace equipment which has exceeded its useful life. It will simply be less expensive to acquire new equipment than to maintain existing equipment.” Thomas Jaschik, President, BB&T Equipment Finance

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

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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, <http://www.leasefoundation.org/IndRsrcs/MCI/> [1], included in the Foundation Forecast newsletter and included in press releases. Survey respondent demographics and additional information about the MCI are also available at the link above.

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization that provides vision for the equipment leasing and finance industry through future-focused information and research. Primarily funded through donations, the Foundation is the only organization dedicated to future-oriented, in-depth, independent research for the leasing industry. Visit the Foundation online at www.LeaseFoundation.org and follow us on Twitter @LeaseFoundation.

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Links:

[1] <http://www.leasefoundation.org/IndRsrcs/MCI/>