Equipment Leasing and Finance Confidence Levels Near Two-Year High

WASHINGTON (Equipment Leasing & Finance Foundation) — The Equipment Leasing & Finance Foundation [1] (the Foundation) released the February 2014 Monthly Confidence Index for the Equipment Finance Industry [2] (MCI-EFI). 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 63.3, the second highest index in two years and off slightly from last month's two-year index high of 64.9.

When asked about the outlook for the future, MCI survey respondent Valerie Hayes Jester, President, Brandywine Capital Associates, Inc., said, "I am optimistic that there is increasing demand for equipment and therefore financing to acquire that equipment. The brutal winter experienced by a significant portion of this country has slowed down many projects that would have been in progress by now. I am hoping that the last third of this quarter will show the signs we had experienced at year end, as demand increased."

February 2014 Survey Results:

The overall MCI-EFI is 63.3, a decrease from the January index of 64.9.

- When asked to assess their business conditions over the next four months, 21.2% of executives responding said they believe business conditions will improve over the next four months, down from 33% in January. 72.7% of respondents believe business conditions will remain the same over the next four months, up from 61% in January. 6.1% believe business conditions will worsen, up from 5.6% who believed so the previous month.

- 24.2% of survey respondents believe demand for leases and loans to fund capital expenditures (capex) will increase over the next four months, down from 36% in January. 69.7% believe demand will "remain the same" during the same four-month time period, up from 61% the previous month. 6.1% believe demand will decline, up from 2.8% who believed so in January.

- 31.3% of executives expect more access to capital to fund equipment acquisitions over the next four months, up from 25% in January. 65.6% of survey respondents indicate they expect the "same" access to capital to fund business, down from 75% in January. 3.1% expect "less" access to capital, up from no one who expected less access the previous month.

- When asked, 40.6% of the executives reported they expect to hire more

employees over the next four months, an increase from 33% in January. 53% expect no change in headcount over the next four months, down from 58.3% last month. 6.3% expect fewer employees, down from 8.3% who expected fewer employees in January.

- 3% of the leadership evaluates the current U.S. economy as “excellent,” relatively unchanged from 2.8% last month. 93.8% of the leadership evaluates the current U.S. economy as “fair,” down slightly from 94.4% last month. 3% rate it as “poor,” also relatively unchanged from last month.

- 34.4% of the of survey respondents believe that U.S. economic conditions will get “better” over the next six months, a decrease from 41.7% who believed so in January. 59.4% of survey respondents indicate they believe the U.S. economy will “stay the same” over the next six months, an increase from 55.6% in January. 6.2% believe economic conditions in the U.S. will worsen over the next six months, an increase from 2.6% last month.

- In February, 56.3% of respondents indicate they believe their company will increase spending on business development activities during the next six months, an increase from 55.6% in January. 43.8% believe there will be “no change” in business development spending, an increase from 39% last month. No one believes there will be a decrease in spending, a decrease from 5.6% who believed so last month.

February 2014 MCI Survey Comments from Industry Executive Leadership:

Bank, Small Ticket

“Weather has created some slow down in equipment deliveries and inventory which may slow first quarter growth.” Kenneth Collins, CEO, Susquehanna Commercial Finance, Inc.

Independent, Middle Ticket

“I’m conflicted about the near-term. All small to medium-size customers claim activity is sporadic and are not willing to commit capital for new equipment. Thus we see demand is off, but funding availability is strong.” George Booth, Managing Director, Black Rock Capital, LLC

Bank, Middle Ticket

“The economy and the equipment finance market continue to experience peaks and valleys. The good news is the valleys aren't getting any deeper; the bad news is the peaks aren’t getting any higher. Hopefully, in 2014 the economy will gain enough confidence to break through the peaks.” 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
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/ [3], included in the Foundation Forecast newsletter [4] 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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[4] http://cp.mcafee.com/d/k-Kr410p41ASyOqemkTSkrTdTdETpvd7barX29J6XbVEVpjvuvdETps7c3zhOMUrhKOevjhLtwS8-WXQvB0HUaR0PI9WhZnQ9rOVLk3eMDF7RvgBLbCTLRYxtB_HYOzt5NxDHTbECzCWfc8EEKfcsJt6OaqJTA-l3PWApmU6CS3rxK_9TLuZXTLsTsS02f_quXlK26PBm700s3o80KArkMnH7Xriu6Q9r3MkXlK9_WWJ7BPrbMVMQsCPiSJ7Wkd44vf_quqnjh0d2PsBBvxcQg1nZFa14Qgd6y0nB3omYQg3toj9DBzh09IwX93UmYQg1I4f3Ph03fS9Ewjbwu9Ew2Yy9cSYOrQMfuWDyasBs