Equipment, Software Investments Expected to Grow in Q3

Equipment Leasing & Finance Foundation

Washington, DC — Investment in equipment and software is expected to grow 2.6 percent in 2014, according to the Q3 update to the 2014 Equipment Leasing & Finance U.S. Economic Outlook [1]released by the Equipment Leasing & Finance Foundation [2]. The Foundation revised its 2014 equipment and software investment forecast to 2.6 percent, down from 4.2 percent growth forecast in its Q2 Update to the 2014 Annual Outlook released in April. The Q3 report expects equipment and software investment to have modest sector growth during the rest of the year after a weak start. The Foundation report, which is focused on the $827 billion equipment leasing and finance industry, forecasts 2014 equipment investment and capital spending in the United States and evaluates the effects of various related and external factors in play currently and into the foreseeable future.

William G. Sutton, CAE, President of the Foundation and President and CEO of the Equipment Leasing and Finance Association, said, “The Foundation’s Outlook report reflects a slowing in GDP and equipment investment growth due to a weak first quarter this year that resulted in part from the extremely cold winter. The rebound in Q2 is slower than anticipated, as recent data from the Equipment Leasing and Finance Association’s Monthly Leasing and Finance Index [3] and the Foundation’s Monthly Confidence Index [4] reflect. We do, however, anticipate that equipment investment will rise in the second half of the year as economic conditions improve and business confidence continues to recover.”

Highlights from the study include:

- The U.S. economy is expected to grow 1.5 percent in 2014, revised from 2.8 percent.
- The downsides of the harsh winter, which included a 2.9 percent contraction in real GDP in the first quarter, should prove temporary, as the housing recovery, energy renaissance and accommodative credit markets support second-half growth.
- Equipment and software investment declined at an annualized rate of 1.8 percent in Q1 2014, following the 8.9 percent surge in Q4 2013.
- Credit supply continues to improve, and credit demand has held steady for all business sizes.
- Equipment and software investment is expected to steadily grow over the next 6 months across most verticals, according to the Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor. The Momentum

Monitor, which tracks 12 equipment and software investment verticals, forecasts the following equipment investment activity:

o Agriculture machinery investment will likely see slow growth, and potentially a contraction, through the rest of 2014, as both farm yields and commodity prices remain subdued.

o Construction machinery investment will continue to experience strong growth, and the year-over-year growth figures will begin to trend positive as multiple quarters of expansion take hold amidst the housing recovery.

o Materials handling equipment investment will experience stronger growth over the next 3 to 6 months.

o All other industrial equipment investment will likely see moderate growth over the next 3 to 6 months as the “re-shoring” of manufacturing continues to be a dominant economic story in 2014.

o Medical equipment investment will grow, but begin to level off near the end of the year.

o Mining and oilfield machinery will experience improving growth through the middle of the year but will begin to level off at the end of the year.

o Aircraft investment will likely experience about long-term average growth for the year.

o Ships and boats investment will likely rebound to an above-average pace through the end of this year.

o Railroad equipment investment will improve from its recent contraction toward modest growth.

o Investment in trucks will exhibit high-single digit growth over the next 3 to 6 months as economic activity improves and competitive diesel prices keep trucking transport competitive.

o Computers investment will remain muted in the short-term after strong replacement demand over the past few quarters.

o Software investment will be moderate in the next 3 to 6 months as companies

continue to make investments in software and cloud technologies.

About the Equipment Leasing & Finance U.S. Economic Outlook
The Foundation produces the Equipment Leasing & Finance U.S. Economic Outlook report *[5] in partnership with economics and public policy consulting firm Keybridge Research. The annual economic forecast provides a three-to-six-month outlook for industry investment with data, including a summary of investment trends in key equipment markets, credit market conditions, the U.S. macroeconomic outlook and key economic indicators. The Q2 report is the first update to the 2014 Annual Outlook, and will be followed by two more quarterly updates before the publishing of the 2015 Annual Outlook in December.*

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[5] http://www.leasefoundation.org/IndRsrcs/EO/