

The Use of Leasing Amongst European SMEs

A report by Oxford Economics

KEY FINDINGS

WHAT IS LEASING?

- > Leasing is a special form of asset-based financing where a leasing company makes an asset it owns available to another party for a certain period of time, in exchange for payment.
- > It is used to finance an extremely wide range of asset types providing a valuable form of support for a broad scope of businesses, whatever their asset needs may be.
- > Leased assets include cars, trucks, plant & machinery, ITC, equipment, renewable energy equipment, healthcare equipment, real estate, printing equipment, forklifts, production plants, office furniture, cranes, software applications and much more.



- > Lease agreements are distributed via many channels, e.g. through bank networks, directly from leasing companies or through vendors and dealers of equipment. The most popular means of accessing leasing is at the point of sale of the asset, or the vendor channel. This is when the customer accesses the lease directly from the manufacturer at the point of sale, saving time and effort.
- > Leasing can therefore provide a “one-stop-shop” for both the purchasing and financing of equipment, which is a clear advantage and convenience for SMEs, particularly compared to loan finance.

THE SME LEASING REPORT

- > In November 2011, Leaseurope released a unique research report on the use of leasing amongst European SMEs, undertaken by leading economic consultancy Oxford Economics and with the support of Linedata.
- > The report is based on a survey of just under 3,000 SMEs across 9 industrial sectors in 8 countries (Germany, France, UK, Italy, Spain, Netherlands, Poland and Sweden). These countries account for 83% of total EU economic output and 78% of the European leasing market.

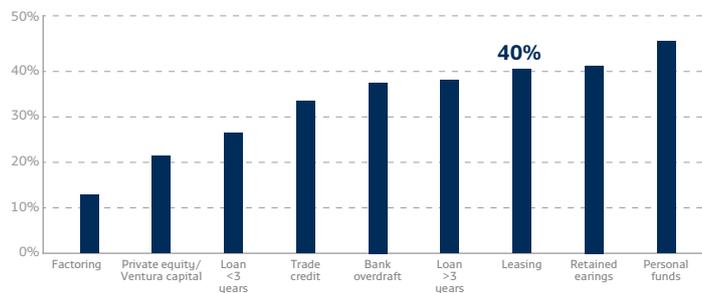
ABOUT LEASEUROPE

KEY FINDINGS OF THE REPORT

The report finds that:

- > **Leasing was used by more European SMEs than any individual form of bank lending.** Of the SMEs surveyed, 40% used leasing in 2010 and this figure is expected to increase to 43% in 2011.
- > 40% of SMEs translates into 6 million individual micro, small and medium-sized firms in the 8 countries in our sample having used leasing in 2010.
- > Leasing was used by more SMEs than bank loans of over 3 years (38%) or overdrafts (37%).
- > 16.7% of total SME investment was financed by leasing in 2010, a figure which is expected to grow to 18.6% in 2011.
- > At the EU level this means that leasing was responsible for financing just over **€100 billion of SME investment** in fixed assets in 2010 and this is expected to increase to €112.5 billion in 2011.
- > SMEs use leasing to finance a greater portion of their investment than larger businesses.
- > **SMEs who use leasing invest more than those who do not use leasing.** In fact, SMEs who use leasing invest 57% more on average than non-users of leasing.

Percent of SMEs using finance type in 2010



Source: "The Use of Leasing Amongst European SMEs"

Leasing provides significant support for Europe's SMEs

€100 billion of SME investment financed through leasing, compared to:

- The European Investment Bank (EIB) provided €10 billion in direct SME loans through banks in 2010. > 63,000 SME firms supported.
- The European Investment Fund (EIF) supported €1.2 billion in direct loans from banks to SMEs through its SME Guarantee Facility in 2010. > 20,000 SME firms supported.
- Venture and enterprise capital helped finance 16,700 SME firms in Europe between 2007 and 2010, totalling €46.5 billion.

Sources: EIB, EIF, European Venture Capital Association

LEASING'S CONTRIBUTION TO EUROPEAN ECONOMY

- > An even **greater uptake of leasing** by European SMEs would boost potential economic growth.
- > The report simulates the impact on European growth levels under various scenarios and shows that relatively modest increases in the uptake of leasing by SMEs would **add an extra 0.9% to 1.5% to the level of GDP by 2020.**
- > Set against the Eurozone's long term growth trend of 2% per annum, this boost to the economy would be significant.

WHY DO FIRMS LEASE?

- > There are a wide variety of reasons why SMEs turn to leasing, all of which are highly valued.
- > Leasing allows firms to invest in fixed assets, financing up to 100% of the purchase price of an asset without requiring additional collateral or guarantees.
- > This means that firms can better manage their working capital as payments are spread over the life of the asset.
- > Users of leasing do not need to burden themselves with concerns related to the ownership of assets, such as worrying about second hand values, how to dispose of their assets, etc.
- > Leasing provides the possibility for firms to upgrade assets, thus giving them access to the latest, most efficient technology available and keeping them competitive.
- > It also often includes services related to the asset such as insurance or maintenance, thus allowing clients to effectively outsource all of their asset related needs to the lessor who provides one convenient package.
- > Leasing offers a great deal of flexibility, as clients can often change the length of the contract to match their asset usage needs.
- > Leasing is a price competitive form of finance.

HOW TO GET THE REPORT?

For more information or to obtain a copy of the report, please go to Leaseurope's dedicated SME report webpage on www.leaseurope.org or e-mail us at a.wesolowski@leaseurope.org.

