

Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of
European leasing professionals

June 2011

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European Business Confidence Survey June 2011 – Optimism confirmed

Results are now in for the latest European Business Confidence survey published by Leaseurope and Invigors EMEA. The overall expectation of asset finance professionals from across Europe who responded to the survey is one of on-going growth and a favourable business environment for the second half of the year.

New business volumes look set to continue to grow for the rest of 2011. 78% of respondents expect new business to increase over the next six months which is down slightly from 85% in December 2010. Only 8% of respondents to the latest survey expect new business volumes in their organisation to decline.

The drive to reduce bad debt appears to be reaching a plateau. 31% of respondents anticipate that bad debt will decline over the next six months which is significantly lower than the 41% registering the same opinion in December 2010. However, this does not appear to represent a deteriorating trend as 47% expect no change in their bad debt situation and only 22% anticipate bad debt to increase, which is little changed from the previous survey.

The pressure on margins which was seen in the December survey appears to have eased slightly. 40% of survey respondents expect no change in margins over the next six months, down fractionally from 42% in December while 23% anticipate an increase, unchanged from the previous survey. 29% expect margins to decrease.

The ongoing growth in new business and containment of bad debt are driving a positive outlook for profits. 72% of respondents in the June survey expect net profits to increase over the next six months which is high relative to previous surveys. 15% expect net profits to fall during the rest of the year which again is an increase on the December survey though well below the level recorded in June 2010.

The outlook for expenditure by asset finance companies is relatively unchanged, albeit with some exceptions. 30% of professionals anticipate that operating expenses at their organisation will increase over the next six months while just 22% are predicting them to decrease. Just under half expect no change.

In June, 25% expect marketing expenditure to increase in the next six months while 57% anticipate it will remain the same in their organisation. Only 18% expect marketing expenditure to decrease.

The proportion of respondents anticipating expenditure on training to increase appears to have peaked having fallen from 37% in December to 26% in June. 63% of survey participants expect no change while only 11% forecast a decrease in training expenditure, a proportion which has declined consistently since April 2009.

The one exception to this pattern of static expenses is expenditure on systems. Just over half (51%) of respondents anticipate that systems expenditure will increase over the next six months. While this is down slightly on the 65% registering the same view in December, it is still well ahead of the 38% recorded in June last year. 40% expect that systems budgets will remain unchanged.

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Staffing level forecasts remains evenly balanced, though many leasing companies continue to grow their sales staff. 43% of respondents expect sales staff numbers to increase over the next six months, although these increases are likely to be modest. 47% anticipate no change in sales staff levels.

Growth in non-sales staff is predictably less widespread. 31% of participants in the latest survey expect non-sales staff to increase, while 44% are forecasting no change. A quarter of respondents expect non-sales staff to decrease over the next six months.

It is clear that most of the asset finance professionals who took part in the survey expect the asset finance industry to continue to benefit from the gradual economic recovery in Europe, and that this will be reflected in their new business volumes, margins and profitability. However with the concerns around sovereign debt focused on the crisis in Greece and uncertainty about its impact on the European banking system, could this recovery be suddenly curtailed?

The next Leaseurope/Invigors Business Confidence survey will be published in January 2012.

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