

Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of
European leasing professionals

December 2011

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European Business Confidence Survey December 2011 – A challenging outlook

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. The perspective from asset finance professionals across Europe is one of caution in what is likely to be a challenging business environment for the first half of 2012.

The outlook for new business volumes in the first six months of this year appears to be mixed. 54% of those taking part in the survey expect new business volumes to increase which is down markedly from 78% recorded last June while 30% anticipate a decline, up from 8% previously.

Expectations on the level of bad debt appear to have changed dramatically. In the latest survey half the respondents expect bad debt to increase over the next six months, up from 22% in June 2011. Just 10% of respondents anticipate a reduction in bad debt, down from 31% previously while 40% expect no change.

The negative sentiment towards bad debt does not appear to be reflected in expectations on margins. 43% of those taking part in the survey forecast that margins will increase over the next six months, nearly double the level of 23% recorded in the previous two surveys. By contrast only 19% of respondents anticipate that margins will decrease, while 38% expect no change.

The outlook for profits within European leasing organisations appears to be more mixed. 49% of those surveyed still anticipate that net profits for their business will increase over the next six months, though this is significantly down from the 72% recorded in June. Others are less positive, with 30% of respondents expecting net profits to decrease, while the balance (21%) anticipate no change. However, confidence levels are still higher than those reported in April 2009.

With business volumes and profits predicted to come under pressure, it was expected that expenditure would be subject to increased scrutiny. Operating expenses and expenditure on marketing, training and systems look set to be reduced in many asset finance organisations over the next six months.

38% of respondents in the latest survey expect operating expenses to decrease compared to 22% in June last year. A quarter of those surveyed still predict operating expenses will increase with 37% anticipating no change. Other areas of expenditure show a similar pattern – 36% of respondents predict that marketing expenditure will decrease which is double the level of 18% recorded in June last year while only 21% anticipate an increase in marketing spend. 36% also expect training expenditure to be reduced, up from 11% in the previous survey while just 20% believe that spend on training will be increased.

Expenditure on systems is an exception in that respondents anticipating expenditure to increase over the next six months still exceed those predicting a decrease, though the balance between the two has narrowed. 45% of respondents in the December survey expect systems expenditure to increase, a modest reduction from 51% in June last year, while the proportion expecting expenditure to decrease has risen sharply from just 9% in June to 25% in the latest survey.

The prospects for staffing levels over the first half of 2012 differ markedly between sales and non-sales staff. For sales staff the outlook in the latest survey is relatively balanced, though less positive than back in June last year, while the outlook for non-sales staff is not as favourable.

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There is clear evidence that the business sentiment in the European asset finance industry is more negative than the previous survey. Given the turmoil in global markets over the past year resulting from the Eurozone debt crisis and ongoing concern about the future, it was inevitable that the impact from this would be felt within the asset finance industry too.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in July 2012.

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