Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

December 2013

Leaseurope

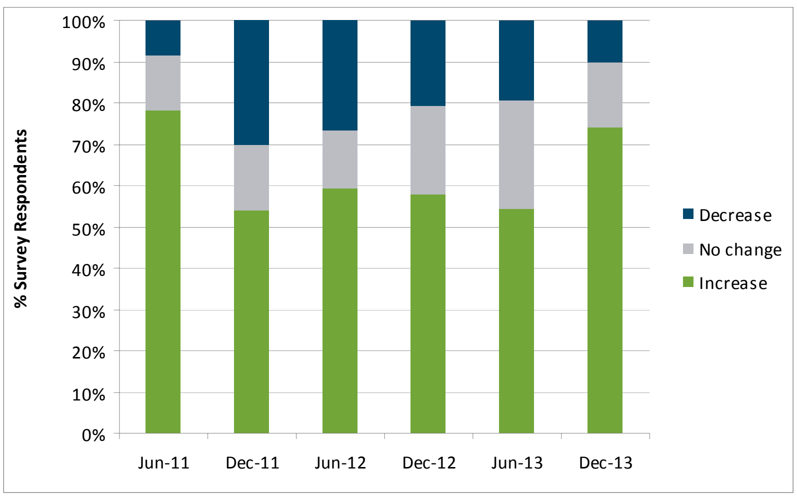
INVIGORS
Part of The Alta Group

European Business Confidence Survey December 2013 – Optimism grows for 2014

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. The findings reveal considerable optimism towards the business outlook for 2014. With the economic prospects for Europe improving and concerns caused by the Eurozone crisis now consigned to the past, most of those taking part in the latest survey expressed a positive opinion on the outlook for their businesses over the first half of 2014.

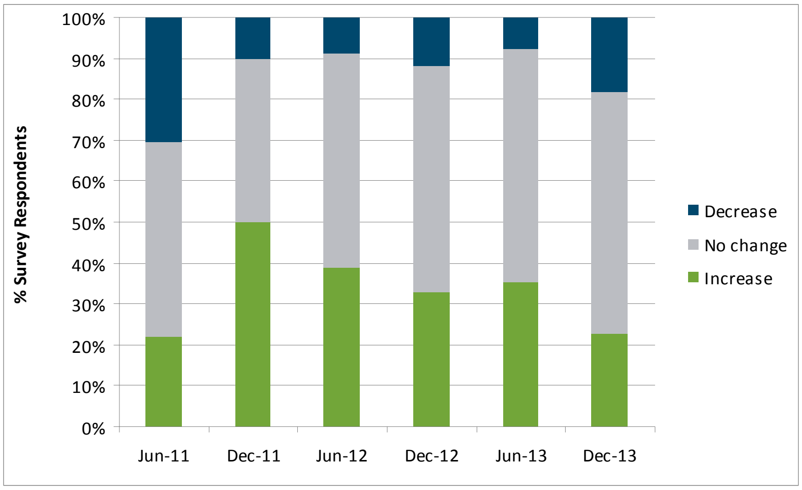
Expectations of new business growth are particularly bullish. Nearly three-quarters (74%) of those surveyed anticipate growth in new business this year, up from 54% in the previous survey last June. The proportion of respondents forecasting no change has fallen from 26% last June to 16% in December while the number predicting a fall in new business has halved to just 10%.

Figure 1- Anticipated change in new business volumes over next six months



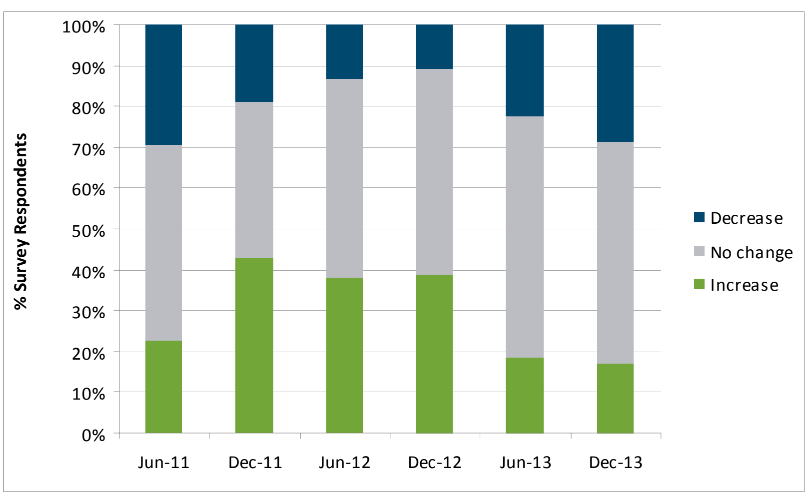
Respondents' expectations on bad debt have shown an improvement since the survey in June of last year, although the majority of respondents (59%) still anticipate no change. In the December research, 23% of participants predict that bad debt will increase in their organisations over the next six months, down from 35% previously, while 18% believe that it will decrease, up from 8% last June.

Figure 2 - Anticipated change in bad debt over next six months



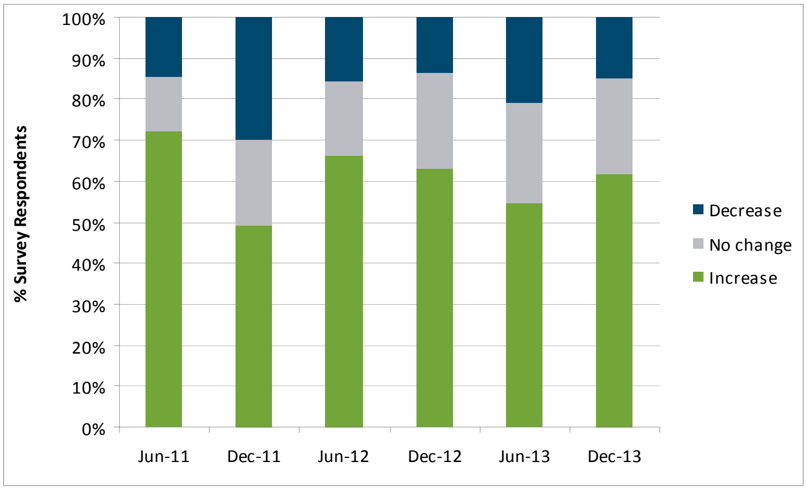
It appears that for a significant minority of respondents the increase in new business growth is expected to come at the expense of margins. Of those taking part in the latest survey, 29% predict that margins will decrease over the next six months, compared to 23% last June. Over half of participants (54%) anticipate no change in margins, down from 59% previously, while just 17% believe that margins will increase, little changed from the June survey.

Figure 3 - Anticipated change in margins over next six months



Despite the suggestion from some respondents that margins are coming under increasing pressure, for the majority of those surveyed, net profit for their business is projected to rise during the first half of this year. 61% expect net profit to increase, up from 55% last June, while 23% anticipate no change. Only 15% believe that net profit will fall in their organisations, down from 21% last summer.

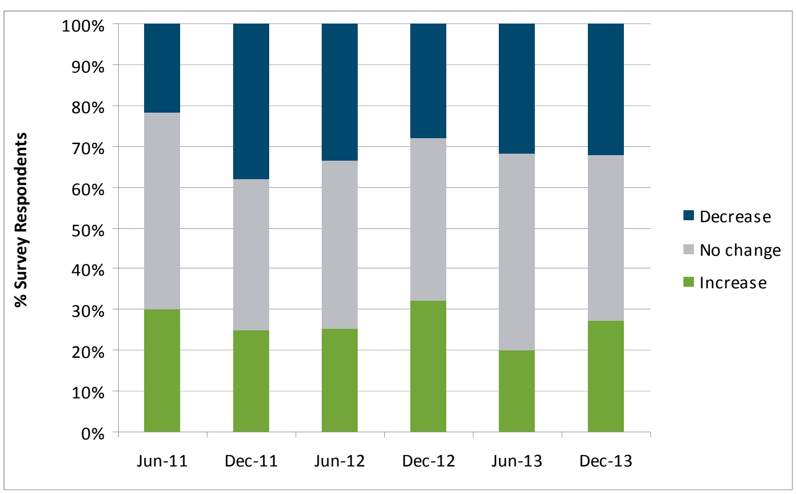
Figure 4 - Change in net profit for business over next six months



The more optimistic prospects for some of the industry KPIs are also, to some extent, reflected in expectations on expenditure. While many of the organisations represented in the research are clearly keeping a tight rein on budgets, a growing proportion of respondents anticipate increased spending over the next six months, particularly on marketing, training and IT systems.

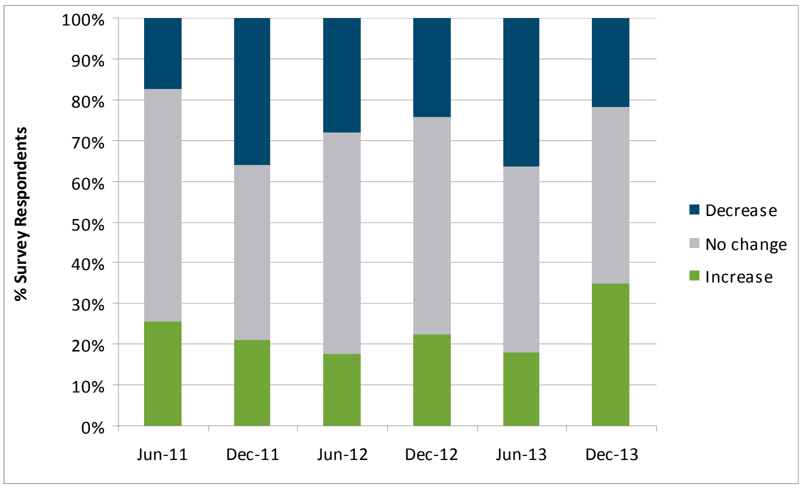
However, the outlook for operating expenses appears to be mixed. 32% of those taking part in the December survey predict that these will decrease over the next six months, the same percentage as those polled last June. A further 27% expect that operating expenses will increase in their organisations, up from 20% previously while the remaining 41% anticipate no change.

Figure 5 - Anticipated change in operating expenses over next six months



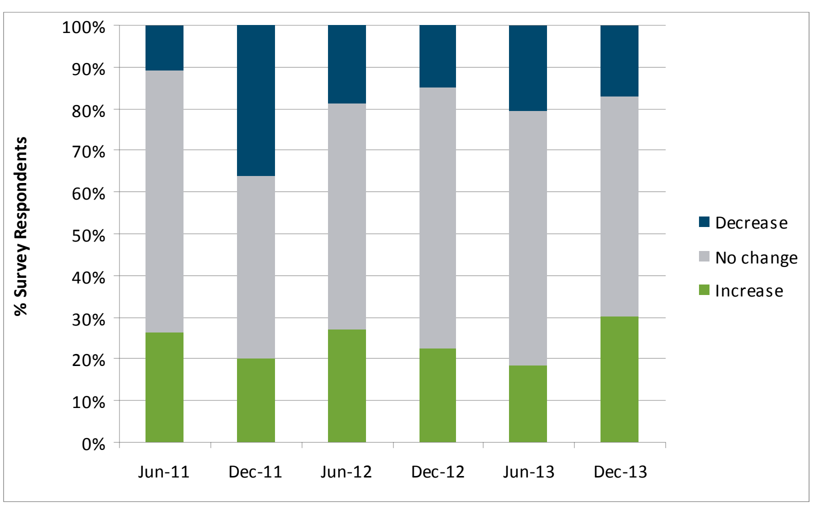
The prospects for marketing expenditure have improved significantly. 35% of respondents expect marketing expenditure in their organisations to increase over the next six months, nearly double the percentage recorded in the June 2013 research. A further 22% of respondents considered that marketing spending would decrease, down from 36% in June, while 43% anticipate no change.

Figure 6 - Anticipated change in marketing expenditure over next six months



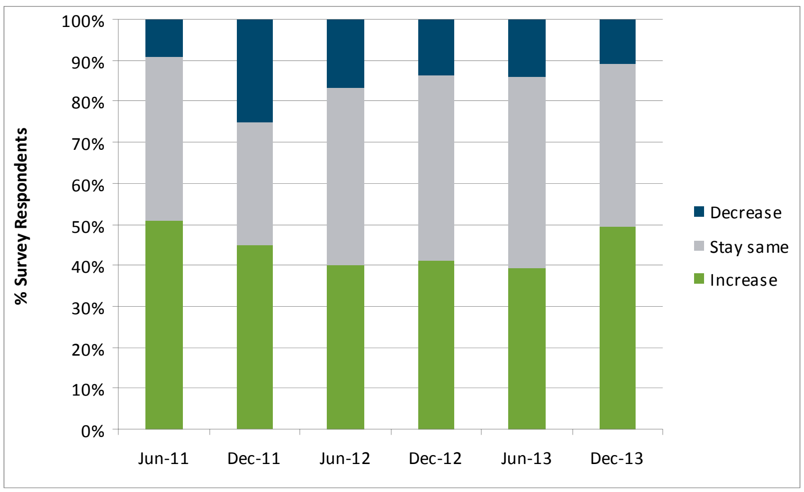
The outlook for training expenditure in the latest survey was also more positive than back in June 2013. In December, 30% of respondents were expecting training expenditure to increase in their organisations over the next six months, a marked increase from the 18% recorded previously. Just over half (53%) believed that expenditure would remain the same, down from 61% earlier, while only 17% considered that training spending would fall, a small decrease from the June survey.

Figure 7 - Anticipated change in training expenditure over next six months



Expenditure on IT systems also looks set to rise in a number of organisations. In the most recent survey, just under half (49%) of those taking part in the survey predicted that systems expenditure will rise over the next six months, an increase from 39% in June of last year. A further 40% forecast no change in expenditure, down from 47% in June 2013, while only 11% expect systems spending to decline over the forecast period.

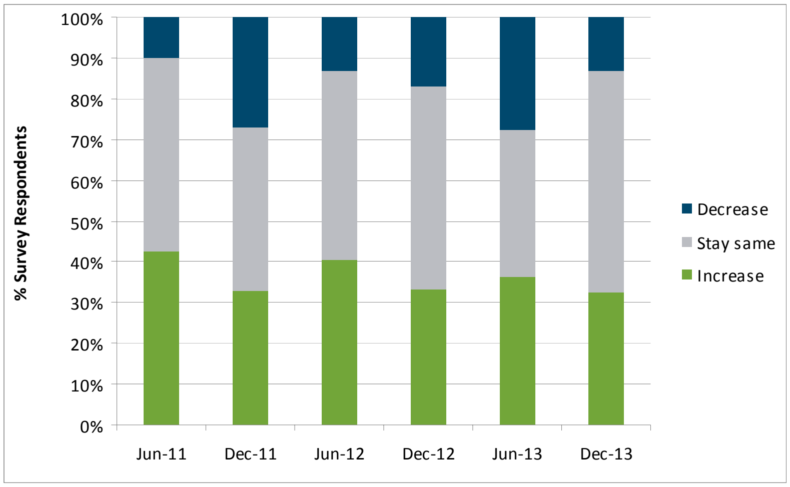
Figure 8 - Anticipated change in systems expenditure over next six months



The December 2013 survey indicated that, for the majority of organisations represented in the research, staff numbers are projected to remain stable for the first half of 2014 notwithstanding a potential increase in new business. However, there are differences in expectations between sales and non-sales staff with the balance of opinion more favourable towards growth in sales personnel, while non-sales headcount is more likely to be reduced.

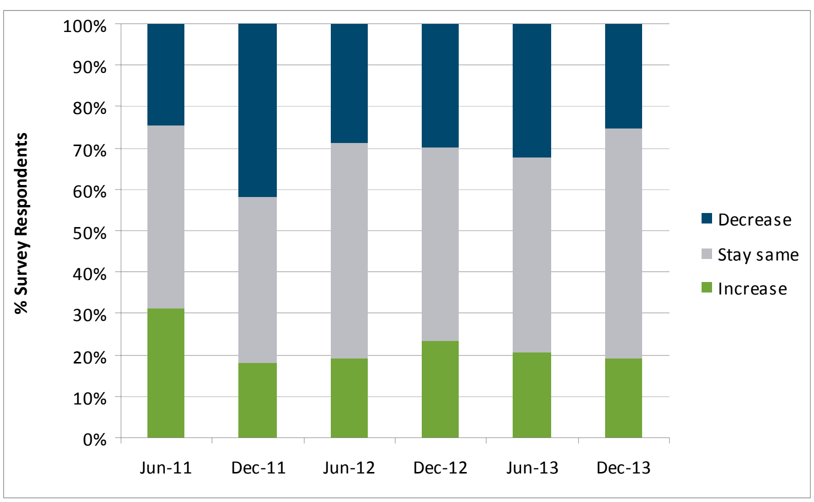
33% of those surveyed in December expect that sales staff numbers will increase in their organisation over the next six months, around the same level as in the previous survey. Over half (54%) expect numbers to remain the same, up from 36% in June 2013, while only 13% anticipate a reduction in sales staff, down from 28% previously.

Figure 9 - Anticipated change in sales staffing levels over next six months



For non-sales staff the majority of opinion is that numbers will stay the same over the next six months. 55% of those polled expect non-sales staff numbers to remain unchanged in their organisations, an increase from 47% in the June survey. 19% predict that numbers will increase, around the same percentage as previously, while a quarter of respondents anticipate that numbers will reduce, down from 32% last June.

Figure 10 - Anticipated change in non-sales staffing levels over next six months



Despite the challenges faced by the European asset finance industry and the withdrawal of a number of players from some European markets, confidence amongst industry professionals has greatly increased over the past six months. Clearly improved economic growth in a number of countries is fuelling expectations of new business growth, which is accompanied by more positive expectations of other KPIs such as net profit and bad debt as well.

The one concern in this overall "good news" story is focused around margins where there appears to be a risk that, in some cases, new business volumes are being achieved at the expense of rates – a situation that the industry has been in before. It is to be hoped that the lessons from this previous experience have been learnt and that a price-led "race to the bottom" is not to be repeated.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in July 2014.

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