Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

June 2012

Leaseurope

INVIGORS
Part of The Alta Group

European Business Confidence Survey June 2012 –
Positive signs in an uncertain environment

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. While the findings suggest an uncertain outlook for the asset finance industry over the remainder of this year, respondents are less pessimistic than those of the previous survey in December 2011. It seems that leasing companies have come to terms with the impact of the Eurozone crisis and are taking a more sanguine view of business opportunities judging from the guardedly optimistic expectations of profit and growth.

The outlook for new business volumes over the rest of the year remains positive. 59% of those taking part in the survey expect new business volumes to increase which is up marginally from 54% recorded last December while only 27% anticipate a decline, down slightly from 30% previously.

Expectations on the level of bad debt show an improvement on the previous survey last December, though the balance of opinion is for this to increase over the next six months. In the latest survey 39% of respondents expect bad debt to increase, down from 50% in December 2011. Only 9% anticipate a reduction in bad debt, around the same percentage as the previous survey, while over half (52%) expect no change.

The sentiment towards margins is more optimistic than that towards bad debt. 38% of those taking part in the survey forecast that margins will increase over the rest of year, down slightly from 43% in December last year. By contrast only 13% of respondents anticipate that margins will decrease, while nearly half (49%) expect no change.

The outlook for profits within European leasing organisations appears to be even more positive. Two thirds (66%) of those polled in June predict that net profits for their business will increase over the next six months, which is up markedly on the 49% recorded last December. Only 16% of respondents expect net profits to decrease while the remaining 18% forecast no change.

The recent survey indicates that the leasing industry is expected to keep a tight rein on expenditure, despite increasing business volumes and profits. In the previous survey the outlook for expenditure turned negative in three of the four areas measured. This trend has continued in the June research for operating and marketing expenses, though the outlook for training and systems expenditure is more optimistic than previously.

34% of respondents in the latest survey expect operating expenses to decrease, down slightly from 38% previously. A quarter of those surveyed still predict operating expenses will increase with 41% anticipating no change. Fewer expect any growth in marketing expenditure, just 18%, while over half (54%) forecast no change and 28% anticipate that spend in this area will be reduced.

Expectations on training expenditure are less pessimistic than in the previous survey. The majority of respondents in the June survey (54%) believe that expenditure on training will remain unchanged in their organisations for the rest of the year. However 27% expect it to increase, up from 20% in December while the percentage anticipating a cut in training spend has fallen sharply from 36% last December to 19% in June this year.

The balance of expectations on systems expenditure remains positive with 40% of those polled in June predicting that expenditure in this area will increase over the next six months against just 17% expecting a reduction. An increasing number of respondents (43%) anticipate that systems expenditure will remain unchanged in their organisations.

As with previous surveys, the June research revealed marked differences in expectations on future staffing levels between sales and non-sales staff. For sales staff the outlook over the next six months is generally positive and an improvement on the previous survey.

41% of those surveyed in June anticipate that sales staff numbers will increase in their organisation over the next six months, up from 33% in December and in line with the equivalent figure in June of last year. Just 13% of respondents now expect sales staff numbers to decrease, down from 27% in December while the remaining 46% expect no change.

The outlook for non-sales staffing levels recorded in the June research is less optimistic though better than in the previous survey. 29% of respondents expect that non-sales staffing numbers will decrease in their organisations over the next six months compared to 42% recorded in December. The majority (52%) of survey participants anticipate no change in non-sales staff headcount, up from 40% previously while the remaining 19% predict an increase in staff numbers, the same percentage as recorded in December.

In the December 2011 survey it was evident that business sentiment in the European asset finance industry had turned negative. This was understandable given the fallout from the Eurozone sovereign debt crisis over the previous months. The situation in the Eurozone has neither significantly improved, nor has it markedly worsened, which is reflected in industry sentiment in the latest survey.

The findings from the latest Business Confidence Survey support the view that the European asset finance industry is “on hold” with companies exercising caution on investment given the economic headwinds, which prevail. Nonetheless, several indicators suggest that the sector is not pursuing a strategy of retrenchment; many companies are targeting growth over the rest of the year, most anticipate that new business will increase as well as net profit, while several expect to increase margins as well. It seems that the asset finance industry is finding growth in an uncertain business environment after all.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in January 2013.

Richard Ryan
Partner
Invigors EMEA LLP

Released in August 2012