

# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of  
European leasing professionals

June 2013

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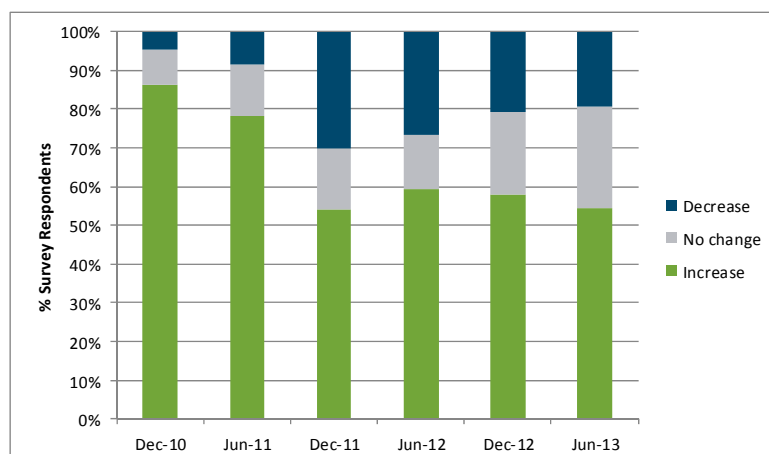
Measuring the expectations of European leasing professionals

## European Business Confidence Survey June 2013 – Stable outlook for the remainder of 2013

Leaseurope and Invigors EMEA have recently completed their latest European Business Confidence Survey. The findings suggest a stable outlook for the next six months with many measures showing little change from the survey conducted in December 2012. With the concerns caused by the Eurozone crisis now fading, most of those taking part in the latest research are expecting little change across their business for the remainder of the year.

Expectations for new business growth in 2013 remain positive with 54% of respondents anticipating these will increase over remainder of the year, around the same level as recorded in December 2012. Just over a quarter of those surveyed (26%) expect no change in new business volumes, up slightly from the previous survey while just 20% predict new business will decline.

Figure 1- Anticipated change in new business over next 6 months

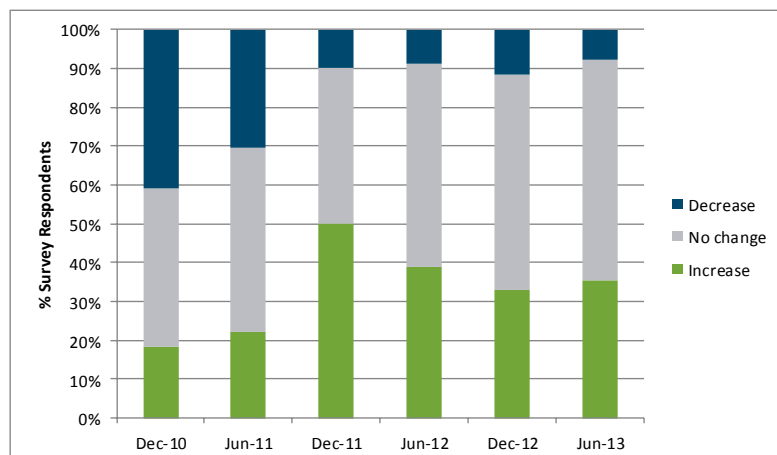


Respondents' expectations on bad debt show little change. 35% of those polled expect bad debt to increase in their organisations over the next six months, compared to 33% in December last year. Over half (57%) anticipate no change, again similar to the previous survey while only 8% believe that that bad debt will decline over the forecast period.

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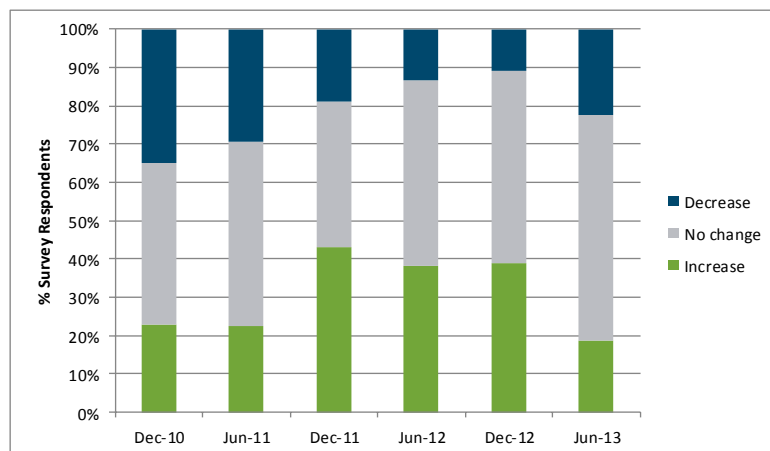
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Figure 2 - Anticipated change in bad debt over next six months



The outlook for margins also remains unchanged for the majority of survey participants. 59% of respondents expect margins in their organisations to remain the same over the next six months, up from 50% recorded in December of last year. However there is some indication of growing pressure as only 19% now predict that margins in their organisations will increase, down from 39% in the previous survey. By contrast the proportion of those expecting margins to decrease has doubled, from 11% in December 2012 to 22% in June of this year.

Figure 3 - Anticipated change in margins over next six months

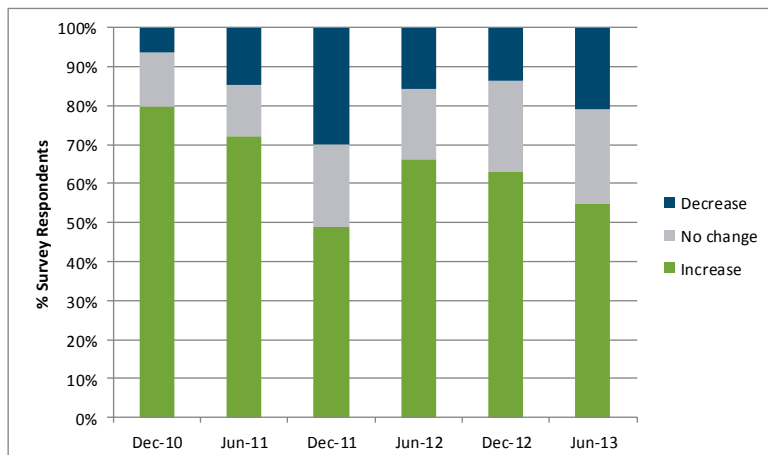


Expectations for profits over the next six months remain positive. 55% of those taking part in the latest survey expect net profit in their organisation to increase, although this is down from 63% in December last year. 21% of respondents anticipate that net profits will decrease over the next six months, up from 14% last year and another indicator of growing pressure, while the remaining 24% forecast no change.

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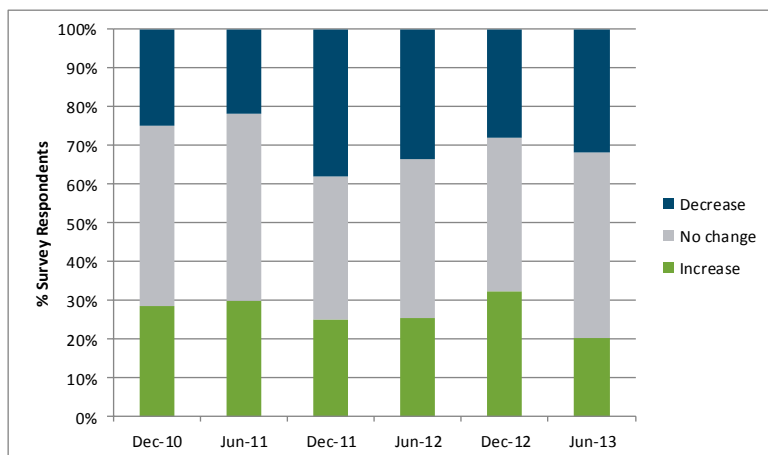
Figure 4 - Change in net profit for business over next six months



The latest survey indicates a relatively stable outlook for leasing industry expenditure, with many organisations represented in the research keeping their budgets unchanged for the remainder of the year. However for operating expenses and marketing expenditure, a growing proportion of respondents expect expenditure in these areas to decrease over the next six months while training and systems expenditure remains largely unchanged.

Only 20% of those polled in June expect operating expenses to increase, down markedly from 32% in the previous survey, while nearly half anticipate no change. Nearly a third (32%) of respondents predicts that operating expenditure in their organisations will decrease, up from 28% in December 2012.

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

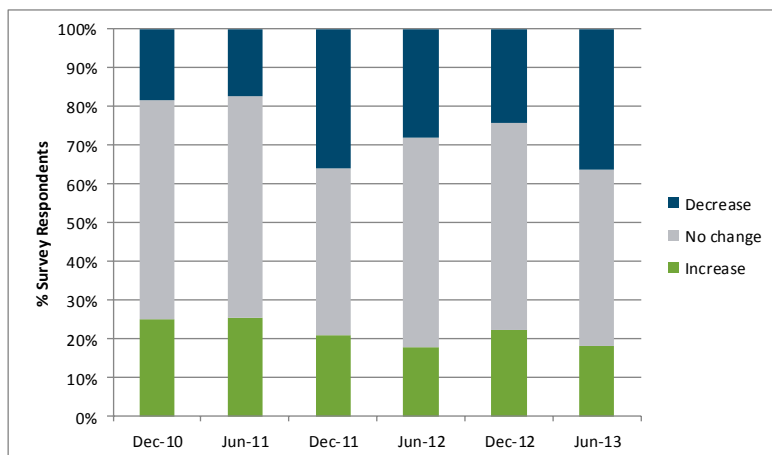


Just under half (46%) of participants in the June survey expect that marketing spending will remain unchanged over the next six months, though this is down from 53% previously. However 36% now anticipate that expenditure will decrease, up from 24% in December 2012, while the proportion of respondents predicting an increase in marketing expenditure has fallen from 22% last December to 18% in June of this year.

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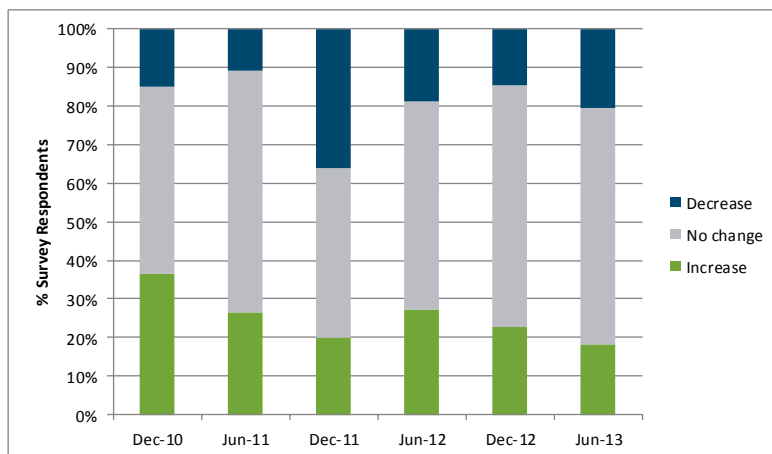
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Figure 6 - Anticipated change in marketing expenditure over next six months



Expenditure on training looks set to remain stable for the rest of 2013. 61% of respondents polled in June 2013 anticipate that training expenditure will remain unchanged over the next six months, a similar percentage to that recorded in December last year. 18% expect training expenditure to increase, while just 21% predict training budgets will shrink, up from 15% in the previous survey.

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

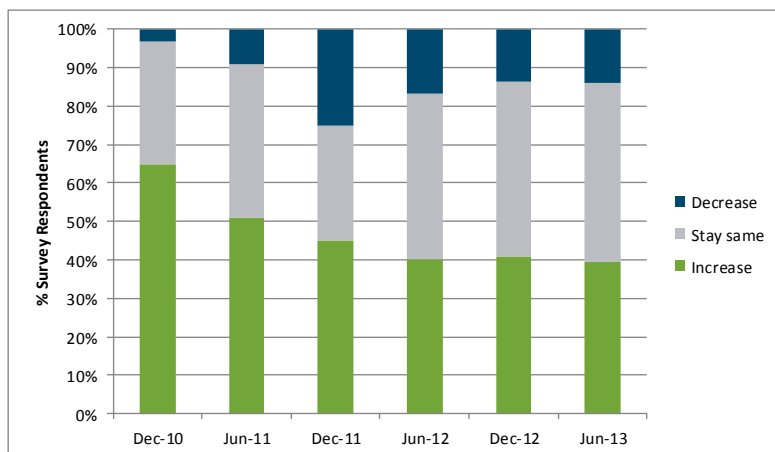


The outlook for expenditure on systems for the latter half of 2013 shows no significant change from the previous two surveys. Just under half (47%) of respondents forecast that systems expenditure in their organisations will remain the same over the next six months, similar to 45% recorded in December and 43% in June last year. A further 39% expect expenditure to increase, similar to last December while only 14% predict that systems expenditure will decline in their organisations, the same percentage as in the previous survey.

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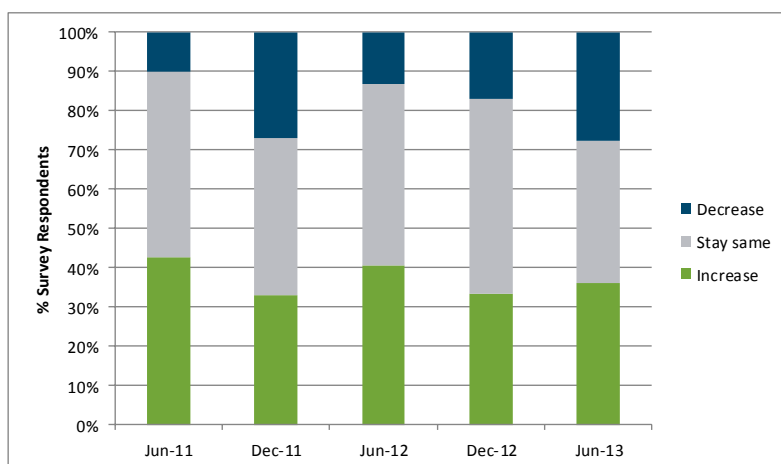
Figure 8 - Anticipated change in systems expenditure over next six months



The June 2013 research showed a continuation of the trend first identified in the previous survey of decreasing differences in expectations on future staffing levels between sales and non-sales staff. For sales staff the balance of opinion remains positive though an increasing proportion predict that headcount in this area will decrease.

36% of those surveyed in June expect that sales staff numbers will increase in their organisation over the next six months, around the same level as in the previous survey. Less positively, 28% of respondents now anticipate that sales staff will decrease over the next six months, up somewhat from the 17% recorded last December while the balance of 36% predict that headcount in this area will remain unchanged.

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



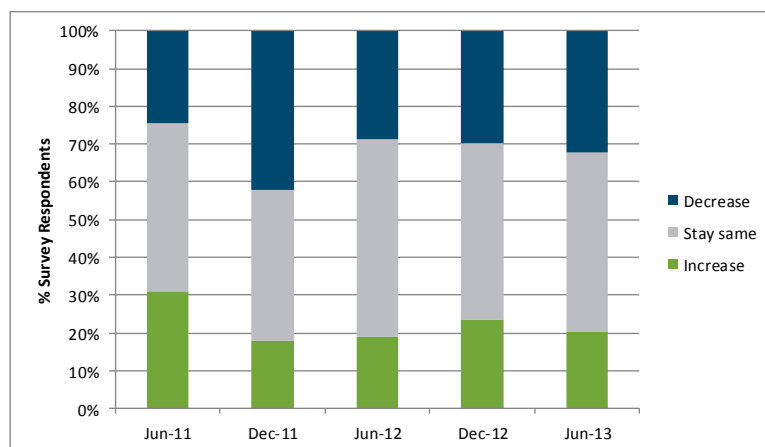
The outlook for non-sales staffing levels shows little change from the December 2012 survey. Just under half of survey participants (47%) expect non-sales staff numbers in their organisations to remain unchanged over the next six months, the same percentage as recorded in the previous survey. 21% of respondents anticipate an

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increase in non-staff headcount, down slightly from December 2012, while the remaining 32% expect non-staff numbers in their organisations to be reduced, a similar proportion to last year.

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



Given the amount of restructuring the European asset finance industry has undergone in the past year, the most recent survey paints a relatively stable picture. Clearly this reflects respondents' increased confidence in the European economy and in the ability of their organisations to perform against a backdrop of low market and economic growth. Interestingly, expectations on new business growth are positive, however they have not necessarily always been confirmed by market data. Moreover, an increasing focus by leasing companies on growing business in low risk assets and market sectors may be increasing competition and squeezing margins. Obviously we are nowhere near the pre-crisis levels of new business competition and it is to be hoped that the lessons learnt remain at the front of the industry's collective mind-set as the financial crisis recedes into the past.

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

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