

# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of  
European leasing professionals

December 2014

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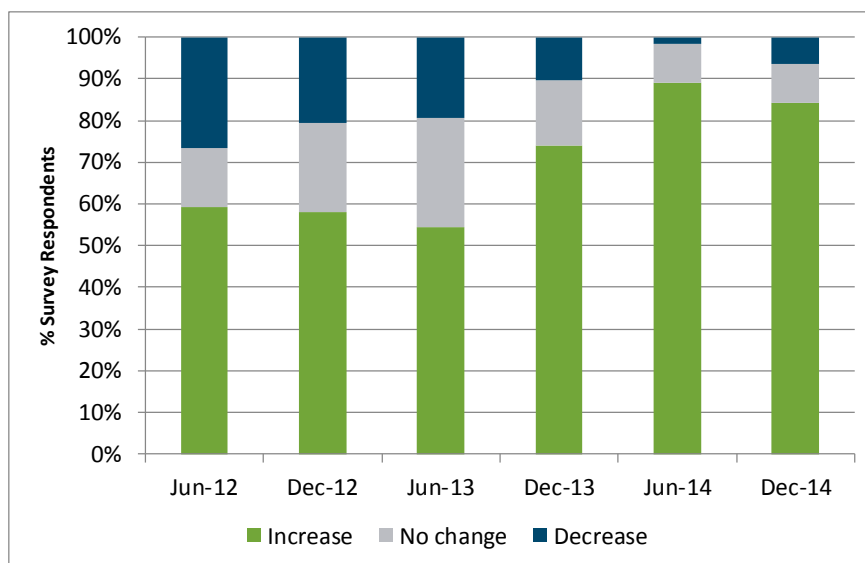
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## European Business Confidence Survey December 2014 – Positive sentiment predicts a good start to 2015

Leaseurope and Invigors EMEA have published the results from the most recent European Business Confidence Survey. Conducted in December 2014, the findings highlight a generally optimistic view of the business outlook for the first half of 2015, though with slight indications of possible concerns in some areas. Despite the political uncertainty on the European periphery, the outlook for the European economy remains generally positive and this is reflected in the findings of the latest research.

Participants' expectations of new business growth remain bullish in line with the numbers seen last June, though at a slightly lower rate. 84% of those surveyed anticipate growth in new business for the first half of this year, down slightly from 89% in June. The proportion of respondents forecasting no change in new business volumes continues to fall from 10% last June to 9% in December while the number predicting a fall in new business stood at just 7%.

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

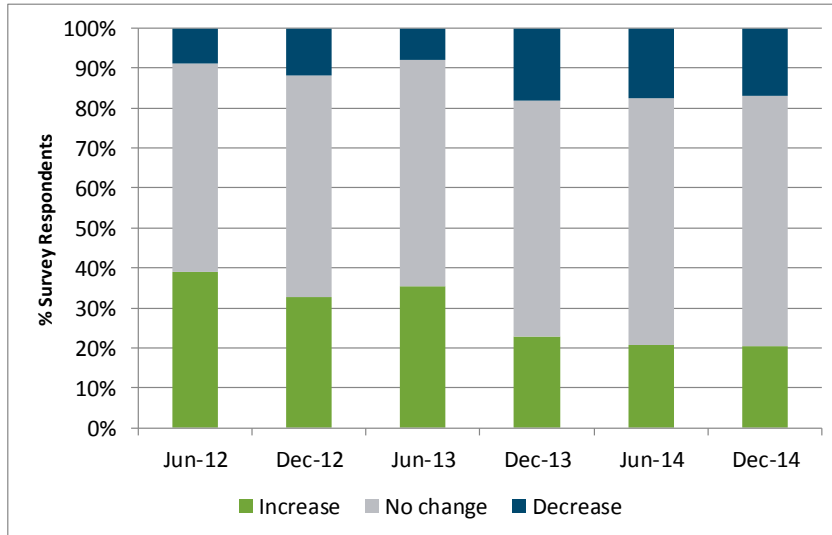


Expectations on bad debt are unchanged on the previous survey, with the balance of opinion very slightly negative on the outlook. The majority of respondents (62%) anticipate no change in bad debt, the same as last June, with 21% expecting bad debt to increase, again the same percentage as in the previous survey. Only 17% of respondents believe that bad debt will decrease in their organisations over the next six months.

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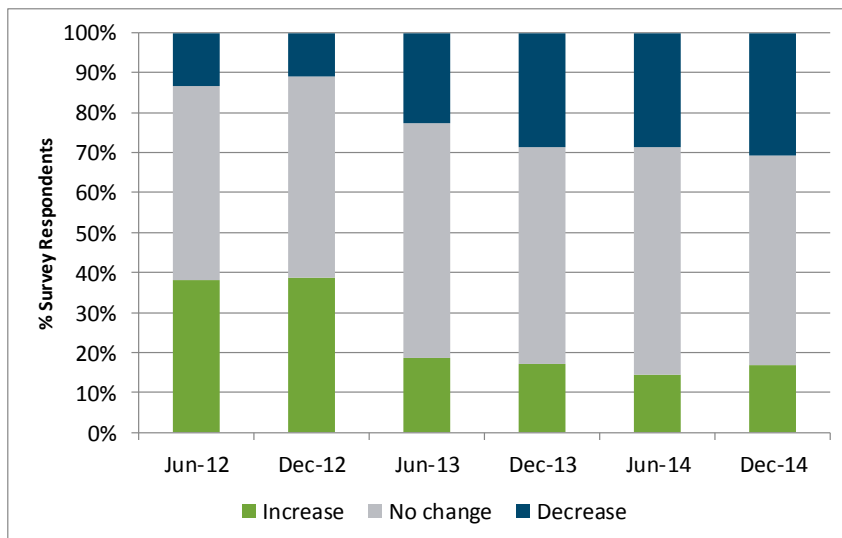
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Figure 2 - Anticipated change in bad debt over next six months



For many of those taking part in the survey, the growth in new business is continuing to put margins under pressure. 31% of respondents in the December survey predict that margins will decrease over the next six months, slightly above the 29% recorded last June. 52% anticipate no change in margins, down slightly from 57% previously while just 17% believe that margins will increase over the first half of the year.

Figure 3 - Anticipated change in margins over next six months

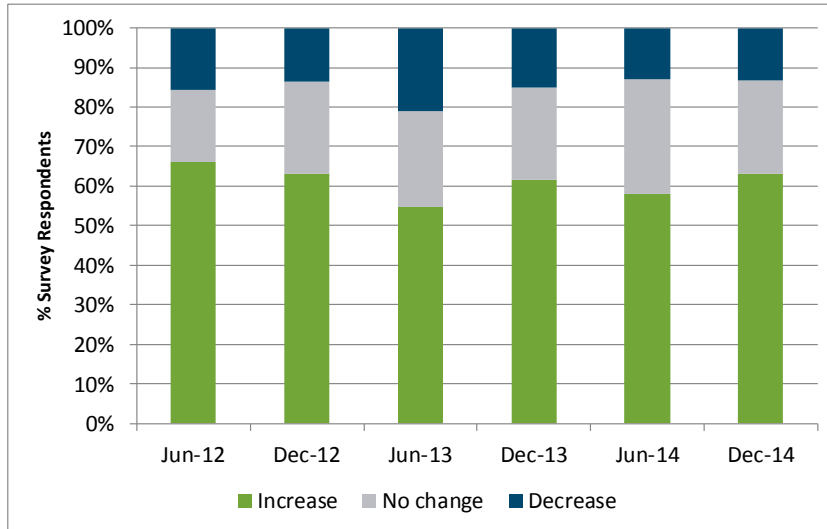


Although some respondents reported that margins are remaining under pressure, for the majority of those surveyed, the outlook for net profit looks healthy for the first half of 2015. In the December survey, 63% expect net profit to increase, up slightly from 58% last June while 24% anticipate no change. Only 13% believe that net profit will fall in their organisations, the same percentage as recorded in the previous June.

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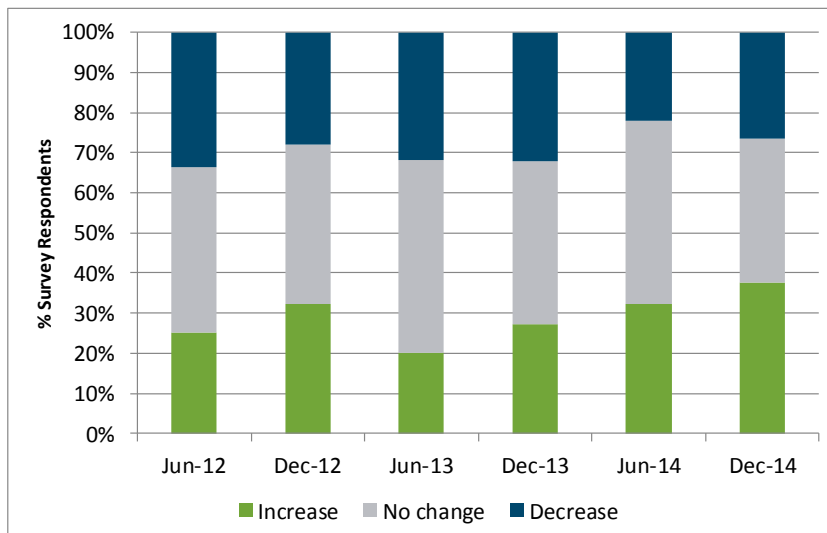
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Figure 4 - Change in net profit for business over next six months



The Business Confidence Survey measures expectations on expenditure by asset finance companies in four key areas – operating expenses, marketing, training and IT systems. Opinions on operating expenses were divided, with 38% of respondents in the latest December research predicting these would increase in their organisations during the first half of this year, up from 31% last June. A further 36% anticipate that operating expenses will remain unchanged in their organisations, down from 46% previously, while 26% believe they will decrease, a similar percentage to that recorded in the June survey.

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

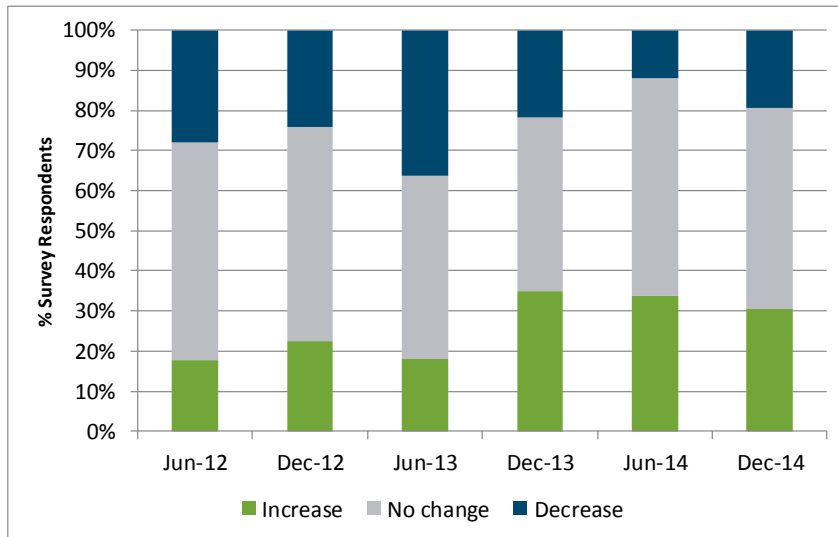


After an improvement in June, the outlook for marketing expenditure in the December survey appears more mixed. Just under a third (31%) of respondents expects marketing expenditure in their organisations to increase over the next six months, a marginal decrease on the 34% recorded in the previous June research. Half of those taking part in the December survey anticipate no change in marketing expenditure, down slightly from 54% previously, while 19% expect expenditure to fall, an increase from 12% in June of last year.

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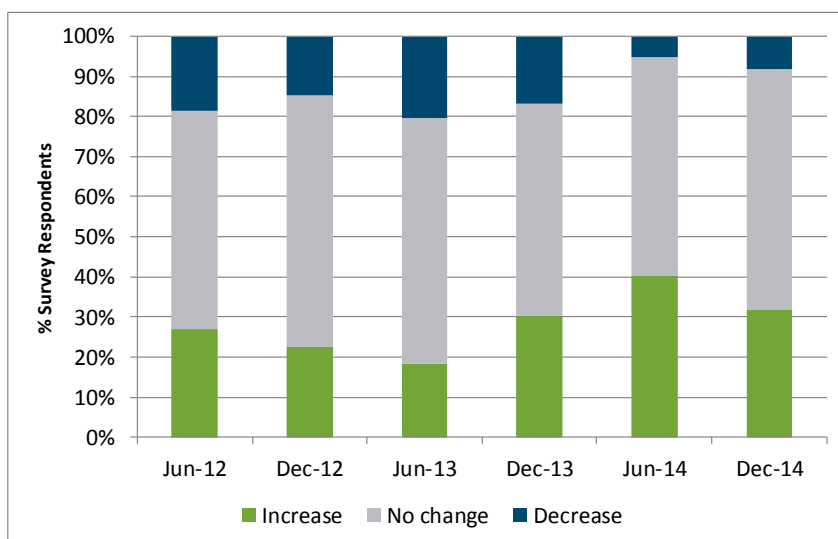
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Figure 6 - Anticipated change in marketing expenditure over next six months



The trend in training expenditure seen in the previous three surveys appears to have now reversed. In the most recent survey, 32% of respondents are expecting training expenditure to increase in their organisations over the next six months, down from the 40% previously and back to the same level recorded in December 2013. A further 60% believed that expenditure would remain unchanged, up from 54% previously, while only 8% forecast that training spending would fall, a similar figure to that recorded in the June survey.

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

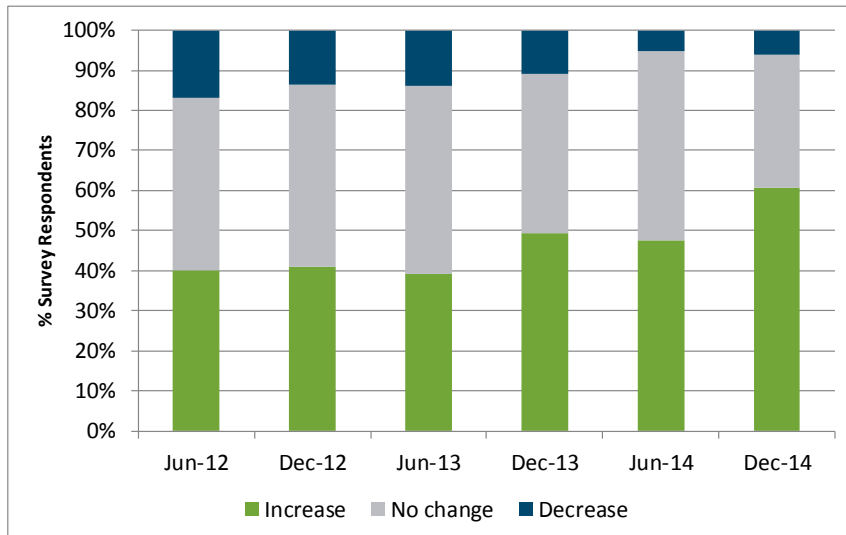


Compared to other areas the outlook for systems expenditure in the first half of 2015 appears much more bullish. The majority (61%) of those polled anticipate that systems expenditure will increase in their organisations, up from 46% in June of last year. Of these, 38% expect the increase to be less than 10% while 23% predict it will be greater. A further 33% forecast no change in IT expenditure, down from 47% previously while only 6% predicted a decrease in spending over the forecast period.

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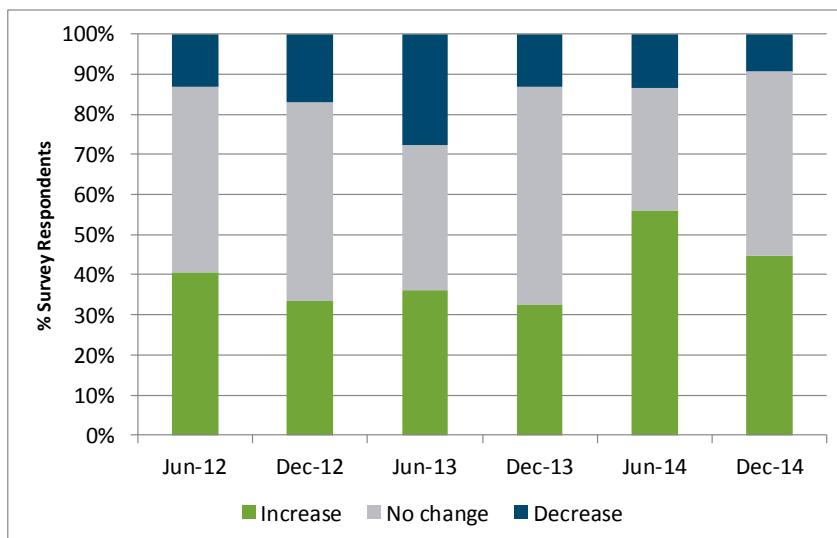
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Figure 8 - Anticipated change in systems expenditure over next six months



The survey asked participants their expectations on the outlook for staff numbers in their organisations over the next six months. For sales staff the balance of opinion is slightly less positive than in the June survey, though still an improvement on December 2013. 45% of those taking part in the latest December research predicted that sales staff numbers in their organisations will increase over the next six months, down from 56% in June. A further 46% of respondents expect numbers to remain the same, up markedly from 31% last June and a similar percentage to that recorded in December 2013. Just 9% anticipate a reduction in sales staff, down slightly from the 14% recorded last June.

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



The outlook for non-sales staff is unchanged from the June 2014 research, with the balance of opinion suggesting a marginal increase in the first half of 2015. 33% of respondents in the December survey predict that non-sales staff numbers will increase over the next six months, the same as last June. Of the remainder, under

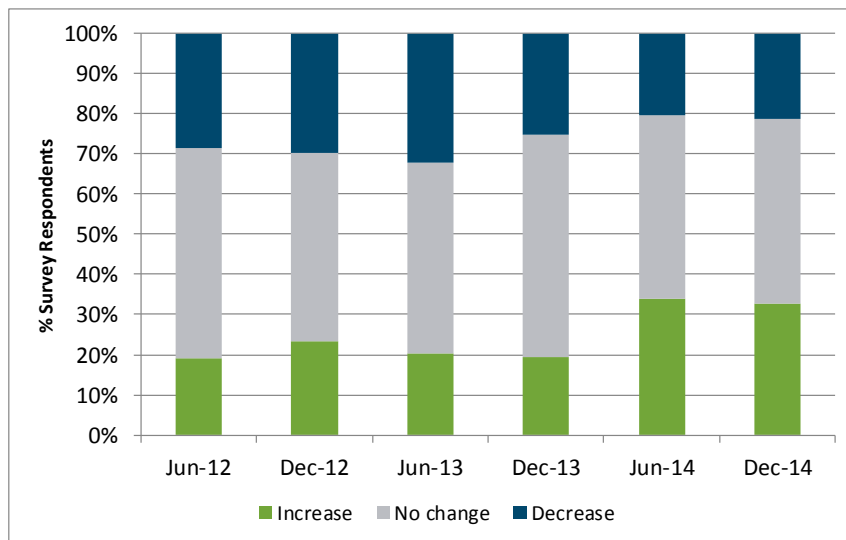


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half (46%) anticipate that staff numbers will remain the same, unchanged from previously, while 21% expect a reduction in non-sales staff.

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



This latest Business Confidence Survey suggests that, after a strong performance in 2014, the leasing industry is set for a positive start to 2015. Growth is forecast to continue, though perhaps at a slightly slower rate, while the balance of opinion on most of the other KPIs is generally favourable. While there remains some degree of uncertainty within Europe, the overall economic backdrop for the first half of the year appears good.

However, the squeeze on margins, reported in previous surveys, appears to be ongoing for a significant number of organisations. Nearly a third of respondents expected margins to fall in their organisations suggesting that growth is being driven by price rather than service or added value. Clearly there are limits to which this is sustainable and it remains an area of concern.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in summer 2015.

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