

# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of  
European leasing professionals

December 2015

# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

## European Business Confidence Survey December 2015 – Leasing industry anticipates a good start to 2016, though competition is intensifying

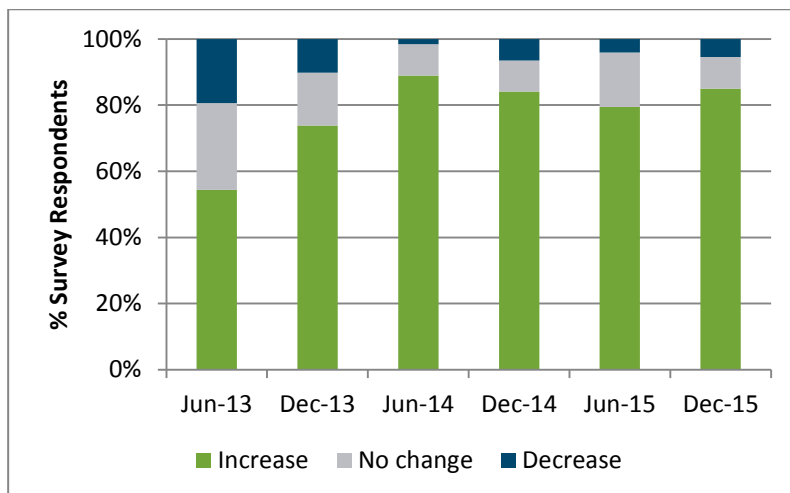
Leaseurope and Invigors EMEA have published the results from the most recent European Business Confidence Survey conducted in December 2015. The findings highlight a generally positive outlook for the European leasing business in the first half of 2016, though there are a couple of areas giving cause for concern. Sentiment is being driven by the continuing recovery in the European economy with low oil prices, low interest rates and a competitive euro behind an improving economic outlook and this is reflected in expectations on new business volumes and prospects for growth.

The survey polled the views of a wide range of leasing professionals in bank-owned lessors, independent leasing companies and captives. This is the fifteenth in the series, which monitors business confidence in the asset finance industry across Europe.

### Continuing growth in new business

Participants' expectations of new business growth continue to remain optimistic in line with the previous three surveys. 85% of those surveyed anticipate growth in new business for the first half of this year, up slightly from 79% last June and 84% in December 2014. The proportion of respondents forecasting no change in new business volumes has decreased from 16% last June to 10% in December 2015, while the number predicting a fall in new business now stands at just 5%.

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

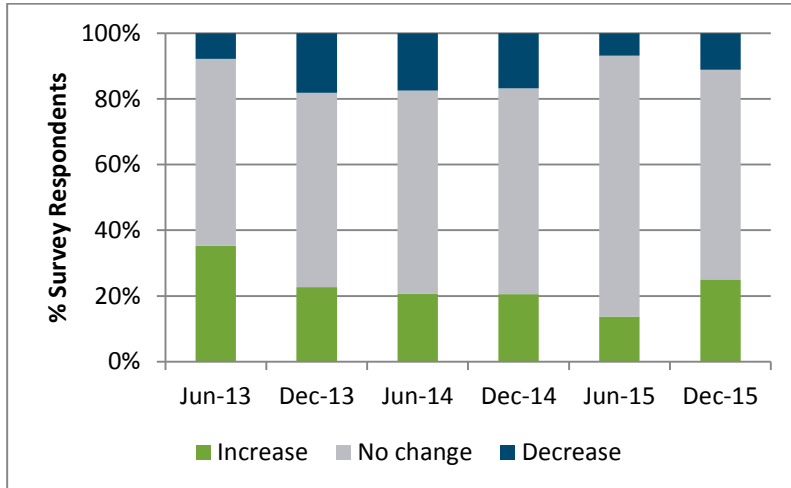


The overall majority of respondents (64%) expect no change in bad debt in their organisations for the first half of 2016, down from 79% last June. A quarter of those surveyed now anticipate that bad debt will increase over the next six months, up from 14% in the previous survey. 11% of those taking part in the survey predict that bad debt will decrease in their organisations over the forecast period.

# Leaseurope/Invigors Business Confidence Survey

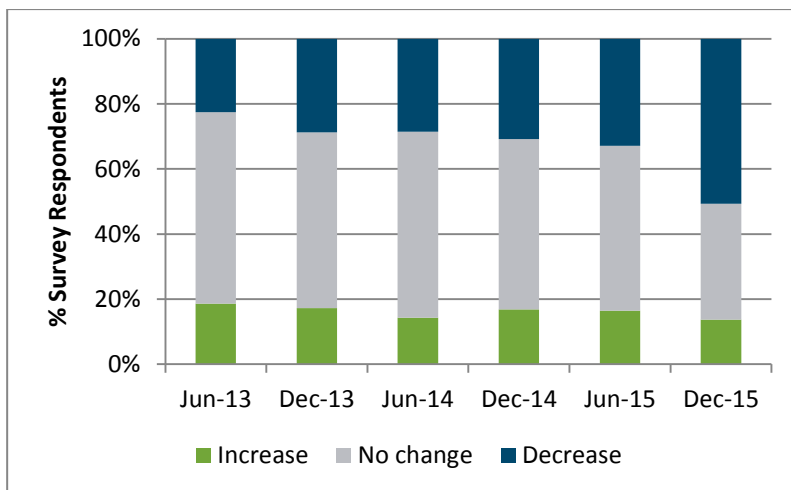
Measuring the expectations of European leasing professionals

Figure 2- Anticipated change in bad debt



There is a noticeable shift in expectations on margins. Just over half of those taking part in the survey (51%) expect margins to fall over the next six months, an increase from 33% in June of last year. 26% of those surveyed in December anticipate margins to remain unchanged, down from 51% in June, while only 14% predict that margins will increase, little changed from the 16% recorded in the previous research.

Figure 3 - Anticipated change in margins over next six months

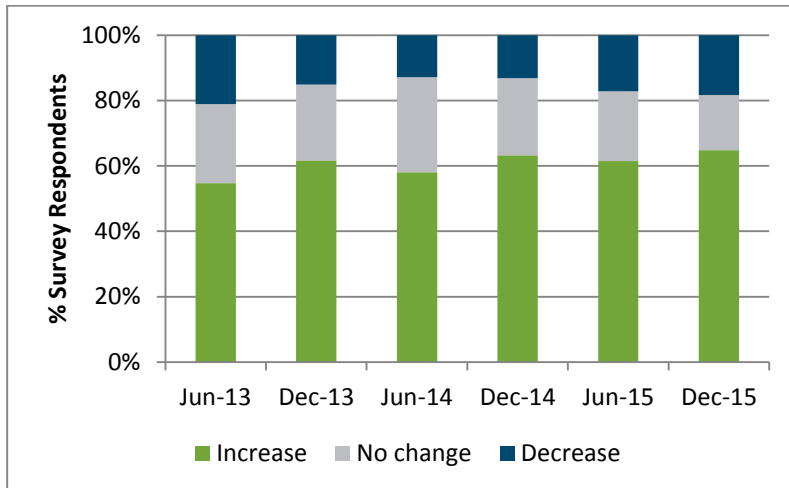


Despite some respondents reporting that margins are coming under pressure, according to the majority of those surveyed, the outlook for net profit remains healthy for the first half of 2016. In the December 2015 survey, nearly two-thirds (65%) of respondents expect net profit to increase, slightly up on the level last June, while 17% anticipate no change. Only 18% believe that net profit will fall in their organisations, around the same level as that recorded in the previous survey.

# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

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

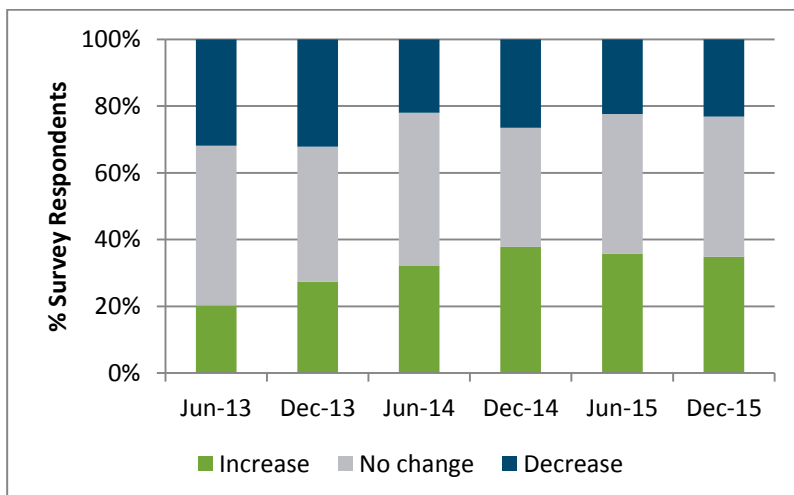


Whilst these KPIs show that the outlook for new business growth and net profit remains strong, the situation for margins and bad debt is looking increasingly less positive for the first half of this year. It is likely that the increased liquidity available at low rates through the banking system is supporting increased lending, but also increased price competition as well. Whilst this has been evident in previous surveys, it is now apparent that some respondents expect this price-led competition to result in a decrease in the quality of lending too.

## Expenditure to remain broadly stable – with fewer increasing spending on IT

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 35% of respondents in the December 2015 survey predicting these would increase in their organisations over the first six months of this year, around the same percentage as previously recorded. A further 42% anticipate that operating expenses will remain unchanged in their organisations, the same percentage as in June 2015, while 23% believe they will decrease.

Figure 3 - Anticipated change in operating expenses over next six months

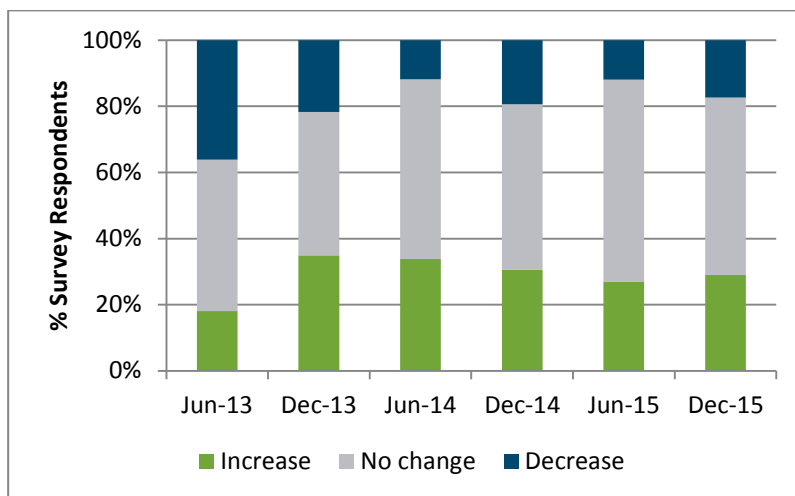


# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

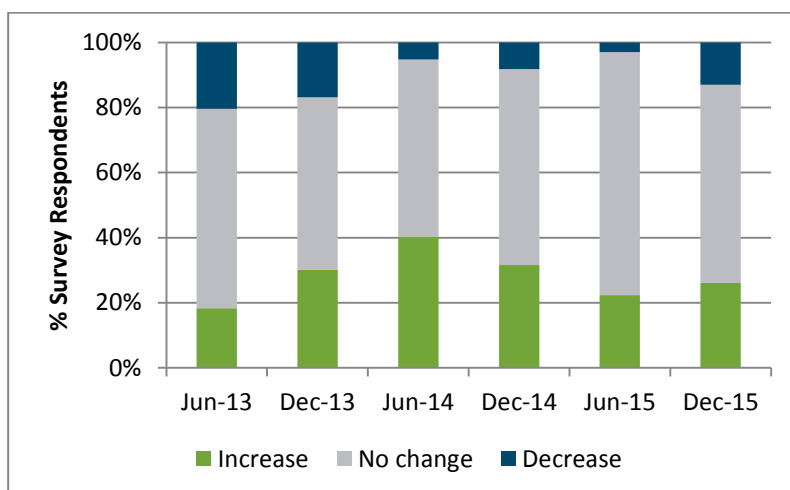
The outlook for marketing expenditure for 2016 also appears to be fairly stable. 54% of those taking part in the December survey anticipate that marketing expenditure in their organisations will remain unchanged over the next six months, a decrease from 61% recorded in the June 2015 survey, but around the same level as that in the previous December. 29% of respondents expect marketing expenditure in their organisations to increase over the next six months, similar to the 27% recorded in the June 2015 research. 17% of research participants now expect expenditure to fall, up from 12% in the previous survey.

Figure 4 - Anticipated change in marketing expenditure over next six months



The trend in training expenditure is showing some signs of change. In the December 2015 survey, 61% of respondents predict that training expenditure in their organisations over the next six months will remain unchanged, down from 75% in the previous June. A further 26% anticipate that training expenditure will increase, up slightly from 22% last June but still below 32% in December 2014. However, 13% in the most recent research forecast that training spending would fall over the next six months, up from the 3% recorded in the June 2015 survey.

Figure 5 - Anticipated change in training expenditure over next six months

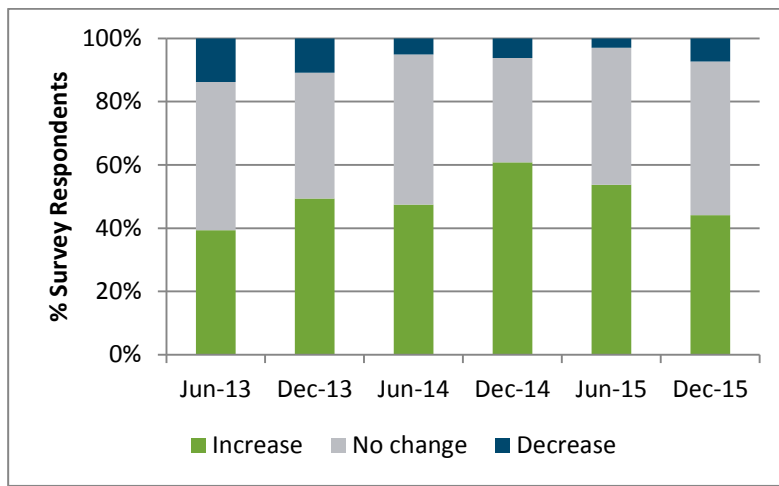


# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

Compared to other areas, the outlook for systems expenditure in the first half of 2016 remains positive, though the numbers suggest that expenditure in this area is tending to stabilise. 44% of those polled anticipate that systems expenditure will increase in their organisations, down from 54% last June and 61% in December 2014. A further 49% forecast no change in IT expenditure, up slightly from 43% previously, while 7% predicted a decrease in spending over the forecast period.

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

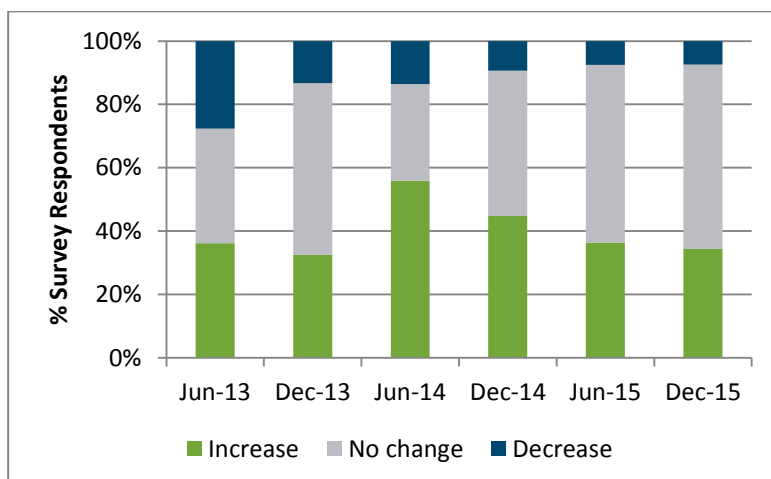


## Sales staff numbers are stabilising – some possible reduction in non-sales staffing

The survey asked participants about 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 2015 survey, though the overall outlook is one of no change, rather than growth or reduction in staff numbers.

58% of those taking part in the December 2015 survey predicted that sales staff numbers in their organisations will remain unchanged over the next six months, around the same level as in June last year. 34% expect sales staff numbers to increase, similar to the previous survey but down from 44% in December 2014. Just 7% anticipate a reduction in sales staff, around the same percentage as in the June 2015 survey.

Figure 7 - Anticipated change in sales staffing levels over next six months



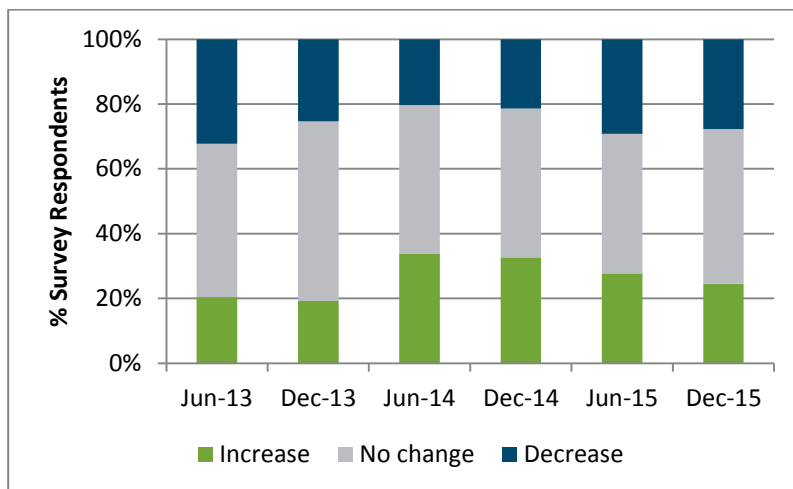


# Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

Similarly, the outlook for non-sales staff shows little change compared to previous research. 28% of respondents in the December 2015 survey predict that non-sales staff numbers will decrease over the next six months, while 48% anticipate that staff numbers will remain the same, up slightly from 43% recorded in the previously. The remaining 25% of participants expect an increase in non-sales staff, similar to the 28% recorded in June 2015.

Figure 8 - Anticipated change in non-sales staffing levels over next six months



This latest Business Confidence Survey suggests that the European leasing industry should have a good start to 2016. Growth is forecast to remain strong over the first half of the year, while the balance of opinion on many of the other KPIs is generally favourable. However, the impact of growing competition on margins and levels of bad debt appear to be a growing concern.

The next Leaseurope – Invigors EMEA Business Confidence Survey will be published in summer 2016.

Richard Ryan  
Partner  
Invigors EMEA LLP

Released in February 2016