Leaseurope/Invigors Business Confidence Survey

Measuring the expectations of European leasing professionals

June 2015

Leaseurope

INVIGORS
Part of The Alta Group

European Business Confidence Survey June 2015 -
Favourable economic winds promise a good second half year for 2015

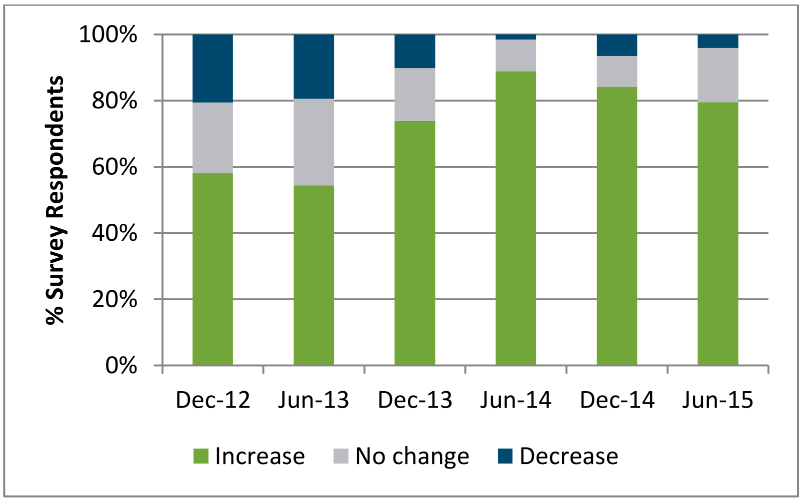
Leaseurope and Invigors EMEA have published the results from the most recent European Business Confidence Survey conducted in June 2015. The findings highlight an overall positive outlook for the European leasing business in the second half of 2015, with only a few issues of any concern. Sentiment is clearly driven by the improved prospects for the European economy over the rest of the year. Overall lending has been supported by an upswing in economic growth in the majority of European countries and this is reflected in expectations of future new business volumes.

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

Growth to continue throughout 2015

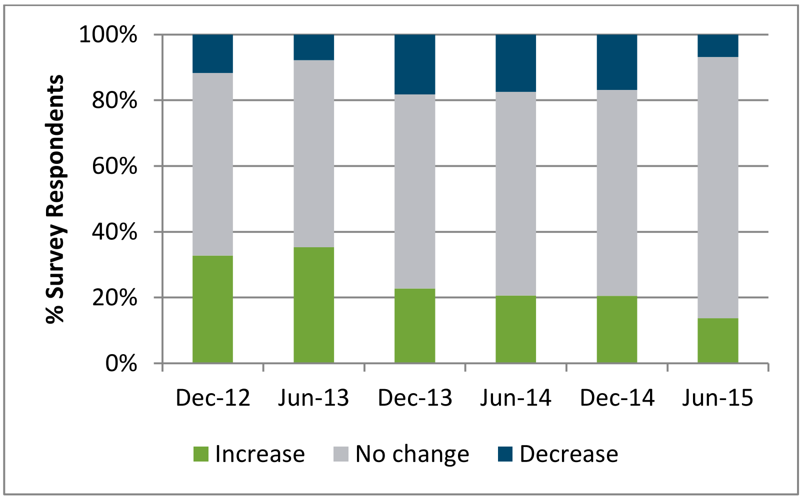
Participants' expectations of new business growth remain optimistic, though at a slightly lower rate than in the previous two surveys. 79% of those surveyed anticipate growth in new business for the remainder of this year, down slightly from 84% in December and 89% in June of last year. The proportion of respondents forecasting no change in new business volumes has increased from 9% last December to 16% in June while the number predicting a fall in new business stood at just 4%.

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



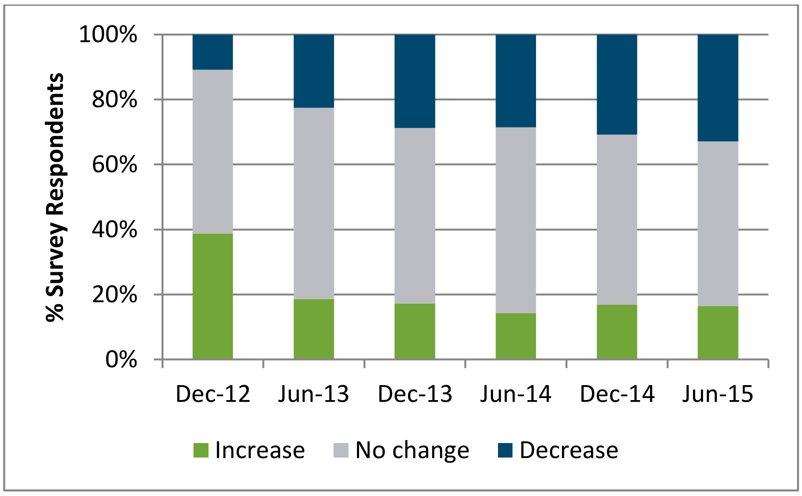
The overall majority of respondents (79%) expect no change in bad debt in their organisations for the remainder of this year, up from 63% last December. 14% anticipate that bad debt will increase over the next six months, down from 21% in the previous survey. Just 7% of those taking part in the survey predict that bad debt will decrease in their organisations.

Figure 2- Anticipated change in bad debt



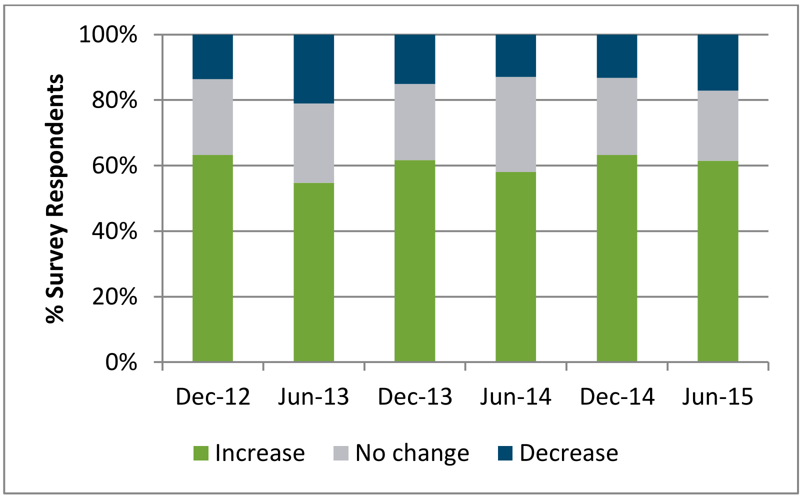
Over half of those taking part in the survey (51%) expect margins to remain unchanged over the next six months, about the same percentage as in December 2014. However the proportion of respondents predicting margins to be under pressure continues to grow, from 31% at the end of last year to 33% in June. Just 17% of respondents anticipate an increase in margins, around the same percentage as in the previous survey.

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 rest of the year. In the June survey, 62% expect net profit to increase, around the same level as in the previous research, while 21% anticipate no change. Only 17% believe that net profit will fall in their organisations, a very slightly higher percentage than that recorded in December 2014.

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

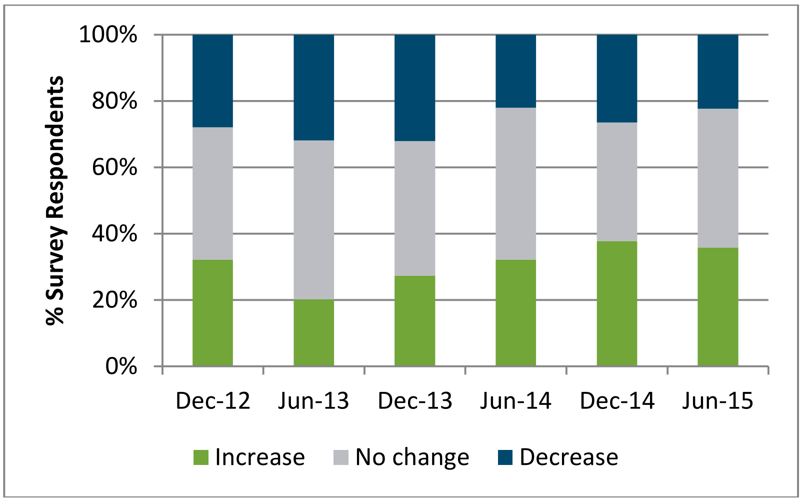


These KPIs in the latest survey mostly suggest a positive and stable trend in line with the previous three surveys, with new business growth in particular forecast to remain strong. However, as noted previously, a significant minority of respondents report that margins remain under pressure in response to ongoing competition for growth.

Expenditure to remain stable – though growth in spending on IT systems continues

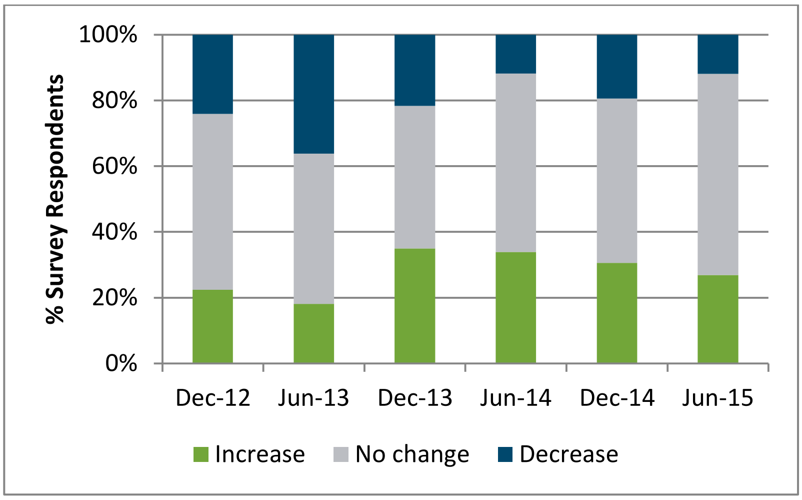
The Business Confidence Survey measures expectations on expenditure by asset finance companies in four key areas – operating expenses, marketing, training and IT systems. Opinions on operating expenses were divided, with 36% of respondents in the latest June survey predicting these would increase in their organisations during the second half of this year, around the same percentage as previously recorded. A further 42% anticipate that operating expenses will remain unchanged in their organisations, up from 36% in December 2014, while 22% believe they will decrease, a slight reduction on the previous survey.

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



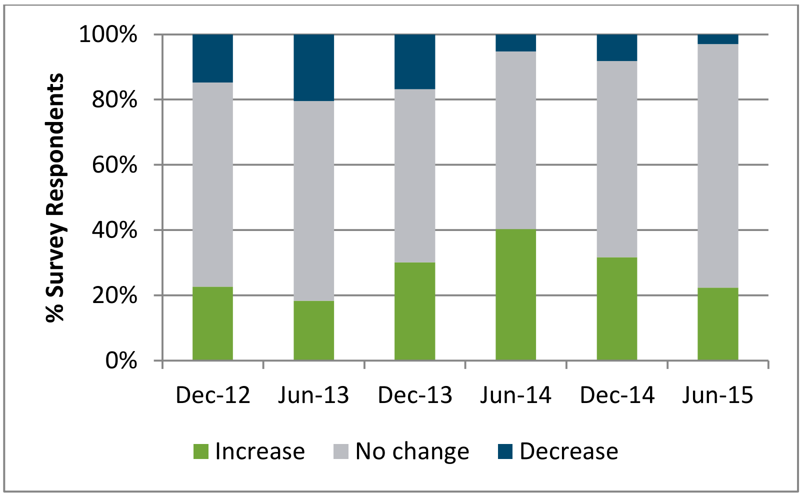
The outlook for marketing expenditure appears to have stabilised. 61% of those taking part in the June survey anticipate that marketing expenditure in their organisations will remain unchanged over the next six months, an increase from 50% in December last year. Just over a quarter (27%) of respondents expect marketing expenditure in their organisations to increase over the next six months, a small decrease on the 31% recorded in the December 2014 research. Only 12% expect expenditure to fall, down from 19% in the previous survey.

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



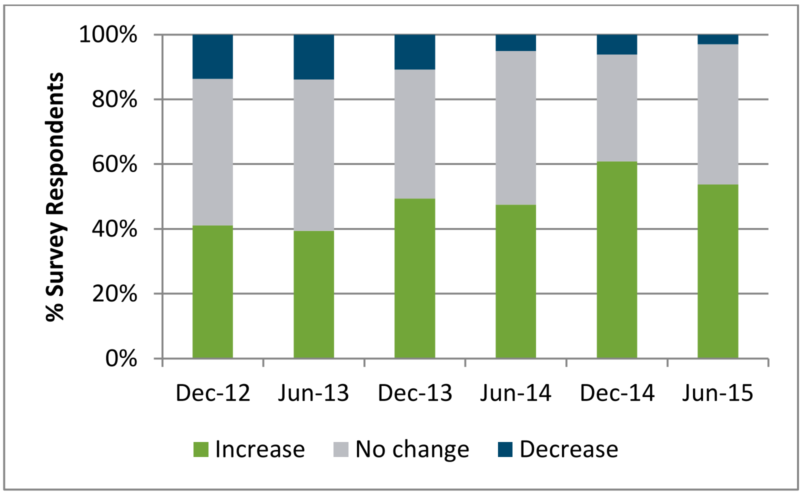
The trend in training expenditure is also increasingly stable. In the latest survey, three quarters of respondents predict that training expenditure in their organisations over the next six months will remain unchanged, up from 60% in December 2014. A further 22% anticipate that training expenditure will increase, down from 32% in December and 40% in June last year. Just 3% forecast that training spending would fall, down from the 8% recorded in the December survey.

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



Compared to other areas the outlook for systems expenditure in the second half of 2015 remains more optimistic, though not quite as bullish as in the December 2014 survey. Over half (54%) of those polled anticipate that systems expenditure will increase in their organisations, down from 61% in December of last year. A further 43% forecast no change in IT expenditure, up from 33% previously, while only 3% predicted a decrease in spending over the forecast period.

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

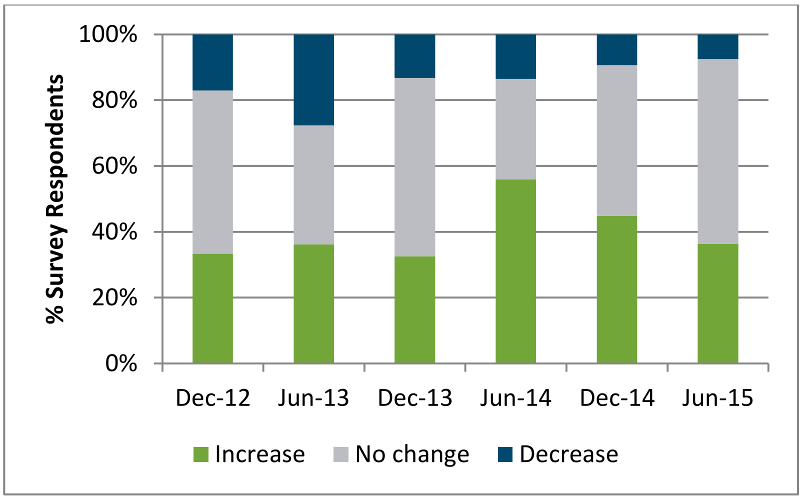


Sales staff numbers to stabilise – some possible reduction in non-sales staffing

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 December survey, though the overall outlook is one of no change, rather than growth or reduction in staff numbers.

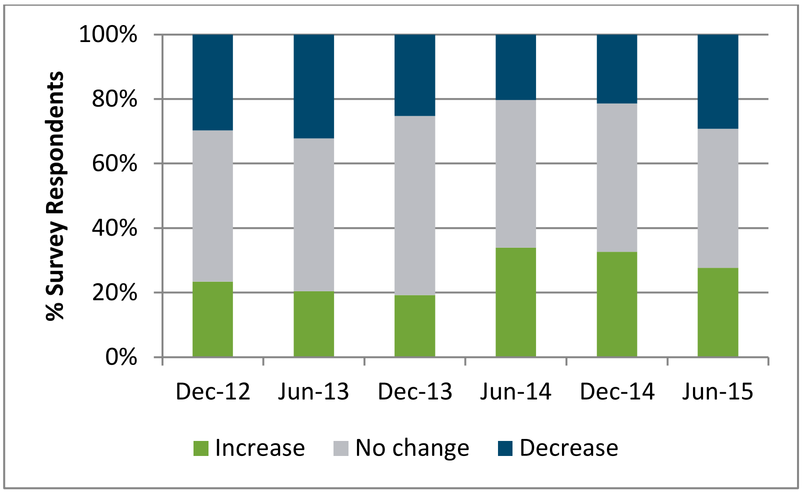
56% of those taking part in the latest June research predicted that sales staff numbers in their organisations will remain unchanged over the next six months, up from 46% in December 2014. 37% expect sales staff numbers to increase, down from 44% previously recorded, while just 8% anticipate a reduction in sales staff, around the same percentage as in the December survey.

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



Similarly to sales staff, the outlook for non-sales staff is slightly less positive compared to previous research, although the balance of opinion suggests little change in staff numbers overall for the rest of 2015. 29% of respondents in the June survey predict that non-sales staff numbers will decrease over the next six months, up from 21% in the previous December. Of the remainder, 43% anticipate that staff numbers will remain the same, a similar percentage to that recorded in the previous two surveys. 28% of participants expect an increase in non-sales staff, down slightly from 33% in December 2014.

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



This latest Business Confidence Survey suggests that 2015 is likely to be another good year for the European leasing industry. Growth is forecast to continue for the remainder of the year, while the balance of opinion on most of the other KPIs is generally favourable. The overall economic outlook for the rest of 2015 remains supportive, despite ongoing issues around the EU's eastern periphery.

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

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