

The Use of Leasing Amongst European SMEs

A report prepared for Leaseurope by Oxford Economics · 2015

KEY FINDINGS

WHAT IS LEASING?

- > Leasing is a special form of asset-based financing where a leasing company makes an asset it owns available to another party for a certain period of time, in exchange for payment.
- > It is used to finance an extremely wide range of asset types, providing a valuable form of support for a broad scope of businesses, whatever their asset needs may be.
- > Leased assets include cars, trucks, plant & machinery, ITC, equipment, renewable energy equipment, healthcare equipment, real estate, printing equipment, forklifts, production plants, office furniture, cranes, software applications and much more.
- > Lease agreements are distributed via many channels, e.g. through bank networks, directly from leasing companies or through vendors and dealers of equipment. The most popular means of accessing leasing is at the point of sale of the asset, or the vendor channel. This is when the customer accesses the lease directly from the manufacturer at the point of sale, saving time and effort.
- > Leasing can therefore provide a “one-stop-shop” for both the purchasing and financing of equipment, which is a clear advantage and convenience for SMEs, particularly compared to loan finance.



THE REPORT

- > In July 2015, Leaseurope released a new research report on the use of leasing by European SMEs, undertaken by leading economic consultancy Oxford Economics. This report provides the industry with updated and extended data by building on our pioneering study of November 2011.
- > Some 3,000 SMEs across 9 industrial sectors in 8 countries (France, Germany, Italy, Netherlands, Poland, Sweden, Spain and the UK) were surveyed, which together account for 82% of total EU economic output and 72% of the European leasing market.
- > The report quantifies the increasing importance of the SME leasing market in Europe over time, examining to what extent, how and why Europe’s SMEs use leasing compared to other forms of finance. We also uncover the reasons why SMEs do not use leasing more, as well as for the first time show data on the use of leasing by exporting and 'growth' SMEs.

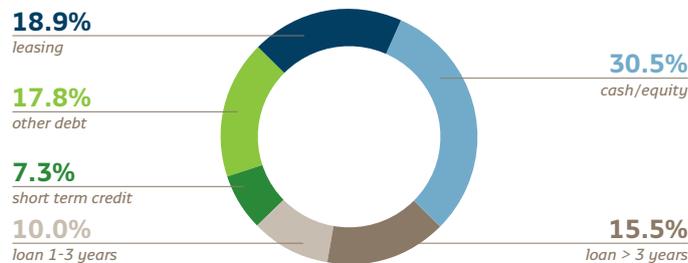
LEASEUROPE'S RESEARCH PROGRAMME

Leaseurope's Research Programme enables the Federation to be a catalyst for leasing and automotive rental related research at European level. It is instrumental in ensuring that the leasing industry is provided with up-to-date and comprehensive market data, research studies and publications on the trends and developments of the leasing and automotive rental industry. This research expertise helps to reaffirm our position as an information hub and centre for market intelligence. See the Research Programme section of www.leaseurope.org for further information on our industry reports.

KEY FINDINGS IN A NUTSHELL

- > Of the SMEs surveyed, **42.5% used leasing in 2013** compared to 40.3% in 2010. This is estimated to have increased significantly to 50.7% in 2014.
- > SMEs financed **18.9% of their total investment via leasing in 2013**, more than any individual form of bank lending, and it is estimated to have grown to 21.2% in 2014.
- > Bank loans of more than three years accounted for 15.5% of SME investment finance in 2013, with the proportion falling as the bank loan duration shortens.
- > At the EU level this means that leasing was responsible for financing just over **9 million individual SMEs and about €104 billion of SME investment** in fixed assets in 2013, which is estimated to have increased to €121 billion in 2014.
- > SMEs use leasing to finance a greater proportion of their investment than larger businesses.
- > Exporting and 'growth' SMEs, which generally have higher investment needs, rely on leasing to finance over 20% of their investment in 2013, compared to around 17% for other firms.
- > SMEs that use leasing invest more than twice as much as those that do not use leasing, approximately 123% more than non-users in 2013, up from 57% in 2010.

Percent of SME investment by finance type in 2013



Source: "The Use of Leasing Amongst European SMEs", 2015

Leasing provides significant support for Europe's SMEs

€104 billion of SME investment financed through leasing, supporting over 9 million SME firms, compared to:

- The European Investment Bank (EIB) provided €18.5 billion to SMEs through bank lending in 2013
> 90,000 SME firms supported
- The European Investment Fund (EIF) supported €3.4 billion in SME loans through its SME Guarantee Facility in 2013
> 140,000 SME firms supported
- Venture and enterprise capital invested roughly €28.6 billion in SME firms in 2013
> 4,000 SME firms supported

Sources: EIB, EIF, European Venture Capital Association

LEASING'S CONTRIBUTION TO EUROPEAN ECONOMY

- > A greater uptake of leasing by European SMEs would boost potential economic growth.
- > The report simulates the impact on European growth levels under various scenarios and shows that modest increases in the use of leasing by SMEs would **add an extra 0.3% to 0.7% to the level of GDP by 2020**.
- > Set against the Eurozone's long term growth rate of 1.6% per annum, this boost to the economy would be significant.

WHY DO FIRMS LEASE?

There are a wide variety of reasons why SMEs turn to leasing, with its appeal growing since 2010:

- > Leasing allows firms to invest in fixed assets, financing up to 100% of the purchase price of an asset without requiring additional collateral or guarantees.
- > This means that firms can better manage their working capital as payments are spread over the life of the asset.
- > Users of leasing do not need to burden themselves with concerns related to the ownership of assets, such as worrying about second hand values, how to dispose of their assets, etc.
- > Leasing provides the possibility for firms to upgrade assets, thus giving them access to the latest, most efficient technology available and keeping them competitive.
- > It also often includes services related to the asset such as insurance or maintenance, thus allowing clients to effectively outsource all of their asset related needs to the lessor who provides one convenient package.
- > Leasing offers a great deal of flexibility, as clients can often change the length of the contract to match their asset usage needs.
- > Leasing is a price competitive form of finance.

HOW TO GET THE REPORT?

For more information or to obtain a copy of the report, please e-mail us at c.low@leaseurope.org.

ABOUT LEASEUROPE

Leaseurope is the trade association representing the European leasing industry. It is composed of 45 Member Associations in 33 countries, which cover bank-owned, captives (manufacturer owned) and independent lessors. Leaseurope's total membership represents 91% of European Leasing market.

