



LEASING MARKET TRENDS WE ARE ENTERING 2017 WITH

Many political changes that occurred in 2016 as well as terrorism attacks created a huge amount of political uncertainty which has threatened the economy. Despite that, the prognosis for the 2017 leasing market in the US and Europe is positive.



First, let's take a quick look at the most important 2016 equipment and automotive financing data:

- Inflation was about 1% during 2016 (the nominal target was 2%).
- Due to consumer spending, the economy grew in the first semester of 2016.¹
- The **US equipment finance sector grew in value to an estimated US\$1 trillion.**²
- The proportion of new vehicles financed by leasing has grown more impressively, up from 26.9% in Q2 2015 to 31.4% in Q2 2016.³
- The **confidence in the equipment finance market is currently 67.5.**⁴
- New lease accounting standards for December 2018 were introduced, although many industry experts state that they will have very little impact on the demand for leasing.⁵

Political changes have had a strong effect on the economy so far. Donald Trump's election has influenced Treasury yields as well as the stock markets to jump. Sectors such as finance and energy showed good stock performance, and as the U.S. Equipment Leasing & Finance Foundation suggests, that is "a positive sign for the equipment leasing and finance industry"⁶. Positive growth is also predicted for labour wages, and a decreasing unemployment rate in the US.

The new US presidency may affect the local economy in a few ways. The President-elect seeks to install trade barriers and tighten the immigration regulations. Critics say that the loss of such an amount of workers, who are currently actually helping to spur the economic growth and create more jobs for others, would negatively impact the U.S. GDP, "eliminate millions of jobs, negatively impact the housing market, and significantly lower household incomes."⁷

There are positive aspects as well: infrastructure spending is likely to increase as well as equipment sales as D. Trump supports the idea of investing in roads, bridges, airports, and railroad repairs.⁸ Corporate Taxes have been promised to be lowered, which would have a positive effect on business activity and influence economic growth.

The continuing trends in consumer spending, growing business confidence level, as well as the improvement of both business and residential investment should keep the economy growing during 2017. The current existing geopolitical changes are predicted to continue in 2017.⁹

With all the numbers in mind, let's take a closer look to the possible future trends for both the equipment and automotive leasing industries.

1 <http://www.whiteclarkgroup.com>
2 <http://www.whiteclarkgroup.com>
3 <http://www.whiteclarkgroup.com>
4 <http://www.leasefoundation.org>
5 <http://www.leasefoundation.org>
6 <http://www.leasefoundation.org>
7 <http://www.leasefoundation.org>
8 <http://www.leasefoundation.org>
9 <http://www.whiteclarkgroup.com>



WHAT TO EXPECT: US and Europe equipment and automotive leasing market trends



1

TREND The growth in business confidence will result in an increase in investment

According to the economic outlook of the U.S. Equipment Leasing & Finance Foundation for 2017, the growing business confidence should result in increased investment in 2017. It has been predicted that the U.S. economy will grow by 2.7%, and for equipment and software investment to grow by about 3.0%.¹⁰

2

TREND The growth in US equipment investment

After an analysis of 12 equipment and software investment verticals, the Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor has predicted that over the first three to six months in 2017:

1. Investment growth in construction machinery, medical equipment, mining and oilfield machinery, aircraft, ships and boats, railroad equipment, trucks, computers, and software is expected to improve.
2. Agricultural machinery investments will continue to decrease.¹¹
3. IT and medical equipment investments will have the biggest growth potential.¹²

Equipment and software investment annual growth forecast

Year-on-Year % growth rates

Sector	10-year average	Next 4 quarters (min)	Next 4 quarters (max)
Agriculture machinery	4,7%	-10%	0%
Construction machinery	4,8%	-2%	6%
Materials handling equipment	1,2%	3%	8%
Other industrial equipment	1,5%	2%	8%
Medical equipment	3,6%	2%	6%
Mining and oilfield equipment	1,9%	-10%	5%
Aircraft	7,8%	6%	12%
Ships and boats	4,2%	2%	7%
Railroad equipment	7,7%	0%	12%
Trucks	18,0%	8%	15%
Computers	4,1%	2%	8%
Software	4,3%	5%	10%

Forecast of the US equipment and software growth (source: Macrobond Financial, Keybridge (forecasts))

3

TREND Mobile apps use to increase

With the increasing number of smart phone users, the need for various mobile apps is growing. You can even pay for your goods and services with your mobile phone. The key players in the mobile app market, Android, Apple and Samsung, in launching their payment apps, contributed in raising the popularity of this type of payment method. According to Euromonitor International data, in 2015, it was more common among Chinese to pay for their goods and services by using a mobile phone rather than a computer. Euromonitor predicts that the same trend will occur in the US and the UK by 2020. The main mobile phone financial transactions were made by millennials, who are the main purchasing power these days.¹³

A similar shift has been noticed in comparing bank users' physical visits and their mobile banking use¹⁴:

Year	Physical bank visitors (once a week)	mobile transaction per week
2010	40%	9%
2014	28%	27%

Table 1: physical bank visitors and mobile bank-related mobile transactions per week comparison for 2010 and 2014

Taking this into consideration, leasing companies should be integrating this type of payment method into the improvement of their mobile website user experience with their own mobile app creation and promotion.



TREND The need for cyber security is growing

Online peer to peer money lending platforms, such as Bitcoin, have grown in popularity and some leasing companies have already made it an acceptable payment method for their services. Bitcoin's value depends on its demand, and currently there is a limit of 21 million Bitcoins to be created.¹⁵ Despite the recent year's political uncertainty, the value of digital cash has grown from \$435 dollars at the beginning of 2016, to \$1018.35, its current value (January 2, 2017)¹⁶.

Bitcoin popularity comes with risks, and cyber security is one of the main ones. During 2016, cyber thieves managed to hack a bitcoin exchange system, stealing bitcoins valuing \$70 million.¹⁷ The US financial services cybersecurity market is rapidly growing, and for 2015-2020 is predicted to exceed \$77 billion in revenues.¹⁸ The entire Global Cyber Security Market is predicted to reach \$170 billion by 2020.¹⁹

It is well worth considering to invest in your security systems, as normally, a cyberattack could cost a small/medium business around up to \$142,000.²⁰



TREND Cloud computing will grow

It is not a choice anymore to be or not to be online. 88% of millennials search on the internet to get needed information about their intended purchases.²¹ Digital trends are changing as well. One of the major growing trends nowadays is the expansion of the cloud market. For the upcoming year, the public cloud market is predicted to reach \$146 billion, which is almost double as compared to 2015, when cloud companies sold \$87 billion worth of services.²² Forrester analyst Dave Bartoletti states that "enterprises with big budgets, data centres and complex applications are now looking at the cloud as a viable place to run core business applications."²³

Having a large amount of data to deal with on an everyday basis is a very time consuming process and companies usually run into an obstacle here – how to maintain data consistency. The digitalization age provides you with great opportunities for turning your pain into gain: all you need to do is look for a software solution which "thinks" about data management for you, so you can be one step ahead of your competitors and make your company perform better.

15 <https://bitcoin.org>

16 <http://www.thisismoney.co.uk>

17 <http://www.reuters.com>

18 <http://cybersecurityventures.com>

19 <https://www.mordorintelligence.com>

20 <http://www.walesonline.co.uk>

21 <https://www.brandwatch.com>

22 <http://www.cio.com/>

23 <http://www.cio.com>



6

TREND Automotive leasing contracts will increase

With more than 34% of the market, the leasing industry is nowhere near stopping to do so, especially now, when employment is rising and fuel prices are low.²⁴ Still, it is worth considering that when the market is prospering, more new competitors may appear.

7

TREND Car sharing trend will grow

The economic trend of car sharing is becoming more and more popular every year. In the UK, the trend of car sharing is very predominant among young people, due to the expenses.²⁵ According to research done by BCG, the growing car-sharing trend will have a very little impact on new cars sales, as it will not replace car ownership and the majority of new car purchasing losses will be compensated for by sales to car-sharing parks in widely populated areas.²⁶



CONCLUSIONS

By 2020, the total investment in equipment and software is expected to reach \$1.8 trillion, of which \$1.24 trillion is projected to be financed. The change in the US president will definitely influence economic changes, although it is hard to forecast these based on political promises, as not everything promised may be possible to implement.

Both the equipment and automotive leasing markets have a prosperous year coming. Changing habits in society and the increasing popularity of mobile phone use are driving businesses to develop their own apps. The trend of using the new virtual currency Bitcoin may ease the trade processes among countries, and it is already being implemented in some leasing companies. Cloud computing will be used by more and more companies worldwide, while related threats such as cyberattacks can be avoided if the right measures are implemented in time to be effective.

Sources:

1. Bert Julien et al (The Boston consulting group) – What is ahead for car sharing? February 2016, accessed December 2016 at <http://www.bcg.de/documents/file206078.pdf>
2. Boulton Clint – 6 trends that will shape cloud computing in 2017, November 2016, accessed December 2016 at <http://www.cio.com/article/3137946/cloud-computing/6-trends-that-will-shape-cloud-computing-in-2017.html>
3. Chavez-Dreyfuss Cyber threat grows for bitcoin exchanges, August 2016, accessed January, 2017 at <http://www.reuters.com/article/us-bitcoin-cyber-analysis-idUSKCN11411T>
4. Daily mail - Bitcoin hits a three-year high of £730 amid political uncertainty, December 2016, accessed January, 2017 at <http://www.thisismoney.co.uk/money/markets/article-4068000/Bitcoin-hits-three-year-high-730-amid-political-uncertainty.html>
5. Equipment leasing and finance foundation - 2017 Equipment leasing and finance U.S. Economic Outlook, December 2016, accessed December 2016 at <http://www.leasefoundation.org/Products/2017ECOOUT.pdf>
6. Equipment leasing and finance foundation - US equipment and finance market study 2016-2017 accessed December 2016 at <https://www.leasefoundation.org/research/sefi/>
7. Evans Michelle - 5 trends shaping mobile payments worldwide in 2016, October 2016, accessed January, 2017 at <https://www.mobilepaymentstoday.com/blogs/5-trends-shaping-mobile-payments-worldwide-in-2016/>
8. <https://bitcoin.org/en/faq>, accessed December 2016
9. Kelsey Chris – Hackers could cost you £115,000 - why cyber security is important to small businesses DECEMBER 16,2016, accessed December 2016 at <http://www.walesonline.co.uk/business/business-news/hackers-could-cost-you-115000-12330425>
10. Lohr Steve - As More Pay by Smartphone, Banks Scramble to Keep Up, January 19 2016, accessed December 2016 at http://www.nytimes.com/2016/01/19/technology/upstarts-are-leading-the-fintech-movement-and-banks-take-heed.html?_r=1
11. McAllister Pete - Lease a Car with Bitcoin Payments? Yes...Now You Can! July 2014, accessed January, 2017 at <http://www.intelligentcarleasing.com/blog/lease-a-car-with-deposit-payment-by-bitcoin-currency/>
12. Mordor Intelligence - Global Cyber Security Market - By Industry, Solutions, Services, and Geography (2015 - 2020), AUGUST 2016, accessed December 2016 at [HTTPS://WWW.MORDORINTELLIGENCE.COM/INDUSTRY-REPORTS/CYBER-SECURITY-MARKET?Gclid=CjwKAEIA7EjCBrdLP8UF6EZPNjOSJAAPED-7M4RRJLFMBPD7FVIDOIDHIQDII3XH5VTB7X1Y7ZYTdkHOCYQBW_WCB](https://www.mordorintelligence.com/industry-reports/cyber-security-market?Gclid=CjwKAEIA7EjCBrdLP8UF6EZPNjOSJAAPED-7M4RRJLFMBPD7FVIDOIDHIQDII3XH5VTB7X1Y7ZYTdkHOCYQBW_WCB)
13. MORGAN STEVEN C. - Cybersecurity for Banks Report, August 2015, accessed December 2016 at <http://cybersecurityventures.com/cybersecurity-for-banks-report-q3-2015/>
14. Next Content - AUTOMOTIVE FINANCE STUDY 2016 THE EUROPEAN MARKET AND ITS FUTURE CHALLENGES, accessed December 2016 at <http://www.next-continent.net/publications/automotive-finance-study-2016/download>
15. Rogerson Brian - Global home medical equipment leasing market forecast to grow "tremendously" to 2023, November 2016, accessed December 2016 at <http://www.assetfinanceinternational.com/index.php/global-news/americas/news-americas/14613-global-home-medical-equipment-leasing-market-forecast-to-grow-tremendously-to-2023>
16. White Clarke group – US assets and auto finance survey 2016, accessed December 2016 at http://www.whiteclarkegroup.com/downloads/599/us_asset_and_auto_finance_survey_sept_2016.pdf

