

PRESS RELEASE

Leasing sector finances around 59 billion euro's worth of investment in German economy

Equipment leasing increases by four percent / BDL sees growth potential in "Industrie 4.0" and calls for clear framework conditions

Frankfurt, 19th November 2015 – This year, the German leasing sector has financed some 59 billion euro's worth of the country's investments in real estate, machinery, vehicles, IT equipment and other assets. Of this total, 52.21 billion euro was invested through leasing agreements (up 3 percent on the figure for 2014), and 6.7 billion euro through hire-purchase transactions (up 12 percent). New business acquired through the leasing of equipment increased by 4.1 percent. "Given the current low rates of interest and high internal financing ratios, and not forgetting German businesses' continuing reluctance to invest, we are very pleased with how the sector has performed," commented Martin Mudersbach, President of the Federal Association of German Leasing Companies (BDL) at the Association's annual press conference in Frankfurt.

The driver of this growth has been vehicle leasing, with sales of passenger cars and commercial vehicles accounting for 74 percent of the total value of the leasing market. In 2015, this leasing-market segment grew by six percent. The second-largest segment, the leasing of machinery, grew by four percent. "The increase in demand for machinery was in double figures at the beginning of the year, but this growth rate tailed off as the year wore on and new orders for machinery and plant dwindled," explained Mudersbach. The level of new business acquired through the leasing of computers, servers and IT equipment has again been disappointing. Demand was already weakening in 2014, and this year has seen a further decline (by two percent). "IT investments," commented Mudersbach, "are a seismograph of the prevailing economic mood. Experience tells us that in times of uncertainty, companies will first of all put the acquisition of new IT equipment on hold." The real-estate segment has also been losing ground. New business acquired through the leasing of offices, business premises and production facilities fell by 29 percent to 1.21 billion euro.

The Outlook for 2016

The economic forecasts for 2016 offer little cause for optimism. Companies remain reticent about investing. In the coming year, investments in equipment are expected to increase by no more than three percent. "Levels of investment in Germany remain much too low. But this is the climate that the leasing sector lives in, and there is no evidence to suggest there will be a surge in growth any time soon. The increase in demand for equipment in 2016 will be in the region of three to four percent," reckons Mudersbach.

"Industrie 4.0" As an Engine for Growth

Looking further ahead, the leasing sector sees considerable potential for growth in the "Industrie 4.0" project. Germany is aiming to position itself as a leading provider of the technologies being forged in the "Fourth Industrial Revolution", and huge investments will have to be made if this goal is to be achieved. Experts have calculated that in the years between now and 2020,



German industry will invest 40 billion euro per annum in the realization of this project. But the investments required in connection with “Industrie 4.0“ may prove to be quite a challenge, and they will at all events be of an entirely new order. Companies will be investing not only in capital goods in their classical form, but also – and to an increasing degree – in innovative processes. So-called soft investments in intangible assets such as software and patents are gaining in significance. “The leasing industry,” explained Mudersbach, “is predestined to help with the realization of these investments, because leasing companies employ engineers who have the know-how to assess new processes and business models, and, if necessary, to oversee their implementation.”

Leasing Sector Calls for Clear Framework Conditions

“However, to be in a position to help investors realize their investment ambitions, leasing companies need clearly defined framework conditions “ insisted the BDL president. “For example, they need to know exactly where they stand with regard to thorny issues such as tax laws and data protection. ”Digitized work processes involve the collection and evaluation of vast quantities of data. Analysis has an important role to play in the provision of optimized services. But who owns, and who should be allowed access to, the data gathered? These are just two of the many radically new questions that will have to be addressed. And closely related to these matters are the issues of liability and data security. “In addition to creating a legal framework that is fit for purpose, legislators will also have to make sure that appropriate technical standards and norms are set in place. These are critical considerations for industry as a whole, and clarity in this area would certainly make the remarketing process more straightforward for the leasing sector.”

“Industrie 4.0“ is revolutionizing not just the production process, but the entire economy. Martin Mudersbach has summed up the situation as follows: “Many companies lack the kind of financing models that would allow them to hold down their capital expenditure to a minimum. The leasing sector can provide them with financing solutions tailored exactly to their requirements. It must not be held back from doing so by poorly defined operating conditions.”

Overview of Leasing Market in 2015 (Estimated)	
New leasing business	52.21 billion euro (+3.0 %)
Hire purchase	6.7 billion euro (+11.7 %)
Equipment leasing	51.00 billion euro (+4.1 %)
Real-estate leasing	1.21 billion euro (-28.8 %)
Overall leasing penetration rate	15.3 %
Penetration rate in equipment segment	22.9 %
Equipment-Leasing Trends – Year-on-Year Comparison with 2014	
Vehicles	+5.6 %
Production machinery	+4.0 %
Office equipment, IT systems	-2.4 %
Information and signalling systems, other products	-0.7 %
Aircraft, watercraft and rail vehicles	-22.8 %