**Press RELEASE**

**Value of New Leasing Business Climbs to 70 Billion Euro**

**Boom in Machine Leasing | WLTP-harmonized Vehicle Testing Puts a Brake on Vehicle Leasing | Digitalization Creates Growth Opportunities**

**Frankfurt, 21st November 2018 – After two record years, the leasing sector has seen renewed growth in the current year, and new business is up by 4.5 percent. German leasing companies have financed customers’ investments in real estate, vehicles, IT equipment and other assets to the tune of 69.7 billion euro. The volume of hire-purchase business has increased even more markedly (by 11 percent), and currently stands at 9.1 billion euro.**

Growth in new business in the machinery segment was particularly strong; compared with the previous year it was up by 9 percent. IT leasing recovered after a number of difficult years, and actually grew in 2018 (by 2 percent). Overall, there was above-average growth (+7 percent) in the other leasing market segments, with information and signalling systems and medical technology putting in noteworthy performances. However, the leasing industry felt the effects of the new worldwide-harmonized WLTP vehicle-emissions testing regime: reductions in carmakers’ outputs created delivery bottlenecks, and in the current year the automotive segment of the leasing market has grown only moderately (by 3 percent). Since vehicles account for most new leasing business transacted, this development has had an effect on the overall volume of equipment leased in 2018, which has increased by 3.1 percent.

“We are working on the assumption that some vehicle business is still in the pipeline and will show up next year, for companies’ order books are well filled,” says Kai Ostermann, President of the German Leasing Association (BDL). In view of this one-off effect, and the dynamic – indeed record-breaking – performances seen in 2016 and 2017, the leasing sector can feel satisfied with how 2018 has progressed. Demand for leased assets remains constant and high. This is reflected in the proportion of externally financed investments accounted for by leasing: the figure for this year is 54 percent. “Leasing,” says Ostermann, “is quite clearly the predominant financing tool.”

**The Outlook for 2019**

The leasing industry is forecasting a 3 to 4 percent increase in business in 2019. It is confident it will outperform the overall rate of growth in equipment investment, which is not expected to be any more than 3 percent. “A higher growth rate than at most 4 percent is not really on the cards for the leasing sector, given that leasing activity is dependent on the state of the economy,“ explains Ostermann. Indeed, the leading economic research institutes and the German Council of Economic Experts have recently revised their forecasts downwards. They are now predicting that the German economy will continue to grow in 2019, but less dynamically than previously estimated. There is a growing reluctance to invest, particularly in the corporate sector. In the opinion of the BDL President, investment – or the lack thereof – is the Achilles heel of the German economy. He insists that the federal government should be putting measures in place to make Germany a more attractive location for investment.

**Improving Germany’s Credentials as a Country to Invest In**

There is an evident need for positive action, as is demonstrated by the efforts other countries are making to attract investors: France, Great Britain, and, last but not least, the USA are reducing taxes and improving operating conditions for the companies that have located within their borders. The overall tax burden being borne by companies in Germany is 32 percent, which by international standards is extremely high: the average figure for the EU is just 22 percent. The federal government must act if it wants to stop investment funds drifting away to other countries. Fiscal policy is regional economic policy. For that reason, the BDL would very much like to see Economics Minister Peter Altmaier’s “economic policy program” being taken seriously and implemented, says Ostermann. This program includes a number of meaningful fiscal policy measures, such as the scrapping of the German unification solidarity surcharge and an overhaul of the rules regarding asset depreciation. There is also a need to reduce red tape. If the measures outlined in Altmaier’s program were set in place, the tax burden on corporate Germany would be reduced by 20 billion euro per annum.

**Growth Opportunities Through Digitalization**

The leasing industry has identified opportunities for growth in the ongoing process of digitalization that continues to shape our lives. Leasing companies are indeed well placed to help their customers invest in the digital transformation process. A study commissioned by the KfW Development Bank shows that leasing comes in second place after cash flow as the most frequently used means of financing digitalization projects. Furthermore, the basic principle of leasing, which places the emphasis on using an asset rather than owning it, has had new life breathed into it by digitalization, and it is attracting new customer groups and opening up new markets for leasing companies. Ostermann: “A new leasing era is dawning“.

Digitalization is proving to be a driver of leasing-friendly billing based on usage, for the acquisition and exchange of usage-based data in themselves are promoting new financing and service models. What leasing customers pay depends on how much they use the asset in question. In other words, the principle that applies for copying machines can also be applied to other investment objects, and in a wide range of industrial and commercial sectors. The user “pays per use” of the commodities or services in question, be they operating hours, copies, scans or Cloud Storage bytes. This not only frees up capital, but also saves on acquisition and running costs.

Big data and leasing can thus combine to create genuine added value for the customer. “But to achieve this”, says the BDL President, “we need reliable framework conditions for the interchange of data. On the one hand, that means creating an infrastructure capable of guaranteeing the stable exchange of enormous quantities of data in real time, and, on the other, devising a legal framework to regulate questions of copyright, data protection and liability”.

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| *Overview of the Leasing Market in 2018 [Projections]* |
| New leasing and hire-purchase business  | 69.7 billion euro (+4.5 %) |
| Hire purchase | 9.1 billion euro (+11%) |
| Equipment leasingReal-estate leasing | 59.10 billion euro (+3.1%)1.48 billion euro (+29.8%) |
| Overall leasing penetration ratePenetration rate in the equipment segment | 15.5 %23.2 % |
| ***Leasing-Segment Trends*** | ***Year-on-Year Comparison with 2017*** |
| Vehicles | +3.0 % |
| Production machinery | +8.8 % |
| Office equipment, IT systems | +1.5 % |
| “Other equipment” (including information & signalling systems and medical technology | +7.3 % |
| Aircraft, watercraft, and railed vehicles | -22.3 % |