



PRESS RELEASE

New leasing business up 9 percent

The sector has this year facilitated investments of 74.4 billion euro and continues to score highly for the quality of its advisory support and expertise | Leasing companies support green investment

Berlin, 4th December 2019 – In 2019, the leasing market saw much stronger growth than the German economy as a whole, with new business up by 9 percent. Leasing companies in Germany realized investments to the tune of 74.4 billion euro in real estate, machinery, vehicles, IT equipment and other assets. 12 percent of this figure (9.1 billion euro) was achieved through hire purchase. The proportion of overall investment in equipment attributable to leasing has risen to 24 percent. Around 54 percent of all externally financed investments are now made through leasing agreements.

“In uncertain times, many companies put their investment plans on hold. Those that go ahead with their investment are increasingly using leasing”, explains Kai Ostermann, President of the Bundesverband Deutscher Leasing-Unternehmen (BDL – German Leasing Association). Leasing thus remains a powerful driving force in the German economy. “The leasing sector offers solutions for present-day challenges such as the ongoing process of digitalization, achieving e-mobility and energy-efficiency solutions, and implementing modern green technologies”. Ostermann firmly believes leasing is helping the economy address the problem of climate protection: according to the EU Commission, an additional Europe-wide investment of 180 billion euro per annum will be required if the EU’s energy and climate targets are to be met. “The leasing industry will play an active role in placing the German economy on an environmentally sustainable footing. Our expertise is enabling us to deliver a sizeable proportion of the investment needed to implement modern, environmentally friendly technologies”.

Success through expertise, services and the personal touch

Leasing is helping companies invest in the digital revolution. And digitalization is driving demand for pay-per-use leasing plans, since it enables new financing and service models that depend on the gathering and exchange of usage-based data. With their market and asset expertise, leasing companies are well placed to advise customers on the selection and the optimum utilization of vehicles, machinery and other capital goods. Furthermore, in the digital era we now live in, the leasing sector can offer one or two particularly important bonuses: “Top-class consultative support and personalized customer relations go together. Our customers value personal contact with their leasing company, and prompt responses to their enquiries,” says Ostermann. “Digital services and online offers may be the icing on the cake, but leasing remains essentially a ‘people business’”.

Germany is crying out for a bold investment plan

The leasing sector expects the inflow of new business to remain stable in 2020. “Given the economic outlook and the deteriorating investment climate, dramatic rates of growth seem unlikely,” explains the BDL President. “However, investment remains the key to growth, employment and, following on from that, prosperity”. Germany, he argues, is in more urgent need than ever of a bold investment plan that will improve investment conditions for companies, and create incentives for investment in Germany as a place to do business. Otherwise, we run the risk of becoming uncompetitive. “So we welcome the strategy for SMEs proposed by Federal Economics Minister Peter Altmaier. The plans he has set out to ease the burden on small and medium-sized enterprises must be implemented without further delay”.



Appropriate levels of regulation

The leasing industry must not be impeded in its role as an investment engine through the imposition of unnecessary bureaucracy and regulations. However, the regulatory pressures it has to contend with remain considerable. “All of the main measures to regulate the activities of financial institutions were initiated with major international banks in mind. The standards introduced are meant to regulate the activities of these banks. But they are also imposed on medium-sized leasing companies,” says Ostermann. Leasing companies, he points out, are not banks. “They’re smaller and less complex. What’s more, their risk exposure is considerably lower. A sense of proportion and a greater level of differentiation are required – ideally within the framework of a regime designed specifically to meet the needs of the leasing sector”.

Developments in the various leasing segments

The predominant drivers of growth in 2019 were **Vehicle and IT Leasing**. Vehicle leasing (the leasing of passenger cars and commercial vehicles) was up by 9 percent and accounted for 78 percent of the overall leasing market. “The healthy increase in new business in the vehicle sector is in part attributable to the build-up in demand created in the second half of 2018 by WLTP (Worldwide Harmonised Light Vehicle Test Procedure) legislation,” explained the BDL President. “But leasing *per se* – in particular, vehicle leasing – has clearly become more attractive than ever for businesses”. Two of every five newly registered motor vehicles are now leased. Ostermann sees the inherent flexibility of leasing and the extras that leasing companies can offer in the form of, for example, maintenance and inspection services and accident-claims management as the main reasons why so many companies are now opting to lease their vehicles.

Leasing of **Office Equipment, Computers, Servers and IT Equipment** is booming again (up 13 percent on the figure for 2018) after some years of decline and stagnation. “Public bodies and private companies had for quite some time been putting off investment in IT systems. Now, they have an enormous investment requirement, particularly as only the very latest in high-performance hardware and software will do to drive the ongoing digitalization of the business world. And companies have to keep up with this process if they want to remain competitive,” says the BDL President.

Machinery Leasing, the second largest leasing segment, saw a drop of 2 percent in the value of new business acquired in 2019. This is a reflection of the current state of the mechanical engineering industry, which has suffered an overall decline in the volume of incoming orders.

Overview of the Leasing Market in 2019 (Projected Calculations)	
New leasing business	65.3 billion euro (+8.7 %)
Hire purchase	9.1 billion euro (0.0 %)
Equipment leasing	63.8 billion euro (+8.7 %)
Real-estate leasing	1.5 billion euro (+6.4 %)
Overall leasing penetration rate	15.9 %
Equipment-leasing penetration rate	24.0 %
Individual Leasing Segments	Year-on-Year Comparison with 2018
Vehicles (cars, commercial vehicles)	+8.9 %
Production machinery	-1.6 %
Office equipment, IT systems	+13.0 %
Information and signalling systems, other equipment	+5.8 %
Aircraft, watercraft and railed vehicles	+76.6 %