



PRESS RELEASE

Boom in leasing: new business rises by 11 percent in first half year

BDL critical of low interest rate policies

Berlin, 10 August – In the first half of 2016, the leasing sector managed to attract eleven percent more new equipment leasing business than in the corresponding period of 2015. “Having got off to a fantastic start in the first quarter, leasing companies recorded an eleven percent increase in new business in the second quarter as well,” commented Horst Fittler, managing director of the German Leasing Association (BDL). “We are more than satisfied with this level of growth,” he added.

Nevertheless, the leasing sector is circumspect about what the coming months might bring. The Brexit decision has unsettled German companies. “Given how networked the global economy has become, the implications of Brexit are not yet clear,” says Fittler. “Economists fear that this uncertainty may add to German reluctance to invest. The BDL chief views this prospect with concern, particularly as companies are already choosing to invest in replacing old equipment rather than in expanding their operations. And the current era of low interest rates is making life difficult for leasing companies.

“Past experience has shown us that precisely in times of uncertainty, companies need investment partners they can rely on, and for that reason they are making increased use of leasing”, says Fittler. Corporate decision makers value the ability leasing gives them to calculate and schedule costs precisely and evenly. And they are making increasingly frequent use of the services that leasing companies are offering along with their financing packages. “Low interest rates must not be allowed to make the acquisition of new leasing business unprofitable, for this would jeopardize the advantages of leasing,” says Fittler. The strategy of achieving and sustaining higher levels of investment by keeping interest rates low has backfired: companies and private households have become net savers. And for the leasing industry, the prolonged period of low interest rates has already had a negative impact on earnings and expenses. “The longer interest rates are kept low, the more counterproductive they become,” warns Fittler. “The German economy needs stimuli and investment incentives”.

Above-average increase in new leased vehicles

So far this year, an exceptional amount of new business has been acquired through the leasing of vehicles. The best-performing segment, passenger car leasing, grew by almost thirteen percent in the first six months of the year. In terms of numbers of units, eleven percent more vehicles were leased than in the corresponding period of 2016. And the increase in new leased cars far exceeded the seven-percent increase in the registration of new cars recorded by the Federal Motor Transport Authority. The BDL’s managing director was also pleased with developments in the machinery leasing segment: “Leasing of machines was up by almost twelve percent, which is an impressive rate of growth, particularly when you take into account that the plant and mechanical engineering sector grew by just four percent in the first five months of the year.” IT leasing, on the other hand, fell yet again (by two percent). When it comes to assessing economic activity, this segment acts as a seismograph. “In uncertain times, investments in IT are the first casualty,” says Fittler. “And the fact that new business in this segment has been stagnating or falling for a number of quarters is not encouraging.”



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