



## PRESS RELEASE

### Boom year for leasing sector: record levels of new business

**64.2 billion euro | 9 percent rate of growth | Leasing sector's share of the equipment market rises to an all-time high of 24 percent**

Frankfurt, 24th November 2016 – The German leasing sector has achieved record-breaking volumes of new business: in 2016, leasing companies financed investments worth 64.2 billion euro in real estate, machinery, vehicles, IT equipment and so-called other assets. This figure also includes the 7.4 billion euro's worth of investments made through hire-purchase contracts. This represents a rate of growth of 9 percent. Equipment leasing, which has increased year-on-year by 7 percent to 55.1 billion euro, accounted for the lion's share of all leasing business transacted. By contrast, across-the-board investment in equipment looks set to rise by just 2 percent. The German leasing sector's performance this year has been record-breaking; its share of the equipment investment market currently stands at 24 percent, the highest equipment penetration rate has ever been.

"Leasing is growing at a significantly more dynamic rate than the overall economy, and has demonstrated its importance as a driver of investment in Germany," declared Martin Mudersbach, President of the Federal Association of German Leasing Companies (Bundesverband Deutscher Leasing-Unternehmen, BDL) at the Association's annual press conference in Frankfurt. At a time when investment sentiment remains subdued, company decision makers are increasingly resorting to leasing as a financing tool. "Why? Because leasing creates flexibility, and as it aids cost planning, it also affords protection against unwelcome surprises. What's more, the services provided by leasing companies take pressure off the lessee's own resources," explained Mudersbach.

#### The Outlook for 2017

"Even though we have had a record year, we remain concerned about the investment climate. In spite of the upturn in the economy, companies remain reluctant to invest," commented Mudersbach. In their forecasts for 2017, economists are predicting that investments in equipment will increase by less than 2 percent. "In our view, that's not satisfactory," he said.

Gross investment in plant and equipment is currently contributing no more than half a percentage point to growth, and productivity is also only increasing at a very moderate rate. In addition, Mudersbach is convinced that the outcome of the US presidential election will make companies even more reluctant to invest. "The outlook for economic growth and the safeguarding of business locations is not good." The BDL president therefore appealed to the shapers of economic policy to create framework conditions that will encourage private-sector investment. He also drew attention to the adverse effects of low-interest-rate policies. "Persistently low interest rates have imposed considerable burdens on leasing companies as regards their income and costs situations". In his view, the leasing sector is an important investment partner to the economy, and should not be disadvantaged in this way.

#### Developments in the Individual Leasing Segments

The main engine of growth in leasing in 2016 has been **Vehicle Leasing**, with



passenger cars and utility vehicles accounting for 75 percent of the overall leasing market. Leasing companies continued to punch above their weight in the burgeoning automotive sector, and they again expanded their share of the market. Around 40 percent of all newly registered road vehicles are now leased. Vehicle leasing has increased by 9 percent in 2016, and new business contracted with private customers by 11 percent.

Leasing companies have also increased their share of the **Machinery Sector**, with new business acquired in this the second largest leasing segment up by 5 percent. “In the first half year, there was double-digit growth in the leasing of machinery, but this momentum was not sustained in the succeeding months. “Even so,” commented the BDL president, “growth in the leasing of machinery has outpaced growth in the machine-construction sector”. This claim is backed up by the VDMA (the German Mechanical Engineering Association), which observed a stagnation in the flow of incoming orders in the nine months up to the end of September. “This shows just how firmly leasing has established itself as an investment tool for mechanical- and plant-engineering companies,” said Mudersbach.

The leasing of **Office Equipment, Computers, Servers and IT Systems** continued to disappoint. Having already stagnated in 2015, this segment has thus far contracted sharply (by 10 percent) in the current year. **Real-Estate Leasing**, on the other hand, has staged a remarkable recovery. New business acquired through the leasing of offices, business premises and production facilities increased by a remarkable 79 percent to 1.7 billion euro.

#### **Overview of the Leasing Market in 2016 (Calculations Based on Projections)**

New leasing business	56.8 billion euro (+8.5 %)
Hire purchase	7.4 billion euro (+8.8 %)
Equipment leasing	55.1 billion euro (+7.2 %)
Real-estate leasing	1.7 billion euro (+78.9 %)
Overall leasing penetration rate	16.2 %
Penetration rate in equipment segment	24.0 %

#### **Leasing-Segment Trends – Year-on-Year Comparison with 2015**

Vehicles	+8.6 %
Production machinery	+5.3 %
Office equipment, IT systems	-10.1 %
Information and signalling systems, and “other products”	+4.6 %
Aircraft, watercraft and rail vehicles	+76.3 %

#### Further information

You will find a presentation of market figures at our [website](#).

#### If you have any queries, contact

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