

2018

Global Leasing Report

**BY BRENDAN GLEESON
GROUP CEO
WHITE CLARKE GROUP**

**STATE OF THE GLOBAL LEASING
INDUSTRY – CONTINUED
STRENGTH AND GROWTH**



**White Clarke
Group**

LEADING FINANCE
TECHNOLOGY

Your complimentary copy of the Global Leasing Report 2018

I am delighted to present you with this latest edition of the **White Clarke Group Global Leasing Report 2018**. The GLR has become the definitive analysis of country trading environments and world trends in auto and asset leasing.

This is the 12th year that our report has featured as the keynote commentary of the World Leasing Yearbook. You will find the latest auditable data on volume and growth by region, market penetration, GDP ratios and market shares, complete with a ranking of the top 50 leasing markets by size worldwide.

This continues a history of tracking the worldwide market for leasing products for more than 30 years. A digital copy of the report can be downloaded from our website **www.whiteclarkegroup.com**.

The leasing industry continues its significant growth whilst companies introduce new and innovative ways to finance equipment for companies worldwide. This year's report sees the top 50 leasing markets growing new business volume by 9.4%, rising from US\$1,005.30bn in 2015 to US\$1,099.77bn in 2016. Three regions, North America, Europe and Asia, account for more than 95% of total world volume.

Leasing markets in 2016 gained a greater share of the equipment finance industry and reported growth in most regions creating confidence for the future. I hope you will enjoy reading this book and the reports included. Feel free to comment or ask questions **info@whiteclarkegroup.com**.

Sincerely yours

Brendan Gleeson

Group CEO, White Clarke Group



Brendan Gleeson, Group CEO,
White Clarke Group

About White Clarke Group

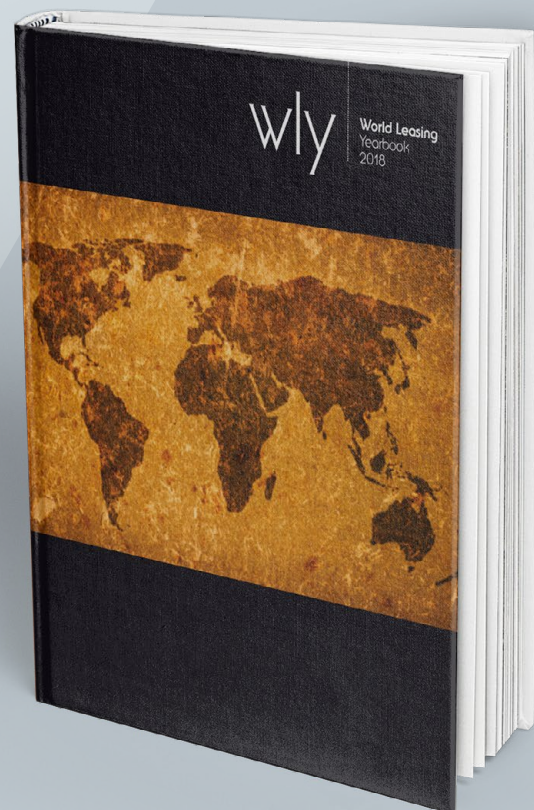
White Clarke Group is the global first-class provider in end-to-end automotive and asset finance software solutions and consulting services. It is a global organization employing around 600 professionals, with offices in the UK, US, Canada, Australia, Austria, Germany, India and China.

The company's award-winning CALMS full life-cycle platform provides a flexible workflow approach that automates the entire business process from origination through contract to portfolio management—trusted by more than 100 customers in 30 countries around the globe.

For more information, please visit
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World Leasing Yearbook

The White Clarke Group Global Leasing Report is prepared by White Clarke Group in association with the World Leasing Yearbook. This report is an extract from the complete Global Leasing Report which is part of the 364 page World Leasing Yearbook. To obtain the full report, which contains 7 additional tables and figures, you can purchase the book at www.world-leasing-yearbook.com or call +44 (0)1206 579591.



State of the global leasing industry – continued strength and growth

By Brendan Gleeson, Group CEO, White Clarke Group

The White Clarke Group Global Leasing Report continues a history of tracking the worldwide market for leasing products for more than 30 years. Following the recovery from the global economic crisis, the leasing industry has experienced significant growth and has introduced new and innovative ways to finance equipment for companies worldwide.

All values are quoted in US dollars.

Overview

For the sixth consecutive year since the global financial crisis, the global leasing industry has enjoyed growth in new business volumes and the outlook for the industry remains optimistic.

The top 50 countries in 2016 reported growth in new business volume of 9.40%, rising from US\$1,005.30bn in 2015 to US\$1,099.77bn in 2016. Three regions, North America, Europe and Asia, account for more than 95% of world volume. New business volume exceeded the previous year's global total by US\$94.47bn.

The Asian region experienced impressive growth of 30% and demonstrated by far the largest percentage increase among all the global regions. All eyes remain on China

where the market registered staggering growth of 61%, which highlights the robustness of this burgeoning market.

Europe recorded a growth rate of 7.3% and North America experienced 2.2% growth over the previous year. By contrast, Latin America posted a slight decline of 6.8% in 2016 while Africa recorded a fall from last year's figure of 19.5%. Australia/New Zealand was down 8.9%.

The Global Leasing Report employs the US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year. However, note that the growth figures we specify are as actually reported by each country, before conversion into dollars, so they are unaffected by the vagaries of currency fluctuations and give a true picture of domestic performance year-on-year.

North America

The North American region consists of the US, Canada and Mexico. The region has maintained its position as the world's biggest market, with new business volume of US\$416.8bn and represents 37.9% of the total global market share in equipment leased.

The US is the dominant player of the region, and is the largest single market in the world. In 2016 new business volume was US\$383.9bn.

Table 1: Volume and growth by region (2015–2016)

Rank by volume	Region	Annual volume (US\$bn)	Growth 2015–2016 (%)	Percentage of world market volume 2015	Percentage of world market volume 2016	Change in market share 2015–2016
1	N America	416.8	2.2	40.6	37.9	–2.7
2	Europe	346.3	7.3	32.1	31.5	–0.6
3	Asia	289.9	30.0	22.2	26.4	4.2
4	Aus/NZ	28.4	–8.9	3.1	2.6	–0.5
5	S America	12.9	–6.8	1.4	1.2	–0.2
6	Africa	5.4	–19.5	0.7	0.5	–0.2
	Total	1,099.77				

Source: White Clarke Group Global Leasing Report.

According to the Survey of Equipment Finance Activity (SEFA), the US witnessed decelerated growth from 11.10% in 2015 to 2.54% in 2016 in new business volume. This reflects an increased general degree of cautiousness in ongoing investments in the US.

Also, according to the SEFA Report industry profitability took a hit in 2016 with the industry's return on average equity, return on total assets and income before taxes all down. However, the decline in profitability does not appear to have been caused by a reduction in credit quality.

In Canada low commodity prices and the weak economy set the tone for the machinery and equipment market to struggle regardless of ongoing gains in the fleet vehicle market. There was an 8.5% drop in the value of new assets financed in Canada in 2016. The fleet leasing market was the strongest segment growing at 6.4% in 2016.

Leasing is estimated to account for 36% of the C\$32.4bn of equipment and commercial vehicles financed in 2016 while lines of credit account for over 28% of new business finance, followed by secured loans at 21%. Mexico experienced a 2.6% decline in leasing with new business amounting to US\$7.1bn.

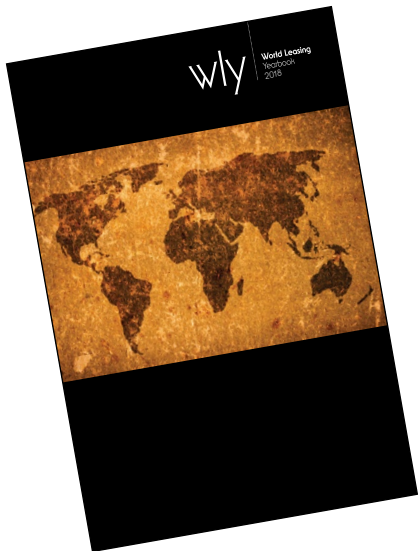
Europe

Each year the US and Europe vie for the top position in the world's leasing market share, and again, both have relatively similar new business volume of US\$383.9bn and US\$346.3bn respectively.

Europe accounts for 31.5% of world volume and five European countries (UK, Germany, France, Italy and Sweden) feature in the world's top 10 countries for new business, contributing 65% of the total volume.

The United Kingdom and Germany are positioned as the third and fourth largest leasing markets in the world and remain the dominant players in Europe. They accounted for 42% of the European market and 13% of the world market.

The UK asset finance market has performed strongly amid challenging economic conditions over the uncertainty of the outcome of the Brexit negotiations. In 2016, the UK industry captured US\$81.77bn of new business registering a significant growth rate of 8.98% (in local currency) as compared with the previous year and locating it in a strong position after the US and China in the global rankings.



WORLD LEASING YEARBOOK 2018

Covering 364 pages the NEW 2018 edition of the World Leasing Yearbook is your essential guide to all the current opportunities in leasing and asset finance, ensuring you keep ahead of the competition. The 2018 edition provides 364 pages of unrivalled data:

- Over 50 country reviews covering all leasing sectors with core data and statistics.
- The Global Leasing Report 2018 features unique data on international leasing volume and growth by region. A ranking of the Top 50 global leasing markets, global leasing statistics from 1995 to date, market penetration levels per country, GDP penetration ratios and market shares.
- Features over 240 tables and graphs of essential statistical data.
- An extensive review of leasing software developments for 2018 along with comprehensive product reviews from over 30 leasing suppliers.
- The unique and comprehensive World Leasing Database giving you access to over 5,000 companies and over 6,000 contacts in over 100 countries from all sectors of the international asset finance and leasing industry. Supplied on disc and fully downloadable and searchable.

Price: £375 / US\$550 (hardback and e-versions available)

www.world-leasing-yearbook.com

The second largest European leasing market is Germany which registered growth of 3.42% in local currency in comparison to 2015 and with new business volume of US\$64.3bn. The German leasing sector is one of the most mature in the world with cars and estate vehicles (58%) and trailers & trucks (16%) occupying the main types of asset being leased.

France continued to maintain sixth place in the White Clarke Group rankings, with new business volume of US\$38.9bn and reporting positive growth of 11.23%. This expansion was generally aided by low inflation and high household consumption, which increased the investment in leasing assets.

Italy ranks as the fourth largest European market with new volume at US\$25.3bn and Sweden fifth at US\$20.1bn.

Overall the members of Leaseurope (the European federation of leasing and finance companies) recorded an impressive consolidated increase in new business of 10.30%. Other significant growth performances worth highlighting throughout the region include: Belgium 25.19%, Denmark 16.80%, Estonia 17.15%, Greece 69.39%, Italy 17.02%, Lithuania 39.32%, Norway 18.57%, Poland 16.61%, Russia 34.42% and Ukraine 66.24%.

* NB Our European figures will exhibit slight differences from those quoted by Leaseurope elsewhere in the publication because The White Clarke Group Global Leasing Report adopts the US dollar as its base rate, as published at the last day of the year (2016). Leaseurope employs the euro as its base currency, adjusted for exchange rate fluctuations.

Asia

New business volume in Asia increased by a very impressive 30% in 2016 and occupied a 26.4% share of the world market of US\$289.9bn, a greater figure than last year where the market share for Asia was 22.2%.

In China new leasing business was up a massive 61.9%, to US\$206bn in 2016, making China the second largest leasing market in the world. The growth of the market has been remarkable, and leasing is now seen as an important financing option in the domestic economy.

The automobile leasing market, in particular, has grown at a rapid rate such that around 35% to 40% of automobiles in China are now acquired through leasing and loans. Sale and leaseback dominates the market.

Japan, which is the fifth largest leasing market in the world experienced a small decrease in lease transaction volume in 2016 of 1.3%. However, it is a sophisticated and mature market which still remains the second largest market in Asia after China and approximately 6% of private capital investments are made through leasing.

The third biggest leasing market in Asia is Korea which ranks 13th in the world achieving new business volume

of US\$10.8bn which was down slightly in 2016.

Leasing acquisition volume by asset type as at the end of 2016 was: transportation equipment (71.9%); industrial machinery equipment (13.3%); medical appliances (7.9%); and educational, scientific and technological equipment (3.4%).

In Hong Kong new business for 2016 was down an estimated 28% and highlights the general decline of the domestic leasing market aligned to structural issues with mainland China. In contrast with Hong Kong, Taiwan recorded steady growth from 2011 to 2016, but new business slowed slightly to only 0.90% in 2016.

In Malaysia subdued commodity prices, uncertain economic policy and intense regional competition has meant that domestic GDP has slowed a little and this has resulted in a small decline in new leasing business for 2016 from RM4.97bn to RM4.74bn.

In India the number of leasing companies operating in the market has increased in the last few years but business volume is sluggish and India has dropped out of our Top 50. Business volume is estimated at INR230bn as at the end of FY2016/17.

Rest of the world

Leasing in Australia is a mature product, having been offered as part of a portfolio of equipment financing techniques for over 60 years. Leasing is a proven equipment financing technique suitable to all stages of the economic cycle and it is expected it will continue to play an important role in supporting and developing the Australian economy.

As mentioned in previous reports, following representations from AFIA we now accept chattel mortgage as a form of hire purchase with which there are important similarities.

The AFIA estimates that total equipment finance in 2016/17 was A\$39.5bn, up slightly from the previous year. Of this A\$4.9bn was finance leases, A\$2.3bn was operating leases (including fleets), A\$1.6bn was hire purchase and A\$30.7bn chattel mortgage/loan. Australia maintained its seventh place in world ranking, with sales reaching US\$28.44bn.

Annual volume for Australia/ New Zealand represented a 2.6% share of global volume.

Africa accounts for 0.5% of the global leasing market with only four countries being placed in the top 50 ranking. They are: South Africa ranked 28th, Morocco 37th, Nigeria 44th and Egypt 46th. The region declined in volume to US\$5.4bn.

There is a scarcity of accurate information available on the African markets. The International Finance Corporation (IFC), a member of the World Bank, has been supporting the development of leasing markets in Africa for over 10 years and has intervened in more than 20 countries. But, there is not a definitive study at present and estimates for the region are difficult.

However, we can report the birth of Africalease (Africa Leasing Federation) in 2017. Draft statutes were adopted in the presence of representatives of the IFC and operators representing Morocco, Cameroon, Ghana, Nigeria and Uganda and a text was formally adopted in Casablanca on May 9, 2017. See full article in the World Leasing Yearbook 2018.

Africalease will encourage the creation of national or regional associations in the region with a view to developing and promoting leasing markets and harmonising laws and regulations in the region. It is hoped that as a result of the formation of Africalease the quality of statistical data from the region will improve for forthcoming years.

Latin American new business volume figures are not recorded by the national leasing associations, with the exception of Brazil and Chile, where the emphasis is on portfolio value. This makes it notoriously difficult to ascertain sales volume for the region and many of the figures in this report are estimates, but we are most grateful, once again, to the CEO of the Alta Group – Latin American Region, Mr Rafael Castillo Triana, for giving us access to his research and facilitating us with data.

Where national association figures are not available, there has been a significant downward reassessment. In the absence of growth figures, we have adopted the growth in portfolio value, giving at least some indication of the health of the industry.

Overall new business volume for the Latin American region declined by 6.8% in US dollars. Latin America accounts for 1.2% of total lease volume. The largest leasing markets in South America by size ranking are Colombia, Peru, Chile, Brazil, and Argentina.

Table 2: White Clarke Group Global Leasing Report

Ranking	Continent Code	Country	Annual Volume (US\$bn)	% Growth 2015–2016	% Market Penetration	Source
1	NA	US	383.87	2.54	21.5	(8)
2	A	China	206.70	61.96	6.0	(9)
3	E	UK	81.77	8.98	33.7	(2)
4	E	Germany	64.26	3.42	17.0	(2)
5	A	Japan	59.42	–1.30	8.4	(1)
6	E	France	38.94	11.23	15.3	(2)
7	ANT	Australia	28.44	0.80	40.0	(1)
8	NA	Canada	25.86	–8.47	32.0	(1)
9	E	Italy	25.28	17.02	14.1	(2)
10	E	Sweden	20.09	15.23	26.0	(2)
11	E	Poland	14.00	16.61	21.6	(2)
12	E	Switzerland	12.12	2.27	11.9	(2)
13	A	Korea	10.77	–9.29	8.7	(1)
14	E	Russia	10.52	34.42	n/a	(2)
15	E	Denmark	10.43	16.80	30.5	(2)
16	A	Taiwan	10.03	0.90	9.1	(1)
17	E	Spain	8.63	5.88	6.1	(2)
18	E	Turkey	7.27	4.12	n/a	(2)
19	E	Austria	7.16	6.96	13.2	(2)
20	NA	Mexico	7.10	–2.60	n/a	(4)
21	E	Belgium	7.02	25.19	11.2	(2)
22	E	Norway	6.78	18.57	11.5	(2)
23	SA	Colombia	6.21	–3.10	n/a	(4)
24	E	Netherlands	6.15	6.65	7.3	(2)
25	E	Finland	5.42	8.96	17.3	(2)
26	E	Czech Republic	4.51	9.29	13.8	(2)
27	E	Portugal	3.38	9.01	17.0	(2)
28	AF	South Africa	3.20	0.30	n/a	(8)
29	E	Romania	2.45	16.60	0.8	(9)
30	SA	Peru	2.30	–8.32	n/a	(4)
31	E	Hungary	2.05	0.84	10.9	(2)
32	SA	Chile	2.01	11.00	n/a	(1)
33	SA	Brazil	1.75	–27.98	n/a	(1)
34	E	Lithuania	1.59	39.32	28.1	(2)
35	E	Slovenia	1.38	7.87	22.5	(2)
36	E	Slovakia	1.38	6.34	18.6	(2)
37	AF	Morocco	1.35	0.63	n/a	(2)
38	A	Iran	1.26	–38.70	4.0	(9)
39	E	Estonia	1.16	17.15	35.5	(2)
40	A	Malaysia	1.06	–4.63	n/a	(1)
41	E	Bulgaria	0.94	9.13	10.4	(2)
42	E	Latvia	0.76	2.56	18.5	(2)
43	SA	Argentina	0.60	–8.57	n/a	(4)
44	AF	Nigeria	0.51	–42.00	n/a	(1)
45	A	Hong Kong	0.39	–28.57	n/a	(1)
46	AF	Egypt	0.34	–75.18	n/a	(1)
47	E	Greece	0.33	69.39	2.0	(2)
48	E	Serbia-Montenegro	0.32	15.25	n/a	(2)
49	A	Uzbekistan	0.30	14.30	0.5	(1)
50	E	Ukraine	0.21	66.24	n/a	(2)
TOTAL			1,099.77			

Market penetration rates quoted by Leaseurope appear as those reported and defined in the Leaseurope's 2016 Annual Survey. Country growth figures display the figure reported by each country i.e. it is unaffected by the vagaries of currency fluctuations. It is intended to display true growth as experienced on the ground.

Key to Sources:

(1) National Leasing Association	(4) Alta Group	(7) Central bank data
(2) Leaseurope	(5) Other trade associations	(8) Author's estimate
(3) Asian Leasing Association	(6) Government statistics	(9) Others' data

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Leasing penetration

For countries where reliable data has been made available, Table 2 includes a measure of leasing penetration for the year 2016. We provide two measurements for leasing penetration. One shows the percentage of investment in a given country financed by leasing and hire purchase. It is calculated as total new business volume divided by total investment, excluding real estate. For 11 of the largest countries, a back run of these figures for 20 years is given in Table 4.

The second method of expressing penetration, introduced into the Global Leasing Report in 1999, is in relation to gross domestic product (GDP), i.e. national output as a whole. Table 5 gives figures and rankings for each country in the White Clarke Group/GDP ratio for 2016.

Of the two measures, the first (investment penetration) is a better indication of how leasing compares in competition with alternative forms of financing. However, calculation of the investment penetration ratio depends on identifying the correct statistic for plant investment, against which leasing should be compared.

The White Clarke Group/GDP ratio is a more reliable indicator in that it is based on a broader denominator. Furthermore, information for all countries is more readily available.

In measuring leasing by reference to economic activity as a whole, this ratio highlights which countries have relatively mature leasing industries, or, in some cases, where leasing is being promoted strategically as a source of investment funding.

The sources

The White Clarke Group Global Leasing Report is assembled from a number of disparate sources, the most important primary sources being the national associations that represent leasing companies in most individual countries.

The chief role of the national associations is to act as lobbying groups, with the aim of influencing the regulatory environment. These bodies almost all make efforts to extend their membership bases as widely as possible within the local leasing industry, and to measure and publicise local leasing business activity.

In several regions, including Europe, Asia and Latin America, continental leasing federations add substantial value to the process of recording activity at national as well as continental levels.

In Europe, the Leaseurope federation endeavours to standardise the measurement of equipment leasing business for each European country, on a basis that broadly matches the Global Leasing Report's concept of the scope of leasing. We are particularly grateful to Leaseurope for the quality and depth of their data.

Readers will note some differences between figures quoted for European countries by the two organisations. This is because Leaseurope publishes its data in euros, using average exchange rates over the year for non-Euro countries, while the Global Leasing Report is published in US dollars, employing the last published exchange rates for the year.

National associations also remain important sources of information in Europe, with many of them providing significant information and narrative beyond that required by Leaseurope.

We are grateful to the Alta Group for their assistance in preparing much of the Latin American data.

Other important sources of information for some countries include official statistics from central banks or finance ministries; and in some cases trade bodies, which have a wider remit than the leasing industry but who can make a clear differentiation between leasing and other financial products.

In some of the less developed countries, International Finance Corporation (IFC), the private sector arm of the World Bank, has been active in promoting leasing activity. IFC is in a position to provide market volume estimates for several developing countries, and has been a very helpful source of information for the Global Leasing Report for many years.

For a few countries, where it is clear that locally-based sources have provided data representing only part of total leasing activity, or where reasonably comprehensive information for earlier years had not been available, White Clarke Group has had to make an author's estimate of the national leasing total.

The various sources of information for each country are identified in the footnotes to Table 2.

Identifying the top 50

The global and continental aggregates are compiled from the top 50 countries only, and estimates are not made for countries outside that group. It is estimated that all the excluded countries together would probably have accounted for around US\$10bn of measurable leasing business in 2016.

For the purposes of identifying regional or continental groups, Turkey is taken as the eastern extremity of Europe. Africa is divided from Asia at the Suez Canal, with Egypt in Africa. The Americas are divided at the Panama Canal, with Panama itself in North America. Australia and New Zealand together are treated as a separate region.

Cross-border leasing is included within the national total for the home state of the lessor, rather than that of the lessee. Strictly speaking, the national totals represent leasing industries rather than leasing markets.

Table 3: Leasing volume by region 2000–2016 (US\$bn)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Europe	131.0	140.0	164.1	196.1	236.5	239.6	272.0	401.2	336.7	220.4	233.0	302.7	314.0	333.6	327.8	322.8	346.3
N America	272.4	254.1	216.0	223.9	240.7	236.7	241.1	237.9	226.1	190.8	213.3	292.5	336.4	335.1	368.4	407.8	416.8
Asia	78.3	67.7	68.7	74.1	78.2	74.0	81.7	84.6	99.2	103.8	105.6	153.4	180.2	177.3	195.0	223.0	289.9
S America	8.1	5.6	3.3	4.0	7.5	13.9	19.2	41.4	54.2	30.2	25.4	27.5	13.2	18.0	10.7	13.8	12.9
Australia/NZ	5.3	5.5	5.8	7.6	8.1	8.2	8.6	4.1	6.9	5.7	10.8	12.0	16.1	12.5	35.6	31.2	28.4
Africa	3.9	3.8	3.7	5.6	8.1	9.6	11.1	11.2	9.6	6.5	6.4	8.6	8.2	7.5	6.8	6.7	5.4
Annual totals	499.0	476.7	461.6	511.3	579.1	582.0	633.7	780.4	732.8	557.3	594.5	796.7	868.0	884.0	944.3	1,005.3	1,099.8

Sources: London Financial Group, White Clarke Group Global Leasing Report.

Table 4: A comparison of the rate of equipment leasing market penetration (%)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
US	30.9	30.0	31.7	31.0	31.1	31.1	29.9	26.9	27.7	26.0	16.4	17.1	17.1	21.0	22.0	22.0	22.0	22.0	21.5
Japan	9.2	9.5	9.1	9.2	9.3	8.7	8.7	9.3	9.3	7.8	7.2	7.0	6.3	6.8	7.2	9.8	8.9	9.6	8.4
Germany	14.7	15.1	14.8	13.5	9.8	21.7	15.7	18.6	23.6	15.5	16.2	13.9	14.3	14.7	5.8	16.6	16.4	16.7	17.0
Korea	13.1	2.8	2.4	1.6	3.9	4.4	5.6	7.7	9.4	n/a	10.5	4.4	4.8	8.7	8.5	8.1	9.8	9.4	9.1
UK	15.0	15.9	13.8	14.4	15.3	14.2	9.4	14.5	12.7	11.6	20.6	17.6	18.5	19.8	23.8	31.0	28.6	31.1	33.7
France	17.0	15.7	9.2	13.7	12.9	15.4	9.0	11.7	11.0	12.0	12.2	3.1	10.5	11.1	12.8	12.5	13.1	14.2	15.3
Italy	12.3	12.4	12.3	10.4	8.6	7.6	11.4	15.1	15.2	11.4	16.9	10.0	13.1	12.3	10.0	9.4	11.7	13.0	14.1
Brazil	20.7	12.5	11.4	7.6	3.6	3.8	7.7	13.5	16.9	19.0	23.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Canada	22.0	22.0	22.5	22.0	20.2	22.0	23.3	23.9	22.0	22.0	19.6	14.0	15.1	20.8	20.8	32.0	31.0	32.0	32.0
Australia	25.0	25.4	20.0	20.0	20.0	20.0	20.0	20.0	18.0	14.2	10.0	10.0	12.0	27.5	27.5	40.0	40.0	40.0	40.0
Sweden	20.0	17.5	12.9	9.2	13.0	11.6	12.7	11.8	11.8	14.3	19.4	17.5	19.2	18.2	24.6	24.4	22.7	22.9	26.0

Sources: (1) Australian Equipment Lessors Association (total leasing as a percentage of private capital investment). (2) US Dept. of Commerce, Economics & Statistics Administration, Bureau of Economic Analysis and Equipment Leasing Association of America (equipment leasing as a percentage of business investment in equipment). (3) Japan Economic Planning Agency and Japan Leasing Association (equipment leasing as a percentage of private capital investment). (4) Leaseurope Annual Reports. (5) Statistics Canada and Equipment Lessors Association of Canada (lessor purchases as a percentage of total equipment acquisitions in Canada). (6) Korea Leasing Association. (7) Brazilian Association of Leasing Companies. (8) London Financial Group. (9) White Clarke Group Global Leasing Report.

Deriving the figures

The statistics measure new business value for each year, i.e. the value of equipment newly assigned on lease to customers during the year. Strictly speaking, that does not necessarily denote new equipment: it could include second-hand equipment, and sale-and-leaseback transactions for equipment already in use by the seller/lessee.

The widespread adoption of hire purchase as a financial instrument for equipment finance (in some countries, hire purchase has become the major source of revenue for leasing companies) prompted a change in our industry reporting since 2011. Since then, all reference to leasing and the leasing sector includes equipment hire purchase.

Real estate leasing is consistently excluded from the Report. In some countries the national leasing associations (or other information sources) are concerned with the leasing of land and buildings as well as that of equipment. Nevertheless, in most of those cases the primary data sources make a sufficiently clear distinction between the two in their own statistics.

In other cases, some estimating is necessary within the Global Leasing Report in order to strip out a portion of the reported total leasing activity believed to represent real estate leasing.

Likewise, consumer credit financing is excluded. In principle, the dividing line between leasing and

consumer finance is a simple functional one, i.e. whether the equipment is largely for business use, or primarily for the customer's private non-professional use as an individual or householder.

This still leaves some problem areas as to what types of commercial equipment financing transaction should be counted as leasing. In many countries the line between leases and other forms of finance is reasonably clear.

There is no obvious solution as to where to draw the line on a consistent basis for all countries. In such problem areas the approach adopted by the White Clarke Group Global Leasing Report (within the overriding parameters, such as excluding both real estate and consumer transactions) is to follow the local definition of leasing.

The Global Leasing Report employs US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year.

The outlook for 2017

As a conclusion to this Report we always try to forecast the climate of the leasing industry during the coming years. The year 2017 has brought significant socioeconomic events, namely Brexit negotiations and tense political situations all over the world. It is quite early to assess how these markets will react to these events, however the tone for 2018 is currently optimistic regardless of such instabilities in international economies.

Table 5: White Clarke Group/GDP penetration ratio

Annual leasing volume as a percentage of gross domestic product

Ranking	Country	2016 Ratio	Ranking	Country	2015 Ratio	Ranking	Country	2014 Ratio
1	Estonia	4.97	1	Estonia	4.31	1	Estonia	4.81
2	Sweden	3.93	2	Sweden	3.03	2	Sweden	3.30
3	Lithuania	3.72	3	United Kingdom	3.02	3	United Kingdom	2.84
4	Denmark	3.40	4	Latvia	2.68	4	Latvia	2.47
5	UK	3.11	5	Lithuania	2.64	5	Australia	2.47
6	Slovenia	3.09	6	Denmark	2.50	6	Denmark	2.36
7	Poland	2.98	7	Switzerland	2.40	7	Switzerland	2.30
8	Latvia	2.74	8	Slovak Republic	2.19	8	Slovakia	2.24
9	Czech Republic	2.31	9	Australia	2.08	9	Finland	2.14
10	Finland	2.27	10	United States	2.08	10	Poland	2.11
11	Australia	2.25	11	Poland	2.08	11	Lithuania	2.07
12	Colombia	2.20	12	Slovenia	1.90	12	USA	1.95
13	US	2.06	13	Finland	1.90	13	Germany	1.87
14	Taiwan	1.89	14	Germany	1.71	14	Slovenia	1.73
15	Austria	1.85	15	Taiwan Province of China	1.67	15	Canada	1.69
16	Germany	1.85	16	Colombia	1.57	16	Austria	1.63
17	China	1.84	17	Austria	1.47	17	Norway	1.63
18	Norway	1.83	18	Bulgaria	1.44	18	Taiwan	1.63
19	Switzerland	1.81	19	Canada	1.39	19	Czech Republic	1.36
20	Bulgaria	1.79	20	China	1.37	20	Bulgaria	1.31
21	Canada	1.69	21	Czech Republic	1.33	21	China (People's Republic)	1.29
22	Portugal	1.65	22	Norway	1.28	22	France	1.12
23	Hungary	1.65	23	Peru	1.26	23	Colombia	1.09
24	France	1.58	24	France	1.05	24	South Africa	1.07
25	Slovakia	1.54	25	Portugal	0.98	25	Belgium	0.99
26	Belgium	1.50	26	Belgium	0.94	26	Portugal	0.95
27	Italy	1.37	27	Japan	0.93	27	Hungary	0.93
28	Romania	1.31	28	Korea	0.83	28	Morocco	0.91
29	Morocco	1.30	29	Morocco	0.83	29	Japan	0.89
30	Japan	1.20	30	Hungary	0.80	30	Turkey	0.88
31	Peru	1.18	31	Italy	0.77	31	Korea	0.87
32	South Africa	1.09	32	Turkey	0.74	32	Chile	0.83
33	Serbia-Montenegro	0.85	33	Netherlands	0.70	33	Italy	0.80
34	Turkey	0.84	34	South Africa	0.68	34	Russia	0.72
35	Russia	0.82	35	Romania	0.63	35	Netherlands	0.67
36	Chile	0.81	36	Chile	0.62	36	Romania	0.67
37	Netherlands	0.79	37	Serbia	0.55	37	Serbia-Montenegro	0.60
38	Korea	0.76	38	Mexico	0.53	38	Malaysia	0.57
39	Spain	0.70	39	Spain	0.50	39	Uzbekistan	0.55
40	Mexico	0.68	40	Islamic Republic of Iran	0.49	40	Spain	0.49
41	Uzbekistan	0.45	41	Uzbekistan	0.41	41	Iran	0.42
42	Malaysia	0.36	42	Egypt	0.40	42	Ukraine	0.25
43	Iran	0.31	43	Nigeria	0.37	43	New Zealand	0.23
44	Ukraine	0.23	44	Malaysia	0.36	44	Egypt	0.19
45	Greece	0.17	45	Russia	0.35	45	Nigeria	0.17
46	Nigeria	0.13	46	New Zealand	0.22	46	Brazil	0.15
47	Hong Kong	0.12	47	Argentina	0.18	47	Peru	0.11
48	Argentina	0.11	48	Brazil	0.09	48	Greece	0.06
49	Egypt	0.10	49	Greece	0.05	49	Argentina	0.06
50	Brazil	0.10	50	India	0.01	50	Mexico	0.04

Sources: London Financial Group, White Clarke Group

The outlook for 2017 (continued)

Leasing markets in 2016 gained a greater share of the equipment finance industry and reported growth in most regions when the figures were expressed in their own local currencies. This creates confidence about the future, as the last paragraphs of this Report intend to anticipate. At the time of compiling this report (November 2017) information is available only for three quarters of 2017 therefore further adjustments might need to be undertaken when reviewing this section.

Just four countries (US, China, UK and Germany) account for more than 67% of world volume, and their perspective gives us enough indication of what the future might hold.

US

As reported above, new business volume grew more slowly than in previous years during 2016. This may be accounted for by government gridlock and shifting political waters.

However, in the first three quarters of 2017 business investment has been a key driver of economic growth and the US equipment finance industry is expected to have grown by a more robust figure in 2017.

Equipment and software investment grew 4.5% and 8.3% in the first and second quarters of 2017, and according to the September ELFA Monthly Leasing and Finance Index, cumulative new business volume for 2017 stood 4% above the 2016 level. The US industry appears to be well positioned to continue to grow during 2018, albeit at a moderate rate.

China

Having entered the “new normal” state of a moderate annual GDP growth rate of 6.7% in 2016, (down from 13% in 2007) China has been facing some depressive macroeconomic pressures. How the leasing industry reacts to this environment of increased credit risk and risk exposure will be interesting to see in 2018. The deterioration of the ‘Asset Shortage Problem’ of the sale-and-leaseback business is also creating a scarcity in the once preferred large-sized/low-risk lessees in China.

The leasing industry in China has undergone dramatic growth in its 12th Five Year plan. There is no doubt that the

leasing market is booming in China and the total number of lessors in the market has reached over 6,200. However, market penetration remains low compared to more mature markets which leaves an enormous opportunity for further growth in this market.

It is worth noting that the asset securitisation market has developed rapidly in China during 2016 and 2017 and perhaps that is an area which will witness further growth in 2018.

Germany

According to the German leasing association’s quarterly trend report, the value of new equipment leased or supplied on hire purchase in the first quarter of 2017 was up 10% over the corresponding quarter in 2016. The German market is expected to continue to have grown in the subsequent quarters. Assuming the global economy remains stable, the market is expected to grow in 2018.

UK

The main impact on the UK economy as a result of the EU referendum has been the fall in sterling which has resulted in higher import and consumer prices. However, the UK asset finance market has remained strong amid the uncertainty. In the first three quarters of 2017 the value of new asset finance business grew by 6% over 2016. In 2018 the UK economy is expected to grow 1.5% and the outlook for 2018 remains positive.

Author

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