# From Strength to Strength

## Nine Years of Continuous Growth in Leasing

**The 41st Global Leasing Report, released by White Clarke Group in association with the World Leasing Yearbook, is the definitive guide to the world's top 50 leasing markets. The report provides a leading analysis of country trading environments and trends in auto and equipment finance. Highlights show that the global leasing industry has grown by 131% in the past nine years— from 2010 to 2018. The White Clarke Group Global Leasing Report continues a history of tracking the worldwide market for leasing products for more than 30 years. (Red.)**

For the 41st edition of the World Leasing Yearbook, we can announce that the global leasing industry has reported the ninth year of uninterrupted growth, albeit at a more modest pace than in recent years. This indicates very well that the international leasing industry remains an essential contributor to global economic development and continues to demonstrate innovation and flexibility in the face of regulatory change and economic turbulence. The top 50 countries in 2018 reported growth in new business volume of 0.33%, rising from US$1,282.73bn in 2017 to US$1,287.01bn in 2018.

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This performance follows on from the remarkable growth of 16.6% in 2017 and 9.4% in 2016. The Report shows that the global leasing industry has grown 131% in the past nine years (see Table 3)[1].

### Three Important Regions

Three regions, North America, Europe and Asia, account for more than 95% of world volume. North America experienced growth of 3.2%, while all other regions, bar Africa, showed a decline in growth when expressed in US dollars. It is important when analysing this data to stress that the Global Leasing Report (GLR) employs the US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year. (For this report the date of conversion is December 31, 2018).

Care should be taken when making comparisons year on year for individual countries and regions in this data as currency fluctuations inevitably impact the US dollar figures in the Report. The growth figures we specify in Table 2 are as actually reported by each country, before conversion into US dollars, so they are unaffected by the vagaries of currency fluctuations and give a more accurate picture of domestic performance year on year.

### North America

The North American region consists of the US, Canada and Mexico. The sector has maintained its position as the world's biggest market, with new business volume of US$460.1bn, representing 35.8% of the total global market share in equipment leased.

The US is the dominant player of the region, and the largest single market in the world by some margin. New business volume for the equipment finance industry expanded by 4.4% in 2018 according to the Equipment Leasing and Finance Association's Annual Survey of Equipment Finance.

This is down on 2017's 6.9% growth figure but still impressive when compared with US gross domestic product (GDP) of 2.9% for 2018 as reported by the US Department of Commerce. New US equipment finance business volume in 2018 was estimated at US$428.4bn.

Canadian economic growth slowed in 2018 to 1.6% from 3% in 2017. Uncertainty over North American Free Trade Agreement (NAFTA) negotiations between the US, Canada and Mexico as well as fears over tariff wars has created concerns over trade and dampened growth. Deteriorating confidence in the global economic environment has led the Bank of Canada to predict slower economic growth and the Canadian economy is only expected to grow around 1.4% in 2019 and 2% in 2020.

New business in Canada was up 0.3% in 2018 compared with 2.7% in 2017. Total new business volumes have risen by an average 3.3% a year between 1990 and 2018. The asset-based finance sector is now estimated to account for around 39% of all spending on equipment in Canada. According to data supplied by the Alta Group, Mexico experienced a decline in new business in local currency of 6.7% in 2018.

## Europe

Europe reported a decline in growth of 0.3% in 2018 when expressed in US dollars bringing total new business to US$427bn and it maintains its position as the second largest region in the world. Europe accounts for 33.2% of total world volume.

The leading five European countries (UK, Germany, France, Italy and Poland) feature in the world's top 10 countries for new business, contributing 64% of the total European volume. Sweden has dropped out of the top five.

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 39% of the European market and 13% of the world market in 2018.

In 2018, the UK industry captured US$92.2bn of new business registering a growth rate of 5.3% (in local currency) as compared with previous year and locating it third in the global rankings after the US and China. At the time of writing (November 2019) Brexit negotiations continued to dominate the UK political agenda though the UK economy has proved to be incredibly resilient despite the prevailing economic uncertainties.

The second largest European leasing market is Germany which registered growth of 2.4% in 2018 in local currency in comparison to 2017 with new business volume of US$73.3bn

Cars and estate vehicles (57%) and trailers & trucks (17%) occupy the main types of asset being leased. A highlight in 2018 was the demand for office equipment and IT systems which grew by 12.8%.

Table 1: Volume and growth by region (2017 to 2018)

| Rank by volume | Region | Annual volume (US$bn) | Growth 2017 to 2018 (%) | Percentage of world market volume 2017 | Percentage of world market volume 2018 | Change in market share 2017 to 2018 |
|---|---|---|---|---|---|---|
| 1 | N America | 460.11 | 3.2 | 34.8 | 35.8 | 1.0 |
| 2 | Europe | 427.03 | −0.3 | 33.4 | 33.2 | −0.2 |
| 3 | Asia | 350.65 | −1.0 | 27.6 | 27.2 | −0.4 |
| 4 | Aus/NZ | 28.51 | −9.5 | 2.5 | 2.2 | −0.2 |
| 5 | S America | 14.55 | −14.5 | 1.3 | 1.1 | −0.2 |
| 6 | Africa | 6.16 | 9.0 | 0.4 | 0.5 | 0.0 |
| | Total | 1,287.01 | | | | |

Source: White Clarke Group Global Leasing Report 2020

France remains in sixth place in the top 50 rankings, with new business volume of US$52.2bn and reporting growth of 9.8%. Italy ranks as the fourth largest European market with new volume at US$35.9bn and growth of 5.5%. Poland has moved into fifth position in European ranking with new business of US$22.2bn, registering growth of 21.8%. As a result of Poland's strong performance Sweden slips out of the top 10 as result of a decline in new business of 19.6%.

Other significant domestic growth performances worth highlighting throughout the European region are: Bulgaria 20.2%, Netherlands 19.7%, Portugal 16.7%, Russia 20.7% and Hungary 13.3%.

Overall the members of Leaseurope (the European federation of leasing and finance companies) recorded a consolidated increase in new business of 7.69%.[2)]

The overall decline in Europe shown in this GLR conflicts with the 7.69% rise in new business by Leaseurope members because The Global Leasing Report adopts the US dollar as its base rate, as published on the last day of the year (2018). Leaseurope employs the euro as its base currency, adjusted for exchange rate fluctuations.

## Asia

New business volume in Asia fell by 1% to US$350.7bn reflecting the slowdown in the Chinese leasing market. This follows the remarkable growth in the Asian region of 59% in 2017. Asia occupies a 27.2% share of the world market.

China remains the second largest leasing market in the world. New business stood at US$254.4bn in 2018. Growth slowed dramatically in 2019 to 1.27% compared to the impressive 20.4% in 2017.

However, it should be noted that the Chinese leasing market has experienced growth of 168% in new leasing business since 2014, a remarkable feat. Leasing market penetration stands at around 7% showing that this market has tremendous potential for further development.

Japan, which is the fifth largest leasing market in the world, experienced an increase in lease transaction volume in 2018 of 6.8% with new business volume of US$66.3bn. It remains the second largest market in Asia after China and approximately 5% of private capital investments are made through leasing.

The Taiwanese market is now the third largest in the Asian region and registered growth of 16.9% in 2018 with new business volume of US$13.4bn ranking it 14th in the Top 50.

The fourth biggest leasing market in Asia is Korea which ranks 15th in the world achieving new business volume of US$12.2bn which is up 5.9% on

Table 2: White Clarke Group Global Leasing Report

| Ranking | Continent Code | Country | Annual volume (US$bn) | % Growth 2017 to 2018 | % Market penetration | Source |
|---|---|---|---|---|---|---|
| 1 | NA | US | 428.40 | 4.40 | 21.5 | (8) |
| 2 | A | China | 254.42 | 1.27 | 6.9 | (9) |
| 3 | E | UK | 92.17 | 5.30 | 32.9 | (2) |
| 4 | E | Germany | 73.32 | 2.39 | 15.9 | (2) |
| 5 | A | Japan | 66.34 | 6.80 | 5.2 | (1) |
| 6 | E | France | 52.18 | 9.79 | 16.9 | (2) |
| 7 | E | Italy | 35.90 | 5.47 | 16.1 | (2) |
| 8 | ANT | Australia | 28.51 | 0.25 | 40.0 | (1) |
| 9 | NA | Canada | 24.46 | 0.30 | 39.0 | (1) |
| 10 | E | Poland | 22.20 | 21.80 | 27.0 | (2) |
| 11 | E | Sweden | 20.88 | –19.61 | 22.4 | (2) |
| 12 | E | Russia | 20.59 | 20.71 | n/a | (2) |
| 13 | E | Switzerland | 13.49 | 8.01 | 12.5 | (2) |
| 14 | A | Taiwan | 13.42 | 16.89 | 10.8 | (1) |
| 15 | A | Korea | 12.18 | 5.94 | 9.0 | (1) |
| 16 | E | Spain | 11.89 | 11.61 | 6.6 | (2) |
| 17 | E | Denmark | 11.49 | 0.97 | 25.3 | (2) |
| 18 | E | Austria | 9.36 | 10.78 | 14.0 | (2) |
| 19 | E | Netherlands | 8.71 | 19.67 | 8.0 | (2) |
| 20 | E | Norway | 8.57 | 5.31 | 12.1 | (2) |
| 21 | E | Belgium | 7.72 | 4.63 | 10.0 | (2) |
| 22 | NA | Mexico | 7.25 | –6.77 | n/a | (4) |
| 23 | E | Czech Republic | 5.36 | –1.92 | 12.3 | (2) |
| 24 | E | Turkey | 5.24 | –4.16 | n/a | (2) |
| 25 | E | Finland | 5.20 | 1.96 | 16.0 | (8) |
| 26 | E | Portugal | 4.98 | 16.70 | 18.7 | (2) |
| 27 | SA | Colombia | 4.84 | –20.15 | n/a | (4) |
| 28 | SA | Chile | 4.74 | 9.90 | n/a | (4) |
| 29 | AF | South Africa | 3.51 | 12.86 | n/a | (8) |
| 30 | E | Hungary | 2.93 | 13.30 | 8.5 | (2) |
| 31 | E | Slovakia | 2.79 | –7.47 | 15.0 | (2) |
| 32 | SA | Brazil | 2.69 | 22.90 | n/a | (4) |
| 33 | E | Romania | 2.55 | 2.00 | n/a | (8) |
| 34 | E | Lithuania | 2.41 | 7.06 | 31.64 | (2) |
| 35 | E | Slovenia | 1.76 | 3.77 | 19.6 | (2) |
| 36 | E | Bulgaria | 1.71 | 20.21 | 13.9 | (2) |
| 37 | A | India | 1.58 | 60.21 | 0.6 | (9) |
| 38 | SA | Peru | 1.56 | –8.40 | n/a | (4) |
| 39 | E | Estonia | 1.45 | 4.08 | 29.2 | (2) |
| 40 | A | Malaysia | 1.41 | –10.48 | n/a | (1) |
| 41 | AF | Morocco | 1.27 | 2.20 | 15.0 | (1) |
| 42 | E | Latvia | 0.99 | 3.74 | 14.9 | (2) |
| 43 | A | Iran | 0.85 | –17.00 | 0.5 | (1) |
| 44 | E | Ukraine | 0.81 | 10.84 | n/a | (2) |
| 45 | AF | Egypt | 0.73 | 45.00 | n/a | (8) |
| 46 | AF | Nigeria | 0.65 | 11.00 | n/a | (9) |
| 47 | A | Hong Kong | 0.45 | 11.37 | n/a | (1) |
| 48 | E | Greece | 0.38 | –36.58 | 2.1 | (2) |
| 49 | SA | Puerto Rico | 0.37 | 5.23 | n/a | (4) |
| 50 | SA | Argentina | 0.35 | –20.82 | n/a | (4) |
| | | Total | 1,287.01 | | | |

Market penetration rates quoted by Leaseurope appear as those reported and defined in the Leaseurope's 2017 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 (2) Leaseurope (3) Asian Leasing Association (4) Alta Group (5) Other trade associations (6) Government statistics (7) Central bank data (8) Author's estimate (9) Others' data

White Clarke Group Global Leasing Report is prepared by White Clarke Group, Milton Keynes, UK, in association with the World Leasing Yearbook.

2017. In Hong Kong new business for 2018 was up 11% at US$0.4bn, Malaysia fell 10% at US$1.4bn and India was up an impressive 60% at US1.6bn. India is a market ripe for tremendous expansion. We do not have reliable data for Thailand, Singapore, Pakistan and Indonesia.

## 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.

The Australian Finance Industry Association estimates that total equipment finance in Australia in 2018/19 was A$40.4bn, up just 0.25% on the previous year. Australia ranks in eighth place in the Top 50, with new volume of US$28.5bn.

We have no reliable data for New Zealand. Australia/New Zealand represents a 2.2% share of global volume.

Africa accounts for 0.5% of the world market in leasing with four African countries achieving a placing within the top 50 leasing threshold: South Africa, Nigeria, Morocco and Egypt. The region increased volume by 9% to US$6.2bn.

The African leasing industry is still in its infancy and there is still a scarcity of quantitative information available. The International Finance Corporation (IFC), a member of the World bank, has been supporting the development of leasing markets for over 10 years and has intervened in over 20 countries. There remains, however, no definitive study of the region and estimates are challenging.

Under the initiative of the Moroccan Leasing Association and the support of the IFC, Africalease was founded in 2017 with a view to developing and promoting leasing in the region. In May and

June 2019 Africalease led a mission to Cote d'Ivoire, Liberia, Senegal, Togo and Gabon to promote leasing. It is to be hoped that new national leasing associations will be formed in the African region in coming years and with that reliable data which can be used in forthcoming editions of the GLR.

In South America new business volume figures are generally not recorded by the national leasing associations where the emphasis is on portfolio value. This makes it difficult to ascertain annual new sales volume for the region and many of the figures in this report are therefore estimates.

We are most grateful to the CEO of the Alta Group – Latin American Region, Rafael Castillo Triana, for giving us access to his research and facilitating us with data used in this Report. 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 South American region was US$14.6bn, down 14.5% in 2018. South America accounts for 1.1% of total global lease volume.

The largest leasing markets in South America by size ranking are Colombia, Chile, Brazil, Peru, Puerto Rico and Argentina. New business volume was up (in local currency) in Brazil (22%), Chile (10%) and Puerto Rico (5%), but down in Columbia (20%), Peru (8%), Mexico (7%) and Argentina (21%) (See the Alta report in the World Leasing Yearbook for further detail on the region).

## Leasing Penetration

For countries where reliable data has been made available, Table 2 includes a measure of leasing penetration for the year 2018. 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 the largest countries, a back run of these figures for 20 years is given.

The second method of expressing penetration, introduced into the Global Leasing Report in 1999, is in relation to GDP, that is national output as a whole. You find figures and rankings for each country in the White Clarke Group/GDP ratio for 2018 in the World Leasing Yearbook.

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.

As mentioned before, 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

Table 3: Leasing volume by region 2002 to 2018 (US$bn)

| | 2002 | 2006 | 2010 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| Europe | 164.1 | 272.0 | 233.0 | 327.8 | 322.8 | 346.3 | 428.3 | 427.2 |
| N America | 216.0 | 241.1 | 213.3 | 368.4 | 407.8 | 416.8 | 445.9 | 460.1 |
| Asia | 68.7 | 81.7 | 105.6 | 195.0 | 223.0 | 289.9 | 354.4 | 350.7 |
| Aus/NZ | 3.3 | 19.2 | 25.4 | 10.7 | 13.8 | 12.9 | 17.0 | 14.6 |
| S America | 5.8 | 8.6 | 10.8 | 35.6 | 31.2 | 28.4 | 31.5 | 28.5 |
| Africa | 3.7 | 11.1 | 6.4 | 6.8 | 6.7 | 5.4 | 5.7 | 6.2 |
| Annual Total | 461.6 | 633.7 | 594.5 | 944.3 | 1,005.3 | 1,099.8 | 1,282.7 | 1,287.0 |

Source: London Financial Group, White Clarke Group Global Leasing Report 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, 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. It 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, we have 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$14bn of measurable leasing business in 2018.

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.

## Deriving the Figures

The statistics measure new business value for each year, that is 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-lease-back 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 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, that is 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. However, 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 December 31, 2018.

## The Outlook

As a conclusion to this Report we always attempt to forecast the climate and flavour of the leasing industry during the coming years. Of the Top 20 countries, only Sweden failed to report growth in new business levels in 2018.

The five largest countries in the GLR ranking (US, China, UK, Germany and Japan) account for more than 70% of world volume. Performance in these countries drives the overall picture of global business volume and the GLR data. A focus on these regions can give us an idea of where we are headed in future years. More details you find in the World Leasing Yearbook 2020.

»The national totals represent leasing industries rather than leasing markets.«

Notes

1) All values are quoted in US dollars.

2) For an in-depth breakdown of the European data, please see the Leaseurope report in the World Leasing Yearbook