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SPECIAL FEATURE

## What the consultants say

LeasingWorld asked consultancy firms The Alta Group and Invigors for their predictions for 2008 in respect of the major challenges and issues that face lessors

The greatest impact may yet still come from the fall out of the sub-prime market. A lot will depend on how well major financial institutions have already made full and adequate provisions. Are the banks "telling all" about their sub-prime exposure – if they have more surprises in the early part of the New Year then there will be a further loss of confidence in the sector.

The consequence could be even further tightening of the so-called "Credit Crunch", impacting on the availability of funding for independent lessors and financiers. This could be either in the format of tighter credit criteria, with only quality underlying deals capable of being funded, or of a total withdrawal of funders from some markets. Some sectors will be more prone than others to such uncertainty in respect of the performance of portfolios.

Brokers are already reporting indications that quality is being fought over by the big boys, leaving them squeezed on rates and having to seek to make up profit from "extras" such as insurance, documentation fees and more incentives such as retro-bonuses for quality and turnover expectations.

> "As always consolidation creates opportunities for small and new players"

These factors in turn could result in more consolidation in the market as equipment financiers who rely on the financial markets for their "stock in trade" of funding, may be forced to find a parent who has deep pockets.

As always consolidation creates opportunities for small and new players to come into the market, although there will be a need for quality if they are to be able to obtain finance.

We will continue to see the trend towards the equipment lessor/finance company being taken more into the mainstream channels of their bank parents. This will be exacerbated by the growing shortage of specialised leasing expertise as the industry fails to attract sufficient new blood. Additionally we can expect to see an increasing number of cross-shareholdings between big banking groups in order to strengthen (or protect) their competitive position globally.

In the event of interest rates being lowered to kick start the economy, will they be passed on or will the banks take the extra as cover for the increased risk? If they do then the rate reductions will not get through to those they are intended for.

We might perhaps see an equipment market slowdown which may affect prices of second hand equipment – could give problems to residuals.

The one thing that we can be certain of is that the volumes of equipment financed will continue to grow, particularly in areas such as the CEE and China.

ALAN LEESMITH
PRINCIPAL
THE ALTA GROUP