

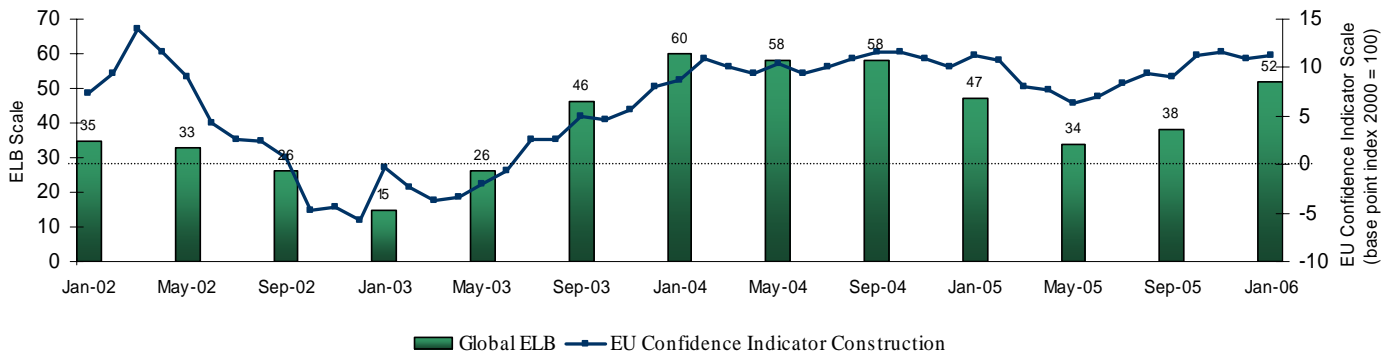


## EUROPEAN LEASING BAROMETER (ELB) 13<sup>TH</sup> EDITION – JANUARY/FEBRUARY 2006

The European Leasing Barometer (ELB) is an indicator of the confidence levels of European leasing companies in the economy as well as in their business and their expectations for the coming months. The survey is conducted three times a year with the cooperation of the member companies of the 31 national leasing associations covered by Leaseurope.

The 13<sup>th</sup> edition of the ELB saw a record-breaking 186 participants in 25 different European countries (both EU and non-EU members) answering the survey. This represents a 70% increase compared to the previous edition and a 44% increase compared to the previous participation record of 129 respondents in the 6<sup>th</sup> edition. In the current survey, 76% of the participants belong to EU25 countries compared to 86% in the 12<sup>th</sup> edition.

Graph 1: The ELB - Comparison with EU Commission's Confidence Indicator



The graph above illustrates the evolution of the ELB since its launch in January 2002. At a level of 52 points (+37% compared to the 12<sup>th</sup> edition), European lessors' confidence has climbed back to the more optimistic levels of 2004 after having undergone a period of relatively subdued expectations throughout 2005. Graph 1 also compares the ELB with a construct based on the well-known EU Commission's Service Confidence Indicator<sup>1</sup>. While the two indicators have largely evolved in parallel since the ELB's creation, it does seem as though leasing professionals are more pessimistic in times of general low confidence than the services sector as a whole.

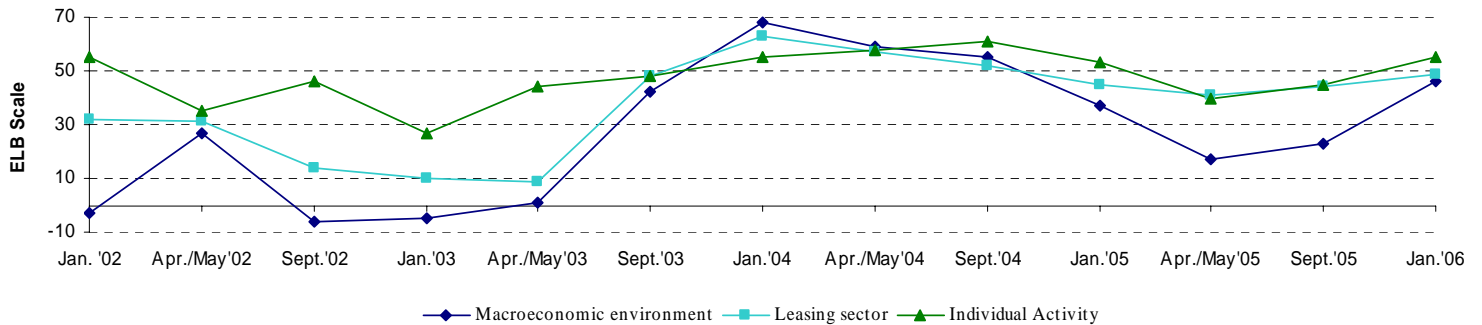
If one limits the ELB to the EU25 countries, the "EU25 ELB" attains a level of 49 points, i.e. 6% less than the overall ELB. This continues the trend present since Leaseurope began calculating an EU25 ELB in September 2003, indicating that EU lessors are slightly less confident in the future than their non-EU counterparts.

<sup>1</sup> For purposes of consistency with the ELB, the EC's *Services Confidence Indicator* has been limited to an arithmetic average of its forward looking components, i.e. 'Assessment of Business Climate', 'Evolution of Demand expected in the months ahead', and 'Evolution of Employment expected in the months ahead'. The indicator covers sectors such as financial services, renting, transport and the real estate business. The full survey report is available at:

[http://europa.eu.int/comm/economy\\_finance/indicators/businessandconsumersurveys\\_en.htm](http://europa.eu.int/comm/economy_finance/indicators/businessandconsumersurveys_en.htm)

The overall ELB shown above can be split into its three components (illustrated in Graph 2 below). These components are the level of confidence in the general economy of the respondent's home country (macroeconomic environment), the level of confidence in the European leasing sector and lastly, the level of confidence in the respondent's own leasing company (individual activity).

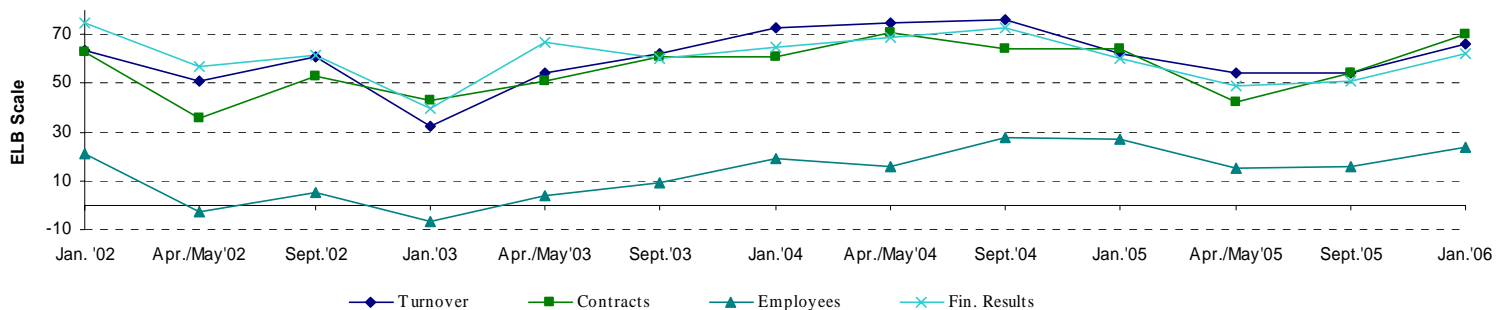
Graph 2: ELB Breakdown into Components



The rise in the overall ELB is due to a rise in all its components. Out of these, confidence in the macroeconomic environment increased the most. At 23 points during the last edition, it doubled to reach 46 points in the current survey. Indeed, after being somewhat lower than the other two components over the past year or so, the outlook for the macroeconomic situation, which is made up of confidence in the general economy and in the level of investments in the respondent's home country, has caught up with the other two components. While the different components have merged closer together after a wider spread during the past year or so, the outlook for the participant's own activity is the most positive of the three components.

The individual activity component can also be broken down further into its constitutive elements.

Graph 3: Individual Activity

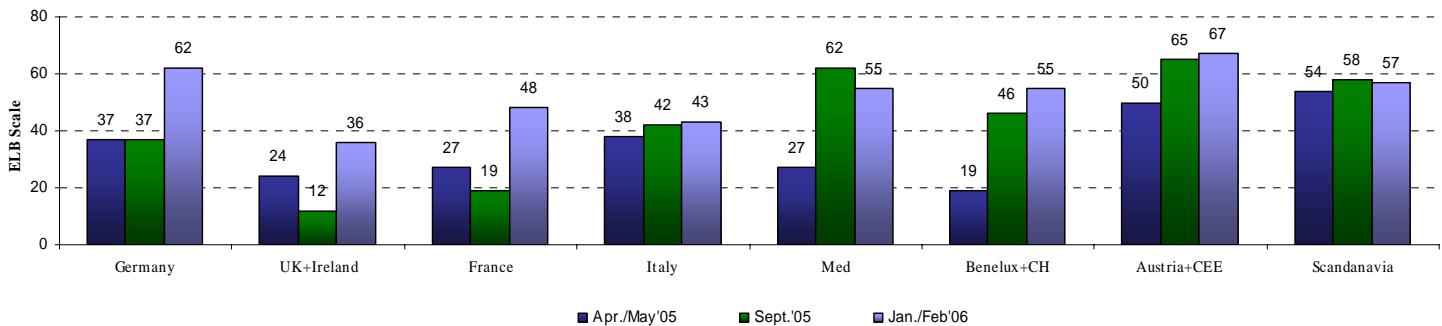


The graph above shows that confidence in employment levels remains the most pessimistic segment of this ELB component. However, in relation to the other factors of the individual activity component expectations for employment levels increased the most compared to the previous survey (+50% compared to the 12<sup>th</sup> edition). This is the highest increase in confidence of this factor since January 2004.

While the gap between the remaining three factors has been rather limited over the past two years or so, lessors have the most favourable outlook regarding the number of contracts they will make in the months to come. Confidence levels in the number of contracts increased by 30% to reach a level of 70 ELB points. Furthermore, this is the highest individual component of the 13<sup>th</sup> edition. Expectations for leasing firms' turnover and profits both increased by 22%.

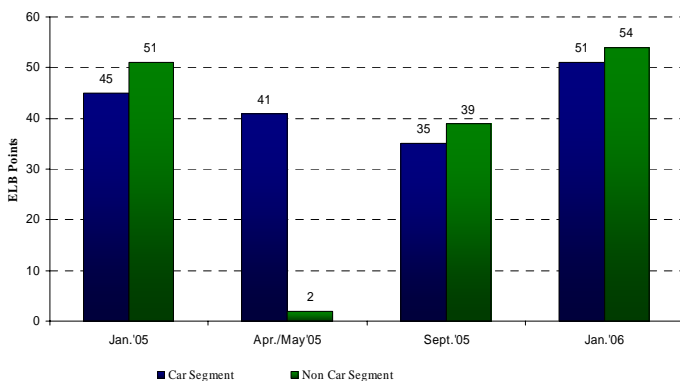
Graph 4 below illustrates the regional disparities in European leasing professional's outlook for the short-term future. France, Italy and the UK are below the overall ELB with cluster<sup>2</sup> ELB's of 48, 43 and 36 points respectively.

Graph 4: Cluster Comparison Over Last Three Editions

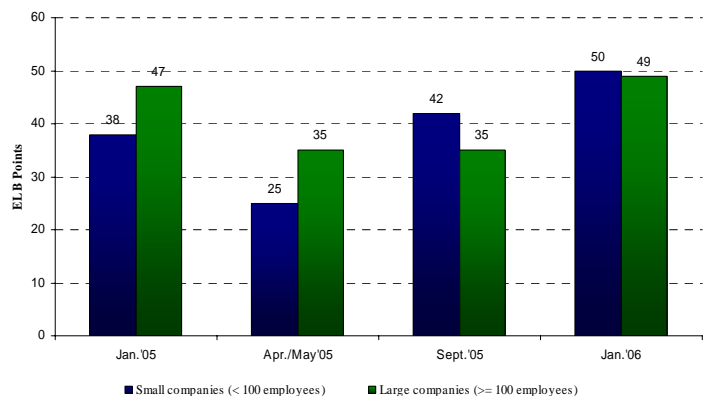


As with the previous survey, the most optimistic cluster is the Austrian and Central & Eastern European cluster at 67 ELB points. Expectations in France and Germany increased by 153% and 68% respectively compared to the 12<sup>th</sup> ELB. While maintaining their status of the most pessimistic cluster, confidence levels in the UK grew the most out of all regions, tripling in relation to the previous survey. The only two clusters to undergo a drop in confidence were the Scandinavian cluster (-2%) and the Mediterranean cluster (-11%).

Graph 5: Business Segment Analysis



Graph 6: Company Size Analysis



The ELB can also be analysed according to company characteristics as the two graphs above reveal. While the ELB is quite volatile when examined from this perspective, in the 13<sup>th</sup> edition, smaller companies were more optimistic than larger firms and those firms specialising in car leasing were less confident.

<sup>2</sup> Cluster composition as follows: Germany, UK & Ireland, France, Italy, Mediterranean Countries (Greece, Spain, Portugal, Cyprus, Morocco, Turkey), Benelux & CH (Belgium, the Netherlands, Luxemburg, Switzerland), Austria & EE (Austria, Poland, Czech Republic, Slovakia, Slovenia, Estonia, Romania, Hungary, Bulgaria, Lithuania, Russia, Ukraine), Scandinavia (Norway, Sweden, Denmark, Finland).

In summary, the 13<sup>th</sup> edition of the European Leasing Barometer shows that the confidence levels of European leasing professionals are gathering momentum and expectations are back to those levels of 2004.

One of the principal factors contributing to this improvement is the strong rise in macroeconomic expectations. Furthermore, lessors have faith in their potential to drum up new business in the months to come.

Regional differences appear in the evolution of the ELB, though 6 out of the 8 Leaseurope clusters show an improvement in their confidence levels in the 13<sup>th</sup> survey. Only the Scandinavian and Mediterranean clusters show slight drops in expectations.

While remaining relatively volatile in a longer term perspective, the differences in expectations according to various company characteristics are smaller in the current survey than previously.

Leaseurope would like to thank those numerous European leasing companies who took part in this 13th edition of the ELB, making it the most successful edition in the 4 year history of the survey. Increasing participation levels ensure sufficient representation of the various country clusters and guarantee high quality, informative results. By performing such a survey, Leaseurope aims to contribute to aiding the industry with forward looking information for the European market.

The next ELB survey will be launched in April or May 2006. Those wishing to take part can access the questionnaire available at that time at the following address:

[http://www.leaseurope.org/elb2005/Lease\\_Form.asp](http://www.leaseurope.org/elb2005/Lease_Form.asp)