



2017

Q3 Update — July

# Equipment Leasing & Finance U.S. Economic Outlook



EQUIPMENT LEASING & FINANCE

**FOUNDATION**

Your Eye on the Future

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## SUMMARY

**Equipment & Software Investment Outlook:** Equipment and software investment growth in 2017 got off to a solid start in the first quarter and should continue to bounce back from a lackluster 2016, driven by overall improvements in business confidence and a more positive outlook for the industrial sector. The labor market remains strong, although wage growth continues to lag compared to prior economic recoveries. Improved global growth prospects and sustained business and consumer confidence should help to drive economic growth through the remainder of the year, but ongoing uncertainty regarding key federal policy initiatives present significant headwinds. The majority of equipment verticals are on an upswing and should expand moderately this year:

- Agriculture Machinery investment may grow modestly on a year-over-year basis over the next two quarters.
- Construction Machinery investment growth should improve somewhat over the next three to six months.
- Materials Handling Equipment investment will likely improve over the next three to six months.
- All Other Industrial Equipment investment should maintain a slow growth trajectory over the next three to six months.
- Medical Equipment investment growth is likely to weaken over the next three to six months.
- Mining & Oilfield Machinery investment growth should continue a strong recovery over the next three to six months.
- Aircraft investment growth may decelerate over the next three to six months.
- Ships & Boats investment growth is expected to strengthen over the next three to six months.
- Railroad Equipment investment growth should continue to improve over the next three to six months.
- Trucks investment growth is poised for a resurgence over the next two quarters.
- Computers investment growth is set to improve over next three to six months.
- Software investment growth should remain steady over the next three to six months.

**U.S. Capital Investment & Credit Markets:** U.S. credit conditions are healthy, with virtually no change in supply from last quarter and a slight weakening in credit demand for both consumers and businesses. The Federal Reserve raised interest rates in June for the third time in 12 months and remains generally optimistic about the U.S. economy. However, weakening inflationary pressures and a shift in the Fed's focus toward shrinking its balance sheet make additional interest rate increases less likely during the second half of the year.

**Overview of the U.S. Economy:** The U.S. economy remains on solid footing, despite a disappointing start to the year. Labor markets are historically strong, and although consumer spending was soft in the first quarter, most economists expect spending to improve. Business investment and manufacturing activity have been solid thus far in 2017 and should remain positive throughout the year. Government spending may have a slight negative effect on economic growth this year, while exports may improve due to global economic strength and a weaker dollar — provided the United States pursues pro-growth trade policies and avoids a trade war with China. While a strong surge is unlikely, the U.S. economy continues to be on track for moderate growth after a sluggish 2016.

**Bottom Line for the Equipment Finance Sector:** Equipment and software investment should remain positive through the rest of 2017, as solid growth in Q1 — the strongest quarter in two years — provides a good jump-off point for the year. Sustained business confidence and the ongoing recovery in the oil and mining sector should buoy investment in several equipment verticals, despite lingering concerns related to policy uncertainty. We expect the economy to grow 2.4% in 2017 (revised down from 2.5% in our Q2 outlook), while equipment and software investment is projected to expand 3.6% (up from 2.8% in the Q2 outlook).

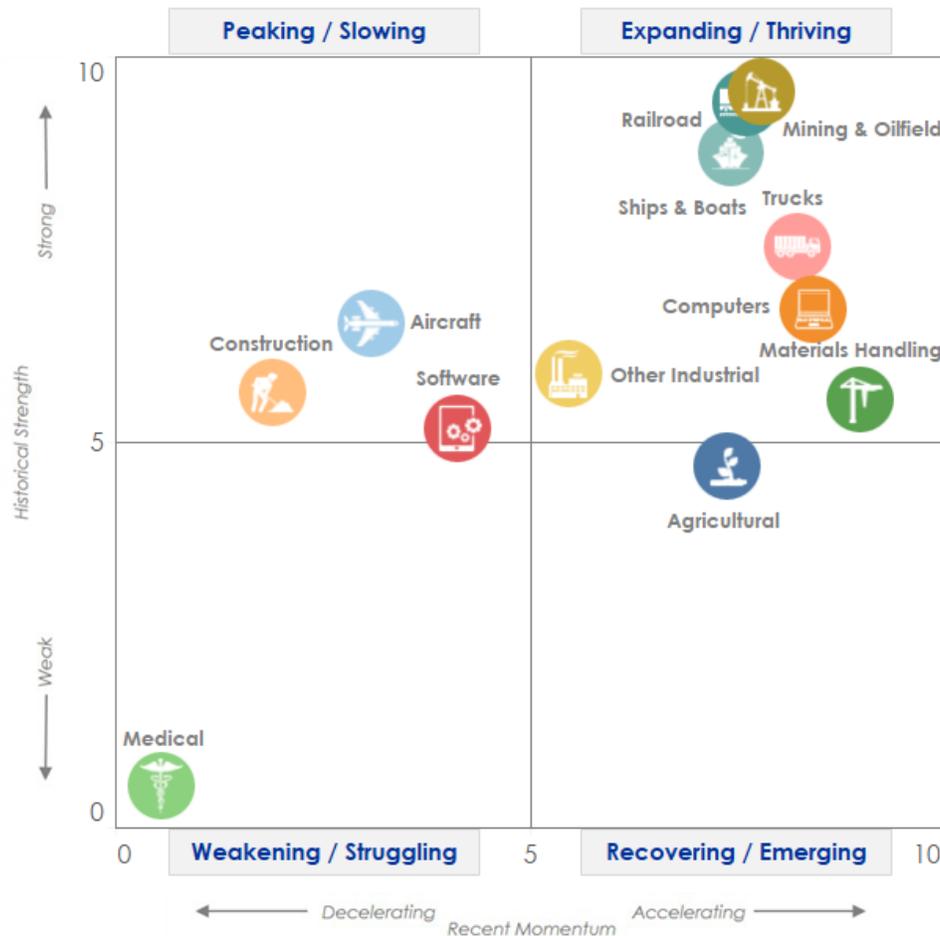
## EQUIPMENT & SOFTWARE INVESTMENT OUTLOOK

We anticipate that equipment and software investment will grow by 3.6% in 2017. The investment outlook for most equipment verticals has improved over the last year, particularly for industrial and energy-reliant sectors. Momentum readings are above the long-term historical average in 10 of 12 verticals, and recent momentum has accelerated in 8 of 12 verticals. While 2017 is unlikely to be a breakout year for equipment investment, it should mark a return to decent growth.

### Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor

\*For more information on how to interpret the Momentum Monitor, please refer to the Appendices on pages 18–19.

#### Momentum Monitor Sector Matrix

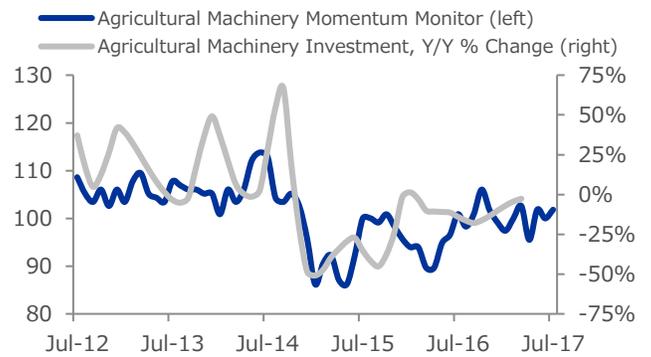


The matrix above summarizes the current values of each of the 12 Equipment & Software Investment Momentum Indices based on two factors: Recent Momentum (x-axis) and Historical Strength (y-axis):

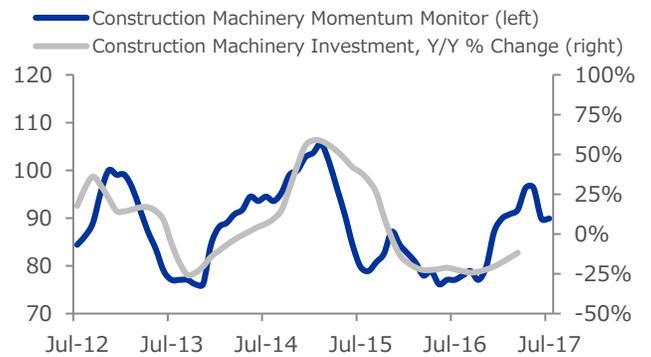
- "Recent Momentum" indicates a vertical's recent acceleration or deceleration in the past month relative to its average movement during the previous 3 months. Ratings closer to "0" indicate rapid deceleration, while ratings near "10" represent rapid acceleration.
- "Historical Strength" reflects a vertical's strength in the past month relative to its typical level since 1999. Ratings closer to "0" represent an indicator that is weaker than average, while ratings closer to "10" represent an indicator that is stronger than average.

The matrix consists of four quadrants based on readings for each vertical's recent momentum and historical strength. If a vertical falls in the top-left quadrant, its momentum reading is higher than average, but positive movement has slowed (and perhaps reversed) in recent months — suggesting that investment levels may fall over the next 1-2 quarters. Verticals in the bottom-right quadrant, however, have momentum readings that are below average, but recent movement shows promise — suggesting that investment levels may rise over the next 1-2 quarters.

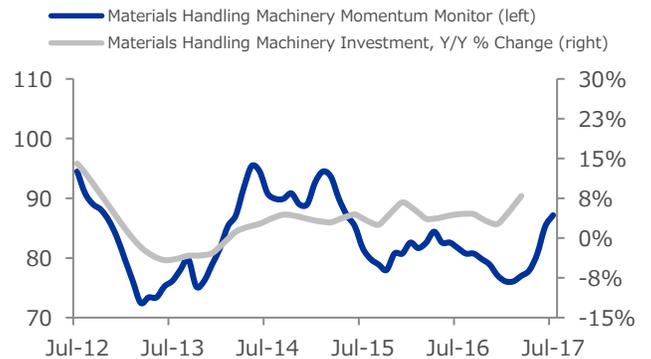
**Agricultural Machinery** Investment in Agricultural Machinery contracted at an annual rate of 13% in Q1 2017 and is down 2.7% from one year ago. The Agriculture Momentum Index increased from 100.0 (revised) in June to 101.8 in July. The M1 money supply surged 2.2%, but the National Average Temperature dropped 2.1 degrees Fahrenheit in May. Overall, the Index's recent movement suggests modest year-over-year growth in agricultural machinery investment over the next three to six months.



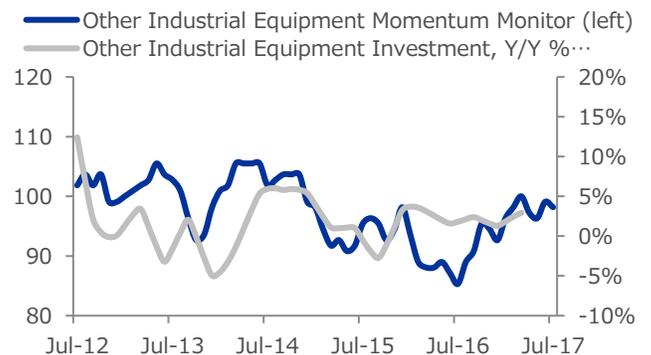
**Construction Machinery:** Investment in Construction Machinery expanded at a 15% annual rate in Q1 2017 (its first increase in more than two years), but is down nearly 12% year-over-year. The Construction Momentum Index held steady at 89.9 from June (revised) to July. Median Months for Sale dropped by 0.6, while Mobile Home Shipments declined by 3.2%. Overall, the Index continues to signal improved year-over-year investment growth in construction machinery over the next three to six months.



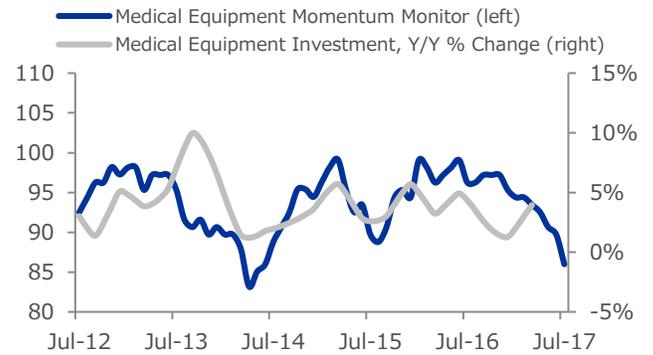
**Materials Handling Equipment:** Investment in Materials Handling Equipment rose by an 18% annual rate in Q1 2017, and is up 7.9% year-over-year. The Materials Handling Momentum Index increased from 85.3 (revised) in June to 87.2 in July. The ISM Chicago Business Barometer surged nearly 11% in May, while Materials Handling Import Prices held steady after a large drop in April. Overall, the Index points to an uptick in materials handling investment over the next two quarters.



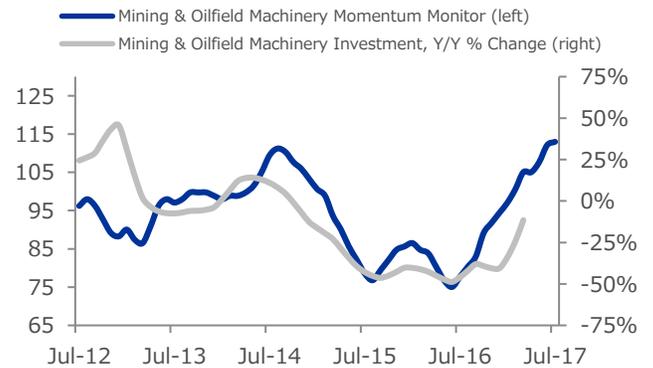
**Other Industrial Equipment:** Investment in All Other Industrial Equipment increased by a 2.3% annual rate in Q1 2017 and is up 2.9% from a year ago. The Other Industrial Equipment Momentum Index dipped from 99.1 in June to 98.2 in July. M1 surged 2.2%, but was offset by a 25 basis point increase in the Federal Funds Rate in June. Overall, the Index points to continued slow growth in industrial equipment investment over the next three to six months.



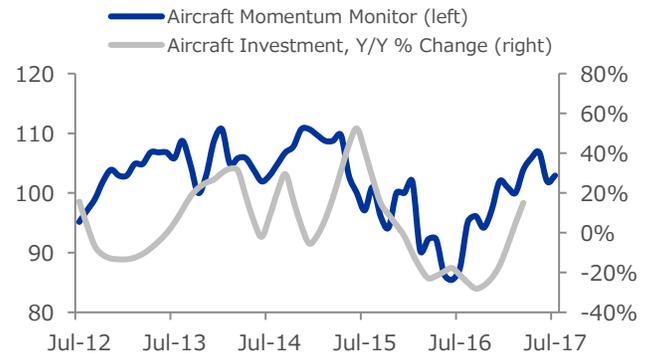
**Medical Equipment:** Investment in Medical Equipment expanded at a 5.5% annual rate in Q1 2017 and is up 4.0% year-over-year. The Medical Equipment Momentum Index fell from 89.7 (revised) in June to 86.0 in July. CPI Medical: Physicians' Services fell significantly and is below year-ago levels, while Industrial Production: Medical Equipment also fell by 2.3%. Overall, the Index's position and recent movement strongly suggest a pending slowdown in medical equipment investment over the next three to six months.



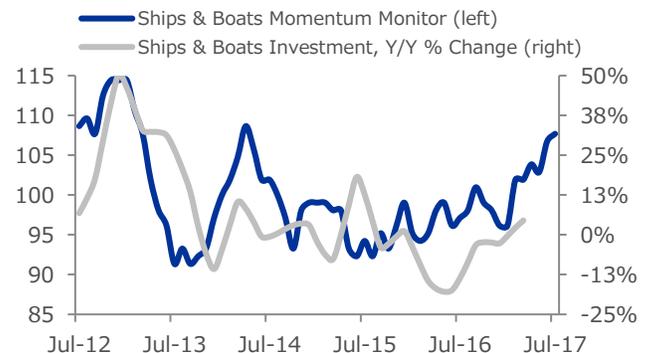
**Mining & Oilfield Machinery:** Investment in Mining & Oilfield Machinery surged at an 181% annual rate in Q1 2017, but remains down 12% year-over-year. The Mining & Oilfield Machinery Momentum Index rose from 112.1 (revised) in June to 113.0 in July, its highest level in seven years. The Gas Rig Count increased by two to 184 in June, its 11<sup>th</sup> straight monthly increase. However, Jobless Claims in North Dakota rose 60% in May. Overall, the Index points to a sustained rebound in mining & oilfield machinery investment over the next two quarters.



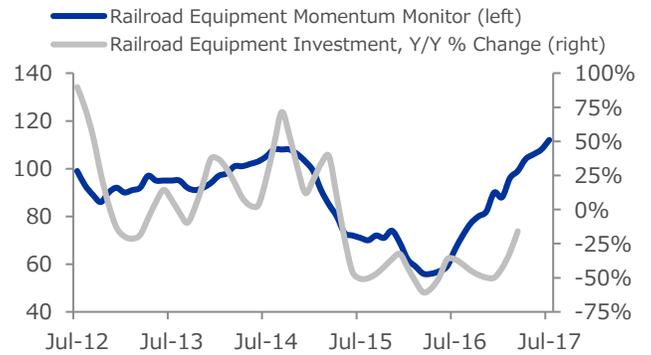
**Aircraft:** Investment in Aircraft rebounded at a 103% annual pace in Q1 2017 and is up 15% year-over-year. The Aircraft Momentum Index ticked up from 101.9 (revised) in June to 102.9 in July. Exports of Civilian Aircraft rose 13%, while Shipments of Non-Defense Aircraft increased 4.9%. Overall, the Index is showing signs of peaking, pointing to a potential moderation in aircraft investment growth over the next three to six months.



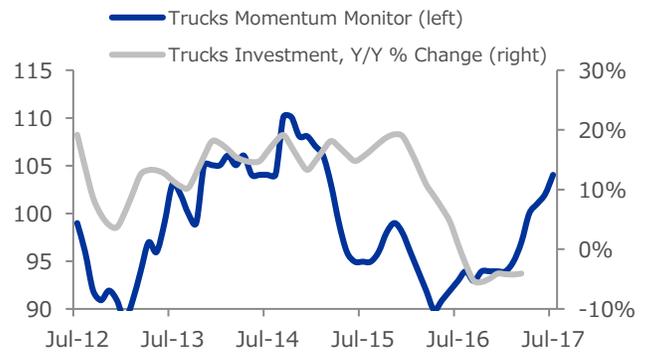
**Ships & Boats:** Investment in Ships & Boats rose at an annual rate of 6.8% in Q1 2017 and is up 4.5% year-over-year. The Ships & Boats Momentum Index increased from 106.7 (revised) in June to 107.7 in July. A 21% drop in Raw Steel Production was outweighed by a 3.5% increase in Shipments of Ships & Boats. Overall, the Index suggests that ships & boats investment growth should continue to strengthen over the next two quarters.



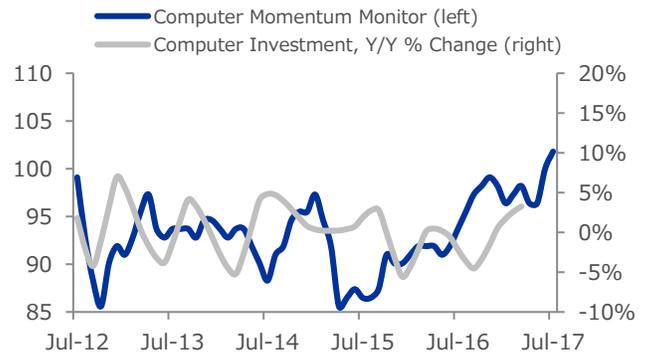
**Railroad Equipment:** Investment in Railroad Equipment expanded at a 49% annual rate in Q1 2017 but remains down 16% year-over-year. The Railroad Equipment Momentum Index jumped from 108.0 (revised) in June to 112.0 in July. Petroleum Carloads dropped 21% in June, while Capacity Utilization for Oil & Gas Extraction rose 1.3 percentage points to 97.7%. Overall, the Index points to a strong rebound in railroad equipment investment over the next three to six months.



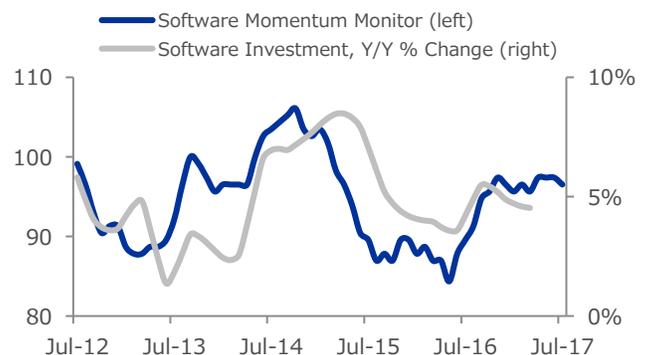
**Trucks:** Investment in Trucks expanded at a 3.7% annual rate in Q1 2017 but is down 4.1% from year-ago levels. The Trucks Momentum Index rose from 102.0 in June to 104.0 in July. Gas & Diesel Production increased 8.9% in April, while the ISM Manufacturing Index rose 2.9 points to 57.8 in June, its tenth consecutive month above the expansionary threshold. Overall, the Index points to a resurgence in trucking investment over the next three to six months.



**Computers:** Investment in Computers increased at a 17% annual pace in Q1 2017, and is up 3.3% year-over-year. The Computers Momentum Index increased from 100.0 (revised) in June to 101.8 in July. In May, Industrial Production for Computer & Peripheral Equipment rose 3.2%. Overall, the Index's recent movement suggests that growth in computers investment should continue to improve over the next two quarters.



**Software:** Investment in Software rose by a 6.2% annual rate in Q1 2017, and is up 4.5% year-over-year. The Software Momentum decreased from 97.4 (revised) in June to 96.5 in July. The ISM Chicago Business Barometer rose 11% in June, its fifth straight monthly increase, but the NFIB Small Business Optimism Index ticked down 0.2 points in April and was flat in May. Overall, the Index suggests little change in software investment growth over the next three to six months.



## Equipment & Software Investment Annual Growth Forecast

Year-on-Year % Growth Rates

Sector	10-Year Average	Last 4 Quarters	Next 4 Quarters
<b>Agricultural Machinery</b>	4.8%	-2.7%	-3 to 5%
<b>Construction Machinery</b>	4.2%	-11.8%	-2 to 6%
<b>Materials Handling Equipment</b>	1.3%	8.0%	5 to 10%
<b>Other Industrial Equipment</b>	1.4%	3.0%	2 to 8%
<b>Medical Equipment</b>	3.4%	4.0%	-2 to 4%
<b>Mining &amp; Oilfield Equipment</b>	-1.1%	-11.6%	10 to 20%
<b>Aircraft</b>	6.9%	15.1%	0 to 10%
<b>Ships &amp; Boats</b>	4.4%	4.6%	4 to 10%
<b>Railroad Equipment</b>	4.4%	-16.1%	8 to 16%
<b>Trucks</b>	17.8%	-4.3%	8 to 16%
<b>Computers</b>	3.2%	3.1%	4 to 8%
<b>Software</b>	4.2%	4.8%	2 to 6%

Source: Macrobond Financial, Keybridge (forecasts)

## U.S. CAPITAL INVESTMENT AND CREDIT MARKETS

Capital spending is expected to grow moderately in 2017, driven by sustained business confidence, low interest rates, and a stabilized investment environment in the oil sector. Equipment and software investment experienced solid growth in Q1 2017 despite a (likely temporary) consumer spending slowdown that caused GDP growth to disappoint. Credit market conditions are little changed from last quarter. Overall, we anticipate that equipment and software investment will expand by 3.6% in 2017.

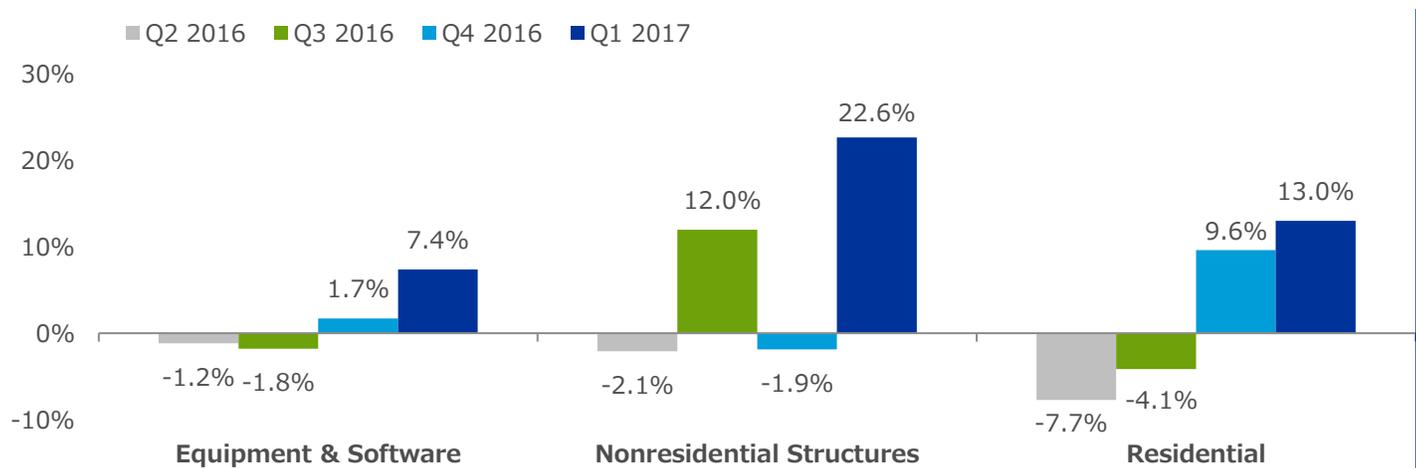
After interest rate hikes in December, March, and June of 25 basis points each, the Fed appears likely to turn its attention toward reducing its balance sheet and may slow the pace of rate hikes for the remainder of the year. Assuming inflation does not experience a dramatic acceleration over the next quarter, we anticipate one more rate hike later this year, in line with the consensus view.

### Recent Trends in U.S. Capital Investment

Equipment and software investment grew at a 7.4% annualized rate in the first quarter of 2017, its strongest pace in two years. Nonresidential structures posted an impressive 23% annualized expansion in Q1, while residential investment likewise surged at a 13% annualized pace.

### Investment Growth Rates

Quarter-on-Quarter, Seasonally Adjusted Annualized Growth Rate



Source: Macrobond Financial

- Equipment Leasing and Financing:** The equipment finance industry has expanded at a moderate pace thus far in 2017. The [ELFA Monthly Leasing and Finance Index \("MLFI-25"\)](#) for May reported new business volume at \$7.7 billion (up 13% from year-ago levels), and through May cumulative new business volume is up 7% this year compared to the first five months of 2016. Portfolio performance remains strong: 30-day delinquencies are at 1.40% (up 0.1 percentage point from April and from year-ago levels), while charge-offs rose from 0.38% in April to 0.47% in May.

In June, the Foundation's [Monthly Confidence Index for the Equipment Finance Industry \("MCI-EFI"\)](#) held steady at 63.5, on level with its May reading of 63.2. However, the index has eased 10 points since reaching a post-election high of 73.4 in January. A solid majority (69%) of industry executives believe that business conditions will remain steady over the next

four months, while executives are far more likely to believe that business conditions will improve (31%) rather than worsen (6.5%). Every industry executive who was surveyed rated current U.S. economic conditions as “fair” (as opposed to “excellent” or “poor”). Industry confidence remains significantly above its 2016 average of 55.0, which likely reflects expectations that Congress and the Administration will deliver on favorable tax and regulatory policies, along with a cyclical upturn and generally improved outlook for capital expenditures.

Looking ahead, we expect that industry performance will improve on last year’s middling outcomes. While the U.S. economy’s fundamentals are not drastically changed from last year, stabilized oil prices and improved business confidence have been key drivers in the rebound in business investment during the first quarter. Coupled with underlying credit market stability, these factors should lead to solid (though likely not spectacular) growth in new business volume in 2017.

- Equipment Verticals:** Equipment investment experienced a bright first quarter of 2017. Of the 12 equipment verticals tracked by the Foundation, 11 posted positive annualized growth (only agricultural machinery investment saw an annualized decline of 13%). A prolonged energy sector recovery that the Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor began to signal last fall finally manifested in early 2017: Mining & Oilfield Machinery investment surged 181% (annualized), while Aircraft and Railroad investment expanded 103% and 49% (annualized), respectively. In the months ahead, we expect the energy sector investment recovery to continue, which will help to drive positive investment growth in several equipment verticals both directly (e.g., Mining & Oilfield) and indirectly (e.g., Railroad, Other Industrial, Materials Handling, and Trucks).
- Other Factors:** Data on industrial sector health have been generally positive over the past three months, although there are some signs of moderation. Industrial production increased 1.1% in April to 105.3 but was flat in May, while capacity utilization dipped to 76.6% in May after a strong increase in April. Although durable goods shipments rose 1.0% in May (a good omen for Q2 growth prospects), new orders of durable goods fell 0.8% for the second month in a row — potentially foreshadowing softer industrial sector activity in Q3. The overall mood for the American industrial sector is cautious optimism, as recent data may represent a blip on an otherwise modest upward trend. The U.S. dollar has weakened noticeably in 2017, with the Fed’s Broad Dollar FX Index steadily falling from a high of 129 in late December to 121.5 in early July 2017. All else equal, a weaker dollar should buoy U.S. exports and provide a boost to U.S. manufacturers, although there are other downside risks with respect to U.S. trade (see “Additional Factors to Watch” section).

## Recent Trends in Credit Markets

Credit market conditions have remained relatively unchanged in the first half of 2017. On balance, lending standards held steady in the first quarter (notwithstanding a modest tightening of standards for commercial real estate loans) and financial stress remains historically low. Credit demand softened slightly for both consumers and businesses, and a modest downgrade in expectations for additional rate increases from the Fed in 2017 suggests that financial rates of return are unlikely to increase significantly in the months ahead.

- Credit Supply & Pricing:** Credit supply conditions mostly held steady in Q1 2017. According to the April Fed Loan Officer Survey, banks’ standards on commercial and industrial (“C&I”) and

### Summary of Credit Conditions

Factor	Conditions Compared With Last Quarter
Supply	Little Change
Demand	Slight Decrease
Financial Stress	Slight Decrease

residential real estate loans were unchanged. However, respondents reported a net tightening of standards on commercial real estate (“CRE”) loans, particularly for construction and land development loans and multifamily loans. Banks cited a more uncertain outlook for CRE property prices, capitalization rates, and vacancy rates as key factors in restricting credit supply for CRE loans. With respect to household lending, the picture is mixed: standards for auto loans tightened on net, credit card lending standards loosened, and all other consumer loan standards were essentially unchanged.

- **Credit Demand:** Demand for credit weakened modestly across a variety of consumer and business loan categories in the first quarter. Year-on-year growth in C&I loans continues to decelerate: after achieving an annual growth rate of 11% in 2015, C&I loans are currently just 2% above year-ago levels, in part due to reduced merger and acquisition financing activity. Demand for CRE loans also fell in Q1.

Despite signs of moderation on the business investment side, business confidence indices have mostly held their gains since the post-election surge. The National Federation of Independent Business (“NFIB”) Small Business Optimism Index is well above its historical average and held steady at 104.5 in May, on par with readings from the prior two months and only slightly weaker than its early 2017 peak. Business Roundtable’s CEO Economic Outlook Index was likewise nearly flat from Q1 (93.3) to Q2 (93.9) and remains well above its historical average. One notable exception is the Thomson Reuters/PayNet Small Business Lending Index (“SBLI”), which fell 8% in April and now stands below average levels in 2015 and 2016 (though it remains on the high end of its historical range). It remains to be seen whether elevated business confidence will translate into increased business demand for credit, or whether lingering policy uncertainty will lead to a more cautious approach.

Credit demand growth among consumers has also slipped in recent months, but remains healthy. The Conference Board’s Consumer Confidence Index has declined from a historic high in March (124.9) to 118.9 in June, while the University of Michigan Consumer Sentiment Index has eased from a high of 98.5 in January to 94.5 in June. This story is consistent with the April Fed Loan Officer Survey’s reporting of a softening in demand for auto and credit card loans, although both consumer outlook indices remain near historically high levels.

- **Financial Stress:** Financial stress has continued to decline throughout 2017. The Kansas City Financial Stress Index fell to -0.74 in May and stands well below its historical average. Similarly, the St. Louis Financial Stress Index continues to follow a steady downward trajectory in the second quarter, from -1.352 at the end of March to -1.505 at the end of June. The loan delinquency rate ticked down in the first quarter from 1.58 percent to 1.54 percent, while the lease delinquency rate declined from 1.06 percent to 0.99 percent. Overall, indicators of financial stress yield little cause for alarm.
- **Other Factors:** Ten-year Treasury yields eased in the second quarter, from around 2.4 percent at the end of March to a low of 2.14 percent at the end of June, but have since risen to 2.35 percent in early July. The recent increase may reflect a delayed response to the Fed’s mid-June decision to raise its benchmark rate, but may also have been spurred by elevated economic sentiment in Europe (currently at a ten-year high) and signals from the European Central Bank that it may begin to wind down its monetary stimulus efforts.

## Update on Fed Policy

At its June meeting, the Federal Reserve raised its short-term benchmark interest rate by 25 basis points to between 1.00 and 1.25 percent, a signal of confidence in the broader U.S. economy as unemployment remains low. Despite this vote of confidence, we anticipate just one more rate hike this year, a downgrade from last Outlook’s forecast. Three factors are responsible for this

expectations shift. First, the Fed's plan to shrink its balance sheet later this year is likely to have the same directional effect on the money supply as an interest rate hike. Second, GDP growth expectations for the U.S. economy have moderated, particularly after the economy grew at an annualized pace of just 1.4% in the first quarter, and while the economy remains generally healthy, it shows few signs of overheating. Third, inflationary pressures are subdued, eliminating some of the urgency to raise rates.

## OVERVIEW OF THE U.S. ECONOMY

In 2017, the U.S. economy is likely to experience moderate growth. A continually tightening labor market, decent consumer spending, and an improved outlook for business investment should more than offset potential headwinds related to softening residential investment, reduced government spending, and increased barriers to trade. Continued low unemployment should increasingly translate into stronger wage growth as employers compete for labor, and while 2017 is unlikely to be a breakout year for business investment, it should mark a significant improvement on 2016's lackluster performance — particularly after the energy sector and related industries posted strong investments gains in Q1. Most of the major downside risks to economic growth are political in nature, as Congress attempts to enact major growth-promoting policies related to taxes and infrastructure spending and the Administration reconsiders longstanding U.S. trade policies.

The U.S. economy grew at an annualized rate of just 1.4% in the first quarter, which provides a relatively weak jump-off point for the remainder of the year and makes achieving 3% growth difficult, if not impossible, in 2017. However, the combination of stronger consumer spending data, positive business investment, and an improved international outlook should produce faster growth in the months ahead, particularly if the federal government makes progress toward enacting a pro-growth policy agenda.

***Overall, we project the U.S. economy to grow 2.4% in 2017 — a slight downgrade from our Q2 forecast, but still a significant improvement on 2016's 1.6% growth.***

## Recent Trends in the U.S. Economy

The second half of 2017 is likely to yield an improvement on first quarter growth due to a consumer spending rebound and positive business investment. Residential investment may soften slightly as the supply of housing struggles to keep up with historically strong demand. The manufacturing sector should benefit from the recent depreciation of the U.S. dollar (which makes U.S. products more competitive overseas), but there are significant downside risks related to trade policy uncertainty toward Mexico, Canada, China, and several European trade partners. We expect no major contribution to growth from government spending, as infrastructure spending plans fade from the 2017 horizon; in fact, net budget cuts on both the federal and sub-federal levels may well detract modestly from GDP growth.

- **Q1 GDP:** The U.S. economy grew at an annualized rate of 1.4% in the first quarter of

Indicator	Recent Activity
Consumption	Consumer spending posted weak 1.1% (annualized) growth in Q1 2017.
Equipment & Software Investment	Equipment & software investment expanded by a solid 7.4% (annualized) in Q1, its strongest quarter in two years.
Residential Investment	Residential investment surged 13.0% (annualized) in Q1.
Government Expenditures	Government expenditures fell 0.9% (annualized) in Q1, driven by declines in both federal (-2.0%) and state and local (-0.2%) spending.
Net Exports	Net exports ticked up, as exports rose 5.8% (annualized) in Q1, while imports increased 3.8% (annualized).

2017, a disappointing result that was well below consensus estimates. Consumer spending, normally the engine of U.S. GDP growth, expanded at just 1.1% annualized. More positively, nonresidential business investment saw an impressive 10.4% annualized expansion, the fastest pace of growth in five years. Key to this surge was a 23% annualized increase in structures investment (the largest increase since 2011) and a 7.4% increase in equipment and software investment.

Residential investment also posted a strong 13% annualized gain. Government spending contracted by 0.9% (largely due to a 3.9% reduction in national defense spending), while net exports lifted GDP growth modestly.

- **Inflation:** Despite signs of accelerating inflation just a few months ago, inflationary pressures have moderated significantly. Headline inflation, which had been mounting steadily due to rising oil prices, reached a peak of 2.8% in February but has since fallen to 1.9% in May. Core inflation (which excludes volatile food and energy prices) has dipped from 2.3% in January to 1.7% in May. A key driver of decreased inflation has been oil prices, which have fallen by roughly \$10 / barrel in recent months. Another driver is stubborn year-over-year wage growth, which has slowed to 2.5% after nearing 3% at the end of 2016. We expect inflation to rise to around 2% or slightly higher in the second half of 2017, assuming oil prices hold at their current level and the labor market remains strong.
- **Growth Forecasts:** The *Economist* Poll of Forecasters for June estimated 2.2% GDP growth for 2017, unchanged relative to its May forecast. Similarly, the Federal Reserve's June "central tendency" forecast ranged from 2.1–2.2%.

## **Economic Tailwinds**

A strengthening global economy should help propel U.S. economic growth for the rest of the year, as a steady weakening of the dollar allows U.S. exporters to take advantage of the increase in global demand. Businesses and consumers alike remain upbeat.

- **Sustained Business and Consumer Confidence:** For the most part, measures of confidence on both the business and consumer side have maintained their strong post-election gains, despite slowing wage growth and fading prospects for major tax reform or infrastructure spending packages in 2017. The NFIB Small Business Optimism Index, which surged 11 points from its October (pre-election) reading to its peak in January, has since dipped only slightly, while Business Roundtable's CEO Economic Outlook Index experienced a similarly strong increase of 24 points between Q3 2016 and Q2 2017. These measures, which reflect expectations of a more business-friendly regulatory environment, are consistent with higher market confidence in corporate profitability as well as the stock market's recent performance. Meanwhile, both the Conference Board's Consumer Confidence Index and University of Michigan Consumer Sentiment Index have moderated only slightly since their strong post-election surge. These record-high confidence levels appear unlikely to translate into breakout growth in 2017, but they do indicate an underlying sense of financial security among both consumers and businesses and provide a clear positive signal of overall economic health.
- **Dollar Depreciation:** The U.S. dollar strengthened considerably after the November election as measured by the Fed's major currencies index, but has since fallen back to pre-election levels. The dollar's steady depreciation likely stems from the combination of a downgrade in expectations for Fed rate hikes in 2017, fading prospects for tax reform and fiscal stimulus, and reduced short-term political uncertainty in Europe. These effects are likely to continue exerting downward pressure on the dollar throughout 2017, which benefits American manufacturers and promotes U.S. exports. Over the past two years, a persistently strong U.S. dollar weighed down exports considerably, so a moderate depreciation of the dollar should help buoy U.S. export growth — particularly when combined with strengthening global demand (see next bullet).
- **Uptick in Global Growth:** Early forecasts for global economic growth in 2017 reflected increased optimism about the world economy, and those predictions appear to be panning out thus far. In its latest *World Economic Outlook* report released in April, the International Monetary Fund (IMF) forecast global GDP growth at 3.5%, a slight upgrade from January's 3.4% estimate and significantly faster than the 3.1% global growth achieved in 2016. The upward revision stems from evidence

of a cyclical recovery in global manufacturing and trade that began in late 2016, with advanced economies (including the United States) driving this trend. Likewise, the June report from the Organization for Economic Cooperation and Development (OECD) projects that worldwide growth will reach 3.5%, up from its 3.3% forecast in November 2016. While most developed economies are expected to experience faster growth in 2017, the story for emerging markets is mixed, with India's economy set to accelerate while China's economy continues to moderate. Improved prospects for global economic growth should provide a boost to the U.S. economy, primarily via increased demand for U.S. exports.

## Economic Headwinds

Though 2017 is shaping up to be a better year for U.S. growth than 2016, continued political gridlock makes it increasingly unlikely that Congress will agree on major pro-growth legislation, such as tax cuts or infrastructure spending. Meanwhile, low unemployment exposes other weaknesses in the U.S. labor market.

- **Diminished Prospects for Corporate Tax Reform:** In late 2016 and early 2017, many political observers were optimistic about the prospects of corporate tax reform in the wake of the Republican electoral sweep. However, in recent weeks it has become increasingly apparent that internal divisions within the party regarding both the specific nature of reform and the extent to which it should be deficit-neutral are more significant barriers than many believed they would be at the start of the year. Congress's struggle (at least thus far) to repeal and replace the Affordable Care Act ("ACA") has pushed back the timeline for tackling tax reform, and the House and Senate still need to agree on a budget for the 2018 fiscal year to create the opportunity to pass tax reform under the Senate's reconciliation process (which allows for a simple majority vote). While the idea of lowering the U.S. corporate tax rate appears to be a clear area of agreement among all Republicans (and some Democrats), in practice tax reform involves complex changes to the tax code that would affect various constituent interest groups both positively and negatively — and these groups will fight to retain favorable tax provisions. This is a key reason why successful comprehensive tax reform effort has not occurred in more than 30 years and took three years to complete in a less politically charged environment. These obstacles do not preclude the possibility of Congress passing a short-term tax cut, but it will be difficult to devise such a cut that avoids adding to the deficit, which fiscal hawks oppose on principle. Moreover, Congressional leadership must navigate other issues that could take time and draw attention away from tax reform, including legislation to fund the government after September 30<sup>th</sup> and increase the federal debt ceiling (see "Additional Factors to Watch"). Overall, it appears unlikely that major tax reform legislation will be signed into law before the end of the year — which means that the U.S. economy probably won't receive a tax cut-fueled boost in investment spending in 2017.
- **Infrastructure Delays:** Prospects for a comprehensive infrastructure package this calendar year have also dimmed — a critical piece of the growth puzzle at a time when the United States is facing an infrastructure investment gap of approximately \$2 trillion over the next decade, according to the American Society of Civil Engineers. The Administration's \$1 trillion infrastructure plan laid out a vision for addressing this gap with \$200 billion in additional federal spending over the next 10 years, complemented by an \$800 billion bump in private sector and state and local infrastructure investment over the same period. However, the President's plan contained few details regarding potential sources of additional funding, financing mechanisms, or spending priorities, and Congress has announced that it is in a holding pattern while it waits for more specifics from the Administration. While a more detailed infrastructure plan is expected from the Department of Transportation sometime this fall, many political observers do not expect any major movement on an infrastructure spending package until 2018, and the economy is unlikely to receive a significant infrastructure-related boost this year.

- **Declining Labor Force Participation:** As the unemployment continues to fall and draws closer to 4%, there is a debate regarding how tight the labor market really is. Traditionally, an unemployment rate near 4% is associated with full employment and sends a strong signal to employers to increase wages to compete for talent. However, wage growth has stalled out after peaking at 2.9% in December, leading some economists to wonder whether labor markets are perhaps not as tight as they appear considering the declining labor force participation rate (which has fallen from 66.4% in 2007 to 62.7% today). Earlier accounts of this decline, which equates to millions of working-age men and women leaving the workforce, focused on the growth in so-called “discouraged” workers who temporarily abandoned their job search after prolonged unemployment. However, current data indicate that there are fewer discouraged workers now than there were 10 years ago, suggesting that other factors are responsible for the decline. Indeed, a variety of demographic and sociological factors are likely at play, including the effects of an aging population, higher levels of disability, rising opioid addiction rates, declining health outcomes, a chronic “skills gap,” and a mismatching of available labor by geography. The combination of these factors has led to serious labor shortages in some industries (e.g., agriculture and construction) in certain parts of the country, meaning that the U.S. economy is leaving a significant amount of growth on the table. The multifaceted nature of the decline in labor force participation suggests that this trend is likely to continue and demands a series of targeted policy responses that address as many of the underlying causes as possible.

## Additional Factors to Watch

In addition to the tailwinds and headwinds described above, there are several areas of uncertainty will likely affect U.S. growth during the second half of the year, including:

- **Trade Policy:** While there are reasons to be optimistic about global trade growth and U.S. exports (e.g., stronger global economy, weaker dollar), there are also several notable downside risks that could deter trade. For example, ongoing uncertainty regarding U.S. trade policy toward key trading partners is a real concern, and Mexican companies have taken steps to reduce their reliance on U.S. products and diversify their inputs in response to the United States seeking to renegotiate the North American Free Trade Agreement. It is possible that a new agreement will produce more benefits for the U.S. economy depending on the success of the negotiations (though this is by no means guaranteed), but until an agreement is reached, trade between the United States and Mexico may decrease. Similarly, the Administration’s recent actions to limit U.S. imports of steel on national security grounds may benefit domestic steel manufacturers, but may also threaten American manufacturers that rely on low-cost steel imports as inputs for finished goods. Perhaps more importantly, these actions are also likely to trigger retaliatory measures by China — which could escalate into a trade war. As the Trump Administration pursues its “America First” trade agenda, it will be important to monitor the response from our trading partners.
- **Imminent Budget Battles:** Persistent gridlock in Washington heightens the risk of political brinksmanship on a debt ceiling showdown late this summer and/or a government shutdown in October. Although Administration officials have pressed Congress to raise the debt ceiling before the August recess, House and Senate leaders have thus far focused much of their attention on moving legislation related to healthcare reform and other issues (e.g., financial markets reform and flood insurance reform). This could result in the debt ceiling issue being sidelined until the last minute, when the stakes are higher. As in previous Congresses, fiscal hawks are likely to use the debt ceiling as a vehicle to demand reductions in federal spending, which will elicit strong pushback from other members (particularly Democrats). At the same time, Congressional appropriators have fallen behind in drafting legislation to keep the government funded in FY18, and there is internal

disagreement among Republicans regarding how much government spending should be cut (particularly defense spending, which many Republicans want to increase). Unless Republican leadership can bridge the divide within their own party on these issues, they may need to seek out Democratic support to pass a funding bill — which Democrats would likely provide only if spending limits were increased for non-defense programs as well.

Failure to pass legislation that funds the government would curtail Q4 growth and reduce the likelihood that the economy will reach 3% growth next year, while failure to raise the debt ceiling would significantly harm the U.S. credit rating and lead to severe negative economic consequences according to most economists. Even if these threats are successfully navigated, the coming fight over federal spending will increase political uncertainty and may curb business investment and/or cause market turmoil until an agreement is reached.

## Projections for Key Economic Indicators

Indicator	2015	2016	2017 Quarterly Estimates				2017e
			Q1	Q2	Q3e	Q4e	
<b>Real GDP (SAAR %)</b>	2.6%	1.6%	1.4%	2.9%	2.8%	3.0%	2.4%
<b>Real Investment in Equipment &amp; Software (SAAR %)</b>	4.2%	-1.1%	7.4%	4.2%	5.0%	5.3%	3.6%
<b>Inflation (year-on-year %)</b>	0.1%	1.3%	2.5%	2.3%	2.4%	2.5%	2.4%
<b>Federal Funds Target Rate (lower bound, end of period)</b>	0.25%	0.50%	0.75%	1.00%	1.00%	1.25%	1.25%
<b>10-year Treasury Rate (end of period)</b>	2.3%	2.5%	2.4%	2.31%	2.50%	2.80%	2.80%
<b>Total Payroll Growth (in thousands)</b>	+2,713	+2,240	+498	+460	+450	+450	+1,858

Note: SAAR% refers to the annualized rate of change in seasonally adjusted data from one quarter to the next, which is the Bureau of Economic Analysis' standard method for reporting growth in the national accounts data.

## QUARTERLY DATA

Indicator	2015				2016				2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Real Gross Domestic Product (SAAR %)</b>									
GDP	2.0%	2.6%	2.0%	0.9%	0.8%	1.4%	3.5%	2.1%	1.4%
Consumer Spending	2.4%	2.9%	2.7%	2.3%	1.6%	4.3%	3.0%	3.5%	1.1%
Gross Private Fixed Investment	9.9%	1.0%	2.0%	-2.3%	-3.3%	-7.9%	3.0%	9.4%	3.7%
Inv: Equipment & Software	9.1%	1.1%	6.7%	-1.2%	-5.6%	-1.2%	-1.8%	1.7%	7.4%
Inv: Agricultural Machinery	-9.4%	22.0%	23.7%	-31.3%	-36.9%	15.1%	-9.1%	-1.2%	-13.3%
Inv: Construction Machinery	21.5%	-20.1%	-24.2%	-22.6%	-23.6%	-14.0%	-35.2%	-5.7%	15.0%
Inv: Materials Handling Equipment	8.2%	7.6%	-0.1%	11.6%	-3.8%	10.2%	0.8%	4.0%	17.5%
Inv: All Other Industrial Equipment	-3.4%	15.8%	-7.4%	9.9%	-4.0%	9.1%	-4.5%	5.3%	2.3%
Inv: Medical Equipment	4.5%	-1.6%	7.8%	12.5%	-4.9%	5.1%	-1.4%	6.8%	5.5%
Inv: Mining & Oilfield Machinery	-32.3%	-54.2%	-42.4%	-28.8%	-42.4%	-70.9%	23.1%	-39.3%	180.8%
Inv: Aircraft	48.2%	27.3%	3.6%	-52.4%	-43.5%	64.5%	-39.5%	-13.4%	103.3%
Inv: Ships & Boats	57.3%	31.8%	-54.1%	9.8%	-19.6%	14.7%	-13.6%	12.6%	6.8%
Inv: Railroad Equipment	63.0%	-93.6%	111.0%	-5.0%	-81.2%	-57.1%	22.5%	-36.3%	48.7%
Inv: Trucks	37.5%	13.4%	20.6%	6.5%	3.7%	-10.1%	-18.9%	12.0%	3.7%
Inv: Computers	-17.1%	15.1%	12.7%	-26.1%	4.9%	11.9%	-4.2%	-9.2%	16.7%
Inv: Software	8.6%	6.0%	-0.8%	3.3%	7.6%	4.5%	6.6%	0.9%	6.2%
<b>Credit Conditions</b>									
Nonfinancial Sector Debt (% of SAAR GDP)	64.4%	64.5%	65.0%	65.7%	66.7%	67.5%	67.5%	67.7%	68.5%
Loan Delinquency Rate	0.8%	0.8%	0.9%	1.0%	1.5%	1.6%	1.6%	1.6%	1.5%
Lease Delinquency Rate	0.7%	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.1%	1.0%
Net Tightening of C&I Loan Standards	-5.5%	-5.3%	-7.0%	7.4%	8.2%	11.6%	8.5%	1.5%	1.4%

Note: SAAR% refers to the annualized rate of change in seasonally adjusted data from one quarter to the next, which is the Bureau of Economic Analysis' standard method for reporting growth in the national accounts data.

## MONTHLY DATA

Indicator				2016				2017					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>Employment</b>													
Change in Total Payrolls (thousands)	297	291	176	249	124	164	155	216	232	50	174	138	-
Change in Private Payrolls (thousands)	269	249	143	223	132	178	150	204	222	59	173	147	-
Unemployment Rate	4.9%	4.9%	4.9%	4.9%	4.8%	4.6%	4.7%	4.8%	4.7%	4.5%	4.4%	4.3%	-
<b>Business Activity</b>													
Industrial Production	103.1	103.2	103.1	103.0	103.2	102.9	103.8	103.5	103.7	103.9	105.0	105.0	-
Capacity Utilization	75.8%	75.9%	75.8%	75.6%	75.7%	75.5%	76.0%	75.7%	75.9%	75.9%	76.7%	76.6%	-
PMI Composite Index	52.8	52.3	49.4	51.7	52.0	53.5	54.5	56.0	57.7	57.2	54.8	54.9	57.8
NFIB Small Business Optimism Index	94.5	94.6	94.4	94.1	94.9	98.4	105.8	105.9	105.3	104.7	104.5	104.5	-
<b>Consumer Activity</b>													
Consumer Confidence	97.4	96.7	101.8	103.5	100.8	109.4	113.3	111.6	116.1	124.9	119.4	117.9	118.9
Personal Consumption (M/M % Chg)	0.4%	0.3%	-0.1%	0.5%	0.3%	0.2%	0.4%	-0.3%	-0.1%	0.5%	0.2%	0.1%	-
Retail Sales (M/M % Chg)	0.7%	0.0%	-0.1%	1.0%	0.6%	0.1%	0.9%	0.5%	-0.2%	0.1%	0.4%	-0.3%	-
<b>Lending Activity</b>													
C&I Loans (M/M % Chg)	0.2%	0.3%	-0.2%	0.9%	0.7%	0.2%	-0.2%	0.1%	0.0%	-0.6%	0.5%	0.1%	-
MLFI-25 New Business Volume (Bil.\$)	10.0	7.0	7.7	9.4	8.2	6.4	12.1	6.2	5.9	8.9	7.9	7.7	-
MLFI-25 Avg Losses as a % of Net Rec.	0.65%	0.38%	0.44%	0.46%	0.37%	0.40%	0.42%	0.43%	0.38%	0.68%	0.38%	0.47%	-
MLFI-25 Credit Approval Ratio	78.1%	75.9%	76.9%	76.6%	77.3%	76.0%	77.4%	75.4%	74.8%	74.5%	75.9%	77.0%	-
<b>Interest Rates (% avg of period)</b>													
Fed Funds Target Rate (Lower Bound)	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
1-Year Treasury Rate	0.55	0.51	0.57	0.59	0.66	0.74	0.87	0.83	0.82	1.01	1.04	1.12	1.20
3-Year Treasury Rate	0.86	0.79	0.85	0.90	0.99	1.22	1.49	1.48	1.47	1.59	1.44	1.48	1.49
10-Year Treasury Rate	1.64	1.50	1.56	1.63	1.76	2.14	2.49	2.43	2.42	2.48	2.30	2.30	2.19
30-Year Treasury Rate	2.45	2.23	2.26	2.35	2.50	2.86	3.11	3.02	3.03	3.08	2.94	2.96	2.80
AAA Corporate Bond Yield	3.50	3.28	3.32	3.41	3.51	3.85	4.06	3.92	3.95	4.01	3.87	-	-
BAA Corporate Bond Yield	4.53	4.22	4.24	4.31	4.38	4.70	4.83	4.66	4.64	4.68	4.57	-	-
<b>Prices</b>													
Headline Inflation (Y/Y % Chg)	1.0%	0.8%	1.1%	1.5%	1.6%	1.7%	2.1%	2.5%	2.7%	2.4%	2.2%	1.9%	-
Core Inflation (Y/Y % Chg)	2.2%	2.2%	2.3%	2.2%	2.1%	2.1%	2.2%	2.3%	2.2%	2.0%	1.9%	1.7%	-
Oil Price (West Texas Int., \$/barrel)	48.27	41.54	44.68	47.72	46.83	49.41	53.75	52.75	54.00	50.54	49.31	48.29	46.02

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## ABOUT THE OUTLOOK

The Equipment Leasing & Finance Foundation (the Foundation) recognizes that with the wide variety and increasing complexity of economic data available to the public, the best way to utilize key equipment investment data is to have it all in one place, where business leaders can access it easily and quickly, thus assisting them in making the best business decisions.

The Foundation partnered with Keybridge LLC to produce this economic outlook, highlighting key trends in equipment investment and placing them in the context of the broader U.S. economic climate. The outlook report also includes an analysis of domestic capital spending as well as an evaluation of how capital spending is affected by various related and exogenous factors, both currently and in the foreseeable future. Additionally, the outlook includes custom leading indicators for 12 equipment and software verticals. The Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor, described below, is published monthly.

This Q2 report is the first update to the 2016 Annual Outlook, and two more quarterly updates will follow in July and October. This research was guided by a steering committee of dedicated industry volunteers who gave their time and expertise by providing comments and suggestions throughout the development of the report.

## ABOUT THE MOMENTUM MONITOR

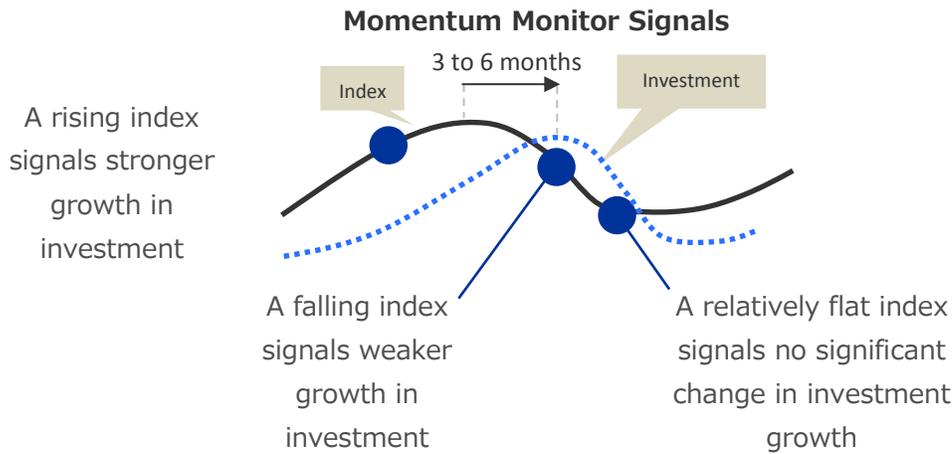
Business leaders require actionable forward-looking intelligence to make strategic decisions. Accordingly, the Foundation commissioned Keybridge LLC to develop a series of custom leading indicators for the equipment sector. The [Foundation-Keybridge Equipment & Software Investment Momentum Monitor](#) consists of indices for 12 equipment and software investment verticals. These indices are designed to identify turning points in their respective investment cycles with a three-to-six month lead time.

The Momentum Monitor is based on Keybridge's extensive research which shows that not all movements in economic data are reliable signals of future economic trends. Keybridge has operationalized its research by constructing indices, each comprised of between 10 to 20 high-frequency indicators. These indicators undergo rigorous testing to determine the optimal thresholds at which their short-term fluctuations are economically meaningful. In simpler terms, the Momentum Monitor sifts out the "noise" in the data and identifies the dominant trends. As a result, each Momentum Monitor index is statistically optimized to signal turning points in the investment cycle without giving false readings of shifts in momentum.

## HOW TO READ THE MOMENTUM MONITOR

Each Momentum Monitor index provides a signal of the direction and magnitude of growth in equipment investment over the next 3 to 6 months. It is important to note that index values do not correspond to particular growth rates. Instead, the Momentum Monitor indices should be interpreted within the context of prior index readings and investment growth rates. For example, there are several simple rules to follow when examining the latest index values:

1. A rising index signals that growth in investment will accelerate from the current rate;
2. A falling index signals that growth in investment will decelerate from the current rate; and
3. No change in the index signals no meaningful change from the current growth rate.



To help the reader interpret the latest Momentum Monitor signals, a summary report for each equipment vertical follows a specific outline:

### Materials Handling Equipment:

- 1 Investment in Materials Handling Machinery inched up at a 0.3% annualized rate in Q4 2014 and is up 7.3% year-over-year.
- 2 The Materials Handling Momentum Index slipped from 93.5 in February to 92.5 in March.
- 3 A 23% decline in the MNI-Chicago Business Barometer and a spike in Economic Policy Uncertainty offset gains in Machinery Sales, Manufacturing Sales, and the ISM Manufacturing Suppliers Deliveries Index.
- 4 The Index's recent trend continues to indicate that growth may moderate over the next three to six months.

- 1 The first sentence reports the latest growth rate for investment in a given vertical. This provides a context for interpreting the order of magnitude of growth over the next 3 to 6 months.
- 2 The second sentence explains the latest movement in the index, indicating whether momentum is accelerating or decelerating.
- 3 The report then describes the specific indicators driving the latest index value. This allows readers to understand the key drivers of the outlook.
- 4 Finally, the report ends with an interpretation of where investment growth is heading over the next 3 to 6 months.

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## **ABOUT KEYBRIDGE**

Keybridge is a public policy economics consulting firm. Keybridge provides analytical support and strategic advice to a select clientele that includes Fortune 500 companies, global financial firms, G-7 governments, premier industry associations, and non-profit organizations. Keybridge's experience and expertise make it uniquely suited to assist organizations that frequently operate at the interface of business, economics, and public policy.

Founded in 2001, Keybridge's mission is to provide balanced, credible, and timely technical analysis and strategic insights that inform business decisions and drive public policy debates. Our dedication to the principles of sound analysis, clear communication, and unmatched client service guide our work and serve as the foundation of our success.

Keybridge's senior staff is comprised of experts with distinguished academic credentials and extensive experience in the areas of economics and public policy. On a day-to-day basis, Keybridge principals work closely with clients to develop strategy and conduct timely analysis. For longer-term projects and highly specialized topics, the firm leverages its network of advisers — including world-class experts in the fields of econometrics, energy, and finance — to build project teams tailored to clients' unique needs.

Keybridge provides clients with access to a full suite of analytical services, including macroeconomic risk assessments, econometric modeling studies, policy impact studies, qualitative policy evaluations, and survey design and analysis. For clients requiring regular consultations, Keybridge offers on-going strategic advisory services in the areas of macroeconomic trends and risks, international trade and finance, and energy and environmental economics. Keybridge also assembles and manages interdisciplinary teams of experts to conduct thought leadership projects to assist clients with building competitive advantages or reforming policy debates through the development, sharing, and application of innovative ideas. Keybridge's principals are regularly asked to present research and share insights with economic, financial, and policy audiences around the world, including corporate strategic planning committees, congressional committees, and international conferences.



# The Equipment Leasing & Finance Foundation

## We're the Foundation for Your Future

Founded in 1989, the Equipment Leasing & Finance Foundation is dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. The Foundation is a 501c3 non-profit organization, funded through charitable individual and corporate donations.

### Your Benefits Through the Foundation

- **Access to industry-leading research and resources** – Forward-looking Foundation studies and other informational resources that are indispensable to equipment finance industry participants and observers, as well as widely cited by respected business media, including *The Wall Street Journal*, *Bloomberg* and *Investor's Business Daily*.
- **Relationship building with industry thought leaders** – Participating in Foundation activities builds your connections with other talented, successful leaders in equipment finance.
- **A voice in creating new industry research** – The Foundation welcomes your suggestions of research study topics that will benefit the industry and your own business.
- **Opportunities to author industry-related studies and articles** – Foundation research reports and publications, including *The Journal of Equipment Lease Financing*, provide opportunities to contribute to the industry's body of knowledge.
- **University and academic relations** – The Foundation works closely with the academic community to foster initiatives that drive innovation in the equipment finance industry, including funding research grants and authorship honorariums, supporting case study development and teaching modules, and providing access to statistical databases and other Foundation resources.

### Your Invitation to Become a Valued Donor

The resources and benefits provided by the Foundation are exceeded only by the opportunities available to Foundation donors, and include:

- **Early previews of studies** – It would cost hundreds of thousands of dollars to produce only a few of the Foundation's various reports. Gifts of any size are welcome but please note that a minimum donation level of \$500 for individuals or \$2,500 for organizations will entitle you to receive copies of all new studies delivered in advance of wide public release.
- **Recognition among peers in the equipment finance industry** – Foundation conferences and events, including the Foundation Luncheon held each year at the Equipment Leasing and Finance Association's Annual Convention, spotlight you and your company's role in supporting the equipment finance industry.

We invite you to invest in a strong Foundation for your business and for the equipment finance industry through a tax-deductible financial contribution. The Foundation is funded through charitable contributions from corporations and individuals from all market sectors because our research, resources and opportunities have value across the entire industry. For more information on contributing, and to see who supports us, visit

<https://www.leasefoundation.org/giving/>



## Insightful, In-Depth Industry Resources

The Foundation is your source for the most comprehensive, future-focused research and analyses available on equipment finance industry topics that will enable your best informed decision-making. The following highly-regarded, widely utilized resources are must-reads for equipment finance industry participants.

### Equipment Leasing and Finance U.S. Economic Outlook

This report highlights key trends in equipment investment and places them in the context of the broader U.S. economic climate. The report is updated quarterly throughout the year. <http://www.leasefoundation.org/research/eo/>

### Foundation-Keybridge Equipment & Software Investment Momentum Monitor

A monthly report of indices for 12 equipment and software verticals designed to identify turning points in their respective investment cycles with a 3 to 6-month lead time. <http://www.leasefoundation.org/research/eo/mm.cfm>

### Industry Future Council Report

Based on the deliberations of the Foundation's Industry Future Council of leading industry lessors, analysts, and service providers on current issues, trends and future industry outlook, the IFC Report is a guidebook for providers and arrangers of equipment finance as they undertake their own strategic planning efforts. <http://www.leasefoundation.org/research/ifc/>

### State of the Equipment Finance Industry Report

The SEFI provides a unique look at trends in the equipment finance industry over the past year, identifies key drivers for future growth, and explores emerging opportunities and risks that could shape the industry over the next 3-5 years. <http://www.leasefoundation.org/research/sefi/>

### Monthly Confidence Index for the Equipment Finance Industry

Designed to collect leadership data, the MCI reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key executives from the \$1 trillion equipment finance sector. <http://www.leasefoundation.org/research/mci/>

### Journal of Equipment Lease Financing

The only scholarly periodical dedicated to equipment leasing and finance, the Journal is published quarterly and spotlights research, case studies, trends and practical information through in-depth articles. Author guidelines are available online at <https://www.leasefoundation.org/research/jelf/>

### Industry Studies

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