



Equipment Leasing & Finance Industry Horizon Report Fact Sheet

Study Objectives

The *2022 Equipment Leasing & Finance Industry Horizon Report* is one of several Foundation publications that contains industry-relevant economic insights to help industry leaders make more informed business decisions. Specifically, its end-user survey offers a detailed look at equipment acquisition and financing decisions for specific equipment verticals and industries, the key factors influencing the decision to use financing, and how financing decisions are likely to evolve over the next year. Equipment finance industry leaders can use this information to better position their businesses for faster growth (e.g., by emphasizing or deemphasizing particular equipment verticals or end-user industries).

Key Findings

Equipment and software investment growth in 2021 was historically strong after a weak year in 2020 in which nominal investment fell by nearly 4% due to the pandemic-triggered recession. In 2021, equipment end-users invested in equipment and software at a pace not seen in at least two decades.

Highlights from the 2022 Equipment Leasing & Finance Industry Horizon Report include:

- **Majority of equipment and software acquisitions are financed.** Equipment and software investment expanded by 12% to \$2.0 trillion in nominal terms in 2021. An estimated 57.3% of this investment (and 61.8% of private sector investment) was financed, yielding an industry sizing estimate of about \$1.16 trillion.
- **Share of businesses using financing remains steady.** 79.3% of survey respondents who acquired equipment or software in 2021 used at least one form of financing to do so (i.e., lease, secured loan, or line of credit). This is nearly identical to the Foundation's estimate for 2018, which was based on a 2019 end-user survey.
- **Leasing remains the most used method of finance.** The most common payment method used by businesses to acquire equipment and software in 2021 was leasing (26%), followed by secured loans (19%), and lines of credit (17%). Among non-financed acquisitions, cash (19%) and paid-in-full credit card purchases (19%) comprised similar shares.
- **Medical equipment leads among verticals most likely to be financed.** Of the 13 equipment verticals for which a sufficient number of responses were collected to produce statistically viable results, medical equipment was the most likely to be financed, with an estimated

75% of acquisition volume secured through a lease, loan, or line of credit. Other verticals with relatively high financing activity include other industrial equipment (69%) and construction machinery (67%).

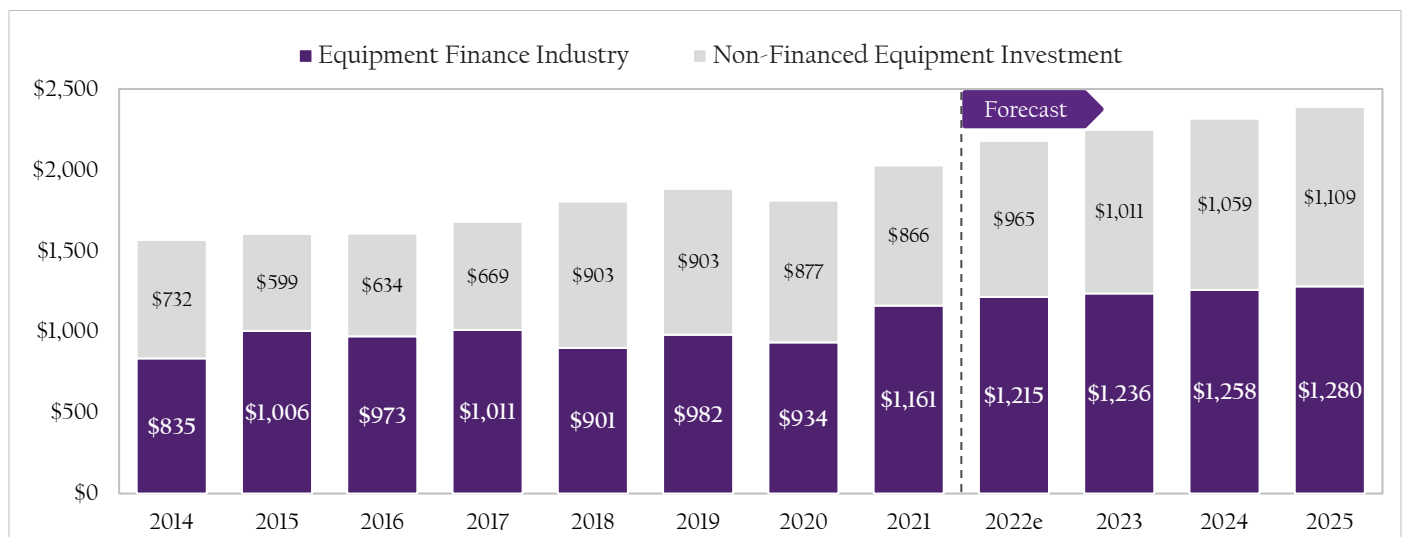
- **Professional services sector leads among industries most likely to use financing.** Of the six end-user industries for which a sufficient number of responses were collected, professional services firms were most likely to use financing (70%), followed by construction (67%), and healthcare (64%) businesses. In all six industries, leasing remains the most popular method of finance used, with secured loans being the second-preferred option in most cases.
- **Small firms less reliant on traditional financing.** In terms of both sales revenue and number of employees, small firms are generally less reliant on financing methods when acquiring equipment or software. The propensity to finance ranged from 56–65% across most revenue brackets, but in the two smallest sales brackets (i.e., less than \$250,000 and \$250,000 – \$1 million) it was just 30% and 41%, respectively. Similarly, firms with less than 20 employees were far less dependent on traditional financing methods than mid-size and large firms, choosing instead to rely heavily on credit cards. Firms with 50+ employees financed the majority of their equipment and software acquisitions.
- **Banks lead in financing volume.** As in previous years, banks were the biggest player in the equipment finance industry in 2021, with 53% of equipment and software financing volume. Of this amount, roughly two-thirds was attributed to the end-user’s primary bank and the remaining one-third to a secondary bank. Manufacturers and vendors accounted for 17% of financing volume, independents comprised 14% of volume, and fintechs comprised an additional 14%.
- **Access to up-to-date equipment and technology among top reasons to finance.** Businesses were equally likely to cite “protection from equipment obsolescence” (64%), “tax advantages” (64%), and “optimization of cash flow” (62%) as the primary reasons for financing their equipment and software acquisitions. Compared to the 2019 survey, end-users were significantly more likely to cite each of these reasons this year.
- **Positive outlook for 2022 acquisitions.** A plurality of respondents expects the volume of their equipment and software acquisitions to remain the same over the next 12 months (43%), while a roughly equal percentage expect their acquisitions will increase (30%) vs. decrease (26%). The most commonly selected equipment investment verticals among end-users who plan to boost their equipment and software acquisition are computers (43%), software (38%), office equipment (36%), and communications equipment (28%), reflecting the importance of these verticals to business operations in a post-pandemic environment. Of those who expect acquisitions to increase, a sizeable majority (69%) expect to use a financing method to cover at least a portion of the cost.
- **Technology considerations lead reasons for future financing.** A variety of factors were cited as reasons for financing additional equipment over the next 12 months. The most frequently cited factor was “technology advancements and/or obsolescence” (31%), followed by “increased prevalence of remote or hybrid work” (28%), “inflation” (26%), and

“trajectory of pandemic and impact on demand or operations” (24%). This year’s survey suggest that equipment and software end-users are thinking more about inflation, the Fed’s response to it, and implications for their business strategy.

Size of the Equipment Finance Industry

To determine a comprehensive estimate of the equipment finance industry’s size, the Foundation collected and analyzed data from 617 equipment and software end-users reflecting a diverse mix of firms across a range of industries with varying equipment needs to estimate the volume of leased and financed equipment by industry, business size, asset class, profitability, and other differentiators. The survey facilitated the calculation of an overall “propensity to finance” figure that was applied to BEA data on overall equipment and software investment to derive the industry size estimate of \$1.16 trillion in 2021.

Equipment Finance Industry Size, 2014–2025, Billions of Dollars



Sources: BEA; Foundation end-user surveys; Keybridge LLC. Note: The generic term “equipment finance” is used to denote public and private equipment and software acquired via lease, secured loan, or line of credit. Non-financed equipment is acquired through cash, credit card (paid in full), or another method.

About the study

The Industry Horizon Report can be used in combination with other Foundation reports, including the quarterly **Equipment Leasing & Finance U.S. Economic Outlook**, the monthly **U.S. Equipment & Software Investment Momentum Monitor**, and the annual **Industry Future Council report** (all produced in conjunction with Keybridge), to better understand the current and near-term economic conditions and other relevant trends facing the equipment finance industry.

How to access the study

The 2022 Equipment Leasing & Finance Industry Horizon Report is available for free download at <https://www.leasefoundation.org/industry-resources/horizon-report/>.

About the Foundation

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organization that propels the equipment finance sector—and its people—forward through industry specific knowledge, intelligence, and programs that contribute to industry innovation, individual careers, and the overall betterment of the equipment leasing and finance industry. The Foundation is funded through charitable individual and corporate donations. Learn more at www.leasefoundation.org.

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