

TO LEASE 2019 - Abstract

2018/19 data



Italy – Market review (2018)

After three years of growth, the world and European economy is slowing down. The Italian economic dynamics of 2018 saw two phases: the first part of the year of growth, though with very reduced growth rates; the second half, on the other hand, with a decreasing production and a GDP strong reduction.

In 2018, investments, related to GDP, continued to have a positive trend, exceeding 18% of the output generated by the country. With an increase of 14.5% in real terms compared to the previous year, investments in means of transport still exceeded € 29 billion in 2018 (at current prices) [Tab. 1]. On the total of investments, the component that weighs more (over € 142 billion at current prices) is that of construction, which in 2018 grew more than in the previous year (+2.2% compared to 1.1% of 2017). This trend was strongly driven by the residential sector, while there was still a modest growth in the non-residential sector. There was a significant increase in investments in machinery and equipment, which, with a positive 2.7% variation at constant prices reached almost € 92 million (at current prices), ranking second among the main investment categories, both for volumes and for annual growth.

Table 1 - Gross fixed investments in national accounts (values in million euro)

Aggregates	At Current prices			At Constant prices		
	2018	2017	% Change 2018/17	2018	2017	% Change 2018/17
Real Estate	142,444	138,249	3.00%	132,632	129,786	2.20%
Machinery and equipment	91,664	88,713	3.30%	83,912	81,684	2.70%
Vehicles	29,304	25,855	13.30%	28,628	25,002	14.50%
Intangible fixed assets	51,591	50,859	1.40%	50,730	50,334	0.80%
Gross fixed investments	315,003	303,677	3.70%	295,903	286,806	3.20%

Source: Istat (Italian national statistical institute), National Accounts

The new leasing business in Italy continued its growth that had began in 2014, and in 2018 reached nearly € 30 billion of volume of new loans, with an increase of 5.5% compared to the previous year [Tab. 2].

Notwithstanding the slowdown in car registrations, the automotive sector ended the year with +4.5% compared to the previous year, driven by the Car operating L./LT Renting and the leasing of commercial and industrial vehicles. Car operating L./LT Renting showed positive dynamics (+6.9% in volumes) and, in the commercial and industrial vehicle sector, financial leasing performed very well, registering respectively a +8.4 % and + 8.2% in volumes.

Equipment financial leasing sector financed € 9.3 billion with an average growth of around +6% both in number and in value. The best dynamic in terms of volumes was that observed in the financial leasing for the contract size between € 50 thousand and € 0.5 million (+12.6%) which represents the largest share of the segment.

Furthermore, in 2018 interesting performances were also observed in the Real Estate segment, with +10% in volumes and a positive trend in the number of contracts (+8.9%). Overall, the sector exceeded € 4 billion in 2018, with growth in the already built sector that saw a +9.3% in the number

of new contracts and a +13.1% in value and important dynamics in all amount segments, with peaks of +11.8% and + 20.3% respectively in the amount segments at the extremes. Good performance in the intermediate contract size (between € 0.5 and € 2.5 million) of the Real Estate under construction (+18.2%).

In the Ship, aircraft and rolling stock segment, substantial stability was observed in values while there was an important growth in the number of new leasing business. More particularly, the number of leisure boat leasing contracts grew by 11.7%.

Leasing in the renewable energy sector currently has growth prospects, the overall number of transactions grew by 25.2% in 2018 compared to the previous year.

Table 2 – New leasing business (values in million euro)

	Number	Value	% Change Number	% Change Value
Car Financial Leasing*	130,211	5,140,525	0.40%	0.90%
Car Operating L./LT Renting*	264,072	6,155,754	1.50%	6.90%
Commercial vehicle Fin. Leasing*	38,852	1,281,743	0.50%	8.40%
Commercial vehicle Op.L./LT Renting*	38,179	780,988	1.80%	-4.90%
Industrial vehicle Leasing	23,898	2,362,637	7.10%	8.20%
AUTOMOTIVE	495,212	15,721,647	1.40%	4.50%
Equipment Financial Leasing	101,864	7,761,523	9.40%	6.70%
Equipment Operating Leasing	122,499	1,581,653	3.10%	1.20%
EQUIPMENT	224,363	9,343,176	5.90%	5.70%
SHIPS, AIRCRAFTS AND ROLLING STOCKS	436	515,786	23.20%	-1.20%
Real estate	3,646	2,419,119	9.30%	13.10%
Real estate under construction	932	1,691,031	7.30%	5.60%
REAL ESTATE	4,578	4,110,150	8.90%	9.90%
RENEWABLE ENERGY	134	83,561	25.20%	-5.30%
TOTAL	724,723	29,774,320	2.80%	5.50%

(*) Source: Assilea processing on UNRAE data

The trend of the last five years of leasing is exposed in **Chart 1** and shows the trend of growth after the minimum reached in 2013 due to the two previous financial crises (2007-2008 and 2011). Both in terms of numbers and values, the automotive sector holds the highest share of the total. The Equipment sector follows immediately after, representing more than 31% both in number and value [**Chart 2**].

Chart 1 - Leasing contract trends (values in million euro and % change of contract number)

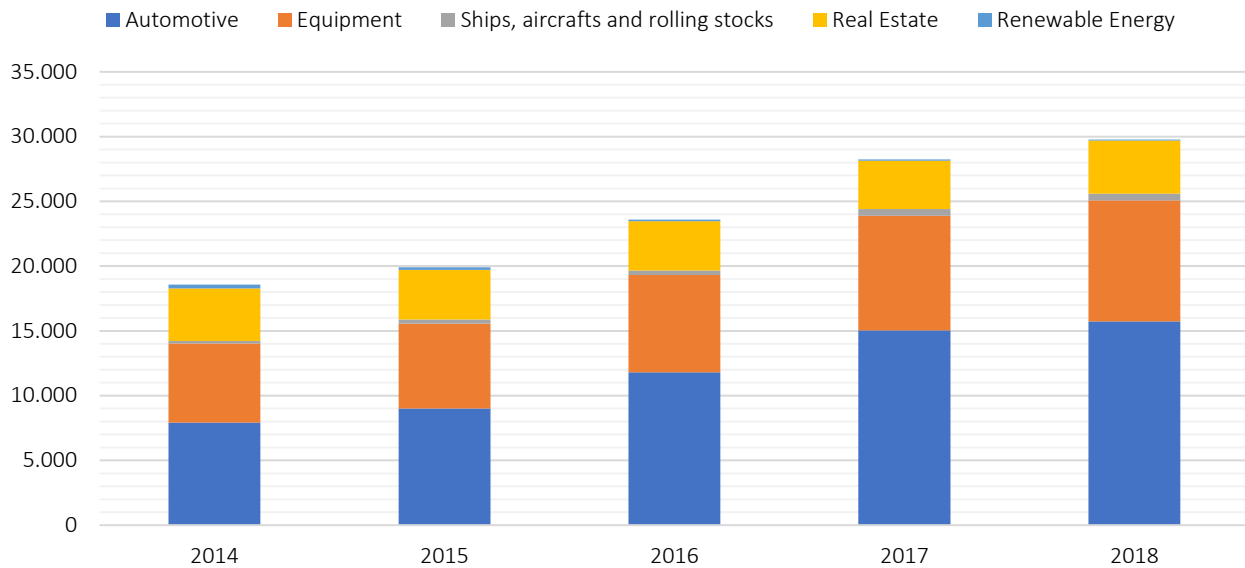
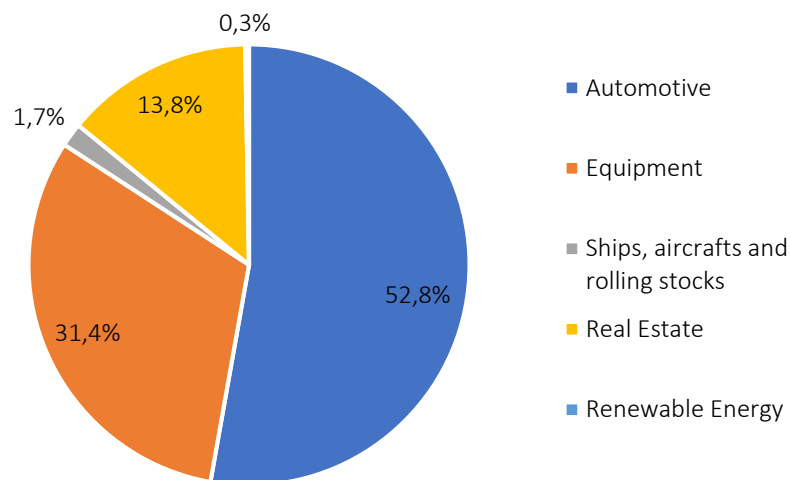
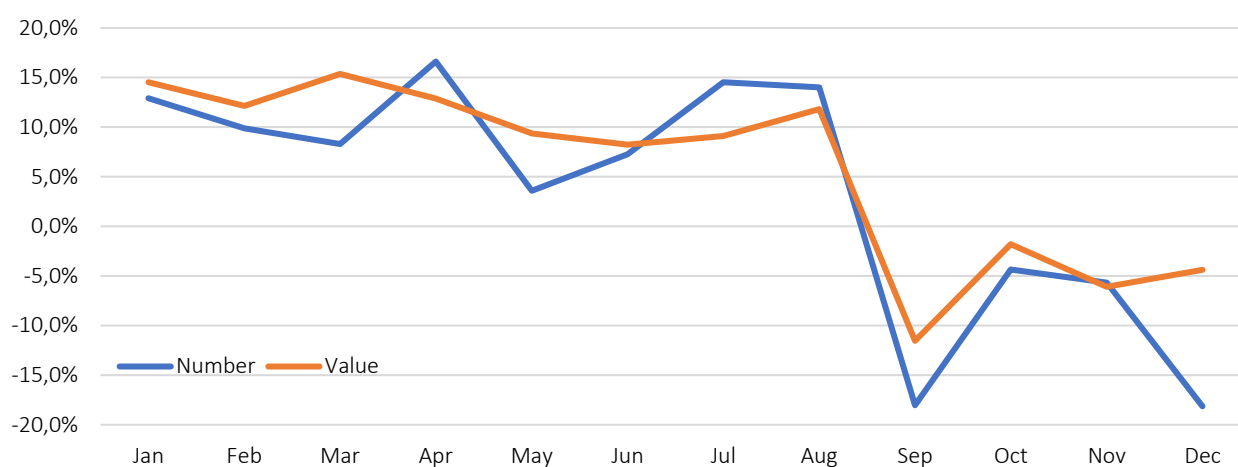


Chart 2- Breakdown of leasing contracts by sector in 2018 (value of new contracts)



The monthly trend in the number and value of new leasing business shows, in **Chart 3**, a positive trend with a strong increases up to the second quarter of the year. Since September there has been a negative trend with peaks of -18.1% in the months of September and December, due to the dynamics of car registrations.

Chart 3 – Monthly leasing market trend (number and value - % change over the same month of previous year)



The penetration rate of the new leasing business on the GDP continued to increase as a result of the very positive market trend recorded in the sector. Compared to the previous year, the leasing share on the total of new goods and services produced in 2018 reached 1.7% [Tab. 3].

Table 3 - Leasing penetration rate (values in million euros)

	2016	2017	2018
GDP	1,689,824	1,724,205	1,753,949
Leasing	23,586	28,231	29,774
% Penetration rate	1.40%	1.64%	1.70%

Looking at the leasing penetration in the real estate sector there is a slight increase in the penetration rate on this type of transactions (2.68%), the same goes for the private non-residential buildings (4.48% in 2018). The Equipment new leasing business, compared to the Istat investments in machinery and equipment, shows an increase of 0.2 p.p. compared to the previous year and a higher increase compared to 2014 of 2.5 p.p. Also, in 2018, the highest value of leasing penetration was confirmed in the sector of investments in means of transport (30.42%), though with a reduction compared to the previous year [Tab. 4].

Table 4 - Leasing penetration rate on gross fixed investments, by sector (% value)

	2014	2015	2016	2017	2018
public and private non-residential buildings *	2.5%	2.4%	2.6%	2.7%	2.7%
private non-residential buildings *	4.2%	4.2%	4.5%	4.5%	4.5%
machinery and equipment	4.9%	5.0%	5.5%	6.3%	6.5%
means of transport**	36.2%	32.9%	36.2%	33.0%	30.4%

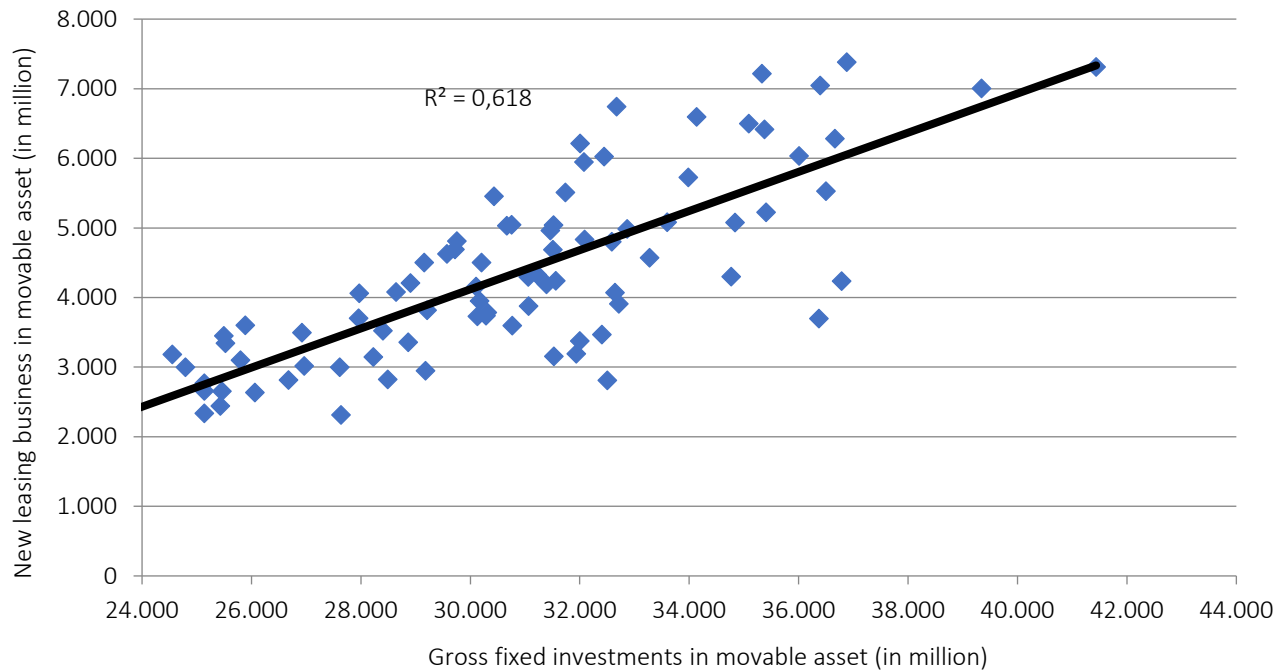
(*) calculated only on new business volumes of buildings to be constructed or under construction

(**) except pleasure boat and automotive renting

Source: Istat data processed by Assilea

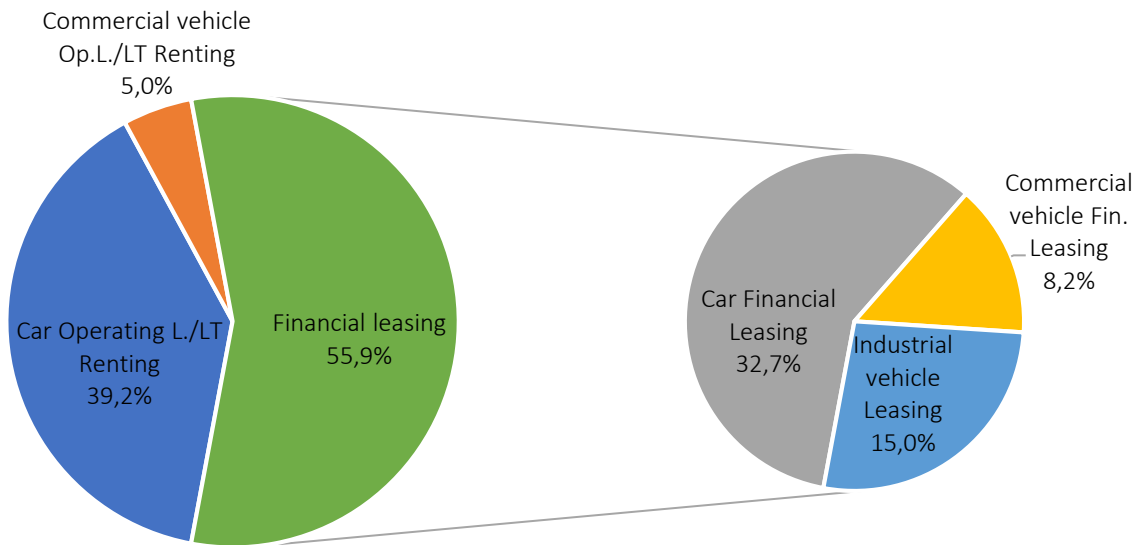
In **Chart 4** we observe the strong link between investments and leasing financing. However, notwithstanding the stability in some sectors of the leasing penetration rate on investments, a strong correlation is observed between these two figures.

Chart 4 – Linear regression between new leasing business in movable asset and gross fixed investments in movable asset (values in million euros)



The 56.0% of the automotive new leasing business concerned the financial leasing, the remaining 44.0% was long-term rental [**Chart 5**]. In 2018 there was an important increase in the value of the new leasing business of commercial and industrial vehicles in financial leasing (+8.4% and +8.2% respectively), moreover, together they reached over € 3.6 billion of new loans. On the other hand, the growth rates of Car financial leasing are more contained but continue to hold a significant share (32.7%).

Chart 5 – Automotive leasing and renting new business breakdown by segment in 2018 (value of new contracts)

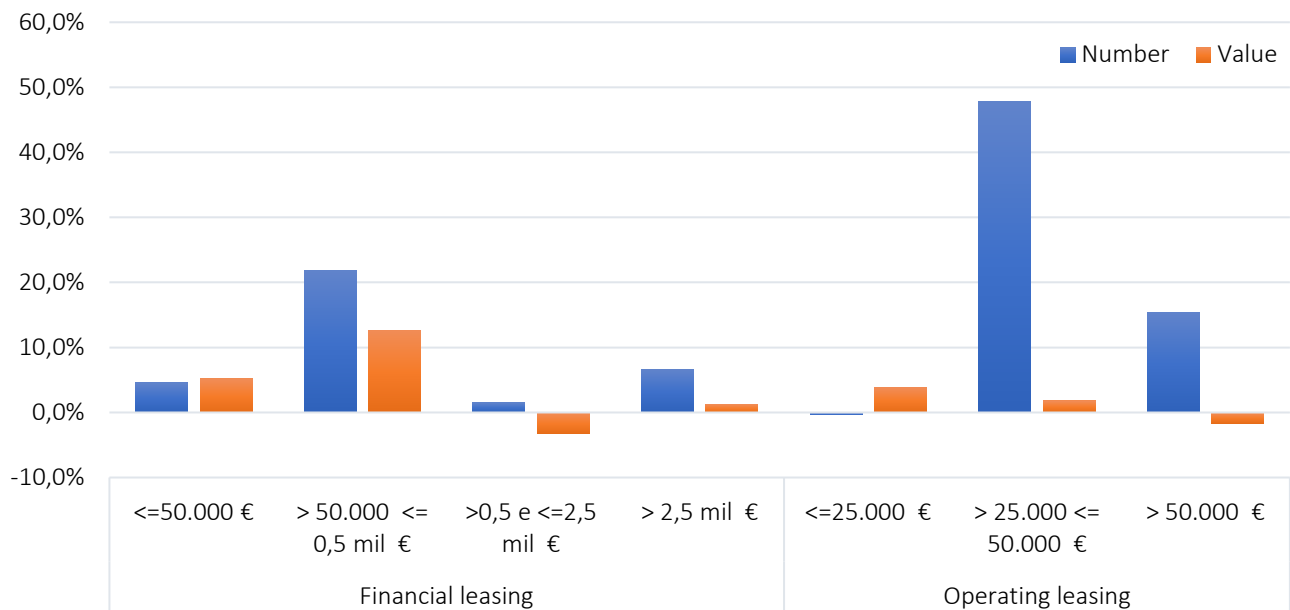


The Equipment sector reached a total of € 9.3 billion over the year, with a 5.7% increase in value compared to 2017 and almost 6% in number of contracts.

The Equipment financial leasing was positively influenced by the tax incentives for new productive investments of SMEs. This sector recorded the most significant growth, with a +6.7% in terms of value [Chart 6]: the contract size between € 50,000 and € 0.5 million registered the largest increase (12.6%) and reached € 4.2 billion; the number of contracts also increased (+22%) from 26 to 32 thousand. In terms of value, there was an increase in all contract size, except for those between € 0.5 and € 2.5 million, which fell by 3.2%.

Although on the lower levels of the previous year, the growth in Equipment operating leasing continued in 2018 as well. In this sector there was a growth both in number (3.1%) and in value (1.2%). The most significant percentage change in number was recorded in the contract size between € 25 and € 50 thousand (+48%) and by those over € 50 thousand (+15.4%). About the contract value, the best dynamic was that of the contratte of lowest size, which grew by around 4%; instead the value for the highest one decreased (-1.6%).

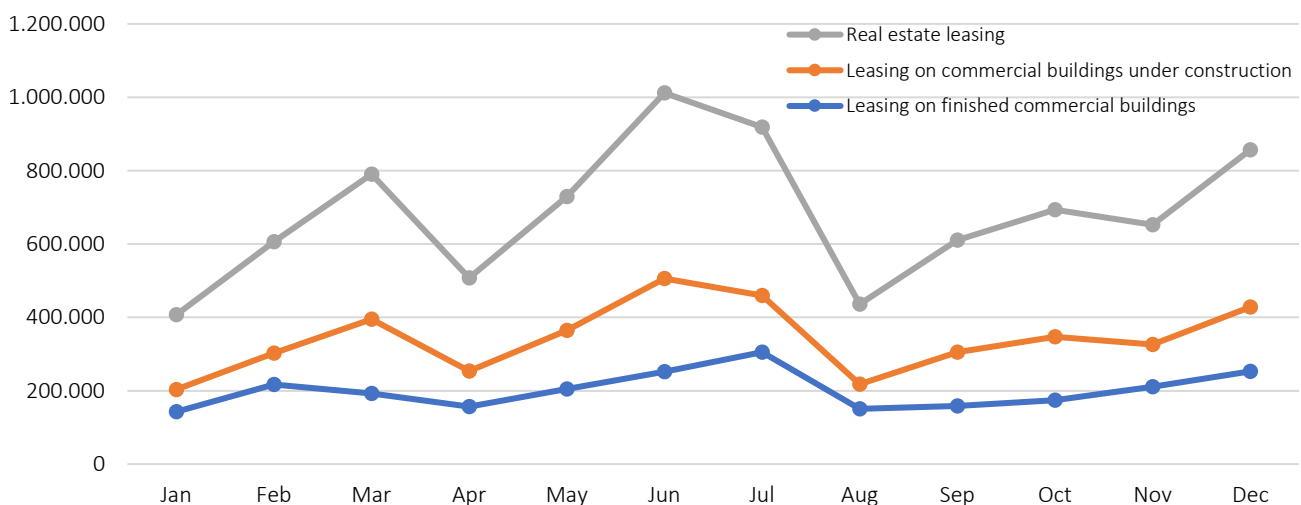
Chart 6 - Percentage annual change in the equipment sector - by amount segment



After years of contraction, since 2018 Real Estate has been experienced a recovery. Last year it closed with a growth both in number and value of contracts, respectively 9% and 10% and new leasing business exceeded € 4 billion, the highest value of the last six years.

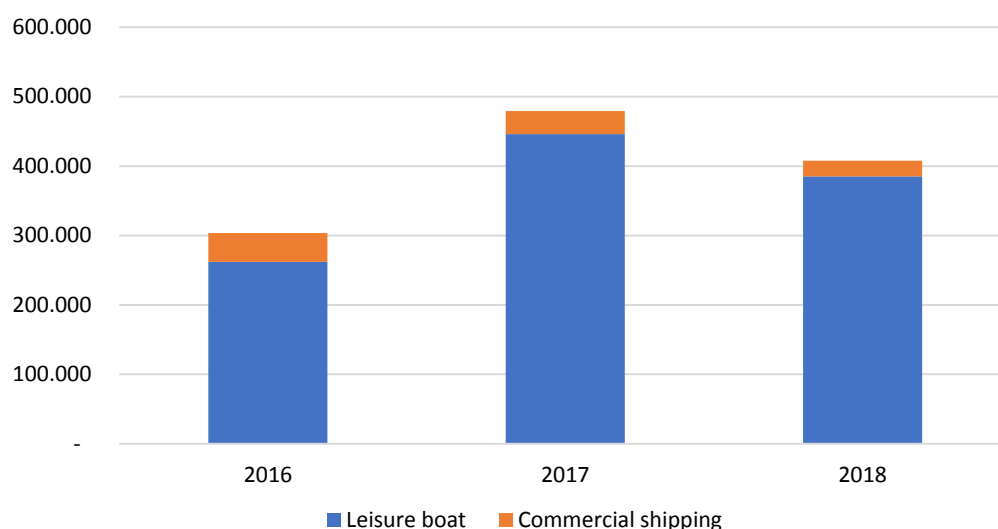
Real Estate already built had the best trend both in number (+9.3%) and value (+13%) with significant peaks in June, July and December [Chart 7]. Negative peaks were observed instead in April and August both for the real estate already built and for real estate under construction. There was also a positive growth of real estate under construction (7.2% in number and 5.6% in value).

Chart 7- Monthly values of new contracts for real estate leasing sector in 2018 ('000 euro)



The data collected in 2018 show an important growth in the number of contracts for leasing in Ships, aircrafts and rolling stocks (+23%) [Chart 8]. The number of contracts of leisure boat and commercial shipping growing by 11.7% and 40.7% respectively, while the volumes decrease of -13.6% for the first one and -32.2% for the second one.

Chart 8- New business value: leisure boat and commercial shipping leasing contracts ('000 euro)



As a result of recent trends and the climate of economic uncertainty, operators expect a closing down of the new leasing business in 2019. The slowdown of the automotive could lead to a sharp decrease especially in that sector; the incentives “Nuova Sabatini” and the reintroduction of the “Superammortamento” could allow the recovery of the growth of the equipment [Tab. 5].

Table 5 – Forecast for leasing business volumes (value in million euro)

	Recent dynamics					Forecast	
	2018	2017	% Change 2018/2017	Jan-Jun 2019	% Change 2019/2018	2019	% Change 2019/2018
Automotive	15,721	15,042	4.5%	7,767	-14.7%	14,300	-9.0%
Equipment	9,343	8,836	5.7%	4,399	0.2%	9,800	4.9%
Ships, aircrafts and rolling stocks	516	522	-1.1%	253	-20.5%	480	-7.0%
Real estate	4,110	3,742	9.8%	1,854	-7.9%	3,540	-13.9%
Renewable energy	84	88	-4.5%	20	-4.6%	100	19.0%
Total	29,774	28,230	5.5%	14,293	-9.8%	28,220	-5.2%

ASSOCIATION

ASSILEA –ASSOCIAZIONE ITALIANA LEASING

Via D’Azeglio, 33

00184 Rome -Italy

Tel: +39 06 9970361

Fax: +39 06 99703688

Email: info@assilea.it

Website: www.assilea.it

Chairman: Enrico DURANTI

Director General Luigi MACCHIOLA