Global asset leasing market rebounds in 2010 with another stellar performance from China

By Ed White, Chairman, White Clarke Group

The White Clarke Global Leasing Report continues a history of tracking the worldwide market for leasing products for more than 30 years. After two abysmal years, the industry began to recover in 2010, particularly in the latter part of the year. By the end of that year, new business volumes were back to pre-2006 levels. All values are quoted in US dollars.

Overview. What a difference a year makes. In last year's report we anticipated a return to growth in global leasing during 2010 – this, after two catastrophic years; 2008 had experienced the first industry reversal since the World Trade Centre attack, followed by a disastrous decline of more than 23% in 2009.

In fact, the industry did manage to enjoy a late spring in 2010, with new business volumes growing 10.7%, with most activity in the fourth quarter, to a total value of US$616.8bn.

The figures below illustrate the breadth of the recovery:

- 33% of countries suffered negative growth in 2010, compared to 84% in 2009.
- 20% of countries suffered double digit negative growth in 2010, compared to 74% in 2009.
- 2% of countries saw a decline of more than 50% in 2010, compared to 10% of countries in 2009.

Ed White, author of this article.

Performance did vary, with North America regaining its longstanding role as the leading region (34.6% of world trade), having previously relinquished that position in 2006. This was achieved with a growth rate of 11.8% over 2009. Europe slipped into second position, growing just 0.5% in sales volumes.

Asia continued to grow (31.7%), primarily because of the remarkable expansion of leasing in China (50% increase over 2009 and 188.4% over 2008). The People's Republic overtook both Germany and Japan to second position in the global league table, behind the US.

Australasia experienced a small decline (–0.1%) and Latin America the biggest decline (–15.9%). Regional performances are detailed in Table 1.

Hire purchase – and planned changes to next year's report. In the last few editions of the Global Leasing Report, we have felt it necessary to comment on the role of hire purchase.

In some countries, hire purchase is treated for all regulatory purposes as outside the concept of leasing.

It is viewed as pure financing similar to bank credit lines, even though it is asset-based and the finance company retains legal title or security in the asset, while the debt remains outstanding. That

Table 1: Volume and growth by region (2009–2010)

Rank by volume	Region	Annual volume (US$bn)	Growth 2009–10 (%)	Percentage of world market volume 2009	Percentage of world market volume 2010	Change in market share 2009–10
1	Europe	212.5	0.5	37.9	34.4	–3.5
2	N. America	213.3	11.8	34.2	34.6	0.3
3	Asia	148.4	31.7	20.2	24.1	3.8
4	S. America	25.4	–15.9	5.4	4.1	–1.3
6	Aus/NZ	10.8	–1.0	1.2	1.8	0.6
5	Africa	6.4	13.1	1.0	1.0	0.0
	Total	**616.83**				

Source: White Clarke Global Leasing Report.

is why we have always drawn the line, excluding HP from our reports.

We have held the view that there is a strong argument to retain the methodology of previous Global Leasing Reports for consistency in making comparisons with previous years.

Nevertheless, the prominence of hire purchase in some of the mature markets does beg the question – should we in future years include this financial instrument? After all, both the US and UK associations changed their names in recent years to reflect better the broader range of finance solutions offered by their members.

To give an indication of the scale of hire purchase in countries with a mature leasing industry, in the UK, hire purchase provided by FLA members outperforms pure leasing 5:2. In South Africa, the ratio of HP to leasing is 17:3.

China, a relatively new leasing marketplace, provides leasing solutions that are remarkably similar to hire purchase. In the Muslim marketplace, Shariah leasing also has a strong relationship with hire purchase.

In next year's edition of the report we plan to include hire purchase in the country figures.

North America. North America reclaimed its position as the region with the largest share of world leasing, at 34.2% of world trade. In the latter part of 2010, US companies started to move their game plan from portfolio quality and risk management to growth, achieving an increase of 12% over 2009. Canada posted growth of 19%.

The number of participants in the Canadian asset-based finance sector has continued to decline, with some consolidation. Nevertheless, the sector has performed well, partly due to CFLA lobbying, which has resulted in government support in initiatives such as the Vehicle & Equipment Finance Partnership programme.

Three countries representing North America feature within the league table for 2010: the US, Canada and Mexico.

Europe. Europe reversed its decline, growing 0.5% to US$212.5bn, but its share of the world market fell from 37.9% to 34.4%. Most countries experienced a turnaround. For example, in the previous year, no European country had posted positive growth yet, in 2010, as many as 17 countries did manage to grow their new business, including Turkey (45.8%) and Spain (25.3%). Leasing volume for big ticket items in Spain played an important role, with growth in new business volume of 56%.

Of the 14 countries that make up 80% of the region's volume, 11 posted positive growth, compared with 2009, when all posted negative growth.

The main contributor to the region's decline was the UK, where new business leasing fell by 13.9% compared to 2009, a significant factor being a further shift from leasing to hire purchase. The FLA has been successful lobbying the new coalition government into formally recognising the important role that leasing can play in asset financing. Changes in the taxation regime should be reflected in the 2011 figures.

Germany slipped from second to third place in the world league table due to China's rapid growth, but remains by far the largest country in Europe for lease finance. Its new business leasing amounted to US$52.49bn, a growth of 6.3%. Almost all the growth took part in the

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Table 2: White Clarke Global Leasing Report 2011

Ranking	Continental code	Country	Annual volume (US$bn)	% Growth 2009–10	% Market penetration	Source
1	NA	US	193.9	12.0	17.1	(1)
2	A	China (People's Republic)	63.72	50.0	3.8	(9)
3	E	Germany	52.49	6.3	14.3	(2)
4	A	Japan	50.75	–6.6	6.3	(1)
5	E	France	30.89	7.3	10.5	(2)
6	E	Italy	25.46	5.4	13.1	(2)
7	A	Russia	20.54	131.0	7.7	(9)
8	NA	Canada	16.09	19.0	15.1	(1)
9	SA	Brazil	14.99	–42.6	n/a	(1)
10	E	UK	13.38	–13.9	18.5	(2)
11	ANT	Australia	10.40	–1.0	12.0	(1)
12	E	Switzerland	10.39	7.3	10.2	(2)
13	E	Spain	9.68	25.3	4.7	(2)
14	E	Poland	9.58	20.7	11.5	(2)
15	E	Sweden	9.12	8.3	19.2	(2)
16	A	Korea	8.36	45.4	4.8	(1), (8)
17	E	Austria	6.16	6.5	13.0	(2)
18	E	Netherlands	5.89	–17.2	5.1	(2)
19	E	Norway	5.85	7.0	19.8	(2)
20	E	Belgium	5.35	6.6	7.5	(2)
21	E	Portugal	4.85	1.7	18.4	(2)
22	E	Denmark	4.65	–8.5	16.0	(2)
23	SA	Chile	3.86	51.4	n/a	(4)
24	NA	Mexico	3.31	–13.5	n/a	(4)
25	E	Ireland	3.30	1.2	n/a	(8)
26	AF	South Africa	3.10	20.0	n/a	(9)
27	A	Iran	3.10	136.0	4.0	(9)
28	E	Turkey	2.82	45.8	3.9	(1)
29	SA	Colombia	2.75	111.5	n/a	(4)
30	E	Czech Republic	2.57	3.6	11.5	(2)
31	SA	Peru	2.57	16.8	n/a	(4)
32	E	Finland	2.41	–8.6	14.3	(2)
33	E	Romania	1.46	–20.5	4.1	(2)
34	AF	Egypt	1.46	137.0	n/a	(1)
35	E	Hungary	1.39	–37.9	6.8	(2)
36	E	Slovakia	1.27	12.7	14.0	(2)
37	A	Taiwan	1.26	65.2	n/a	(1)
38	AF	Morocco	1.16	6.7	15.1	(1)
39	E	Slovenia	1.06	–6.7	15.0	(2)
40	SA	Argentina	0.86	117.2	n/a	(1)
41	AF	Nigeria	0.69	7.4	n/a	(8)
42	E	Estonia	0.62	17.2	20.2	(2)
43	E	Greece	0.60	–31.2	4.6	(2)
44	E	Bulgaria	0.55	–23.4	6.6	(2)
45	ANT	New Zealand	0.40	–1.0	n/a	(8)
46	E	Latvia	0.38	3.4	9.5	(2)
47	SA	Puerto Rico	0.37	8.1	n/a	(4)
48	A	Philippines	0.36	3.6	n/a	(1)
49	A	Kazakhstan	0.34	–52.8	n/a	(9)
50	E	Serbia-Montenegro	0.32	–34.0	n/a	(2), (8)
		Total	**616.83**			

Market penetration rates quoted by Leaseurope appear as those reported and defined in Leaseurope's 2010 annual survey.

Key to sources:
(1) National Leasing Association
(2) Leaseurope
(3) Asian Leasing Association
(4) Alta Group
(5) Other trade associations
(6) Government statistics
(7) Central bank data
(8) Author's estimate
(9) Others' data

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final quarter of the year. A nominal increase in GDP of 4.2% contributed to the upturn, as did increased leasing of big ticket assets, such as aircraft and railroad stock.

Asia. Again, Asia grew both its new business volume (31.7%) and its world share (from 20.2% to 24.1%), mainly on the back of China's stellar performance.

Asia provides three of the world's top 10 countries in terms of new business leasing volumes – China second place, Japan fourth place and Russia seventh place.

New business growth in China amounted to 50%, with leasing sales of US$63.7bn. The pace of China's growth can be seen from its ranking over the past three years – eighth position in 2008, fourth in 2009 and now second, after the US. The main driver occurred in 2007, when the country's commercial banks could become licensed to invest in subsidiary finance leasing enterprises as non-bank financial institutions.

The Chinese marketplace has enjoyed considerable liberation in recent years, with a number of overseas and local companies moving into the leasing space. By the end of 2010, there were 198 leasing firms in China, up from 150 in 2009. Twenty-one were bank lessors, 44 captives and 182 were third-party independents.

Japan's leasing industry has been in decline since 2007 and again experienced negative growth in 2010 (–6.6%), while Russia made a remarkable recovery, increasing new business volumes by 131%.

The Russian leasing sector was still largely buoyed up by the state, with more than 60% of new business transactions conducted by leasing companies affiliated with the state. This is reflected in the share of new business leasing associated with railway rolling stock, the major type of leasing asset in Russia, which grew from 27% in 2009 to 40% of all leased assets in 2010.

Korea, the fourth big player in the continent, grew its new business by 45.4%. New business volume in Taiwan also increased, 65.2%. Taiwan's leasing industry went into a decline after 2005, partly because of its focus on SMEs, many of which migrated to China. In 2009, the migration began to reverse and SME involvement has recovered from 57% of leasing volume in 2005 to 88% in 2010.

Rest of the world. Five countries (Brazil, Columbia, Chile, Peru and Argentina) in Latin America, four countries in Africa (South Africa, Morocco, Egypt and Nigeria) plus Australia and New Zealand make up the remainder of the top 50 for 2010.

Australia is by far the dominant partner in the Australia/NZ region. For a number of years the AELA has been concerned that the Australian Bureau of Statistics has consistently been understating the true scale of the leasing sector. This has been rectified for the year 2010 and Table 2 now gives a truer picture, with a new business volume of US$10.4bn, representing a minor decline (–1.0%).

In Latin America, new business volumes declined 1.3% in 2010, taking its

Table 3: Leasing volume by region (1991–2010) (US$bn)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Europe	120.0	99.5	81.0	87.5	108.0	117.7	108.3	133.6	133.6	131.0	140.0	162.1	192.5	229.8	231.6	260.5	367.1	311.9	211.5	212.5
N. America	130.0	127.6	132.5	148.0	169.3	177.0	189.2	195.0	239.1	272.4	254.1	216.0	223.9	240.7	236.7	241.1	237.9	226.1	190.8	213.3
Asia	83.4	80.9	79.9	99.2	104.8	105.8	80.2	74.7	80.4	78.3	67.7	70.7	77.7	84.9	82.0	93.1	118.7	124.0	112.7	148.4
S. America	3.5	6.3	9.3	11.1	15.1	15.0	15.9	16.4	8.3	8.1	5.6	3.3	4.0	7.5	13.9	19.2	41.4	54.2	30.2	25.4
Australia/NZ	4.0	4.2	4.9	5.9	6.2	7.3	6.9	7.9	7.9	5.3	5.5	5.8	7.6	8.1	8.2	8.6	4.1	6.9	5.7	10.8
Africa	4.4	4.8	2.0	4.7	5.7	5.3	5.2	4.9	4.3	3.9	3.8	3.7	5.6	8.1	9.6	11.1	11.2	9.6	6.5	6.4
Annual totals	**345.3**	**323.3**	**309.6**	**356.4**	**409.1**	**428.1**	**405.8**	**432.5**	**473.5**	**499.0**	**476.7**	**461.6**	**511.3**	**579.1**	**582.0**	**633.7**	**780.4**	**732.8**	**557.3**	**616.8**

Sources: London Financial Group, White Clarke Global Leasing Report.

Table 4: A comparison of the rate of equipment leasing market penetration (%)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US	32.0	32.3	29.4	28.7	28.1	30.9	30.9	30.9	30.0	31.7	31.0	31.1	31.1	29.9	26.9	27.7	26.0	16.4	17.1	17.1
Japan	7.7	7.5	8.1	8.9	9.4	9.5	8.9	9.2	9.5	9.1	9.2	9.3	8.7	8.7	9.3	9.3	7.8	7.2	7.0	6.3
Germany	10.5	10.4	11.1	10.9	11.5	13.3	13.6	14.7	15.1	14.8	13.5	9.8	21.7	15.7	18.6	23.6	15.5	16.2	13.9	14.3
Korea	21.5	20.0	23.0	26.2	30.0	26.5	28.3	13.1	2.8	2.4	1.6	3.9	4.4	5.6	7.7	9.4	n/a	10.5	4.4	4.8
UK	23.0	18.6	19.0	15.8	17.9	24.0	19.2	15.0	15.9	13.8	14.4	15.3	14.2	9.4	14.5	12.7	11.6	20.6	17.6	18.5
France	16.8	14.6	13.1	13.0	15.2	15.2	12.4	17.0	15.7	9.2	13.7	12.9	15.4	9.0	11.7	11.0	12.0	12.2	3.1	10.5
Italy	15.8	11.5	10.8	13.1	16.8	16.8	10.9	12.3	12.4	12.3	10.4	8.6	7.6	11.4	15.1	15.2	11.4	16.9	10.0	13.1
Brazil	4.0	8.0	10.0	20.0	20.5	18.1	20.7	20.7	12.5	11.4	7.6	3.6	3.8	7.7	13.5	16.9	19.0	23.8	n/a	n/a
Canada	10.4	11.0	12.8	14.0	15.9	16.1	15.7	22.0	22.0	22.5	22.0	20.2	22.0	23.3	23.9	22.0	22.0	19.6	14.0	15.1
Australia	18.6	20.3	22.1	21.8	22.3	20.0	25.0	25.0	25.4	20.0	20.0	20.0	20.0	20.0	20.0	18.0	14.2	10.0	10.0	12.0
Sweden	22.3	26.3	20.0	20.0	27.0	28.0	28.0	20.0	17.5	12.9	9.2	13.0	11.6	12.7	11.8	11.8	14.3	19.4	17.5	19.2

Sources:
(1) Australian Equipment Lessors Association (total leasing as a percentage of private capital investment).
(2) US Dept. of Commerce, Economics & Statistics Administration, Bureau of Economic Analysis and Equipment Leasing Association of America (equipment leasing as a percentage of business investment in equipment).
(3) Japan Economic Planning Agency & Japan Leasing Association (equipment leasing as a percentage of private capital investment).
(4) Leaseurope Annual Reports.
(5) Statistics Canada & Equipment Lessors Association of Canada (lessor purchases as a percentage of total equipment acquisitions in Canada).
(6) Korea Leasing Association.
(7) Brazilian Association of Leasing Companies.
(8) London Financial Group.
(9) White Clarke Global Leasing Report.

new business volume to US$25.4bn. Its share of world market volume dropped to 4.1%.

Brazil has fallen from seventh to ninth in the top 50 rankings, with a decline of 42.6% to US$14.99bn, with vehicle leasing in particular being adversely affected by changes in the tax regime.

The African leasing industry is still in its infancy and there is a paucity of quantitative information available. The region represents around 1% of world leasing volume. In South Africa, by far the dominant player in the region, hire purchase outweighs leasing 17:3.

The penetration of leasing. For countries where reliable data has been made available, Table 2 includes a measure of leasing penetration. In fact, we provide two measurements for leasing penetration. One, which has been used in the Global Leasing Report for some countries since the start of the series in 1978, is based on taking leasing as a proportion of all fixed investment in plant and equipment. This figure is given for each country in Table 2 for the year 2010. For 11 of the largest countries, a back run of these figures for 20 years is given in Table 4.

The second method of expressing penetration, introduced into the Global Leasing Report in 1999, is in relation to gross domestic product (GDP), i.e., national output as a whole. Table 5 gives figures and rankings for each country in the White Clarke/GDP ratio for 2010.

Of the two measures, the first (investment penetration) is a better indication of how leasing compares in competition with alternative forms of financing. However, calculation of the investment penetration ratio depends on identifying

Table 5: White Clarke/GDP penetration ratio

Annual leasing volume as a percentage of gross domestic product

Ranking	Country	2010 ratio	Ranking	Country	2009 ratio	Ranking	Country	2008 ratio
1	Estonia	3.23	1	Estonia	2.95	1	Estonia	7.01
2	Slovenia	2.28	2	Slovenia	2.59	2	Bulgaria	5.69
3	Poland	2.18	3	Portugal	2.02	3	Latvia	4.47
4	Portugal	2.17	4	Bulgaria	2.00	4	Slovenia	3.97
5	Sweden	2.05	5	Sweden	1.98	5	Serbia-Montenegro	3.92
6	Switzerland	1.99	6	Hungary	1.79	6	Hungary	3.58
7	Chile	1.94	7	Denmark	1.77	7	Romania	3.16
8	Austria	1.68	8	Peru	1.74	8	Puerto Rico	2.99
9	Peru	1.67	9	Morocco	1.73	9	Czech Republic	2.93
10	Latvia	1.62	10	Austria	1.66	10	Brazil	2.88
11	Ireland	1.62	11	Germany	1.66	11	Slovakia	2.57
12	Germany	1.59	12	Poland	1.63	12	Denmark	2.47
13	Denmark	1.53	13	Chile	1.58	13	Poland	2.37
14	Slovakia	1.47	14	Brazil	1.48	14	Colombia	2.37
15	Norway	1.41	15	Norway	1.42	15	Portugal	2.37
16	Russia	1.39	16	Latvia	1.39	16	Switzerland	2.18
17	US	1.33	17	Slovakia	1.37	17	Sweden	2.18
18	Czech Republic	1.32	18	Czech Republic	1.31	18	Austria	2.11
19	Morocco	1.26	19	Italy	1.26	19	Germany	1.95
20	Italy	1.25	20	US	1.23	20	Morocco	1.90
21	Bulgaria	1.23	21	France	1.20	21	S. Africa	1.72
22	France	1.21	22	Finland	1.17	22	Italy	1.71
23	Belgium	1.16	23	Belgium	1.14	23	Norway	1.64
24	China (People's Republic)	1.11	24	Serbia-Montenegro	1.14	24	Russia	1.48
25	Hungary	1.05	25	Switzerland	1.09	25	Chile	1.41
26	Finland	1.04	26	Japan	1.05	26	France	1.40
27	Canada	1.03	27	Romania	0.98	27	Japan	1.36
28	Colombia	0.97	28	Canada	0.98	28	Belgium	1.33
29	Japan	0.94	29	South Africa	0.97	29	Canada	1.23
30	Romania	0.92	30	Netherlands	0.97	30	Nigeria	1.19
31	Iran	0.92	31	China (People's Republic)	0.82	31	Peru	1.13
32	South Africa	0.87	32	Korea	0.77	32	Spain	1.06
33	Australia	0.85	33	Greece	0.75	33	Netherlands	1.05
34	Korea	0.85	34	Russia	0.72	34	Finland	1.04
35	Serbia-Montenegro	0.82	35	UK	0.67	35	Greece	1.04
36	Netherlands	0.76	36	Kazakhstan	0.67	36	Luxembourg	0.96
37	Brazil	0.74	37	Australia	0.61	37	Korea	0.85
38	Spain	0.70	38	Luxembourg	0.57	38	US	0.76
39	Egypt	0.67	39	Colombia	0.56	39	UK	0.72
40	UK	0.59	40	Spain	0.54	40	Ukraine	0.70
41	Puerto Rico	0.57	41	Ireland	0.52	41	Turkey	0.65
42	Turkey	0.39	42	Equador	0.49	42	Ireland	0.63
43	Nigeria	0.33	43	Mexico	0.44	43	Australia	0.61
44	Mexico	0.33	44	Iran	0.43	44	New Zealand	0.52
45	Taiwan	0.30	45	Nigeria	0.38	45	China (People's Republic)	0.48
46	New Zealand	0.29	46	New Zealand	0.37	46	Argentina	0.43
47	Kazakhstan	0.26	47	Egypt	0.35	47	Egypt	0.42
48	Argentina	0.25	48	Turkey	0.31	48	Mexico	0.33
49	Greece	0.20	49	Ukraine	0.26	49	Taiwan	0.30
50	Philippines	0.19	50	Philippines	0.20	50	Venezuela	0.17

Sources: London Financial Group and White Clarke Group.

the correct statistic for plant investment, against which leasing should be compared.

The White Clarke/GDP ratio is a more reliable indicator in that it is based on a broader denominator. Furthermore, information for all countries is more readily available.

In measuring leasing by reference to economic activity as a whole, this ratio highlights which countries have relatively mature leasing industries, or, in some cases, where leasing is being promoted strategically as a source of investment funding.

The sources. The White Clarke Global Leasing Report is assembled from a number of disparate sources, the most important primary source being the national associations that represent leasing companies in most individual countries.

The prime role of the national associations is to act as lobbying groups, with the aim of influencing the regulatory environment. These bodies almost all make efforts to extend their membership bases as widely as possible within the local leasing industry, and to measure and publicise local leasing business activity.

In several regions, including Europe, Asia and Latin America, continental leasing federations add substantial value to the process of recording activity at national as well as continental levels.

In Europe the Leaseurope federation endeavours to standardise the measurement of equipment leasing business for each European country, on a basis that broadly matches the White Clarke Global Leasing Report's concept of the scope of leasing. We are particularly grateful to Leaseurope for the quality and depth of their data.

Leaseurope publishes its data in euros, using average exchange rates over the year for non-euro countries, while the White Clarke Global Leasing Report is published in US dollars, employing the last published exchange rates for the year.

National associations also remain important sources of information in Europe, with many of them providing significant information and narrative beyond that required by Leaseurope.

We are grateful to the Alta Group for their assistance in preparing much of the Latin American data.

Other important sources of information for some countries include official statistics from central banks or finance ministries; and in some cases trade bodies, which have a wider remit than the leasing industry but who can make a clear differentiation between leasing and other financial products.

In some of the less developed countries, International Finance Corporation (IFC), the private sector arm of the World Bank, has been active in promoting leasing activity. IFC is in a position to provide market volume estimates for several developing countries, and has been a very helpful source of information for the Global Leasing Report for many years.

For a few countries, where it is clear that locally-based sources have provided data representing only part of total leasing activity, or where reasonably comprehensive information for earlier years had not been available, White Clarke has had to make an author's estimate of the national leasing total.

The various sources of information for each country are identified in the footnotes to Table 2.

Identifying the top 50. To obtain a position in the 2010 league, any country had to achieve a minimum leasing volume of US$320m, considerably less than the US$530m required in 2008 – the smaller countries have suffered along with their larger partners.

Cross-border leasing is included within the national total for the home state of the lessor, rather than that of the lessee. Strictly speaking, the national totals represent leasing industries rather than leasing markets.

The global and continental aggregates are compiled from the top 50 countries only, and estimates are not made for countries outside that group. It is estimated that all the excluded countries together would have accounted for less than US$10bn of measurable leasing business in 2010, or less than 1.7% of the global total.

For the purposes of identifying regional or continental groups, Turkey is taken as the eastern extremity of Europe. Africa is divided from Asia at the Suez Canal, with Egypt in Africa. The Americas are divided at the Panama Canal, with Panama itself in North America. Australia and New Zealand together are treated as a separate region.

Traditionally, the Global Leasing Report included Russia within the European figures. In the report for calendar year 2006, we adopted a different approach. We believed that it made sense to redefine Europe to include all of the countries within the European Union (plus Switzerland and Norway) together with candidate countries (currently Croatia, Macedonia and Turkey). The result of this change was that Russia was re-classified into Asia. The move was well received by readers and we are continuing with this methodology.

Deriving the figures. The statistics measure new business value for each year, i.e., the value of equipment newly assigned on lease to customers during the year. Strictly speaking, that does not necessarily denote new equipment: it could include second-hand equipment, and sale-and-leaseback transactions for equipment already in use by the seller/lessee.

Real estate leasing is consistently excluded from the Report. In some countries the national leasing associations (or other information sources) are concerned with the leasing of land and buildings as well as that of equipment. Nevertheless, in most of those cases the primary data sources make a sufficiently clear distinction between the two in their own statistics.

In other cases, some estimating is necessary within the White Clarke Global Leasing Report in order to strip out a portion of the reported total leasing activity believed to represent real estate leasing.

Likewise, consumer credit financing is excluded. In principle the dividing line between leasing and consumer finance is a simple functional one, i.e., whether the equipment is largely for business use, or primarily for the customer's private non-professional use as an individual or householder.

In most cases the primary data sources make the necessary differentiation, though for some countries author's estimates of the business/consumer split of business have been necessary.

This still leaves some problem areas as to what types of commercial equipment financing transaction should be counted as leasing. In many countries the line between leases and other forms of finance is reasonably clear.

There is no obvious solution as to where to draw the line on a consistent basis for all countries. In such problem areas the approach adopted by the White Clarke Global Leasing Report (within the overriding parameters, such as excluding both real estate and consumer transactions) is to follow the local definition of leasing.

It is clear that for some countries, national leasing totals could be larger each year if a different approach were adopted. We have already referred to our decision to include hire purchase in country figures from next year.

The White Clarke Global Leasing Report employs the US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year.

Double dip? The year 2010 demonstrated, yet again, the resilience of the leasing industry in surviving very difficult economic conditions. The seemingly irresistible growth of the Chinese leasing sector did play a major role but even North America, with a mature leasing market, turned in almost 12% growth. A recurring message from participating countries suggests that leasing companies have taken the opportunity to strengthen their portfolio quality, while improving internal efficiencies. We have certainly experienced a strong move towards improved mechanisation. We have also noted companies moving into new market sectors, such as wholesale finance or fleet management, or into new geographies. Different strategies, but each providing a broader base to meet future uncertainties.

Contributors to the *World Leasing Yearbook* begin to compile their previous year's performance figures towards the end of the subsequent year and most also take the opportunity to comment on early indications for the current year. This edition was compiled towards the end of 2011 and most countries were guardedly optimistic. The beginnings of a recovery, experienced in the last quarter of 2010, were gathering pace.

If we take the US, the dominant player in the industry with more than 30% of the world market, as an example – HIS Global Insights was forecasting a growth in equipment and software investment of 8.2% and, more importantly, a growth of 18.9% in finance volume. Similarly, European lessors, also representing more than 30% of world volume, were forecasting an increase in new business volumes of 7% for the second half of 2011, based on Leaseurope's calculations (source: June 2011 Leaseurope/Invigors Business Confidence Survey).

And then came the failure to contain the Eurozone crisis. At the time of writing, EU politicians are desperately trying to save the euro, in two countries technocrats have replaced the elected governments and there is even serious speculation that France could become the next victim.

In view of the latest turmoil, we believe that the gains of the first three quarters of 2011 will be forfeited in the fourth quarter. A double dip. That's where the industry's consolidations, improved portfolio and risk management, sector diversification and simply learning to live with slow or negative growth will sort out the long-term winners from the losers. Interesting times.

As to 2012, we can only echo a statement from the Governor of the Bank of England, made just a few days before completing this report: "Crisis? Right now, I can't even forecast tomorrow!"

This article was written by Ed White, joint founder and Chairman of White Clarke Group, a global financial services business technology company, with offices in North America, Europe and Asia Pacific. Initially a theoretical physicist, Dr White now has over 30 years' experience in the financial services sector, including a spell as a director of Andersen Consulting with special responsibility for banking and asset finance clients. Contact: alepp@whiteclarkegroup.com. Website: www.whiteclarkegroup.com.

In 2010, new business growth in China amounted to 50%, with leasing sales of US$63.7bn.

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