



EQUIPMENT LEASING & FINANCE

FOUNDATION

Your Eye on the Future

Equipment Leasing & Finance Industry

HORIZON REPORT

2024





EQUIPMENT LEASING & FINANCE

FOUNDATION

Your Eye on the Future

Established in 1989, the Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry.

The Foundation accomplishes its mission through development of futurefocused studies and reports identifying critical issues that could impact the industry. Foundation research is independent, predictive, and peerreviewed by industry experts. It is funded solely through contributions. Contributions to the Foundation are tax-deductible. Support the Foundation by making a 100% tax-deductible gift today at www.LeaseFoundation.org.

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The Equipment Leasing & Finance Foundation expresses appreciation to the following companies for providing funds to support the development of the 2024 Industry Horizon Report:



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OVERVIEW



Message from the Chair



The Equipment Leasing & Finance Foundation is pleased to present the 2024 Equipment Leasing & Finance Industry Horizon Report. The Horizon Report is part of a suite of Foundation-developed research products that provide tailored economic and industry insights relevant to business leaders and decision makers.

As in previous years, the Horizon Report focuses on the Foundation's biennial survey of equipment end-users, which was conducted this summer. Using data collected through the survey, the Foundation can estimate the current size of the equipment finance industry, assess the propensity to finance private sector equipment investment for key equipment verticals, and forecast end-user plans to acquire and finance equipment in 2025.

Based on data from the end-user survey, the Foundation estimates that the industry expanded to more than \$1.3 trillion in 2023, a new all-time high. Moreover, more than 80% of end-users used some form of financing to fund their equipment and software acquisitions, demonstrating the important role our industry plays in ensuring businesses have what they need to expand and thrive.

The Foundation added several new questions to the survey this year to assess equipment financing opportunities in three growing areas: generative artificial intelligence, equipment-as-a-service subscription models, and climate financing. The survey finds that all three will play an important role in the equipment finance industry moving forward.

We hope you enjoy the 2024 Industry Horizon Report and the Foundation's many other research publications.

Zack Marsh

SVP – Accounting & Analysis, AP Equipment Financing
Chair, Foundation Board of Trustees



Executive Summary

Equipment and software (E&S) investment continued to expand in 2023, contributing to solid U.S. economic growth despite elevated inflation and high interest rates. The trillion-dollar equipment finance industry has always played an important role in the economy, and last year was no different: once again, the majority of public and private sector investment was procured via loan, lease, or line of credit.

The Equipment Leasing & Finance Foundation's (Foundation) estimate for the size of the equipment finance industry rose to an all-time high of \$1.34 trillion (nominal) in 2023. Overall, 58% of public and private sector E&S investment was financed in 2023, similar to the 2021 estimate (57%) and the long-term industry average (59%). Notably, since the Foundation first surveyed E&S end-users in 2007 to estimate the industry's size, its footprint has more than doubled.

Looking ahead, both the end-user survey and the overall economy provide reason to be optimistic about the industry's prospects in 2025. Inflation has cooled substantially and is now only slightly above the Fed's 2% target, prompting Fed officials to cut interest rates by 50 basis points in September while signaling that more cuts are likely on the way. Although 58% of end-user respondents anticipate a U.S. economic recession in 2024 or 2025, this result is an improvement over two years ago (when nearly 70% expected a near-term recession that never arrived) and predates the Fed's rate cut in September, which should have a positive impact on economic growth.

Moreover, broader economic and technology trends also appear to be working in the industry's favor. For example, most end-users expect to depend more on equipment and software next year due to the cost and availability of labor, and rapid growth in Generative AI, green financing, and demand for equipment-as-a-service offerings should also provide a boost to the industry. Meanwhile, a strong majority of respondents expect the volume of their equipment and software acquisitions to either remain the same or increase in 2025.

Key findings from the 2024 Equipment Leasing & Finance Industry Horizon Report include:

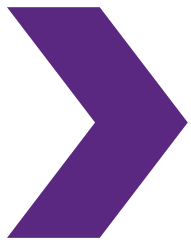
- **The equipment finance industry grew to \$1.34 trillion in 2023.** According to official government figures, E&S investment (both financed and not financed) expanded by a solid 5.3% in 2023 to \$2.3 trillion (nominal), despite high interest rates. The Foundation estimates that approximately 57.7% of this investment (and 64.2% of private sector investment, per the end-user survey) was financed, yielding an estimated industry size of \$1.34 trillion. This figure represents 7.1% nominal growth for the equipment finance industry compared to 2022.
- **Most end-users depend on financing.** The end-user survey also revealed that 82% of respondents who acquired equipment or software in 2023 used at least one form of financing to do so. This represents a slight uptick from the 79% of respondents indicated in the 2022 survey.

- **End-users expect to increase their equipment and software acquisitions next year.** End-users were roughly three times more likely to believe their E&S acquisitions will increase in 2025 (42%) versus decrease (15%). The most commonly selected verticals among end-users who plan to boost acquisitions were Software, Computers, Office Equipment, and Communications Equipment, reflecting the importance of these verticals to business operations in which hybrid/remote working arrangements, online sales channels, and incorporating AI and other new technology tools are critical. Importantly, more than three-fourths of end-users expect to use a financing method to cover at least a portion of the cost to acquire this equipment.
- **Generative AI, EaaS subscription-based models, and climate financing are emerging industry growth drivers.** The Foundation's 2024 survey asked several new questions to track three emerging trends in the equipment finance industry: growing investments in generative AI, equipment-as-a-service (EaaS) subscription-based models, and green financing. Currently, 42% of equipment and software end-users use Generative AI in their businesses, and an additional 42% indicated that they intend to do so over the next two years. Regarding EaaS, half of end-users already use a subscription-based model for equipment and an additional 23% indicated that they intend to pursue this option in 2025. Meanwhile, nearly one-third of equipment and software was acquired to support energy-related, climate-related, or other environmental goals and pledges in 2023. With global climate finance expected to grow to \$9 trillion by 2030, this is likely to be a key area of growth for the industry in the years ahead.
- **Leasing remains the top method of payment to acquire equipment and software.** According to the end-user survey, the most important payment method used by businesses to acquire equipment and software in 2023 was leasing (26% of total acquisitions), followed by secured loans (16%), lines of credit (14%), and unsecured loans (8%). Among non-financed acquisitions, paid-in-full credit card purchases were the most prevalent payment method (20%) followed by cash (16%).
- **Medical equipment was the most likely equipment vertical to be financed in 2023.** Among specific equipment verticals, Medical Equipment was the most likely to be financed, with an estimated 84% of acquisition volume secured by a lease, loan, or line of credit. Other verticals with relatively high private financing activity include Other Industrial Equipment (78%), and Construction Machinery (78%). Automobiles (54%) and Furniture (59%) were the least likely equipment verticals to be financed, along with Software (51%). (Note: definitions for each vertical are included in the appendix.)
- **The construction industry was the most likely to use financing.** Among industries, end-users in the Construction industry were the most likely to use financing (85%), followed by Health Care (70%), and Professional Services (66%) businesses. Leasing remains the most popular method of finance used (irrespective of industry), with secured loans being the second-preferred option in most cases. Generally, goods-sector firms were more likely to finance acquisitions than services-sector firms in 2023 (70% vs. 61%). Service-sector firms were more likely to use credit cards and were less reliant on most types of financing.
- **Smaller firms are less dependent on financing.** Whether measured by sales revenue or the number of employees, small firms are generally less dependent on financing methods when acquiring equipment or software. Regarding sales revenue, the propensity to finance ranged from 56–67% across most revenue brackets but was just 46% in the smallest sales bracket. Similarly, firms with less than 10 employees were far less dependent on traditional financing methods than mid-size and large firms, instead relying on cash and credit cards. Firms with more than 10 employees financed the majority of their equipment and software acquisitions and were also more likely to depend on leases compared to firms with fewer employees.

- **Primary banks drove financing activity in 2023, while the role of fintechs declined.** As in previous years, banks were the biggest player in the equipment finance industry in 2023, as 59% of financing volume came from bank lenders. Of this amount, roughly three-quarters were attributed to the end-user's primary bank. Manufacturers / vendors accounted for 17% of financing volume while independents accounted for 15%, both essentially unchanged compared to 2021. The increase in bank financing activity was mostly due to a reduced footprint for fintechs, which fell from 14% in 2021 to 7% in 2023.
- **Optimizing cash flow was the primary driver for financing decisions.** The top reasons end-users chose to finance their E&S acquisitions were "optimization of cash flow" (62%), "protection from equipment obsolescence" (55%), and "tax advantages" (51%).
- **Equipment obsolescence, inflation, and Fed policy are top-of-mind factors for end-users in 2025.** A variety of factors were cited as reasons for financing additional equipment and software in 2025. The most frequently cited factor was "technology advancements and/or obsolescence" (44%), followed by "inflation" (36%), "interest rates/Federal Reserve policy" (35%), and "labor costs and/or labor scarcity" (32%). This year's survey illustrates the extent to which inflation and the Fed's response to it have become top-of-mind issues for equipment and software end-users.
- **The largest eight states account for more than half of all equipment and software financing volume.** Just over half of the private sector's 2022 financing volume occurred in the largest eight states, led by California (\$180 billion; 15.4% of private sector volume), New York (\$104 billion; 8.9%), and Texas (\$102 billion; 8.7%). Relative to 2020 financing levels, regions that performed the best in 2022 include Utah (+29% growth since 2020), Texas (+29%), Indiana (+27%), and Arkansas (+26%). Notably, most states experienced solid growth in financing volume, with the median state growing by 21% over a two-year period.

END-USER SURVEY





Sizing the Market for Equipment Finance

Over the last decade, the Foundation has commissioned several surveys of equipment end-users to evaluate the size and expected growth of the equipment finance industry. The first survey was conducted in 2007 and estimated the industry's size at nearly \$600 billion, or 55% of total equipment and software (E&S) investment. Subsequent end-user surveys have found that the industry has grown substantially since the end of the Great Recession, reaching an estimated \$1.16 trillion in 2021.

Since 2018, Keybridge has worked with the Foundation to enhance the equipment end-user survey on which the industry size estimate is based, including developing additional breakdowns on equipment verticals to more closely align with the verticals tracked by the Foundation's Equipment and Software Investment Momentum Monitor. This year's survey includes insights on a wide range of questions based on responses from nearly 600 businesses that acquired equipment or software in 2023. Respondents reflect a diverse mix of small, medium, and large firms across a range of industries with varying equipment needs, providing a reliable snapshot of overall equipment acquisition trends.

The survey was implemented in partnership with Concentrix and was completed by respondents who self-identified as a CEO, CFO, COO, or another company official knowledgeable about company expenditures and how those expenditures are funded. Responses were collected from May 28th – July 1st, 2024. Questions were focused on E&S acquisitions that occurred in the calendar year 2023 and E&S investment plans through 2025.

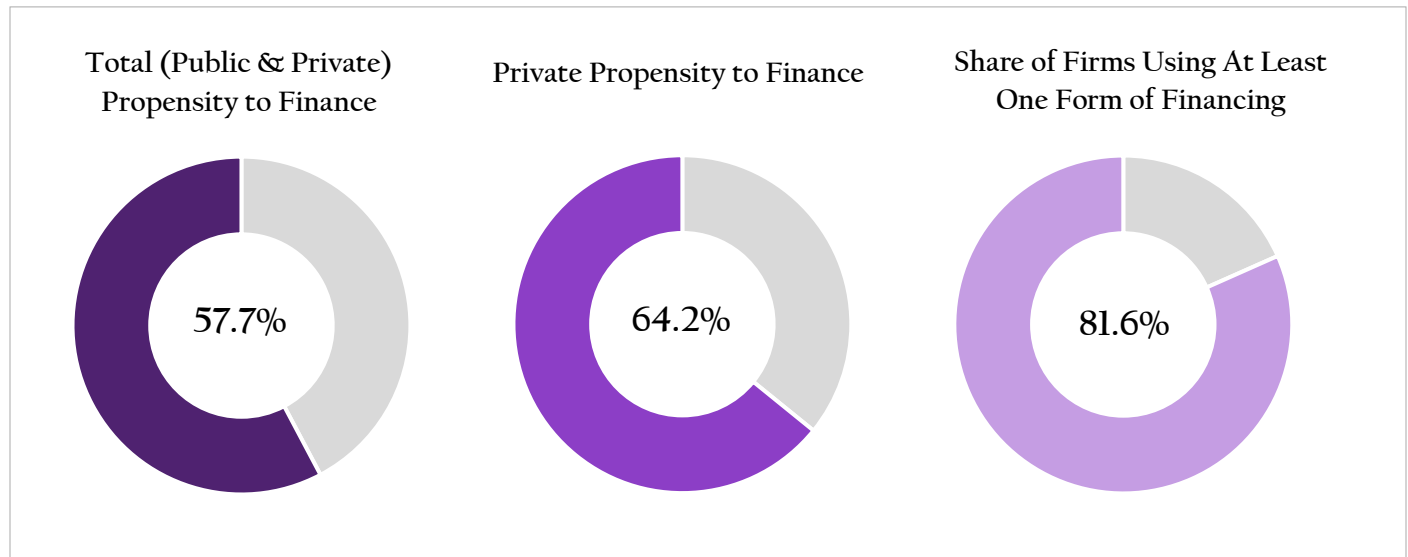
Estimating the Size of the Equipment Finance Industry

After robust growth of 7.8% and 10.7% in 2021 and 2022, respectively, nominal E&S investment expanded at moderate pace of 5.3% in 2023.ⁱ A rapid rise in inflation in 2021 and 2022 caused the Federal Reserve to quickly raise interest rates to levels not seen in multiple decades, tempering investment growth in many sectors. Although higher borrowing costs provided a new headwind to growth, the combination of a historically strong labor market, strong consumer spending, and massive new federal investments in infrastructure improvements via the Infrastructure Investment and Jobs Act (IIJA), the CHIPS Act, and the Inflation Reduction Act (IRA) buoyed demand for equipment. In addition, the pandemic accelerated shifts toward remote work and e-commerce, which helped to drive demand for computers, software, and communications equipment, as well as the manufacturing infrastructure to produce them.

As shown in Figure 1, the 2024 end-user survey revealed that 64.2% of private-sector E&S investment was financed using leases, secured loans, or lines of credit in 2023. Combined with public-sector equipment financing activity, the

overall share of 2023 E&S investment that was financed (i.e., the “propensity to finance”) is estimated to be 57.7%, up slightly from 57.3% in 2021.ⁱⁱ

Figure 1: Propensity to Finance and Disposition of Firms to Use Financing, 2023



Source: 2024 Foundation end-user survey.

The resilience of the propensity to finance in the face of substantially higher interest rates likely reflects a variety of factors. For example:

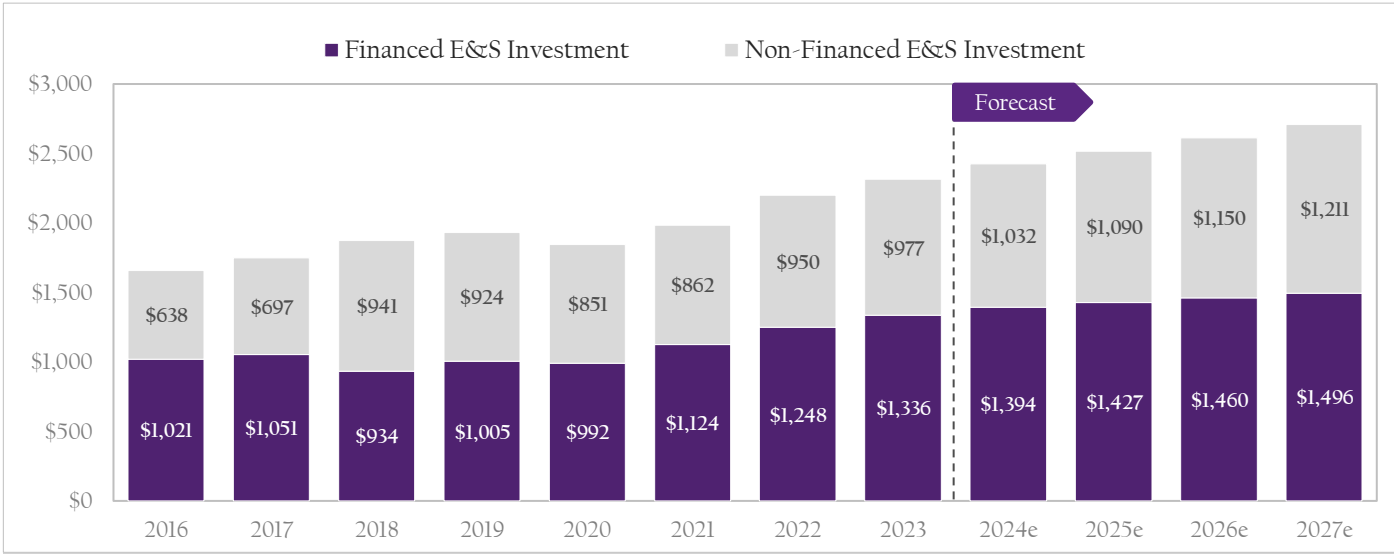
- First, while nominal interest rates rose rapidly in 2022 and 2023 in response to inflation, the so-called “neutral rate of interest” — or the interest rate that supports an economy at full employment while keeping inflation constant (also called r^*) — may have also risen. This effect could have blunted the Fed’s efforts, as a higher neutral rate would mean that the difference between the neutral rate and the policy rate — that is, the overall “stance” of monetary policy — is lower, and economic activity thus less affected. Prior to the pandemic, real interest rates had been declining for several decades due to a combination of factors, including lower potential growth rates, aging populations, high saving rates in emerging markets (i.e., the “global savings glut”), and increased demand for safe assets after the 2008–09 recession.ⁱⁱⁱ In recent years, however, fiscal deficits have soared, and additional public spending will be needed to support the green transition. Meanwhile, Generative AI and other new technologies are boosting private investment, and geopolitical fragmentation threatens to roll back financial globalization and reduce the effect of the savings glut on natural rates in the United States and other advanced economies.^{iv}
- Second, higher interest rates may not have been passed through to firms and households to the same extent as previous rate hikes. Recent research from economists at the Federal Reserve Bank of Kansas City illustrates that recent monetary policy tightening appears to have been less restrictive than expected, largely because private-lending spreads have been unusually low. From March 2022 to June 2024, spreads fell by more than a percentage point for firms and by 0.5 percentage point for households. Declining spreads have offset higher policy rates set by the Fed, meaning that private-lending rates have risen by less than the policy rate, and businesses have faced less of a disincentive to finance capital investments as they would have had spreads remained steady.^v
- Third, government spending pledges and incentives have made some end-users more attractive as borrowers. The IIJA, CHIPS Act, and IRA have provided substantial funding for infrastructure, technology, and renewable energy.

Firms operating in this context have reduced financial risk as a result and are therefore more likely to be approved for a loan or line of credit. Evidence for this exists in the 2024 survey results, as the share of investments financed by primary banks grew from 35% in 2021 to 45% in 2023. Relatedly, climate financing has grown in popularity, with a new survey question in 2024 revealing that an estimated 29% of total equipment and software acquisition volume was specifically aimed at supporting energy-related, climate-related, or other environmental goals or pledges.^{vi}

- Finally, the release of ChatGPT in late 2022 sparked a global investment rush in Generative AI. This year, the Foundation asked end-users whether their businesses used (or planned to use) Generative AI in their business processes, products, or services, and most indicated that they currently use (42%) or are planning to use (42%) Generative AI in the next two years. Much of the investment necessary to support the Generative AI revolution is likely to be financed; indeed, the propensity to finance computers rose from 60.5% in 2021 to 67.3% in 2023 according to this year’s survey.

Given that both the overall amount of E&S investment and the propensity to finance that investment each increased, it is no surprise that the size of the equipment finance industry increased substantially last year. As illustrated in Figure 2, the Foundation estimates that \$1.34 trillion in E&S investment was financed in 2023 (nominal), up 7.1% compared to 2022 and representing the highest total on record. The survey also found that 81.6% of firms that acquired equipment or software in 2023 used at least one form of financing to do so.

Figure 2: Equipment Finance Industry Size, 2016–2027, Billions of Dollars (Nominal)



Sources: BEA; Foundation end-user surveys; Keybridge LLC. Note: The 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.

The 2017, 2018, 2021, and 2023 equipment finance estimates are based on surveys of equipment end-users conducted in 2018, 2019, 2022, and 2024. To estimate the industry’s size in the remaining years, the Foundation uses linear interpolation, which assumes a straight-line relationship between two survey years to estimate the propensity to finance in years for which end-user surveys were not conducted.^{vii} E&S investment is reported on a quarterly basis by the U.S. Bureau of Economic Analysis (BEA). BEA investment data is subject to regular revisions, and every five years the agency updates the base year used to determine real investment growth (e.g., 2017 dollars instead of 2012 dollars).

These standard adjustments may cause the historical estimates presented in Figure 2 above to differ slightly from prior years' reports.

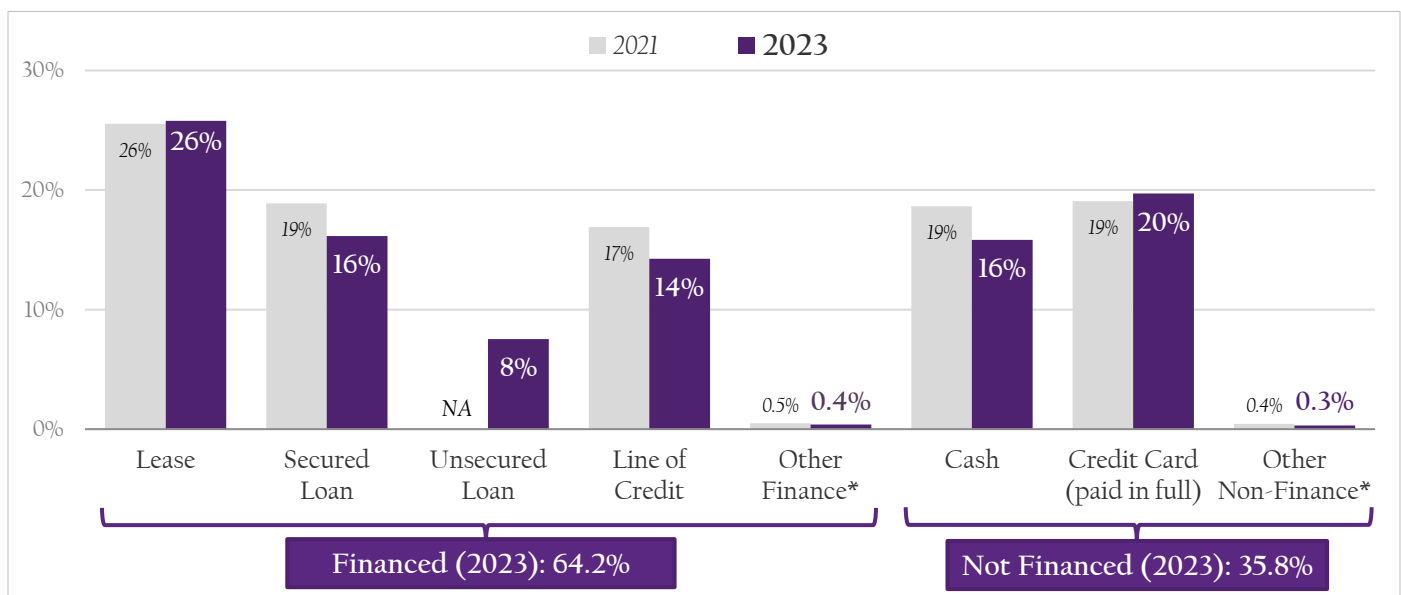
Looking ahead, the industry sizing forecast for 2024–2027 presented in Figure 2 suggests that the industry will continue to expand. However, it is important to note that while the 2024 projection is based on the current propensity to finance and the Foundation's forecasts for E&S investment published in its quarterly Equipment Leasing & Finance U.S. Economic Outlook series, the projections for 2025–2027 rely solely on historical investment and financing trends that have occurred since 2009. As such, they are likely to be overly optimistic if the economy slides into recession, or overly pessimistic if economic growth exceeds the performance over the last 15 years. In December, the Foundation will publish its 2025 U.S. Economic Outlook, which will contain an annual forecast for E&S investment in 2025 — and, by extension, provide an early indication of whether the industry's growth rate will ultimately exceed or fall short of historical trends.

A Closer Look at Methods of Finance

According to surveyed equipment end-users, the most common financing method used by private businesses to acquire equipment and software in 2023 continues to be leasing, with more than one-quarter of purchase volume (26%) acquired via lease (see Figure 3). This share is essentially unchanged from the Foundation's estimate for leasing in 2021.

In 2021, about 19% of private sector equipment and software acquisitions were financed through secured loans, but this share fell to 16% this year. In 2024, the Foundation added a new finance category for unsecured loans in addition to secured loans, finding that 8% of private sector equipment and software acquisitions were financed through unsecured loans. Added together, 24% of end-users financed equipment and software acquisitions through loans. This new breakdown allows for a greater understanding of how likely end-users are to use financing that requires collateral (secured) versus creditworthiness (unsecured) for approval. Financing through lines of credit decreased from 17% in 2021 to 14% in 2023. Financing through lines of credit decreased from 17% in 2021 to 14% in 2023.

Figure 3: Share of Private Equipment & Software Investment Volume by Payment Method, 2021 vs. 2023



Sources: 2022 and 2024 Foundation end-user surveys. Chart excludes public sector equipment and software acquisitions.

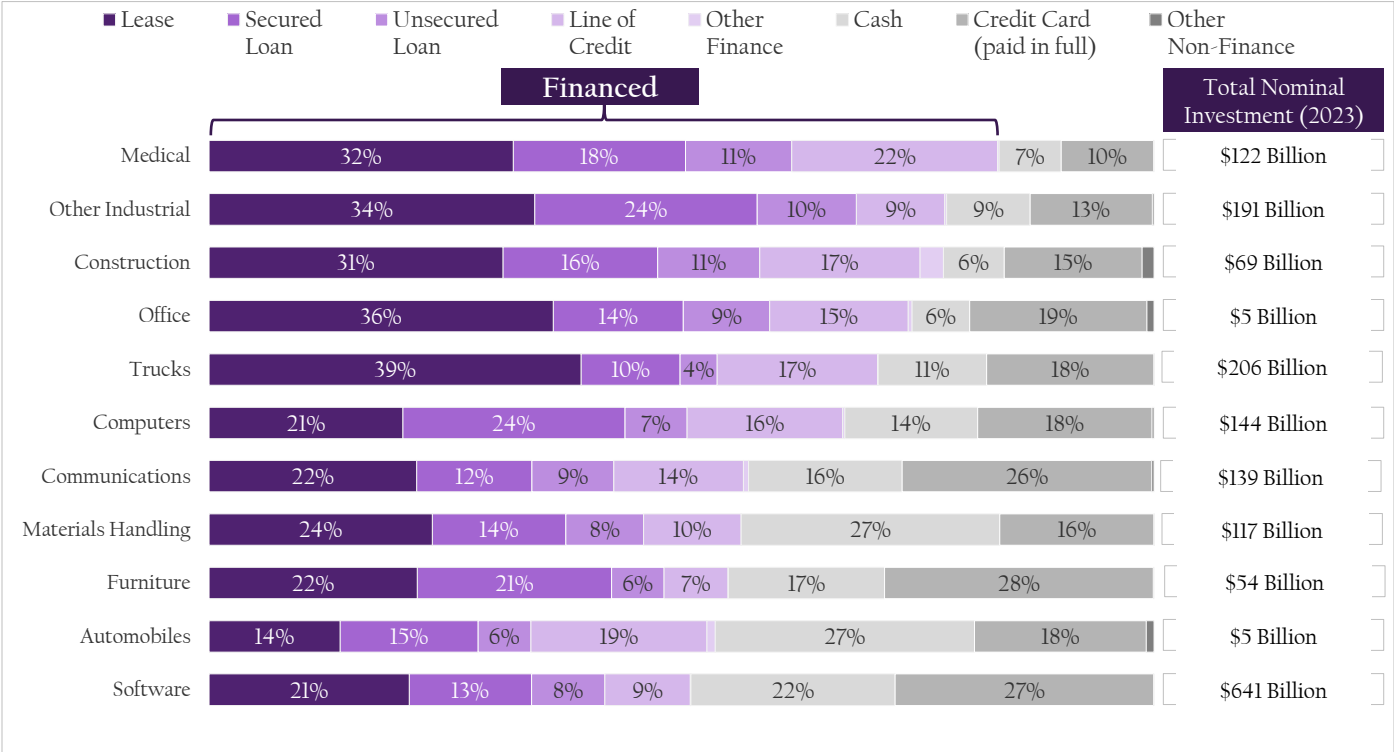
* "Other Finance" captures non-specific financing methods volunteered by respondents (e.g., "short rental," "monthly payment," or "pay over time"). "Other Non-Finance" captures other non-financing options volunteered by respondents (e.g., "bartering," "grant funding," or "trade-in").

Among non-financed equipment and software acquisitions, paid-in-full credit cards (20%; up from 19%) comprised a roughly equivalent share compared to 2021, and cash has continued to drop off as the predominant choice for non-financed investment (16%; down from 19% in 2021 and 27% in 2018).

Method of Finance by Equipment Vertical

As shown in Figure 4, of the 16 equipment verticals included in the survey, 11 received enough responses to allow for a breakdown by payment method. This year’s survey yielded a wider range in the propensity to finance across equipment verticals (51-84% in 2023 vs. 57-75% in 2021). Medical Equipment was the most likely vertical to be financed in 2023, with an estimated 84% of acquisition volume secured through a lease, loan, or line of credit, followed by Other Industrial Equipment (78%) and Construction Machinery (78%). Software (51%) was again the least likely vertical to be financed in 2023, followed by Automobiles (54%) and Furniture (59%). In general, this year’s survey yielded higher propensities to finance for equipment verticals predisposed to financing and lower propensities to finance for equipment verticals historically less likely to use financing. (Note: for a detailed definition of what type of equipment is included in each vertical, see “Equipment Vertical Definitions” in the appendix of this report.)

Figure 4: Equipment Finance Methods by Equipment Vertical, 2023



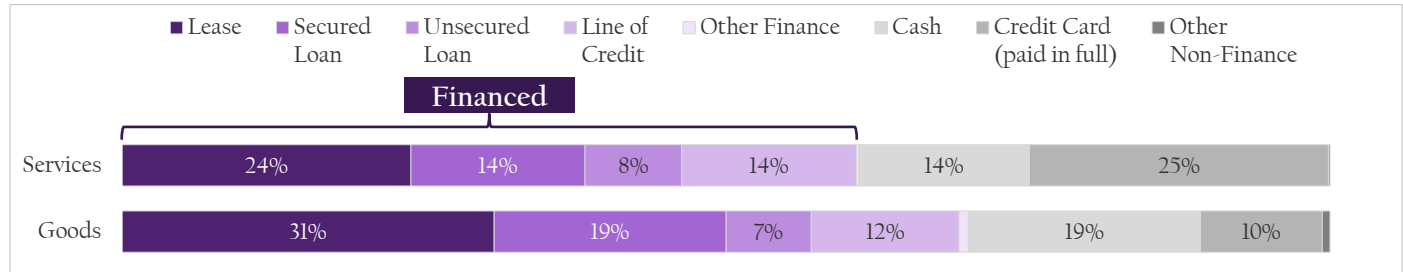
Source: 2024 Foundation end-user survey; BEA.
Note: Equipment verticals not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate. Shares 3% or less are not labeled.

Method of Finance by End-User Industry

Nearly two-thirds of respondents to the 2024 end-user survey represented service-sector industries (e.g., Professional Services, Health Care, Educational Services, Real Estate), while roughly one-third represented goods-sector industries (e.g., Manufacturing, Construction, Agriculture, Textiles). As shown in Figure 5, the propensity to finance for service-

sector firms was lower than goods-sector firms (61% vs. 70%). Service-sector firms were more likely to use credit cards and were less reliant on all types of financing, except for unsecured loans. The services and goods-sector firms were nearly identical in propensity to finance in 2021 and 2018, so this year's survey represents a new divergence that is worth monitoring in future years.

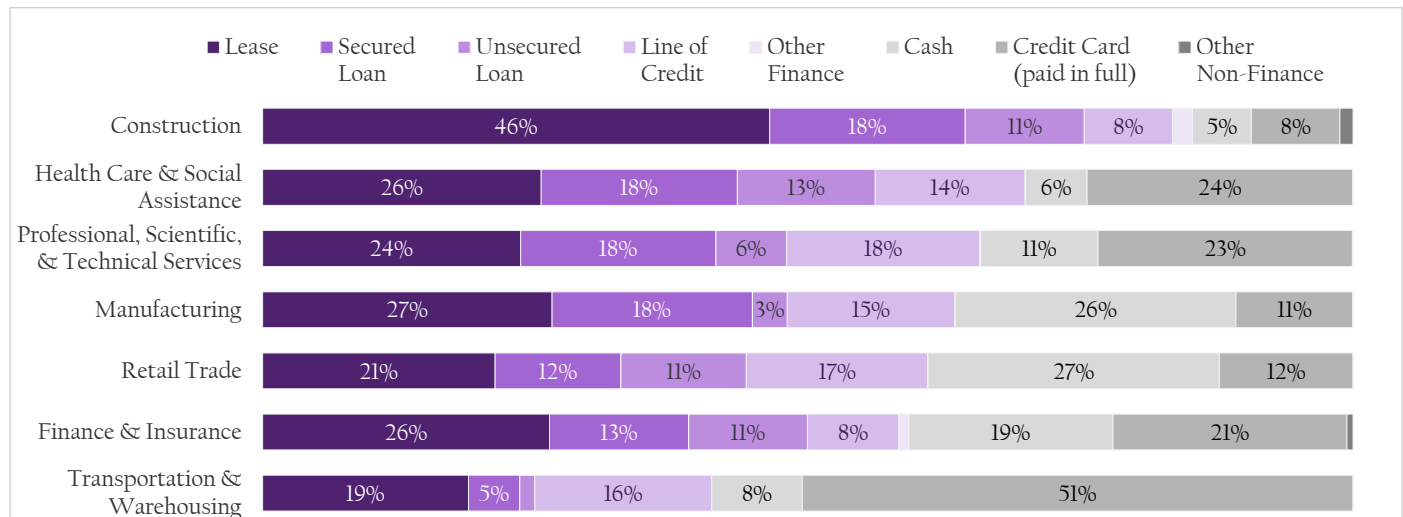
Figure 5: Methods of Acquiring Equipment and Software, by General End-User Industry, 2023



Source: 2024 Foundation end-user survey. Shares 3% or less are not labeled.

This year, financing activity is broken down across all six end-user industries tracked in the 2022 report, as well as Transportation & Warehousing (see Figure 6). Firms in the Construction industry were most likely to use financing (85%), followed by Health Care (70%), and the Professional, Scientific & Technical Services industry (66%). In all seven industries, leasing remains the most popular method of finance used, with loans (secured and unsecured) being the second most preferred option. Notably, financing comprised a larger share of equipment and software acquisition in four of the six tracked industries compared to 2021, with Finance & Insurance jumping from a 67% propensity to finance in 2021 to 85% in 2023. The Retail Trade and Professional, Scientific & Technical Services industries both experienced a lower propensity to finance (-1.8 and -3.8 percentage points, respectively).

Figure 6: Methods of Acquiring Equipment and Software, by Select End-User Industry, 2023



Source: 2024 Foundation end-user survey.

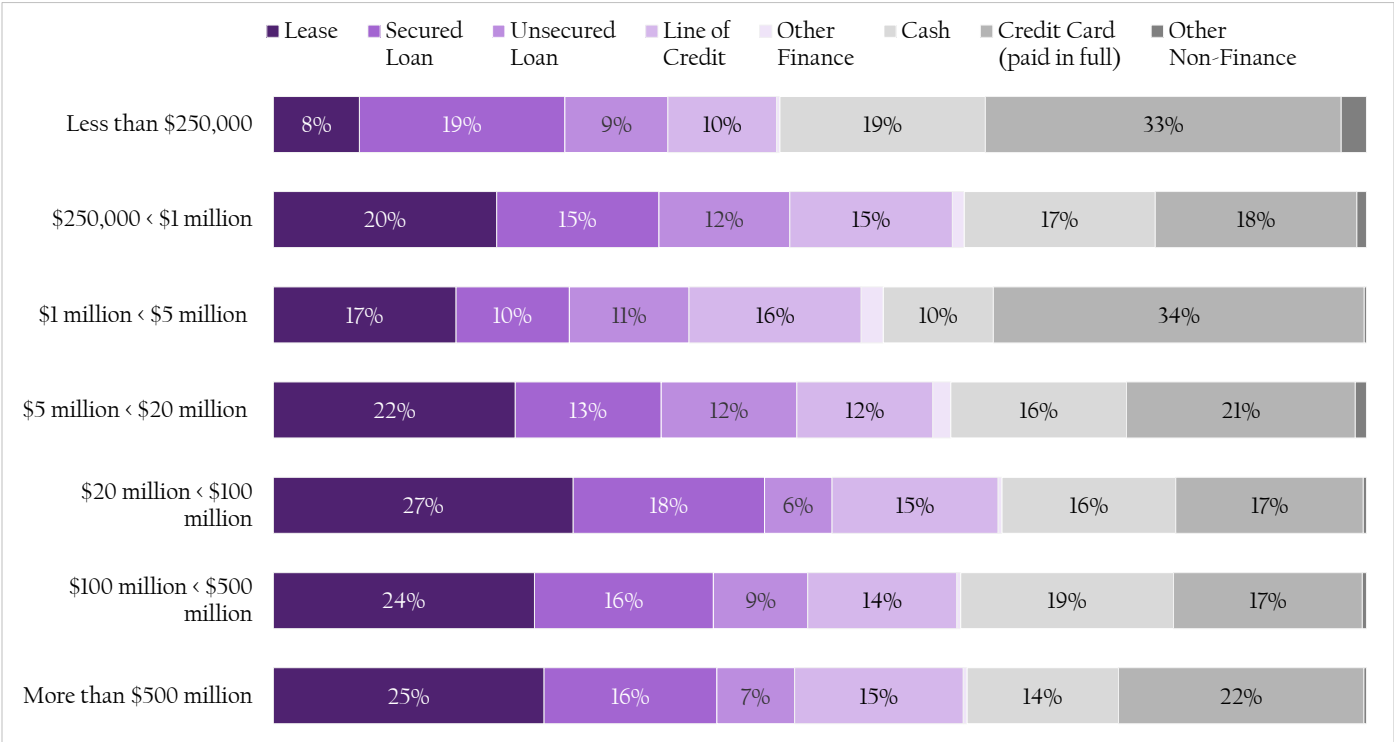
Note: End-user industries not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate. Shares 3% or less are not labeled.

Method of Finance by End-User Size

In previous years, the propensity to finance equipment and software acquisitions has tended to be higher for larger firms, whether measured by sales revenue or number of employees. This correlation generally held in 2023 as well.

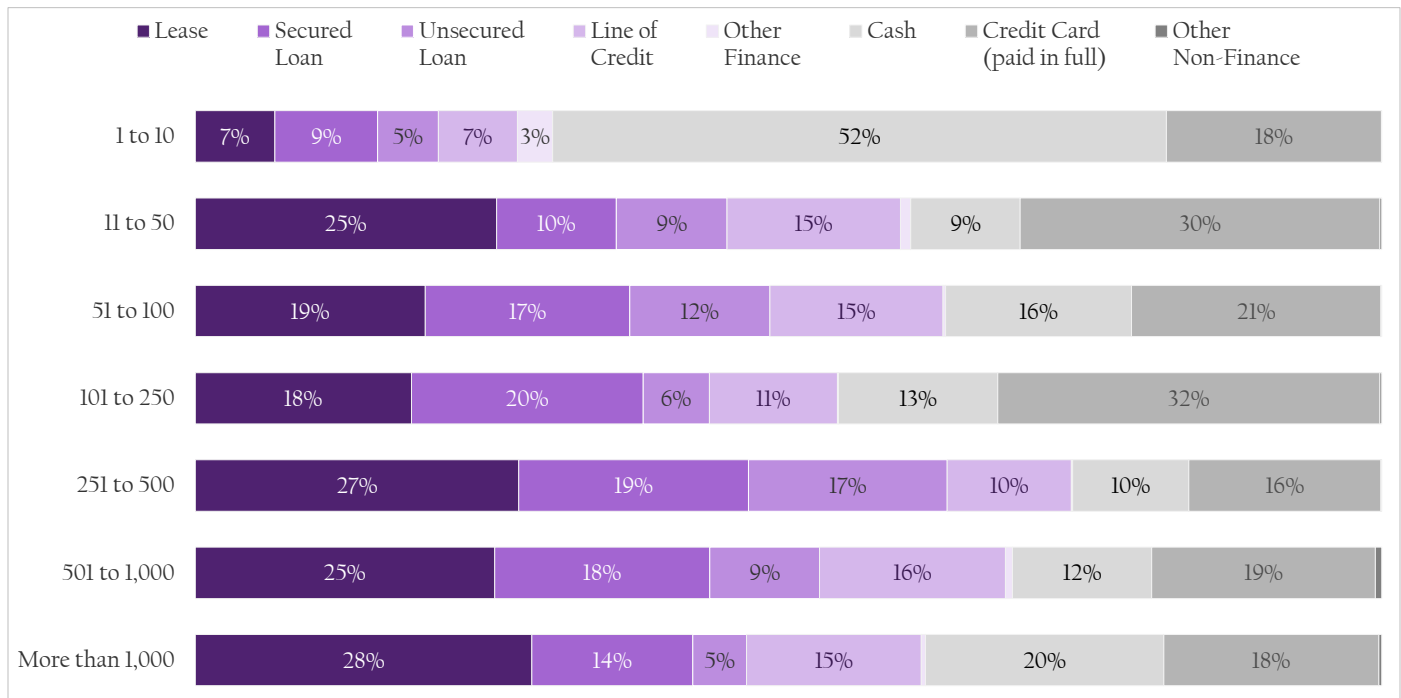
- As shown in Figure 7, the propensity to finance ranged from 56–67% across most revenue brackets, though small firms with under \$250,000 in sales revenue were notably less likely to finance their acquisitions (46%). The preference for different types of financing was mostly consistent irrespective of firm size, though the smallest firms were significantly less likely to use a lease than larger firms.
- In Figure 8, the propensity to finance is shown by employee size brackets rather than revenue. Similar to the previous breakdown by sales revenue, the smallest firms are less likely to use a financing method, and the largest firms rely more heavily on leases. One notable exception is for mid-sized firms with 101 – 250 employees; for this group, the propensity to finance is roughly 10 percentage points lower than for other mid-sized firms. The main driver for this result is the type of equipment these firms acquired. For example, they were significantly less likely to acquire computers and office equipment than firms in other employee size brackets, and both of these verticals had a higher-than-average propensity to finance.

Figure 7: Method of Finance by End-User Size (Sales Revenue), 2023



Source: 2024 Foundation end-user survey. Shares 3% or less are not labeled.

Figure 8: Method of Finance by End-User Size (Number of Employees), 2023



Source: 2024 Foundation end-user survey. Shares 3% or less are not labeled.

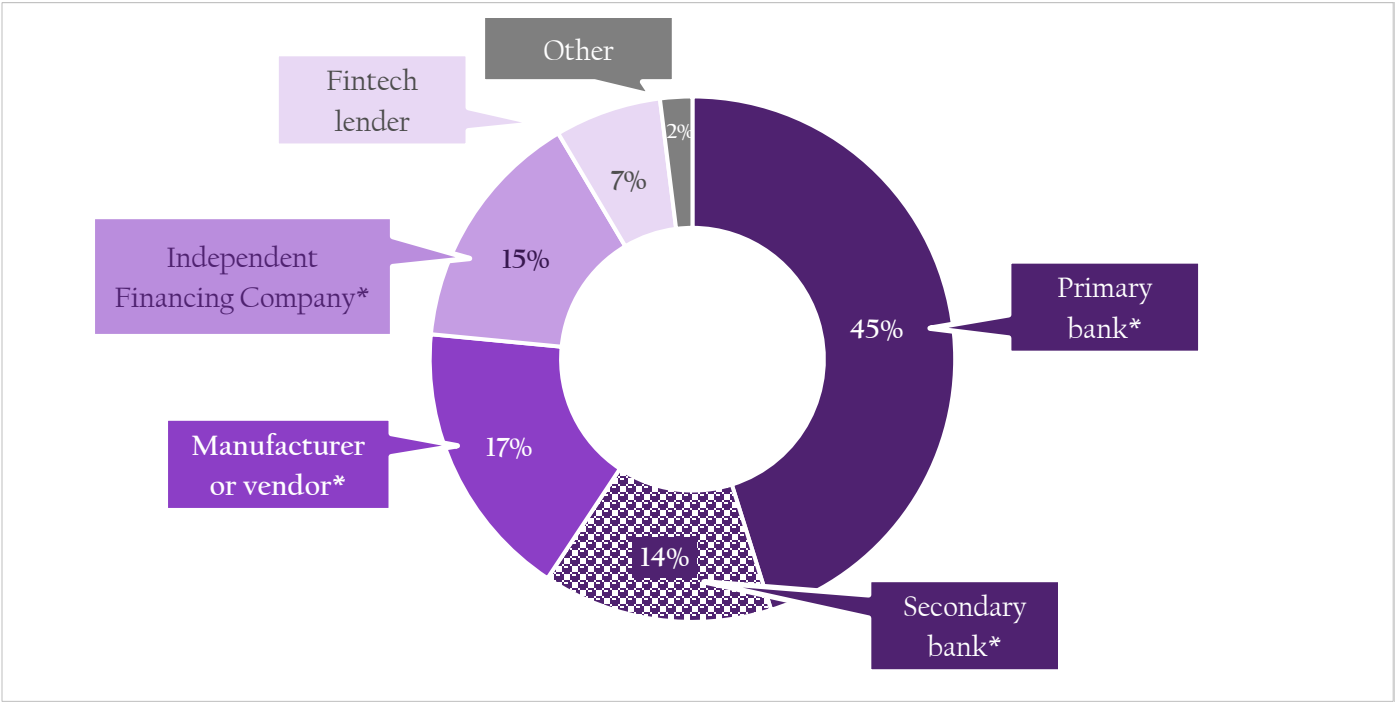
A Closer Look at Lenders

Banks were once again the biggest player in the equipment finance industry in 2023, representing 59% of all equipment and software finance volume (up from 53% in 2021). As shown in Figure 9, about 45% of financing came from end-users' primary bank lender (up from 35% in 2021) and 14% came from secondary bank lenders (down from 18% in 2021). Manufacturers and vendors accounted for 17% and independents accounted for 15% — both roughly equal to their share in 2021 — so the increase in bank financing activity was largely due to a decline in the role of fintechs. Specifically, financing volume associated with fintech lenders fell to 7% in 2023 (down from 14% in 2021). Fintech lenders benefitted from Paycheck Protection Program (PPP) loans during the pandemic, as in many cases they were able to approve loans faster than traditional banks. However, subsequent investigations revealed a higher prevalence of fraud among fintech-provided PPP loans,^{viii} which has led to increased regulatory scrutiny and potentially contributed to reduced demand for fintech-provided financing among equipment and software end-users. The Foundation will continue tracking this segment in future end-user surveys.

Lenders by Equipment Vertical

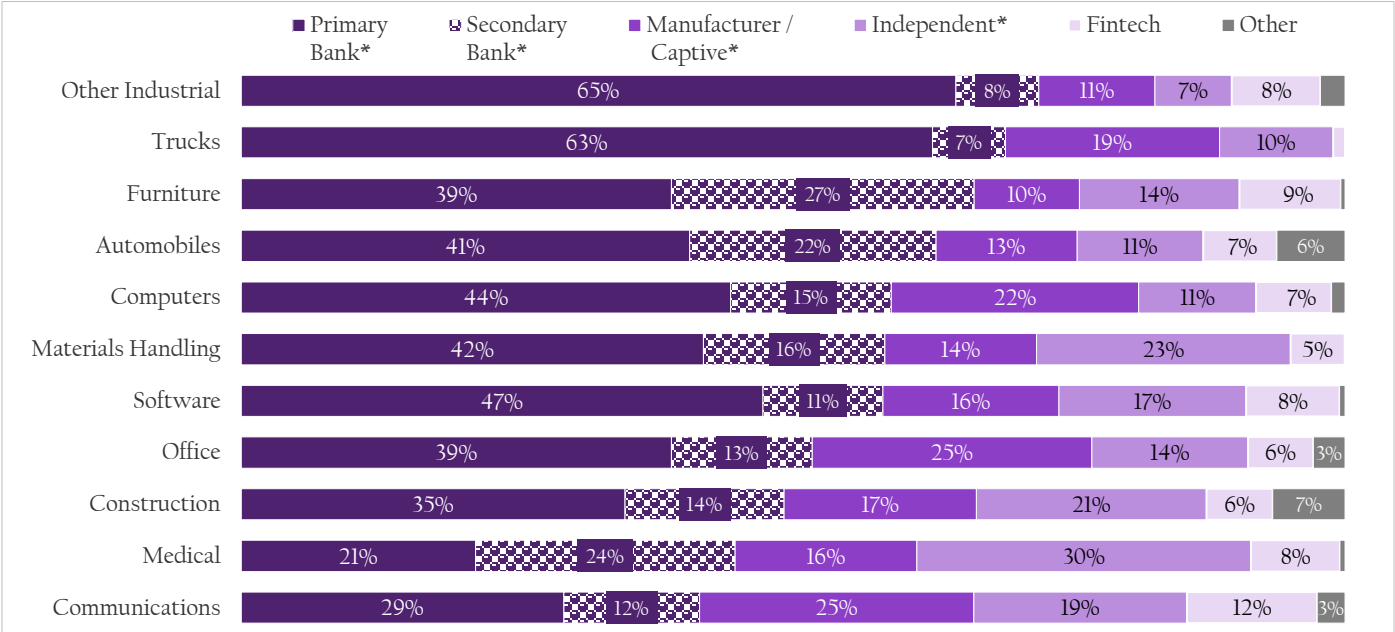
As shown in Figure 10, banks captured the largest share of financing activity across all tracked equipment verticals, with particularly large shares in Other Industrial Equipment (72%), Trucks (69%), and Furniture (66%). Manufacturers/Captives finance the greatest share of acquisition volume for Office Equipment (25%), Communications Equipment (25%), and Computers (22%). Independents had their largest footprint in Medical Equipment (30%), Materials Handling Equipment (23%), and Construction (21%). Not surprisingly, primary bank lenders comprised a larger share of bank lending across verticals, but secondary bank lenders played a significant role in several verticals including Furniture (27%), Medical Equipment (24%), and Automobiles (22%).

Figure 9: Equipment Finance Market Segmentation, 2023



Source: 2024 Foundation end-user survey. *Includes online portal provided by lender.

Figure 10: Equipment Finance Market Segmentation by Equipment Vertical, 2023



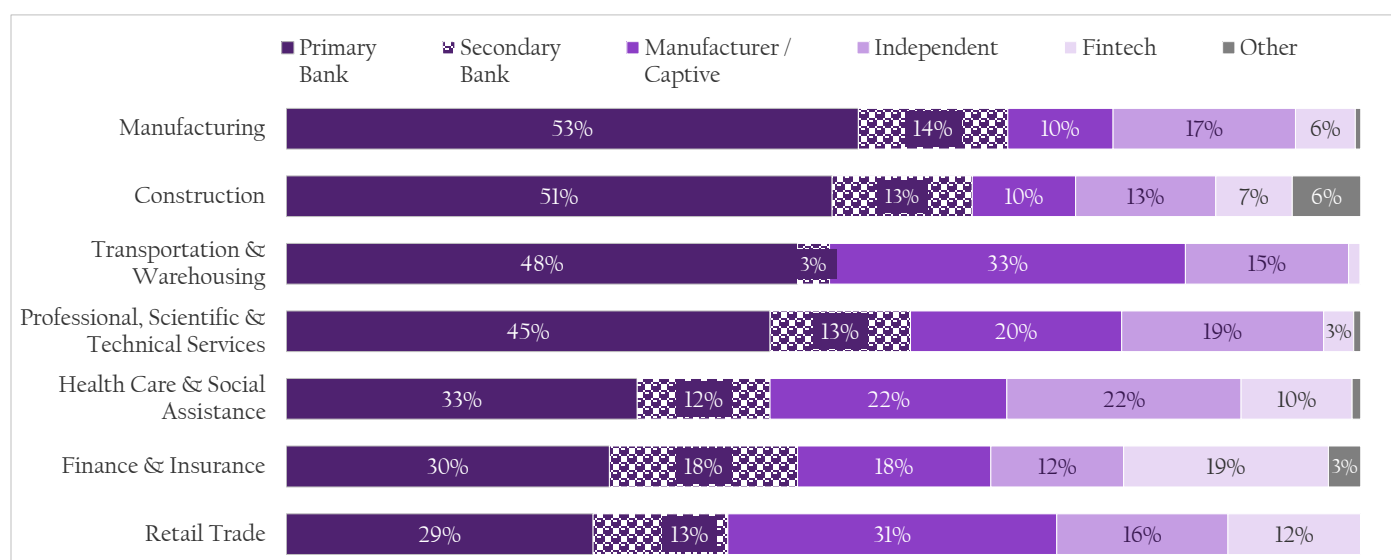
Source: 2024 Foundation end-user survey. *Includes online portal proved by lender. Note: Equipment verticals not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate. Shares 3% or less are not labeled.

Lenders by End-User Industry

As shown in Figure 11, a breakdown of lenders by industry shows that banks were the dominant financing choice across all seven tracked industries. Banks were responsible for well over half of equipment and software financing activity in the Manufacturing (67%), Construction (64%), Professional Services (58%), and Transportation & Warehousing (51%) industries. Notably, the Manufacturing industry was far more reliant on primary banks in 2023 (53%) compared to 2021 (27%), potentially reflecting long-term investments laid out in the Inflation Reduction Act and CHIPS Act which may have made manufacturing firms more attractive borrowers to their primary banks.

Captives were the second-largest source of financing in tracked industries, ranging from 10–33% of total financing activity. The industries most dependent on captives to finance equipment and software acquisitions were Transportation & Warehousing (33%), Retail Trade (31%), and Health Care (22%). Among independents, key end-user industries include Health Care (22% of financing volume), Professional, Scientific & Technical Services (19%), and Manufacturing (17%). Fintech's overall share of financing activity increased significantly for the Finance & Insurance (from 14% in 2021 to 19% in 2023) and Health Care (from 6% to 10%) industries but declined significantly across other industries.

Figure 11: Type of Lender by End-User Industry, 2023



Source: 2024 Foundation end-user survey.

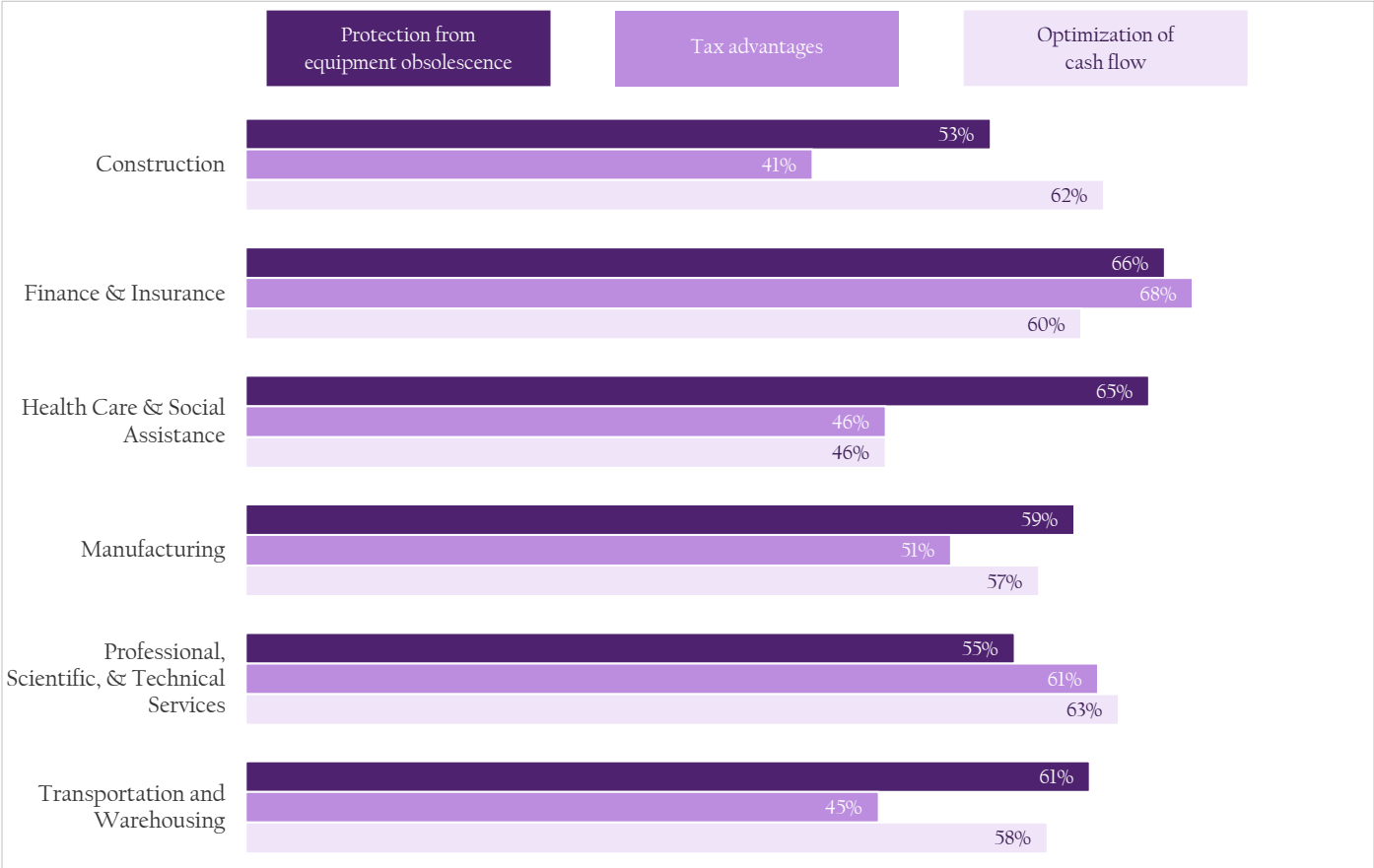
Note: End-user industries not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate.

A Closer Look at Reasons for Financing

In aggregate, end-users who chose to finance their equipment and software acquisitions were slightly more likely to cite optimization of cash flow (62%) over protection from equipment obsolescence (55%) and tax advantages (51%) as the primary reason. Compared to the 2022 survey, end-users were less likely to cite protection from equipment obsolescence and tax advantages (down from 64% in 2022 for each category, respectively) and equally as likely to cite optimization of cash flow.

At a more granular level (see Figure 12), end-users in the Finance & Insurance industry were more likely to indicate that their decision to finance acquisitions stems from a desire for protection from equipment obsolescence (66%), mirroring the result obtained in the 2022 survey. End-users in the Finance & Insurance industry were also the most likely to point to tax advantages as a reason to finance acquisitions (68%), while Professional, Scientific & Technical Services firms were more likely to indicate that their use of financing arises from an interest in optimizing cash flow (63%). Compared to the 2022 survey, most industries were 7–10 percentage points less likely to cite the risk of obsolescence as a reason to use financing, but Health Care was a notable exception to this trend (65%, up from 54%). Conversely, Health Care end-users were significantly less likely to cite cash flow optimization as a reason for financing (46%, down from 65%). Consistent with previous years, most respondents selected multiple reasons for using financing over cash.

Figure 12: Reasons for Using Financing over Cash or Cash-Equivalent, By End-User Industry, 2023



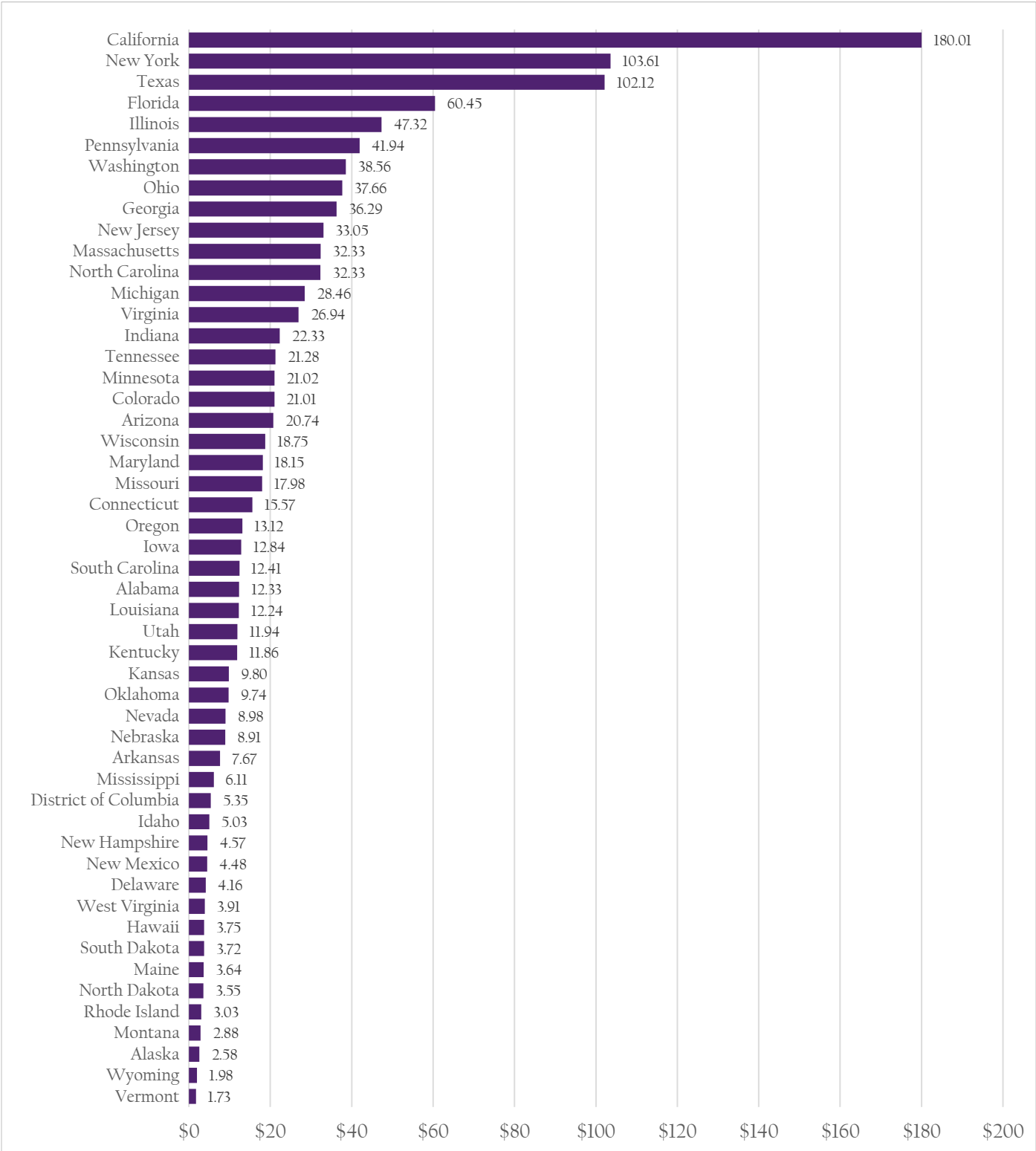
Source: 2024 Foundation end-user survey. Note: End-user industries not shown received an insufficient number of responses to produce statistically viable results. This includes Retail Trade, which received a sufficient number of responses for other questions, but not for this question.

State-Level Financing Activity

While BEA's 2023 business investment data is not sufficiently granular to compute reliable estimates of state-level equipment and software financing activity, state estimates can be produced by combining BEA's industry-level private investment data from 2022 with equipment-specific financing propensities derived from this year's end-user survey. The results of this analysis are presented in a full-page graphic on the next page (Figure 13).^{ix}

- Just over half of the private sector's 2022 financing volume occurred in the largest eight states: California (\$180 billion; 15.4% of private sector equipment and software finance volume), New York (\$104 billion; 8.9% of private sector volume), Texas (\$102 billion; 8.7%), Florida (\$60 billion; 5.2%), Illinois (\$47 billion; 4.0%), Pennsylvania (\$42 billion; 3.6%), Washington (\$39 billion; 3.3%), and Ohio (\$38 billion; 3.2%). These were the same as the top eight states in 2022, though New York and Texas traded places in the rankings, as did Washington and Ohio.
- Relative to 2020 financing levels, regions that performed the best in 2022 include Utah (+29% growth since 2020), Texas (+29%), Indiana (+27%), and Arkansas (+26%). States experiencing the weakest growth in private financing activity during this period include Delaware (+10%) and the District of Columbia (+14%). Notably, most states experienced solid growth in financing volume, with the median state growing by 21% over a two-year period in inflation-adjusted dollars.

Figure 13: Equipment & Software Finance by State in 2022, Billions of Inflation-Adjusted Dollars (\$2017)



Sources: BEA, Keybridge LLC, 2024 Foundation end-user survey. Note: Estimates are produced using the latest end-user survey data on the propensity to finance various types of equipment and software in 2023, but these propensities are applied to 2022 investment data (which is the latest available at the granularity required to conduct the analysis). These estimates also exclude public sector financing due to data availability. As a result, state estimates will not sum precisely to the industry sizing estimate in Figure 1.



Planning Ahead: The Next 12 Months

In addition to collecting information relevant for sizing the equipment finance industry in the previous year, the Foundation's end-user survey typically asks businesses about their plans for investing in equipment over the next year, as well as their views on the overall economic climate. Based on these results, there is reason to be optimistic about the industry's prospects in 2025.

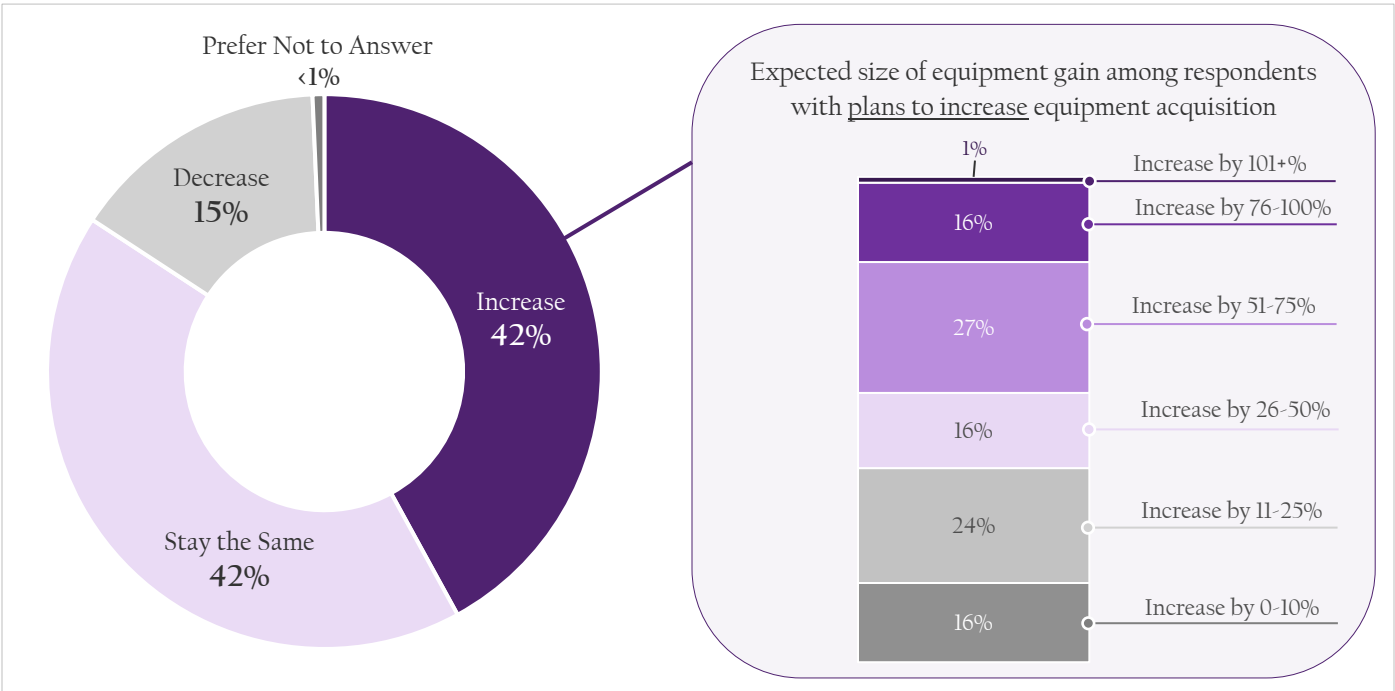
Anticipated Equipment & Software Investment in 2025

As shown in Figure 14, 42% of businesses expect the volume of their equipment and software acquisitions will increase in 2025, compared to just 15% that expect acquisition levels to decrease. This 3-to-1 favorable margin suggests end-users are more upbeat than they were two years ago, when businesses were evenly split on whether acquisitions would rise or fall. Moreover, of those who anticipate their acquisitions will increase, nearly half expect this increase to exceed 50%. The most commonly selected verticals among end-users who plan to boost their equipment and software acquisition were Software (51%), Computers (47%), Office Equipment (35%), and Communications Equipment (29%). These categories were also the most commonly selected in the 2019 and 2022 surveys, though the concentration of respondents indicating future acquisition plans in these verticals has risen each year. This movement may reflect the increased importance of these equipment verticals to business operations in which hybrid/remote working arrangements, online sales channels, and incorporating AI and other new technology tools are key.

The anticipated change in equipment and software acquisition over 2025 is shown through an industry lens in Figure 15. In four of the six tracked industries, a plurality of respondents indicated that equipment and software acquisition would increase in 2025, including Transportation & Warehousing (53%), Manufacturing (49%), Professional Services (48%), and Finance & Insurance (47%). For the other two tracked industries, "Stay the Same" was the most common response, but the share of respondents expecting acquisitions to rise was substantially larger than the share expecting acquisitions to decline. This result contrasts with the 2022 survey, as "Decrease" outnumbered "Increase" for multiple industries and "Stay the Same" was by far the most common response.

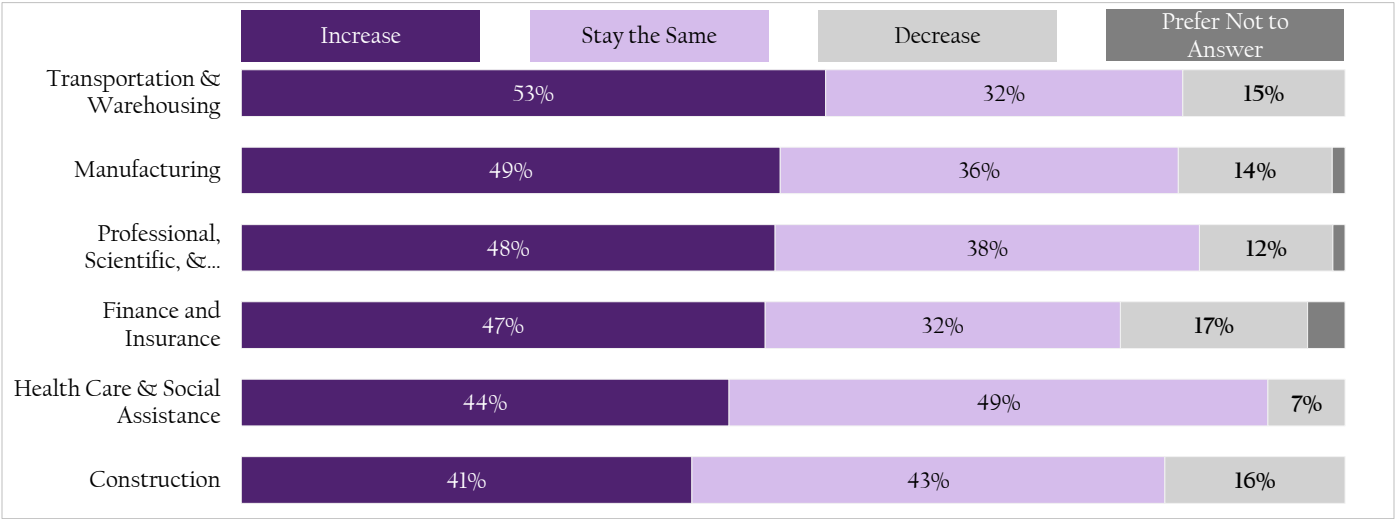
Among end-users who indicated they intend to acquire equipment or software in 2025, 50% indicated that the purpose of doing so was to increase worker productivity. Other commonly cited reasons include expanding their business (46%); enhanced product or service quality (42%); and replace old, worn, or obsolete equipment (42%).

Figure 14: Anticipated Change in Equipment & Software Acquisition in 2025 Compared to 2024



Source: 2024 Foundation end-user survey

Figure 15: Anticipated Change in Equipment Acquisition in 2025 Compared to 2024, by End-User Industry



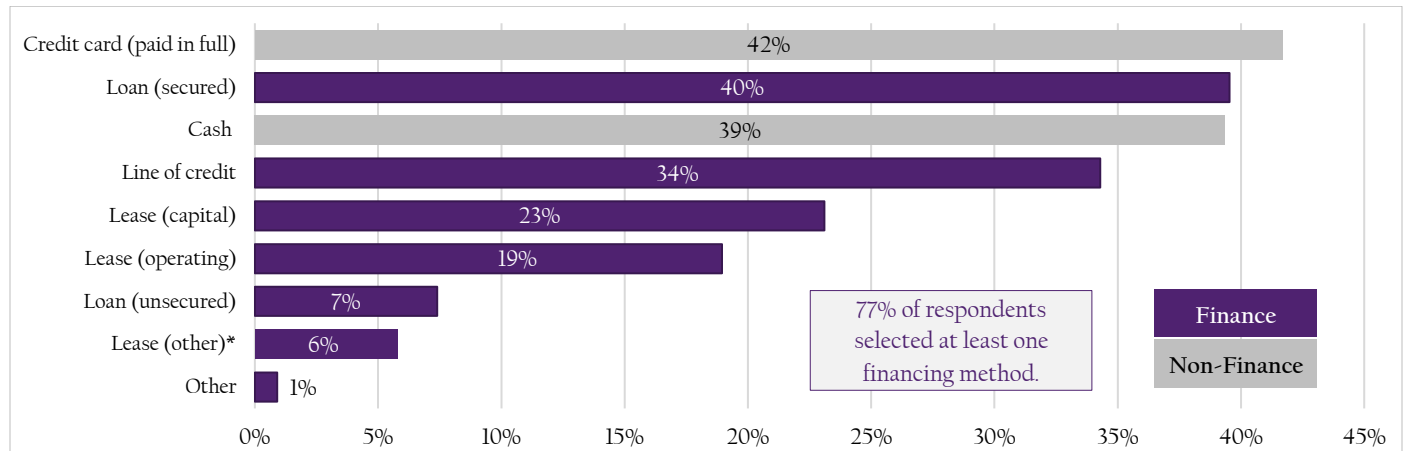
Source: 2024 Foundation end-user survey. Shares 3% or less are not labeled.

Anticipated Methods of Finance in 2025

As shown in Figure 16, about 42% of respondents anticipate paying for at least a portion of their 2025 equipment and software acquisitions using a credit card, while 39% anticipate using cash. Among financing methods, 47% anticipate using a loan — either secured (40%) or unsecured (7%) — to finance a portion of their acquisitions, 34% intend to use a line of credit, 23% intend to use a capital lease, and 19% intend to use an operating lease. Among all respondents, 77%

selected at least one form of financing (i.e., lease, loan, or line of credit). On the positive side, this is 10 points higher than the result obtained in the survey conducted two years ago. On the negative side, if respondents follow through with these plans next year, it would represent a 5-point decline in the share of end-users who use some form of financing when acquiring equipment or software compared to 2023.

Figure 16: Anticipated Payment Methods to Acquire Equipment or Software in 2025



Source: 2024 Foundation end-user survey. Respondents were allowed to select multiple payment methods, so percentages will not sum to 100%.

*Includes tax and finance leases.

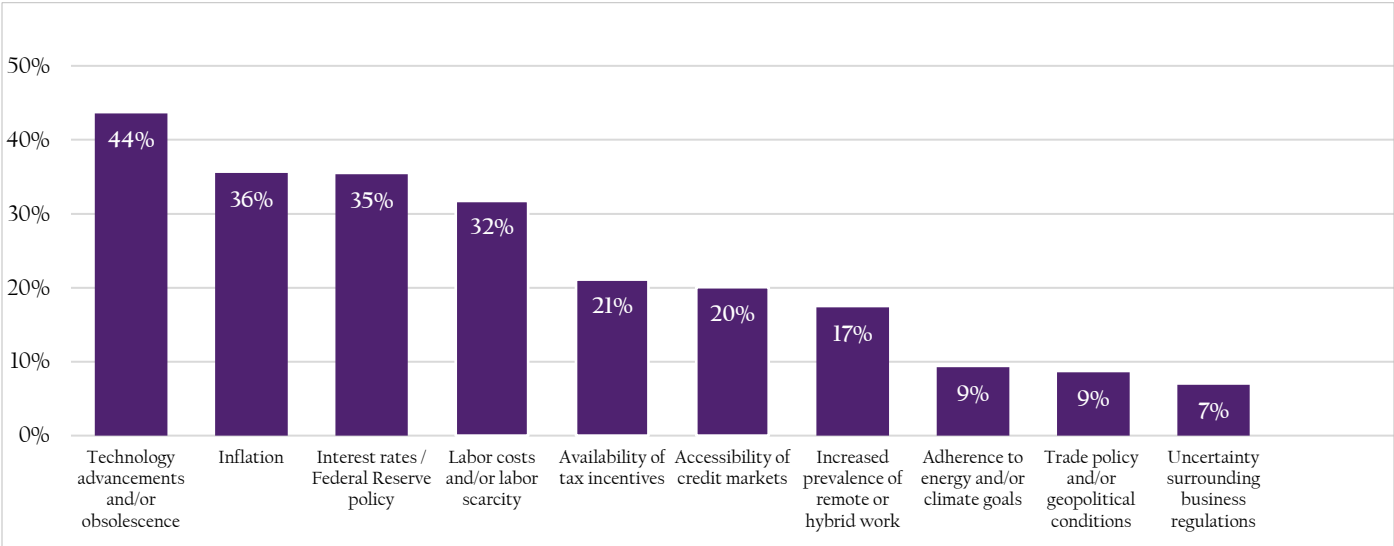
Factors Influencing Equipment Acquisition & Financing Decisions

As shown in Figure 17, a variety of external factors may influence businesses' decisions to finance additional equipment in 2025. When asked to identify the three most important factors affecting their 2025 acquisition decisions, the most frequently cited factor was "technology advancements and/or obsolescence" (44%), up from the share of respondents indicating this factor in 2021 (31%). Other factors cited by a significant minority of respondents include "inflation" (36%), "interest rates/Federal Reserve policy" (35%), and "labor costs and/or labor scarcity" (32%).

Not surprisingly, inflation and monetary policy are of greater concern this year than in previous surveys. In 2018, just 5% of end-users indicated that the Fed's interest rate policy would affect their near-term equipment acquisition plans. Although this figure jumped to 22% in 2022, inflation and interest rates are now two of the top three factors influencing financing decisions in 2025. Another factor that is now more relevant to financing decisions than it has been in the past is the cost and availability of labor, which rose from 22% in 2022 to 32% this year. Factors that appear to be less important to equipment end-users' financing decisions include "increased prevalence of remote or hybrid work" (17%, down from 28%), "trade policy and/or geopolitical conditions" (9%, down from 17%), and "uncertainty surrounding business regulations" (7%, down from 14%).

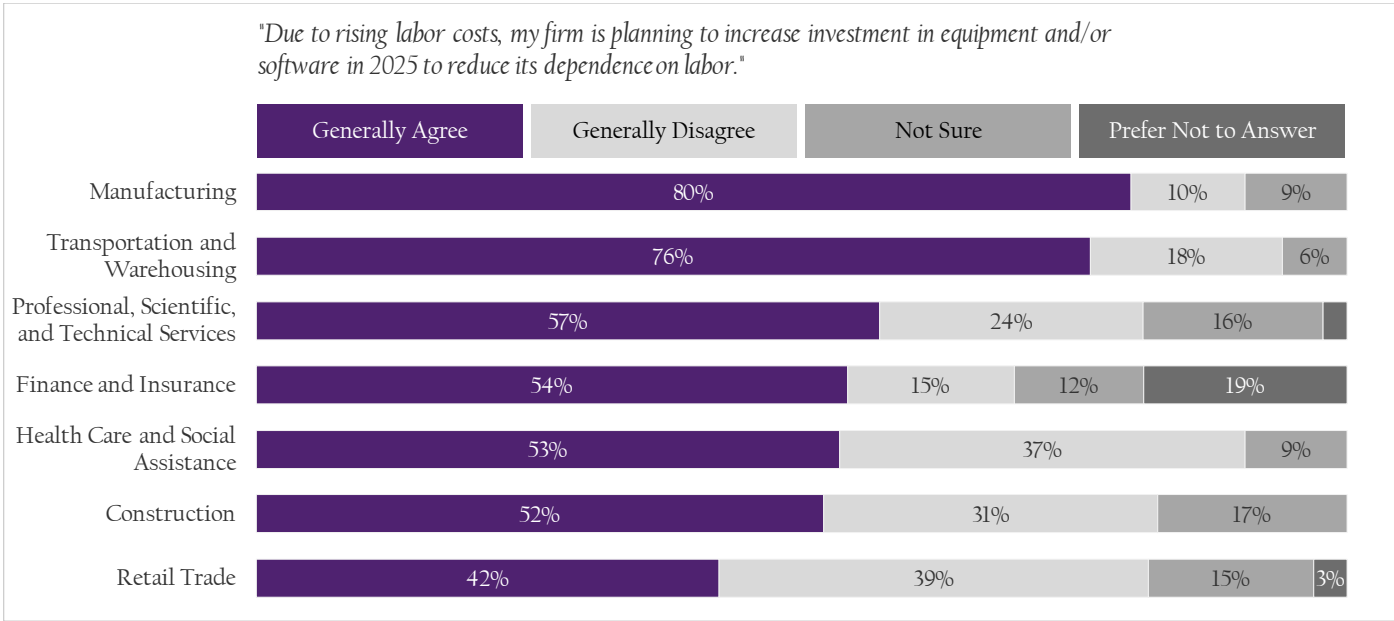
Finally, the Foundation asked respondents whether they intended to increase their equipment and software acquisition to reduce dependence on employee labor. This year, 57% of respondents indicated that they did, down slightly from 63% in 2022. As shown in Figure 18, responses were heavily dependent on industry: end-users in the Manufacturing and Transportation & Warehousing industries were far more likely to view E&S investment as a means of replacing labor than those in other industries.

Figure 17: External Factors Affecting Equipment & Software Acquisition Decisions in 2025



Source: 2024 Foundation end-user survey. Note: Respondents could choose up to three factors and many respondents selected multiple factors, so percentages will not sum to 100%.

Figure 18: Equipment & Software Acquisitions to Reduce Dependence on Labor in 2025



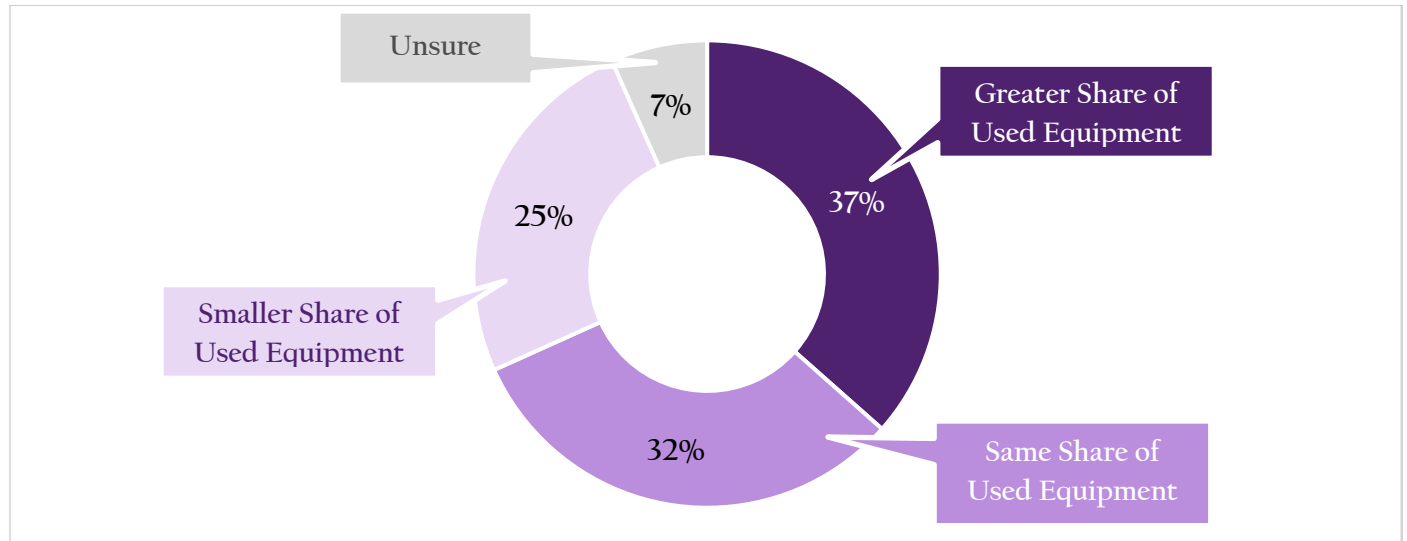
Source: 2024 Foundation end-user survey. Shares 3% or less are not labeled.

New vs. Used Equipment Acquisition

After the federal tax code was amended via the Tax Cuts and Jobs Act of 2017, the Foundation began asking respondents whether they expect the share of used equipment as a share of overall equipment acquisitions to change. As shown in Figure 19, a plurality of respondents (37%) anticipate relying more on used equipment than new equipment in the next year, essentially unchanged from two years ago. The share of respondents who expect to rely

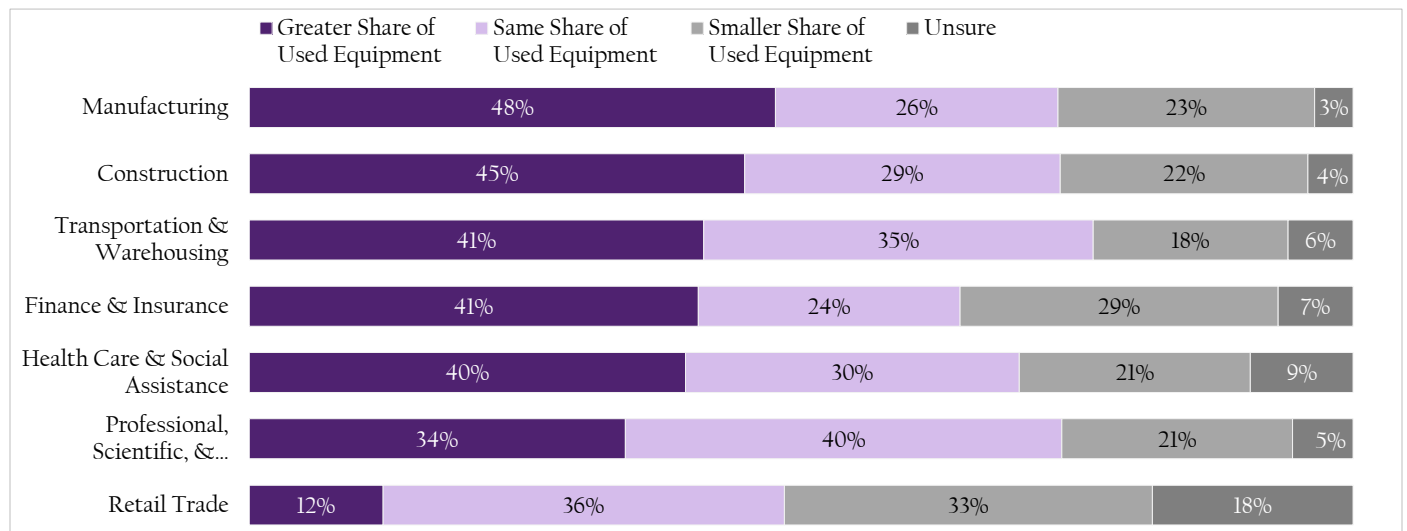
less on used equipment fell slightly to 25% this year (down from 29%). At an industry level, respondents in the Manufacturing industry were most inclined to depend on used equipment, with 48% indicating that used equipment would comprise a greater share of their 2025 acquisitions (see Figure 20). On the other side of the spectrum, Retail Trade firms expressed overall greater uncertainty about new versus used equipment acquisition with very few respondents (12%) indicating greater reliance on used equipment.

Figure 19: Plans to Acquire New vs. Used Equipment Over 2025



Source: 2024 Foundation end-user survey.

Figure 20: Plans to Acquire New vs. Used Equipment Over 2025, by End-User Industry



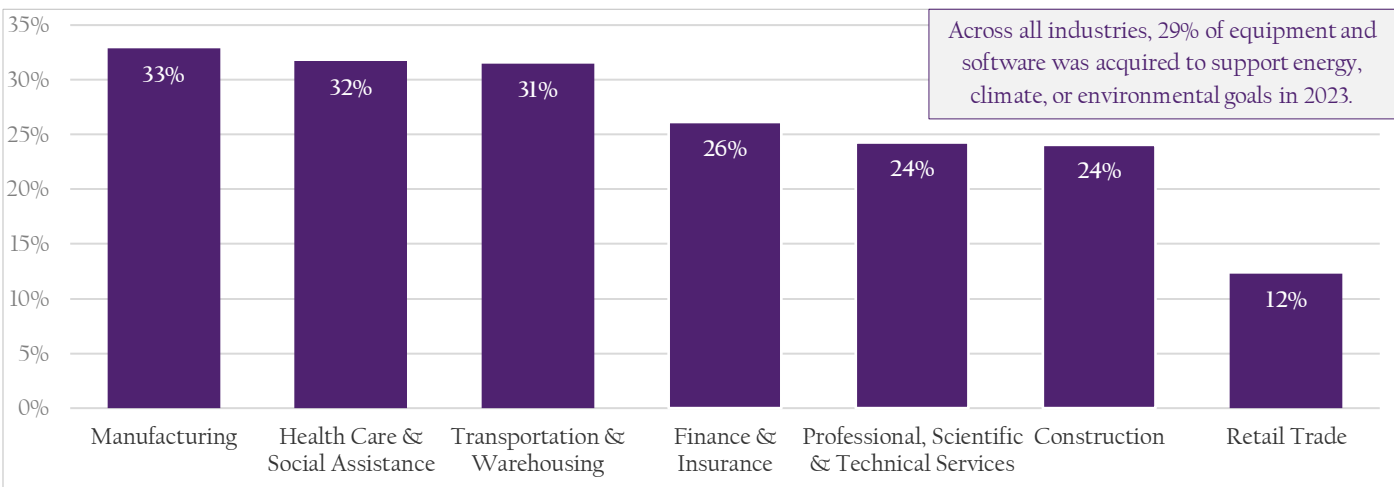
Source: 2024 Foundation end-user survey. Note: End-user industries not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate.

Emerging Developments

In this year’s survey, the Foundation added three new topics to explore with equipment and software end-users: Generative AI, equipment-as-a-service, and green financing.

- **Generative AI:** The survey found that 42% of equipment and software end-users currently use Generative AI in a business process, product, or service, and an additional 42% indicated that they intend to do so over the next two years. Of these companies, the most frequently cited use case for Generative AI was “improving internal operations” (64%), but a significant share of respondents also indicated they use (or intend to use) Generative AI for “improving a product offering” (43%) or “improving a service offering” (37%). The result bodes well for industry members that specialize in Software or Computers but may have positive spillover effects for other verticals as well (e.g., Communications Equipment and Office Equipment, as well as Construction Equipment, Industrial Equipment, and others that would benefit from increased demand for data centers and energy-related infrastructure.
- **Equipment-as-a-Service (EaaS):** The survey found that 51% of end-users currently use an EaaS subscription-based model for equipment and an additional 23% indicated that they intend to pursue this option in 2025. This result suggests that EaaS has a significant and expanding place in the equipment finance industry and is consistent with ELFA’s assertion earlier this year that “more U.S. businesses will deploy subscription-based equipment usage [this year, shifting] from a capital expenditure to an operating expense model to eliminate substantial upfront investment. [EaaS offers] greater flexibility as manufacturers provide a single point of contact for equipment and related software, supplies and services.”^x
- **Green Financing:** According to a 2024 Foundation study, global climate finance will grow to \$9 trillion by 2030.^{xi} As such, the Foundation added a question to this year’s end-user survey to determine the share of equipment and software acquisitions that were specifically aimed at supporting energy-related, climate-related, or other environmental goals or pledges in 2023. As shown in Figure 21, an estimated 29% of equipment and software was acquired to support environmental goals. Industries for which investment was more likely to be geared toward supporting environmental goals include Manufacturing (33%), Health Care (32%) and Transportation & Warehousing (31%).

Figure 21: Estimated Share of Acquisitions Aimed at Supporting Energy and Environmental Goals, 2023



Source: 2024 Foundation end-user survey. Note: End-user industries not shown received an insufficient number of responses to produce statistically viable results in isolation but are included in the overall industry size estimate.

APPENDIX





How to Use This Report

The 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, the 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 (e.g., a business's industry, size, and profitability; economic conditions; and policy developments), 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). The information 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, or 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.

For more information on how to incorporate the information presented in this report into your business's strategic and tactical decisions, please refer to the Foundation's *Applied Economics Handbook*. The *Applied Economics Handbook* provides industry-tailored insights on how to leverage economic data and tools using applied economics to make more informed business decisions. It is intended to both familiarize industry executives with the concept of applied economics and provide a series of straightforward tools, techniques, and use cases that can be adapted and customized to individual firms.

The *Applied Economics Handbook* can be accessed for free at the following link: <https://bit.ly/3TMBLXY>



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Equipment Vertical Definitions

Equipment investment verticals included in each Industry Horizon report correspond directly to vertical definitions from the National Income and Product Accounts (NIPA) produced by the U.S. Bureau of Economic Analysis (BEA). NIPA definitions for the eleven reported verticals in the 2024 IHR are detailed below.

Vertical	Definition
Automobiles	Automobiles include new and used passenger vehicles, excluding light trucks, other trucks, buses, and truck trailers.
Communications	Communications equipment includes data networking equipment, voice network equipment, data transport equipment, wireless networking equipment for smartphones, telephone apparatus, broadcast, studio & related electronic equipment, and search, detection, navigation & guidance systems and equipment.
Computers	Computers include host and multiuser mainframe computers and servers, portable computers, laptops, PDAs, and other single user computers, personal computers and workstations (except portable computers), computer storage devices, computer terminals, computer peripheral equipment, computer displays, and computer printers.
Construction	Construction machinery includes mixers, pavers, and related equipment, tractor shovel loaders, graders, rollers, compactors, and forklifts.
Furniture	Furniture includes wood household furniture, upholstered household furniture, metal household furniture, mattresses, wood office furniture, institutional furniture, showcases, partitions, shelving, and lockers, window shades and window shade accessories.
Materials Handling	Materials handling equipment includes conveyor and conveying equipment, industrial trucks, trailers, and stackers, power-driven hand tools, packing, packaging, and bottling machinery, pump and pumping equipment, air and gas compressors and vacuum pumps, industrial spraying equipment, industrial and commercial fan and blowers, air purification equipment, industrial process furnaces and ovens and industrial electrical heating equipment, scale and balance, except laboratory, equipment, welding and soldering equipment.

Medical	Medical equipment includes medical imaging equipment, electronic medical equipment, surgical and medical instruments, dental equipment and supplies, irradiation apparatus, and electromedical apparatus.
Office	Office equipment includes calculating and accounting machines, and general office machinery and equipment except computers.
Other Industrial	Other industrial equipment includes fabricated metal products, engines and turbines, metalworking machinery, special industry machinery (ex. textile machinery or sawmill and woodworking machinery), and electrical transmission, distribution, and industrial apparatus.
Software	Software includes prepackaged software and of customized software from companies that are primarily engaged in software development and of expenditures for the own-account production of new or significantly enhanced software that the business enterprise develops in-house.
Trucks	Trucks include light trucks and utility vehicles under 14,000 lbs., trucks over 14,000 lbs., buses, truck trailers and chassis.



About Keybridge

Keybridge is a boutique consulting firm that provides analysis and advice on economic and public policy issues. Since 2001, Keybridge has leveraged its expertise in applied economics, public policy, and data analytics to help our clients think strategically, communicate effectively, and advance sound public policies through data-driven, evidence-based support. Keybridge's mission is to use our expertise in economics, public policy, and data analytics to help organizations create a more prosperous, resilient, and healthy nation. We help decisionmakers think strategically, make data-driven choices, advance sound public policies, and tell their organizations' stories in a credible and compelling fashion.

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Endnotes

ⁱ In other publications, such as the Foundation's Equipment Leasing & Finance U.S. Economic Outlook, real (i.e., inflation-adjusted) investment is used rather than nominal investment. However, given that survey respondents reported their equipment acquisitions in nominal terms, nominal investment data is consequently used to estimate the industry's size to ensure an apples-to-apples comparison.

ⁱⁱ The propensity to finance public sector investment is estimated using a proprietary methodology developed by Keybridge.

ⁱⁱⁱ Benigno, G., et al. (2024). "Quo vadis, r*? The natural rate of interest after the pandemic." Bank for International Settlements Quarterly Review, March 4, 2024.

^{iv} *ibid.*

^v Glover, A., and Oliyide, J. (2024). "Why Haven't Recent Rate Increases Slowed the Economy More? Look to Unusually Low Private-Lending Spreads." KCFed Economic Bulletin, Federal Reserve Bank of Kansas City, August 14, 2024.

^{vi} Note that the Foundation's estimate is higher than other estimates (e.g., PwC's recent [report](#) on Climate Tech, which found that climate tech's share of private market equity and grant investment is roughly 11%). The higher estimate could be the result of the end-user survey using a broader definition of "green financing." For example, PwC's figure excludes conventional energy efficiency improvements, sustainable agriculture practices, and new vehicle purchases for improved energy efficiency, among other investments.

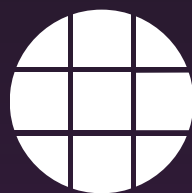
^{vii} Previously, Keybridge used a proprietary index called the Propensity to Finance Equipment Index (PFEI) that combined data from commercial and industrial (C&I) lending patterns and the Foundation's Monthly Leasing and Finance Index. The accuracy and consistency of this method, however, were negatively impacted by counterintuitive patterns in C&I lending in 2020 and 2021, including large increases in credit-line drawdowns in March 2020 and the distortionary impact of the Paycheck Protection Program. Moreover, historically the PFEI has been necessary to estimate finance activity between end-user surveys because they were conducted relatively infrequently. However, with the Foundation now conducting end-user surveys every other year, interpolation is a more viable (and simpler) technique.

^{viii} Fast, A., and Pfeiffer, S. (2022). "[A congressional report says financial technology companies fueled rampant PPP fraud.](#)" National Public Radio, December 6, 2022.

^{ix} Note: Estimates are produced using the latest end-user survey data on the propensity to finance various types of equipment and software in 2023, but these propensities are applied to 2022 investment data and exclude public sector financing due to industry-level data availability. As a result, state estimates will not sum precisely to the industry sizing estimate in Figure 2.

^x Equipment Leasing and Finance Association (2024). "[ELFA Announces Top 10 Equipment Acquisition Trends for 2024.](#)"

^{xi} Equipment Leasing and Finance Foundation (2024). "[Climate Finance: A Massive Commercial Opportunity for Equipment Finance.](#)"



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