Equipment Finance Industry Horizon Report 2024
Fact Sheet

Key Findings

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. 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.

Highlights from the **Equipment Finance Industry Horizon Report 2024** include:

- **Equipment finance industry growth.** 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). 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.

- **End-user reliance on financing.** The end-user survey 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.

- **Increase in equipment and software acquisitions in 2025.** 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.

- **Emerging industry growth drivers.** The Foundation's 2024 survey asked several new questions to track three emerging trends in the equipment finance industry: 1) growing investments in generative AI, 2) equipment-as-a-service (EaaS) subscription-based models, and 3) 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.

- **Top methods 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%).

- **Most financed equipment verticals.** 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%).

- **Top financing vertical industries.** 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.

- **Financing by firm size.** 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.

- **Activity by financing entity type.** 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.

- **Top reasons for financing.** 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%).

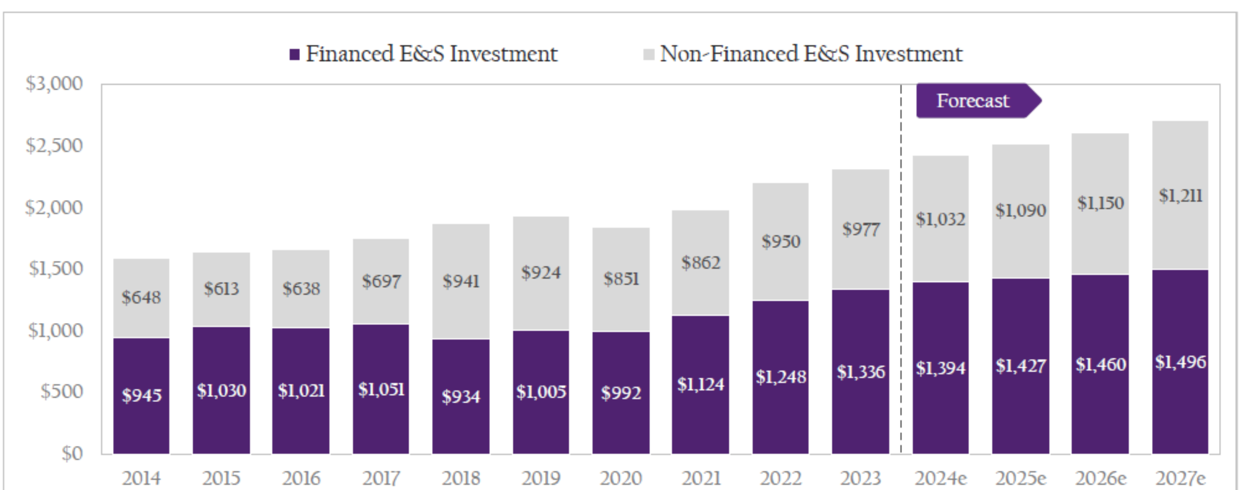
- **Top-of-mind factors financing additional equipment in 2025.** A variety of factors were cited as reasons for financing additional equipment and software in 2025. The most frequently cited factor was "technology advancements and/or obsolescence" (44%), followed by "inflation" (36%), "interest rates/Federal 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.

- **Equipment and software financing volume by state.** 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.

Size of the Equipment Finance Industry

To determine a comprehensive estimate of the equipment finance industry's size, the Foundation collected and analyzed data from nearly 600 equipment and software end-users reflecting 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 facilitated the calculation of an overall "propensity to finance" figure that was applied to BEA data on overall equipment and software investment to derive the industry size estimate of $1.34 trillion in 2023.

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.

About the study
The **Equipment Finance Industry Horizon Report 2024** 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.

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, including the quarterly **Equipment Leasing & Finance U.S. Economic Outlook,** the monthly **Foundation-Keybridge U.S. Equipment & Software Investment Momentum Monitor**, and the annual **Industry Future Council report.**

How to access the study
The 2024 Equipment Leasing & Finance Industry Horizon Report is available for free download at https://www.leasefoundation.org/industry-resources/horizon-report/.

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

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