

# TRENDS OF INTERNATIONAL LEASE MARKET DEVELOPING Khoreva I.V. (Russian Federation) Email: Khoreva226@scientifictext.ru

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**Abstract:** in today's market place in conditions of globalization the contribution of leasing to the development of the world economy remains strong. Currently, leasing transactions concluded in more than 100 countries, half of which are developing, where the volumes of new leasing business are quite significant. The growth and expansion of the global leasing market is a result of internationalization of both production and financial sphere. In this article international market development is analyzed, and its most important trends are highlighted.

**Keywords:** leasing market trends, international leasing, leasing transactions, lessor, lessee.

## ТРЕНДЫ РАЗВИТИЯ МЕЖДУНАРОДНОГО ЛИЗИНГОВОГО РЫНКА Хорева И.В. (Российская Федерация)

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**Аннотация:** в современных рыночных условиях глобализации вклад лизинга в развитие мировой экономики остается существенным. На текущий момент лизинговые транзакции заключаются в более чем 100 странах, половина из которых развивающаяся, где объемы нового лизингового бизнеса достаточно большие. Рост и расширение глобального лизингового рынка являются результатом интернационализации производственной и финансовой сфер. В данной статье проанализировано развитие международного лизингового рынка и выделены его наиболее существенные тренды.

**Ключевые слова:** тренды лизингового рынка, международный лизинг, лизинговые транзакции, лизингодатель, лизингополучатель.

The evolution and development of international markets for leasing services is associated not only with the intensive development of production activities, but also with the international division of labor in the system of international economic relations, which, under the conditions of economic globalization, makes it possible to provide the necessary resources for the leasing process from foreign sources. This circumstance leads to a constant increase in the number of participants in the global leasing market.

Despite the crisis phenomena of recent years, the contribution of leasing to the development of the world economy remains strong. Taking into account a certain share of security of leasing assets, companies easily cooperate with potential lessors, using an alternative form of financing their own projects, which, in turn, helps them to maintain their own positions in the current economic situation. Before leasing companies have access to finance, they can remain a key source of investment in Europe, since leasing has already become the main mean of financing for most businesses in the region [1].

Thus, for the several years after the first global economic crisis in the world, the leasing industry has grown in new business volumes (Figure 1).

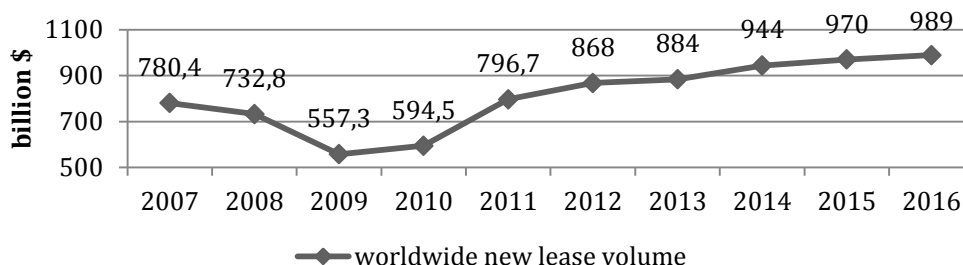


Fig. 1. Global new lease volumes from 2007 to 2016, bln. \$

As can be seen from Fig. 1, the global leasing market has experienced a drop in volumes of new business in 2008-2009 respectively, caused by the global crisis [2]. Since 2010, the dynamics of this indicator shows growth, which tends to slow in the last two years. This circumstance can be caused by the crisis, both in different countries and in the financial sphere as a whole.

Totally, global annual volumes reached the US\$1 trillion milestone, demonstrating growth in the industry outperforming that of the overall economy [2].

Quite interesting fact, top 50 countries reported 6.83% growth in the value of new contracts closed in 2015, from \$883.96bn in 2014 to \$944.31bn. What is interesting, that only three regions: North America, Europe and Asia account for more than 80% of world volume, and together almost matched the previous year's global total for new business leasing and hire purchase [2].

However growth rates in this market (across all countries) are not the same. Thus, according to the Leaseurope/ Invigors Business Confidence Survey England, Germany and Italy have the biggest leasing portfolio among European countries (see Figure 2).

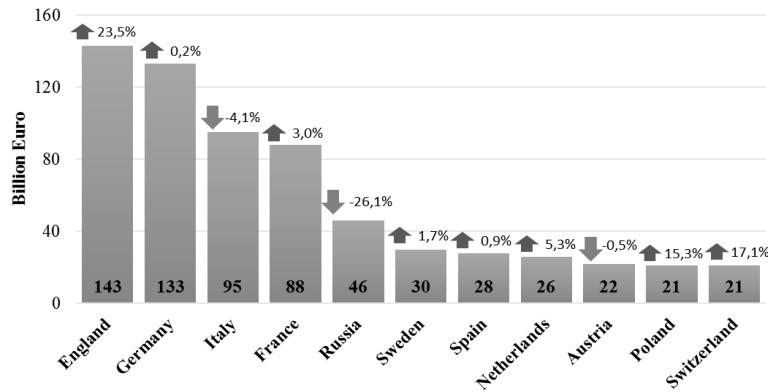


Figure 2. Lease portfolio of European countries in 2015

From the Figure 2 we could see, that almost in all European countries there was the positive dynamic in lease portfolio volume. The biggest growth took place in England, the lowest one (but positive) – in Germany. What is more, there are some countries, where was the significant decline in lease portfolio: countries like Russia, Italy and Austria.

Moreover, considering the total European market in 2015, the biggest part take passenger cars, as we described early, the second -equipment (near 29%), the third – commercial vehicles and after that – real estate (see the Figure 3 [3]).

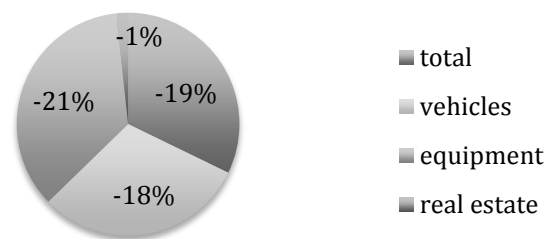


Figure 3. New leasing volumes per asset type in 2015

Furthermore, author of this article singled out and analyzed in detail the key trends in the development of the world market of leasing services:

1. Consolidation, manifested in the desire of small firms to unite in one large company. One of the main advantages of consolidation for leasing companies is the possibility to finance common assets for several lessors of their activity. In most cases, this process is characterized by investors entering the number of shareholders of the consortium being created. The consolidation process has been most developed in recent years in the United States.

2. Specialization, expressed in the desire of lessors to use specific types of equipment or specialization in certain industries based on obtaining in-depth knowledge of the products or markets. This information is especially important for an accurate forecast of the liquidation value of leased items. It is also very significant to mention that large firms use financial leasing for a large number of types of equipment and have a strong position in several segments of the market.

3. Organization of special sales programs. Vendors who organize leasing programs become very prominent figures in the field of equipment leasing. Many lessors approve the direct leasing program, as the predictability of the terms of the transaction increases and they themselves carry out lending for sales promotion, which is provided by the distributor or the manufacturer. In the last few years, the complexity of such programs has increased significantly. Other lessors are also inclined to consider the possibility of promotion to the world market through cooperation with several equipment manufacturers. Thus, the creation of joint enterprise allows

the manufacturer to realize many advantages from having its own financial branch with increasing competencies of the company's top management.

4. Securitization of leasing assets. Interest in securitization is due to its greater ability to provide additional liquidity in the leasing market, which is extremely important in the post-crisis renewal of international capital markets. Classical securitization is associated with the direct sale of an asset; here the seller is the initiator of the transaction (originator), which is the lessor, and the buyer is a specialized legal entity. At the same time, the rights to receive the debt are transferred to the new owner of the assets and the issue of securities is carried out. In modern conditions, the dominant importance of initiators of the securitization process passes from mortgage banks to specialized financial (captive) companies of the largest transnational corporations - equipment manufacturers (General Electric, Siemens, IBM), in whose portfolios a significant share belongs.

To assess the prospects for the development of the global leasing market, one should take full account of: the consequences of global financial crises affecting the economies of many countries; moving from the traditional accounting methodology towards IAS-17; changes in taxation systems in a number of countries (which have abolished some of the benefits of leasing); restrictions on access to national capital markets (especially for companies from developing countries); significant volatility of the rates of many national currencies against the US dollar.

It is also important to point out that leasing has been used by state authorities of some countries in national privatization programs. It should also be expected that a number of positive factors will contribute to the rapid growth of international leasing in international trade. The growth in leasing operations in countries such as the US, Australia, some Central Asian countries, Russia, Latin America will counteract the observed and projected stagnation of these volumes in the countries of South-East Asia and the EU.

As a result of the analysis, the author notes that among the most striking features of the development of the global leasing industry in the period of the global crisis: a decrease in the solvency of lessees; growth of operational risks of many lessors in the context of a general decrease in the liquidity of assets leased; stricter requirements for the evaluation of leasing projects and lessees; weaken the financial base of many leasing companies (with the exception of international companies that are affiliated with large production holdings, transnational corporations and banks).

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