

Construction Equipment Repeats as the Winner, Plastic Breaks into the Top 5

What are the hottest equipment sectors in 2017? The answer is construction, medical, machine tools, high-tech/computer, plastics and trucks/trailers, according to a new survey of ELFA member asset managers and consultants.

The 2017 “What’s Hot/What’s Not” Equipment Leasing Trends Report reveals industry perceptions of 15 equipment markets based on a survey of ELFA members. The study’s author is Carl Chruppa of The Alta Group, LLC.

The following are the top 5 equipment types from the survey:

1 CONSTRUCTION EQUIPMENT was the big winner for the fourth year in a row. The outlook for construction remains good, pinned to the improving health of the economy and low interest rates. Sales of used equipment have been declining a bit due to sales in the primary market, weak global trade and the strong dollar discouraging exports. Proposed national infrastructure projects could be a plus.

2 MEDICAL EQUIPMENT finished in second place. This high standing in rank is believed to be linked to a better understanding of the impact of the Affordable Care Act on hospitals and clinics and talk of an ACA overhaul. This industry has a preference for leased equipment, which continues unabated. However, potential Deductible Reimbursement Account (DRA) reimbursement cuts and rules aimed at the industry could weaken the new equipment market while potentially making some used equipment more desirable.

3 MACHINE TOOLS finished in third place due to the strong domestic automotive and allied industries, along with the now-improving oil

exploration sector. In the primary market, sales for metal cutting equipment fell -4.3% in 2016, though total consumption remains high. Sales for this sector are also forecast to remain high in 2017. However, the secondary market for machine tools has weakened a bit and prices are now being discounted in both the primary and secondary markets.

4 HI-TECH/COMPUTERS finished in fourth place. This industry continues to operate on very low margins but has a very large secondary market. Global computer sales continued to drop in 2016. Declining primary market PC sales reflect a growing preference for phablets and wearables, but could have positive implications for the secondary market.

5 PLASTICS EQUIPMENT tied for fifth place. Currently, this market segment continues to experience a solid turnaround in almost all categories. Sales of new injection molding machines increased again for the seventh year in a row. Used prices for plastic injection molding machines have increased by 20% to 50+% over the past five years. Much of this is thanks to the automotive industry, which requires high-capacity IMMs for its products, and auto parts suppliers, which utilize smaller capacity plastic equipment.

5 TRUCKS/TRAILERS tied for fifth place. New truck sales dropped more than 22% last year and are expected to fall again this year. Competition from rail bears some of the blame. New trailer shipments were brisk, breaking the 2006 record. Sales of used trucks and trailers are good, although resale values have been declining. This sector has greatly benefited from low fuel prices and interest rates. There is continued optimism for this equipment type.

View the results for all 15 equipment categories on the ELFA website at www.elfaonline.org/data/market-trends.

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