

Finance leasing: estimates of investment in assets for leasing out

This note updates, in modified form, tables published on pages 388-9 of the September 1982 Bulletin.

The tables accompanying this note are similar to those which appeared in the September 1982 *Bulletin*, and previously in the Department of Industry's publication *British Business*, but are now restricted to finance leasing. Thus they now exclude investment by companies primarily engaged in operating leasing and other forms of hiring and rental previously included, along with the specialised forms of leasing and hiring which were already excluded (self-drive hire, television rental, scaffolding hire, leasing of buildings by property companies). This accords with the treatment prescribed by the 1980 revised Standard

Industrial Classification (SIC), being introduced this year. The SIC provides an analytical basis for industry-orientated official statistics, including the annual census of production and the supplementary quarterly enquiry into capital expenditure by the manufacturing, construction, distribution and financial sectors.

The sources of the statistics remain broadly as described in the previous note. The main one continues to be a quarterly enquiry into capital expenditure on assets for leasing, hiring and renting out by companies whose leasing activities are

Table A
Finance lessors' capital expenditure at current prices on assets for leasing, hiring and renting out^(a)

£ millions	Acquisitions for leasing to				Total assets acquired	Disposals of assets leased to				Total disposals
	Central government and local authorities	Manufacturing industry	Other industries	Unidentified(b)		Central government and local authorities	Manufacturing industry	Other industries	Unidentified(b)	
New building work:										
1978	—	—	—	—	—	—	—	—	—	—
1979	—	1	—	—	1	—	—	—	—	—
1980	—	2	3	—	5	—	—	—	—	—
1981	6	—	9	5	20	—	—	—	—	—
1982(c)	22	49	8	2	81	—	—	—	—	—
Vehicles:										
1975	7	20	58	12	97	—	4	3	2	9
1976	9	22	124	17	172	—	5	7	2	14
1977	10	55	132	29	226	—	4	5	3	12
1978	23	209	261	142	635	2	9	14	5	30
1979	27	230	626	131	1,014	3	30	52	10	95
1980	55	210	633	84	982	4	40	120	10	174
1981	24	149	642	121	936	1	35	140	35	211
1982(c)	29	182	558	302	1,071	—	38	68	134	240
Plant and machinery:										
1975	39	102	67	69	277	—	4	2	7	13
1976	40	143	78	78	339	1	6	8	6	21
1977	35	184	146	152	517	2	14	11	12	39
1978	37	273	210	139	659	9	16	22	12	59
1979	72	415	345	204	1,036	8	25	26	16	75
1980	135	610	583	256	1,584	9	30	30	35	104
1981	88	688	627	332	1,735	1	22	29	39	90
1982(c)	78	658	820	546	2,102	2	41	31	123	197
Total expenditure										
1975	46	122	125	81	374	—	8	5	9	22
1976	49	165	202	95	511	1	11	15	8	35
1977	45	239	278	181	743	2	18	16	15	51
1978	60	482	471	281	1,294	11	25	36	17	89
1979	99	646	971	335	2,051	11	55	78	26	170
1980	190	822	1,219	340	2,571	13	70	150	45	278
1981	118	837	1,278	458	2,691	2	57	169	74	301
1982(c)	129	889	1,386	850	3,254	2	79	99	257	437
Total acquisitions less disposals										
1975	46	114	120	72	352	—	—	—	—	—
1976	48	154	187	87	476	—	—	—	—	—
1977	43	221	262	166	692	—	—	—	—	—
1978	49	457	435	264	1,205	—	—	—	—	—
1979	88	591	893	309	1,881	—	—	—	—	—
1980	177	752	1,069	295	2,293	—	—	—	—	—
1981	116	780	1,109	385	2,390	—	—	—	—	—
1982(c)	127	810	1,287	593	2,817	—	—	—	—	—

(a) Capital expenditure by banks, finance houses and specialist finance leasing subsidiaries and associates of these and other companies.

(b) Largely finance leasing for which information about lessees has not been reported, but including a small amount of other forms of leasing carried out by the reporting institutions.

(c) Provisional.

wholly or mainly in the field of finance leasing (part of the wider quarterly enquiry into capital expenditure mentioned above). In addition, information on leasing conducted directly by monetary sector institutions, rather than through their specialised leasing subsidiaries, is obtained from quarterly banking statistics returns. In the past, estimates of the volume of finance leasing done by financial companies not reporting under either of these surveys have been derived mainly from enquiries conducted annually by the Business Statistics Office under the Statistics of Trade Act 1947. This source is no longer available, although estimates for such companies are still included based on previous information; the Bank is considering how the coverage of the quarterly enquiry might be extended to safeguard, and if possible, improve, the quality of these estimates.

Capital expenditure on assets for finance leasing made by companies outside the financial sector is not included in the accompanying tables. (Expenditure on fixed assets by these companies, for whatever purpose, is estimated by the Business Statistics Office and is attributed in official statistics to the sector of their main business, while specialist lessors are currently required to omit from figures returned to the Bank of England any assets which appear on their books by virtue of any form of participation as agents in finance leasing activity by such companies.)

The statistics in Table A are mainly intended to measure the contribution of investment in assets for leasing out to estimates of total domestic capital formation published by the Central Statistical Office. They cover chiefly assets acquired for installation and use within the United Kingdom. Ships (on the UK register) and aircraft owned by UK lessors are considered to be part of domestic capital formation, irrespective of their location, and assets of this type are included; but investment in other types of equipment for leasing overseas, a significant amount of which has been effected in recent years, is not.⁽¹⁾

The table analyses finance leasing by lessee sector, but this analysis is incomplete; the fourth column includes business reported by monetary sector institutions and by

Table B
Finance lessors' net capital expenditure^(a) on assets for leasing, hiring and renting out: current prices and constant (1980) prices compared

£ millions

	New building work	Vehicles	Plant and machinery	Total
1975				
Current prices	—	88	264	352
1980 prices	—	175	401	576
1976				
Current prices	—	158	318	476
1980 prices	—	271	409	680
1977				
Current prices	—	214	478	692
1980 prices	—	301	563	864
1978				
Current prices	—	605	600	1,205
1980 prices	—	783	674	1,457
1979				
Current prices	1	919	961	1,881
1980 prices	1	1,053	1,017	2,071
1980				
Current prices	5	808	1,480	2,293
1980 prices	5	808	1,480	2,293
1981				
Current prices	20	725	1,645	2,390
1980 prices	19	658	1,526	2,203
1982(b)				
Current prices	81	831	1,905	2,817
1980 prices	78	703	1,660	2,441

(a) Acquisitions less proceeds of disposals.

(b) Provisional.

respondents to the quarterly enquiry where the lessee sector cannot be identified, together with the estimated expenditure of leasing companies not participating in the enquiry. In the national accounts Blue Book, capital expenditure is classified according to industry of ownership,⁽²⁾ and expenditure by both finance and other lessors is allocated in general to the banking, finance, insurance, business services and leasing division of the revised SIC.

Estimates of the volume of capital expenditure by finance lessors are given in Table B, where the value of net acquisitions is shown both at current and at constant prices. For the constant price series the price indices used have been rebased since the previous article, in line with other official constant price series, and now reflect the relative importance of particular types of assets in the companies' 1980 expenditure.

(1) On the basis of information published by the Equipment Leasing Association relating to its members' business it is estimated that expenditure of this type amounted to £30 million in 1979, £95 million in 1980, £365 million in 1981 and £45 million in 1982.

(2) Expenditure by finance lessors on ships is, however, amalgamated with direct investment made by the shipping industry and appears as part of that industry's fixed capital formation. See Table 10.8 of the Blue Book where expenditure on fixed assets for leasing, hiring and renting out within gross domestic fixed capital formation is distributed as follows:

Banking, finance and insurance: leased assets covers finance leasing other than ships.

Sea transport covers finance leasing of ships.

Business services, etc covers operating leasing.

Expenditure in respect of the specialised forms of lease and hire mentioned on page 395 appears indistinguishably within the figures for the industries concerned (construction, other transport etc).