

Finance leasing: estimates of investment in assets for leasing out

This note updates figures published on page 395 of the September 1983 Bulletin and introduces a quarterly series for the period since the beginning of 1981.

The statistics in Table A measure the contribution to fixed investment of assets purchased for leasing out; they cover investment in such assets by monetary sector institutions, by finance houses outside the monetary sector, and by specialist finance leasing subsidiaries (or associates) of these institutions and of other companies. By far the greater part of the expenditure is on assets to be leased out under finance leases, but expenditure by these companies on assets for leasing out on other terms is also included. In recent years, some companies have also on-leased assets which they do not own but have themselves leased in from other owners, generally not financial companies; such business is excluded from the figures.

The main source for the statistics continues to be a quarterly enquiry into capital expenditure addressed to a panel of financial companies actively engaged in finance leasing. This enquiry began as part of the Department of Trade and Industry's wider survey of capital expenditure by the manufacturing, construction, distribution, and financial industries and has since been taken over by the Bank. Figures are also collected from monetary sector institutions. The panel does not include all leasing companies outside the monetary sector, and estimates are therefore added for expenditure by lessors outside the reporting panel; these estimates, modest in size, are based on enquiries conducted annually by the Business Statistics Office. At the beginning of 1983, monetary sector institutions joined other lessors in analysing their leasing expenditure by lessee sector (for earlier years it was necessary to place it entirely within the unidentified component).

The statistics include all expenditure reported by the institutions concerned but, with the exception of those for the latest year, they do not necessarily reflect the full extent of lessors' investment. This is because the enquiries from which they derive are mainly intended to measure lessors' capital formation within the United Kingdom, which includes all expenditure on ships and aircraft, irrespective of the residential status of the lessee, but excludes that on other types of asset where intended for installation and use outside the United Kingdom. Accordingly, lessors were not until

recently requested to include amounts spent on such assets in their returns. On the basis of information published by the Equipment Leasing Association relating to its members' business, it is estimated that such expenditure may have amounted to £30 million in 1979, £95 million in 1980, £365 million in 1981 and £45 million in 1982. No leasing abroad of assets of any kind has been reported since early 1982.

The table analyses finance leasing by lessee sector only in so far as these figures have been reported on the quarterly returns; no attempt has been made to attribute to sectors either reported expenditure where a sector breakdown was not provided or estimated expenditure by non-reporting lessors. A table giving an estimated split of expenditure between six industrial categories of lessee is included in the notes to the national income and expenditure accounts Blue Book.⁽¹⁾ (In the main capital formation tables within the Blue Book, expenditure on fixed assets in the United Kingdom is, however, classified by industry of the owner, and expenditure by both finance and other lessors is allocated in general to the banking, finance, insurance, business services, and leasing division of the Standard Industrial Classification. But expenditure by finance lessors on ships leased to the UK shipping industry is, exceptionally, included within capital formation by the sea transport industry instead.)

The table presents quarterly figures for the first time. These cover the last three years, with the same coverage in all respects as the annual estimates. They are not currently published elsewhere in this form, but constitute the basic material for the series of net capital expenditure by the finance leasing industry, not analysed by asset type or by lessee sector, which is published by the Department of Trade and Industry in *British Business* within regular articles devoted to the results of successive quarterly capital expenditure surveys. That series is presented at constant (1980) prices and seasonally adjusted; in conformity with Blue Book practice, it omits expenditure on ships leased to the UK shipping industry.

The types of institution which undertake the finance leasing covered in this note have been described. It

(1) *National Income and Expenditure*, 1984 edition, published by HM Stationery Office.

Table A
Finance lessors' capital expenditure on assets for leasing out: annual and quarterly estimates

£ millions, current prices

	Acquisitions for leasing to				Total assets acquired	Disposals of assets leased to				Total disposals
	Central government and local authorities	Manufacturing industry	Other industries(a)	Unidentified(b)		Central government and local authorities	Manufacturing industry	Other industries(a)	Unidentified(b)	
New building work:										
1978	—	—	—	—	—	—	—	—	—	—
1979	—	1	—	—	1	—	—	—	—	—
1980	—	2	3	—	5	—	—	—	—	—
1981	7	—	9	4	20	—	—	—	—	—
1982	22	49	8	2	81	—	—	—	—	—
1983	14	20	27	—	61	—	—	—	—	—
1981 1st qtr	—	—	3	—	3	—	—	—	—	—
2nd ..	—	—	2	1	3	—	—	—	—	—
3rd ..	2	—	3	—	5	—	—	—	—	—
4th ..	5	—	1	3	9	—	—	—	—	—
1982 1st qtr	1	—	1	—	2	—	—	—	—	—
2nd ..	9	9	2	—	20	—	—	—	—	—
3rd ..	4	23	1	—	28	—	—	—	—	—
4th ..	7	17	5	2	31	—	—	—	—	—
1983 1st qtr	7	10	7	—	24	—	—	—	—	—
2nd ..	3	2	11	—	16	—	—	—	—	—
3rd ..	2	3	2	—	7	—	—	—	—	—
4th ..	1	4	8	1	14	—	—	—	—	—
Vehicles:										
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	640	123	936	—	34	136	41	211
1982	29	150	553	381	1,113	—	26	65	150	241
1983	29	148	447	297	921	16	34	139	74	263
1981 1st qtr	2	23	135	28	188	—	6	38	7	51
2nd ..	3	32	219	27	281	—	9	36	12	57
3rd ..	5	32	138	30	205	—	11	38	14	63
4th ..	14	62	148	38	262	—	8	24	8	40
1982 1st qtr	9	23	186	95	313	—	7	20	22	49
2nd ..	8	31	91	86	216	—	6	14	33	53
3rd ..	6	45	115	94	260	—	6	13	42	61
4th ..	6	50	161	107	324	—	7	18	53	78
1983 1st qtr	6	46	89	89	230	1	11	47	13	72
2nd ..	4	36	97	75	212	1	9	28	18	56
3rd ..	5	31	118	69	223	14	7	30	26	77
4th ..	14	36	143	63	256	—	6	34	18	58
Plant and machinery:										
1978	37	273	210	139	659	9	16	22	12	59
1979	72	365	395	204	1,036	8	25	26	16	75
1980	135	560	633	256	1,584	9	30	30	35	104
1981	88	677	628	342	1,735	1	19	28	42	90
1982	78	620	810	616	2,124	2	26	29	137	194
1983	163	702	784	325	1,974	11	34	50	42	137
1981 1st qtr	13	173	119	52	357	—	4	4	6	14
2nd ..	11	105	158	88	362	—	2	6	12	20
3rd ..	12	134	176	89	411	—	4	7	9	20
4th ..	52	265	175	113	605	1	9	11	15	36
1982 1st qtr	16	143	194	136	489	—	5	5	52	62
2nd ..	24	145	155	114	438	1	6	4	32	43
3rd ..	16	141	197	114	468	—	6	6	17	29
4th ..	23	191	264	251	729	1	9	14	36	60
1983 1st qtr	42	155	241	66	504	5	9	7	22	43
2nd ..	21	149	152	61	383	1	8	13	4	26
3rd ..	24	159	147	84	414	4	10	16	7	37
4th ..	77	239	244	113	673	1	8	14	8	31
Total expenditure:										
1978	60	482	471	281	1,294	11	25	36	17	89
1979	99	596	1,021	335	2,051	11	55	78	26	170
1980	190	772	1,269	340	2,571	13	70	150	45	278
1981	119	826	1,277	469	2,691	1	53	164	83	301
1982	129	819	1,371	999	3,318	2	52	94	287	435
1983	206	870	1,258	622	2,956	27	68	189	116	400
1981 1st qtr	15	196	257	80	548	—	10	42	13	65
2nd ..	14	137	379	116	646	—	11	42	24	77
3rd ..	19	166	317	119	621	—	15	45	23	83
4th ..	71	327	324	154	876	1	17	35	23	76
1982 1st qtr	26	166	381	231	804	—	12	25	74	111
2nd ..	41	185	248	200	674	1	12	18	65	96
3rd ..	26	209	313	208	756	—	12	19	59	90
4th ..	36	258	430	360	1,084	1	16	32	89	138
1983 1st qtr	55	211	337	155	758	6	20	54	35	115
2nd ..	28	187	260	136	611	2	17	41	22	82
3rd ..	31	193	267	153	644	18	17	46	33	114
4th ..	92	279	395	177	943	1	14	48	26	89

(a) Includes leasing of ships and aircraft to overseas residents.

(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.

remains true that the lion's share of the expenditure is ultimately financed by monetary sector institutions. In turn, however, much the greater part is channelled through subsidiary companies specialising in the provision of leasing facilities; for the purposes of national accounting and for analysing the flows of funds between institutional sectors, these subsidiaries have always been separated from their parents and form part of the other financial institutions sector.

Table B shows the division in recent years of the broad total of expenditure between that made by the various groups of monetary sector institutions directly and that made by other financial institutions—including the specialised leasing subsidiaries of the banks. The latter

Table B
Total expenditure on leased assets

£ millions, current prices

	1981	1982	1983	
Gross acquisition by:				
Retail banks	2	6	35	
Accepting houses	25	47	42	
Other British banks	94	164	161	
American banks and Japanese banks	37	132	61	
Other overseas banks	18	131	157	
Consortium banks	52	56	32	
	Total monetary sector	228	536	488
Other financial institutions(a)	2,463	2,782	2,468	
<i>Of which, reported by subsidiaries etc of retail banks</i>	<i>1,994</i>	<i>2,253</i>	<i>1,866</i>	

(a) Mainly specialist finance leasing subsidiaries of banks and other financial sector companies, but including expenditure by some non-monetary sector finance houses.

category's figures include both reported expenditure and the estimate for investment by non-reporters.