ERA MARKET REPORT

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2019

ERA
EQUIPMENT RENTAL
INDUSTRY REPORT

EUROPEAN
RENTAL
ASSOCIATION

IHS Markit

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FOREWORD

Dear ERA member and reader,

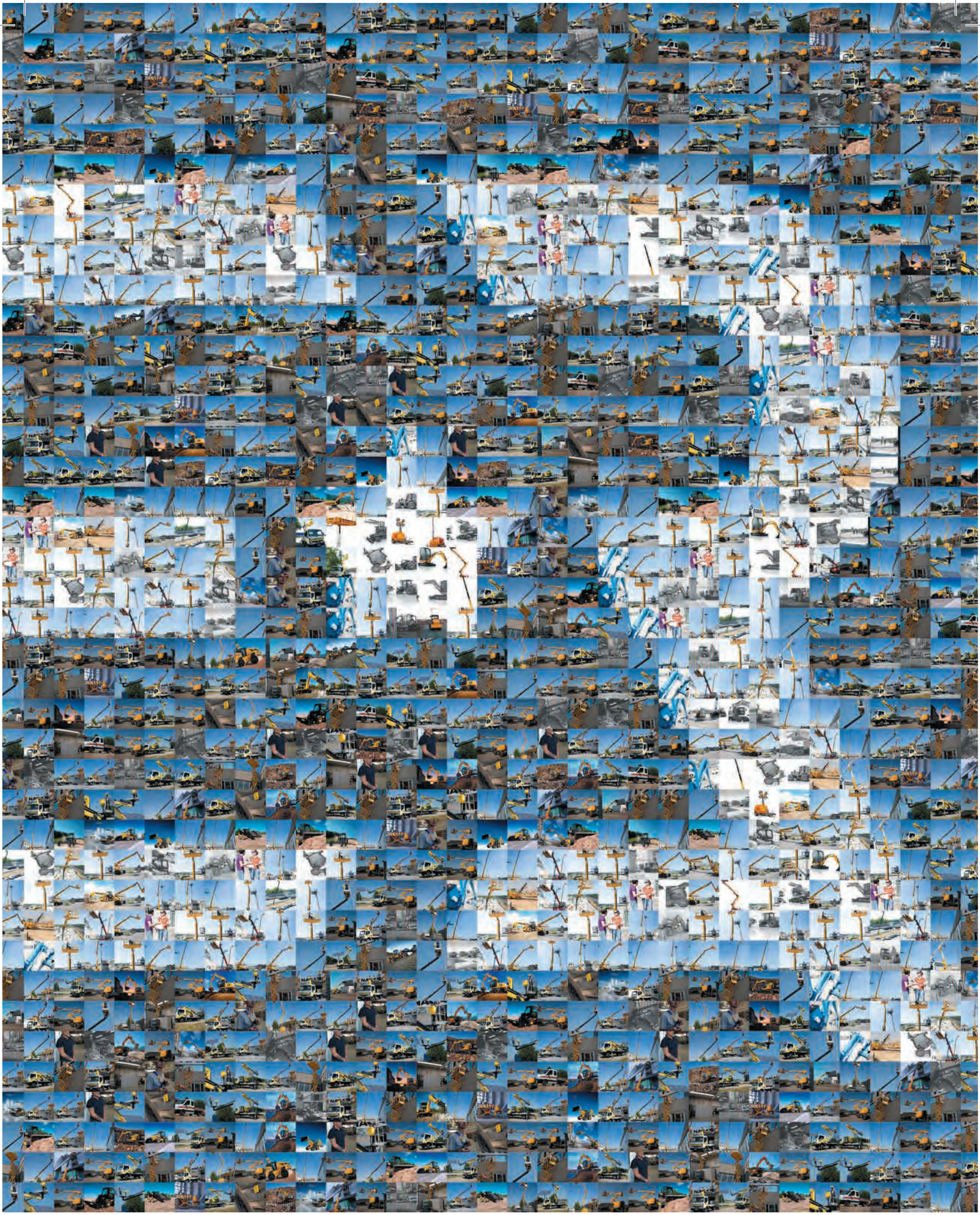
The European Rental Association (ERA) is releasing its 2019 Market Report. As always, with the support of the Statistics Committee, we have strived to develop the reference source for intelligence concerning the European equipment rental market.

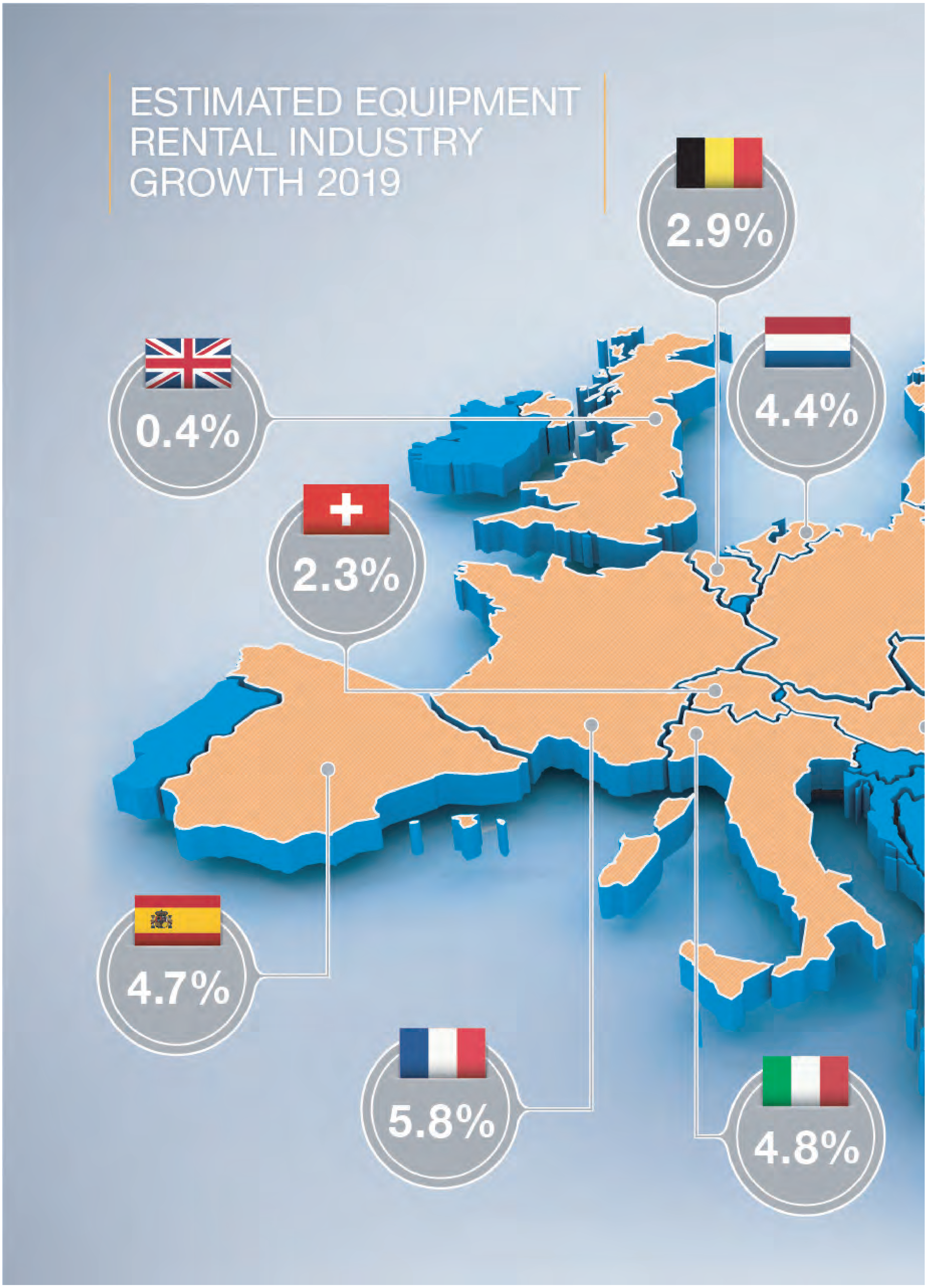
Building a solid data foundation is a long-term process; this report is a further step towards the goal of establishing comprehensive market intelligence concerning the rental market, allowing the development of market trends and international comparisons based on common methodology and definitions.
In this edition, you will find country-specific data for 15 European countries accounting for more than 95% of the equipment rental industry in the EU-28 and the European Free-Trade Association countries. In addition, we included this year a special focus on Russia, providing an overview of the equipment rental market and of its main drivers.

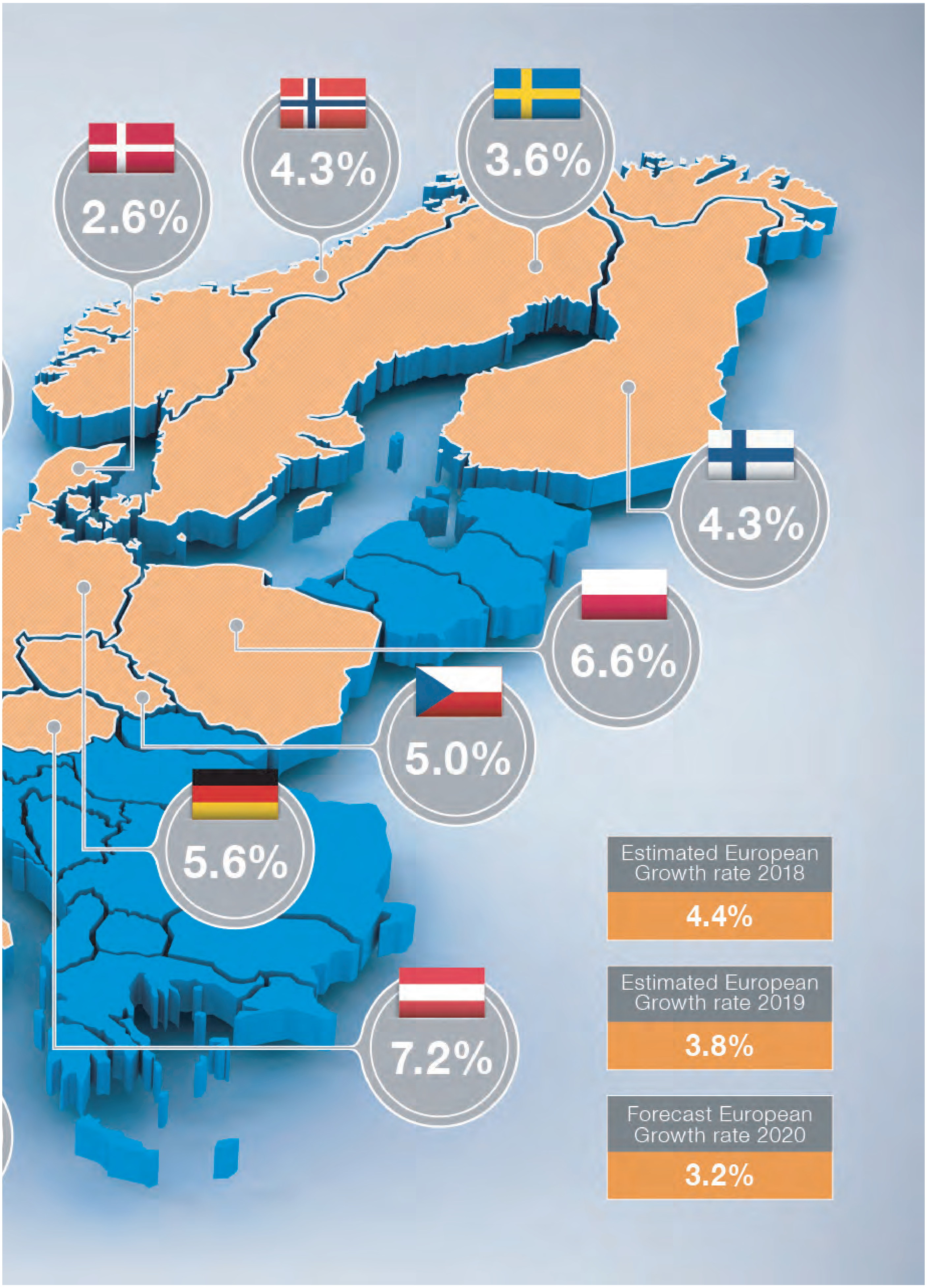
The headline finding from this year's report is that the equipment rental industry is experiencing growth in all the countries under investigation. More than that, for a few years now, the equipment rental industry is growing more quickly than GDP and the construction industry, implying growth of the rental penetration. In fact, across Europe, the climate of confidence among the rental players is quite positive, and there is almost a consensus that there is still room to increase the rental penetration in most of the European countries. That being said, the 2020 outlook is now clouded by a series of uncertainties, among which the hard/"no-deal" Brexit discussion, the escalation in trade protectionism, and the fiscal crisis in Italy are playing major roles.

In wishing you an interesting read, I would like to thank the ERA Statistics Committee members for their dedication and participation in this project.

Michel Petitjean – ERA Secretary General




ESTIMATED EQUIPMENT RENTAL INDUSTRY GROWTH 2019
2.9%
4.4%
0.4%
2.3%
4.7%
5.8%
4.8%


2.6%
4.3%
3.6%
4.3%
6.6%
5.0%
5.6%
7.2%
Estimated European Growth rate 2018
4.4%
Estimated European Growth rate 2019
3.8%
Forecast European Growth rate 2020
3.2%

INTRODUCTION

THE EUROPEAN RENTAL ASSOCIATION (ERA)

EUROPEAN
RENTAL
ASSOCIATION

The European Rental Association was created in 2006 to represent national rental associations and equipment rental companies in Europe. Today, the membership includes more than 5,000 rental companies, either directly or through 15 rental associations. ERA is active through its committees in the fields of Promotion, Sustainability, Statistics, Technical, and through its Future Group.

Extensive information on ERA's activities, reports, and publications is available on the ERA website at http://www.erarental.org.

IHS MARKIT

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions.

IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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EXECUTIVE SUMMARY

Scope of the study

The results for the European rental market in this report refer to renting of equipment without operator.

Detailed market size actual results (2016–17) and estimates (2018–19) are presented for 15 European countries in the local currency. In addition, for each of the countries under investigation, forecasts of rental turnover are provided for 2020 and 2021.

We also include an estimate, in euro, of the size of the total equipment rental market in the EU-28 and the European Free-Trade Association (EFTA) countries for 2018.

The key results of the study for the year 2018 can be summarised as:

In the EU-28 and EFTA countries, equipment rental companies and other companies providing rental services generated a total rental turnover of more than EUR26.0 billion.

Key findings – 15 countries under investigation

Revenue	Growth	Investment	Penetration
EUR26.0 billion in 2018	4.4% in 2018	3.1% in 2018	2018 construction industry penetration 1.4% 2018 GDP penetration 1.7‰

15 countries under investigation

Source: IHS Markit

3

METHODOLOGICAL OVERVIEW

3.1 Concepts

Rental turnover
One of the key indicators used in this report is the concept of rental turnover that includes all rental-related revenues, merchandise, services, and sales of used equipment when it applies.

Actual data, estimates and forecasts
Three different concepts have been applied, depending on the availability of data. Throughout the report, a colour code has been assigned for each concept to facilitate the understanding of the underlying data basis for each year:

Years	Concepts	Colour code
2016–17	Actual data, based on official statistics	Dark blue
2018–19	Estimates, based on interviews and field research	Lighter blue
2020–21	Forecasts, based on IHS Markit driver forecasts	Light blue

Actual data. An approach relying to a large degree on official statistics was applied to calculate market size and distribution across company size classes.

Estimates. A thorough analysis of public data available, companies providing financial estimation in the Amadeus database and data from field research and expert interviews were used to produce the estimates.

Forecasts. Based on the estimation of rental demand elasticity with respect to construction output (broken down by segment: residential, non-residential, infrastructure), GDP and industrial production, the IHS Markit forecasts have been applied to predict the development of rental volumes. The weights of the respective drivers vary between countries and have been assigned based on expert interviews.

3.2 Data sources

European statistics
The indicators presented in this report cover the activity of rental companies mainly classified as providing "renting and leasing of construction and civil engineering machinery and equipment without operator" (code 77.32 according to Nomenclature of Economic Activities – NACE – rev. 2).
Here, please note that for the Czech Republic and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been made to develop comparable rental market estimates.

Amadeus Database
In addition to official statistics and market monitoring, an effort has been made to use information from the comprehensive European company database Amadeus. It was used by IHS Markit:

• to ensure that the largest rental actors in Europe are included in the analysis, even if they have been classified into other NACE codes,
• to increase the reliability of the market size estimates by using the available data on the number of rental companies, revenue, employees, and tangible assets,
• to provide a more thorough analysis of companies providing rental solutions (without operator) as a secondary business.

IHS Markit Global Construction Service
The measurement of construction output that is used in the Global Construction Service – an IHS Markit product – is the gross output (GO) or sales for the construction industry as reported in the UN national accounts data. It is essentially equivalent to "total construction put in place" (PIP) that measures the construction activity that took place in a period.

GO is significantly higher than the gross value added (GVA) measure that is used sometimes when sizing construction output. The difference between the two is that GVA essentially consists of compensation of employees plus profits. It excludes the value of intermediate inputs for materials and other expenses including services from other sectors, e.g., building materials or equipment rental. GO includes the GVA plus the value of the intermediate inputs.

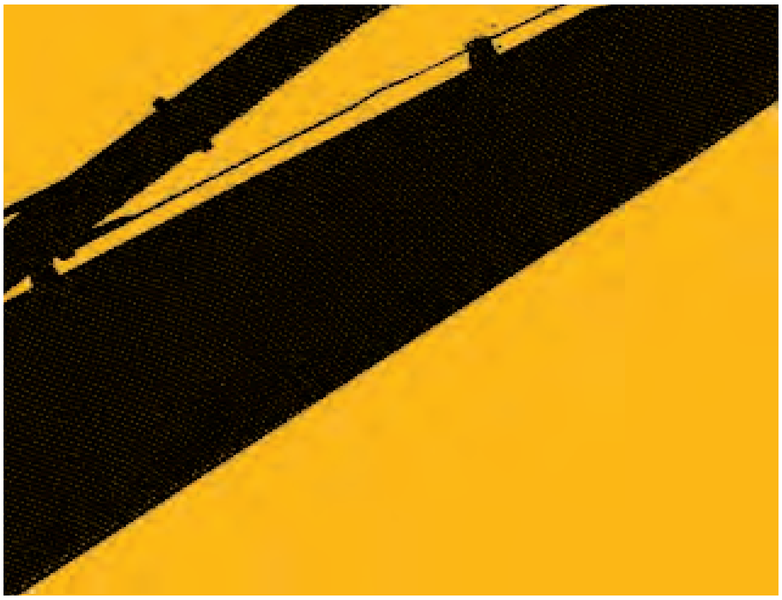
Forecasts of construction activity are taken from the IHS Markit Global Construction Service.

ERA/IHS Markit expert interviews
The analyses presented utilise data from a variety of sources. Of particular importance were the key insights obtained from more than 20 extended interviews with senior industry experts from various countries. We would like to take the opportunity to thank these experts, as well as the members of the ERA Statistics Committee, for the time and effort they have spent in supporting us in the production of this report.

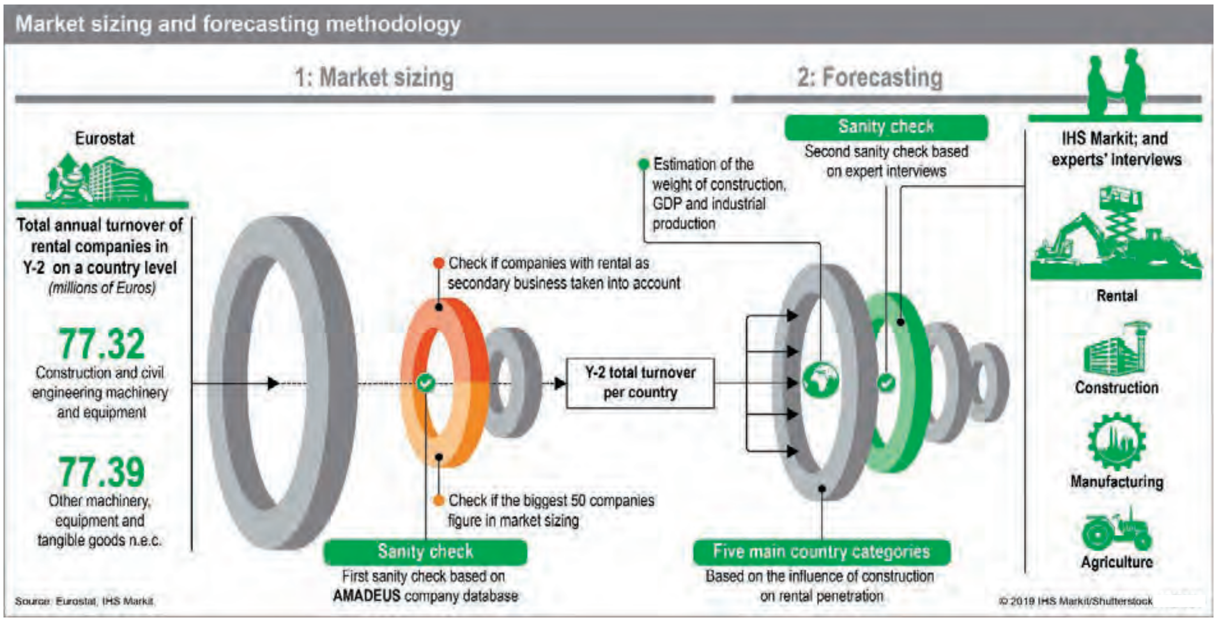
3.3 Data revision

As we continue to take advantage of the more up-to-date data, some of the figures presented in the previous reports have been revised, including the actual data. Consequently, market size and growth estimates cannot be compared directly with the figures of previous reports.

This year, we added a long-term view in the European overview section to enable a 10-year perspective.



3.4 Methodology illustration



4

EUROPEAN OVERVIEW

4.1 Market size

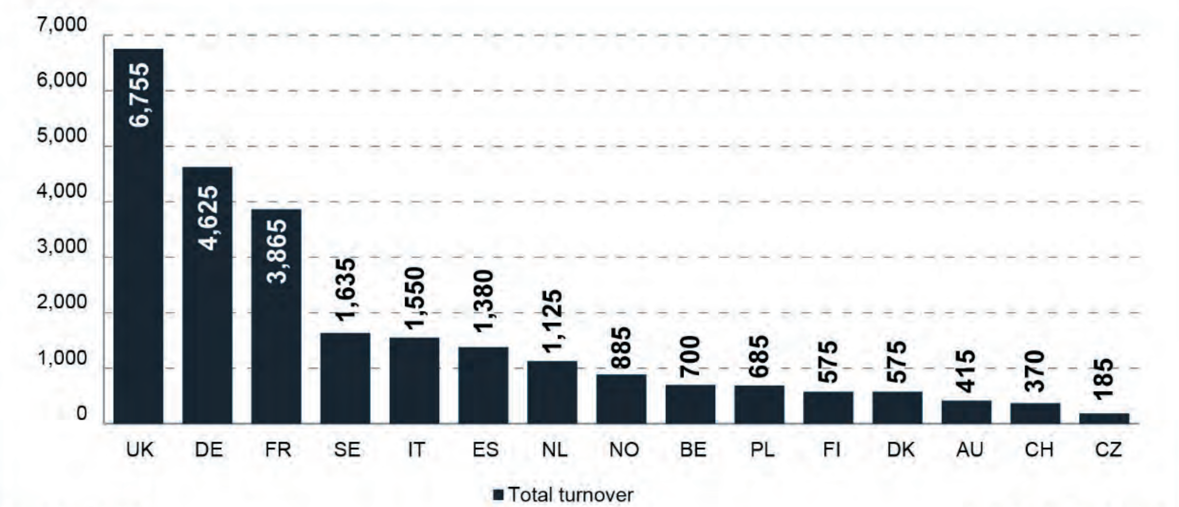
In 2018, in the EU-28 and EFTA countries, equipment rental companies and other companies providing rental services generated a total rental turnover of more than EUR26.0 billion.

The rental industry of the 15 countries under investigation accounted for more than 95% of the EU-28 and EFTA countries' total rental turnover, with the three main markets – the United Kingdom, Germany and France – accounting for 60% of the total.

Compared with the 2018 report, rental turnover has adjusted for some of the countries. In France and in Spain, the equipment rental market has been reduced by approximately 10%, while the market has been lifted by approximately 10% in Switzerland because of the use of the latest official statistics.

Please also note the situation in terms of statistics varies by country. For most of the countries, Eurostat data until 2017 have been released. However, six countries (Belgium, Denmark, Finland, Italy, Poland and the United Kingdom) have only released 2016 figures. Therefore, for those six, the 2017 and 2018 figures were based on the forecast drivers only.

Total turnover 2018 (million EUR)



Source: IHS Markit

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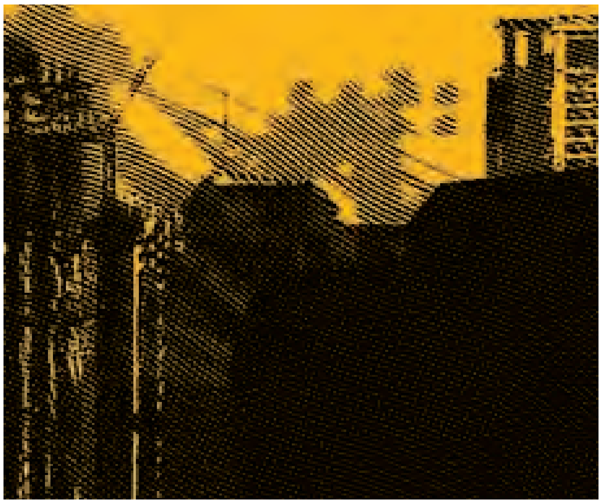
4.2 Forecast

At a constant exchange rate, the equipment rental industry in the 15 countries saw growth of 4.4% in 2018. An estimate for 2019 shows an increase of 3.8%, and a forecast for 2020, an increase of 3.2%, still at a constant exchange rate.

Compared with the 2018 report, 2019 rental growth has substantially changed for Austria and France – and, relatively, for Germany and the United Kingdom – with the main economic indicators driving the equipment rental market having been lifted.

- Austria: better-than-expected construction sector output
- France: Industrial production has been lifted for 2019, as well as the residential construction output for 2019 and 2020



All Countries, LCU	Estimates 2019	Forecast 2020
1. United Kingdom (UK)		
Total turnover [%]	0.4%	0.9%
2. Germany (DE)		
Total turnover [%]	5.6%	4.2%
3. France (FR)		
Total turnover [%]	5.8%	3.3%
4. Sweden (SE)		
Total turnover [%]	3.6%	3.8%
5. Italy (IT)		
Total turnover [%]	4.8%	2.5%
6. Spain (ES)		
Total turnover [%]	4.7%	5.2%
7. Netherlands (NL)		
Total turnover [%]	4.4%	3.4%
8. Norway (NO)		
Total turnover [%]	4.3%	4.5%
9. Belgium (BE)		
Total turnover [%]	2.9%	4.2%
10. Poland (PL)		
Total turnover [%]	6.6%	8.2%
11. Finland (FI)		
Total turnover [%]	4.3%	4.2%
12. Denmark (DK)		
Total turnover [%]	2.6%	2.5%
13. Austria (AU)		
Total turnover [%]	7.2%	4.5%
14. Switzerland (CH)		
Total turnover [%]	2.3%	2.3%
15. Czech Republic (CZ)		
Total turnover [%]	5.0%	6.0%

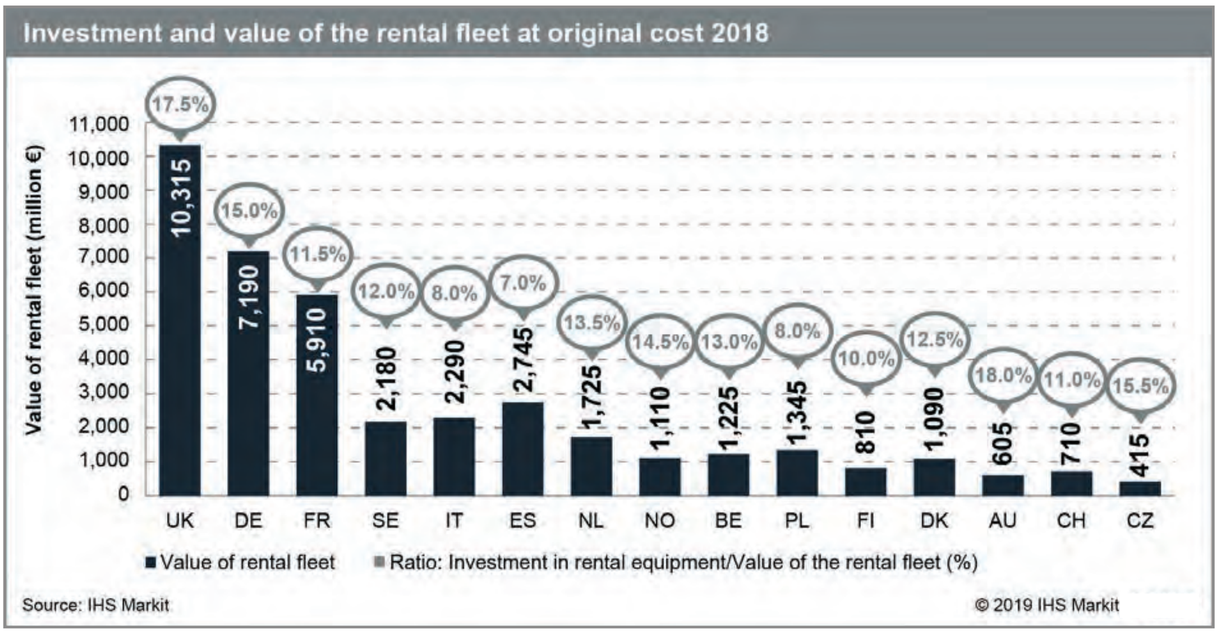
4.3 Investments and rental fleet size

In 2018, the rental industry of the 15 countries of the report increased investment in rental equipment 3.1% compared with 2017.

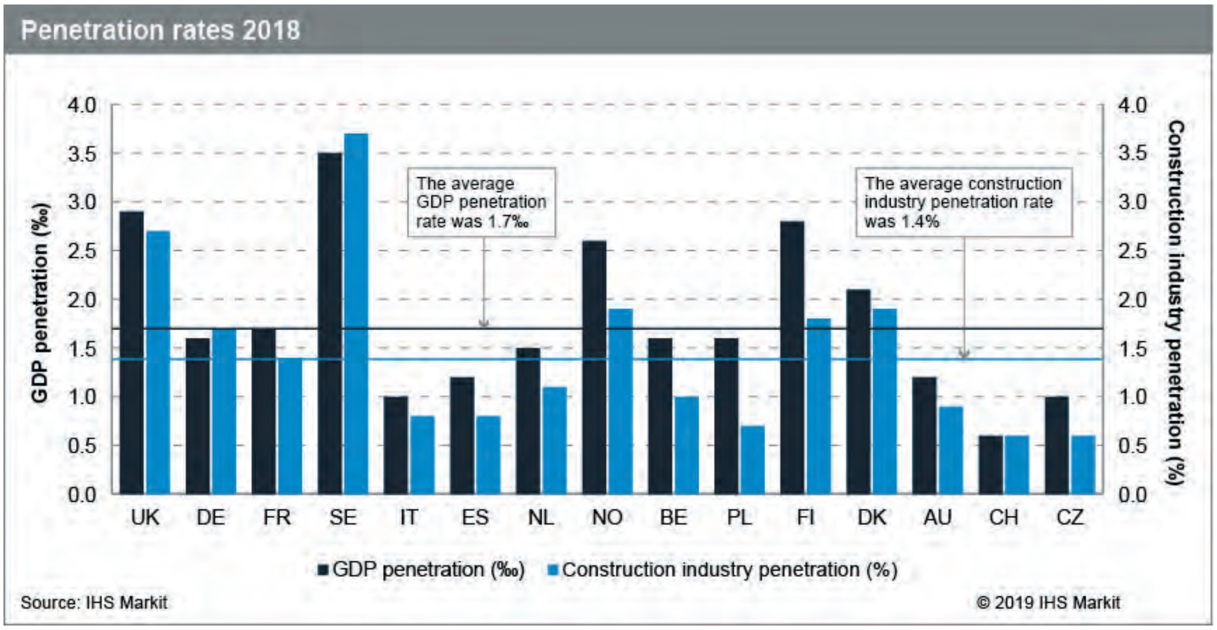
According to the annual economic report from the Committee for European Construction Equipment, 2018 was the strongest year for the European construction equipment sector since the economic crisis of 2008–09. Total equipment sales on the European market grew 11%, and the absolute market level is now only 10% below the 2007 peak.

Among the main reasons for this strength are improved levels of investment by rental companies. Overall demand from the rental sector was vibrant in 2018, with many companies renewing or expanding their fleets.

Now, it might be the peak of the investments, and rental companies seem much more cautious about their investments in many European countries. As a result, in 2019, the rental industry of the 15 countries of the report are expected to increase investment only 0.5% compared with the 3.1% expected in 2018.



4.4 Penetration rates



Regarding the equipment rental penetration in 2018, we monitored two different metrics for the 15 countries covered:

- The average construction industry penetration rate was 1.4%.
- The average GDP penetration rate was 1.7‰.

Here, two trends that are pushing rental penetration are worth mentioning:

- One is a better understanding from the rental customer of the advantages of renting out a piece of equipment:
  - Contractors will save money by using rental services;
  - Rental provides access to modern equipment;
  - It provides more flexibility, and implies less capital expenditure.
- Another is the increasing size and sophistication of rental companies. Consolidation in the rental market has been a key trend in the past few years, playing a major role in the rental industry's efficiency and promotion.

4.5 Construction market

Leading indicators point to weak growth in the European Union during the remainder of this year and into next. Exports and manufacturing activity in particular will continue to struggle given the slowdown in world trade and demand. Although, so far, the spill-overs to other areas of the economy have been limited, the more persistent the weakness, the larger the contagion is likely to become. The record gap between the manufacturing and services purchasing managers' indexes (PMIs), for example, looks unsustainably high. The labour market remains a key transmission channel for weakness spreading, with surveys of hiring intentions pointing to much weaker industrial employment prospects ahead, with likely knock-on effects on consumer sentiment and spending.

Annual growth in the eurozone's total GDP would be 1.1% this year, down from 1.9% in 2018. We continue to expect a further slowdown in 2020, with eurozone growth set to go below 1%. Indeed, we see the risks to the current 0.9% forecast for 2020 being tilted to the downside, with a further proliferation of protectionist measures the prime concern. Machinery and equipment investment looks particularly vulnerable to a setback given persistently high uncertainty over the outlook for demand.

At a member-state level, the deterioration in the performance of the eurozone's largest economy, Germany (which accounts for around 30% of eurozone GDP), has been striking. This decline reflects its high sensitivity to external developments (exports account for close to 50% of GDP), with its industrial sector already enduring a deep downturn. The latest disappointing industrial production figures, for July 2019, point to the weakness continuing in the third quarter. We expect the third-quarter GDP figures to confirm a "technical" recession in Germany, albeit a mild one at this stage. France and Spain have continued to outperform, albeit with growth rates slowing, with both benefiting from solid consumer demand offsetting stalling exports. Although the latest developments in Italy have the potential to be a positive influence on sentiment in the coming months, global risks remain extremely high and the potential for a negative shock is still elevated.

Beyond the noise provided by energy or package-tour price developments in recent months, headline and core Harmonised Index of Consumer Prices (HICP) inflation rates will remain well below the European Central Bank (ECB)'s target of "below but close to 2%" in any case. Coupled with persistently low inflation expectations, the latest round of eurozone inflation data cements the already strong case for additional monetary policy easing. And indeed, soon-to-depart ECB president Mario Draghi announced on 12 September a round of stimulus for the eurozone that includes both a rate cut and a return to quantitative easing. Interest rates are being cut 10 basis points to -0.5%, their lowest level ever, and are expected to remain "at their present or lower levels" until underlying inflation "robustly" converges to the ECB's objective of below, but close to, 2%; net asset purchases will restart from 1 November at a monthly pace of EUR20 billion. They will run "as long as necessary" to reinforce the accommodative impact of low policy rates and will end "shortly before" interest rates start to rise. Looking ahead, if our expectation of continued low growth and inflation is borne out, then further easing is likely. We see a good chance of a further 10-basis-point cut in the policy rate in December, with new president Christine Lagarde probably eager to make an impression. That said, as there is limited room for the rate to go even further below zero, that could favour a more cautious approach and a somewhat longer pause. We expect a 10-basis-point cut by the March 2020 meeting at the latest.

Regarding other policy levers, there has been an increased focus from the ECB on the need for fiscal policy to complement its monetary policy accommodation. Draghi called at the latest press conference for "effective, timely" action from eurozone member states that have fiscal space (implying Germany especially). This theme of more fiscal support has been echoed in Lagarde's recent comments. The likelihood of fiscal stimulus is clearly increasing, including from Germany, which we now expect will be confirmed as being in technical recession in the third quarter of 2019. However, it is likely to take time to materialise as the German government, for one, will need to see more concerted evidence of the economy's weakness before acting. The shift towards other policy levers in part reflects increasing concern about the potential adverse side-effects of unconventional central bank measures, which the ECB is to some extent acknowledging (e.g., by introducing tiering). That said, in the event of a sudden, sharp deterioration in the economic environment and/or inflation expectations, the ECB would again be likely to step up and announce another wide-ranging package of measures.

4.6 Long term equipment rental market trend

All Countries, EUR	Actual 2008	2009	2010	2011	2012	2013
1. United Kingdom (UK)						
Total turnover [million €]	5.800	4.455	4.835	5.750	6.705	6.400
Exchange rate [GBP per EUR]	0,80	0,89	0,86	0,87	0,81	0,85
2. Germany (DE)						
Total turnover [million €]	2.805	2.705	2.895	3.665	3.495	3.495
3. France (FR)						
Total turnover [million €]	2,675	2,565	2,555	3,090	3,365	3,365
4. Sweden (SE)						
Total turnover [million €]	865	750	1,030	1,355	1,445	1,445
Exchange rate [SEK per EUR]	9.65	10.64	9.55	9.03	8.71	8.65
5. Italy (IT)						
Total turnover [million €]	1,005	1,470	1,680	1,340	1,330	1,330
6. Spain (ES)						
Total turnover [million €]	1,685	1,365	1,340	1,345	1,140	1,140
7. Netherlands (NL)						
Total turnover [million €]	845	805	820	830	845	845
8. Norway (NO)						
Total turnover [million €]	555	465	585	760	990	950
Exchange rate [NOK per EUR]	8,25	8,74	8,00	7,79	7,47	7,80
9. Belgium (BE)						
Total turnover [million €]	295	280	330	375	590	590
10. Poland (PL)						
Total turnover [million €]	75	45	200	345	355	355
Exchange rate [PLN per EUR]	3.53	4.34	3.99	4.12	4.18	4.20
11. Finland (FI)						
Total turnover [million €]	275	245	335	405	445	445
12. Denmark (DK)						
Total turnover [million €]	375	315	290	410	425	425
Exchange rate [DKK per EUR]	7,46	7,45	7,45	7,45	7,44	7,46
13. Austria (AU)						
Total turnover [million €]	210	185	200	210	325	325
14. Switzerland (CH)						
Total turnover [million €]	-	245	220	320	315	310
Exchange rate [CHF per EUR]	1,59	1,51	1,38	1,23	1,20	1,23
15. Czech Republic (CZ)						
Total turnover [million €]	-	-	-	155	150	140
Exchange rate [CZK per EUR]	24.98	26.49	25.29	24.60	25.15	25.98

					Estimates		Forecast	
	2014	2015	2016	2017	2018	2019	2020	2021
	6.625	7.665	7.050	6.725	6.755	6.725	6.820	7.110
	0,81	0,73	0,82	0,88	0,88	0,89	0,89	0,86
	3.800	3.950	4.315	4.395	4,625	4,885	5,090	5,285
	3,590	3,620	3,345	3,585	3,865	4,090	4,225	4,360
	1,410	1,450	1,590	1,710	1,635	1,640	1,710	1,830
	9.10	9.35	9.47	9.63	10.26	10.59	10.56	10.21
	1,310	1,360	1,395	1,465	1,550	1,625	1,665	1,705
	1,170	1,205	1,190	1,310	1,380	1,445	1,520	1,600
	890	940	1,005	1,070	1,125	1,175	1,215	1,255
	875	810	820	870	885	895	940	1,010
	8,36	8,94	9,29	9,32	9,60	9,89	9,87	9,62
	630	635	650	680	700	720	750	775
	600	590	570	645	685	735	805	870
	4.19	4.18	4.36	4.26	4.32	4.31	4.26	4.23
	445	470	520	550	575	600	625	655
	450	480	510	550	575	585	600	620
	7,45	7,46	7,45	7,44	7,45	7,47	7,46	7,46
	330	350	380	395	415	445	465	485
	320	375	375	375	370	395	410	320
	1,22	1,07	1,09	1,11	1,15	1,11	1,10	1,11
	135	140	155	170	185	200	210	230
	27.54	27.28	27.03	26.35	25.65	25.63	25.27	24.92

5

COUNTRY OVERVIEW

Austria (AU)

Compared with last year's report, the Austrian rental turnover growth for 2019 increased 2.1 points. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the rental industry remains strongly linked to the construction sector and still benefits from the good health of the construction industry. In addition, the good condition of the whole economy contributes to the growth of the sector, with an average expected growth rate for the rental industry of more than 5.0% during a three-year period (2019–21), yet a slowdown in 2020–21, compared with 2019.

Even if Austria can be considered a relatively small equipment rental market, like Switzerland, the customers' requirements, considered as quite sophisticated in terms of products and services, make it appealing. In fact, both markets are sharing a number of similarities, from the co-habitation between international companies operating in Austria and national rental players having a strong and local customer base; to the important role of distributors and OEMs having a rental practice, probably driving the high investment levels of the rental market. Also, it is interesting to point out in both cases the importance of rental specialists, actually the biggest rental players in the market.

Here, even if the equipment rental market is characterised by a high level of fragmentation of the market, an atypical feature of the European market – with more than 80% of the rental industry turnover generated by firms with fewer than 50 employees, mainly small, independent companies – it is key to note this fragmentation does not imply immaturity of the rental industry, aging fleets, or low quality of rental services.

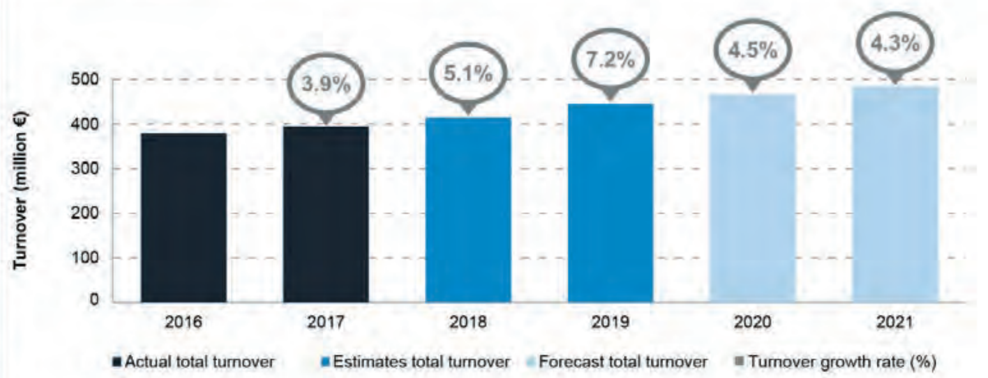
Regarding the structure of the market, it has not evolved much in the last years; however, the tension is real, and a concentration is expected in the future, especially with the very good prospects for the future. In a sign of the good prospects for the rental industry, one of the main challenges is identifying and hiring qualified staff.

Austria (AU), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	380	395	415	445	465	485
- Rental companies	210	215	230	245	255	265
- Other comp. providing rental services (only rental)	170	180	185	200	210	220
# Rental companies	335	355				
# Employed persons of rental companies	1,330	1,465				
Investments in rental equipment [million €]	105	110	110	120		
Value of rental fleet at all companies [million €]	550	575	605	640		
Ratio: Investments in rental equipment / Value of the rental fleet	19.1%	19.1%	18.2%	18.8%		
Rental market drivers						
GDP [2010 billion €]	319	328	337	342	346	351
GDP penetration rate	1.2‰	1.2‰	1.2‰	1.3‰	1.3‰	1.4‰
Total construction output [2010 billion €]	44	45	47	48	49	50
Construction industry penetration rate	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%
Country population [million]	9	9	9	9	9	9
Country population penetration rate [€ per person]	43	45	47	50	52	54

Source: IHS Markit and Official Statistics data

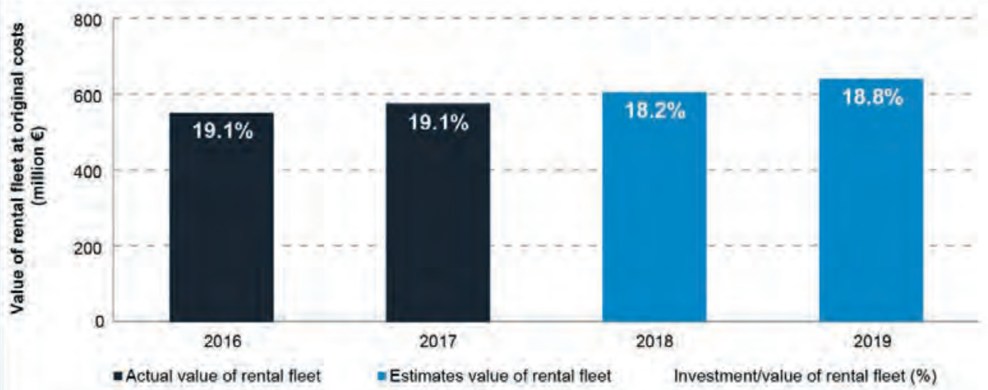
a. Review of key indicators

Fig. 1 AU Turnover



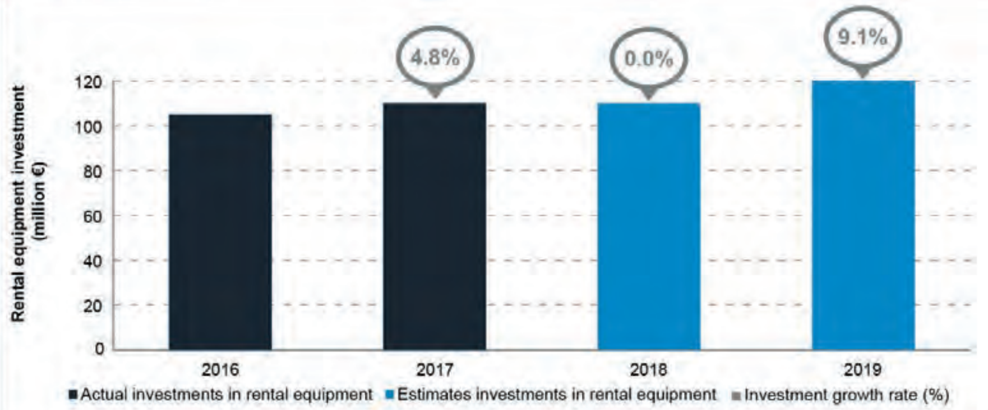
Source: IHS Markit © 2019 IHS Markit

Fig. 2 AU Rental fleet



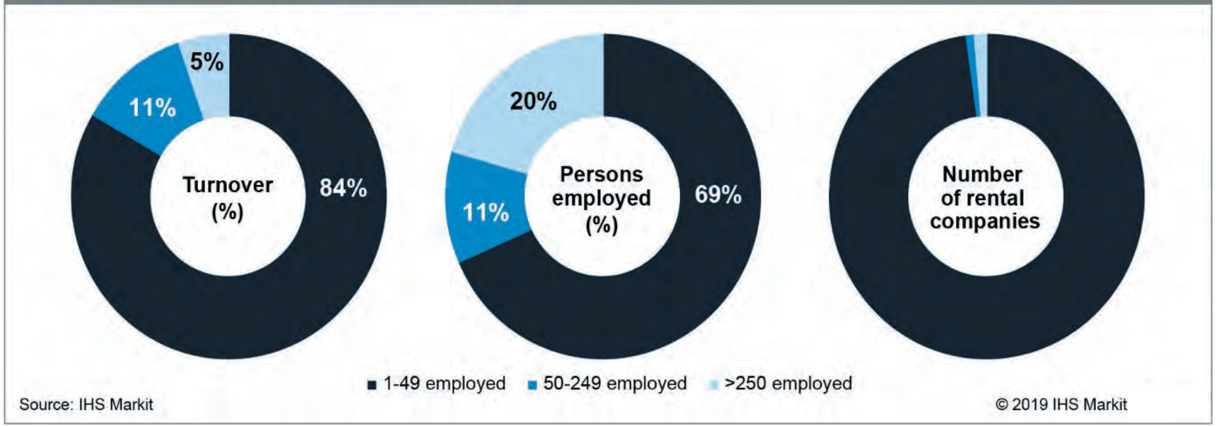
Source: IHS Markit © 2019 IHS Markit

Fig. 3 AU Investment



Source: IHS Markit © 2019 IHS Markit

Fig. 4 AU Rental companies breakdown in 2016



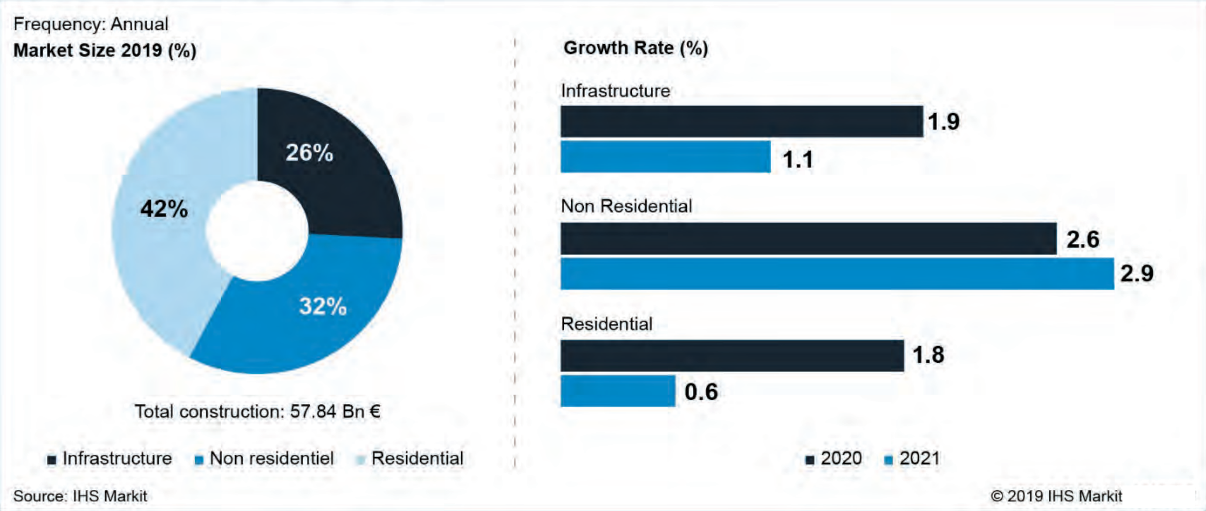
b. Construction context

Total construction spending is expected to continue on a positive course, increasing 2.4% in 2019 and 2.1% in 2020, with growth led by the non-residential structures segment. This trend is outpacing Austrian macroeconomic growth, which is slightly losing momentum in a context of a deteriorating European economic environment. A balanced budget achieved for the first time in 2018 leaves leeway for an expansive fiscal policy and other potential stimulus measures.

Over the next 10 years, the country's population will average an increase of just 0.2% annually, which is moderately slower than the global annual growth of 1.0%. An aging society, low birth rates, a shrinking working-age population, sub-average research and development expenditures, a dearth of technology-driven industries, a lack of venture capital, and high barriers to entry into the Austrian market will weigh on residential construction's achievable growth in the long run.

We anticipate non-residential structures spending will expand 2.8% in 2019 and another 2.6% in 2020, led by industrial construction in both years. Infrastructure construction spending is on track to expand 2.1% in 2019 and 1.9% in 2020, of which transportation infrastructure construction posted the highest growth rate in both years. Austria receives EU investment under the European Commission's Trans-European Transport Networks (TEN-T) policy initiative, launched in 2014. Major projects include a EUR1-billion investment in the extension and upgrading of the road network that started in 2016.

Fig. 5 AU Construction Market Growth



COUNTRY OVERVIEW

AUSTRIA
BELGIUM
THE CZECH REPUBLIC
DENMARK
FINLAND
FRANCE
GERMANY
ITALY
NETHERLANDS
NORWAY
POLAND
SPAIN
SWEDEN
SWITZERLAND
UNITED KINGDOM

Belgium (BE)

Compared with the 2018 Market Report, the Belgian rental turnover growth for 2019 slightly decreased, with growth of the drivers – construction output, GDP and industrial production – being not fully confirmed. During the next three years (2019–21), the expected growth rate for the rental industry also remained the same at 3.5%.

With a share of rental revenue stemming from demand in the construction sector estimated to average 65%, the Belgium market is fairly balanced and will benefit from a good economic environment. That said, it is useful to note this share differs between the Wallonia and Flanders regions. In effect, the Belgian market is characterised by the regional split between Wallonia, where generalist rental companies mostly focus on the construction sector, and Flanders, where specialised companies are much more oriented towards the non-construction sector.

An atypical feature of the Belgium market compared with the other European markets, except for Switzerland, is that the regional breakdown based upon language is probably acting as an entry barrier. Most rental players are local rather than international. This language specificity is probably one of the reasons for the high level of fragmentation in the market; very few rental companies have national coverage.

The structure concerning the Belgian market has not evolved in recent years, except for the entry of a few international rental companies by organic growth or by acquisition. However, this seems to be too marginal to talk about as a real trend and does not change the structure of the rental market.

Belgium (BE), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	650	680	700	720	750	775
- Rental companies	630	660	680	695	725	750
- Other comp. providing rental services (only rental)	20	20	20	25	25	25
# Rental companies	450					
# Employed persons of rental companies	2,955					
Investments in rental equipment [million €]	150	155	155	160		
Value of rental fleet at all companies [million €]	1,150	1,195	1,225	1,255		
Ratio: Investments in rental equipment / Value of the rental fleet	13.0%	13.0%	12.7%	12.7%		
Rental market drivers						
GDP [2010 billion €]	425	432	438	443	448	453
GDP penetration rate	1.5‰	1.6‰	1.6‰	1.6‰	1.7‰	1.7‰
Total construction output [2010 billion €]	68	69	70	71	72	73
Construction industry penetration rate	1.0%	1.0%	1.0%	1.0%	1.0%	1.1%
Country population [million]	11	11	11	12	12	12
Country population penetration rate [€ per person]	57	60	61	62	65	67

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 BE Turnover

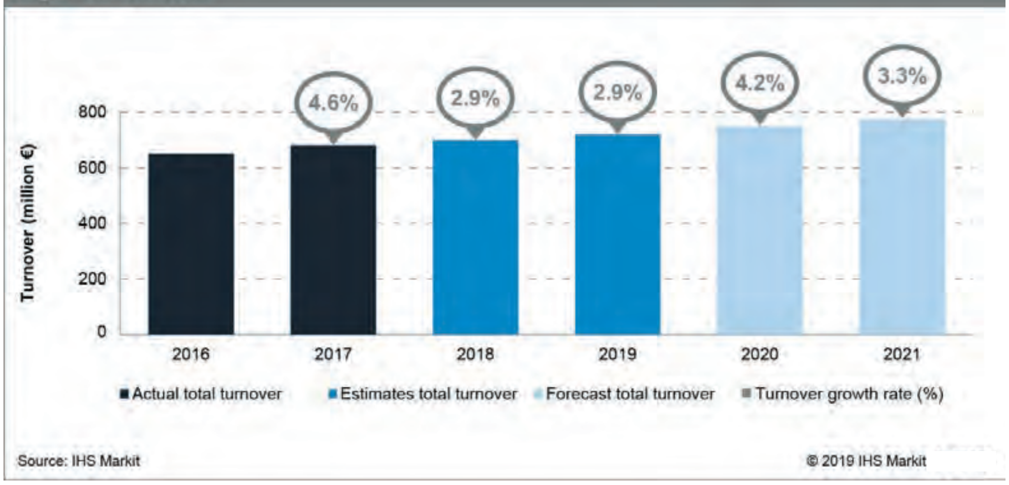


Fig. 2 BE Rental fleet

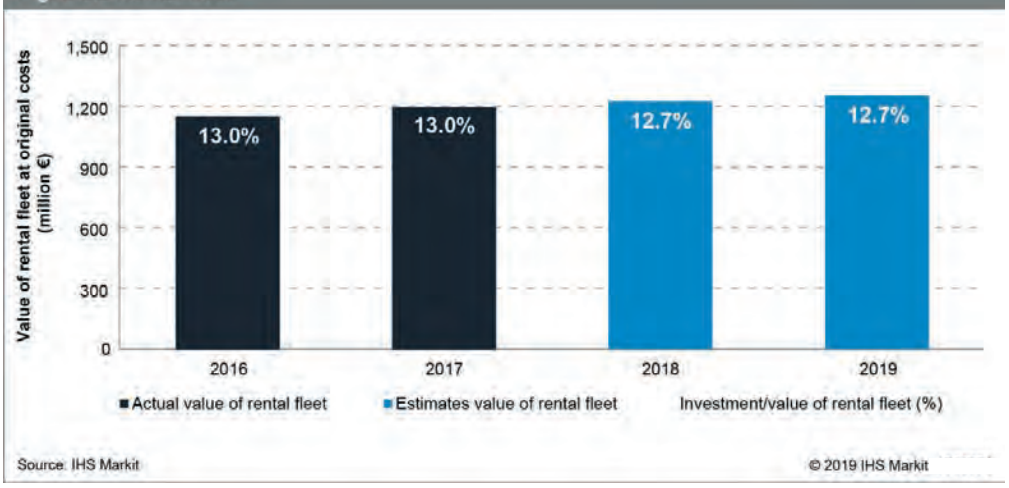


Fig. 3 BE Investment

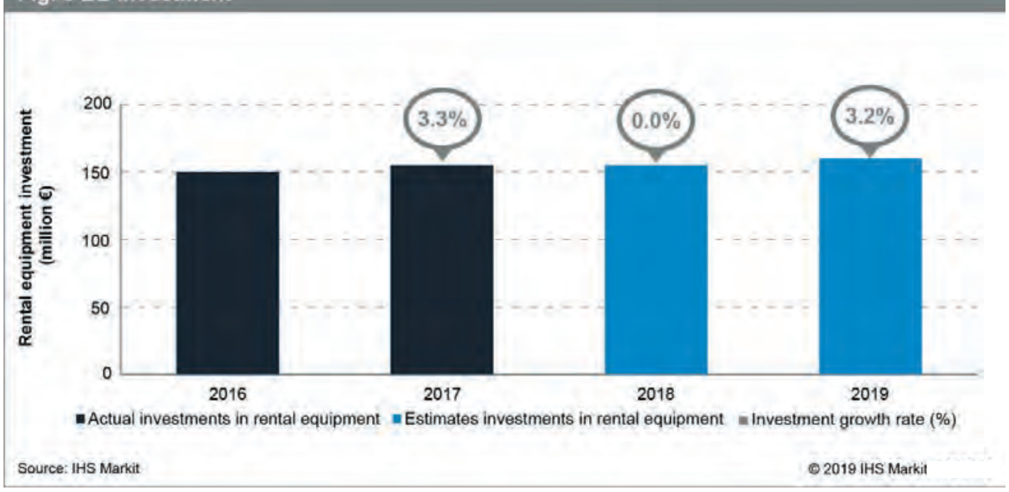
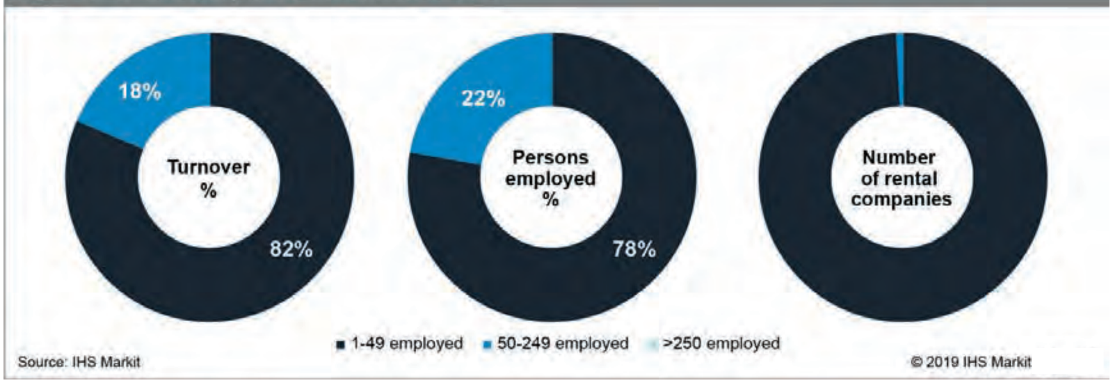


Fig. 4 BE Rental companies breakdown in 2016



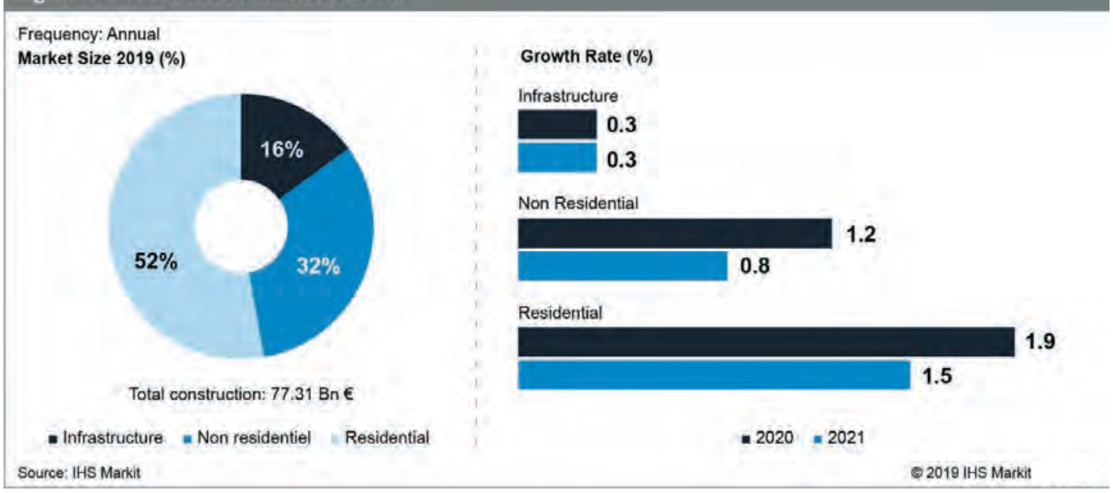
b. Construction context

In 2013, the Belgian construction industry reached its lowest point since 2010, but it is now on the rise. Employment expanded by 10.8% in 2016 compared to 2010, as stated by the ECSO, whereas the total construction output grew 19.8% over the same period, and the trend for the coming years should remain positive. After a relative slowdown of 2.8% in 2017, IHS Markit expects a healthy rise in 2018 and 2019 (3.6% for each year) before a strong 3.8% expansion in 2020.

The overall sector is mainly driven by the housing market, which has been globally unaffected by the economic crisis and is still doing well, owing to a low rate of indebted households, resulting in low interest rates. Furthermore, the housing market is supported by numerous renovation projects, in line with meeting the EU's energy efficiency requirements. The latter point is also fostering the creation of research centres to facilitate eco-innovation and to improve the skills of the workers, thereby boosting the employment in the construction industry.

Despite some strengths, the Belgian construction market still needs to tackle important issues, including the recurrent public payment delays that have resulted in a significant number of insolvencies among construction companies – although this is on the decline. This consequently leads to diminished investments, especially in the infrastructure segment – even if EU-funded public plans are already on track – as banks are reluctant to lend money to construction companies.

Fig. 5 BE Construction Market Growth



The Czech Republic (CZ)

Compared with last year's report, the Czech rental turnover growth for 2019 slightly decreased. With a share of rental revenue stemming from demand in the construction sector estimated to average 75%, the rental industry remains strongly linked to the construction sector and still benefits from the good health of the construction industry. During the next three years (2019–21), the expected growth rate for the rental industry is above 5.5%.

With these good economic perspectives, observers were expecting a slow consolidation, but so far this has not started (a large portion of the rental industry turnover is generated by firms with fewer than 50 employees, mainly small, independent companies, but Eurostat does not publish any data on companies). In effect, the Czech market is characterised by the cohabitation between international companies and national rental players, but little have national coverage.

Another atypical feature of the Czech rental market: it is characterised by the important role of contractors having an in-house rental department or even, for some, a pure rental department. Another notable feature of the rental industry is the importance of the tool segment, mainly driven by local players.

As regards the challenges for the rental industry, the slow payment by rental customers continues to be a concern, but prospects for the rental industry are positive and companies are expecting an increase of the rental penetration rate.

Nota bene: For the Czech Republic and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been taken to come up with comparable rental market estimates.

Czech Republic (CZ), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million CZK]	4,230	4,515	4,820	5,060	5,365	5,695
- Rental companies	2,960	3,160	3,375	3,540	3,755	3,985
- Other comp. providing rental services (only rental)	1,270	1,355	1,445	1,520	1,610	1,710
# Rental companies	355					
# Employed persons of rental companies	1,355					
Investments in rental equipment [million CZK]	1,575	1,620	1,645	1,680		
Value of rental fleet at all companies [million CZK]	9,885	10,250	10,630	10,920		
Ratio: Investments in rental equipment / Value of the rental fleet	15.9%	15.8%	15.5%	15.4%		
Rental market drivers						
GDP [2010 billion CZK]	4,410	4,610	4,746	4,864	4,975	5,104
GDP penetration rate	1.0‰	1.0‰	1.0‰	1.0‰	1.1‰	1.1‰
Total construction output [2010 billion CZK]	720	744	799	835	865	896
Construction industry penetration rate	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Country population [million]	11	11	11	11	11	11
Country population penetration rate [CZK per person]	399	425	454	476	505	536
Exchange rate [CZK per EUR]	27.03	26.35	25.65	25.63	25.27	24.92

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 CZ Turnover

Fig. 2 CZ Rental fleet

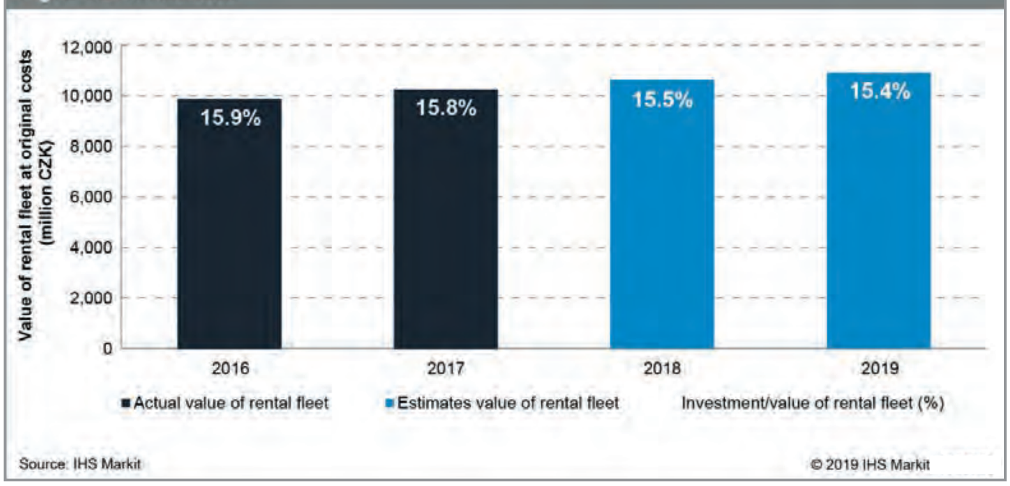
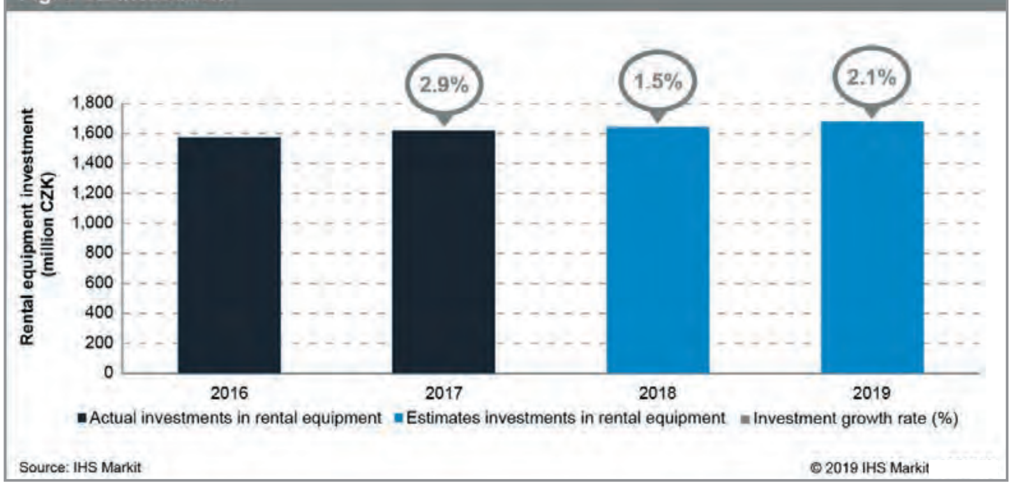


Fig. 3 CZ Investment



There is no data available concerning company size classes for the Czech Republic.

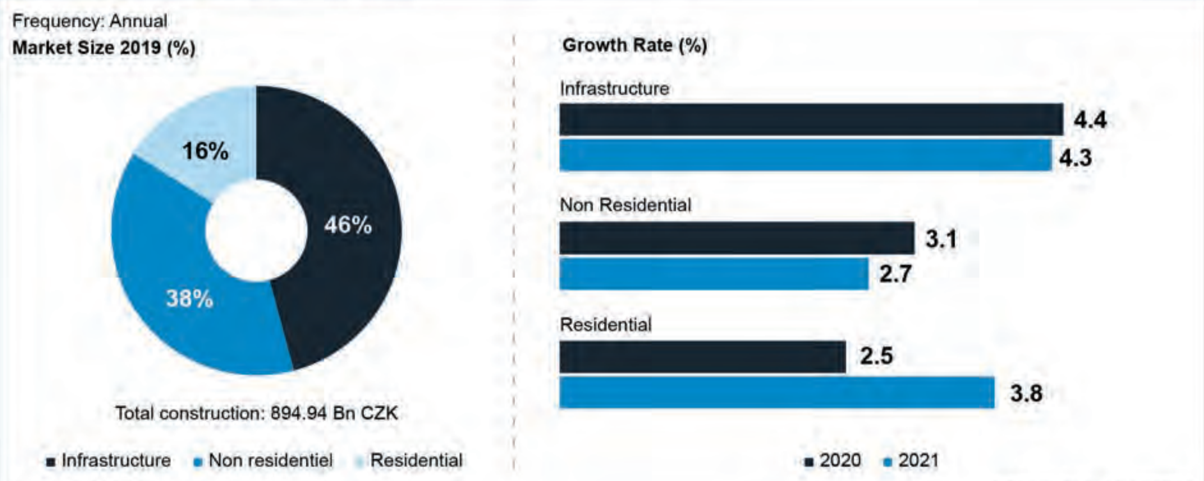
b. Construction context

Backed by strong macroeconomic growth – 2.5% in 2019 and a further 2.4% in 2020 – the Czech construction sector spending will exhibit 4.4% growth in 2019 and 3.6% in 2020, mainly led by the infrastructure sector. Macroeconomic growth will be driven by a solid performance of both private consumption and fixed investment, even though external challenges and a tight labour market constitute non-negligible risks.

The recent surge in housing prices constitutes the biggest risk in the residential construction market, mainly supported by low mortgage rates, increasing wages, limited supply, and a still-low rate of owner occupancy. During the next 10 years, the country's population will average a decrease of 0.1% annually, which might be a mitigating factor for the housing bubble. The whole sector is expected to increase 3.5% in 2019 and will slow to 2.5% in 2020.

Institutional construction will be a major driver of the non-residential structures spending expansion (3.6% in 2019 and another 3.1% in 2020). Industrial construction will remain subdued, however, owing partly to a tight labour market. In terms of infrastructure, spending is on track to expand 5.4% in 2019 and 4.4% in 2020, mostly driven by transportation. The Czech Republic's geographical position in Central Europe, combined with the benefits of its transitional relationship with the European Union, make it an ideal base for exports into Western Europe. It also makes the country a potential hub of east-west and north-south traffic. Transport infrastructure is thus a key priority of the Czech government, benefitting also from EU funds.

Fig. 4 CZ Construction Market Growth



Source: IHS Markit

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Denmark (DK)

Compared with the 2018 Market Report, the Danish rental turnover growth for 2019 slightly decreased. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the rental industry remains strongly linked to the construction sector and still benefits from the relatively good health of the construction industry, especially in the non-residential sector. During the next three years (2019–21), the expected growth rate for the rental industry is more than 2.5%.

In a rental market characterised by strong fragmentation of the market, as opposed to the average European market, with 80% of the rental industry turnover generated by firms with fewer than 50 employees, mainly small, independent companies, it is useful to note a slow consolidation process for big players, but also for those of medium size.

Notably, this fragmentation does not imply low investments or immaturity of the rental industry. Quite the opposite, the co-habitation between international companies and strong national rental players – also including a national champion – maintains investment at a relatively high level.

Interestingly, there is Danish demand for quite developed rental solutions via fleet or project management delivered by rental companies.

Denmark (DK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million DKK]	3,810	4,090	4,255	4,365	4,475	4,610
- Rental companies	3,795	4,070	4,235	4,345	4,455	4,590
- Other comp. providing rental services (only rental)	15	20	20	20	20	20
# Rental companies	365					
# Employed persons of rental companies	2,770					
Investments in rental equipment [million DKK]	925	970	990	990		
Value of rental fleet at all companies [million DKK]	7,370	7,840	8,120	8,300		
Ratio: Investments in rental equipment / Value of the rental fleet	12.6%	12.4%	12.2%	11.9%		
Rental market drivers						
GDP [2010 billion DKK]	1,977	2,022	2,052	2,087	2,118	2,150
GDP penetration rate	1.9‰	2.0‰	2.1‰	2.1‰	2.1‰	2.1‰
Total construction output [2010 billion DKK]	216	225	230	232	235	239
Construction industry penetration rate	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%
Country population [million]	6	6	6	6	6	6
Country population penetration rate [DKK per person]	667	714	740	756	773	793
Exchange rate [DKK per EUR]	7.45	7.44	7.45	7.47	7.46	7.46

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 DK Turnover

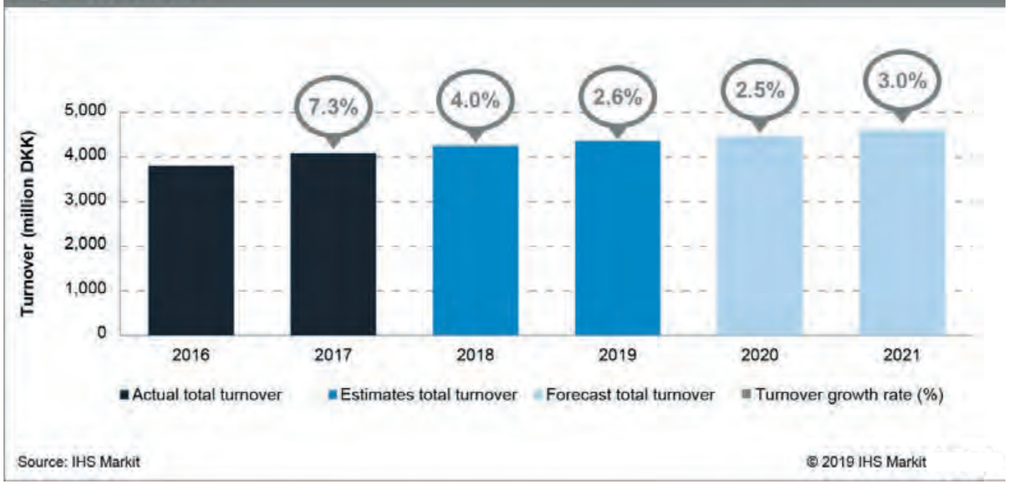


Fig. 2 DK Rental fleet

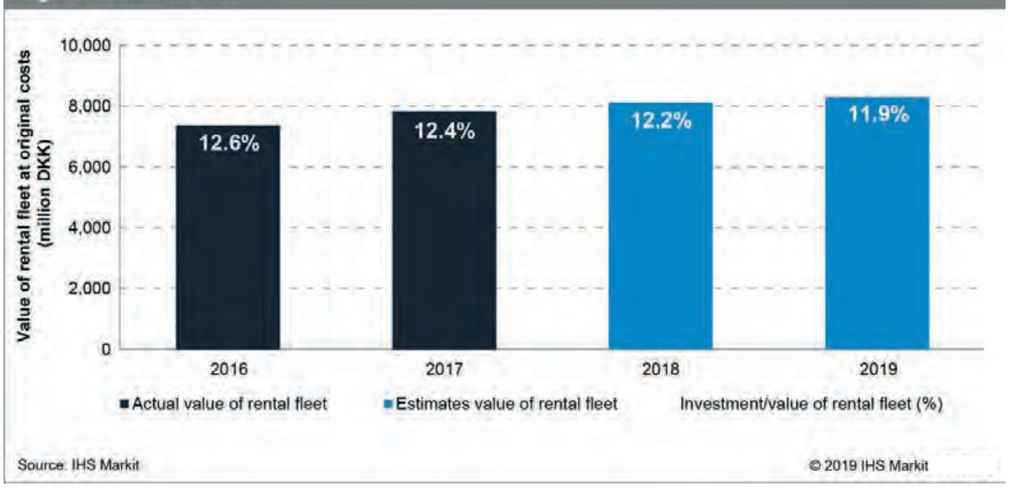


Fig. 3 DK Investment

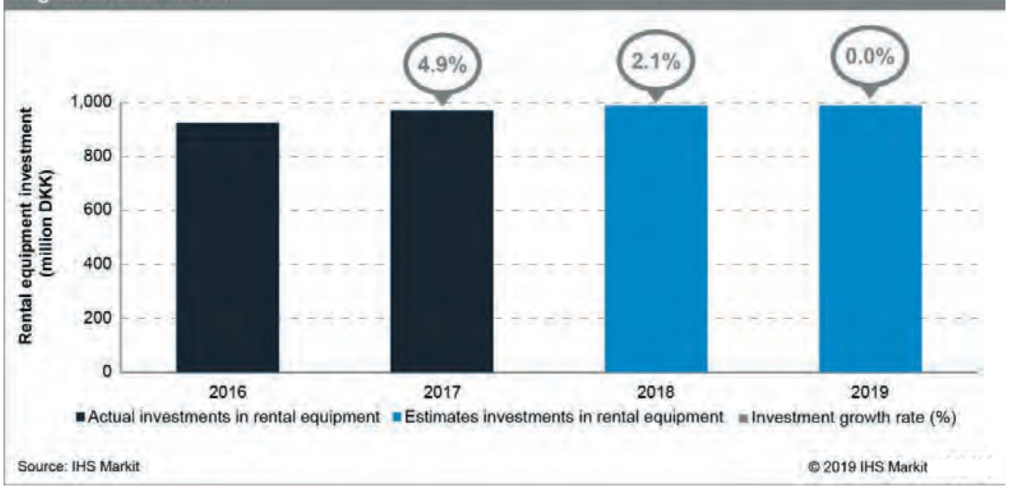
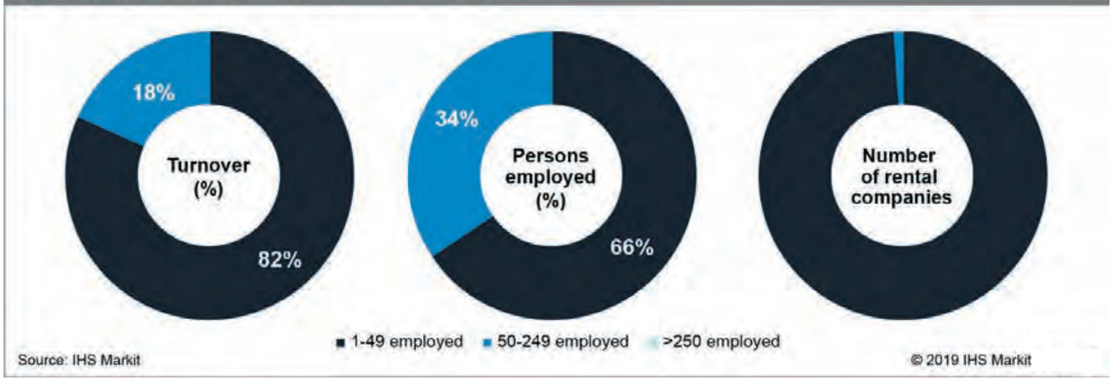


Fig. 4 DK Rental companies breakdown in 2016



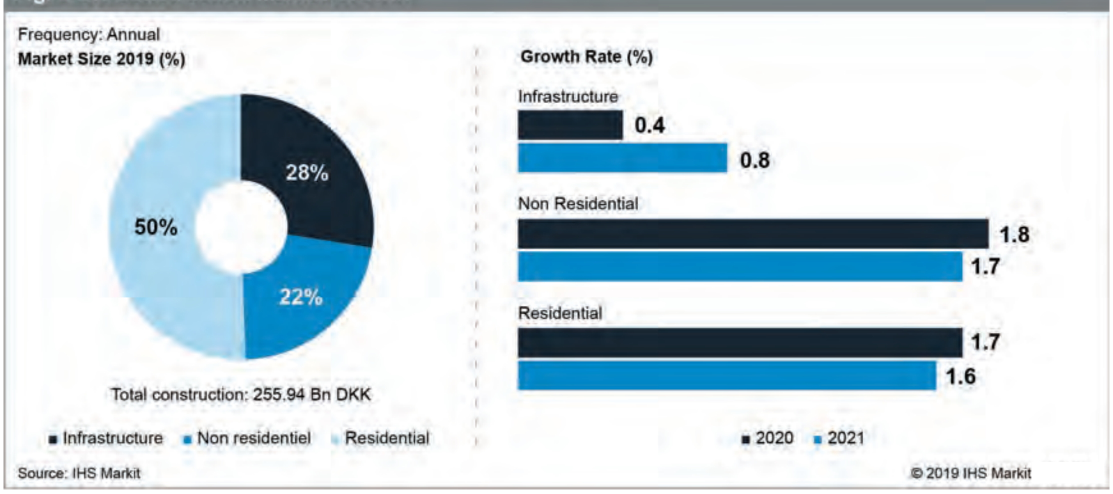
b. Construction context

Denmark is anticipated to post growth of 1.5% in 2019 and a further 1.5% in 2020, with a high reliance on international trade, which represents a strong downside risk. Driven by residential construction, total construction spending is expected to post steady growth, increasing 1.0% in 2019 and 1.4% in 2020.

Residential construction spending is expected to increase 0.7% in 2019 and will accelerate to 1.7% in 2020. High levels of private debt raise concerns about the risks of a property bubble. Effective 1 January 2018, the government introduced tighter lending regulations, in an effort to reduce the share of more risky interest rates and repayment-free mortgages on the overall mortgage lending portfolio of banks.

Non-residential structures will carry on posting strong growth, driven by industrial construction. Indeed, the Danish industry is faring well, thanks to a large presence of non-cyclical subcomponents such as pharmaceuticals. Transportation construction will be an engine of the infrastructure construction market, with the 20-kilometer Fehmarn Belt Bridge between Denmark and Germany, a flagship project. The ambitious commitment made by the country to rely entirely on renewable energy sources by 2050 will also trigger massive projects in the sector in the decades ahead. In a context of a reduction in public spending, an increase in public-private partnerships to fund infrastructure projects is a recurrent call made by the centre-right government.

Fig. 5 DK Construction Market Growth



Finland (FI)

Compared with last year's report, the Finnish rental turnover growth for 2019 remains the same. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the rental industry remains strongly linked to the construction sector and still benefits from the good health of the infrastructure and non-residential sectors. During the next three years (2019–21), the expected growth rate for the rental industry remains at around 4.5%.

Historically concentrated upon the Helsinki region, year on year, the weight of the other main economic areas is gaining traction, limiting the over-reliance on the capital region.
An atypical feature of the Finnish market compared with the other European markets: it is characterised by a high degree of concentration with large rental players, of more than 250 employees, accounting for more than 55% of the total revenue of the rental industry. Together with a few rental companies with between 50 and 250 employees, these large and medium-sized companies generate almost 75% of total industry revenue.

Here, one point needs to be made regarding the concentration of the market. The recent market entry of a new player has, in some ways, changed the situation a little, with the new competitor investing in new equipment and trying to address new geographies between 2016 and 2017.

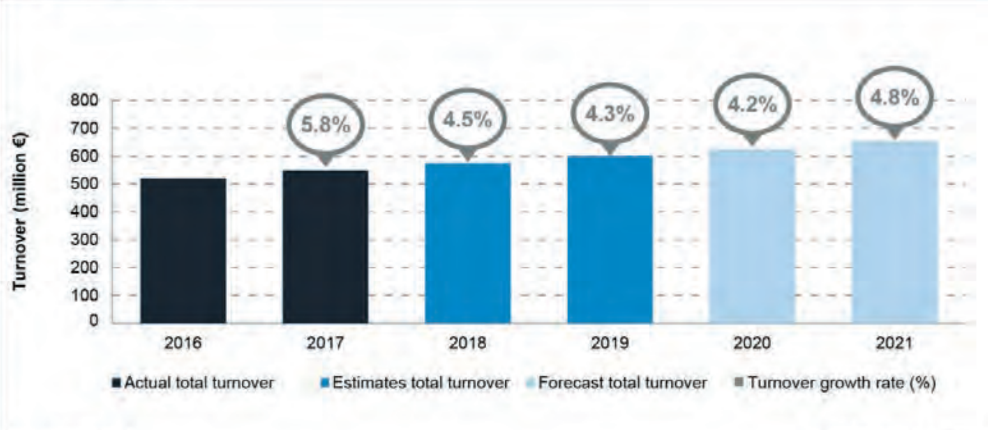
Finally, it is interesting to note a Finnish outsourcing trend, with more and more contractors slowly moving toward usership – as opposed to ownership. As a result of this rental traction, we could mention a distributor recently increasing its investments in its rental fleet in response to the changing behaviours of Finnish contractors.

Finland (FI), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	520	550	575	600	625	655
- Rental companies	495	520	545	570	595	620
- Other comp. providing rental services (only rental)	25	30	30	30	30	35
# Rental companies	155					
# Employed persons of rental companies	2,115					
Investments in rental equipment [million €]	85	85	80	80		
Value of rental fleet at all companies [million €]	760	785	810	830		
Ratio: Investments in rental equipment / Value of the rental fleet	11.2%	10.8%	9.9%	9.6%		
Rental market drivers						
GDP [2010 billion €]	193	199	202	204	206	209
GDP penetration rate	2.7‰	2.8‰	2.8‰	2.9‰	3.0‰	3.1‰
Total construction output [2010 billion €]	29	30	32	33	34	35
Construction industry penetration rate	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%
Country population [million]	5	6	6	6	6	6
Country population penetration rate [€ per person]	95	100	104	108	113	118

Source: IHS Markit and Official Statistics data

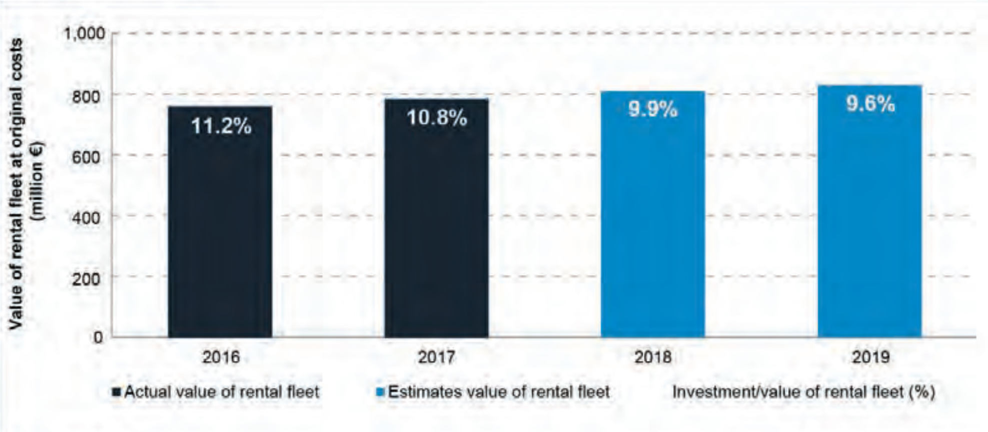
a. Review of key indicators

Fig. 1 FI Turnover



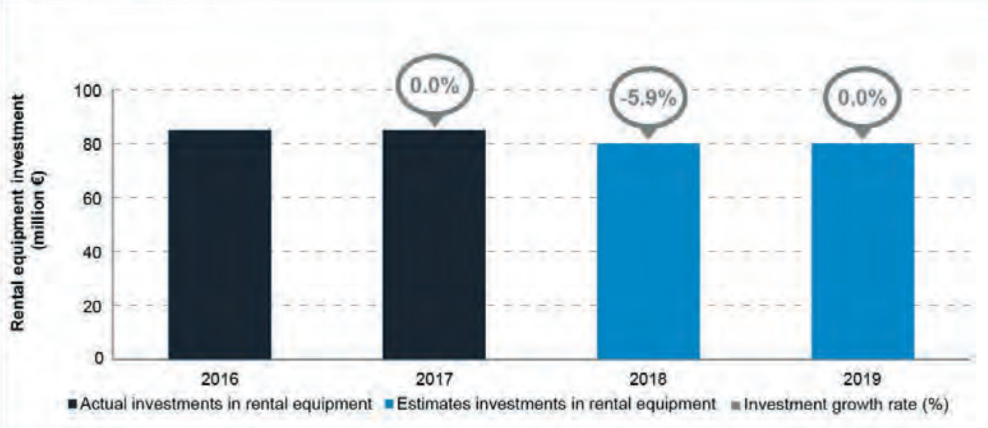
Source: IHS Markit © 2019 IHS Markit

Fig. 2 FI Rental fleet



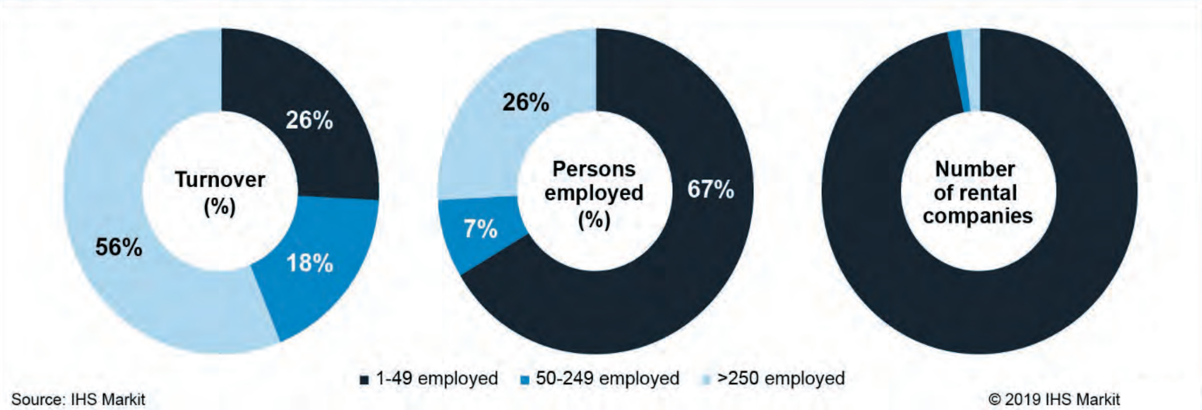
Source: IHS Markit © 2019 IHS Markit

Fig. 3 FI Investment



Source: IHS Markit © 2019 IHS Markit

Fig. 4 FI Rental companies breakdown in 2016



Source: IHS Markit © 2019 IHS Markit

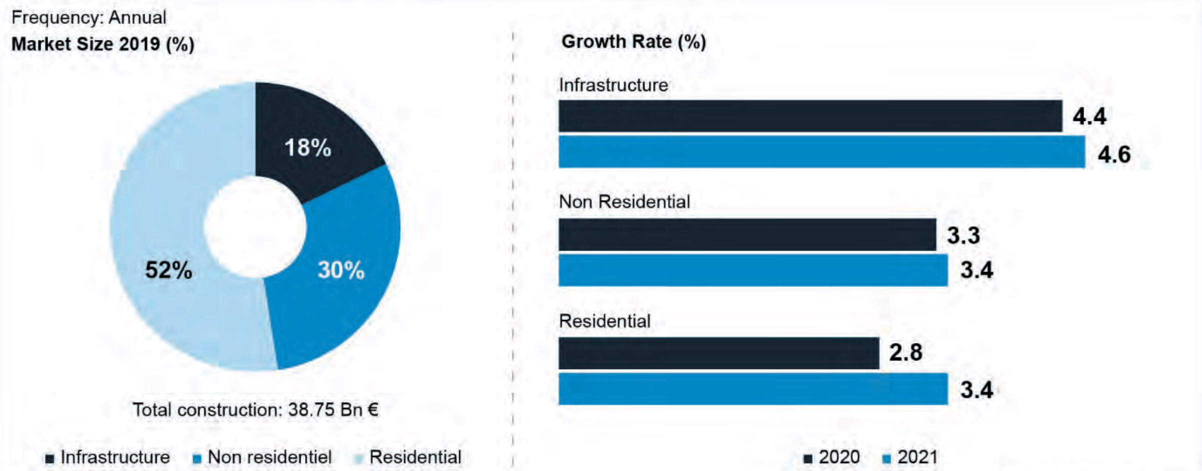
b. Construction context

After several disappointing years, Finnish GDP growth is expected to recover to around 1.2–1.3% during 2019–20. Heavily reliant on two industries, information and communication technology (ICT) and forestry, the country remains vulnerable to asymmetric shocks. Weakness of external demand represents another downward risk as the country relies massively on international trade, a risk exacerbated by notoriously low competitiveness. Despite these risks, the construction sector outlook remains broadly positive, with forecasts of more than 3% growth in the coming years.

Despite encouraging forecasts, residential construction will be burdened by unfavourable demographics; indeed, the number of households in the country is expected to remain relatively constant over the next decade, from 2.7 million in 2018 to 2.8 million in 2028. This trend will not prevent residential construction from remaining dynamic in the coming years, as increasing urbanisation trends and sustainable construction will remain engines of growth.

In terms of non-residential construction, the institutional and commercial sectors will remain strong drivers of growth, contrary to the industrial sector. The construction of new nuclear power plants will be an important infrastructure investment driver. Delays in these projects are possible, though. As the public authorities see their budgets constrained, several investment projects have been put on hold, such as the transportation reform that would have seen the state-owned network incorporated to encourage private investment and create a platform for market services.

Fig. 5 FI Construction Market Growth



Source: IHS Markit © 2019 IHS Markit

France (FR)

Compared with the 2018 Market Report, the total French rental market size for 2018 has decreased about 12% because of updated data. However, the growth rate for 2019 has increased 2.3 points. With a share of rental revenue stemming from demand in the construction sector estimated to average 65%, like Germany, the French rental industry is fairly balanced and will benefit from a good economic environment. As a result of an increasing rental penetration rate, over the next three years (2019–21) the expected growth rate for the rental industry is expected at 4.0%; with that said, there will be a slowdown in 2020–21, compared with 2019.

After a strong pick-up in 2017-18, the good health of the rental industry is confirmed. One sign is the increasing competition for talent, especially a focus on hiring qualified technicians. That said, it is worth noting the situation might differ region by region. Like Spain or Italy, the French market is characterised by its strong regional disparity concerning the construction sector, which directly affects the equipment rental activity. The disparity remains, even with the growth.

An atypical feature of the French market compared with the other European markets: it is characterised by a market relatively concentrated, with the two main players accounting for a major share of the market. A large gap now exists between the top two companies and the others, and market consolidation has continued to be observed for them.

Finally, it is worth noting investments are maintaining a good pace, with rental companies investing to renew equipment as well as to modify the product mix to address new end markets. That said, there is now a cautious optimism regarding the next two years, with the local elections expected for 2020, but also some fear of a relative over-capacity of the rental fleet after a few years of investments.

France (FR), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	3,345	3,585	3,865	4,090	4,225	4,360
- Rental companies	3,170	3,395	3,660	3,875	4,005	4,130
- Other comp. providing rental services (only rental)	175	190	205	215	220	230
# Rental companies	1,070	970				
# Employed persons of rental companies	15,940	17,195				
Investments in rental equipment [million €]	615	635	665	670		
Value of rental fleet at all companies [million €]	5,300	5,585	5,910	6,170		
Ratio: Investments in rental equipment / Value of the rental fleet	11.6%	11.4%	11.3%	10.9%		
Rental market drivers						
GDP [2010 billion €]	2,196	2,249	2,287	2,314	2,336	2,362
GDP penetration rate	1.5‰	1.6‰	1.7‰	1.8‰	1.8‰	1.8‰
Total construction output [2010 billion €]	255	263	268	273	277	280
Construction industry penetration rate	1.3%	1.4%	1.4%	1.5%	1.5%	1.6%
Country population [million]	65	65	65	65	65	65
Country population penetration rate [€ per person]	52	55	59	63	65	67

Source: IHS Markit and Official Statistics data

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SWITZERLAND
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a. Review of key indicators

Fig. 1 FR Turnover

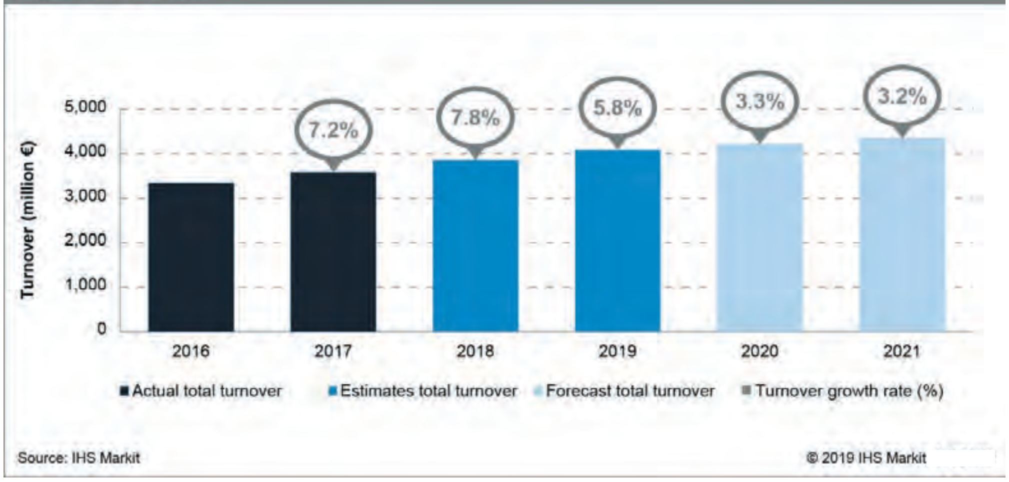

Fig. 2 FR Rental fleet

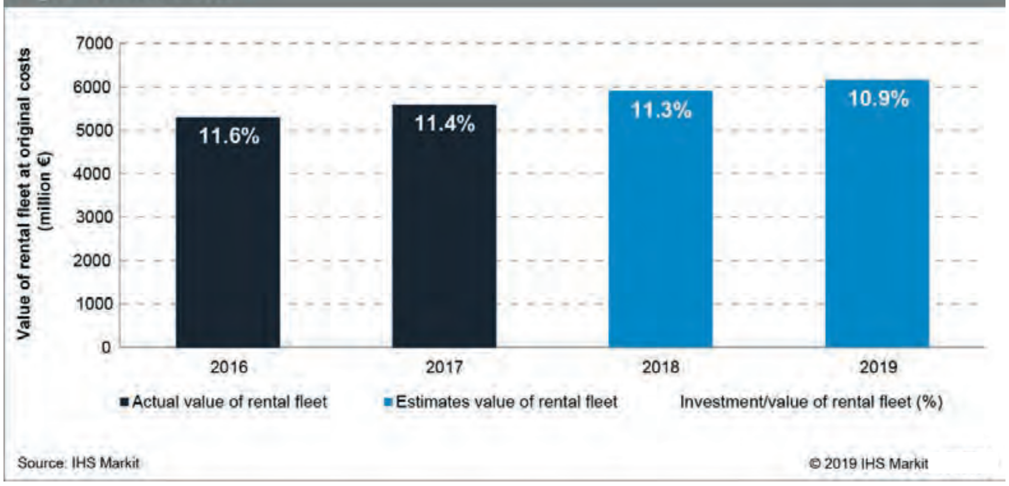

Fig. 3 FR Investment

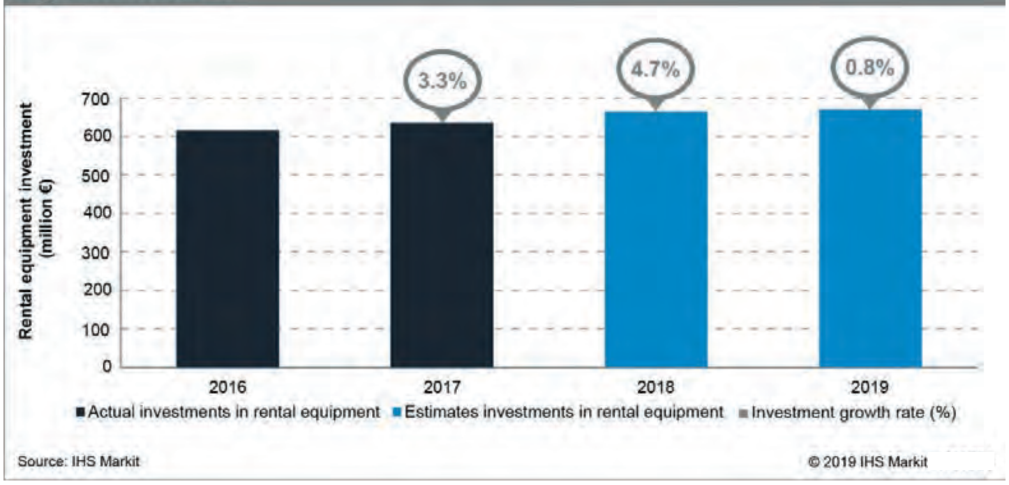

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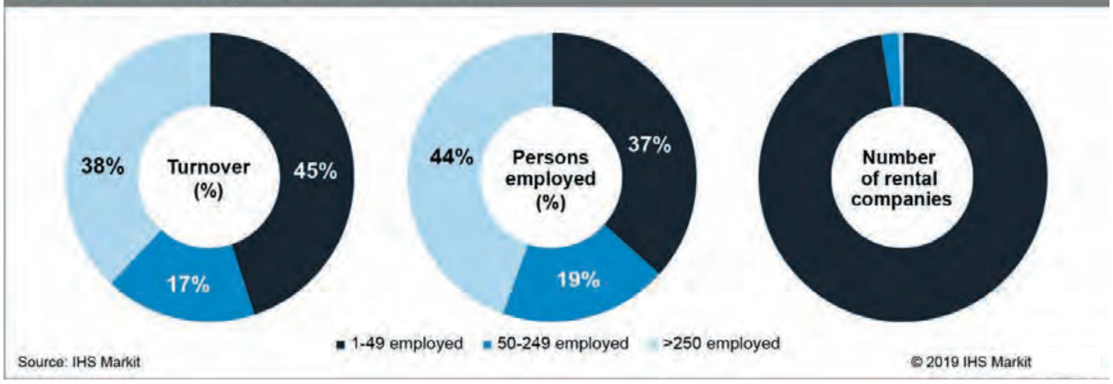
Fig. 4 FR Rental companies breakdown in 2016



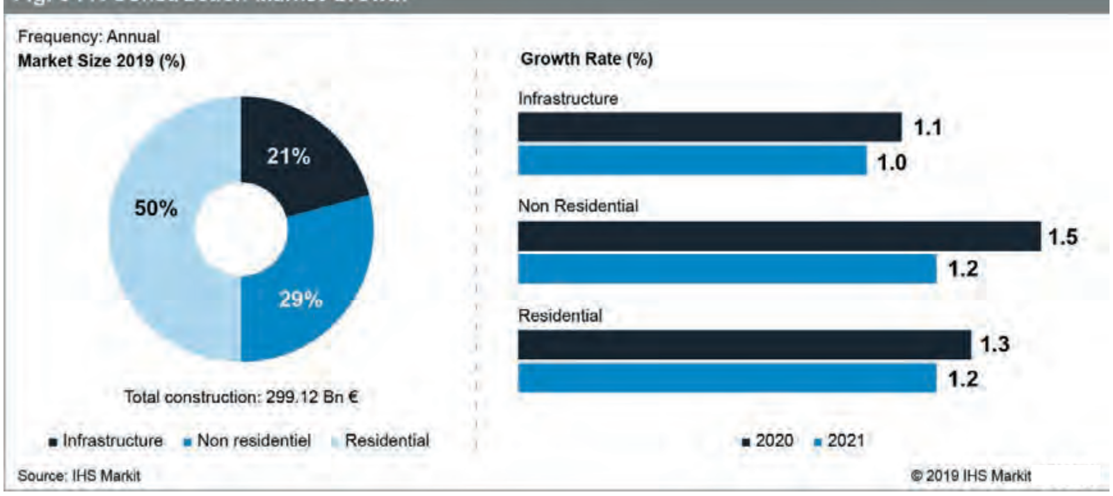
b. Construction context

The French economy is expected to grow at a moderate pace in 2019 (1.1%) and 2020 (0.9%), as downside risks (lack of progress on structural reforms, potential trade war, tensions with Italy, and a disruptive Brexit) and upside risks (more expansive fiscal position, accommodative monetary conditions, and muted inflation) tend to balance the situation. In this context, total construction will remain on a positive course, increasing 1.7% in 2019 and 1.3% in 2020.

Residential construction will be driven by growth in pent-up demand. Private consumption is expected to recover during 2019 as households' purchasing power will be supported by more expansionary fiscal policy (the government introduced a fiscal stimulus package worth around EUR11 billion in 2018) and lower inflation. Energy efficiency works will be another driver of the sustained growth of the sector.

France is one of the European Union's top-three destinations for foreign investment. The government does play an important role in power and transportation. However, amid increasing pressure on state finances, the French authorities are attempting to encourage private infrastructure investment. Transportation investment will post the highest growth, as the Grand Paris mega-project (which is set to be completed by 2030) is entering its full-steam phase ahead of the 2024 Olympic Games.

Fig. 5 FR Construction Market Growth



Germany (DE)

Compared with last year's market report, the German rental turnover growth for 2019 has increased 1.7 point because of a better-than-expected construction sector. With a share of rental revenue stemming from demand in the construction sector estimated to average 65%, like France, the German rental market is fairly balanced and will benefit from a good economic environment. As a result of an increasing rental penetration rate, during the next three years (2019–21) the growth rate for the rental industry is expected at 4.5% yet with a slowdown.

In some ways, many features of the Austrian or the Swiss market can be found in Germany. Co-habitation between international companies operating there and national rental players having a strong and local customer base with many regional champions; sophisticated customers' demands in terms of innovation, services, and quality; the important role of distributors and OEMs having a rental practice; a relatively high investment level as a consequence of these factors – all are also valid for the German market.

Now, the second-largest European rental market above France, the German market has become more attractive as observers consider rental penetration still has room for improvement. In effect, even if the rental industry seems to be quite diversified with 35% of non-construction rental demand, it is more due to the importance of the manufacturing industry in Germany rather than a high rental penetration rate in the non-construction segment. As a result, an ongoing mergers and acquisitions (M&A) activity in the German market, especially in the powered access segment.

Also notable is the development of site services such as temporary traffic management, site power and water, safety management, and site access control ¬– illustrative of the high rental service delivered in Germany.

Germany (DE), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	4,315	4,395	4,625	4,885	5,090	5,285
- Rental companies	3,435	3,500	3,680	3,890	4,055	4,210
- Other comp. providing rental services (only rental)	880	895	945	995	1,035	1,075
# Rental companies	4,390	4,820				
# Employed persons of rental companies	24,050	26,915				
Investments in rental equipment [million €]	1,005	1,055	1,075	1,095		
Value of rental fleet at all companies [million €]	6,830	6,920	7,190	7,495		
Ratio: Investments in rental equipment / Value of the rental fleet	14.7%	15.2%	15.0%	14.6%		
Rental market drivers						
GDP [2010 billion €]	2,847	2,925	2,971	2,989	3,012	3,047
GDP penetration rate	1.5‰	1.5‰	1.6‰	1.6‰	1.7‰	1.7‰
Total construction output [2010 billion €]	252	258	269	281	292	299
Construction industry penetration rate	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%
Country population [million]	82	83	83	84	84	84
Country population penetration rate [€ per person]	52	53	56	58	61	63

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 DE Turnover

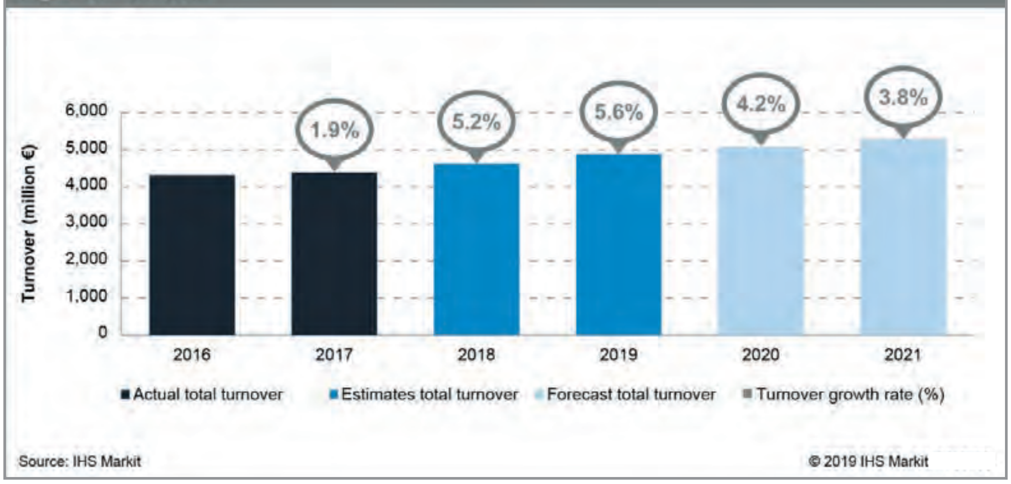


Fig. 2 DE Rental fleet

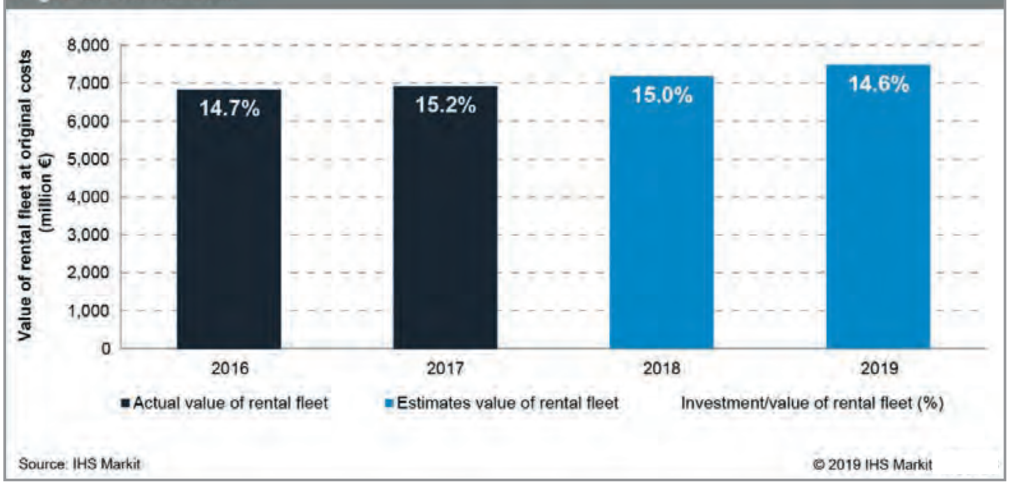


Fig. 3 DE Investment

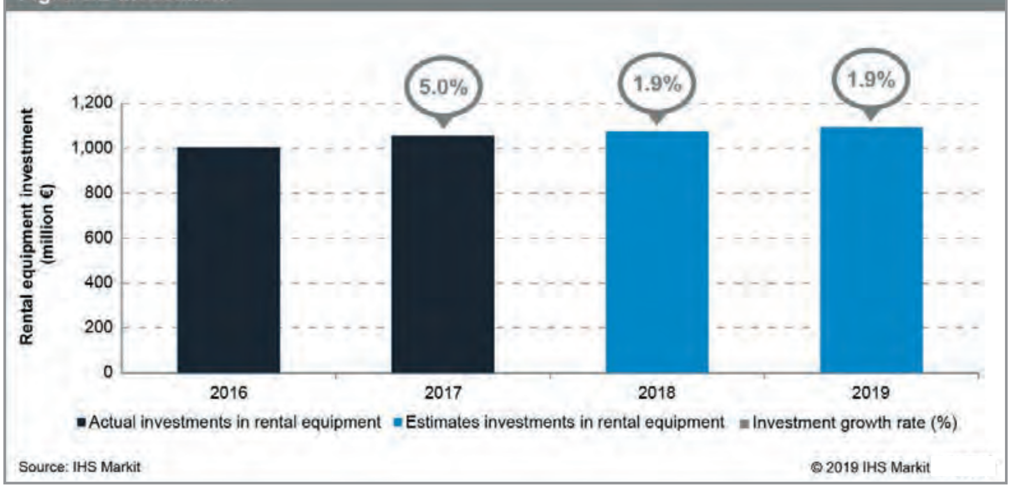


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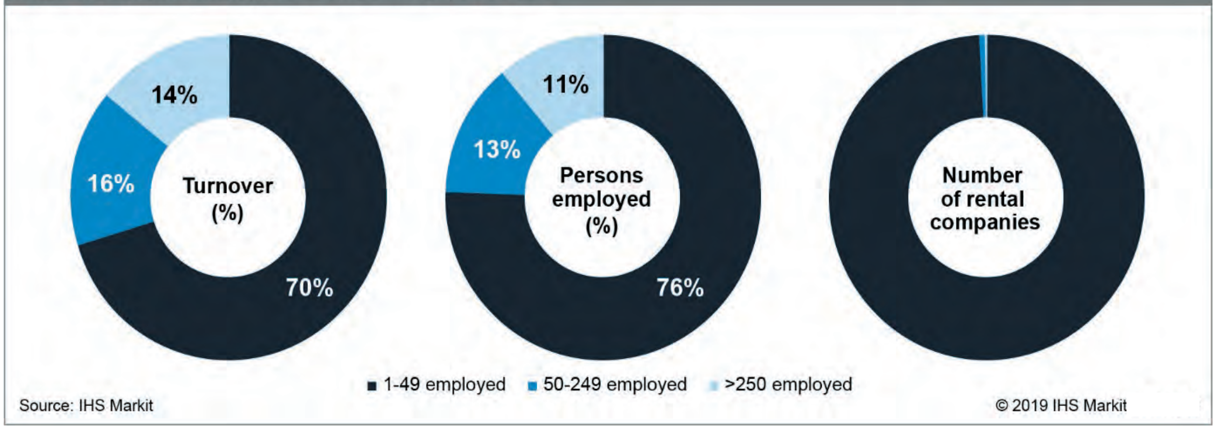
Fig. 4 DE Rental companies breakdown in 2016



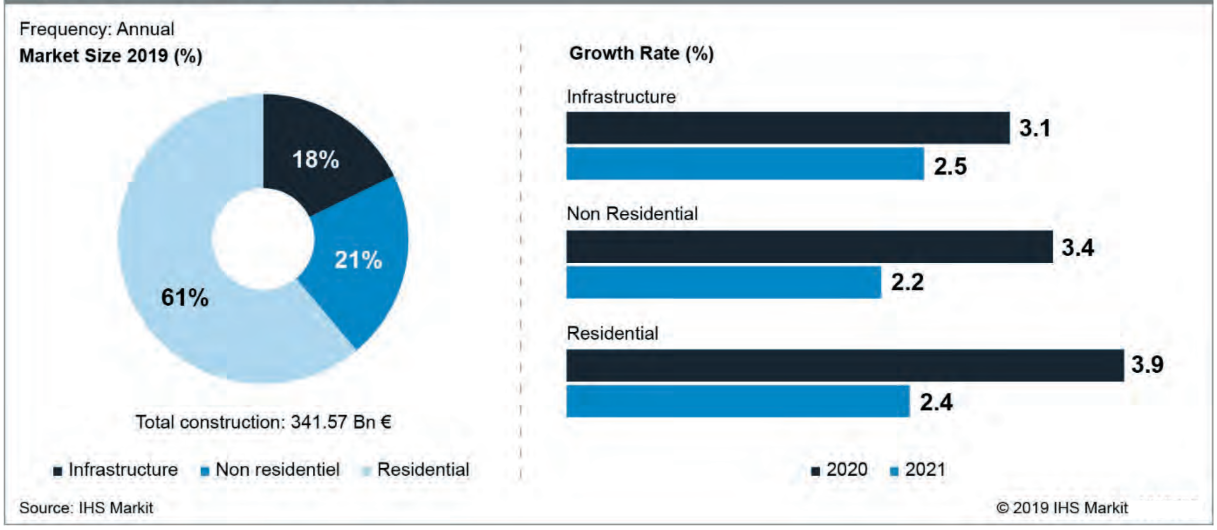
b. Construction context

In a context of heightened trade disruptions, Germany's domestic economy continues to display significant resilience to dampening external influences. The German economy's structural resilience continues to limit risks, based on a strong competitive position in global markets, enhanced labour-market flexibility (especially via short-time work schemes and extended usage of temporary employment), the absence of any housing-sector bubble, short- and long-term interest rate levels well below Germany's domestic requirements, and better-than-expected public finance developments since 2011. In this context, construction will carry on full steam, increasing 4.6% in 2019 and 3.7% in 2020.

The residential construction sector, having slumped during 1996–2005 to correct for the reunification spike, is booming now because of historically low interest rates, pent-up demand, and increased immigration flows, which are boosting residential building. The only shadow to this bright spot is the muted demographics forecast – with a population remaining stable in the next 10 years.

Current medium-term budget plans include strong additional expenditures on infrastructure investment and for social purposes. Even after years of massive investment the disequilibrium between East and West Germany is still a pressing issue and a driver for the coming years, as well as the ambition to massively increase the share of renewable energy in total consumption and to end nuclear energy production.

Fig. 5 DE Construction Market Growth



Italy (IT)

Compared with last year's report, the Italian rental turnover growth for 2019 has slightly increased. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the Italian rental industry remains strongly linked to the construction sector and still benefits from the good health of that sector. In addition, as a result of an increasing rental penetration rate, during the next three years (2019–21) the growth rate for the rental industry is expected at around 3.0%, yet with a slowdown in 2020–21.

The country will benefit from the good health of the construction sector; however, it is worth noting the situation might differ region by region. Like Spain or France, the Italian market is characterised by its strong regional disparity, which directly affects the equipment rental activity. The disparity remains, even with the growth.

To illustrate this, there is, especially in northern Italy, demand for sophisticated services and quality, which is not the case in southern Italy. As a result, the northern region is more attractive because observers see more room for improvement in rental penetration. On top of that, because the market is still characterised by a high level of fragmentation, the market is considered a good candidate for a consolidation.

Finally, here is the other specific feature of the Italian market: the important role of distributors and OEMs having a rental practice.

As regards the challenges for the rental industry, the slow payment by rental customers continues to be a concern, along with the financial health of contractor companies, and even more so, the financial health of the largest contractor companies.

Italy (IT), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	1,395	1,465	1,550	1,625	1,665	1,705
- Rental companies	730	765	810	850	870	890
- Other comp. providing rental services (only rental)	665	700	740	775	795	815
# Rental companies	1,575					
# Employed persons of rental companies	8,310					
Investments in rental equipment [million €]	160	170	180	190		
Value of rental fleet at all companies [million €]	2,115	2,195	2,290	2,375		
Ratio: Investments in rental equipment / Value of the rental fleet	7.6%	7.7%	7.9%	8.0%		
Rental market drivers						
GDP [2010 billion €]	1,575	1,603	1,615	1,614	1,610	1,617
GDP penetration rate	0.9‰	0.9‰	1.0‰	1.0‰	1.0‰	1.1‰
Total construction output [2010 billion €]	185	188	193	195	195	197
Construction industry penetration rate	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%
Country population [million]	61	61	61	61	60	60
Country population penetration rate [€ per person]	23	24	26	27	28	28

Source: IHS Markit and Official Statistics data

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a. Review of key indicators

Fig. 1 IT Turnover

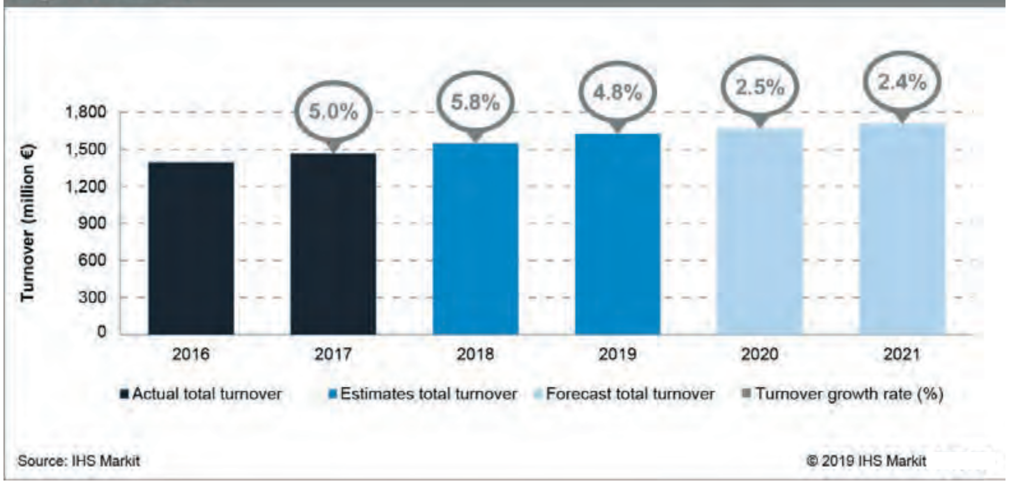


Fig. 2 IT Rental fleet

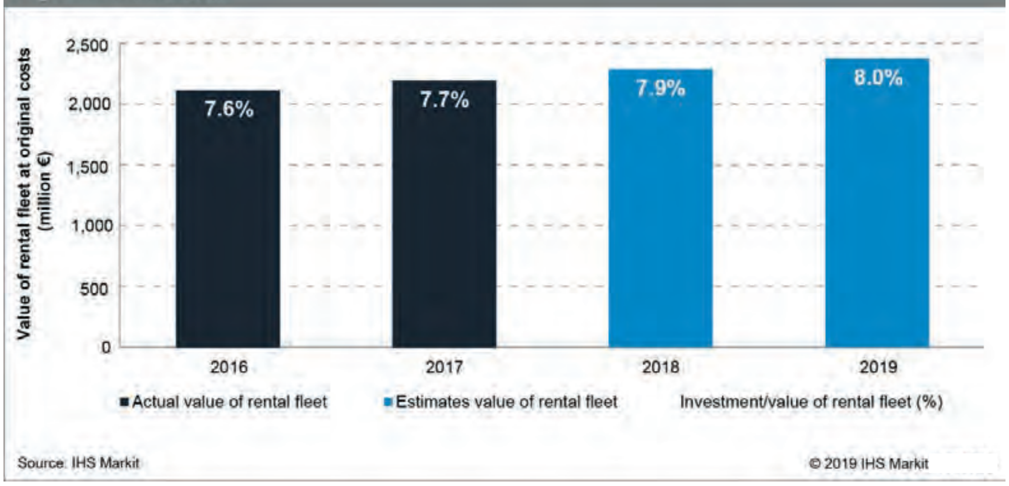


Fig. 3 IT Investment

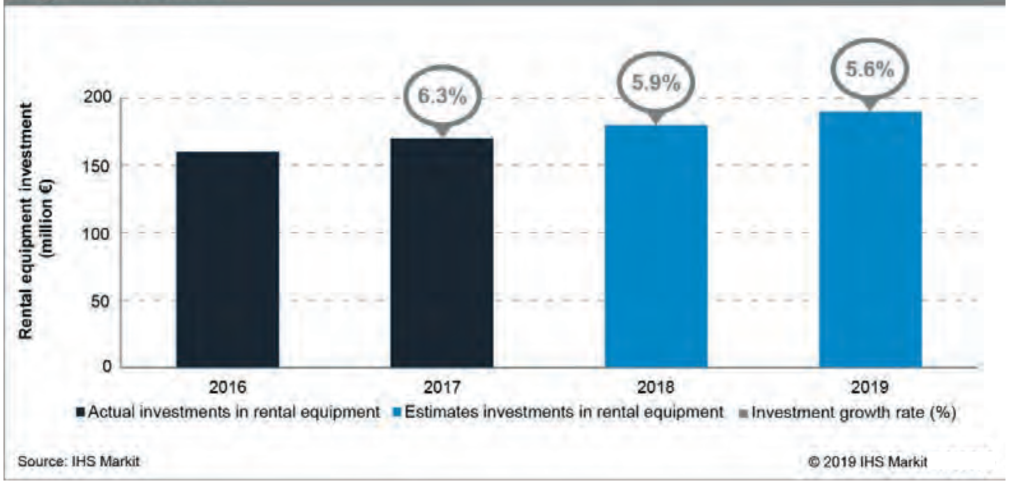
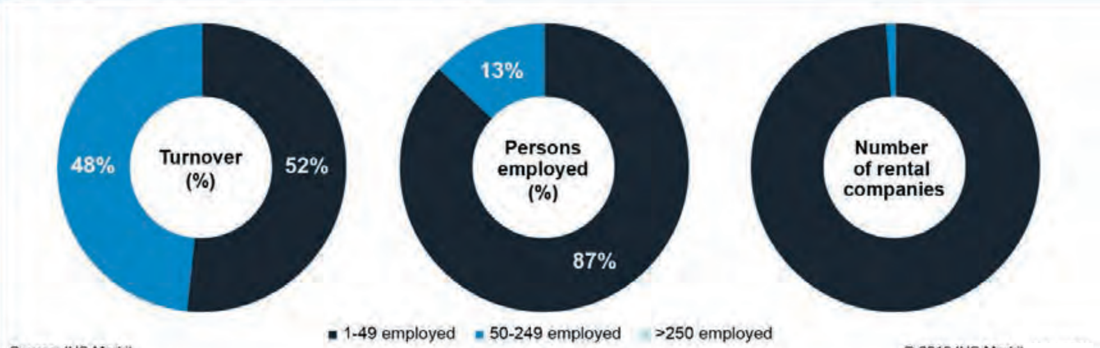


Fig. 4 IT Rental companies breakdown in 2016



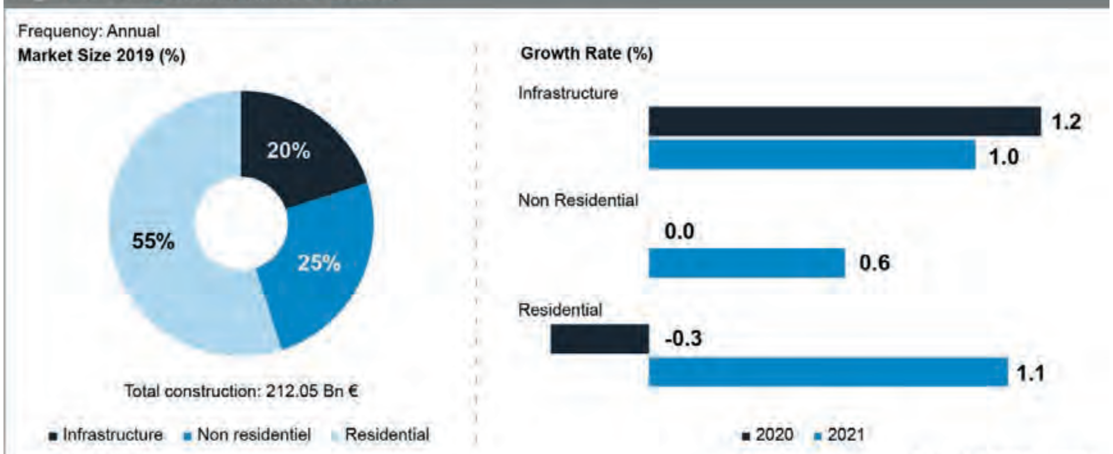
Source: IHS Markit © 2019 IHS Markit

b. Construction context

Amid heightened uncertainty, we still assume Italy could be locked into a mild recession from mid-2019 to early 2020. It could be further stoked by renewed fiscal tensions with Brussels when Italy presents its 2020 budget plan, triggering the return of some financial market stress and heightened political turmoil, spelling the end of the Lega/Movimento 5 Stelle (M5S) coalition. In addition, legacy risks prevail, namely tight credit conditions alongside lingering banking sector tensions, past household and corporate income losses, and damagingly high unemployment. In this context, construction will post a modest 1.0% in 2019 and 0.0% in 2020.
Residential construction is expected to increase 0.9% in 2019 and will decline 0.3% in 2020. Tight credit conditions, high unemployment, and income losses weigh on households' finances. Over the longer term, the expected demographic decline is another red signal to the sector.

Italian governments have historically invested heavily in multiyear infrastructure development projects to modernise and improve the country's facilities. Legislation was introduced to reduce bureaucratic hurdles to infrastructure projects and investments, but concerns remain over which companies have been awarded lucrative contracts. Infrastructure investments have been subjected to severe belt tightening during the economic crisis and this will remain the case for several years to come – especially as there is a growing uncertainty over the 2020 budget and its approval by Brussels.

Fig. 5 IT Construction Market Growth



Source: IHS Markit © 2019 IHS Markit

The Netherlands (NL)

Compared with the 2018 Market Report, the Dutch rental turnover growth for 2019 slightly increased. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the rental industry remains strongly linked to the construction sector and still benefits from the good health of the construction sectors, namely infrastructure, residential, and non-residential. During the next three years (2019–21) the expected growth rate for the rental industry is at around 4.0%.

The Dutch market is a somewhat consolidated market when comparing with the European average, with companies of fewer than 50 employees accounting for 40% of the total market. This concentration should develop even further. Actually, the good health of the rental industry and the good prospects for the future are, in some way, increasing the competition intensity, with rental companies competing on investments for equipment, people, or solutions to be developed for the rental customers. As a result, there is a slow concentration driven by main players as well as medium-size ones.

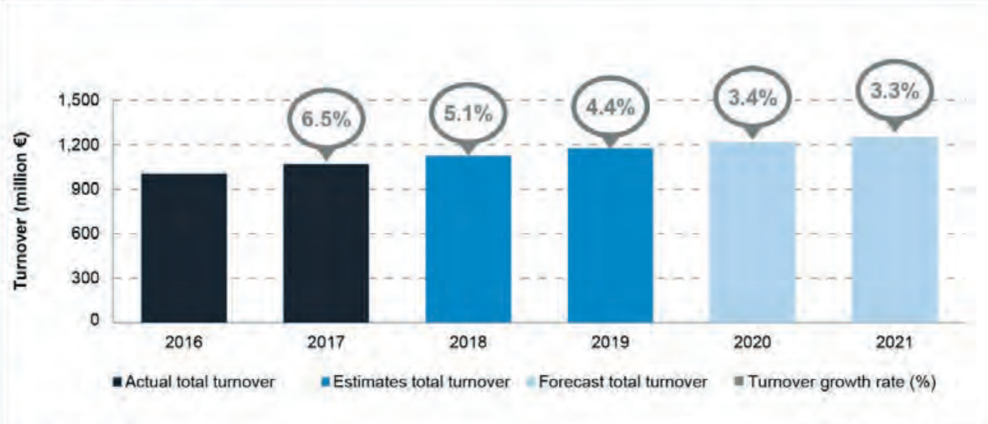
Finally, the rental industry shares some similarities with the Belgium region of Flanders, where specialised companies are accounting for a large share of the market, also including a relatively large market share held by local companies. As a result, actually, many Dutch rental companies have developed operations in the Flemish part of Belgium.

Netherlands (NL), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	1,005	1,070	1,125	1,175	1,215	1,255
- Rental companies	925	985	1,035	1,080	1,120	1,155
- Other comp. providing rental services (only rental)	80	85	90	95	95	100
# Rental companies	570	585				
# Employed persons of rental companies	5,860	6,350				
Investments in rental equipment [million €]	215	225	235	245		
Value of rental fleet at all companies [million €]	1,570	1,655	1,725	1,785		
Ratio: Investments in rental equipment / Value of the rental fleet	13.7%	13.6%	13.6%	13.7%		
Rental market drivers						
GDP [2010 billion €]	705	726	745	757	767	777
GDP penetration rate	1.4‰	1.5‰	1.5‰	1.6‰	1.6‰	1.6‰
Total construction output [2010 billion €]	92	96	99	101	102	104
Construction industry penetration rate	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%
Country population [million]	17	17	17	17	17	17
Country population penetration rate [€ per person]	59	63	66	69	71	73

Source: IHS Markit and Official Statistics data

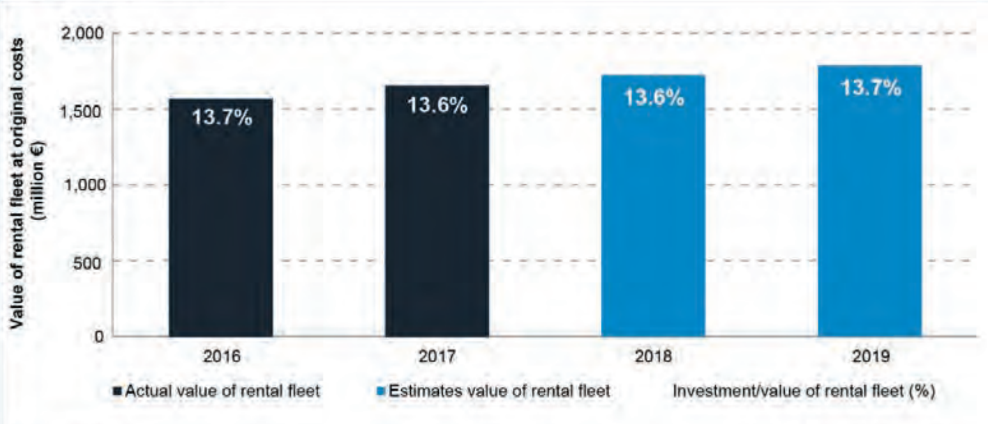
a. Review of key indicators

Fig. 1 NL Turnover



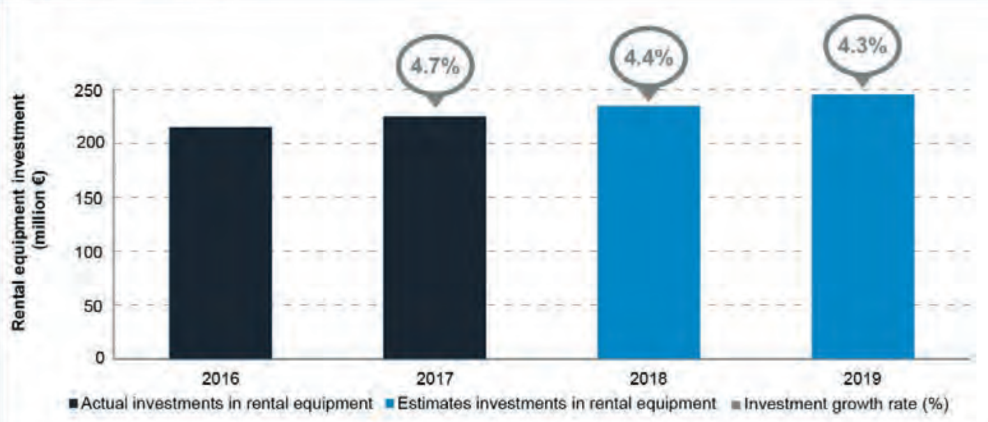
Source: IHS Markit © 2019 IHS Markit

Fig. 2 NL Rental fleet



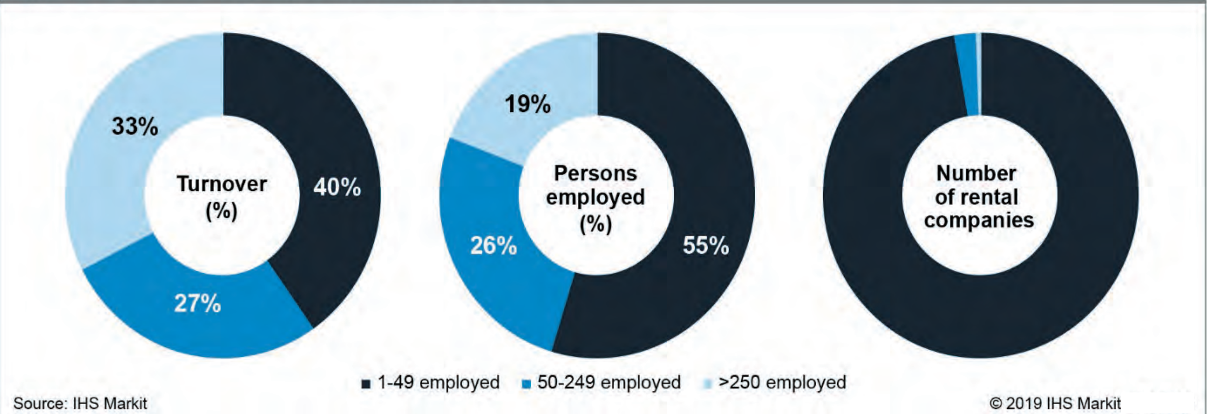
Source: IHS Markit © 2019 IHS Markit

Fig. 3 NL Investment



Source: IHS Markit © 2019 IHS Markit

Fig. 4 NL Rental companies breakdown in 2016



Source: IHS Markit © 2019 IHS Markit

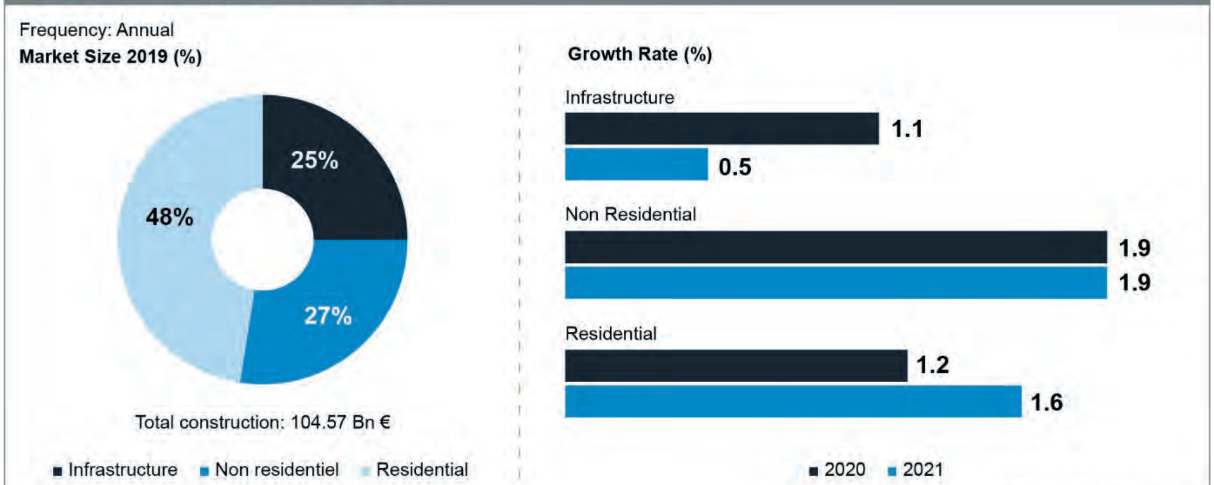
b. Construction context

We expect Dutch GDP growth to decelerate to 1.6% in 2019 and 1.3% in 2020, weighed down by strong external headwinds, namely weakness in the German manufacturing sector, new barriers to trade globally, and the risk of the United Kingdom's disorderly withdrawal from the EU, as the economy is strongly interlinked with those of the rest of the region. Total construction spending will follow this path, increasing 1.9% in 2019 and 1.3% in 2020.

Unlike elsewhere in Europe, household consumption remains subdued. Inflation remains elevated in the Netherlands, owing to recent tax increases, hurting consumers' purchasing power. As housing prices have regained their pre-crisis levels in most of the country, there may be a downside for entrants to the housing market as prices rise in combination with the strengthening of requirements for mortgages, which may reduce opportunities for first-time buyers. The number of households in the country is anticipated to remain relatively constant over the forecast period, from 7.8 million in 2018 to 8.3 million in 2028.

Non-residential structures will be the biggest driver of growth in the coming years, especially through the institutional sector. As befits the international transport and distribution centre for Europe, the general infrastructure in the Netherlands is of a very high standard, with high-quality links for all forms of transport to markets in neighbouring countries. Energy investment will be concentrated into the Groningen natural gas field, which will be progressively phased out until 2030.

Fig. 5 NL Construction Market Growth



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Norway (NO)

Compared with last year's report, the Norwegian rental turnover growth for 2019 remains the same. With a share of rental revenue stemming from demand in the construction sector estimated to average 60%, infrastructure is expected to be the biggest growth driver. During the next three years (2019–21), the expected growth rate for the rental industry is at 4.5%, with quite stable growth over the years.

Norway is experiencing one of the most diversified rental markets. That said, like Germany, if the rental industry seems to be quite diversified with 40% of non-construction rental demand, it is more due to the importance of the oil business in the total economy, rather than a high rental penetration rate in the non-construction segment.

That being said, the oil and gas industry still mainly chooses ownership over rental in its equipment usage. Here, a shift of behaviour would be a major change for the rental industry. Also, this market segment is so far addressed mainly by oil and gas rental specialists, focusing exclusively on this segment and on its specific requirements.

The situation is quite similar to the Finnish one; the Norwegian market is quite concentrated with companies of fewer than 50 employees accounting for less than 30% of the total market, and the top companies accounting for about 55% of the turnover of the market. After some difficult years, the good prospects of the rental industry should allow future consolidation.

As regards the challenges for the rental industry, the slow consolidation of contractor companies has raised their purchasing power, increasing the competitive intensity. In addition to that, in a situation quite atypical, one of the top rental companies is actually a rental extension of a major construction company.

Norway (NO), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million NOK]	7,630	8,105	8,500	8,865	9,265	9,690
- Rental companies	5,705	6,060	6,355	6,625	6,925	7,245
- Other comp. providing rental services (only rental)	1,925	2,045	2,145	2,240	2,340	2,445
# Rental companies	345	365				
# Employed persons of rental companies	2,660	2,750				
Investments in rental equipment [million NOK]	1,640	1,540	1,555	1,600		
Value of rental fleet at all companies [million NOK]	9,785	10,270	10,670	11,040		
Ratio: Investments in rental equipment / Value of the rental fleet	16.8%	15.0%	14.6%	14.5%		
Rental market drivers						
GDP [2010 billion NOK]	3,108	3,181	3,238	3,293	3,353	3,414
GDP penetration rate	2.5‰	2.5‰	2.6‰	2.7‰	2.8‰	2.8‰
Total construction output [2010 billion NOK]	436	453	458	465	475	488
Construction industry penetration rate	1.8%	1.8%	1.9%	1.9%	1.9%	2.0%
Country population [million]	5	5	5	5	5	5
Country population penetration rate [NOK per person]	1,453	1,530	1,592	1,648	1,709	1,773
Exchange rate [NOK per EUR]	9.29	9.32	9.60	9.89	9.87	9.62

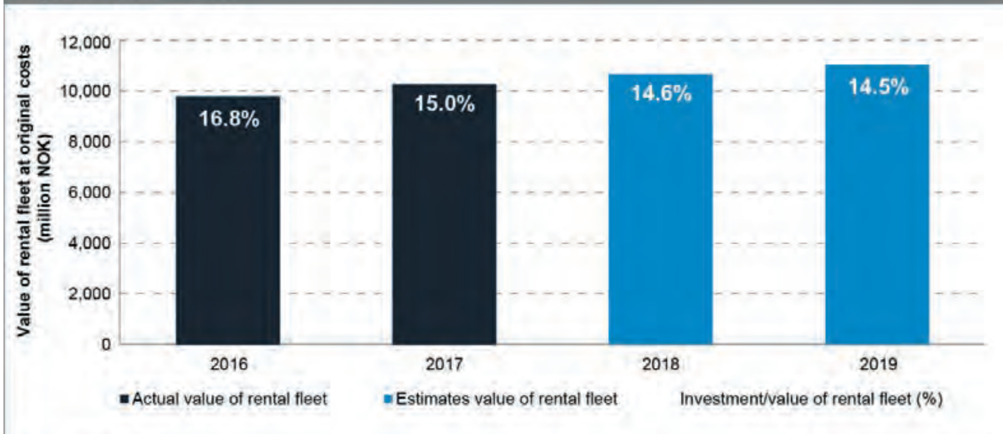
Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 NO Turnover

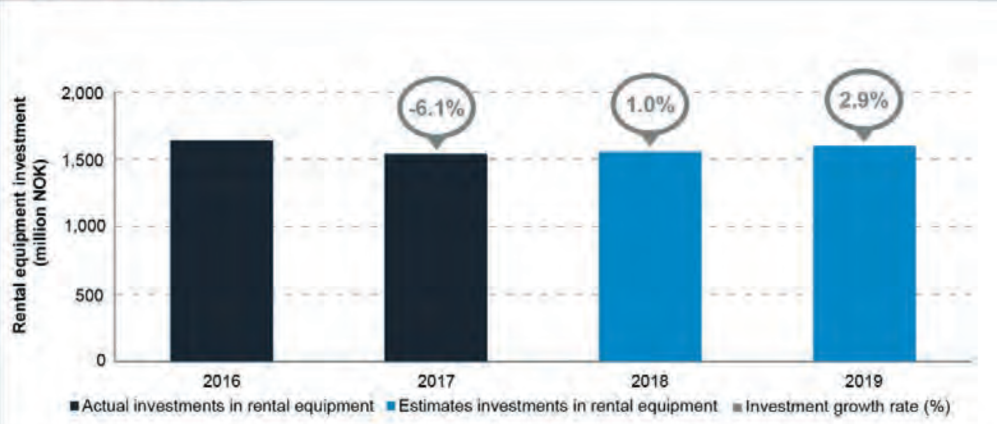
Source: IHS Markit © 2019 IHS Markit

Fig. 2 NO Rental fleet



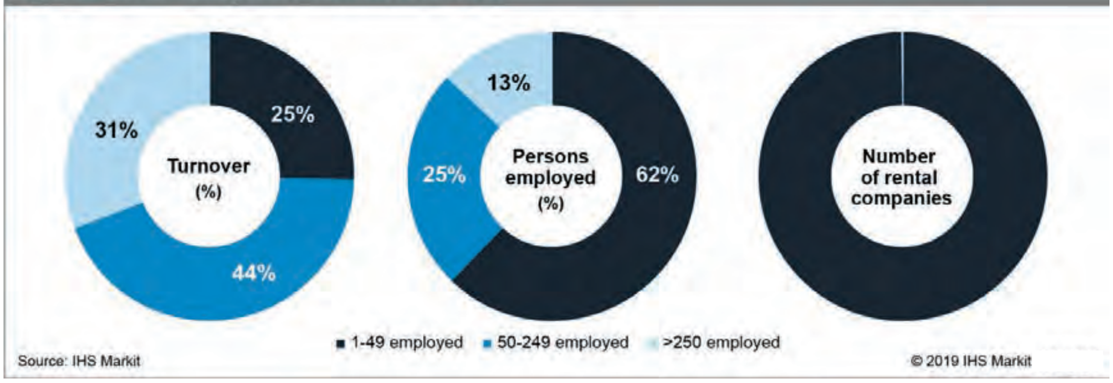
Source: IHS Markit © 2019 IHS Markit

Fig. 3 NO Investment



Source: IHS Markit © 2019 IHS Markit

Fig. 4 NO Rental companies breakdown in 2016



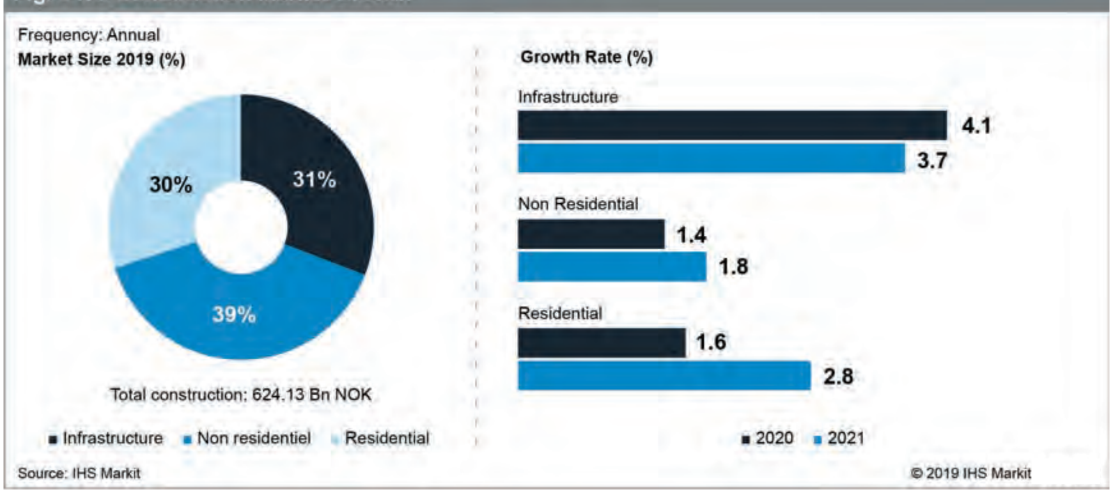
b. Construction context

For Norway, the narrative remains the same: the mainland economy remains locked into a calmer phase after a prolonged period of above-average growth. Nevertheless, it will remain the main engine of growth, guided by solid household spending, residential investment, and government consumption developments. A key support to growth in 2019/20 is oil companies raising their capital spending. Public finances will remain supportive well into the long term. The combination of tax hikes and continued petroleum receipts will continue to deliver comfortable fiscal surpluses well into the medium term. Total construction spending will carry this positive course, increasing 1.5% in 2019 and 2.3% in 2020.

The Norwegian housing market – one of the most overvalued in Western Europe – is at risk, with fears it could be heading for a "hard landing". The damage from the crash could be severe because of elevated levels of household debt. Worryingly, the International Monetary Fund (IMF) stated in its latest assessment of the Norwegian economy that the housing market is overvalued by at least 40%.

In terms of infrastructure, public finances will remain supportive well into the long term, which will support major projects in road, railways, coastal infrastructure, and aviation. Several oil and gas exploration projects in the North Sea region are also under way and could trigger massive need for energy infrastructure in the coming years.

Fig. 5 NO Construction Market Growth



Poland (PL)

Compared with the 2018 Market Report, the Polish rental turnover growth for 2019 remains the same. With a share of rental revenue stemming from demand in the construction sector estimated to average 80%, the rental sector will benefit from the high growth expected in construction throughout its three sub-sectors. During the next three years (2019–21), the expected growth rate for the rental industry is at 7.5%.

The Polish market is characterised by a high degree of fragmentation – together, rental companies with fewer than 50 employees generate more than 65% of total industry revenue – along with the presence of many of the European rental companies. Almost all the top European rental players are operating there.
In effect, even if the Polish market is a relatively small equipment rental market, suffering from the financial health of contractor companies and from a lowest-bidder culture, the market remains attractive to the rental players. The relatively low rental penetration rate of both the construction and the non-construction sectors is offering interesting potential.

An atypical feature of the equipment rental market is that is has a specialised rental segment focusing on the manufacturing industry, with notably large OEMs operating rental activities.

As regards the challenges for the rental industry, the constant start-and-stop cycle of the whole economy is a concern in terms of market planning. In a construction market mainly driven by the new segment – with only a little share of renovation – the recent development of the sector has been a good illustration of this full-speed/full-stop cycle.

Poland (PL), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million PLN]	2,495	2,735	2,975	3,170	3,430	3,685
- Rental companies	2,470	2,710	2,945	3,140	3,395	3,650
- Other comp. providing rental services (only rental)	25	25	30	30	35	35
# Rental companies	1,575					
# Employed persons of rental companies	6,965					
Investments in rental equipment [million PLN]	440	455	470	495		
Value of rental fleet at all companies [million PLN]	5,550	5,685	5,805	5,900		
Ratio: Investments in rental equipment / Value of the rental fleet	7.9%	8.0%	8.1%	8.4%		
Rental market drivers						
GDP [2010 billion PLN]	1,727	1,813	1,907	1,983	2,046	2,101
GDP penetration rate	1.4‰	1.5‰	1.6‰	1.6‰	1.7‰	1.8‰
Total construction output [2010 billion PLN]	314	357	406	437	456	466
Construction industry penetration rate	0.8%	0.8%	0.7%	0.7%	0.8%	0.8%
Country population [million]	38	38	38	38	38	38
Country population penetration rate [PLN per person]	66	72	78	84	91	97
Exchange rate [PLN per EUR]	4.36	4.26	4.32	4.31	4.26	4.23

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 PL Turnover

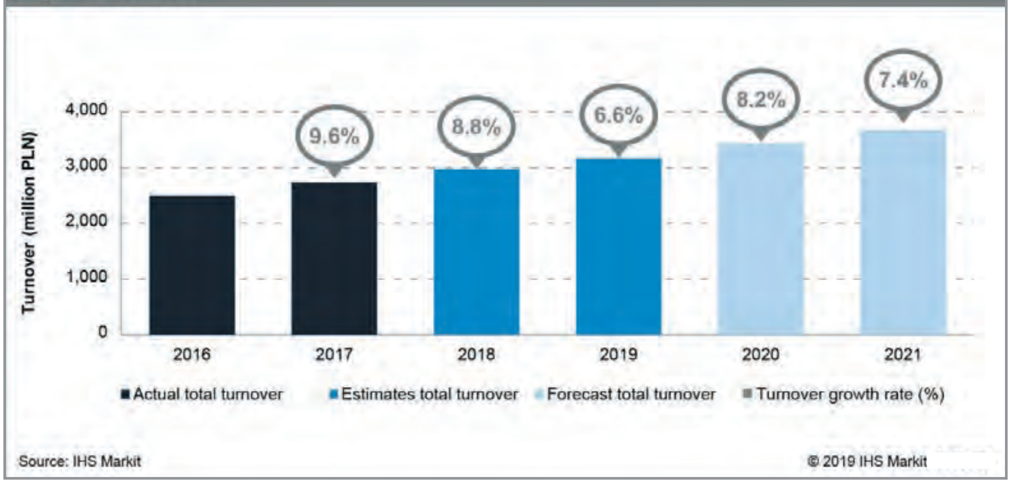


Fig. 2 PL Rental fleet

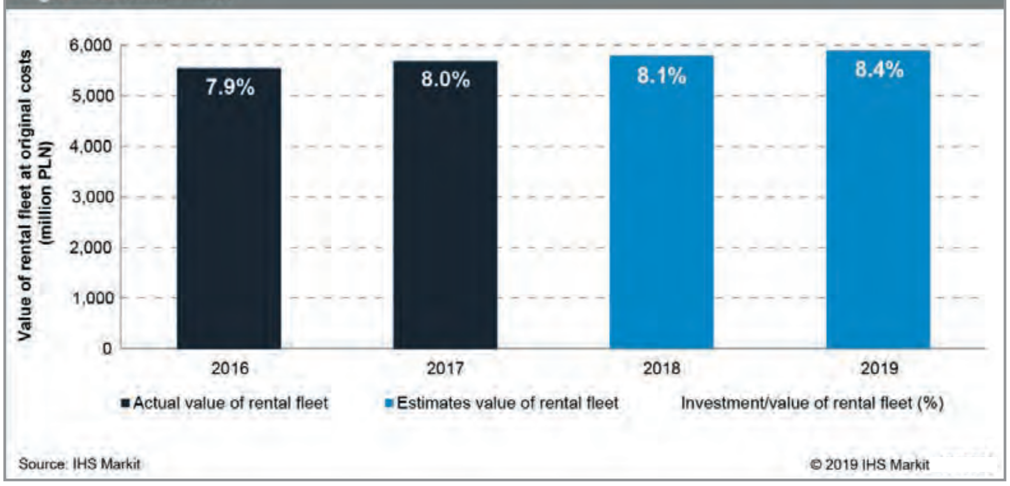


Fig. 3 PL Investment

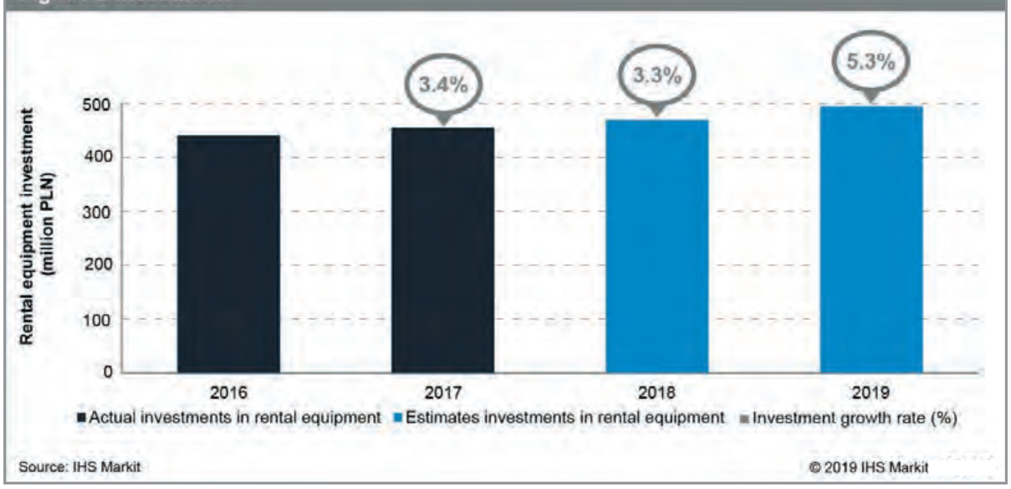
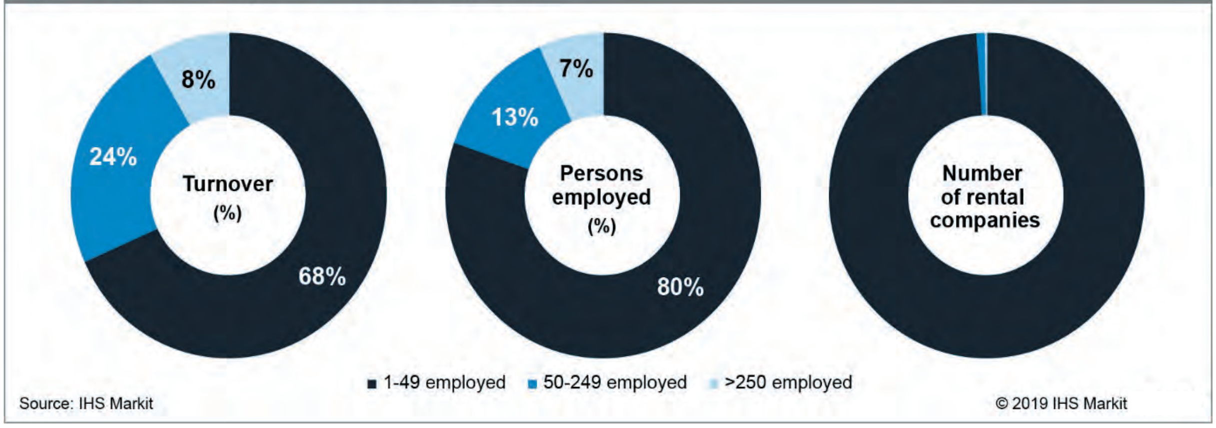


Fig. 4 PL Rental companies breakdown in 2016



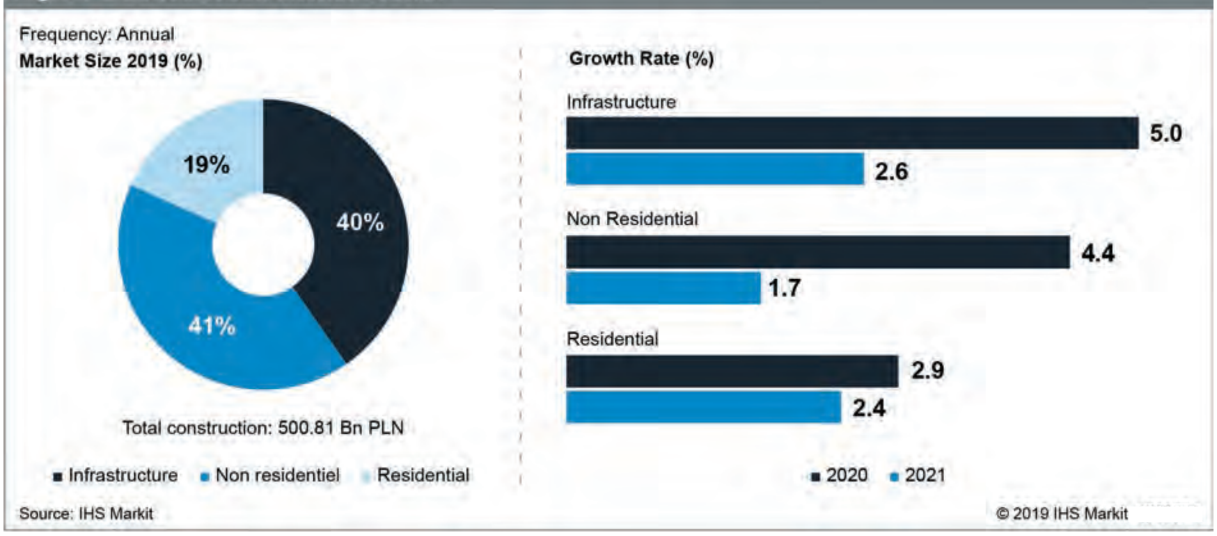
b. Construction context

Polish GDP growth is projected to decelerate going forward. Although the new fiscal package will boost growth in 2019–20, a tight labour market, external weakness, and policy instability will have the opposite effect. While real GDP growth will trade between 3% and 4% in the coming years, construction will witness stunning growth, increasing 7.6% in 2019 and 4.3% in 2020.

The Polish residential market remains the largest in Central and Eastern Europe. However, external migration constitutes a big issue. Homeownership has stagnated, sitting at just above 83% since 2014, despite the introduction of the MIeszkanie Plus housing policy in 2014. The programme aims to improve access to housing by providing housing allowances, rental dwellings within the municipal housing stock, emergency housing, and technical infrastructure and communal services related to housing.

Poland carries a sizable public-sector debt burden. Roads and rail in Poland both require upgrades, but many government infrastructure initiatives have been delayed or put on hold in recent years. High-speed Pendolino trains began operations in 2014, but the completion of a separate high-speed rail was pushed back to 2030. Similarly, government red tape meant that much of the 4,500 km of roads set for completion by 2010 did not come to fruition. Construction plans for a new airport have been put on hold for the next two decades. Other urgent problems to solve include the obsolete and unprofitable national mining industry, lack of regulations on renewable energy sources, economic and environmental risks associated with the shale-gas exploration, and nuclear power dilemmas.

Fig. 5 PL Construction Market Growth



Spain (ES)

Compared with last year's report, the total Spanish rental market size for 2018 has been decreased around 8% because of updated data. However, the growth rate for 2019 has remained unchanged. With a share of rental revenue stemming from demand in the construction sector that remained at around 75%, the residential sector is expected to be the biggest growth driver. During the next three years (2019–21), the expected growth rate for the rental industry is at 5.0%.

Rental turnover in Spain began recovering somewhat as of 2014, and it is quite strong and continues to grow. In 2016 specifically, national statistics have been revised and the growth between 2016 and 2017 increased from 5.0% to 10.0%. These are signs of the good health of the rental industry and include increasing M&A activity.

That said, the situation might differ region by region. The Spanish market, like the French or the Italian, is characterised by its strong regional disparity concerning the construction sector, directly affecting equipment rental activity. The disparity remains, even with the growth of the rental sector.

Nevertheless, the Spanish market remains highly fragmented compared with the other European markets. It is characterised by high fragmentation, with more than 70% of the rental industry turnover generated by firms with fewer than 50 employees, mainly small, independent companies, certainly offering room for further consolidation.

As regards the challenges for the rental industry, observers point out the future elections and key years for civil engineering, and therefore, for rental companies. Also notable is the long tail of small rental players, holding up investments for a number of years, that will need to invest in the future to renew their fleet and to remain competitive. At the same time, some of the largest companies are investing quite heavily.

Spain (ES), EURO	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million €]	1,190	1,310	1,380	1,445	1,520	1,600
- Rental companies	1,125	1,240	1,305	1,370	1,440	1,515
- Other comp. providing rental services (only rental)	65	70	75	75	80	85
# Rental companies	1,370	1,280				
# Employed persons of rental companies	4,820	5,225				
Investments in rental equipment [million €]	170	185	190	200		
Value of rental fleet at all companies [million €]	2,640	2,705	2,745	2,780		
Ratio: Investments in rental equipment / Value of the rental fleet	6.4%	6.8%	6.9%	7.2%		
Rental market drivers						
GDP [2010 billion €]	1,107	1,140	1,169	1,195	1,214	1,233
GDP penetration rate	1.1‰	1.1‰	1.2‰	1.2‰	1.3‰	1.3‰
Total construction output [2010 billion €]	165	173	178	183	188	192
Construction industry penetration rate	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Country population [million]	47	47	47	47	47	47
Country population penetration rate [€ per person]	26	28	30	31	33	34

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 ES Turnover

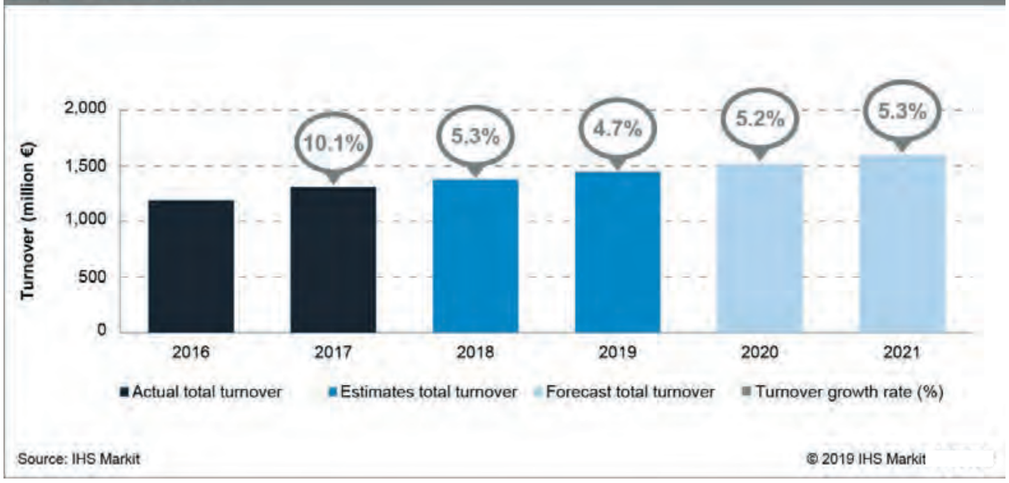


Fig. 2 ES Rental fleet

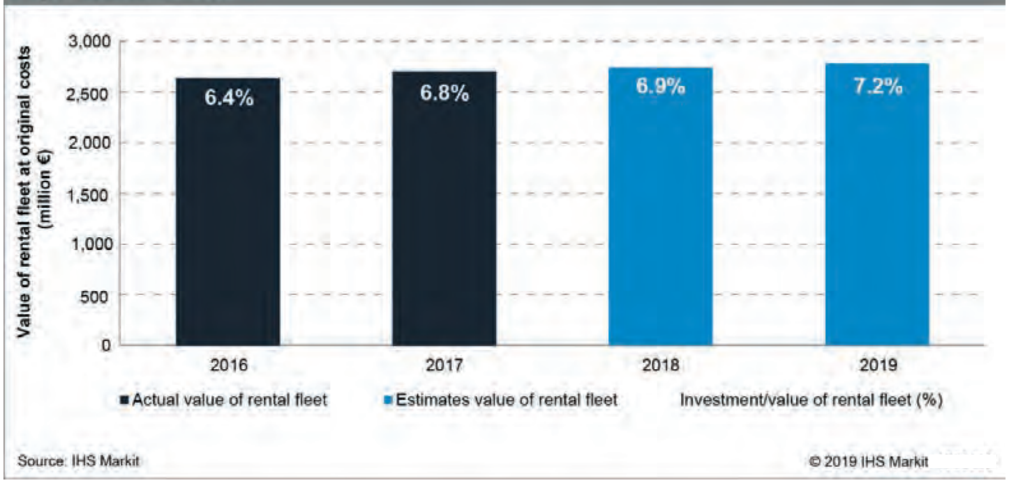
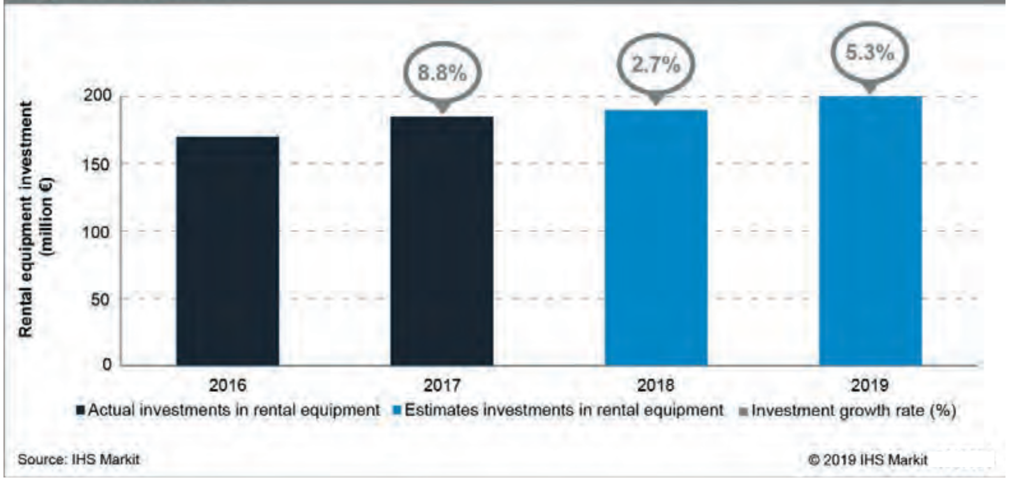


Fig. 3 ES Investment



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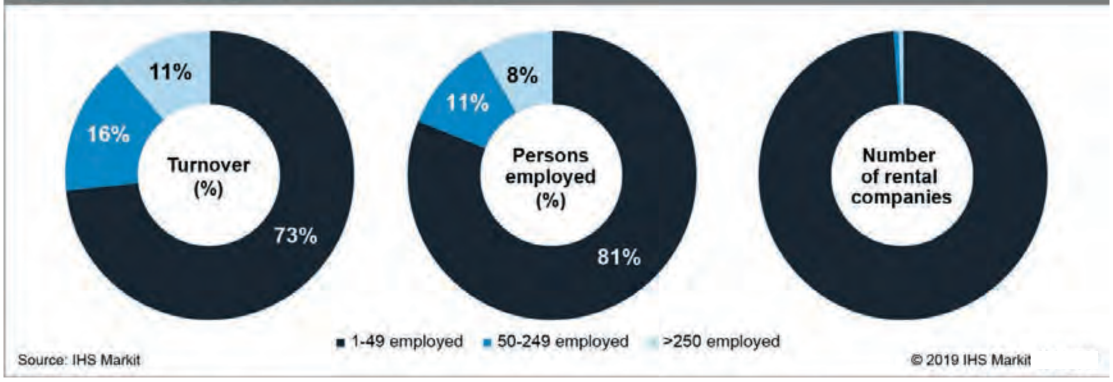
POLAND
SPAIN
SWEDEN
SWITZERLAND
UNITED KINGDOM

Fig. 4 ES Rental companies breakdown in 2016



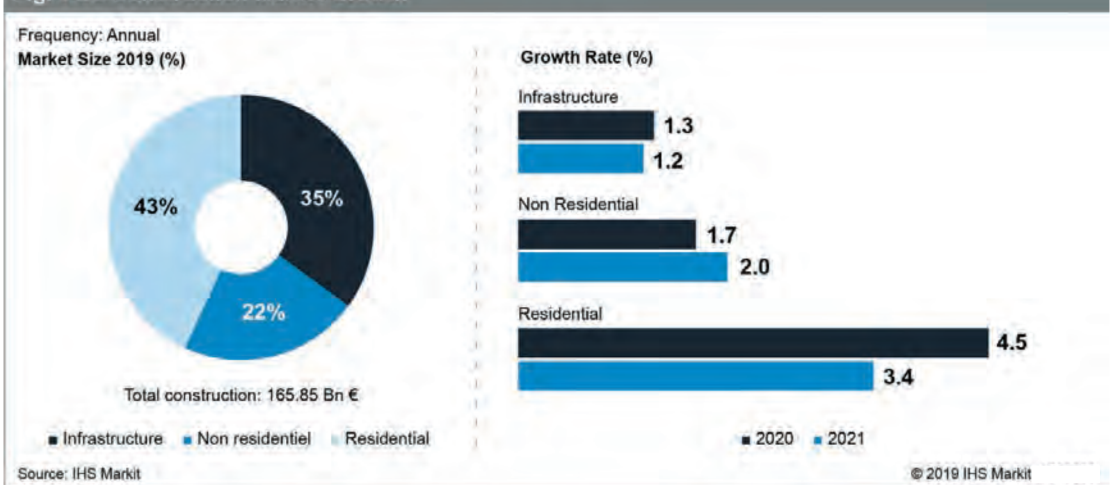
b. Construction context

Real GDP in Spain is forecast to grow 2.2% in 2019 and a further 1.5% in 2020. Near-term growth slows owing to some impact, albeit limited, from political risks – namely the Catalan crisis and fractured governance in Madrid, which has not been resolved after a snap general election held on 28 April 2019. Another major concern will be the future trajectory in household real incomes, which have been elevated by rapid employment growth, income tax cuts, and negative inflation developments. However, headwinds are emerging, namely still-negligible nominal wage growth compression in tandem with the prospect of retreating employment growth. In this mitigated context, total construction will remain sustained, increasing 2.8% in 2019 and 2.8% in 2020.

Spanish house prices in the fourth quarter of 2017 rose for a 14th consecutive quarter, after falling continuously since the end of 2007. However, the pace of the recovery remains moderate. The number of households in the country is anticipated to remain relatively constant in the forecast period, from 18.5 million in 2018 to 19.1 million in 2028. Even though the risk of a housing bubble is not yet present, the continuous growth in households' real income and credit is a subject of concern.

Since the 1980s, basic infrastructure in Spain has received massive investment. EU Cohesion and Structural Funds have contributed enormously; Spain has been one of the largest recipients of these funds among member states. The importance of the tourism industry is a trigger for massive infrastructure investments, especially in the transport sector. By 2020, an additional 9,000 kilometres of high-speed track is due to be laid. Spain has 46 international ports, which all are subject to ambitious expansion and modernisation plans.

Fig. 5 ES Construction Market Growth



Sweden (SE)

Compared with the 2018 Market Report, the Swedish rental turnover growth for 2019 slightly decreased. With a share of rental revenue stemming from demand in the construction sector estimated to average 70%, the infrastructure and non-residential sectors are expected to be the biggest growth drivers. During the next three years (2019–21) the expected growth rate for the rental industry is at 3.5%.

In the market with both the highest rental GDP and construction penetration, it is useful to note the highly sophisticated customers' requirements. It is worth noting in particular the development of total rental solutions covering equipment rental and related services to construction companies – including traffic on-site, waste management, or safety solutions.
Also notable is the robust demand for modern, safe machines with good environmental performance – also mentioned in the Nordic countries and in the United Kingdom, but with less intensity. In effect, sustainability and ecological considerations are quite important with contractors asking for eco-solutions and focused on fuel and energy efficiency.

In that regard, the high level of investment expected in this market might imply further consolidation, even in a market already consolidated, with rental companies with more than 250 employees generating almost 50% of total industry revenue, an atypical feature when comparing it with the European market's average.

As regards the challenges for the rental industry, observers tend to believe the 2018 slowdown might continue over the next few years, in particular with the residential segment – quite important in term of rental intensity – being impacted. So far, our baseline is still solid growth of the economy, yet potential headwinds in the construction sector might imply a revision of the rental forecast.

Sweden (SE), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million SEK]	15,070	16,465	16,785	17,395	18,050	18,670
- Rental companies	14,840	16,215	16,530	17,130	17,775	18,385
- Other comp. providing rental services (only rental)	230	250	255	265	275	285
# Rental companies	530	560				
# Employed persons of rental companies	5,715	6,110				
Investments in rental equipment [million SEK]	2,580	2,675	2,715	2,725		
Value of rental fleet at all companies [million SEK]	20,380	21,985	22,350	23,045		
Ratio: Investments in rental equipment / Value of the rental fleet	12.7%	12.2%	12.1%	11.8%		
Rental market drivers						
GDP [2010 billion SEK]	4,573	4,681	4,796	4,867	4,935	5,005
GDP penetration rate	3.3‰	3.5‰	3.5‰	3.6‰	3.7‰	3.7‰
Total construction output [2010 billion SEK]	423	446	453	458	463	469
Construction industry penetration rate	3.6%	3.7%	3.7%	3.8%	3.9%	4.0%
Country population [million]	10	10	10	10	10	10
Country population penetration rate [SEK per person]	1,532	1,662	1,683	1,733	1,787	1,838
Exchange rate [SEK per EUR]	9.47	9.63	10.26	10.59	10.56	10.21

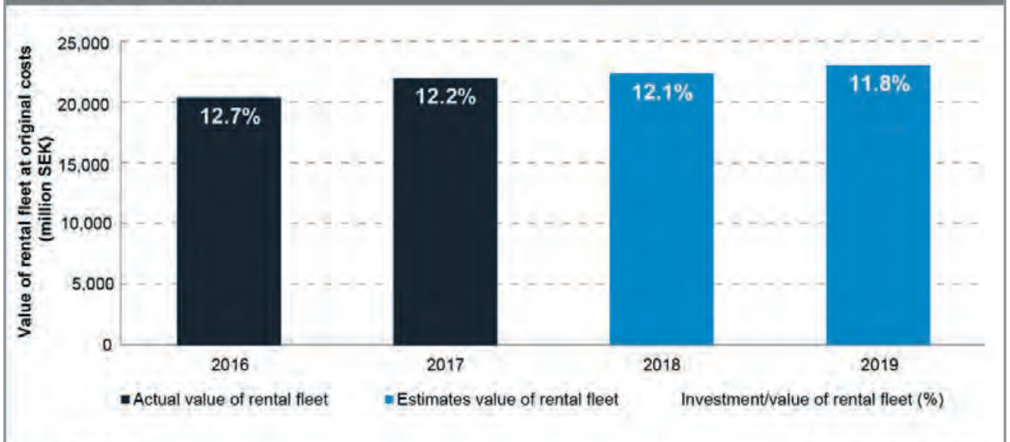
Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 SE Turnover

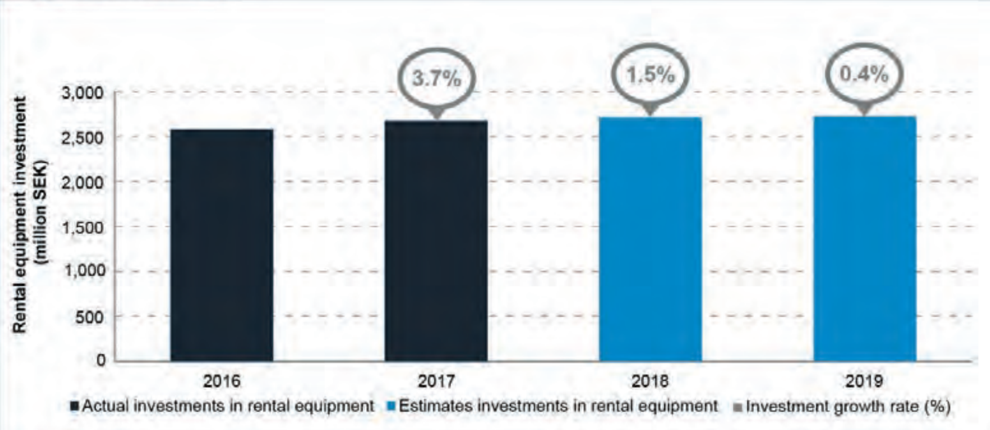
Source: IHS Markit © 2019 IHS Markit

Fig. 2 SE Rental fleet



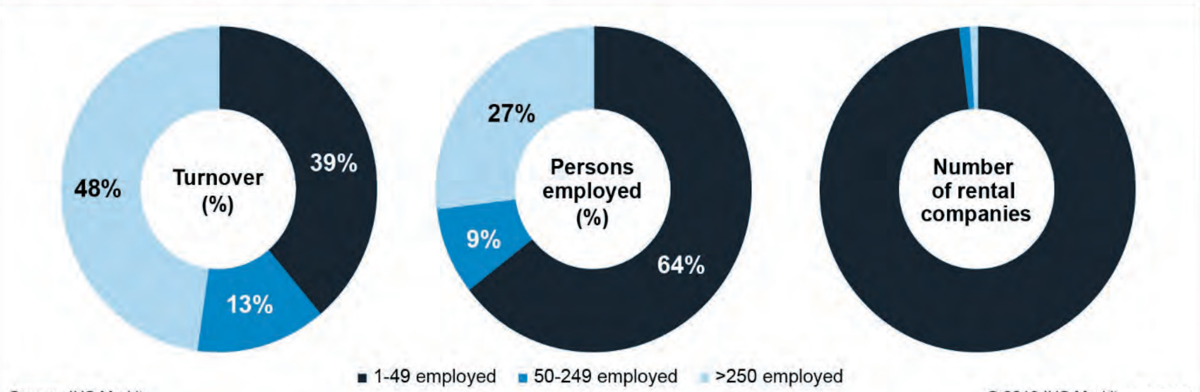
Source: IHS Markit © 2019 IHS Markit

Fig. 3 SE Investment



Source: IHS Markit © 2019 IHS Markit

Fig. 4 SE Rental companies breakdown in 2016



Source: IHS Markit

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b. Construction context

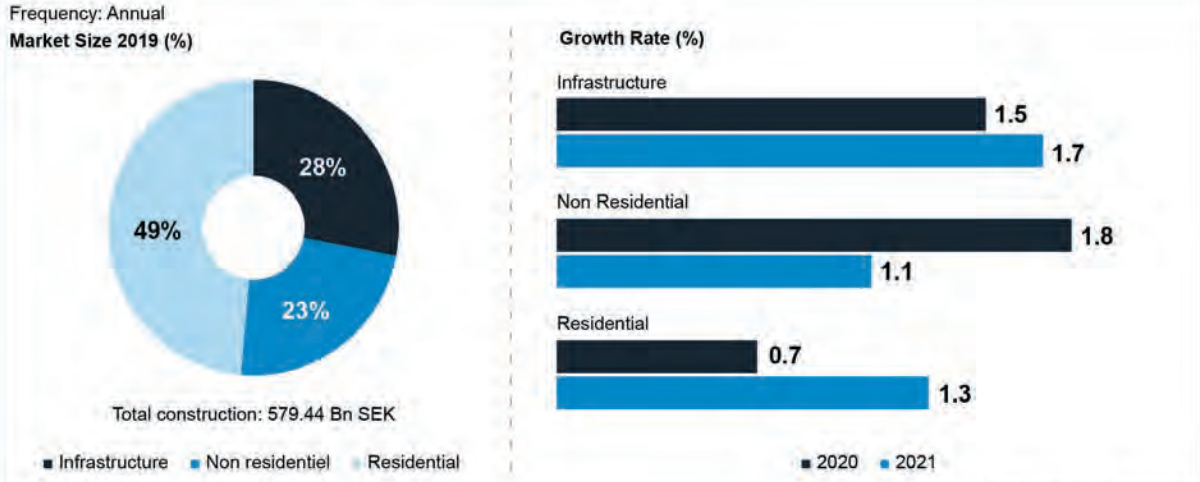
Sweden is likely to remain one of the healthier growth performers across the European Union. The outlook remains relatively sound, helped by a supportive policy backdrop, which will help offset some lingering external risks. A key advantage is that Sweden's public finances are sound; therefore, additional fiscal stimulus measures could be used to stimulate the economy, in contrast with many other European economies. In line with this strong outlook, total construction spending will remain sustained, increasing 1.1% in 2019 and 1.2% in 2020.

An over-valued housing market alongside a high level of household debt, remains a concern for the Swedish central bank and is at odds with still negative interest rates to address below-target inflation. Furthermore, sound household fundamentals (primarily rising real incomes because of solid wage gains), negligible price pressures, and past tax cuts will continue to stoke demand for mortgage credit and limit any potential downside risks to real estate prices in the next few years. In addition, a prevailing housing shortage is being exacerbated by the influx of refugees, with Sweden appearing to bear a significant proportion of the burden of the European migration crisis.

In terms of infrastructure investment, a special focus is likely to be placed on expanding the rail network in the southern part of the country to capitalise on the Fehmarn Belt Fixed Link, which will link Denmark and Germany and potentially boost Swedish exports. The participation of the environmentalist Green Party in the government coalition makes railway improvements a higher priority than improvements to the road network.

Fig. 5 SE Construction Market Growth

Frequency: Annual



Source: IHS Markit

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Switzerland (CH)

Compared with last year's report, the total Swiss rental market turnover for 2018 has been increased by around 9% because of updated data. The growth rate for 2019 has also been slightly decreased. The share of rental revenue stemming from demand in the construction sector is estimated to average 70%. Benefiting from an increasing rental penetration rate, during the next three years (2019–21) the expected growth rate for the rental industry is at 2.5%.

Even if Switzerland can be considered a relatively small equipment rental market, like Austria, the customers' requirements, considered as quite sophisticated in terms of products and services, make it appealing. In fact, both markets share a number of similarities, from the co-habitation between international companies operating in Switzerland and national rental players having a strong and local customer base, to the important role of distributors and OEMs having a rental practice, probably driving the high investment levels of the rental market. Also, it is interesting to point out in both cases the importance of rental specialists, probably the biggest rental players.

Finally, an additional atypical feature of the Swiss market compared with the other European markets, except for Belgium, is that the Swiss market is made up of three regional markets based upon language (French-, German-, and Italian-speaking), with most rental players being regional rather than national. The regional breakdown based upon language is probably acting as an entry barrier, with most rental players being local rather than international. This language specificity is probably one of the reasons for the high level of fragmentation in the market; very few rental companies have national coverage.

Nota bene: please note that for the Czech Republic and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been made to develop comparable rental market estimates.

Switzerland (CH), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million CHF]	410	415	430	440	450	465
- Rental companies	360	365	380	385	395	410
- Other comp. providing rental services (only rental)	50	50	50	55	55	55
# Rental companies	150	160				
# Employed persons of rental companies						
Investments in rental equipment [million CHF]	85	90	90	90		
Value of rental fleet at all companies [million CHF]	800	805	820	835		
Ratio: Investments in rental equipment / Value of the rental fleet	10.6%	11.2%	11.0%	10.8%		
Rental market drivers						
GDP [2010 billion CHF]	672	683	700	709	718	728
GDP penetration rate	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰
Total construction output [2010 billion CHF]	72	73	74	74	75	75
Construction industry penetration rate	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Country population [million]	8	8	9	9	9	9
Country population penetration rate [CHF per person]	49	49	50	51	52	53
Exchange rate [CHF per EUR]	1.09	1.11	1.15	1.11	1.10	1.11

Source: IHS Markit and Official Statistics data

AUSTRIA
BELGIUM
THE CZECH REPUBLIC
DENMARK
FINLAND
FRANCE
GERMANY
ITALY
NETHERLANDS
NORWAY
POLAND
SPAIN
SWEDEN
SWITZERLAND
UNITED KINGDOM

a. Review of key indicators

Fig. 1 CH Turnover

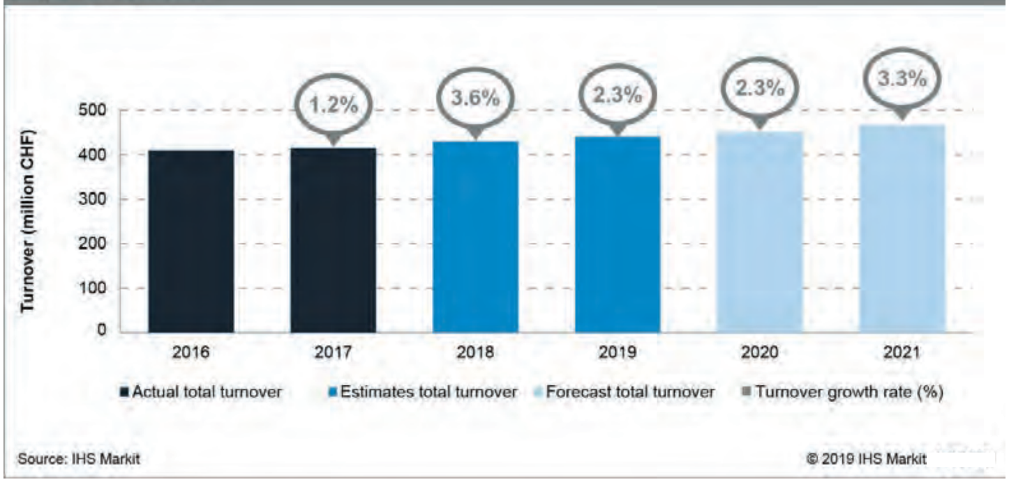


Fig. 2 CH Rental fleet

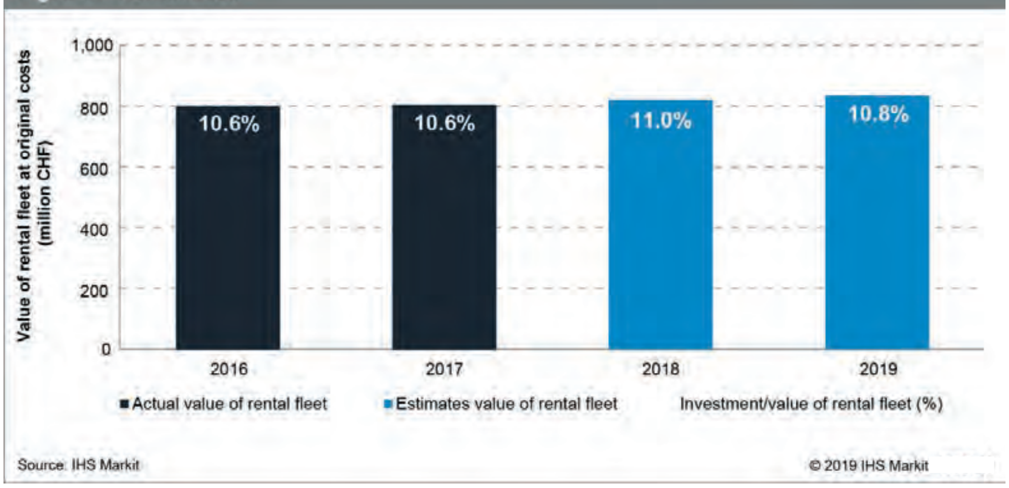


Fig. 3 CH Investment

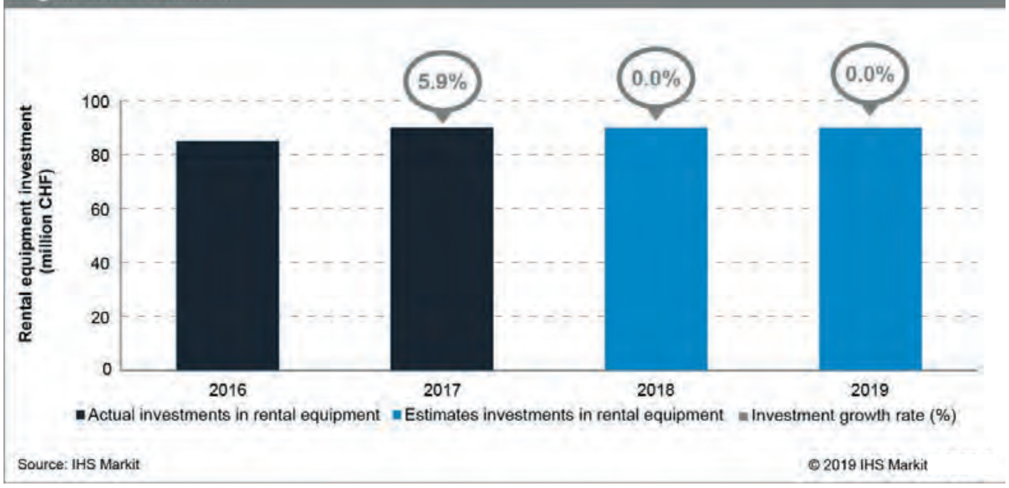
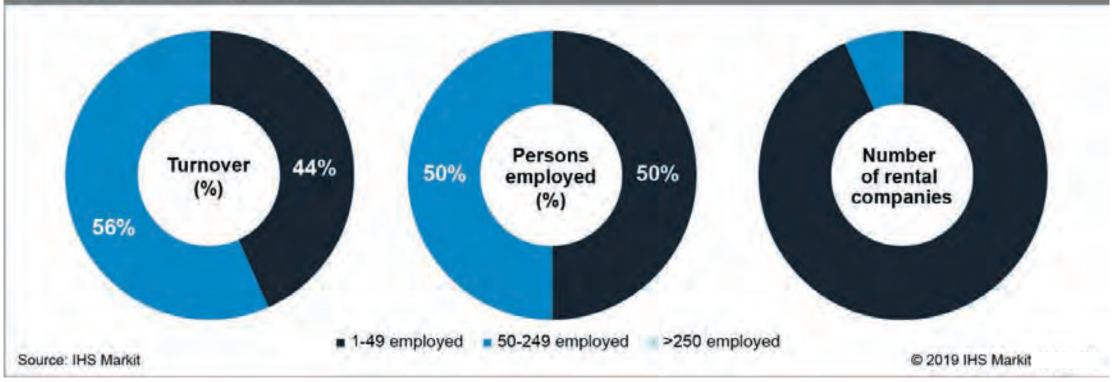


Fig. 4 CH Rental companies breakdown in 2016



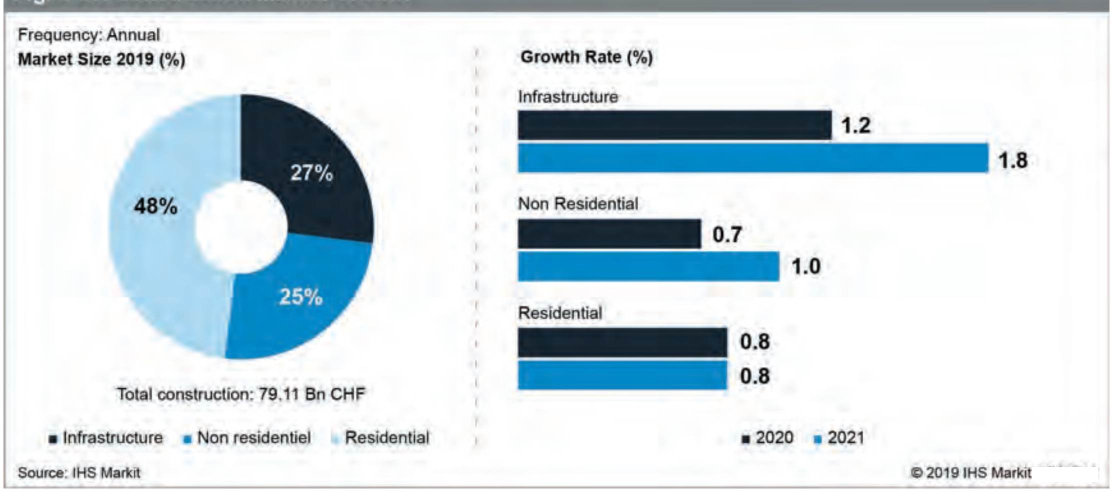
b. Construction context

In a context of heightened global uncertainties, real GDP in Switzerland is forecast to post growth of 1.2% in 2019 and a further 1.5% in 2020. Safe-haven flows into the Swiss franc vis-à-vis the euro represent the biggest downward pressure for the economy, as it hampers exports. In this context, total construction spending displays a mild forecast, growing 0.5% in 2019 and 0.9% in 2020.

Swiss housing prices began to drop in 2016 and have continued this trend through 2018, causing residential construction to be somewhat restrained. Additional downward pressure comes from inhibited mortgage lending stemming from the so-called "counter-cyclical capital buffer" banks are required to keep. During the next 10 years, the country's population will average an increase of 0.6% annually, which is moderately slower than the global annual growth of 1.0%.

To establish a rail and combined transport capability, Switzerland has committed to building the so-called "New Transalpine Rail Link" (Neue Eisenbahn-Alpentransversale: NEAT), at a projected cost of CHF18.7 billion. Accordingly, there is substantial investment going into the development of infrastructure and the construction of two new railway tunnels at the Lötschberg and the Gotthard. Starting in 2019, the nuclear phase-out is expected to be compensated for by energy efficiency, development of renewables capacities, and an increase in imports.

Fig. 5 CH Construction Market Growth



United Kingdom (UK)

Compared with the 2018 Market Report, the UK rental turnover growth for 2019 decreased 1.3 points, and the growth rate for 2020 was also revised by 2.1 points, because of the ongoing Brexit negotiations. With a share of rental revenue stemming from demand in the construction sector estimated to average 60%, the rental industry is impacted by both the prospects of the construction sector and of the whole economy. During the next three years (2019–21) the expected growth rate for the rental industry is at 0.8%, with positive traction.

Until recently, the confidence level in the construction sector was still relatively high as a result of large infrastructure projects such as High Speed 2, Hinkley Point C, and Highways England's current GBP15-billion (EUR17.46-billion) five-year roads programme. Now, construction companies are regularly reminded to remain vigilant against the risk of insolvency with falling construction demand, rising input costs, and lower margins begging to increase.

In addition, since no-deal Brexit remains an option, businesses have been encouraged to prepare by stockpiling in case supplies are disrupted. This preparation poses capital and practical difficulties for businesses of all sizes, including rental.

However, even if under pressure, the rental industry remains attractive and investors are still active in the market, mainly pushed by the investments of recent entrants investing to gain market shares. In a market relatively concentrated, there is now a small gap between the largest rental players, each with more than 250 employees, and small and medium-size companies.

In a market sharing with Sweden the highest rental GDP and construction penetration, it is useful to note the highly sophisticated customers' requirements. It is worth noting in particular the investments in new digital solutions (e.g., from paperless solutions to telematics applications) as well as new segments such as training.

Also notable is the solid demand for modern, safe machines with good environmental performance – also mentioned in the Nordic countries.

United Kingdom (UK), LOCAL CURRENCY	Actual		Estimates		Forecast	
	2016	2017	2018	2019	2020	2021
Market size						
Rental turnover [million £]	5,775	5,885	5,975	6,000	6,055	6,125
- Rental companies	5,570	5,680	5,765	5,790	5,840	5,910
- Other comp. providing rental services (only rental)	205	205	210	210	215	215
# Rental companies	4,045					
# Employed persons of rental companies	48,635					
Investments in rental equipment [million £]	1,505	1,530	1,590	1,545		
Value of rental fleet at all companies [million £]	8,745	8,955	9,125	9,175		
Ratio: Investments in rental equipment / Value of the rental fleet	17.2%	17.1%	17.4%	16.8%		
Rental market drivers						
GDP [2010 billion £]	1,970	2,005	2,033	2,055	2,067	2,091
GDP penetration rate	2.9‰	2.9‰	2.9‰	2.9‰	2.9‰	2.9‰
Total construction output [2010 billion £]	223	225	225	224	226	228
Construction industry penetration rate	2.6%	2.6%	2.7%	2.7%	2.7%	2.7%
Country population [million]	66	66	67	67	67	68
Country population penetration rate [£ per person]	88	89	90	90	90	90
Exchange rate [£ per EUR]	0.82	0.88	0.88	0.89	0.89	0.86

Source: IHS Markit and Official Statistics data

a. Review of key indicators

Fig. 1 UK Turnover

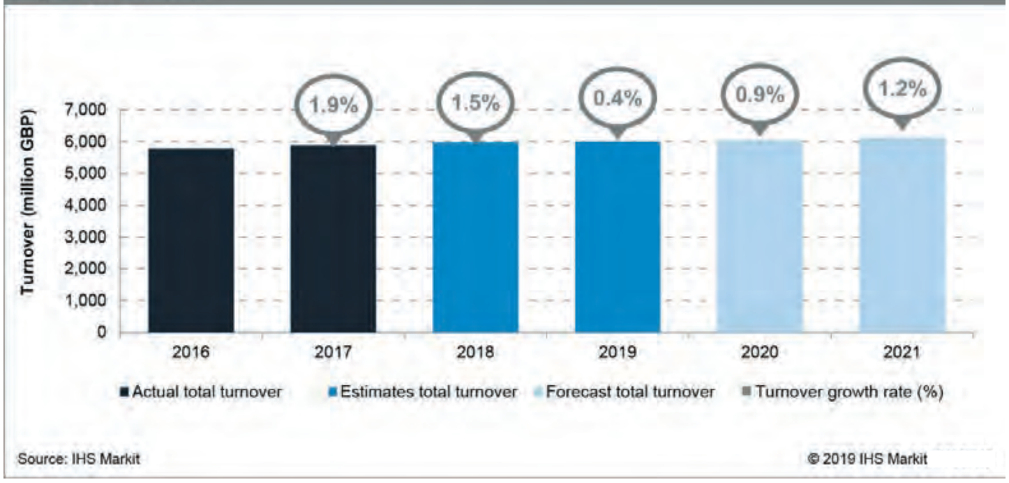


Fig. 2 UK Rental fleet

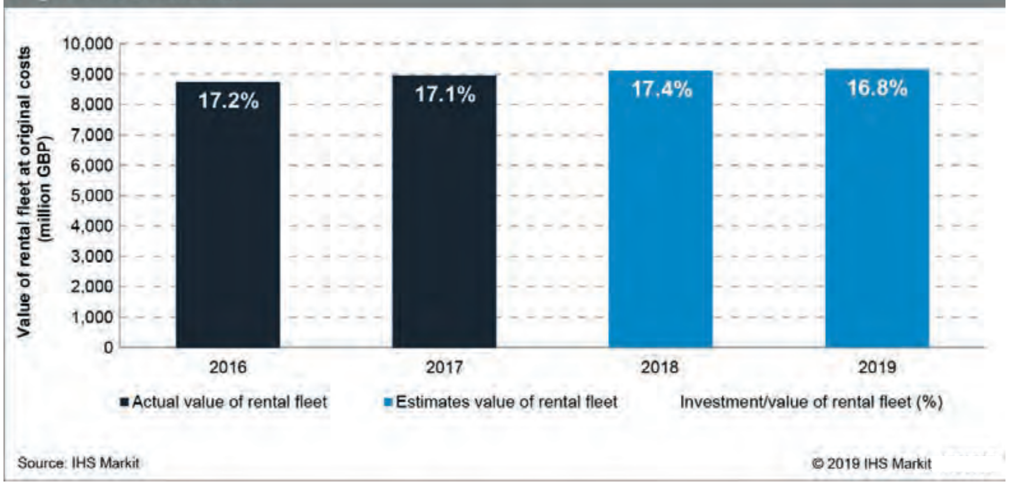


Fig. 3 UK Investment

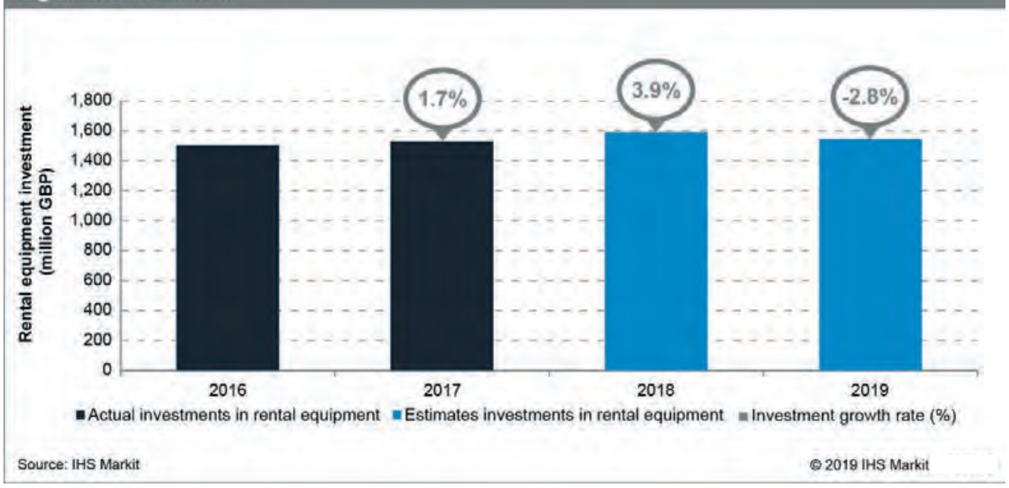
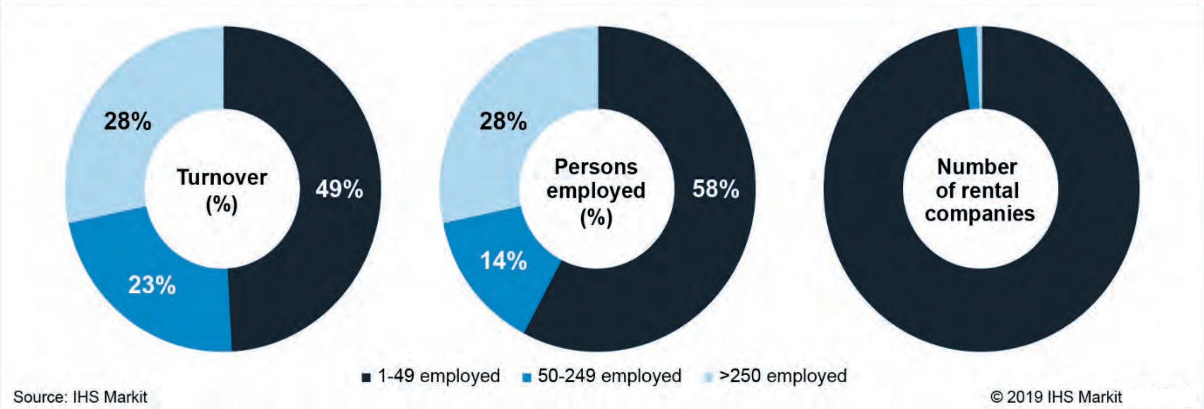


Fig. 4 UK Rental companies breakdown in 2016



Source: IHS Markit

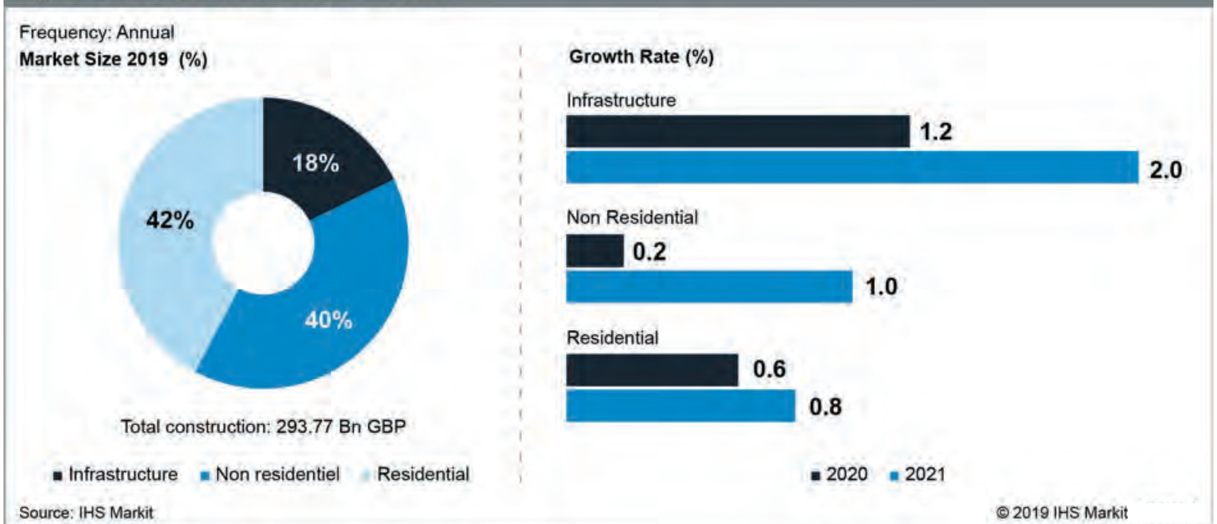
b. Construction context

Risks to the short- and medium-term UK forecasts are mainly centred on how Brexit unfolds, as the "no-deal" perspective is growing. We expect the heightened levels of uncertainty as to the ultimate relationship between the United Kingdom and the rest of the European single market to cause investors there to take a wait-and-see approach, putting the brakes on plans to build in the near term. Given these uncertainties, UK construction spending is anticipated to decline 0.2% in 2019 followed by growth of 0.5% in 2020.

We suspect housing-market activity and prices will come under increasing pressure in the coming months from weakening fundamentals and softer consumer confidence related to Brexit uncertainty. We believe the fundamentals for house buyers will progressively deteriorate with consumers' purchasing power weakening markedly and the labour market likely eventually softening.

The operational environment in the United Kingdom is very good, and over many years the country has ranked among the world's top recipients of foreign direct investment (FDI). Under-investment is particularly evident in the country's railway network, although major projects are being implemented, often causing disruption to both freight and passenger services. Major infrastructure projects include the HS2 high-speed railway link connecting London with northern England and the Crossrail public transport project in London. In addition, there are currently several proposals to expand London's air traffic capacity.

Fig. 5 UK Construction Market Growth



Source: IHS Markit

6 SPECIAL FOCUS ON RUSSIA

In addition to the 15 countries covered in the report, we have added a section on Russia this year. With this initial outlook of the Russian rental sector, we had to adjust the methodology to consider the specificities of the local data collection process.

6.1 Data sources

Russian statistics

The indicators presented in this section cover the activity of rental companies only classified as providing "renting and leasing of construction and civil engineering machinery and equipment without operator" (OKVED2 Code, Russian equivalent to the code 77.32 according to Nomenclature of Economic Activities – NACE – rev. 2).

Here, please note that Rosstat is providing a different level of analysis based on the company size:

- Large companies, companies with more than 250 employees, are monitored and analysed every year (Y-2),

- Whereas small and medium-size companies, companies with fewer than 250 employees, are only monitored every five years.

As a result of this data gap, we decided to focus on the last two full years of statistics, 2010 and 2015, and to only provide actual data – an approach relying to a large degree on official statistics – to calculate market size in Russia.

Amadeus database

In addition to official statistics, an effort has been made to use information from the company database Amadeus. It was used by IHS Markit to ensure the largest rental actors are included in the analysis, even if they have been classified into other NACE codes, and to increase the reliability of the market-size estimates by using the available data on the number of rental companies, revenue, and employees.

6.2 Rental market outlook

As a result of this analysis, a few initial comments can be made.

Between 2010 and 2015, the number of rental companies in the country grew rapidly, with rental companies benefiting from major infrastructure projects such as preparations for the Sochi Winter Olympics. Also significant for the development of the equipment rental have been the construction of new roads and railways across Russia, oil- and gas-field development, and large industrial construction projects in Siberia.

Compared with Western Europe countries, the Russian rental market is still at its early stage of development and can be expected to grow. Still mostly focusing on heavier equipment, often provided with an operator, and for a long period, the rental industry remains largely a second choice in many rental end markets. For example, the Russian mining industry still largely favours ownership over rental and limits rental to a narrow list of product categories. On top of that, the attitude towards rental differs strongly in various parts of Russia: in some areas, rental is used very rarely.

That said, there is real rental traction, mainly driven by the economic situation in the country, with as a top driver, the recent crisis and the difficult access to financing. Uncertainty regarding the growth of their business is preventing contractors from buying equipment, with, at the same time, an increasing uncertainty pushing them to question the allocation of capital expenditure on equipment.

To illustrate this rental push, we offer the FIFA World Cup 2018 in Russia as an example. Among the 11 host cities, 9 had to build modern stadiums corresponding to FIFA requirements from scratch and the other 2 cities had to engage in the reconstruction of facilities. In addition to the stadiums, it was necessary to review a large part of the infrastructure system, also including, additional hotel facilities. Here, the rental penetration clearly saw an increase.
This does not, however, mean the rental growth will be a robust and continued trend. Rental companies will have to manage a number of risks, including – but not limited to – bad debts, payment delays, the distances to travel, and product support.

Russia (RU), LOCAL CURRENCY	Actual		
	2010	-	2015
Market size			
Total turnover [million RUB]	20,345	-	60,520
- Large companies	8,290	-	17,245
- Small and medium companies	12,055	-	43,275
# Rental companies	2,750	-	7,125
- Large companies	1,230	-	2,840
- Medium companies	950	-	2,085
- Small companies	570	-	1,320
# Employed persons of rental companies			
Investments in rental equipment [million RUB]	4,685	-	5,295
- Large companies	2,860	-	1,085
- Medium companies	1,595	-	3,020
- Small companies	230	-	1,190
Rental market drivers			
GDP [2010 billion RUB]	80,853	-	85,712
GDP penetration rate ‰	0.3‰	-	0.7‰
Total construction output [2010 billion RUB]	6,087	-	5,985
Construction industry penetration rate %	0.3%	-	1.0%
Country population [million]	143	-	145
Country population penetration rate [RUB per person]	142	-	417
Exchange rate [RUB per EUR]	40.22	-	67.77

Source: IHS Markit and Official Statistics data

6.3 Economic and construction outlook

The indicators presented in this section cover the acWeak domestic demand and modest export growth prospects will decelerate real GDP growth from 2.3% in 2018 to 1.3% in 2019 and 1.7% in 2020. Annual inflation will accelerate moderately, owing to utility tariff increases, and a value-added tax hike in 2019. However, weak consumer spending will keep inflation in 2020 close to the Russian central bank's 4% target. After a stout recovery in 2017 and a relatively healthy performance in 2018, the near-term import growth will decelerate as household spending and investment activity weaken. Global commodity prices will determine the size of export earnings. The trade surplus will remain well short of the 2014 figure of USD187 billion throughout the near term.

The key risks to the baseline forecast for the Russian economy are linked to the global crude oil price movements, the quality and pace of the economic and institutional reforms, and geopolitical risks.

Downside risks are numerous. A new and protracted decline in global oil prices would hurt the rouble's exchange rate, provide a new burst of import price inflation, and dampen domestic demand, including government and private consumption. A further build-up of the burden of non-performing loans on Russian banks would dramatically tighten the credit market and undermine private consumption and fixed investment, while bank failures could generate additional liabilities for the state. Failure to pursue a relatively stringent monetary policy given the lax fiscal stance could add new impetus to inflation, weighing on private consumption. The US Treasury's potential move to target Russian sovereign debt will lead to significant losses in the rouble's external value and rouble-denominated assets, induce significant drawdown of the hard currency reserves of the sovereign wealth fund and the Russian central bank, and destabilise the already-vulnerable banking sector, through liquidity shortages.

On the contrary, several upside risks tend to balance the situation. A further, more substantial cutback of production by major oil-producing nations, coupled with a rebound of global demand for fuels, or rising geopolitical risks could substantially boost crude oil prices. This would strengthen the rouble's exchange rate and support increased fiscal spending, private consumption, and fixed investment, especially in the oil and gas sector. Persistent disinflation will allow the Central Bank of Russia to maintain a neutral monetary policy, while a marked reduction in its key rate will boost fixed investment and private consumption. Under another scenario, the government may opt for a programme of major economic and institutional reform.

Although, initially, a period of dislocation could suppress growth, beyond the near term, there will be a substantial boost to the growth trend relative to the baseline, owing to increasing total factor productivity and enhanced fixed capital formation.

Within this mitigated background, real total construction spending in Russia grew 2.2% in 2018. Residential construction increased 1.0% and non-residential construction growth was 2.6%. Total construction spending should continue on this positive course, increasing 2.0% in 2019 and 2.2% in 2020. Real GDP per capita (measured in 2010 dollars) in the country is anticipated to grow during the forecast period, from USD9,832.2 in 2018 to USD12,121.3 in 2028. On the contrary, Russia will exhibit weak population growth in the forecast horizon. During the next 10 years, the country's population will average a decrease of 0.2% annually, as opposed to a global annual growth of 1.0%. Russian housing prices, after falling during 2015–16 because of low household incomes, are rising again on the back of a slow resurgence in housing demand. Additionally, urban development and social housing remain a key area of focus for the Russian government.

We anticipate non-residential structures spending will grow 3.1% in 2019 and another 2.9% in 2020, driven by office construction in 2019 and institutional construction in 2020. In terms of infrastructure construction, spending is on track to expand 2.1% in 2019 and 2.2% in 2020. Energy infrastructure construction will post the highest growth rate in both years. Russia has plans to build some 26 nuclear power plants to increase electricity production levels by two-thirds by 2020 to address the electricity supply shortage. To meet a more than 50% expected rise in energy demand by 2030, Russia will have to spend USD25 billion on the energy sector annually. Most power plants in Russia are older, averaging 32 years, and inefficient. Russia's energy plans through 2020 include spending USD370 billion to upgrade and expand Russia's energy facilities. This includes USD133 billion on thermal power plants and USD83 billion on nuclear power, hydropower, and renewable energy. There are substantial regional differences in Russia's transport infrastructure, owing to the country's size and climatic conditions. European Russia has a relatively well-developed road and rail system, in particular Moscow, St. Petersburg, and surrounding regions. In Siberia and the Far East, infrastructure is less well developed, and the poor economic conditions caused by the low oil price and Western sanctions over Ukraine have led to cuts in planned development for the eastern regions. Investment has tended to focus on symbolic events and projects such as the 2014 Sochi Winter Olympics, and the 2018 FIFA World Cup, whose locations are all in European Russia (with the only exception of Yekaterinburg in the Urals). Most of Russia's ports, airports, rails, and power stations are about 50 years old and in need of updating. Of Russia's 62 airports, only the airports in Moscow and St. Petersburg stand up to international standards. The road network spans 1.1 million kilometres and there are 85,500 kilometres of railways. The mobile sector of the telecommunications network is well developed, and the broadband sector is experiencing rapid growth.

7

AMERICAN RENTAL ASSOCIATION

North America rental revenue expected to exceed $71 billion in 2023

The new five-year forecast from the American Rental Association (ARA), updated in August, calls for equipment and event rental revenues in North America to surpass $71 billion in 2023, including $64.7 billion in the United States and $6.4 billion in Canada.

The latest forecast is ARA's first to project rental revenue for 2023. The current figures, which are updated quarterly, also project slightly less growth for 2019 through 2022 than what was forecast in May.

"The market for the equipment and event rental industry remains positive, but there definitely are signs that the U.S. economic growth is slowing, and this projected slowdown is reflected in our latest forecast," says John McClelland, Ph.D., ARA vice president for government affairs and chief economist.

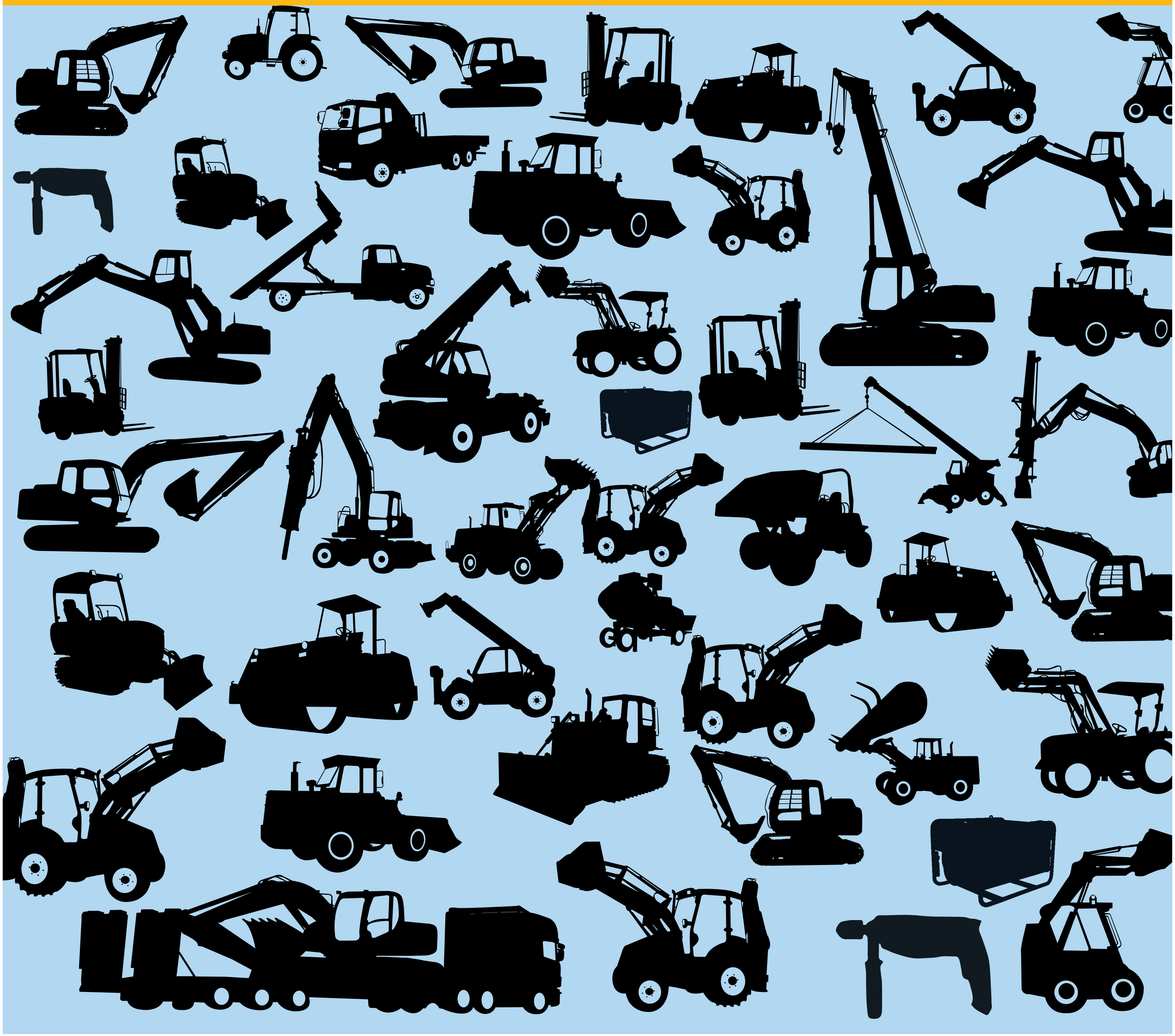
"Trade tensions and a slowdown in the global economy are headwinds for the economy with the risk of a recession happening in the U.S. within the next 12 months at about 35 percent," McClelland says.

For 2019, equipment and event rental revenue in the U.S. now is expected to be $55.7 billion, up 5 percent over 2018, with growth in 2020 and 2021 at 3.8 percent; 4.1 percent in 2022; and 3.3 percent in 2023 to top $64.7 billion.

Scott Hazelton, Managing Director, IHS Markit, the forecasting firm that compiles data and analysis for the ARA Rentalytics subscription service as part of a partnership with ARA, says the U.S. economy continues to decelerate this year as the stimulus from prior tax and budget incentives diminish.

"This has been exacerbated by still ongoing uncertainty over trade and tariff policy, particularly with China, and concern over the strength of the global economy. This uncertainty is likely to persist into 2020, and become further complicated by the Presidential election cycle. The result is a modest reduction in our near-term economic outlook, particularly for the construction and manufacturing segments on which rental depends. We have slightly lowered our expectation for rental revenue growth, but we are not expecting a downturn," Hazelton says.

In Canada, rental revenue is forecast to grow 2.1 percent in 2019 to total nearly $5.5 billion and then continues to expand with revenue increases of 4.9 percent in 2020, 5.0 percent in 2021, 3.6 in 2022 and 2.2 percent in 2023 to reach $6.4 billion.



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