



EUROPEAN
RENTAL
ASSOCIATION

Trends in the European Rental Industry

2021 ERA Market Report Preview

Martin SEBAN, IHS Markit

Michel PETITJEAN, ERA



Please react on Twitter, @era_rental



Sneak Peek

European Drivers

Nordic + Central

South + UK

Breakdown

Methodology

Forecast

- ▶ Central and Northern Europe to ramp up after slower 2020...
- ▶ ...while Southern Europe lags behind and UK faces Brexit woes
- ▶ The recovery will shape the European Construction market
- ▶ A tried and tested two-step rental methodology
- ▶ European equipment rental market will recover at different speeds

Central and Northern Europe to ramp up after slower 2020...

Robust performance in Nordics ...

□ Economic uncertainty tamps recovery...

- > NO fixed investment to climb as oil companies able to complete projects in 2022.
- > DK is set to improve performance despite weaker DE manufacturing production.
- > Exports will be key to growth in SE, similarly to NL & PL.

□ ...while Nordics outperformed other markets

- > DK, FI, & SE saw growth in 2020, with acceleration in 2021/22 led by residential sector in DK & FI, and infra in SE with EUR≈70 bn investment plans.
- > NO dropped in 2020 and will see return to 2019 levels in late 2022.

... echoed in Central Europe

□ Supply chain is key for export-intensive economies...

- > Manufacturing production and equipment investment to grow in AU & CZ.
- > DE recovery will be supported by Chinese demand for manufactured goods.
- > Supply chain issues threaten recovery in NL & PL, as >70% of their exports go to EU.

□ ...and return to 2019 levels will be quick

- > Growth in 2020 in DE & NL, slowing in 2021/22, due to falling employment & new orders.
- > Growth in 2021/22 after dip in 2020 for CH, BE, CZ, AU, and PL led by infra in AU & CZ.
- > Implying return to 2019 levels in 2021 for AU & CH, 2022 for CZ & PL, and 2023/24 for BE.

...while Southern Europe lags behind and UK faces Brexit woes

Southern Europe still faces challenges...

□ Southern economies battle debt and policy issues...

- > Fixed investment up in 2021, but global supply chain issues threaten recovery in FR, IT, & ES.
- > Additionally, public debt climbed during 2020 in IT & ES, putting pressure on the recovery.
- > And labour shortages continue in FR, slowing down the recovery.

□ ...as the Construction sector is still reeling from 2020

- > Spending fell in 2020 in region, with growth in 2021/22, led by non-residential structures in FR and transportation infrastructure in IT.
- > IT also sees support from house prices, with positive outlook for residential spending.
- > Meaning a return to 2019 levels in 2022 for FR & IT, and 2026 in ES.

... while UK outlook is mired by uncertainty

□ True impact of Brexit hidden by pandemic...

- > Leading to reduced supply of overseas workers, with shortages in key sectors (e.g., drivers).
- > However, EU & UK ratified free-trade agreement on goods, but with little substance on services.
- > While Bank of England announced rates rise for 2022 to mitigate inflation risk.

□ ...with a construction sector hit hardest in Europe

- > Construction spending fell 14% in 2020, with expected growth in 2021/22 led by infrastructures, boosted in part by Project Speed's GBP 250 bn.
- > However, return to 2019 levels will not happen before 2023.

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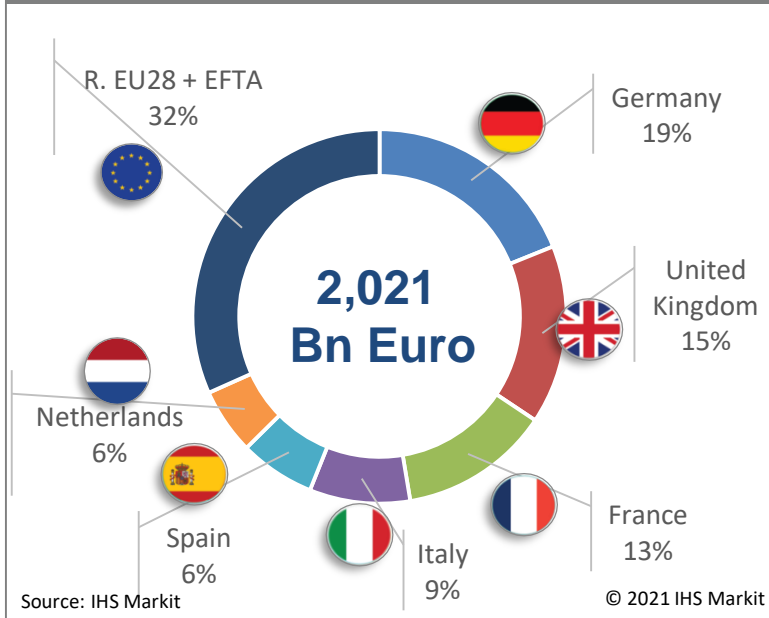
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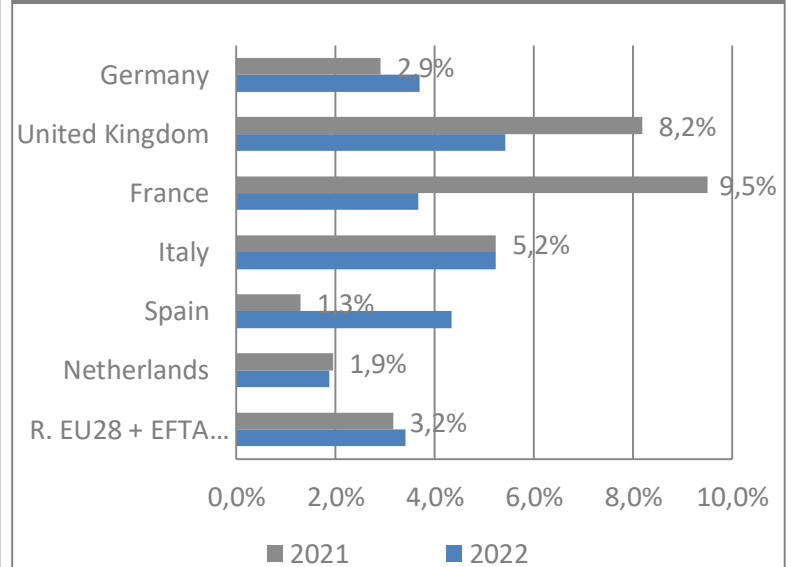
Forecast

The recovery will shape the European Construction market

Total construction – 2020 [Euro billion]



Total construction growth [2015 Euro billion]



A tried and tested two-step rental methodology

1. Market sizing

Eurostat; NACE Codes

Pull relevant data from Eurostat for each country on:

- 77.32 - Rental and leasing services of construction and civil engineering machinery and equipment
- 77.39 - Rental and leasing services of other machinery, equipment and tangible goods
- 77.29 - Rental and leasing services of other personal and household goods

Market sizing formula

Apply formula based on IHS Markit analysis to compute rental market size in each country

2018 (in € m)	Rental turnover
Estonia	100.0
Latvia	85.0
Lithuania	105.0
Baltics	290.0

2. Forecasting the relevant sector

Equipment rental market structure, construction demand example:

Construction demand	From 80% to 65%	Country specific
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Construction demand elasticity

- Construction 1.3

Non-Construction demand elasticity

- GDP 1.3
- Ind. Prod 1.3

Source: IHS Markit Construction and Economic Forecasts; statistical regression

Baltics	2020	2021	2022
Real GDP	-2.1%	5.3%	3.9%
Real construction	-0.1%	4.1%	3.0%
Industrial production	-4.4%	9.8%	4.3%
Rental	-2.2%	8.9%	5.6%

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European equipment rental market will recover at different speeds

1		Nordic countries		2021*	2022*	3		Southern Europe		2021*	2022*
		Sweden		2.5%	2.9%			France		11.5%	5.2%
		Norway		2.0%	4.2%			Italy		8.0%	7.5%
		Finland		2.0%	4.1%			Spain		5.0%	7.2%
		Denmark		4.2%	4.3%					8.1%	6.6%
				2.7%	3.9%						
2		Central Europe		2021*	2022*	4		UK		2021*	2022*
		Germany		3.8%	7.0%			United Kingdom		8.5%	6.0%
		Netherlands		2.5%	3.7%						
		Poland		5.3%	5.0%						
		Belgium		3.5%	3.6%						
		Austria		6.1%	5.2%						
		Switzerland		2.8%	2.5%						
		Czech Republic		3.6%	5.7%						
				4.0%	4.7%						
				2021*	2022*	5		Forecast changes in big 5 markets (since June 2021)			

*Growth rates are affected by 2020 figures, leading to higher rates in countries hit harder during pandemic.

UK: up after strong 2021Q1, but some risk for 2022.
DE: growth shifted to 2022, as infra project slow to start.
FR: up after lockdown end, boosted by non-residential.
IT: up because of infrastructure, and lockdown end.
ES: growth shifted to 2022, following slow 2021H1.