ERA MARKET REPORT

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2020

ERA
EQUIPMENT RENTAL
INDUSTRY REPORT

EUROPEAN
RENTAL
ASSOCIATION

IHS Markit

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ADDENDUM

IMPROVED OUTLOOK FOR EUROPEAN RENTAL, BUT GREATER REGIONAL DIFFERENTIATION

Due to the uncertainty caused by the extreme conditions in 2020, the European Rental Association (ERA) has released an update to its 2020 Market Report, covering the period 2019 to 2022 and with new year on year estimates for rental activity, construction and GDP in each of the 15 countries of the Market Report.

Although the European equipment rental sector was severely impacted by the pandemic in 2020, companies were agile in adjusting their costs and adapting to the challenges. The overall impact of the pandemic in 2020, therefore, has proven to be less significant than what was expected in September last year.

Looking ahead, relative inertia in the construction sector and expected pro-cyclical policies from governments this year will result in a better-than-expected outlook for the equipment rental industry. The expectation is that any shock to private sector investments will be offset by more resilient segments, such as infrastructure and renovation. Economic uncertainty and limited CAPEX investments are also likely to support rental contracts.

The impact of the first wave of the pandemic varied significantly across the different parts of Europe and related directly to the responses of each country to the sanitary crisis, especially lockdown measures. Although the second part of the year saw a recovery in most countries, estimating the whole of 2020 was difficult. This update gives a much clearer picture of the impact of the pandemic on the rental industry and how it relates to both construction activity and government policies.

ERA estimated in June 2020 that the northern and central regions of Europe had been more resilient than the southern region and the UK, but this update shows that the gap between the different regions of Europe is actually larger than expected.

Northern Europe: Rental activity in Denmark (-2.3% compared to -5.5%) and Sweden (-2.2% compared to -4.2%) is now estimated to have been much stronger in 2020 because of a better performance from the construction sector (-0.7% compared to -5.1% in Denmark and -1.5% compared to -4.5% for Sweden). In Finland, a better assessment for rental activity in 2020 (-4% compared to -5.3%) is due to an improved estimate for GDP (-4.8% compared to -6.8%).

Western and central Europe (excluding the UK): In this region, two countries performed better than expected. Due to a better performance from the construction sector, now estimated to have been -0.9% (previously -5.3%), the Netherlands shows rental activity of -2.3% compared to the previous estimate of -5.3%. Similarly, rental activity in Germany is estimated at -3.1%, compared to the previous -4.7% with construction activity now at +1.7% compared to the previous estimate of -2.8%.

Southern Europe: There is little variation in the estimates of rental activity in Italy and Spain, with Italy showing an increase of 1 percentage point and Spain a decrease of 0.3 percentage points. France represents a special scenario as the only major rental market showing lower rental activity than previously estimated, -15% compared to -14.3%. This is mainly due to construction activity being revised down from -7.6% to -10.1%. As a consequence of this large decrease in rental activity in 2020, this update gives France the strongest growth in 2021 at +9.5%.

The UK: Considering the UK as a special case due to Brexit, the estimate for rental activity in 2020 shows an improvement, at -14.8% compared to the previous -16.3%. This is caused by a similar improvement in construction activity in this update, from -9% to -5.6%.

Similar estimates are shown in this ERA update for the years 2021 and 2022, although these are much more difficult to establish and, therefore, less reliable. The European construction sector is expected to recover slowly in 2021 following a collapse in 2020 caused by the pandemic. The recovery will, in part, be due to a mechanical base effect as well as resumption in activity. Consumption and trade are both expected to improve throughout 2021.

EUROPEAN OVERVIEW FEBRUARY 2021 UPDATE

			ERA 2020 Report - September				January 2021 update			Percentage point difference		
Currency	**Countries**	**Concept**	**2019**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
EUR	Austria (AU)	Rental	8,5%	-7,9%	3,3%	5,3%	-7,3%	3,3%	5,5%	0,6	-0,1	0,2
EUR	Austria (AU)	Real construction	5,5%	-2,5%	1,8%	1,4%	-2,6%	1,5%	2,3%	-0,1	-0,3	0,8
EUR	Austria (AU)	Real GDP	1,5%	-6,5%	3,3%	3,2%	-6,7%	3,5%	3,4%	-0,3	0,2	0,2
EUR	Belgium (BE)	Rental	2,9%	-9,5%	1,9%	5,5%	-8,7%	3,0%	4,0%	0,8	1,2	-1,5
EUR	Belgium (BE)	Real construction	0,6%	-3,8%	1,1%	1,6%	-3,4%	1,6%	1,7%	0,4	0,5	0,1
EUR	Belgium (BE)	Real GDP	1,4%	-9,2%	4,4%	3,0%	-7,0%	3,2%	3,1%	2,2	-1,2	0,2
CZK	Czech Republic (CZ)	Rental	6,6%	-7,1%	2,1%	8,2%	-8,4%	3,0%	6,0%	-1,3	0,9	-2,1
CZK	Czech Republic (CZ)	Real construction	3,0%	-4,1%	2,8%	3,4%	-6,7%	2,6%	3,7%	-2,6	-0,2	0,4
CZK	Czech Republic (CZ)	Real GDP	2,3%	-7,3%	4,5%	4,2%	-7,1%	2,6%	4,6%	0,2	-1,9	0,5
DKK	Denmark (DK)	Rental	3,2%	-5,5%	2,9%	2,3%	-2,3%	4,0%	3,5%	3,2	1,1	1,2
DKK	Denmark (DK)	Real construction	3,1%	-5,1%	1,5%	1,8%	-0,7%	1,8%	1,9%	4,4	0,3	0,1
DKK	Denmark (DK)	Real GDP	2,3%	-5,3%	3,0%	2,9%	-3,7%	3,0%	3,2%	1,7	-0,1	0,2
EUR	Finland (FI)	Rental	3,8%	-5,3%	2,2%	4,7%	-4,0%	2,5%	4,3%	1,3	0,3	-0,4
EUR	Finland (FI)	Real construction	0,7%	-4,4%	2,0%	3,5%	-3,8%	2,5%	2,7%	0,7	0,5	-0,8
EUR	Finland (FI)	Real GDP	1,1%	-6,8%	3,2%	2,5%	-4,8%	2,5%	3,1%	2,0	-0,6	0,7
EUR	France (FR)	Rental	5,7%	-14,3%	8,4%	4,3%	-15,0%	9,5%	4,2%	-0,7	1,1	-0,1
EUR	France (FR)	Real construction	0,6%	-7,6%	2,9%	1,4%	-10,1%	5,5%	1,9%	-2,5	2,6	0,5
EUR	France (FR)	Real GDP	1,5%	-11,0%	6,1%	3,8%	-9,4%	4,1%	3,7%	1,6	-1,9	-0,1
EUR	Germany (DE)	Rental	4,8%	-4,7%	5,7%	5,2%	-3,1%	5,1%	5,5%	1,5	-0,6	0,3
EUR	Germany (DE)	Real construction	3,7%	-2,8%	2,0%	2,3%	1,7%	2,1%	2,4%	4,4	0,1	0,0
EUR	Germany (DE)	Real GDP	0,6%	-6,0%	3,9%	3,6%	-5,6%	3,5%	3,4%	0,4	-0,4	-0,2
EUR	Italy (IT)	Rental	4,8%	-12,3%	4,9%	4,3%	-11,3%	5,3%	4,8%	1,0	0,4	0,5
EUR	Italy (IT)	Real construction	0,7%	-9,1%	0,8%	1,5%	-7,0%	1,9%	1,6%	2,1	1,1	0,1
EUR	Italy (IT)	Real GDP	0,3%	-11,2%	4,0%	2,9%	-9,1%	3,9%	3,2%	2,1	-0,1	0,3
EUR	Netherlands (NL)	Rental	6,5%	-5,3%	3,4%	4,2%	-2,3%	4,2%	4,3%	2,9	0,7	0,1
EUR	Netherlands (NL)	Real construction	4,4%	-4,0%	0,6%	1,5%	-0,9%	1,9%	1,7%	3,1	1,3	0,2
EUR	Netherlands (NL)	Real GDP	1,6%	-5,2%	3,4%	2,6%	-4,1%	2,8%	3,4%	1,1	-0,6	0,8
NOK	Norway (NO)	Rental	4,5%	-5,4%	1,0%	4,5%	-5,3%	1,0%	4,4%	0,1	0,0	-0,1
NOK	Norway (NO)	Real construction	3,9%	-2,4%	1,4%	2,7%	-2,8%	1,4%	2,5%	-0,5	0,0	-0,1
NOK	Norway (NO)	Real GDP	1,2%	-7,1%	2,7%	3,1%	-3,8%	2,6%	2,8%	3,3	0,0	-0,3
PLN	Poland (PL)	Rental	8,5%	-5,3%	3,7%	6,9%	-5,3%	3,6%	5,5%	0,0	-0,1	-1,4
PLN	Poland (PL)	Real construction	3,9%	-4,7%	2,0%	2,1%	-5,9%	1,6%	2,2%	-1,2	-0,4	0,1
PLN	Poland (PL)	Real GDP	4,2%	-4,7%	3,8%	3,7%	-3,5%	3,0%	4,0%	1,2	-0,8	0,3
EUR	Spain (ES)	Rental	6,3%	-14,1%	5,3%	5,1%	-14,3%	5,1%	5,6%	-0,3	-0,1	0,4
EUR	Spain (ES)	Real construction	2,9%	-6,0%	1,1%	2,6%	-7,2%	2,1%	3,0%	-1,3	1,0	0,4
EUR	Spain (ES)	Real GDP	2,0%	-13,2%	4,1%	3,7%	-11,6%	4,6%	4,3%	1,6	0,5	0,7
SEK	Sweden (SE)	Rental	3,0%	-4,2%	1,5%	2,7%	-2,2%	2,0%	3,0%	2,0	0,4	0,2
SEK	Sweden (SE)	Real construction	1,5%	-4,5%	0,4%	1,4%	-1,5%	1,6%	2,0%	3,0	1,2	0,7
SEK	Sweden (SE)	Real GDP	1,2%	-4,9%	2,4%	2,4%	-3,7%	2,3%	2,8%	1,2	-0,1	0,4
CHF	Switzerland (CH)	Rental	3,5%	-5,7%	1,2%	2,4%	-5,8%	1,8%	2,7%	-0,1	0,6	0,3
CHF	Switzerland (CH)	Real construction	0,6%	-2,0%	1,4%	1,1%	-1,1%	1,7%	1,2%	1,0	0,3	0,1
CHF	Switzerland (CH)	Real GDP	1,0%	-5,5%	4,5%	2,6%	-4,0%	3,5%	3,5%	1,5	-1,0	0,9
GBP	United Kingdom (UK)	Rental	1,6%	-16,3%	4,5%	5,1%	-14,8%	4,7%	5,3%	1,5	0,2	0,1
GBP	United Kingdom (UK)	Real construction	2,3%	-9,0%	2,5%	2,3%	-5,6%	2,7%	3,0%	3,4	0,2	0,7
GBP	United Kingdom (UK)	Real GDP	1,5%	-11,9%	4,9%	3,3%	-11,7%	3,5%	4,9%	0,2	-1,4	1,6

Variation <-0.5 **Variation > 0.5**

FOREWORD

Dear ERA member and reader,

The European Rental Association (ERA) is releasing its 2020 Market Report. Since 2008, with the support of the ERA statistics committee, we have developed a reference source of intelligence for the European equipment rental market.

The building of a solid data foundation remains at the centre of the report. This year, more than ever, providing a clear picture of the short- and medium-term outlooks for the rental market is critical not only for the rental companies, but also for the equipment manufacturers.

This edition, comprising market trends and international comparisons, uses a common methodology and definition to analyse 15 European markets, with detailed market size results, actual (2017–18), estimates (2019–20), and forecasts (2021–22). These countries account for more than 95% of the equipment rental industry in the EU28 and the European Free-Trade Association (EFTA) countries.

The headline conclusion from this year's report is that 2019 was a year of growth for all the markets covered. Growth, however, was at different stages, with some markets already slowing down (France, Belgium, Sweden), while others were still reporting robust traction (Austria, Poland, Italy). The first quarter of 2020 reflected these dynamics.

The COVID-19 pandemic, however, hit European economies over the second quarter of this year. The immediate impact differed from country to country. Nordic countries, which did not lock down, with almost no site shutdowns, performed differently to Southern Europe and the UK, which faced severe lockdowns and activity disruptions. The UK also faced additional effects from the uncertainty surrounding the Brexit negotiations.

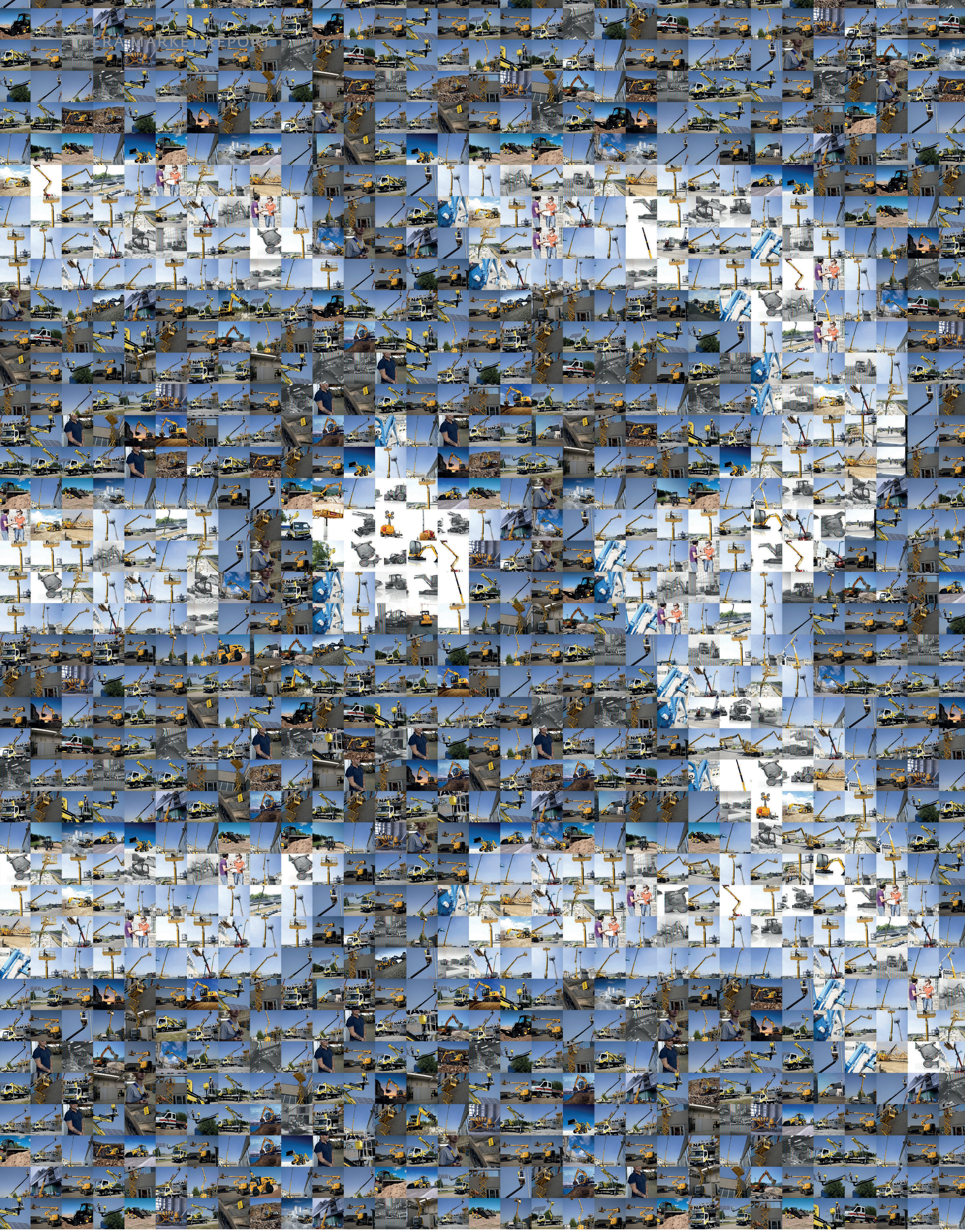
Over the summer months, markets benefitted from a solid push from private firms keen to complete ongoing projects, as well as a strong policy reaction from governments aiming to support economies, especially in the countries affected by a severe lockdown. However, medium- and long-term risks remain across Europe, with no European market likely to evade the effects of COVID-19 for the rest of this year and 2021.

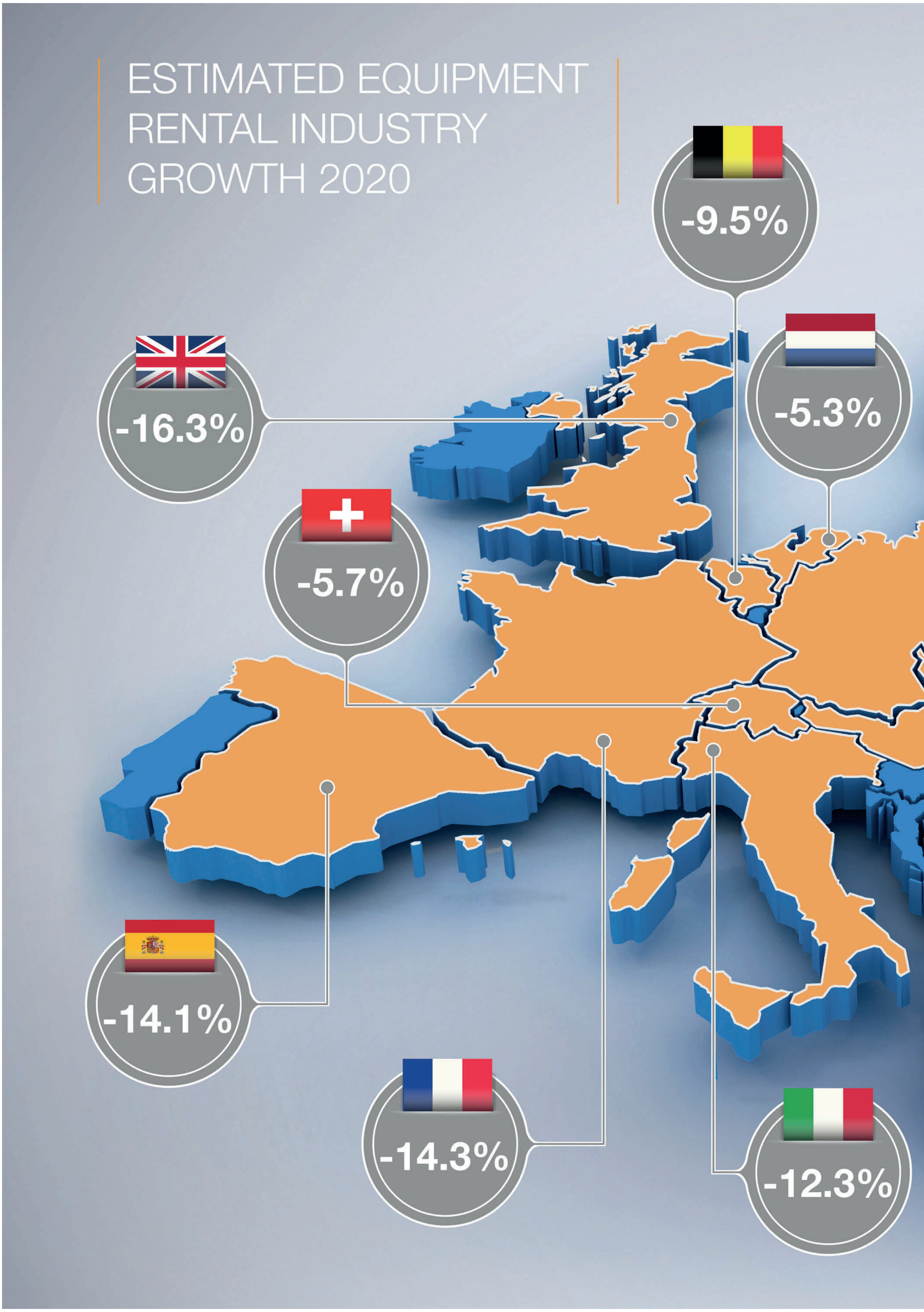
The estimates and forecasts included in this report are based on assumptions at the end of September. Our hypothesis is that there will be no further general lockdowns across Europe, besides local and temporary restrictions. Our forecast also does not factor in the development and mass availability of a vaccine.

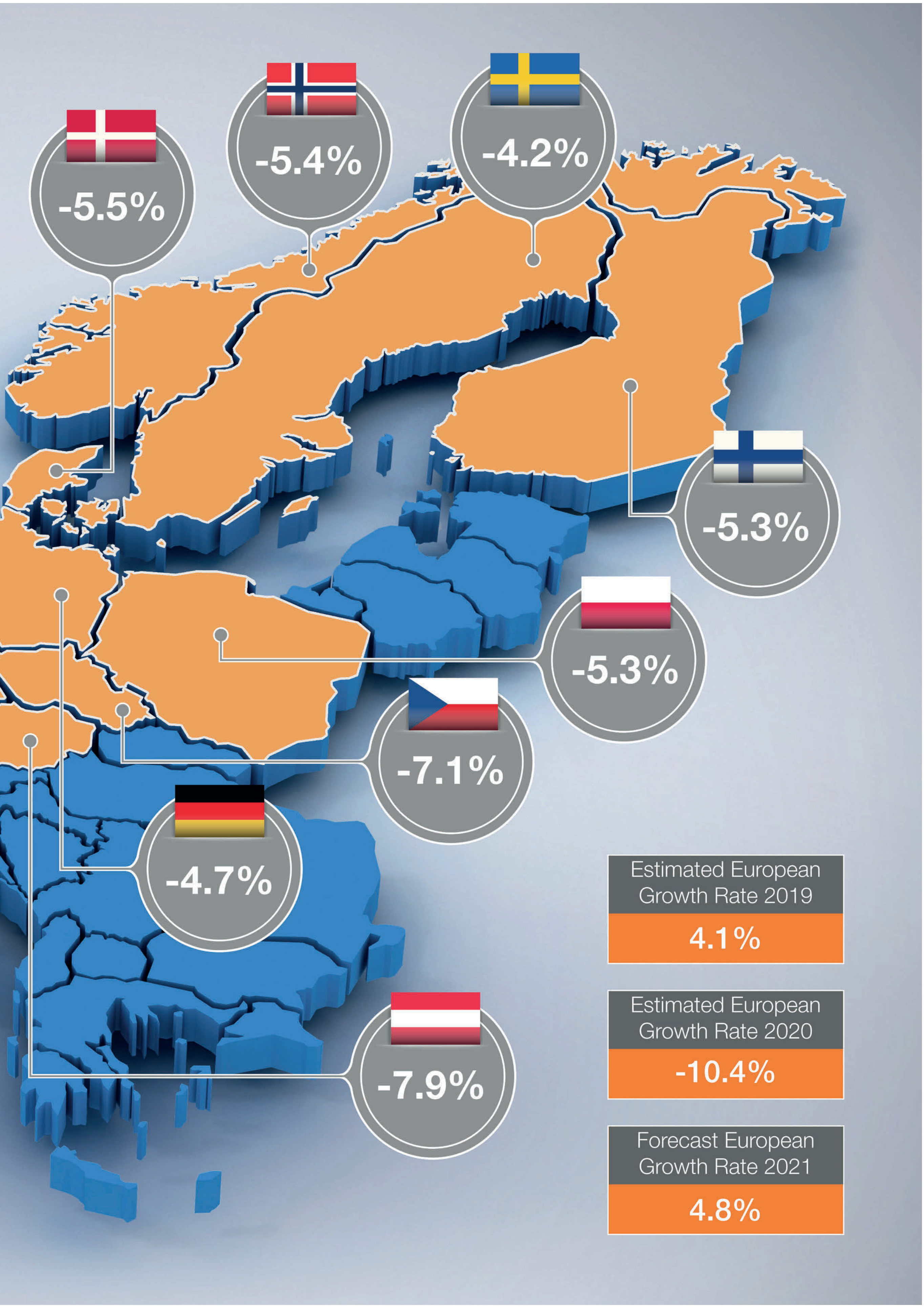
It is important to stress the extreme conditions of 2020, which have been analysed with our forecasts for 2021. Large drops are expected this year, but significant rises – some of them due to technical rebounds – are expected in the short term. In the medium-to-long term, there is a clear conviction that the recession will further boost the rental penetration as market conditions remain uncertain.

I would like to extend my thanks to the ERA statistics committee members and hope you find the report insightful.

Michel Petitjean, ERA Secretary General




ESTIMATED EQUIPMENT
RENTAL INDUSTRY
GROWTH 2020
-9.5%
-16.3%
-5.3%
-5.7%
-14.1%
-14.3%
-12.3%


-5.5%
-5.4%
-4.2%
-5.3%
-5.3%
-7.1%
-4.7%
-7.9%
Estimated European Growth Rate 2019
4.1%
Estimated European Growth Rate 2020
-10.4%
Forecast European Growth Rate 2021
4.8%

INTRODUCTION

ERA, THE EUROPEAN RENTAL ASSOCIATION

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.

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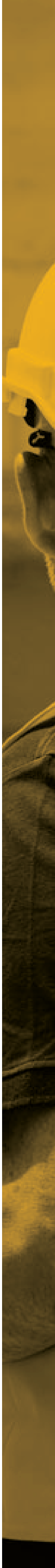
2

METHODOLOGICAL OVERVIEW



2.1 Data sources

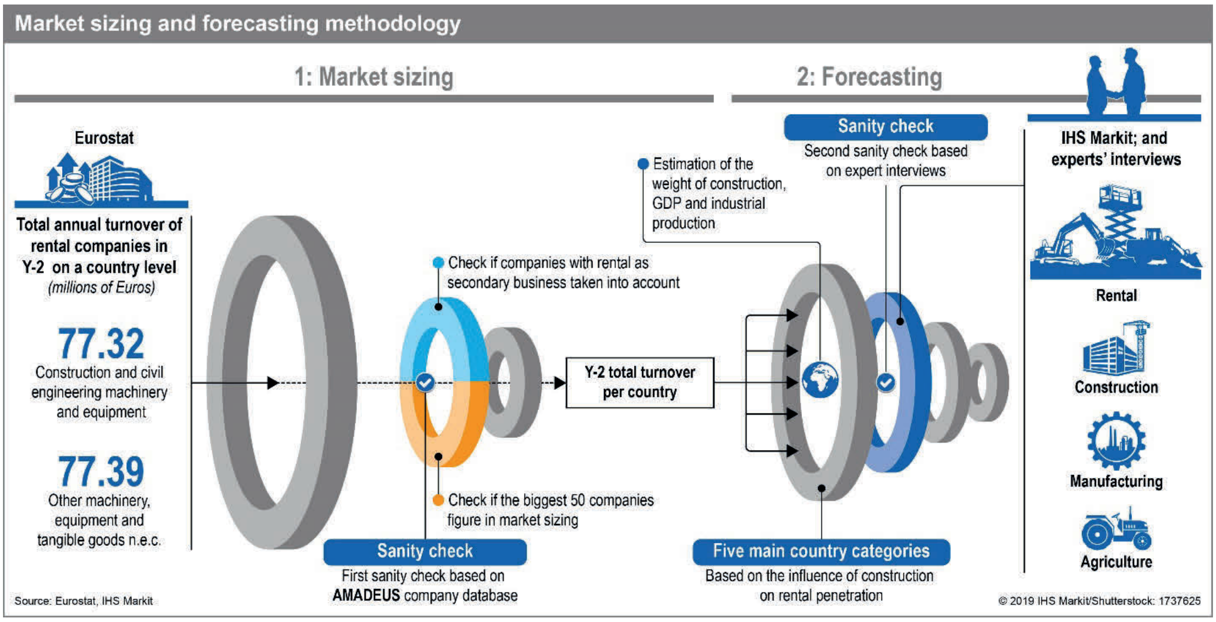
Official statistics
The indicators presented in this report cover the activity of rental companies mainly classified as providing "renting and leasing of construction and civil engineering machinery and equipment without operator" (**Eurostat** code 77.32 according to Nomenclature of Economic Activities – NACE – rev. 2).

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.

Company database
In addition to official statistics and market monitoring, an effort has been made to use information from the European company database **Amadeus**. It was used by IHS Markit: 1) to ensure that the largest rental actors in Europe are included in the analysis, even if they have been classified into other NACE codes and; 2) to provide a more thorough analysis of companies providing rental solutions as a secondary business, since from a national statistics point of view, all the revenue of one company are allocated to its main activity without regards of the others.

Construction data
Forecasts of construction activity are taken from the IHS Markit **Global Construction Service**.
The measurement of construction output used 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), which measures construction activity for the periods in question.
GO is significantly higher than the gross value added (GVA) measure that is used often 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.

ERA/IHS Markit expert interviews
In addition to statistics, the analysis presented utilises key insights obtained from more than **25 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.



2.2 Concepts

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:

• **Actual data (2017–18)**, dark blue. An approach relying on official statistics was applied to calculate the market size.
• **Estimates (2019–20)**, lighter blue. A thorough analysis of available public data, company financials, and data from field research and expert interviews was applied to estimate the growth on a short-term basis.
• **Forecasts (2021–22)**, light blue. The medium-term forecasts are 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.

Please note that as we continue to take advantage of more up-to-date data, some of the figures presented in the previous reports have been revised, including actual data. Consequently, market size and growth estimates cannot be directly compared with the figures of previous reports. To keep track of the changes, we have added a long-term view in the European overview section to enable a 10-year perspective.

Note: One of the key indicators used in this report is the concept of rental turnover. This includes all rental-related revenues, merchandise, services, and sales of used equipment.

3

EUROPEAN OVERVIEW

3.1 Market size

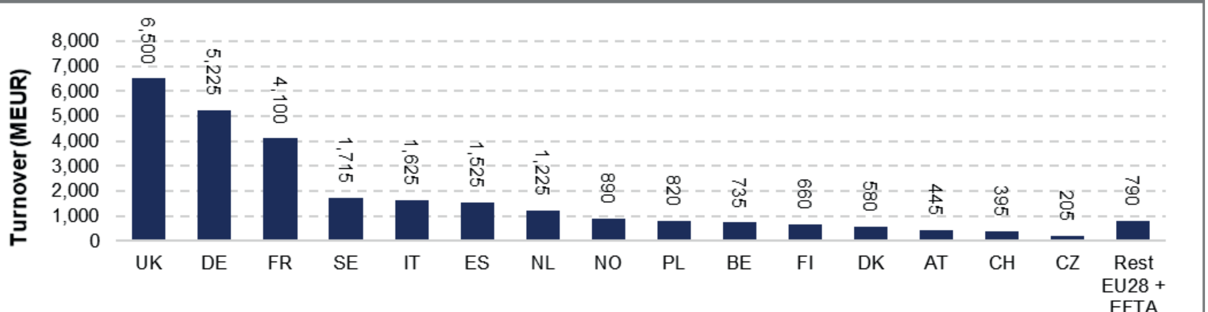
In 2019, equipment rental companies and other companies providing rental services in the EU28 and EFTA countries generated a total rental turnover of more than **EUR27.7 billion**.

Warning

• Compared with the 2019 report, rental turnover has been adjusted for some of the countries. In Finland and Poland, the market has been lifted by roughly 10%, and by 7% in Germany, based on the latest official statistics.

• National statistics vary across the region. This year, 2018 Eurostat data is available for only two countries: Germany and Austria. For all the other countries, only 2017 figures are available. Therefore, for those, the 2018 and 2019 figures were based on forecast drivers only.

2019 turnover



Source: IHS Markit

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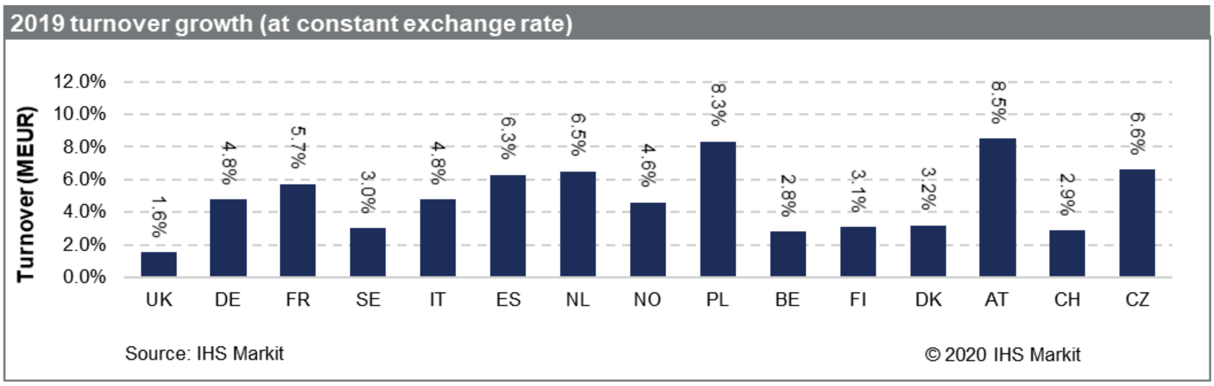
3.2 Market forecasts

At a constant exchange rate, the equipment rental industry in the 15 countries grew **4.1%** in 2019. An estimate for 2020 shows a decrease of **-10.4%**. For 2021, an increase of **4.8%** is expected, also at a constant exchange rate.

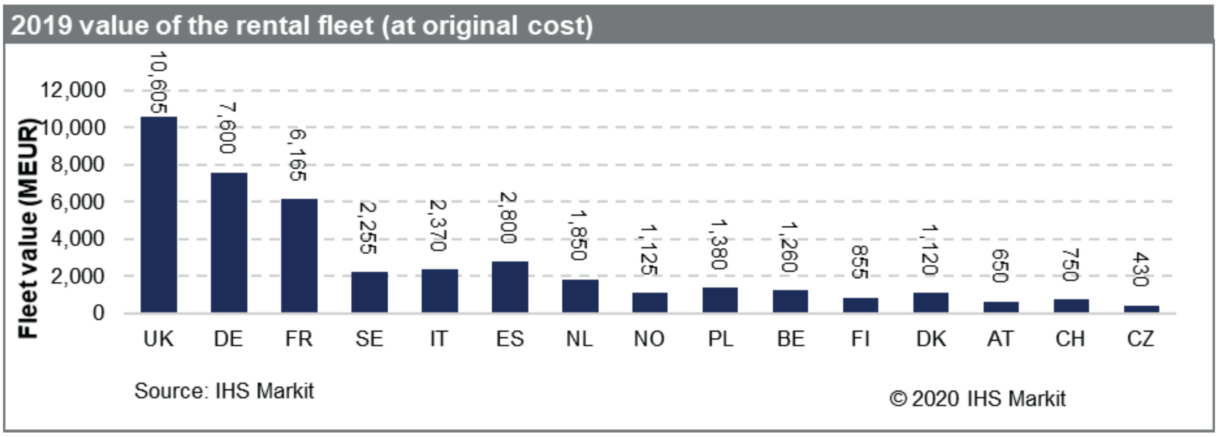
Compared with the 2019 report, rental growth in 2019 had substantially changed for the Czech Republique, Poland, and the UK. The three markets increased by more than 1.0 point, with the main economic indicators driving the equipment rental market improving.



3.3 Investments and rental fleet size

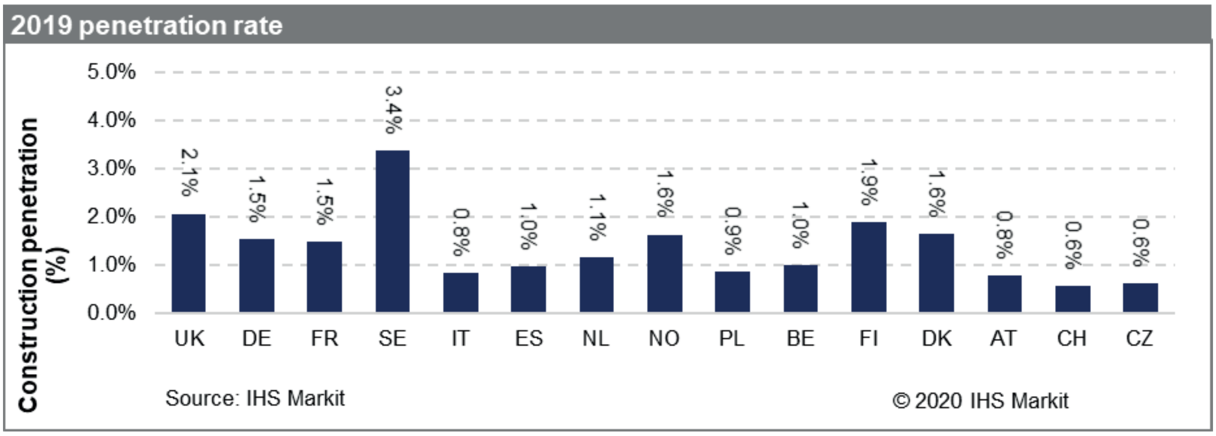
According to the annual economic report from the **Committee for European Construction Equipment**, 2019 turned out to be a better-than-expected year for the European construction equipment sector. While some small single-digit declines in sales had been anticipated across the industry, total sales grew compared with the previous year, boosted by the Bauma exhibition. Total equipment sales in the European market grew 3.4% and reached a new high after the economic crisis of 2008/09, although the figure was still below the peaks of 2007. As a result, in 2019, investments in the rental industry of the 15 countries covered by the report grew 2.3% compared with 2018.

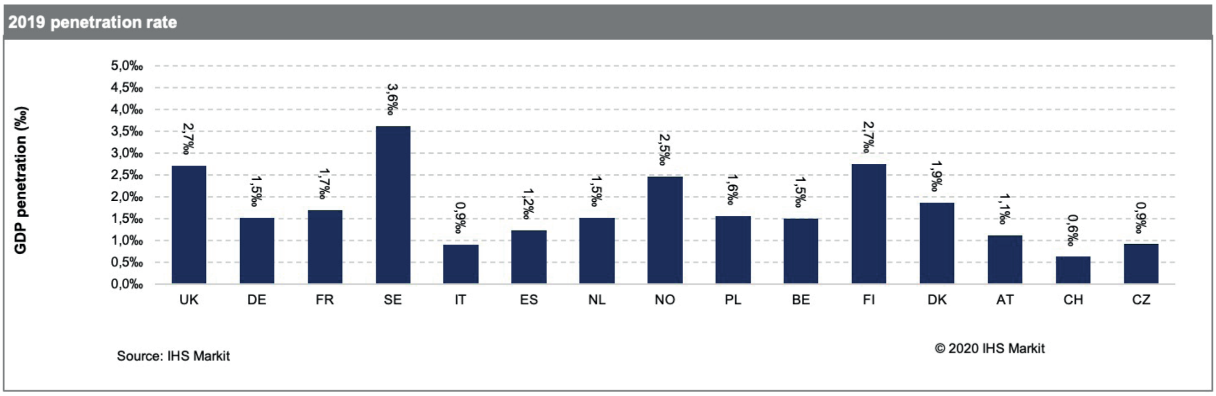
After years of robust investments across the board, the rental industry expects construction companies to be much more cautious in regards to capex investments in 2020. The uncertainty is clearly consensual among the players that firmly believe the importance of protecting cash (potential second wave, customer insolvency, payment delays, etc.), amid, at the same time, the conviction that the recession will further boost the rental penetration in the near future.



3.4 Penetration rates

Regarding the equipment rental penetration in 2019, we monitored two different metrics for the 15 countries covered: the average construction industry penetration rate was **1.4%**, and the average GDP penetration rate was **1.7‰**.





3.5 Macroeconomic environment

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 the spill-overs to other areas of the economy have been limited so far, the more persistent the weakness, the larger the contagion is likely to become. The record gap between the manufacturing and services Purchasing Managers' Index® (PMI®) series, 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, likely leading to knock-on effects on consumer sentiment and spending.

Annual growth in the eurozone's total GDP was 1.1% in 2019, down from 1.9% in 2018. We continue to expect a further slowdown in 2020, with eurozone growth set to go below 1.0%. We expect the risks to the current 0.9% forecast for 2020 being tilted to the downside, with a further proliferation of protectionist measures being 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 2020 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 benefitting from solid consumer demand offsetting stalling exports. Although the latest developments in Italy have the potential to positively influence sentiment in the coming months, global risks remain extremely high, and the potential for a negative shock is still elevated.

3.6 European overview

European overview

2019	UK	DE	FR	SE	IT	ES	NL	NO	PL
Rental turnover [MEUR]	6,500	5,225	4,100	1,715	1,625	1,525	1,225	890	820
Investment [MEUR]	1,630	1,230	695	270	295	210	260	130	125
Value of rental fleet [MEUR]	10,605	7,600	6,165	2,255	2,370	2,800	1,850	1,125	1,380
Ratio: Investment / Value of the rental fleet	15%	16%	11%	12%	12%	8%	14%	12%	9%
GDP [BEUR]	2,527	3,455	2,427	475	1,787	1,245	810	361	528
GDP penetration	2.7‰	1.5‰	1.7‰	3.6‰	0.9‰	1.2‰	1.5‰	2.5‰	1.6‰
Construction output [MEUR]	331	339	276	51	194	159	107	54	95
Construction industry penetration	2.1%	1.5%	1.5%	3.4%	0.8%	1.0%	1.1%	1.6%	0.9%
Country population [Million]	68	84	65	10	61	47	17	5	38
Country population penetration [EUR per person]	101	63	63	171	27	33	72	165	22
2019 year-on-year percent change									
Turnover	1.6%	4.8%	5.7%	3.0%	4.8%	6.3%	6.5%	4.6%	8.3%
Investment	-2.4%	5.1%	5.3%	1.9%	5.4%	2.4%	4.0%	4.0%	5.9%
Rental Fleet	2.0%	-3.6%	-10.8%	2.6%	-9.3%	-3.5%	4.9%	3.7%	2.1%
Exchange rate 2019 aop [LCU/ EUR]	0.9	--	--	10.6	--	--	--	9.9	4.3

Source: IHS Markit/ © 2020 IHS Markit

European overview

2019	BE	FI	DK	AT	CH	CZ	15 countries	Rest EU28 + EFTA	Total
Rental turnover [MEUR]	735	660	580	445	395	205	26,985	790	27,775
Investment [MEUR]	120	90	140	120	85	70	5,470	n.a.	n.a.
Value of rental fleet [MEUR]	1,260	855	1,120	650	750	430	41,215	n.a.	n.a.
Ratio: Investment / Value of the rental fleet	10%	11%	13%	18%	11%	16%	13%	n.a.	n.a.
GDP [BEUR]	473	241	310	398	629	224	15,890	1,276	17,166
GDP penetration	1.5‰	2.7‰	1.9‰	1.1‰	0.6‰	0.9‰	1.7‰	0.6‰	1.6‰
Total construction output [MEUR]	74	35	35	58	70	33	1,915	136	2,051
Construction industry penetration	1.0%	1.9%	1.6%	0.8%	0.6%	0.6%	1.4%	0.6%	1.4%
Country population [Million]	12	6	6	9	9	11	445	67	512
Country population penetration [EUR per person]	64	119	100	50	46	19	61	12	54
2019 year-on-year percent change									
Turnover	2.8%	3.1%	3.2%	8.5%	2.9%	6.6%	4.1%	n.a.	n.a.
Investment	0.0%	5.9%	1.2%	4.8%	1.5%	6.9%	2.3%	n.a.	n.a.
Rental Fleet	-7.8%	-3.3%	-4.8%	-6.9%	-3.8%	-3.9%	3.0%	n.a.	n.a.
Exchange rate 2019 aop [EUR/ LCU]	--	--	7.5	--	1.1	25.7			

Source: IHS Markit/ © 2020 IHS Markit

3.7 Long-term equipment rental market trend

All Countries, EUR	Actual					
	2008	2009	2010	2011	2012	2013
1. United Kingdom (UK)						
Total turnover [MEUR]	5510	4230	4590	5465	6370	6080
Exchange rate [GBP per EUR]	0,8	0,9	0,9	0,9	0,8	0,8
2. Germany (DE)						
Total turnover [MEUR]	2805	2705	2895	3665	3500	3500
3. France (FR)						
Total turnover [MEUR]	2675	2565	2555	3095	3365	3365
4. Sweden (SE)						
Total turnover [MEUR]	965	745	1025	1355	1445	1455
Exchange rate [SEK per EUR]	9,6	10,6	9,5	9,0	8,7	8,6
5. Italy (IT)						
Total turnover [MEUR]	1005	1470	1680	1340	1330	1330
6. Spain (ES)						
Total turnover [MEUR]	1685	1365	1340	1345	1140	1140
7. Netherlands (NL)						
Total turnover [MEUR]	850	805	820	825	850	850
8. Norway (NO)						
Total turnover [MEUR]	555	460	585	755	990	950
Exchange rate [NOK per EUR]	8,3	8,7	8,0	7,8	7,5	7,8
9. Poland (PL)						
Total turnover [MEUR]	75	45	195	345	355	355
Exchange rate [PLN per EUR]	3,5	4,3	4,0	4,1	4,2	4,2
10. Belgium (BE)						
Total turnover [MEUR]	295	285	330	375	595	595
11. Finland (FI)						
Total turnover [MEUR]	275	250	335	400	445	445
12. Denmark (DK)						
Total turnover [MEUR]	370	310	285	405	425	425
Exchange rate [DKK per EUR]	7,5	7,4	7,4	7,5	7,4	7,5
13. Austria (AT)						
Total turnover [MEUR]	210	185	200	210	325	325
14. Switzerland (CH)						
Total turnover [MEUR]		245	220	325	315	305
Exchange rate [CHF per EUR]	1,6	1,5	1,4	1,2	1,2	1,2
15. Czech Republic (CZ)						
Total turnover [MEUR]				150	150	145
Exchange rate [CZK per EUR]	25,0	26,5	25,3	24,6	25,2	26,0

					Estimates		Forecast	
2014	2015	2016	2017	2018	2019	2020	2021	2022
6300 0,8	7380 0,7	6700 0,8	6320 0,9	6341 0,9	6500 0,9	5305 0,9	5390 0,9	5830 0,9
3800	3950	4315	4615	4985	5225	4980	5265	5540
3595	3620	3345	3600	3880	4100	3515	3805	3970
1405 9,1	1450 9,4	1590 9,5	1715 9,6	1720 10,3	1715 10,6	1650 10,5	1700 10,4	1755 10,3
1310	1360	1395	1465	1550	1625	1425	1495	1560
1165	1210	1190	1340	1435	1525	1310	1380	1450
890	940	1005	1065	1150	1225	1160	1200	1250
875 8,4	810 8,9	820 9,3	855 9,3	870 9,6	890 9,9	775 10,6	785 10,6	830 10,5
600 4,2	590 4,2	570 4,4	700 4,3	760 4,3	820 4,3	750 4,4	800 4,3	875 4,2
630	635	650	690	715	735	665	680	720
445	470	520	580	640	660	625	645	675
445 7,5	475 7,5	510 7,4	535 7,4	560 7,5	580 7,5	540 7,5	560 7,5	575 7,5
330	345	380	390	410	445	410	425	445
320 1,2	375 1,1	375 1,1	375 1,1	370 1,2	395 1,1	385 1,1	380 1,1	385 1,1
135 27,5	145 27,3	155 27,0	180 26,3	195 25,7	205 25,7	185 26,4	190 26,2	210 25,9

4

COUNTRY OVERVIEW

Austria (AT)

The Austrian rental turnover growth for 2019 remained the same compared with the prior-year report and posted a solid 8.5% growth rate. 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 sector, benefitting from a healthy construction market.

The immediate effect of the COVID-19 pandemic was relatively severe in Austria. Despite a light lockdown, there were several site shutdowns in early March for several weeks caused by concerns of social distancing on site and a shortage of workers amid stay-at-home directives. The pandemic had hit Austria during a time of strong and wider economic growth and construction output. The effects of the pandemic in 2020 is expected to be significant. However, the robust economic fundamentals are expected to enable a solid rebound in 2021.

The country has a relatively small equipment rental market, where the ownership of equipment still dominates over usership. Customer requirements are considered sophisticated in terms of products and services, which make it appealing to own equipment. Similar to Switzerland, the Austrian market is characterized by the co-habitation between international companies operating in Austria and national rental players having a strong and local customer base; the important role of distributors and OEMs having a rental practice and the importance of rental specialists make them the biggest rental players in the market.

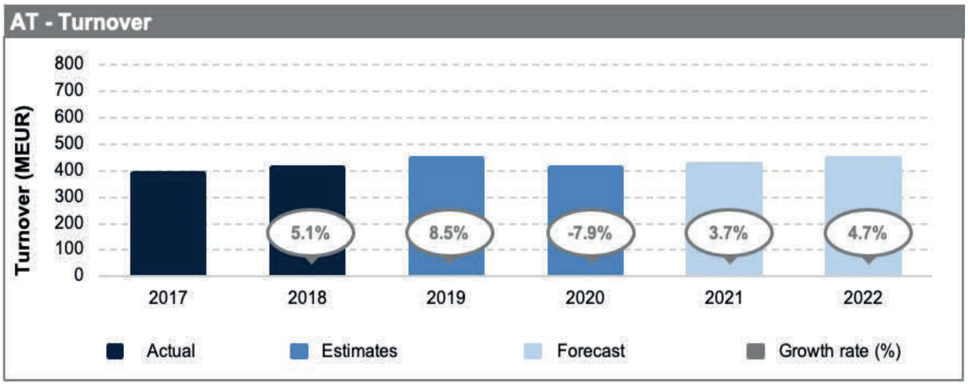
Despite the equipment rental market characterised by a high level of market fragmentation (an atypical feature of the European market, with more than 80% of the rental industry turnover generated by firms with fewer than 50 employees, mainly small, independent companies), it is key to note this fragmentation does not imply immaturity of the rental industry, ageing fleets, or low quality of rental services, but quite the opposite in terms of high competition and intensity.

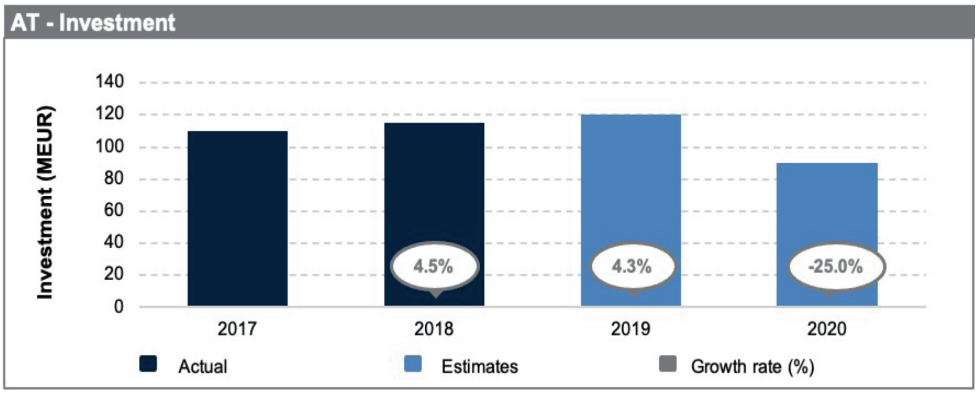
Regarding the structure of the market, it has not evolved much in the last few years. However, Austria is one of the countries affected by the recent European M&A activity. This might trigger a consolidation cycle in the near future.

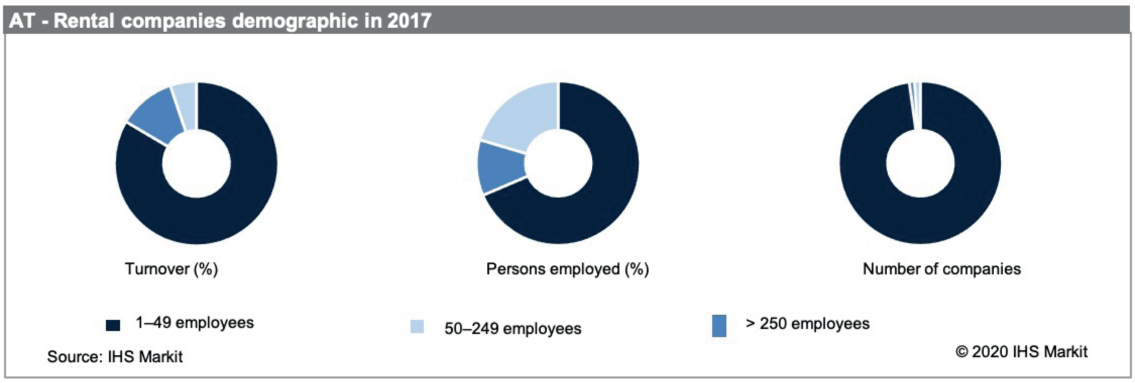
Austria (AT), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	390	410	445	410	425	445
- Rental companies	215	225	245	225	235	245
- Other comp. providing rental services (only rental)	175	185	200	185	190	200
Investment [MEUR]	110	115	120	90		
Rental fleet value [MEUR]	575	600	650	605		
Rental market drivers						
GDP [BEUR]	371	386	398	377	399	419
GDP penetration	1.1‰	1.1‰	1.1‰	1.1‰	1.1‰	1.1‰
Construction output [BEUR]	51	54	58	57	58	60
Construction penetration	0.8%	0.8%	0.8%	0.7%	0.7%	0.8%
Population [million]	9	9	9	9	9	9
Population penetration [EUR per person]	44	46	50	46	47	50

Source: IHS Markit and Official Statistics data

a. Review of key indicators







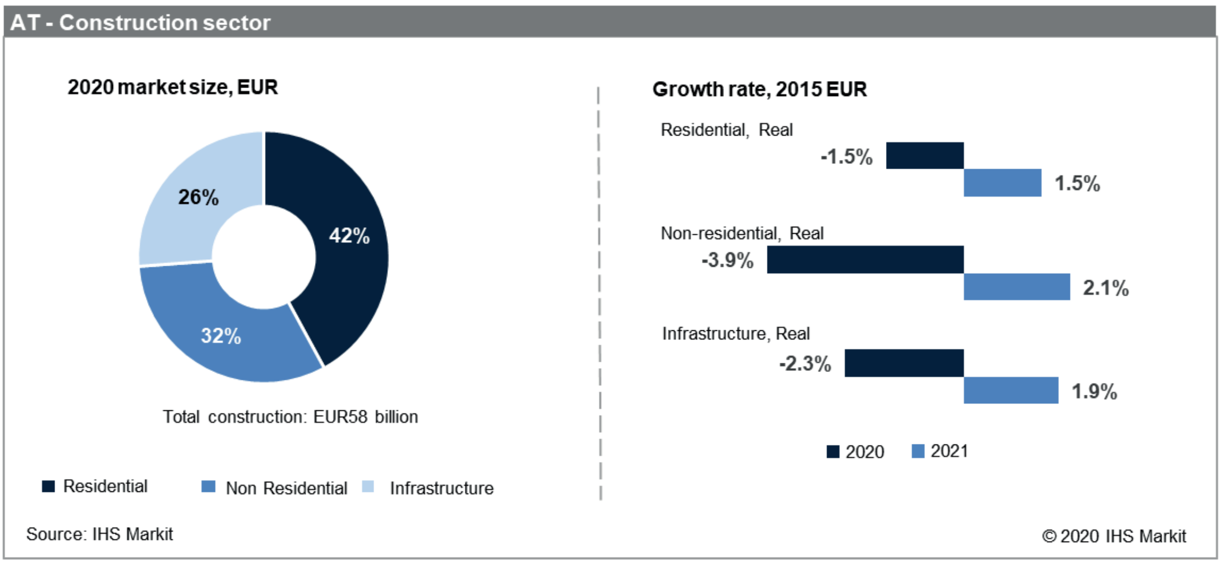
b. Macroeconomic environment

Construction output had previously outpaced Austria's macroeconomic growth but is now set to level out with real GDP, which is anticipated to fall 6.5% in 2020 before realising growth of 3.3% in 2021, as wider economic pains are felt across Europe. Following a growth rate of 5.5% in 2019, total construction output is set to decline by 2.5% in 2020, before returning to a moderate growth rate of 1.8% in 2021. The balanced budget achieved in 2018 has left leeway for an expansive fiscal policy and other stimulus measures, which can alleviate the impact of COVID-19 on the national and regional economies.

Fresh insights gained since mid-April about the likely depth of the downturn caused by the COVID-19 pandemic and the duration of administrative restrictions have necessitated another significant downward adjustment of the 2020 forecast. Similarly, a sharper rebound of average growth is expected in 2021 owing to the overhang effect created by the technical recovery after mid-2020. Nevertheless, the end-2019 GDP level will hardly be regained before 2023, given permanent damage caused by above-average company insolvencies and losses in consumer and investor confidence.

Construction investment growth was more restrained during 2016–18 but had conversely proven more resilient in 2019 and early 2020. As indicated by the March–May releases of Austria's Purchasing Managers' Index® (PMI®) for the manufacturing sector and the European Commission's business confidence index, the unavoidable plunge of investment in 2020 due to the high level of uncertainty about the economic fallout of the pandemic will extend this pattern, with equipment spending being affected much more than construction. Investment in equipment grew strongly at a pace of roughly 6% in annualised terms between the start of 2015 and early 2019, but it subsequently flatlined because of the European manufacturing recession before plunging in the second quarter of 2020 owing to the spike in economic uncertainty triggered by the pandemic.

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 0.7% An ageing 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.



Belgium (BE)

Belgian rental turnover growth for 2019 slightly decreased compared with the previous year's report, with 65% of rental revenues coming from the construction sector. Belgian growth drivers – construction output, GDP, and industrial production – did not fare well during this period.

Notably, this share differs between the Wallonia and Flanders regions. 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 more oriented towards the non-construction sector.

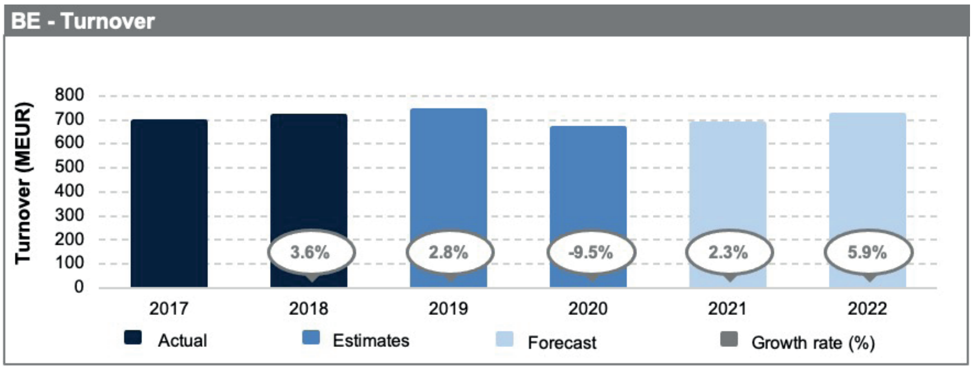
The immediate impact of the COVID-19 pandemic was strong in Belgium, with a severe lockdown and a large number of site shutdowns. The second and third quarters were significantly affected, with activity halted for two months.
Another two months are expected before activity returns to pre-COVID-19 levels. As growth slows down, the impact of the pandemic in 2020 is expected to be significant; the 2021 rebound will mainly be technical. Additionally, it is worth noting the absence of political leadership and consensus – Belgium has been without a fully functioning government for more than 600 days since Charles Michel resigned as prime minister in December 2018.

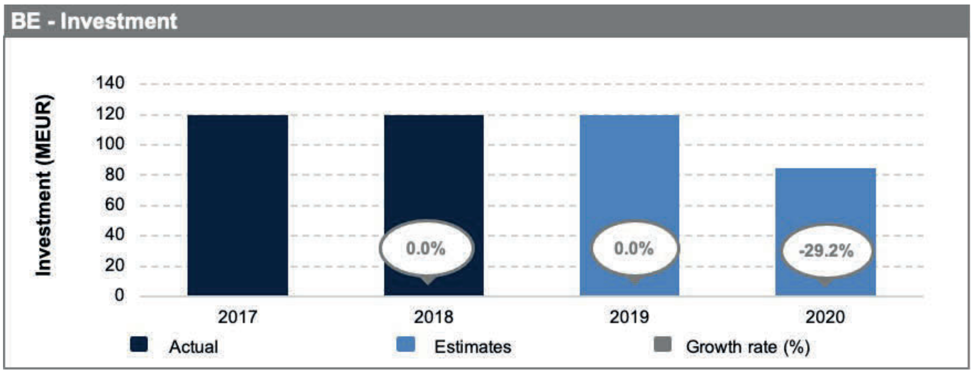
An atypical feature of the Belgium market compared with other European markets, except for Switzerland, is that the regional breakdown is based on language. Seeing that most rental players are local rather than national, this could likely act as an entry barrier.
The structure concerning the Belgian market has not evolved in recent years. However, there is now a clear trend of companies from Flanders targeting the other region.
This is probably the first step towards consolidating a market that is still highly fragmented.

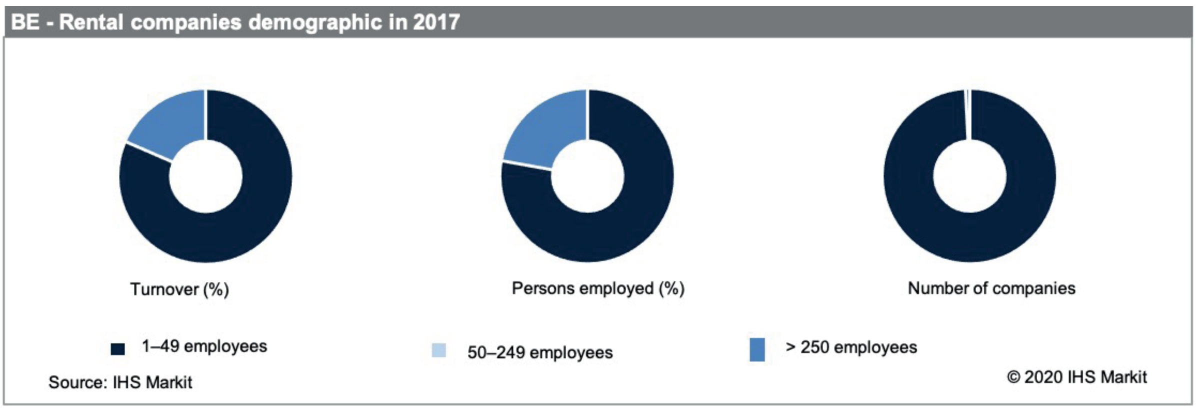
Belgium (BE), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	690	715	735	665	680	720
- Rental companies	670	690	710	645	660	695
- Other comp. providing rental services (only rental)	20	25	25	20	20	25
Investment [MEUR]	120	120	120	85		
Rental fleet value [MEUR]	1,195	1,225	1,260	1,160		
Rental market drivers						
GDP [BEUR]	446	460	473	433	457	478
GDP penetration	1.5‰	1.5‰	1.5‰	1.5‰	1.5‰	1.5‰
Construction output [BEUR]	70	72	74	74	75	78
Construction penetration	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%
Population [million]	11	11	12	12	12	12
Population penetration [EUR per person]	60	62	64	58	58	61

Source: IHS Markit and Official Statistics data

a. Review of key indicators





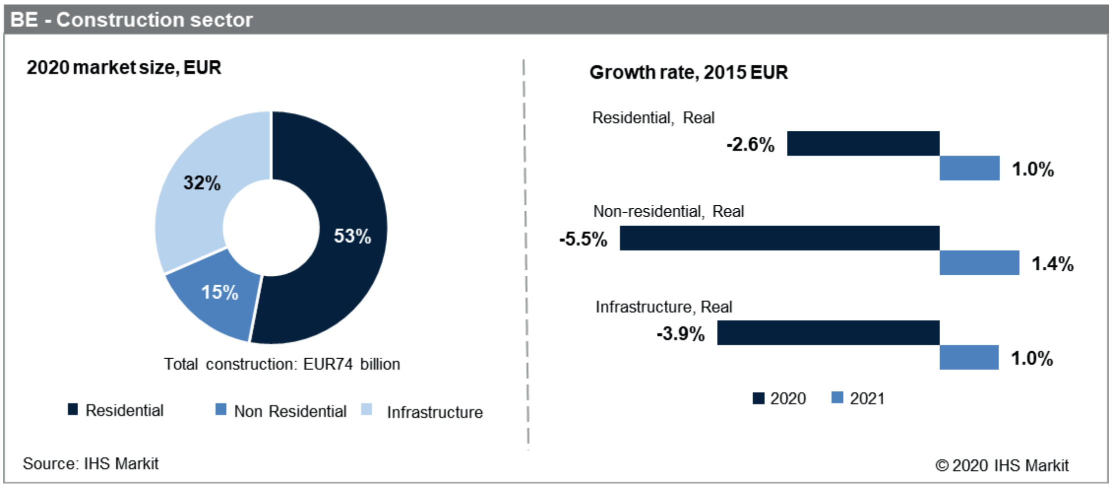


b. Macroeconomic environment

Real GDP growth is set to fall by 9.2% in 2020, before returning to growth of 4.4% in 2021. However, the near-term business investment cycle faces stronger headwinds. The economy is set to endure a recession, alongside softer external demand, due to contracting eurozone activity. The latest business confidence surveys confirm collapsed sentiment, which will diminish the appetite to invest. Fixed investment also retreated markedly, with construction activity and machinery and equipment investment falling back.

Meanwhile, falling output in Belgium and across the eurozone is likely to squeeze investment developments during late 2020 and into 2021, alongside historically low business confidence. All sectors displayed lower confidence, with business services reporting the sharpest fall.

Following moderate growth in 2019, the residential segment is set to report output contractions of more than 2.0% in 2020, with moderate growth again returning in 2021. Nonetheless, the five-year (2019–24) compound annual growth rate (CAGR), will be limited. The collapse in household confidence in April 2020 revealed acute consumers' nervousness about the COVID-19 pandemic. Consumers remain downbeat about the economic situation in Belgium and even more concerned about the risk of unemployment during the next 12 months. Consumer price inflation, however, has fallen back significantly and is likely to remain marginal during the rest of 2020 and 2021. Additionally, property prices will be supported by low interest rates, stable taxation, investors interest, and a strong belief in the stability of the Belgian real estate market. Real estate activity by value added is set to record a decline of more than 3% in 2020 as household incomes and consumer confidence are affected.



The Czech Republic (CZ)

The rental market turnover in the Czech Republic increased 1.6 points in 2019 compared with the previous report. The share of rental revenue from the construction sector is estimated to be 75% across the country. The rental industry continues to benefit from solid growth in the construction sector, as well as a better-than-expected macroeconomic environment.

The immediate impact of the COVID-19 pandemic was relatively light in the Czech Republic, with no lockdown and only a reduction of activity. Nonetheless, the country will be affected by the medium- to long-term effects of the pandemic, as restricted access to credit and investment for the construction sector hurts activity. However, the pandemic comes during continued economic and construction growth with the expectation that growth will recover in 2021.
A large portion of the rental industry turnover was generated by firms with fewer than 50 employees, mainly small, independent companies, and Eurostat does not publish any data on companies. There are, however, concerns related to increased competition driven by relative overcapacity of the fleets, before demand returns.

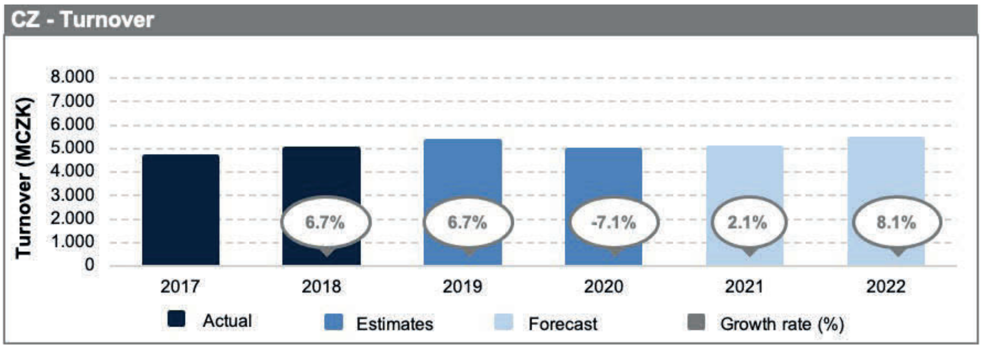
Characterised by the important role of contractors usually having in-house rental departments, there is a unique importance of the tool segment, which is mainly driven by local players. The Czech rental market is a small but appealing market with a good mix of international companies and local rental players. The Czech Republic is one of the countries affected by the recent European M&A activity. This might trigger a consolidation cycle in the near future.

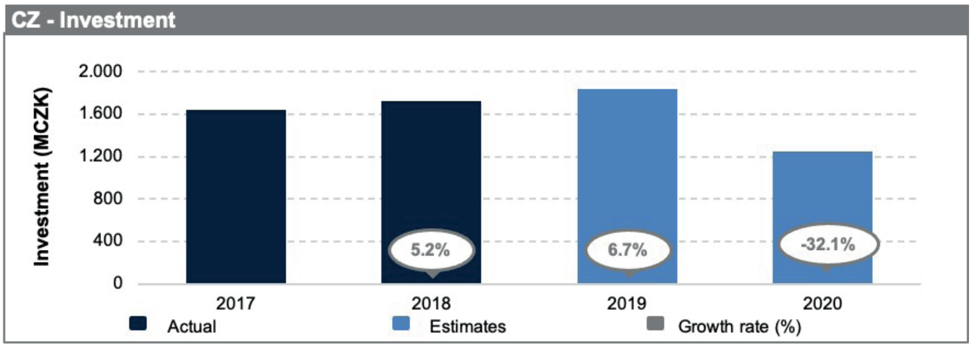
Nota bene: For the Czech Republic and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been taken to come up with comparable rental market estimates.

Czech Republic (CZ), CZK	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MCZK]	4,645	4,955	5,285	4,910	5,015	5,420
- Rental companies	3,250	3,470	3,700	3,435	3,510	3,795
- Other comp. providing rental services (only rental)	1,395	1,485	1,585	1,475	1,505	1,625
Investment [MCZK]	1,640	1,725	1,840	1,250		
Rental fleet value [MCZK]	10,250	10,630	11,015	10,585		
Rental market drivers						
GDP [BCZK]	5,117	5,415	5,751	5,457	5,805	6,138
GDP penetration	0.9‰	0.9‰	0.9‰	0.9‰	0.9‰	0.9‰
Construction output [BCZK]	728	809	863	854	892	938
Construction penetration	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Population [million]	11	11	11	11	11	11
Population penetration [CZK per person]	436	465	494	458	467	505
Exchange rate [CZK per EUR]	26.3	25.7	25.7	26.4	26.2	25.9

Source: IHS Markit and Official Statistics data

a. Review of key indicators





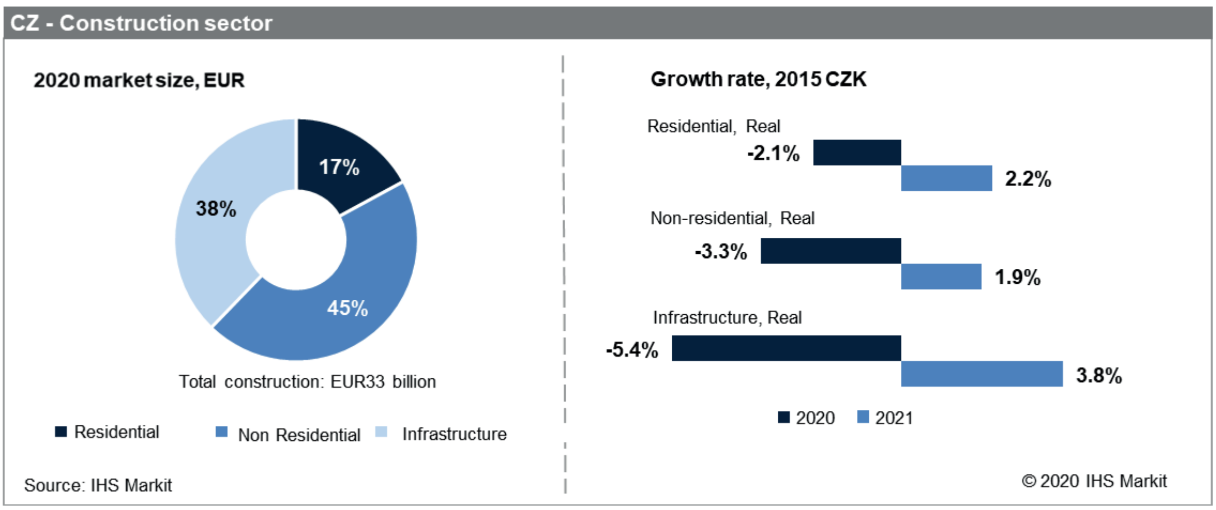
There is no data available concerning company size classes for the Czech Republic.

b. Macroeconomic environment

After several months of forecast reductions owing to the coronavirus disease 2019, IHS Markit has been projecting a 7.3% decline in 2020 GDP since June. That outlook reflects declines in fixed investment, private consumption, industrial output, and exports. In August, we raised our 2021 forecast to 4.5%, benefiting from the EU recovery fund.

The near-term outlook for fixed investment is negative. Bolstered by a surge in civil engineering, construction activity reported moderate growth in January–March 2020 before weakening in April–June. Downside risks to private investment are particularly elevated as the crisis drags onward. Industrial production of capital goods plummeted during the second quarter. The rise in investment spending in 2021, however, will bolster GDP growth. The effects could be more significant in the medium-to-long term, depending on the types of investments that are made.

In recent years, the tight labour market and surging housing prices represented key risks to the Czech economy; by mid-2020, there were few signs of easing. Population growth expected to grow below the international average over the next 10 years, which will not help the situation. The tight labour market presented a key policy challenge for the Czech Republic in recent years. Although the registered jobless rate remained low in March–July 2020, the COVID-19 virus outbreak raises risks of significantly higher unemployment once government stimulus measures are phased out, especially if external demand remains weak. Other policy challenges that are expected to ease amid the COVID-19 crisis include rapid increases in housing costs and mortgage lending. After solid expansions in 2019, residential spending is expected to fall in 2020 but will rise to more than 2.0% in 2021. The segment is forecast to enjoy a moderate compound annual growth rate (CAGR) between 2019 and 2024.



Denmark (DK)

Danish rental turnover in 2019 grew moderately compared with the previous report; the share of rental market revenues coming from the construction sector remained at 70%. The rental market is therefore strongly linked with the construction sector, benefiting from positive construction output, particularly the non-residential segment.

The immediate impact of the COVID-19 pandemic was relatively light in Denmark, with a light lockdown and no site shutdowns; however, Denmark will suffer the medium-to-long term effects of the COVID-19 pandemic, following project cancellations, with many projects now delayed. Additionally, the market will benefit from growth in 2019 where the wider economy and the construction sector were in a positive growth cycle. While the impacts of the pandemic will be felt in 2020, solid economic fundamentals are expected to support a rebound in 2021.

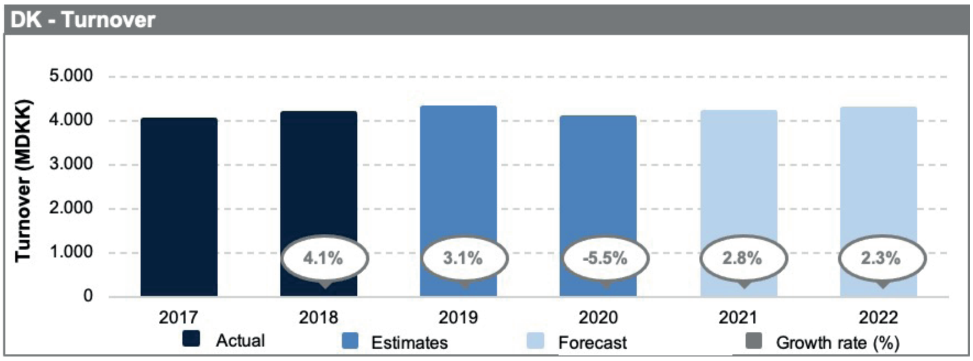
The Danish rental market is dominated by companies with fewer than 50 employees, mostly small and independent companies. It is however a fragmented market but that does not mean it suffers from immaturity or low investments. The mix of international and national rental players has maintained high investment. The market is also known for robust demand for modern machines with good environmental performance – similar to Sweden. Eco-solutions, and fuel and energy efficiencies are important areas for contractors and public authorities in Denmark.

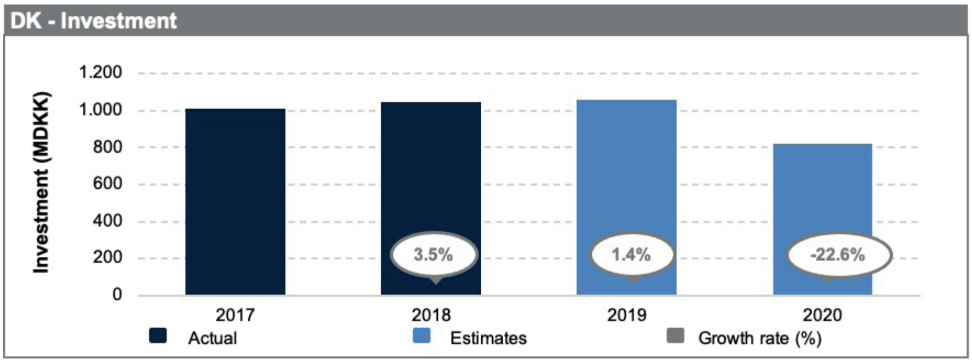
After a few years of investments and growth, there are some concerns about competition intensity, driven by a relative overcapacity of fleets. Pressure could relaunch a slow consolidation process for big players, but also for those of medium-sized firms that have already been undertaking this process.

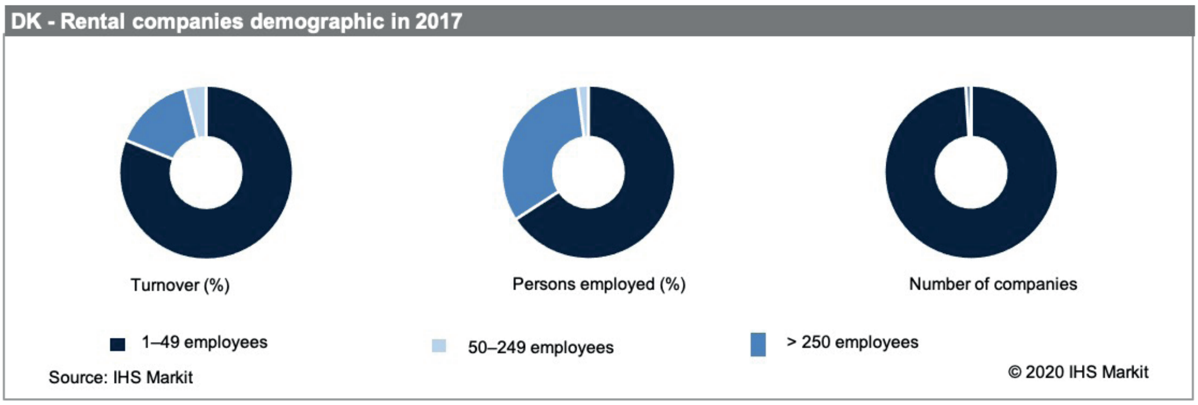
Denmark (DK), DKK	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MDKK]	4,000	4,165	4,295	4,060	4,175	4,270
- Rental companies	3,980	4,145	4,275	4,040	4,155	4,250
- Other comp. providing rental services (only rental)	20	20	20	20	20	20
Investment [MDKK]	1,010	1,045	1,060	820		
Rental fleet value [MDKK]	7,840	8,120	8,345	7,945		
Rental market drivers						
GDP [BDKK]	2,175	2,246	2,315	2,220	2,286	2,354
GDP penetration	1.8‰	1.9‰	1.9‰	1.8‰	1.8‰	1.8‰
Construction output [BDKK]	231	255	265	253	257	263
Construction penetration	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%
Population [million]	6	6	6	6	6	6
Population penetration [DKK per person]	698	723	744	701	718	732
Exchange rate [DKK per EUR]	7.4	7.5	7.5	7.5	7.5	7.5

Source: IHS Markit and Official Statistics data

a. Review of key indicators





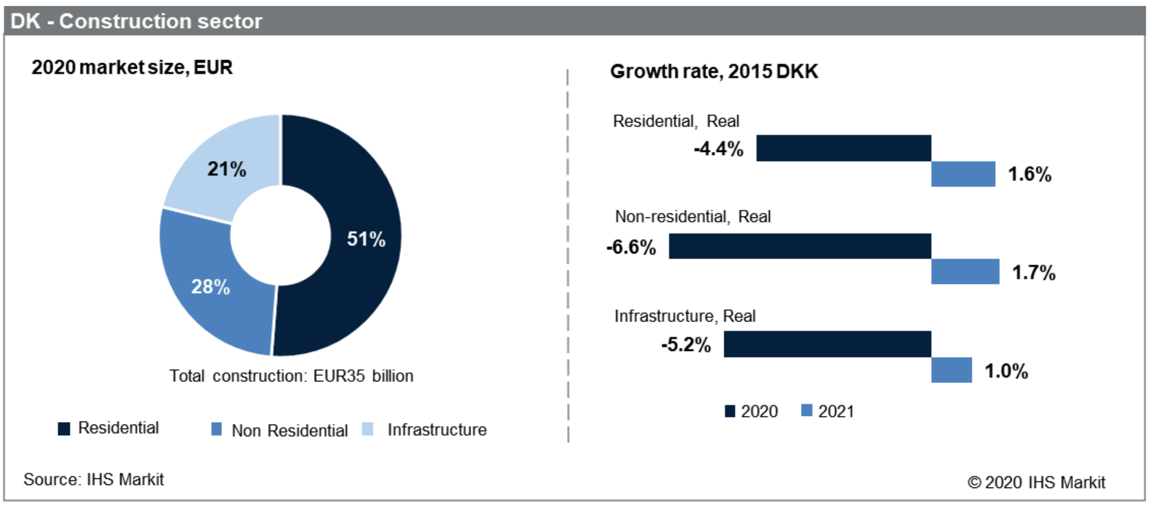


b. Macroeconomic environment

The Danish economy had one of the smallest contractions in Europe in the second quarter. We have revised up our full year forecast to a recession of 5.3%. Danish growth has often been dependent on net exports, with weak domestic demand. The collapse in global demand due to COVID-19 virus outbreak containment measures, with potentially lasting disruption to national and cross-border supply chains, will dampen Denmark's export sector. A large drop in global shipping, which accounts for almost half of Danish services exports, also presents a key concern. However, Danish public finances are in good health, allowing them to absorb this shock. Public debt is among the lowest in the EU, below 35% of GDP in 2019, and the government can rely on support from the central bank in its crisis response.

Total construction in Denmark will decline by approximately 5.0% in 2020 before rebounding to 1.5% in 2021. Residential output will dive in 2020 despite moderate growth expected in 2021. Non-residential structures will experience the sharpest declines in 2020.

The country's ambitious commitment to rely entirely on renewable energy sources by 2050 will also trigger massive projects in the sector in the decades ahead. Growth in 2019 was driven by pharmaceutical- and renewable-related machinery. For the full year, pharmaceuticals were up 15.4% y/y, while machinery was up 5.5% y/y. Conversely, the largest decline was recorded in the transport equipment industry at 8.0% y/y, but given its small weight in the index, it did not deplete much from the headline growth of industry. Denmark enjoys a position at the core within the European Union. Due to its peg with a very narrow fluctuation band, meaning its exchange rate is fixed, it has been a de facto eurozone member since its creation as well as a safe haven for investors. Currently, there are no plans to hold a referendum in the near term on either formally adopting the euro or leaving the EU. These dynamics will support the infrastructure segment, which is set to return to growth in 2021 after sharp falls this year, and spending on transportation will drive infrastructure spending in the coming years.



Finland (FI)

Finnish rental turnover growth for 2019 dropped moderately in 2019 compared with 2018 but remains positive. The share of rental revenues coming from the construction sector is estimated to average 70%, benefiting from investments in infrastructure and non-residential structures.

Like other Nordic countries, the immediate impact of the COVID-19 pandemic is expected to be moderate following a light lockdown and no site shutdowns. However, Finland will suffer from the medium-to-long term effect of the COVID-19 pandemic, with project cancellations, and some projects delayed as investments slow down. According to the Confederation of Finnish Construction Industries, 80–90% of the activity continued normally in March/April. Additionally, the market has benefited from strong activity in 2019 and a solid start to 2020. Wider economic and construction output growth coupled with strong fundamentals should support a recovery in 2021.

The rental market mostly comprises large firms with more than 250 employees, which make up 55% of total rental revenues. Together with a few rental companies with 50–250 employees, these large- and medium-sized companies generate almost 75% of total industry revenue.

Historically dominated by two local champions, the market has recently been shaken by the rise of a new player, driving up investments and increasing the competitive intensity. Ongoing changes in this market can be expected as Finland is in the heart of the recent European M&A activity.

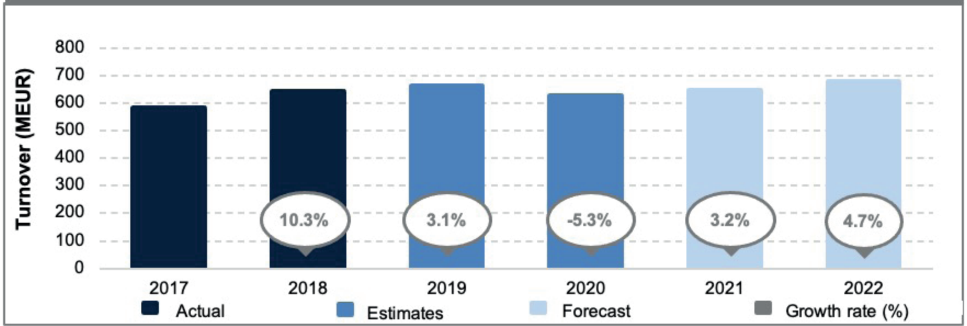
Finally, it is important to note Finland's outsourcing trend. There is a growing trend from ownership to usership, which is expected to further gain traction amid ongoing uncertainty.

Finland (FI), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	580	640	660	625	645	675
- Rental companies	550	605	625	595	610	640
- Other comp. providing rental services (only rental)	30	35	35	30	35	35
Investment [MEUR]	80	85	90	70		
Rental fleet value [MEUR]	785	835	855	825		
Rental market drivers						
GDP [BEUR]	226	234	241	222	232	243
GDP penetration	2.6‰	2.7‰	2.7‰	2.8‰	2.8‰	2.8‰
Construction output [BEUR]	33	34	35	34	35	37
Construction penetration	1.8%	1.9%	1.9%	1.9%	1.9%	1.8%
Population [million]	6	6	6	6	6	6
Population penetration [EUR per person]	105	115	119	113	116	122

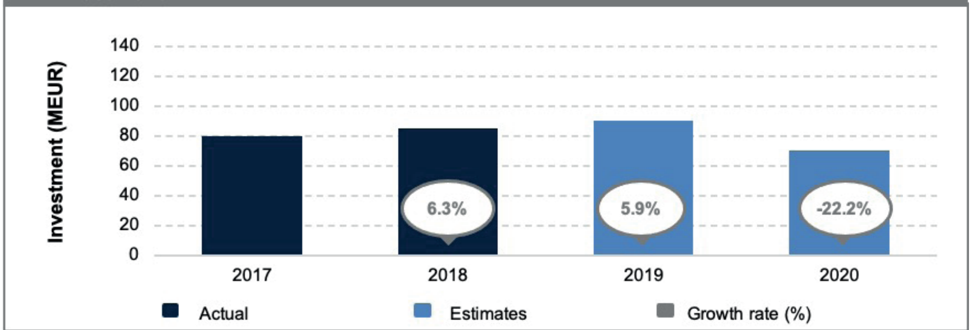
Source: IHS Markit and Official Statistics data

a. Review of key indicators

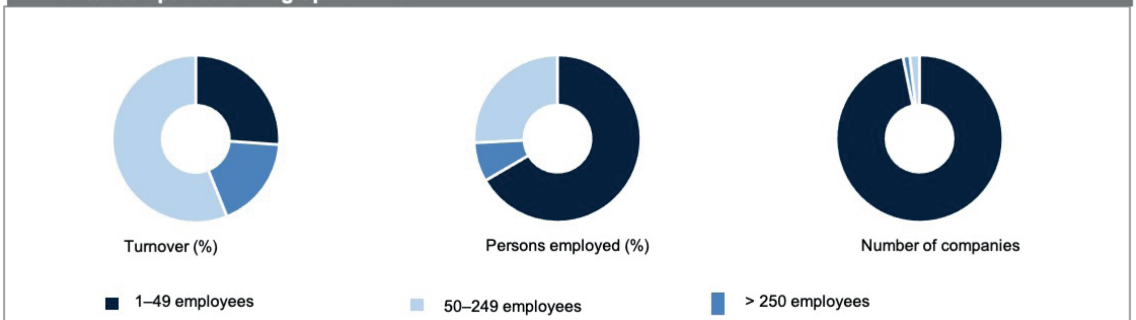
FI - Turnover



FI - Investment



FI - Rental companies demographic in 2017



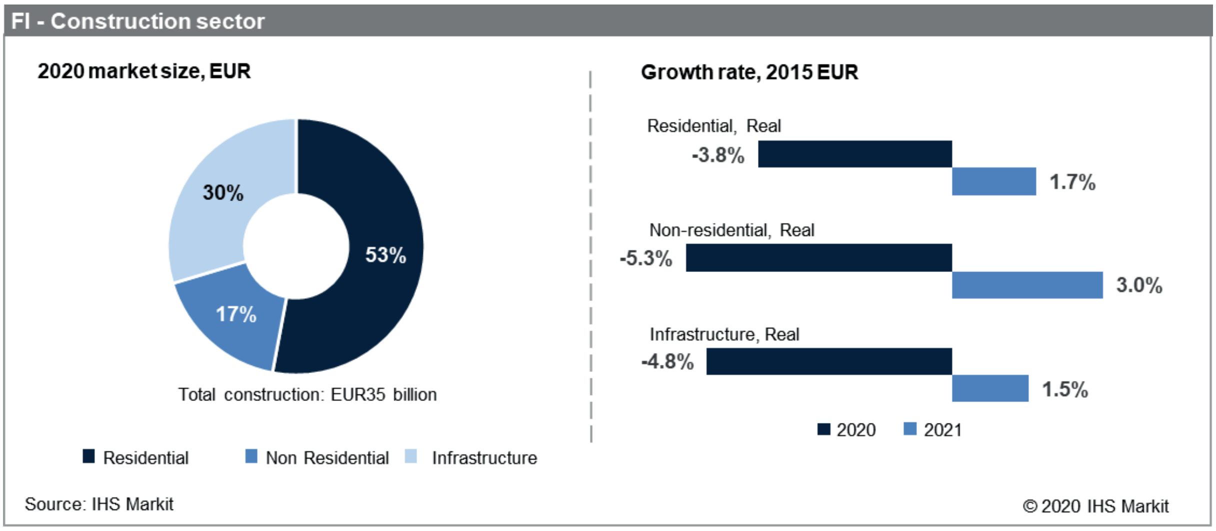
Source: IHS Markit

b. Macroeconomic environment

In the August forecast, we slightly increased the GDP forecast for 2020 to show a contraction of 6.8%. The adjustment was mainly due to recent data showing a slightly better-than-expected start to 2020, while a deep contraction is now taking shape owing to the fallout from the COVID-19 virus outbreak. A rebound to growth of 3.2% is projected for 2021. The export-driven economy is likely to see exports plummet, while domestic household demand is also expected to significantly fall. Additionally, investment will suffer from weak external demand and the recent construction boom now grinding to a halt. Given fast-developing, unpredictable changes and significant market volatility, further downward adjustments in the forecasts are possible.

Total construction spending is anticipated to decline 4.4% in 2020 followed by growth of 2.0% in 2021. Residential construction is set to record the most moderate decline in 2020, while non-residential structures will report the sharpest falls, with spending on commercial structures likely to take the biggest hit.

The construction of new nuclear power plants will be an important infrastructure investment driver, although delays in these projects are possible. As the public authorities see their budgets constrained, several investment projects have been delayed, such as transportation reform to incorporate the state-owned network to encourage private investment and create a platform for market services. Real infrastructure construction spending in Finland improved 2.1% in 2019. Energy projects are expected to drive investments and spending on infrastructure across Finland in 2020 and 2021. Finland's fiscal position in 2019 gradually weakened, together with the overall economic momentum. However, the outlook is decidedly weaker now that the COVID-19 virus has necessitated a decisive fiscal response from the government, which has put forward a EUR15-billion support package designed to help businesses across all sectors to stay afloat during the pandemic. This comes after the center-left coalition had already outlined relatively generous infrastructure spending for 2020.



France (FR)

French rental turnover growth for 2019 remained the same compared with the previous report. Reporting a solid 5.7% growth rate, the share of total rental revenues coming from construction demand is estimated to be about 65%. Similar to Germany, the French market is relatively balanced and has benefited from a sound economic environment in the past. However, unlike Germany, the French market had already started slowing down following years of consecutive growth.

The immediate impact of the COVID-19 pandemic was strong in France, with a severe lockdown and a large number of site shutdowns – the construction industry was at 25% of normal capacity in April and still 60% in May according to the Banque de France. The impact over the second and third quarters was significant; activity was halted for two months, and returning to pre-COVID-19 levels will take at least another two months. The disruption from the pandemic hit France at a time when growth was slowing down. The 2020 impact, however, is expected to be significant, with the 2021 rebound in part technical. There is a question mark concerning the expected push from the public sector as, historically, post-election years result in a slowdown in spending (2019 municipal elections).

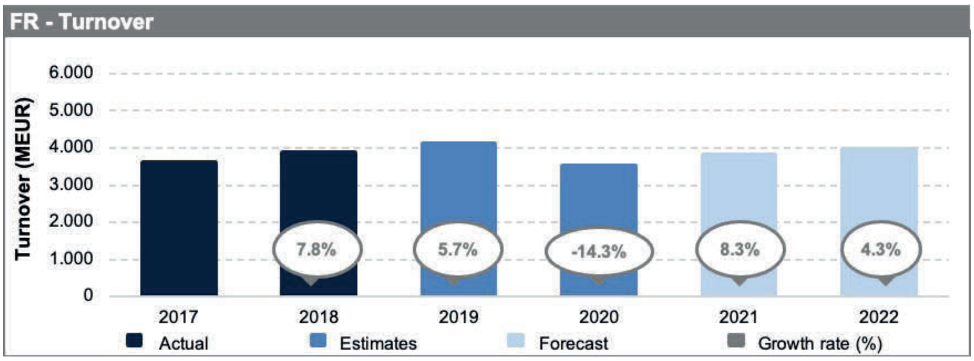
Notably, the regional differences despite the whole country being impacted by the slowdown. Similar to Spain and Italy, the French market is characterised by its strong regional disparity, which has a direct impact on equipment rental activity. A major feature of the French market compared with the other European markets is that the market is relatively concentrated, with two main players accounting for a major share of the market. A large gap now exists between the top two companies and the others, with continued market consolidation.

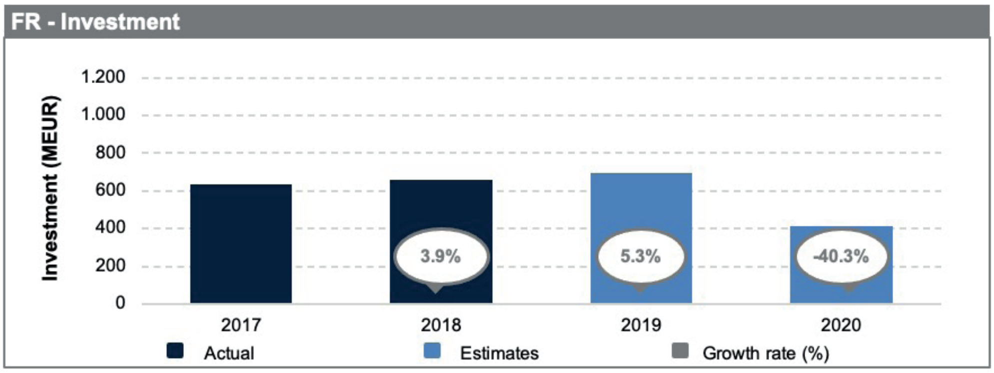
Finally, after a few years of investments and growth, there are some concerns about an increase of the competitive intensity driven by a relative overcapacity of fleets.

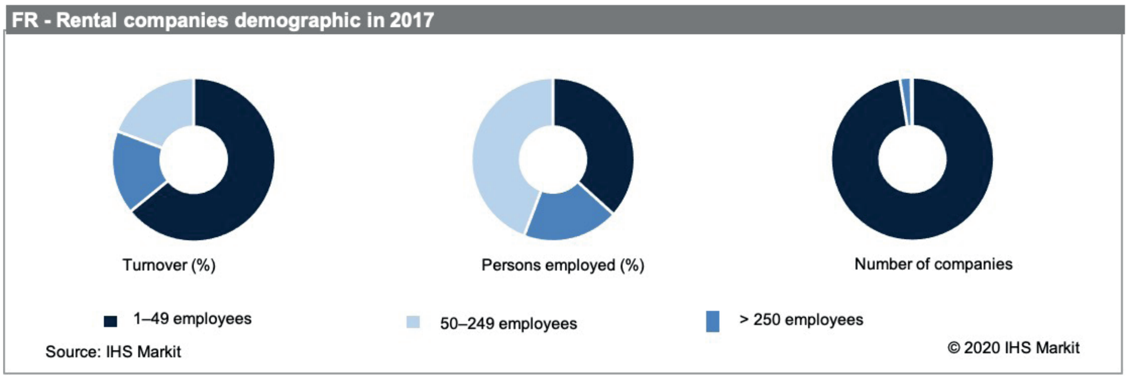
France (FR), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	3,600	3,880	4,100	3,515	3,805	3,970
- Rental companies	3,410	3,675	3,885	3,330	3,605	3,760
- Other comp. providing rental services (only rental)	190	205	215	185	200	210
Investment [MEUR]	635	660	695	415		
Rental fleet value [MEUR]	5,585	5,910	6,165	5,500		
Rental market drivers						
GDP [BEUR]	2,299	2,362	2,427	2,166	2,312	2,423
GDP penetration	1.6‰	1.6‰	1.7‰	1.6‰	1.6‰	1.6‰
Construction output [BEUR]	274	271	276	257	266	272
Construction penetration	1.3%	1.4%	1.5%	1.4%	1.4%	1.5%
Population [million]	65	65	65	65	65	66
Population penetration [EUR per person]	56	60	63	54	58	61

Source: IHS Markit and Official Statistics data

a. Review of key indicators







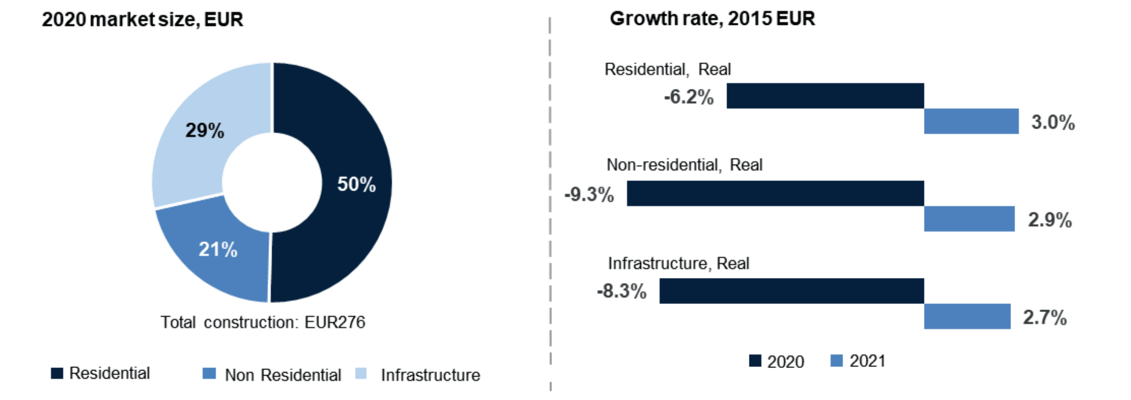
b. Macroeconomic environment

After a significant decline in activity during the first and second quarters of 2020, IHS Markit expects the French economy to return to growth during the third quarter, but this recovery will be very gradual and potentially prone to relapses. Investment spending declined by 10.5% quarter on quarter (q/q) during the first quarter. The closure of building sites during the second half of March resulted in construction activity falling by 13.8% q/q, while capital formation in market services declined by 8.8% q/q.

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. Infrastructure construction spending is on track to fall sharply in 2020 followed by healthy growth in 2021. Transportation infrastructure construction will post the highest growth rate in both 2020 and 2021. However, over the next five years, infrastructure in France will slip at a compound annual decline.

Lockdown measures have been eased since 11 May, but the number of COVID-19 cases has increased markedly since the start of August. Although the number of hospitalizations has also increased, pressure on the healthcare system is significantly softer than during the peak of the pandemic in March/April. Given the economic consequences, we believe a return to a national lockdown is very unlikely as long as the pressure on the healthcare system does not markedly intensify; however, some tightening of regulations is likely, particularly at a local level.

FR - Construction sector



Source: IHS Markit

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Germany (DE)

German rental turnover for 2019 declined slightly compared with the previous report, but it remains on track to record robust growth rates of 4.8%. The share of rental revenues coming from construction demand remains approximately 65%. Similar to comparable neighbours such as France, the German rental market is balanced and benefits from a solid economic environment. Unlike its neighbours, though, the German market continues to experience growth momentum.

The immediate impact of the COVID-19 pandemic was relatively light in Germany, with a modest lockdown and almost no site shutdowns. Despite this, Germany will suffer the medium-to-long-term effects of the COVID-19 pandemic with some project cancellations and delays. With the country's construction sector maintaining a growth cycle in 2019, any impacts from 2020 should be mitigated, while 2021 should expect a firm rebound owing to the solid economic fundamentals.

Similar to Austria and Switzerland, preference of ownership versus usership, a healthy mix of local and international players, and a strong local customer base are all prevalent features of the market. Distributors and OEMs play an important role in the German market, which has strong demand for innovation, and services and quality.

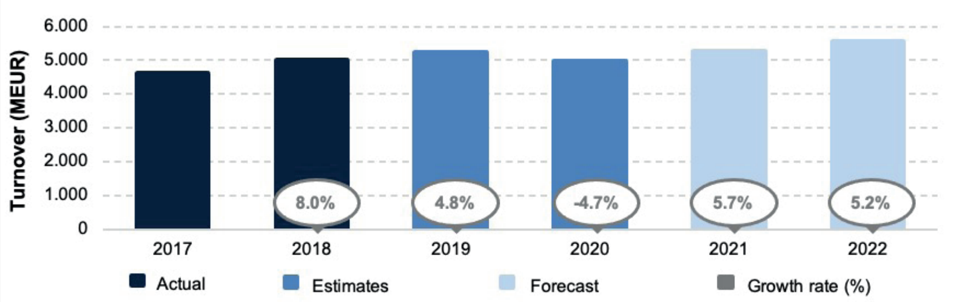
As the second-largest European rental market above France, the German market has become more attractive as observers consider rental penetration still has room for improvement and will benefit from a solid rebound.

Germany (DE), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	4,615	4,985	5,225	4,980	5,265	5,540
- Rental companies	3,675	3,970	4,160	3,965	4,190	4,410
- Other comp. providing rental services (only rental)	940	1,015	1,065	1,015	1,075	1,130
Investment [MEUR]	1,060	1,170	1,230	875		
Rental fleet value [MEUR]	6,920	7,340	7,600	7,330		
Rental market drivers						
GDP [BEUR]	3,263	3,361	3,455	3,323	3,486	3,650
GDP penetration	1.4‰	1.5‰	1.5‰	1.5‰	1.5‰	1.5‰
Construction output [BEUR]	290	320	339	337	346	358
Construction penetration	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%
Population [million]	83	83	84	84	84	84
Population penetration [EUR per person]	56	60	63	59	63	66

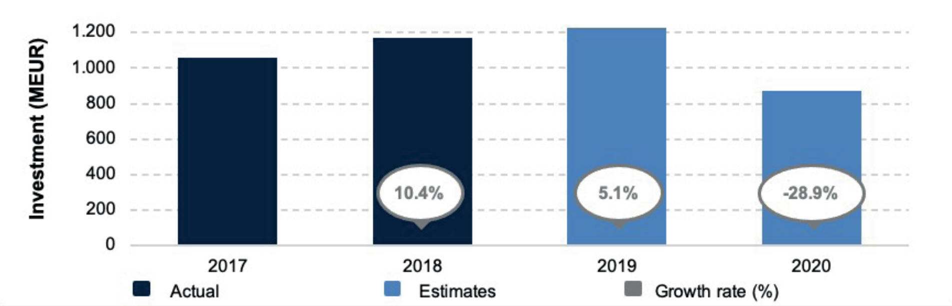
Source: IHS Markit and Official Statistics data

a. Review of key indicators

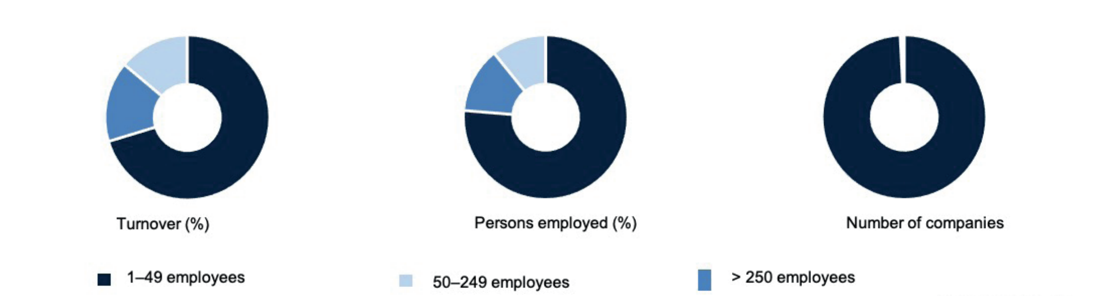
DE - Turnover



DE - Investment



DE - Rental companies demographic in 2017

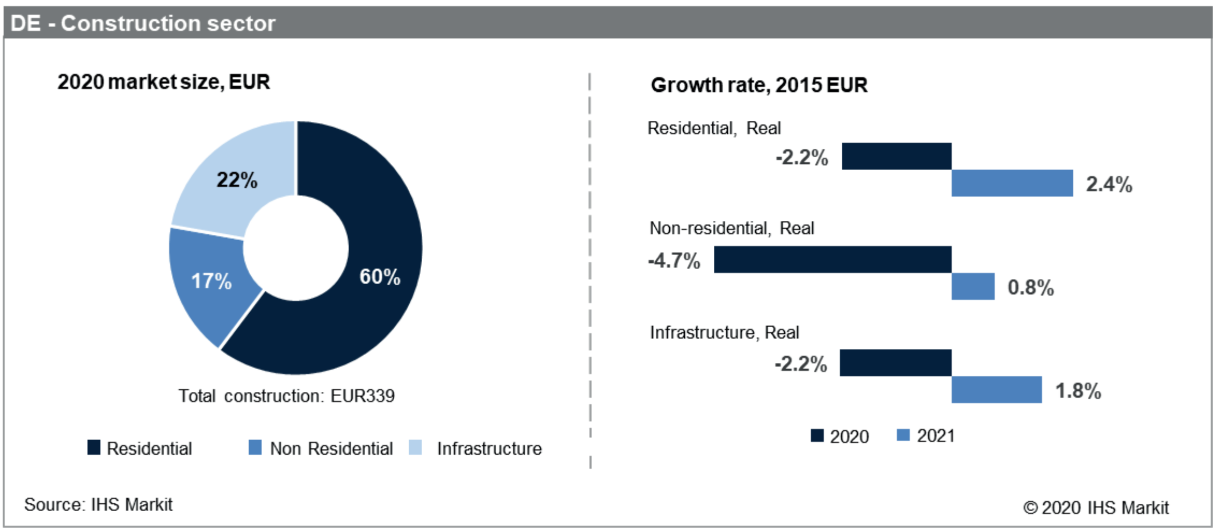


Source: IHS Markit

b. Macroeconomic environment

Fixed investment, which had remained robust until early 2019 before moving modestly into contraction territory thereafter, has dived sharply in the first half of 2020 and will not recover forcefully before mid-2021. This drop in fixed investment is despite looming additional money from the EU recovery fund and the relative resilience of the construction sector for structural reasons (pent-up housing demand; migrant needs; persistently low interest rates; additional public spending on transport, energy, and IT infrastructure; and sub-average vulnerability of outdoor work to infection concerns). From a trade point, the extreme forms of protectionism may recede again, but manufacturers have faced up for some time already to the fact that nationalistic and anti-globalisation tendencies will not vanish any time soon – and the lessons now being learned from the COVID-19 crisis about optimal supply chains and inventory levels can only reinforce this tendency to reduce dependencies on foreign suppliers. Finally, Chinese demand for German capital goods is unlikely to regain the momentum of the past three decades as the Chinese economy has now reached a different stage of development.

Total construction output in Germany is set to fall 2.8% before quickly returning to 2.0% growth in 2021. Construction will benefit from growing government efforts to invest in infrastructure, notably in the areas of transport, energy, and information technology. The main limiting factor is capacity constraints, notably with respect to skilled labour, which explains the end-2018 legislative initiative to entice immigrants with qualifications to come to Germany. During the next five years, infrastructure in Germany will sustain a weak growth. Between 2019 and 2024, transportation construction is expected to see the most rapid growth rate for the country, while energy construction will experience the weakest growth rate. Notwithstanding the better-than-expected economic activity data for June, we have grown slightly more sceptical about labour market prospects. Firms' first priority will be to increase the hours of their existing workforce currently on short time, and many companies will find out in the coming months that they are no longer viable in a post-pandemic world without public grants and loans or only with a reduced workforce.



Italy (IT)

Italian rental turnover growth for 2019 remained the same as the previous report, reporting a solid growth rate of 4.8%. The share of rental revenues from construction demand is estimated to average 70%. The Italian rental industry remains strongly linked to construction and has benefited from solid growth in the sector in recent years, although the situation differs region by region. Like in Spain and France, the Italian market is characterised by regional disparities that directly impact rental activity. This is best illustrated by northern Italy, where demand for sophisticated services is a stark difference to the south of the country.

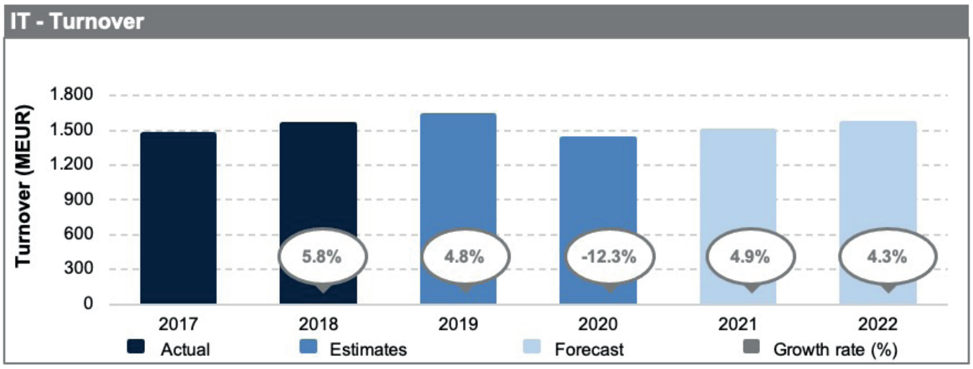
Similarly to France and Spain, the immediate impact of the COVID-19 pandemic was strong. Italy was the first European country to be impacted with a severe lockdown and a large number of site shutdowns. The impact during the second and third quarters was significant with activity halted for two months and at least another two months needed to get back to pre-COVID-19 levels of activity. The 2020 impact is expected to be significant; however, thanks to positive traction in 2019 and better-than-expected summer months, the 2020 impact is expected to be mitigated. The country will benefit from an upward trend after a harsh first and second quarter.

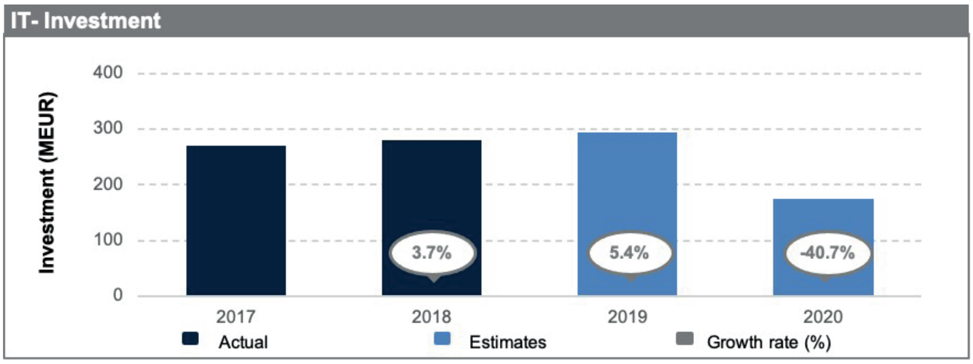
Italy is still considered a relatively immature rental market that is highly fragmented with a large number of players having rental as a secondary line of business. As a result, there is solid interest from investors/rental companies. Downward risks involve slow payment by rental customers, the financial health of contractor companies, and even more so, the financial health of the largest contractor companies, especially if the government withdraws its financial support for the sector.

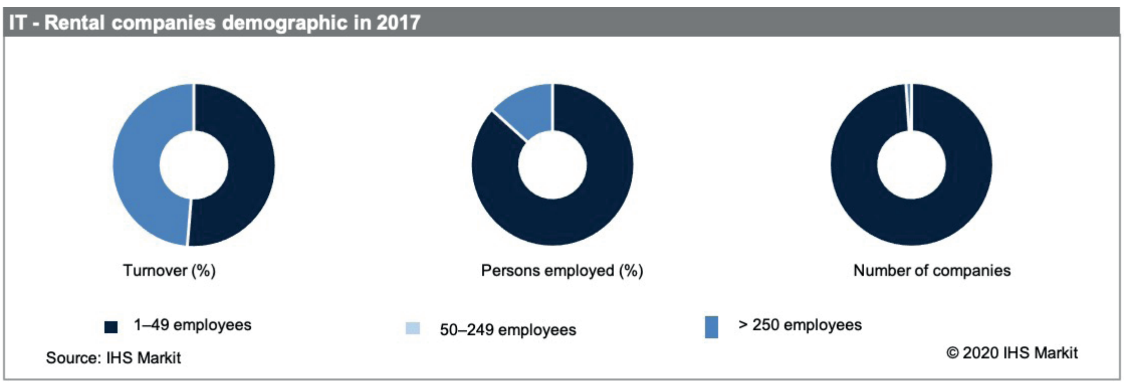
Italy (IT), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	1,465	1,550	1,625	1,425	1,495	1,560
- Rental companies	765	810	850	745	780	815
- Other comp. providing rental services (only rental)	700	740	775	680	715	745
Investment [MEUR]	270	280	295	175		
Rental fleet value [MEUR]	2,195	2,290	2,370	2,150		
Rental market drivers						
GDP [BEUR]	1,738	1,766	1,787	1,602	1,676	1,745
GDP penetration	0.8‰	0.9‰	0.9‰	0.9‰	0.9‰	0.9‰
Construction output [BEUR]	187	191	194	182	184	189
Construction penetration	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Population [million]	61	61	61	60	60	60
Population penetration [EUR per person]	24	26	27	24	25	26

Source: IHS Markit and Official Statistics data

a. Review of key indicators





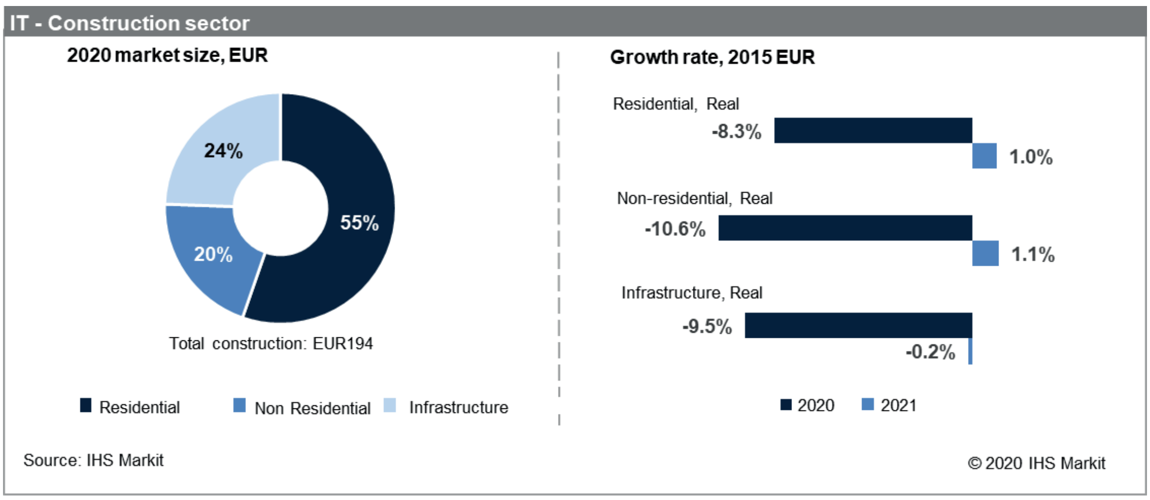


b. Macroeconomic environment

The construction sector is the most exposed by still punishingly high bad bank debts. A breakdown of bad debts (no payments for three months) across industries in March reveals the manufacturing sector is responsible for EUR10.2 billion of bad debts, implying a ratio of 5.3% of total loans. However, construction firms are the largest holder of bad debts, standing at EUR15.0 billion – a ratio of 19.0%. Housing market–related indicators such as house prices and sales will be important to monitor to gauge the vulnerability of currently performing loans in the construction sector. Total construction spending will fall 9.1% in 2020, with growth only reaching 0.8% in 2021. Construction spending in Italy will withstand a 1.1% compound annual decline between 2019 and 2024 with all sectors experiencing a decrease.

The prospect of a deep recession throughout the first half of 2020 will highlight Italy's lingering fiscal fragility. Legacy risks prevail, namely tight credit conditions, alongside some banking sector tensions, past household and corporate income losses, and high unemployment. The initial concentration of the coronavirus disease 2019 in the regions of Lombardy and Veneto, which account for 31.2% of Italian nominal GDP, remains a major economic risk.

Worryingly, initial signs of more encouraging real estate activity are fading. According to the National Statistical Office (Istituto Nazionale di Statistica: ISTAT), the sales of residential properties during 2016 increased by 17.3% thanks to a boost from the abolition of the tax on primary residences. However, growth in house sales has evolved moderately at 5.4% in 2019, 4.5% in 2018, and 3.7% in 2017. In addition, the anticipated upturn in house prices has failed to materialise. ISTAT reports house prices fell by 0.1% in 2019 and 0.6% in 2018. Residential construction output is set to fall sharply in 2020 and will grow only 1.0% in 2021 as legacy risks will drag down future residential investments.



The Netherlands (NL)

Dutch rental turnover growth for 2019 crept up by 0.6 points compared with the 2019 report, with a share of rental revenue stemming from demand in the construction sector estimated to average 70%. The rental market has benefited from the better-than-expected conditions in the construction sector in recent years. Construction investment, however, was set to slow as the number of building permits has declined substantially owing to stricter regulatory requirements and economic uncertainty.

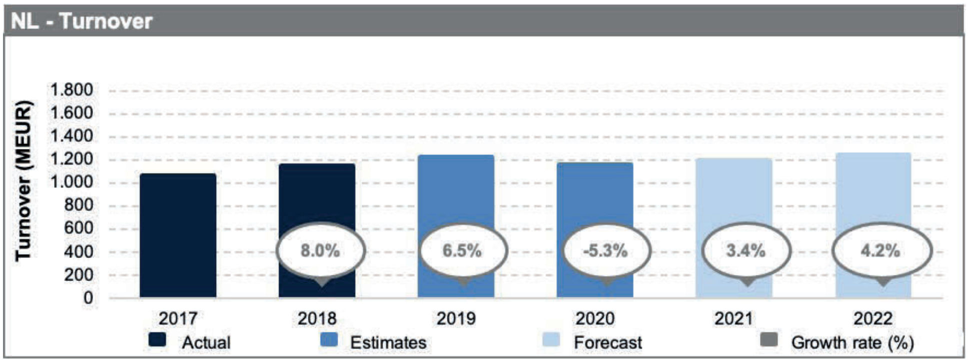
The immediate impact of the COVID-19 pandemic was relatively light in the Netherlands, with a slight lockdown and almost no site shutdowns. That said, the country will suffer the medium-to-long-term effects of the COVID-19 pandemic with a few project cancellations and delays. Still benefiting from a solid activity level in 2019, the 2020 impact is expected to be limited owing to the sector's inertia, while the economic fundamentals are expected to enable a rebound in 2021.

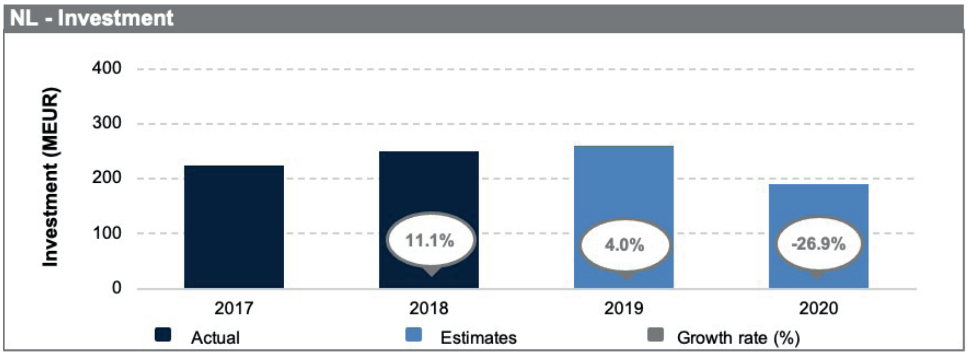
When comparing with the European average, the Dutch market is a somewhat consolidated market, with companies of fewer than 50 employees accounting for 40% of the total market. This concentration should develop even further. Also, the rental industry shares some similarities with the Belgium region of Flanders, where specialised companies account for a large share of the market, also including a relatively large market share held by local companies. As a result, many Dutch rental companies have developed operations in the Flemish part of Belgium.

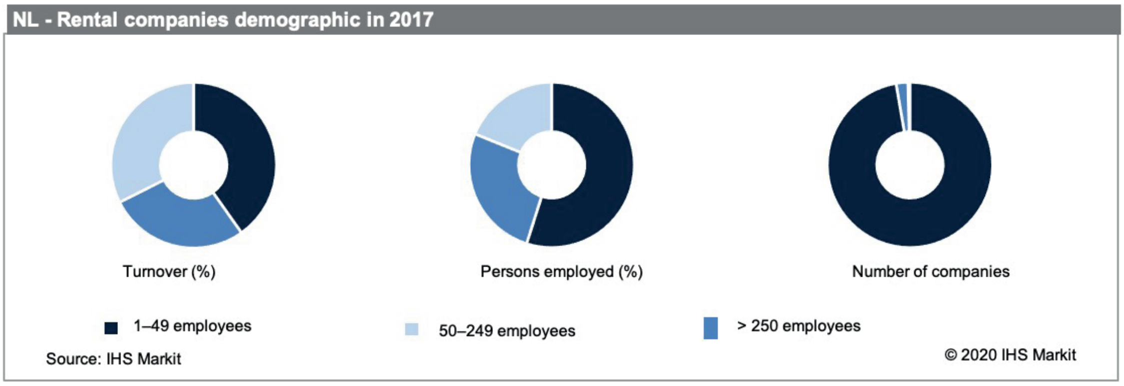
Netherlands (NL), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	1,065	1,150	1,225	1,160	1,200	1,250
- Rental companies	980	1,060	1,125	1,065	1,105	1,150
- Other comp. providing rental services (only rental)	85	90	100	95	95	100
Investment [MEUR]	225	250	260	190		
Rental fleet value [MEUR]	1,655	1,760	1,850	1,770		
Rental market drivers						
GDP [BEUR]	739	774	810	781	815	845
GDP penetration	1.4‰	1.5‰	1.5‰	1.5‰	1.5‰	1.5‰
Construction output [BEUR]	91	99	107	104	105	108
Construction penetration	1.2%	1.2%	1.1%	1.1%	1.1%	1.2%
Population [million]	17	17	17	17	17	17
Population penetration [EUR per person]	63	68	72	68	70	73

Source: IHS Markit and Official Statistics data

a. Review of key indicators





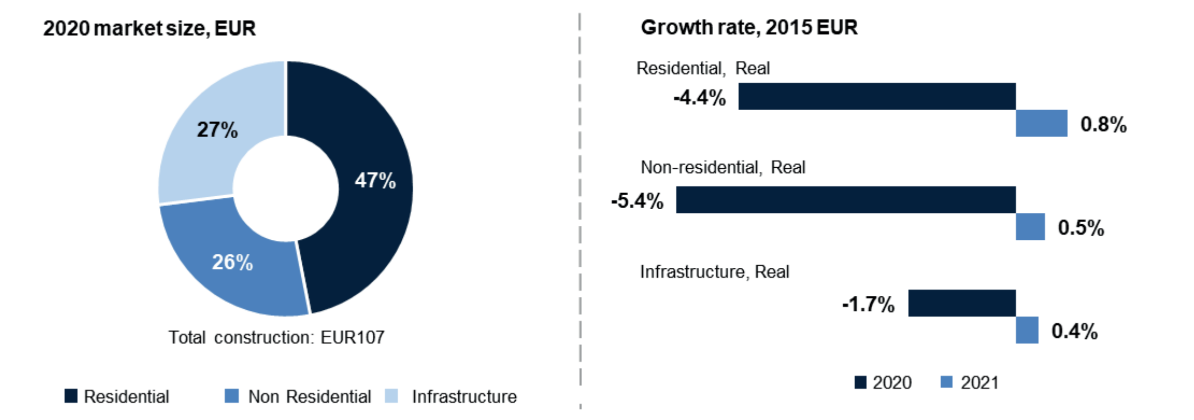


b. Macroeconomic environment

Dutch real GDP is set to fall by 5.2% in 2020 with growth of 3.4% expected in 2021. The collapse in European and global demand as a result of measures to contain the COVID-19 virus outbreak – with the potential for lasting disruption to national and cross-border supply chains – will affect the Netherlands. The Netherlands is particularly dependent on a strong European recovery. Dutch public finances, however, are in good health, allowing them to absorb this shock. Public debt dropped below 50% of GDP in 2019, while measures by the European Central Bank in the wake of the pandemic have eased financing conditions. Temporary elevated fiscal deficits do not pose a threat to the government's debt sustainability.

Dutch households are the most indebted in the eurozone with debt to disposable income close to 200% at the end of 2019 (or 100% of GDP), underpinned by elevated asset prices, mainly housing. In periods of economic and financial stress, asset valuations may decline, while more households are likely to default on their loans, presenting risks for the banking sector. Residential spending in the Netherlands is set to fall 4.4% in 2020 followed by 0.8% growth in 2021. The residential sector in the Netherlands is anticipated to record a low growth between 2019 and 2024. However, owing to favourable financing conditions, a supportive labour market, and improving household balance sheets, we think a major correction in the Dutch housing sector is unlikely. The triggers for a house price collapse would include an overall recession, which would increase the unemployment rate and hurt household budgets, or a steep increase in the cost of debt financing brought about by persistently higher inflation in the eurozone. Neither of these risks is in our baseline.

NL - Construction sector



Source: IHS Markit

Norway (NO)

Compared with the 2019 Market Report, Norwegian rental turnover growth for 2019 remains the same. Please note that as we continue to finetune our model, we adjusted the rental driver allocation, moving the share of rental revenue stemming from demand in the construction sector from 60% to 70%. In effect, the structure of the economy and the weight of the oil and gas sector does not reflect in the equipment rental business as offshore activity does not offer much rental opportunities.

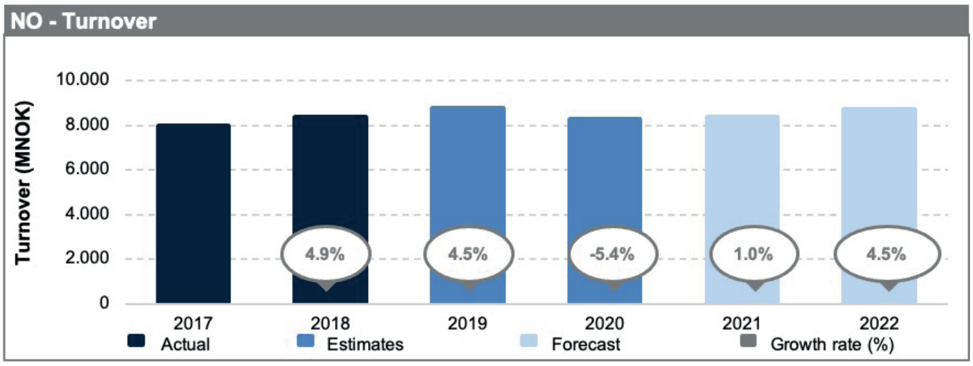
Similar to other Nordic countries, the immediate impact of the COVID-19 pandemic was relatively light, with a slight lockdown and no site shutdowns. Despite this, Norway will suffer the medium-to-long-term effects of the COVID-19 pandemic, with a few project cancellations and delays. Benefiting from positive traction in 2019, the market was already slowing down, especially in the residential segment.

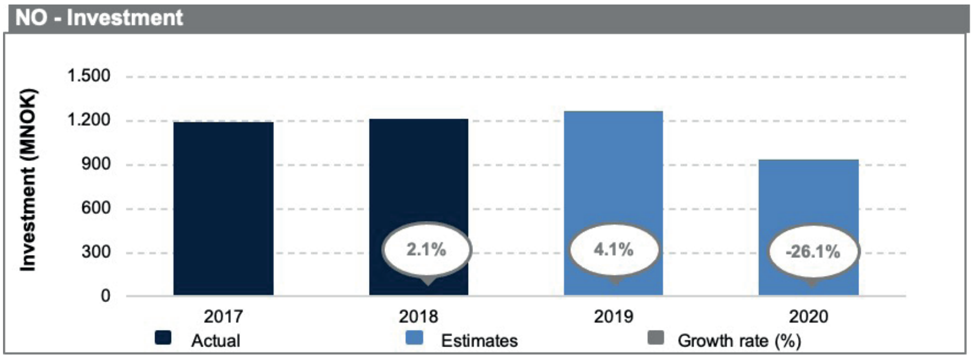
The situation is quite similar to the Finnish one; the Norwegian market is quite concentrated with companies of fewer than 50 employees accounting for less than 30% of the total market. A unique feature of the market, at least when comparing with the European standards, is that one of the top rental companies is a rental department of a major construction company.

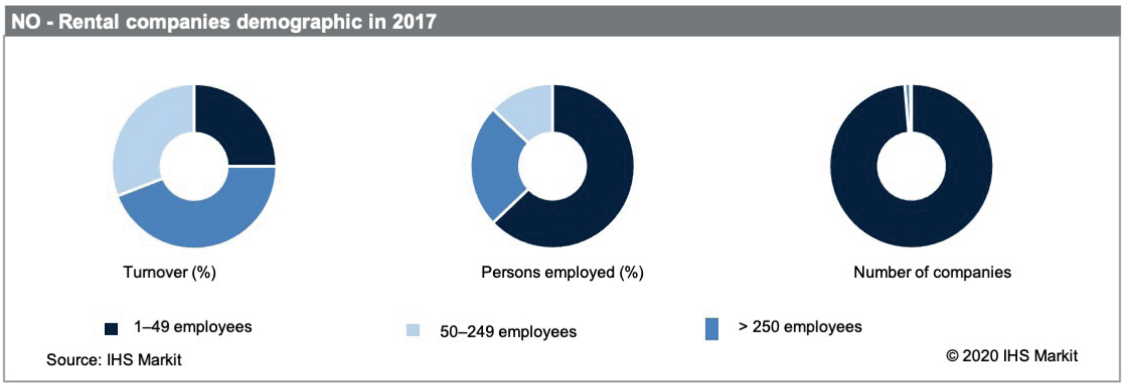
Norway (NO), NOK	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MNOK]	7,965	8,355	8,735	8,260	8,340	8,715
- Rental companies	5,955	6,245	6,530	6,175	6,235	6,515
- Other comp. providing rental services (only rental)	2,010	2,110	2,205	2,085	2,105	2,200
Investment [MNOK]	1,190	1,215	1,265	935		
Rental fleet value [MNOK]	10,270	10,670	11,065	10,580		
Rental market drivers						
GDP [BNOK]	3,294	3,543	3,557	3,217	3,273	3,429
GDP penetration	2.4‰	2.4‰	2.5‰	2.6‰	2.5‰	2.5‰
Construction output [BNOK]	550	525	540	508	513	536
Construction penetration	1.4%	1.6%	1.6%	1.6%	1.6%	1.6%
Population [million]	5	5	5	5	5	6
Population penetration [NOK per person]	1,504	1,565	1,624	1,523	1,526	1,582
Exchange rate [NOK per EUR]	9.3	9.6	9.9	10.6	10.6	10.5

Source: IHS Markit and Official Statistics data

a. Review of key indicators







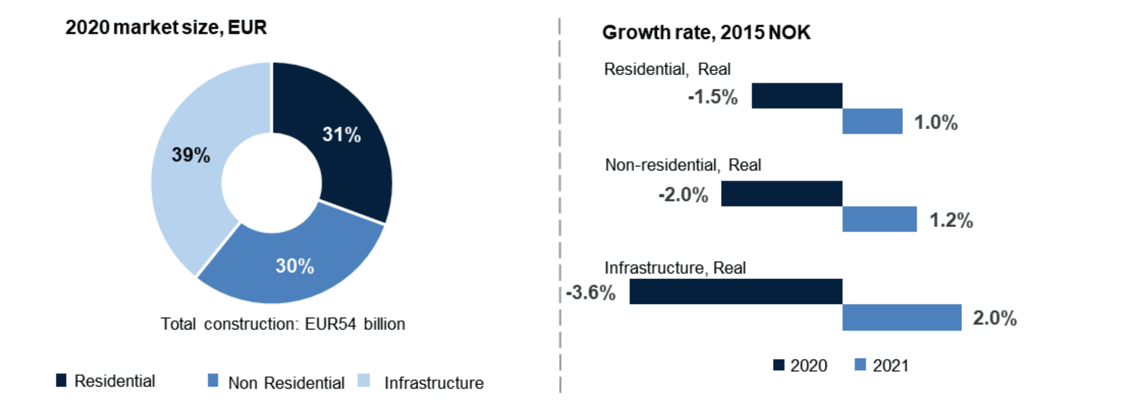
b. Macroeconomic environment

The Norwegian economy is set to contract by 7.1% in 2020, but this will be revised up significantly after GDP developments in the second quarter were notably stronger than expected in the September update. In addition, risks are balanced, reflecting Norway's COVID-19 lockdown exit strategy and considerable fiscal resources to replace lost private income with public transfers. A key risk is that historically low global crude oil prices are damaging Norway's oil-dependent economy, which will push against the ensuing recovery momentum after the lifting of the anti-contagion measures. In the long term, we expect overall fixed investment to make a diminishing contribution to overall economic activity. A key development will be the prospect of a steady fall in oil-related investment in line with diminishing petroleum reserves. Meanwhile, mainland business investment is likely to be curtailed in the medium term, in line with weaker petroleum investment, which will affect the manufacturing segments that supply the offshore sector.

The narrative has changed rapidly and dramatically, with the economic impact of the COVID-19 virus and collapsing global crude oil prices representing a more severe blow to the mainland economy and the crude oil and natural gas sector. Fixed investment also stumbled across the main asset types during the first quarter, namely sharp falls recorded in the petroleum and manufacturing sectors and dwellings activity. On the mainland, consumer spending will plunge during 2020. The enforced social isolation measures will hit spending on consumer-facing services and non-essential consumer goods. The most exposed sectors are restaurants and hotels, and recreation and culture.

The threat that policymakers could allow low interest rates to linger too long could stoke an already overvalued housing market. The Norges Bank acknowledges a robust housing market with high demand and housing shortages, and this result is accompanied by household debt rising faster than household income. However, tensions in the housing market appear to be easing with the latest data pointing to less pronounced house price rises. According to Statistics Norway, prices of existing dwellings rose by 2.1% year on year (y/y) in the first two quarters of 2020. Residential spending is set to record modest declines in 2020 before returning to equally moderate growth in 2021. More long term, however, an overvalued Norwegian housing market remains at risk from a "hard landing". and a sharp fall in house prices could hurt the mainland economy by hurting housing wealth, consumer spending, and residential investment. The damage from the housing market crash could be severe because of elevated levels of household debt. Worryingly, the International Monetary Fund (IMF) in its latest assessment of the Norwegian economy states that its housing market is overvalued by at least 40%, and Statistics Norway has confirmed house prices have risen 70% since 2005.

NO - Construction sector



Source: IHS Markit

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Poland (PL)

Compared with the previous year's report, Polish rental turnover for 2019 increased 1.5 points. The share of rental revenues coming from construction demand remains at 80%, with the market benefiting from construction growth. Polish total construction output increased 3.9% in 2019, supporting the rental equipment market.

Like Czech Republic, the immediate impact of COVID-19 was light. There was a soft lockdown with construction activity not being as heavily impacted as other parts of Europe. However, Poland, like the rest of Europe, will feel the medium- and long-term pains of the pandemic. The pandemic came at a time of construction growth despite it falling in recent years. The impact felt in 2020 is expected to rebound in 2021. A still immature rental market, Poland is characterised by a high degree of fragmentation. The market is made up of rental companies with fewer than 50 employees that 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 in Poland.

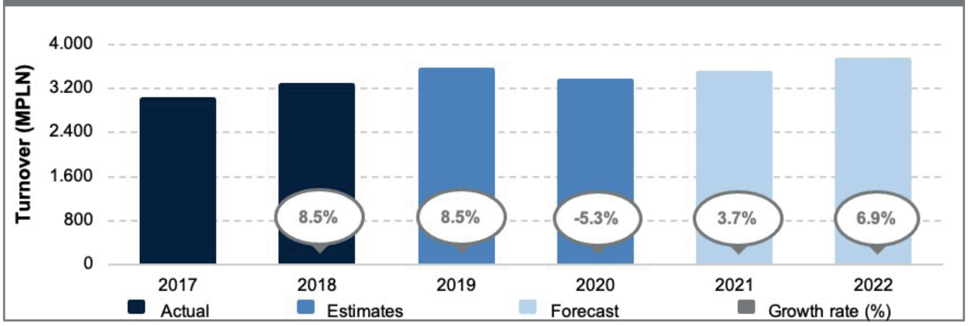
In effect, even if the Polish market is a relatively small equipment rental market suffering from the financial health of contractor companies and from a lowest-bidder culture, the market remains attractive to the rental players. The relatively low rental penetration rate of the construction and the non-construction sectors offers interesting potential. Regarding the structure of the market, Poland is one of the countries where the recent European M&A activity is having an impact and might trigger some changes. In addition to European companies, there is also a local firm that specialises in rentals, focusing on manufacturing and tools.

Poland (PL), PLN	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MPLN]	2,990	3,245	3,520	3,335	3,460	3,700
- Rental companies	2,960	3,215	3,485	3,300	3,425	3,665
- Other comp. providing rental services (only rental)	30	30	35	35	35	35
Investment [MPLN]	480	515	545	380		
Rental fleet value [MPLN]	5,685	5,805	5,925	5,850		
Rental market drivers						
GDP [BPLN]	1,988	2,119	2,271	2,256	2,404	2,551
GDP penetration	1.5‰	1.5‰	1.5‰	1.5‰	1.4‰	1.5‰
Construction output [BPLN]	325	385	410	404	424	444
Construction penetration	0.9%	0.8%	0.9%	0.8%	0.8%	0.8%
Population [million]	38	38	38	38	38	38
Population penetration [PLN per person]	79	86	93	88	92	98
Exchange rate [PLN per EUR]	4.3	4.3	4.3	4.4	4.3	4.2

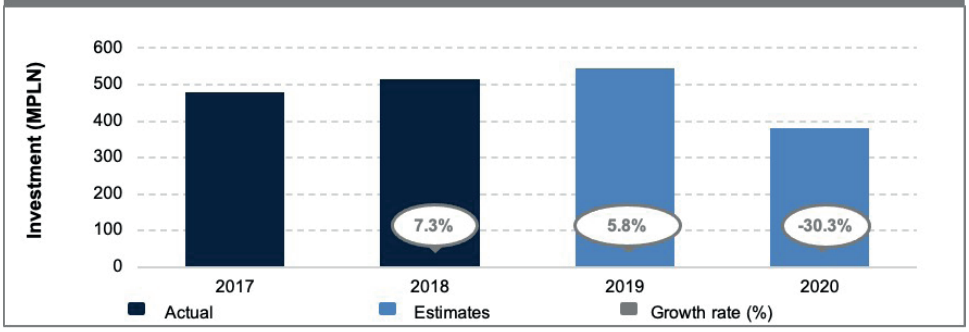
Source: IHS Markit and Official Statistics data

a. Review of key indicators

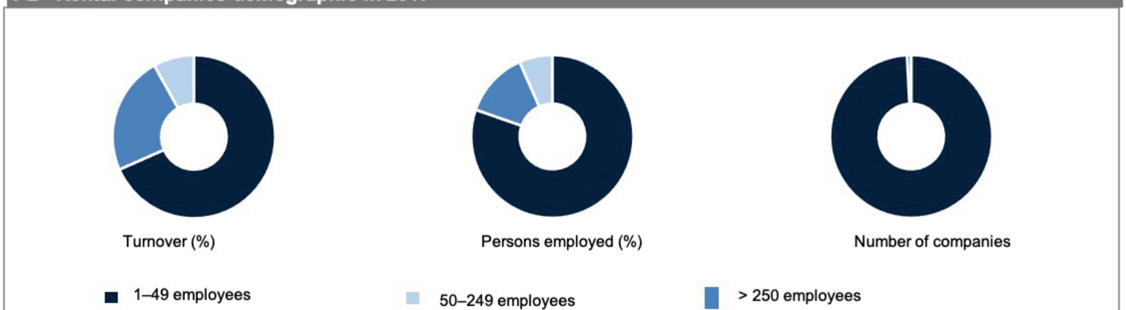
PL - Turnover



PL - Investment



PL - Rental companies demographic in 2017



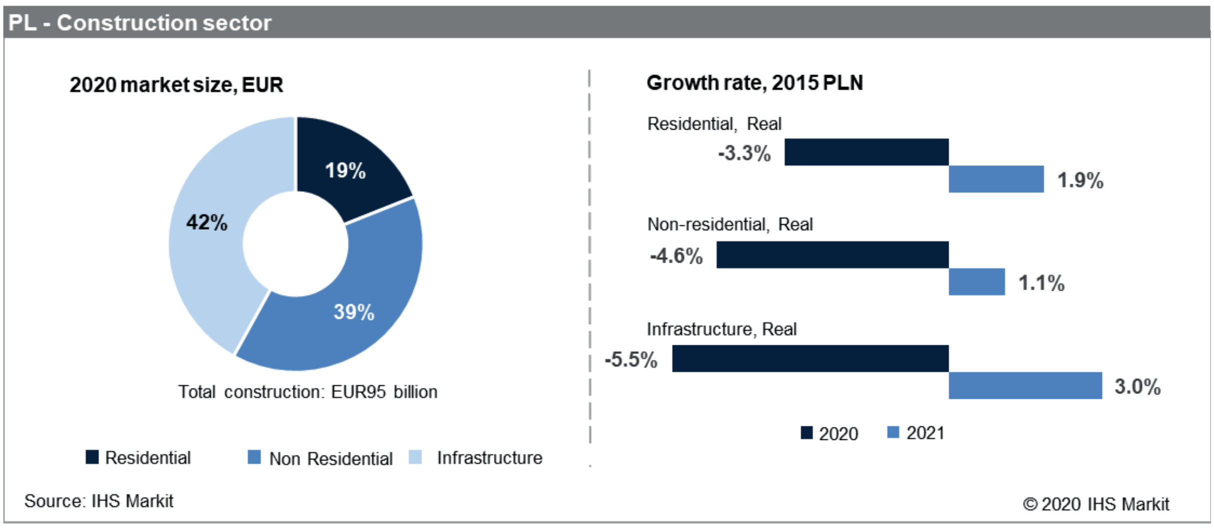
Source: IHS Markit

b. Macroeconomic environment

The IHS Markit 2020 GDP growth prognosis for Poland currently stands at a 4.7% decline. In August, we upgraded our 2021 projection to 3.8% growth as Poland benefits from the EU recovery fund. The expected upswing in investment associated with the EU recovery fund is also supporting Poland's GDP growth outlook in 2021–22. Total construction output for 2020 is expected to decline 4.7% followed by growth of 2.0% in 2021.

However, fixed investment will face downward pressure in 2020 despite support from EU transfers and government spending on infrastructure projects. Many private businesses will be reluctant to invest as external uncertainty lingers, and industrial production of capital goods fell sharply in the second quarter. Seasonally adjusted construction activity recorded month-on-month declines in March–June, and construction confidence remained weak in July, despite strengthening from the April low.

Roads and rail in Poland both require upgrades, but many government infrastructure initiatives have been delayed or put on hold in recent years. 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.



Spain (ES)

Looking at Spanish rental turnover in 2019 compared with the previous report, growth has crept up 1.3 points. The share of rental revenue coming from construction demand remained around 75%. Construction growth in 2019 was driven by the residential segment.

Like in France and Italy, Spain was hit hard by the COVID-19 pandemic. A strict lockdown with a large number of site shutdowns meant the second- and third-quarter impact was significant. Activity was halted for two months and took another two months to return to normalcy. Construction growth was already slowing down, with the impact in 2020 set to be significant. A recovery in activity in the summer months was better than expected, but a rebound in 2021 will be in part technical as questions remain regarding the expected push from the public sector and its ability to finance the current pipeline of projects.

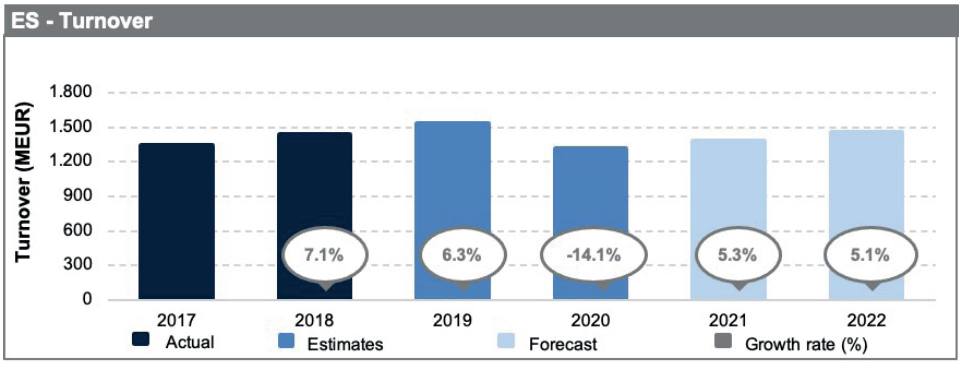
It is also worth noting the regional disparities across Spain, although the whole country has been impacted by the slowdown. The Spanish market remains a high fragmented one compared with its neighbours. More than 70% of the rental industry turnover is generated by firms with fewer than 50 employees – mainly small, independent companies.

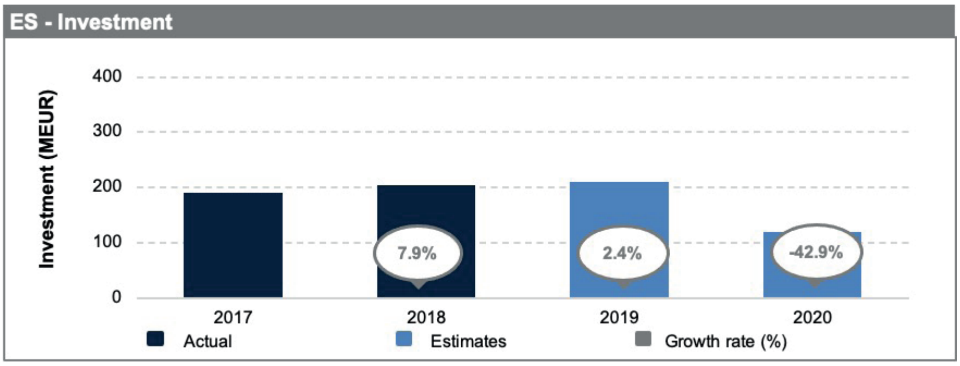
Political uncertainty in the last few years has often paralysed public investment and made private investors more cautious. For recovery to fully get under way, public authorities will need to support the construction sector. Additionally, it is important to note a number of smaller rental players holding up investments are likely to suffer from the current dip in demand.

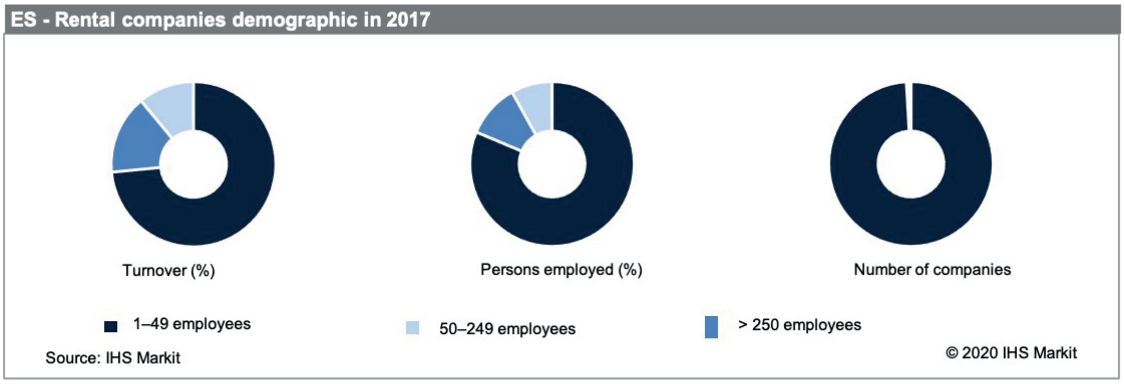
Spain (ES), EUR	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MEUR]	1,340	1,435	1,525	1,310	1,380	1,450
- Rental companies	1,270	1,360	1,445	1,240	1,305	1,375
- Other comp. providing rental services (only rental)	70	75	80	70	75	75
Investment [MEUR]	190	205	210	120		
Rental fleet value [MEUR]	2,705	2,755	2,800	2,700		
Rental market drivers						
GDP [BEUR]	1,162	1,202	1,245	1,089	1,132	1,192
GDP penetration	1.2‰	1.2‰	1.2‰	1.2‰	1.2‰	1.2‰
Construction output [BEUR]	147	152	159	150	151	157
Construction penetration	0.9%	0.9%	1.0%	0.9%	0.9%	0.9%
Population [million]	47	47	47	47	47	47
Population penetration [EUR per person]	29	31	33	28	29	31

Source: IHS Markit and Official Statistics data

a. Review of key indicators





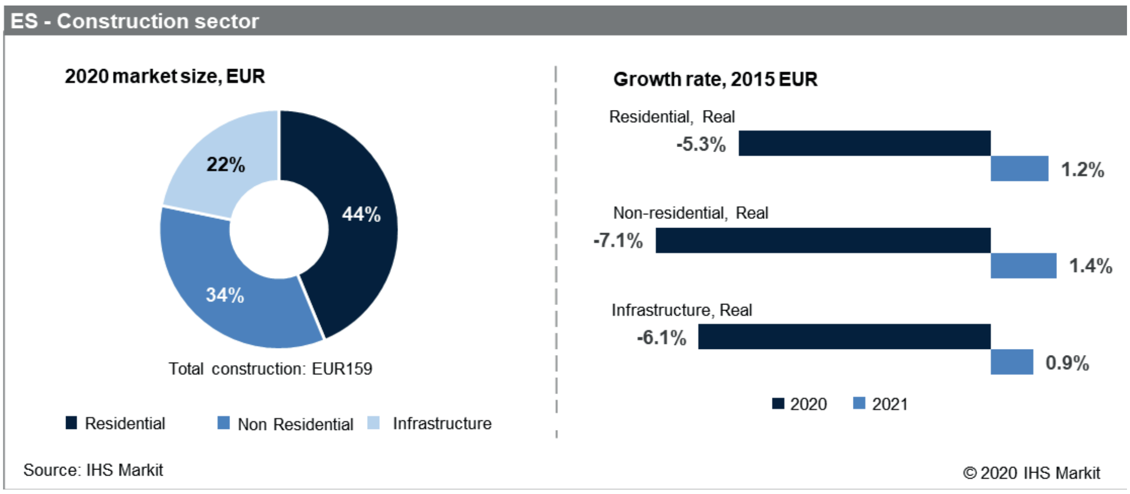


b. Macroeconomic environment

The economy is set to contract more severely in 2020 after weaker-than-expected GDP developments in the second quarter. Real GDP will fall 13.2% in 2020 before returning to growth of 4.1% in 2021. Medium-to-long-term overall economic growth rates will be solid rather than spectacular, with the economy no longer elevated by frenzied construction activity and soaring private-sector debt levels. Spain is nervous about a new economic crisis fuelled by still fresh memories of the past two recessions, which were severe. Specifically, the first was from the third quarter of 2008 to the end of 2009, with real GDP declining by 4.6% during the period accompanied with 1.7 million job losses. The second one lasted from early 2011 to the third quarter of 2013, triggering a real GDP fall of 4.6% and employment losses of 1.7 million. The economy is likely to be less robust in the medium and long terms than previously anticipated. Specifically, real GDP growth is projected to be around 1.5% in the medium term before slowing to 1.2% in the latter years of the forecast horizon. This cautious assessment reflects the current loss of a decisive government, suggesting a roadblock to further labour market reform, and past legislation could even be diluted in the medium term.

Meanwhile, the Ministry of Labour reported that the number of Spanish registered unemployed in May climbed by 778,285 or 25.3% y/y to 3.86 million, which exceeds the previous record of January 2009 when the number of people claiming unemployment benefits grew by 200,000 as Spain tumbled into a prolonged crisis. With Spain enduring a deep recession in the first half of 2020, the labour market is likely to deteriorate markedly during the remainder of the year.

These conditions may result in a housing market recovery now at risk from the fallout of the COVID-19 virus crisis, which will impact domestic and foreign demand for housing. In addition, challenging supply demand fundamentals continue to press down on housing market activity. Spain will exhibit weak population growth over the forecast horizon. In the next 10 years, the country's population will average a decrease of 0.1% annually, which is moderately slower than the global annual growth of 0.7%. The number of households in the country is expected to grow over the forecast period from 18.7 million in 2019 to 19.9 million in 2029. Residential spending is set to fall sharply in 2020, with recovery in 2021 and beyond being more moderate than previously forecast. This partly reflects substantial job losses because of the lockdown, which could lift the unemployment rate projected to 21.7% in the third quarter of 2020 from 13.8% at end-2019. This will weigh down on the recovery in consumer confidence and spending decisions. Households are vulnerable after an extended period of record-low interest rates and greater job security have contributed to a fall in willingness to save, suggesting that Spanish households have little in the way of precautionary savings.



Sweden (SE)

Swedish rental turnover growth for 2019 fell slightly, while the share of rental revenues coming from construction remained at 70%. The sector has suffered from a slowdown in construction output with further declines expected in the coming years.

Like other Nordic countries, the immediate impact of the COVID-19 pandemic was minimal in light of Sweden's unique approach that led it against any forms of a strict lockdown. Construction and other wider economic activity remained permitted, while people were advised against reducing their socialising. The Swedish government also did not mandate people to work from home or force construction sites to shut down.

Owing to its unique approach, Sweden may be better positioned to tackle a second wave in the coming months without significant damage to the domestic economy. Sweden also normally runs a deficit in travel services, which may narrow in 2020 as more people holiday at home. However, Sweden remains exposed to external demand owing to its specialisation in cyclical industries. Similar to its neighbour, Sweden will face medium- and long-term pains from the crisis, with the drying up of construction investments likely to impact a construction market that was already slowing down prior to the pandemic.

Sweden boasts the highest rental GDP and construction penetration in Europe, characterised by sophisticated customer requirements. It is also worth noting the development of total rental solutions including traffic on-site, waste management, and safety solutions. Additionally, there is strong demand for modern and safe machines with good environmental performance. Like other Nordic countries, sustainability and ecological considerations are important for contractors and public authorities.

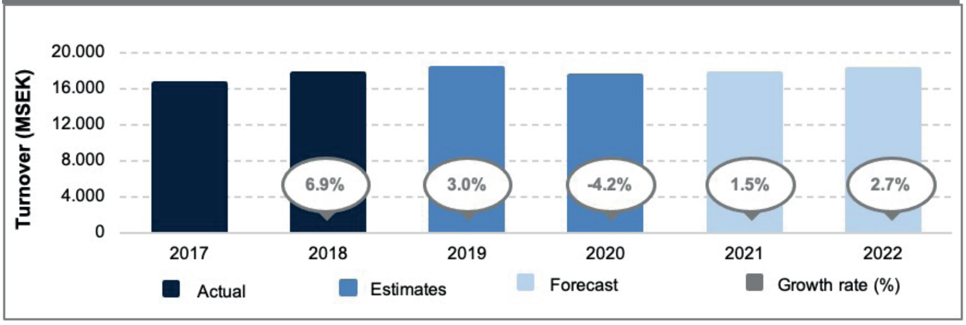
With that said, the high level of investment expected in the market implies further consolidation, despite an already consolidated market, with companies with more than 250 employees generating almost 50% of total revenues.

Sweden (SE), SEK	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MSEK]	16,515	17,655	18,180	17,410	17,665	18,145
- Rental companies	16,265	17,385	17,905	17,145	17,395	17,870
- Other comp. providing rental services (only rental)	250	270	275	265	270	275
Investment [MSEK]	2,685	2,790	2,845	2,180		
Rental fleet value [MSEK]	21,985	23,270	23,865	23,005		
Rental market drivers						
GDP [BSEK]	4,624	4,831	5,025	4,808	4,950	5,128
GDP penetration	3.6‰	3.7‰	3.6‰	3.6‰	3.6‰	3.5‰
Construction output [BSEK]	527	518	540	518	529	545
Construction penetration	3.1%	3.4%	3.4%	3.4%	3.3%	3.3%
Population [million]	10	10	10	10	10	10
Population penetration [SEK per person]	1,668	1,770	1,812	1,724	1,739	1,776
Exchange rate [SEK per EUR]	9.6	10.3	10.6	10.5	10.4	10.3

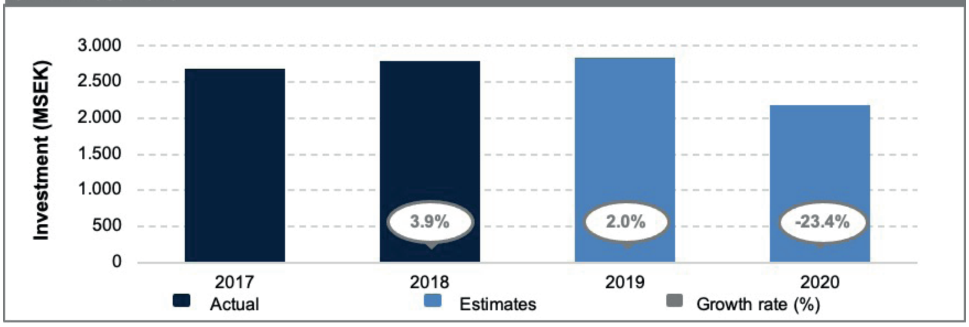
Source: IHS Markit and Official Statistics data

a. Review of key indicators

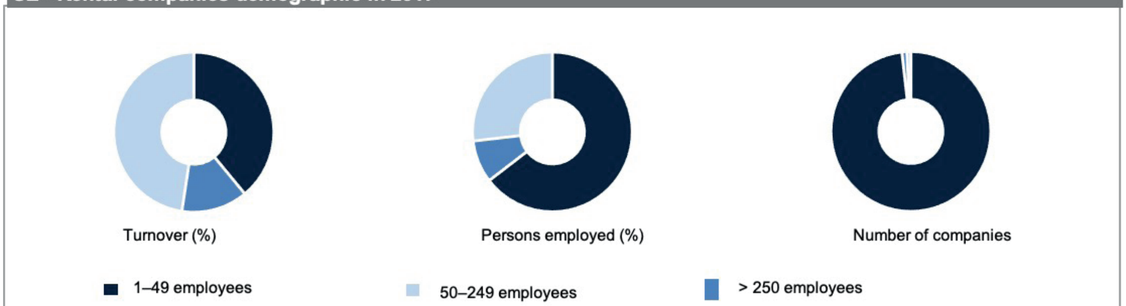
SE - Turnover



SE - Investment



SE - Rental companies demographic in 2017



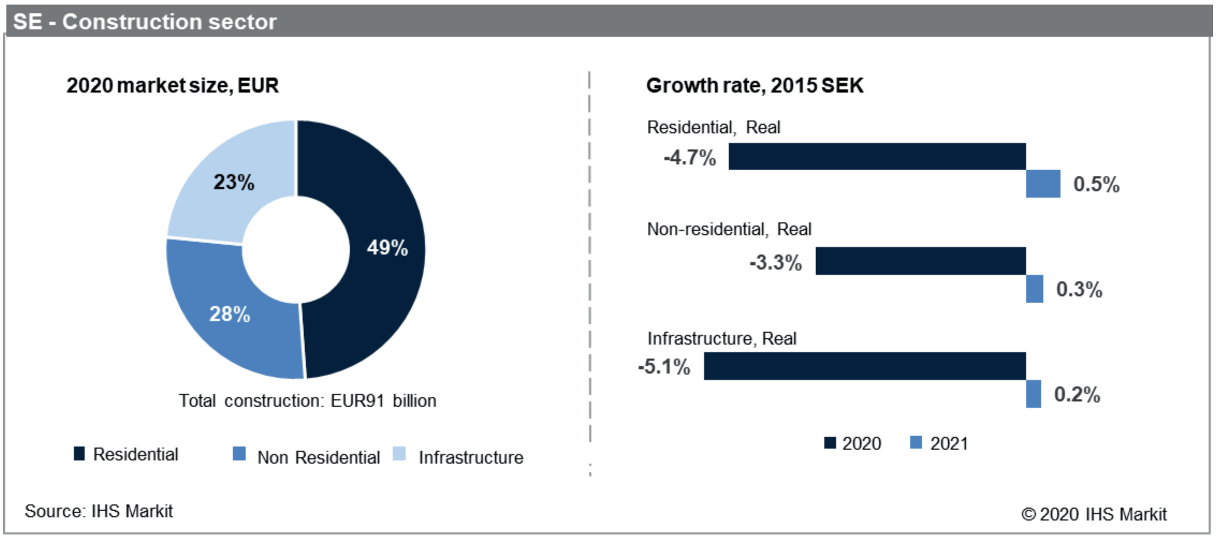
Source: IHS Markit

b. Macroeconomic environment

The Swedish economy is set to contract 4.9% in 2020, before growing by 2.4% in 2021. The Swedish government has not imposed a national lockdown, with schools, retail, and basic services sectors allowed to operate under new rules. This has come at a cost of greater COVID-19 transmission and higher death toll than among peer countries. Despite the lighter approach, activity in exposed sectors such as retail and hospitality has collapsed, albeit less than among peers. We expect the main drag on Swedish GDP to be from fixed investment and net trade. Significant uncertainty remains about the depth of the contraction and the following rebound, in large part owing to Sweden's unorthodox approach to tackling the pandemic.

Going forward, construction spending is anticipated to decline 4.5% in 2020 followed by growth of 0.4% in 2021. Construction spending in Sweden will experience a zero growth between 2019 and 2024 with growth led by the residential segment. In the longer run, the residential segment will again demonstrate the highest growth rate in the period.

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.



Switzerland (CH)

Swiss rental turnover growth for 2019 fell slightly as the share of rental revenues stemming from construction demand remained at approximately 70%, benefiting from position traction in Swiss construction in the last few years.

The immediate impact of the COVID-19 pandemic was relatively strong in Switzerland, with a modest lockdown but few site shutdowns, hitting a country where the whole economy and the construction sector were still in growth cycles. The 2020 impact is expected to be significant; however, the economic fundamentals are expected to enable a rebound in 2021. That said, it is useful to note that the impact differs between regions. A unique feature of the Swiss market is that the country 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 acts as an entry barrier, with most rental players being local rather than international, with language specificity driving the level of fragmentation in the market; few rental companies have national coverage.

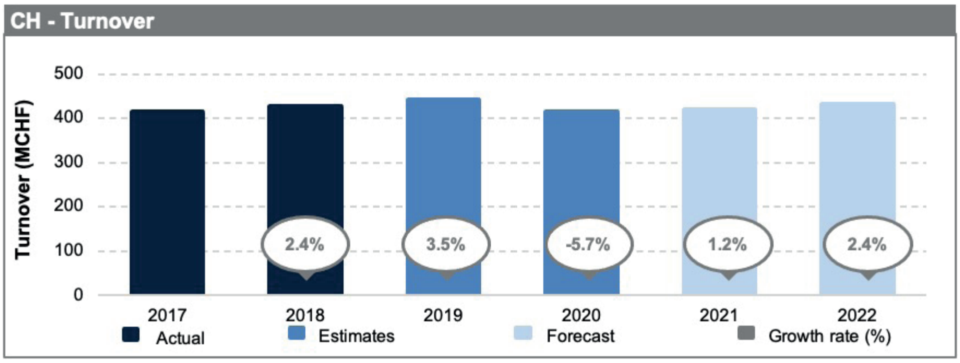
The country has a relatively small equipment rental market, where ownership still dominates over usership. Customer requirements are considered sophisticated in terms of products and services, which make it appealing to own equipment. Similar to Austria, the Swiss market is characterised by the cohabitation between international companies operating in Switzerland and national rental players having a strong and local customer base; the important role of distributors and OEMs having a rental practice, and the importance of rental specialists.

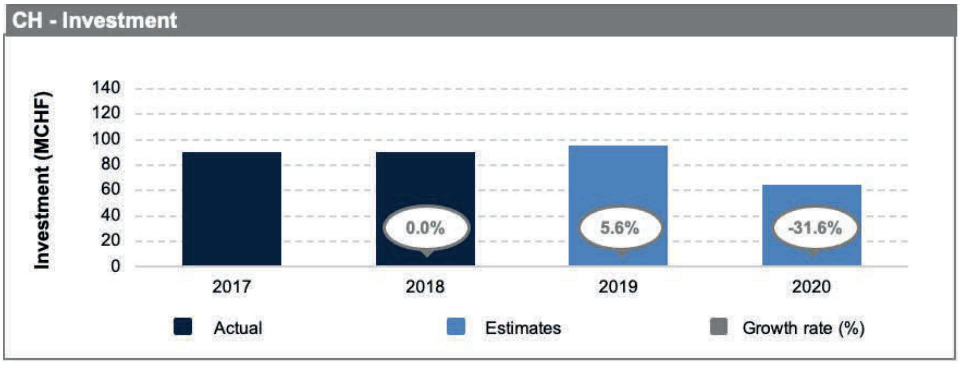
Nota bene: please note that for the Czech Republic and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been made to develop comparable rental market estimates.

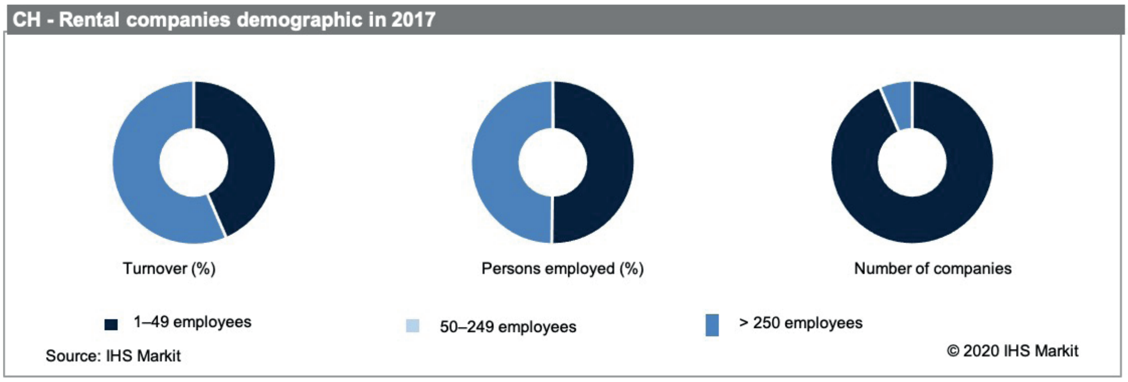
Switzerland (CH), CHF	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MCHF]	415	425	440	415	420	430
- Rental companies	365	375	385	365	370	380
- Other comp. providing rental services (only rental)	50	50	55	50	50	50
Investment [MCHF]	90	90	95	65		
Rental fleet value [MCHF]	805	820	835	805		
Rental market drivers						
GDP [BCHF]	670	690	699	660	687	708
GDP penetration	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰
Construction output [BCHF]	77	77	78	77	78	79
Construction penetration	0.5%	0.6%	0.6%	0.5%	0.5%	0.5%
Population [million]	8	9	9	9	9	9
Population penetration [CHF per person]	49	50	51	48	48	49
Exchange rate [CHF per EUR]	1.1	1.2	1.1	1.1	1.1	1.1

Source: IHS Markit and Official Statistics data

a. Review of key indicators





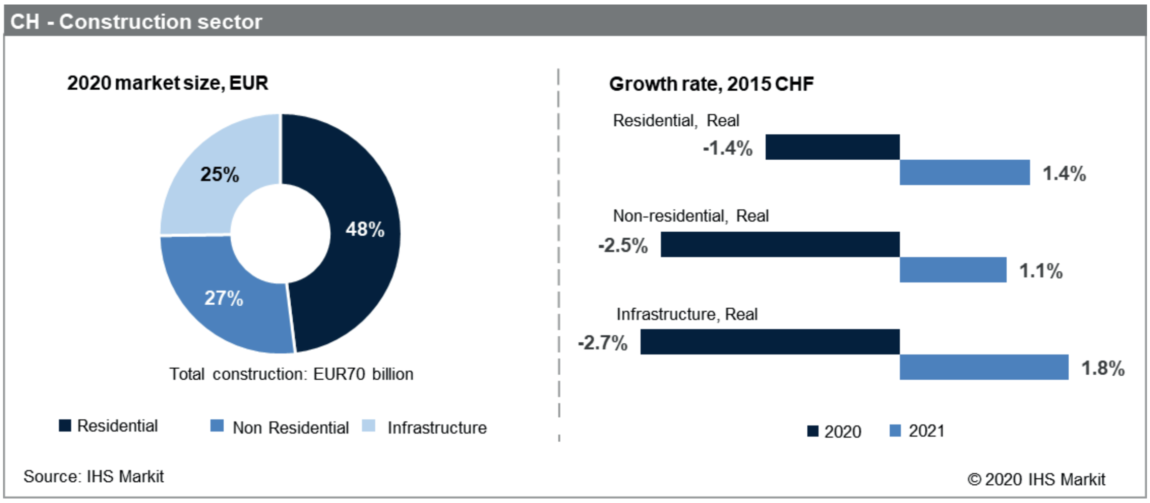


b. Macroeconomic environment

Better-than-expected second-quarter production numbers published in the interim suggest the recession in 2020 may turn out somewhat lighter than feared. Nevertheless, a full return to normalcy remains impossible ahead of the arrival of a vaccine (likely around mid-2021), and GDP will hardly return to end-2019 levels before mid-2022.

Fixed investment ended 2019 on a strong note owing to equipment spending, but the massive uncertainty regarding the duration and depth of the virus-related recession in 2020 will put many investment plans on an almost immediate hold as investors now try to gauge the timing and scale of an eventual demand recovery. The interim recovery of business confidence between October 2019 and February 2020, as measured by the manufacturing Purchasing Managers' Index® (PMI®) or the KOF Economic Barometer, was completely obliterated during March to May. The KOF Barometer even reached an all-time low in May.

Additionally, Swiss housing prices began to drop in 2016 and have continued this trend through 2018, causing residential construction to be somewhat restrained. Fortunately, mortgage lending and thus residential construction should be supported by the central bank's deactivation on 27 March of the so-called countercyclical capital buffer that banks had been required to keep in recent years. Residential construction in Switzerland is therefore set to experience a moderate decline of 1.4% in 2020 before returning to growth (1.4%) in 2021.



United Kingdom (UK)

Compared with the previous year's report, UK rental turnover growth for 2019 increased 1.2 points. Our downgraded revision from 2019 is based on the uncertainty of the ongoing Brexit negotiations. The share of total rental revenues coming from construction demand is reaching 60%. The rental industry has benefitted from better-than-expected conditions for construction and the wider economy in recent years.

As a result of large infrastructure projects such as High Speed 2, Hinkley Point C, and Highways England's five-year roads programme, the confidence in 2019 did not contract as initially thought. That said, with the pandemic, a new rise of uncertainty is putting the industry under the pressure of falling construction demand, company insolvency, and rising input costs/supply chain disruption altering margins already at a low level.

Like Southern European countries, the immediate impact of the COVID-19 pandemic was severe in the United Kingdom, with a strict lockdown and a large number of site shutdowns. The impact in the second and third quarters was significant, with activity halted for two months and at least another two months needed to get back to pre-COVID-19 levels of activity. Adding a new layer of uncertainty, the pandemic will significantly impact 2020, and will still alter the confidence in 2021.

However, even if under pressure, the rental industry remains attractive and investors are still expected to look at the UK market, mainly owing to the investments of recent entrants 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. This gap is expected to further increase with the pandemic.

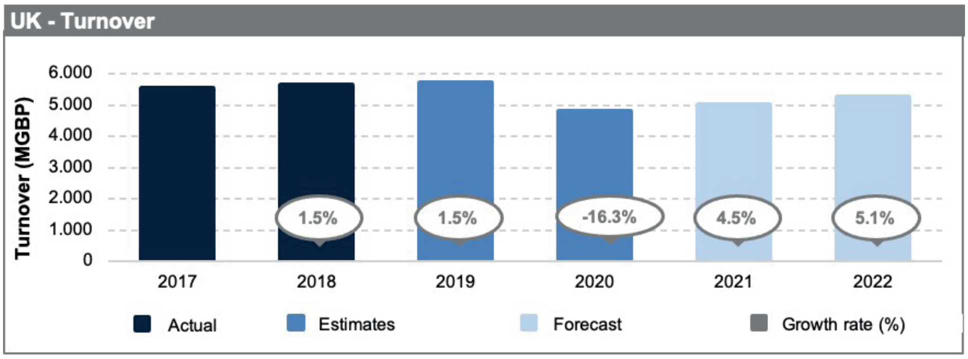
In a market that shares with Sweden the highest rental GDP and construction penetration, it is useful to note highly sophisticated customer requirements. It is worth noting in particular, the investments in new digital solutions (e.g., from paperless solutions to telematics applications) as well as new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

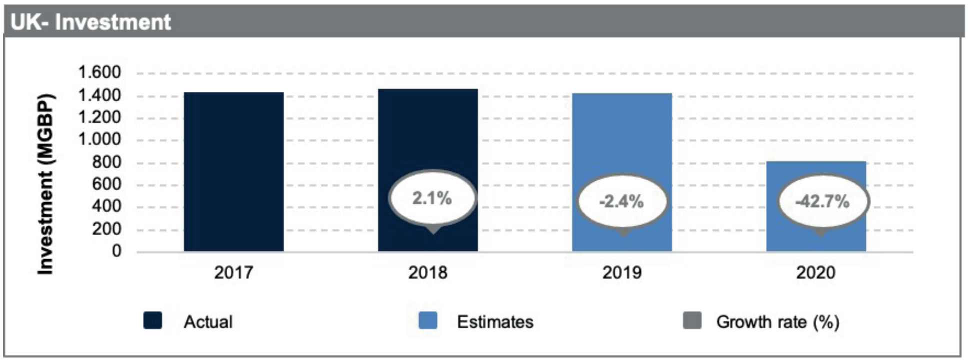
Nota bene: Please note that for the United Kingdom, to factor in the quite unusual re-rental activity (e.g., rental companies renting out equipment to another rental company in order to satisfy the customer requirements), we discounted by 5% the total rental market. In effect, a concern was expressed that the national statistics would double count the revenues of the rental players. A further investigation will be carried out next year to assess precisely the importance of this activity.

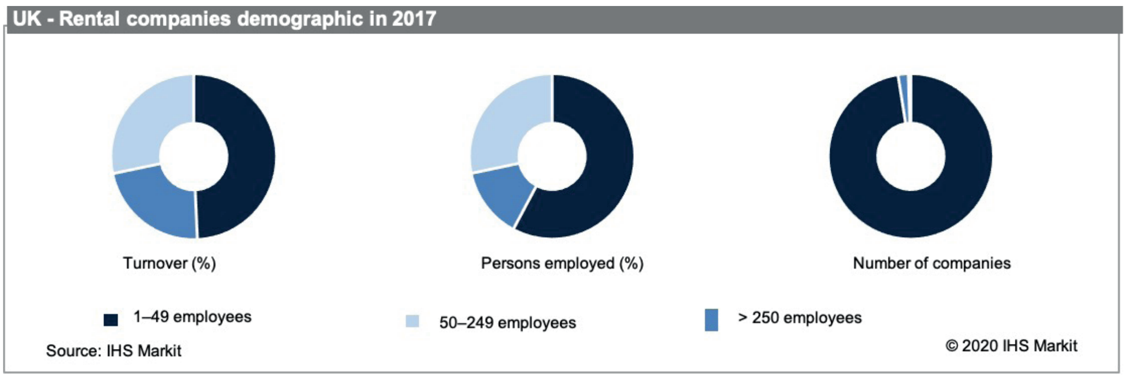
United Kingdom (UK), GBP	Actual		Estimates		Forecast	
	2017	2018	2019	2020	2021	2022
Market size						
Turnover [MGBP]	5,540	5,625	5,710	4,780	4,995	5,250
- Rental companies	5,335	5,415	5,500	4,605	4,810	5,055
- Other comp. providing rental services (only rental)	205	210	210	175	185	195
Investment [MGBP]	1,435	1,465	1,430	820		
Rental fleet value [MGBP]	8,955	9,125	9,305	7,405		
Rental market drivers						
Construction output [BGBP]	2,072	2,144	2,216	2,012	2,154	2,269
GDP penetration	2.7‰	2.6‰	2.6‰	2.4‰	2.3‰	2.3‰
Construction output [BGBP]	277	279	291	269	282	295
Construction penetration	2.0%	2.0%	2.0%	1.8%	1.8%	1.8%
Population [million]	67	67	68	68	68	68
Population penetration [GBP per person]	83	84	84	70	73	76
Exchange rate [GBP per EUR]	0.9	0.9	0.9	0.9	0.9	0.9

Source: IHS Markit and Official Statistics data

a. Review of key indicators







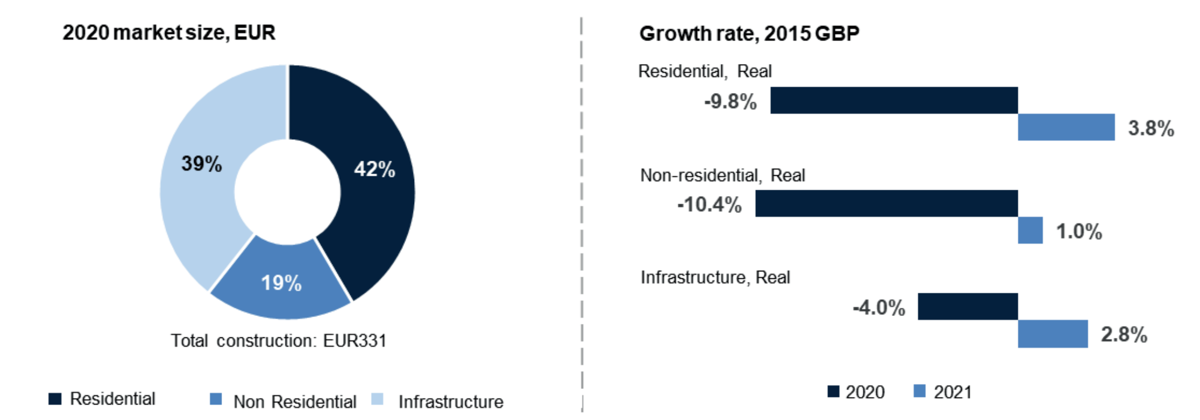
b. Macroeconomic environment

The UK economy is set to contract by 11.9% in 2020 before growing by 4.9% in 2021. Consumer price inflation is likely to be notably below the Bank of England's inflation target of 2% during 2020–21. The cost of the support measures and lost tax revenues will elevate government borrowing for fiscal year (FY) 2020/21 from the current official 2.4% of GDP to above the levels observed during the financial crisis. It peaked at 10% of GDP in 2009. Additionally, the Bank of England is expected to keep its policy rate close to zero for many months to reflect underlying growth tensions as a result of the COVID-19 virus outbreak and continued Brexit uncertainties, namely a lack of clarity about the final UK-EU trade deal. Therefore, Brexit tentacles will continue to plague business investment in the second half of 2020 and 2021, with UK firms now focusing on the risks of a "bare bones" free-trade agreement, namely new non-tariff barriers and custom checks. This is unwelcoming at a time when the UK economy is close to stalling and suggests limited sterling gains in the next few years.

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 9.0% in 2020 followed by growth of 2.5% in 2021.

Despite reporting subdued new business intakes since the start of the pandemic, construction companies reported an improvement in their business expectations for the year ahead. This improvement was often linked to hopes of a boost from major infrastructure projects and resilient public-sector construction spending. In the summer months of 2020, the UK government set out a plan to focus on major infrastructure investments across the country. Prime Minister Boris Johnson announced the creation of a new "Project Speed" task force, led by the chancellor Rishi Sunak, which will aim to get Britain building by fast-tracking his party's election pledges to invest GBP250 billion in infrastructure and deliver key projects faster. The government is expected to publish its long-awaited and updated National Infrastructure Strategy in the autumn and already some in the business and construction sector are calling for it to give all firms a chance of winning work, especially SMEs. Infrastructure output in the UK is set to record the most moderate decline in 2020 and will record high growth in 2021, despite being lower than expected for the residential market. However, the outlook in the next five years has infrastructure outperforming non-residential and residential investments.

UK - Construction sector



Source: IHS Markit

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AMERICAN RENTAL ASSOCIATION

The new five-year forecast from the American Rental Association (ARA), updated in October, calls for equipment and event rental revenues in North America to surpass BUSD 65 in 2024, including BUSD 59.7 in the United States and BUSD 6.0 in Canada.

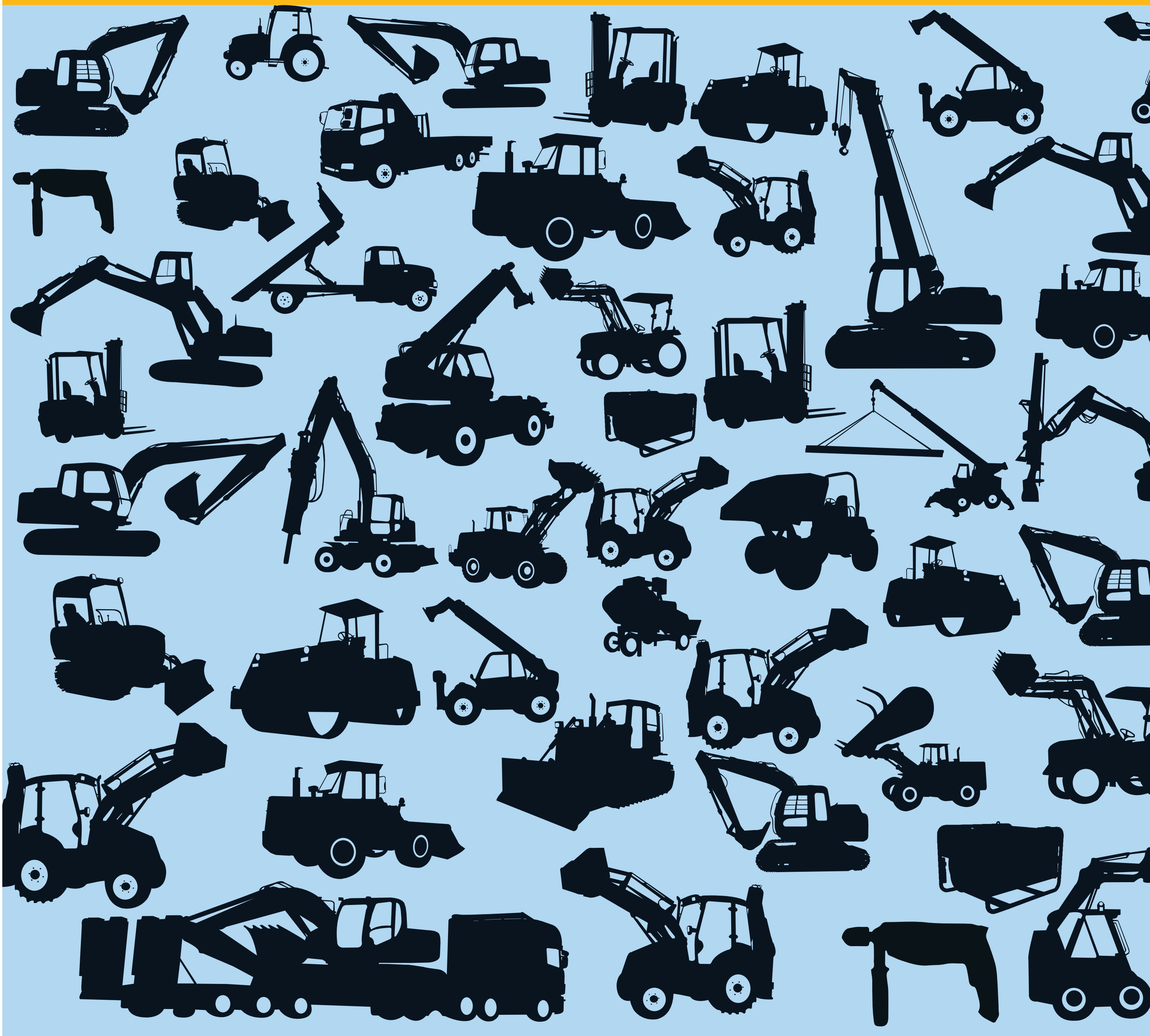
The current figures, which are updated quarterly, reflect a slow recovery from the US pandemic-induced recession. The depth and duration of the impact on the construction sector suggests that it will be 2023 before equipment rental revenues re-attain their 2019 level.

For 2020, equipment and event rental revenue in the U.S. now is expected to be BUSD 48.7, down 13% from 2019, with growth in 2021 virtually flat at 0.3%. A relatively strong recovery begins in 2022 with 9.2% growth, followed by 6.8 % in 2023 and 4.8% in 2024.

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 that while the overall U.S. economy has begun its recovery from the shortest, but sharpest recession in history, the markets that drive equipment rental will lag.

"The good news is that residential and commercial space was roughly in line with demand before the recession, limiting the overhang to burn off. However, the suddenness of the downturn caught construction and manufacturing industries by surprise and inventories are now too high. For construction, work underway will be completed, but new commercial activity will be postponed for 12 to 18 months. Residential markets are less affected with home improvement spending actually increasing strongly. The downturn in the near-term is exacerbated by still ongoing uncertainty over trade policy, particularly with China, and uncertainty over the Presidential election and control of Congress, which will impact not just the fiscal response to the pandemic, but potentially domestic tax and spending policies. The result is a decline in investment activity that will impact rental revenues negatively through much of 2021. With improving business confidence late in the year, conditions will improve and a likely increase in rental penetration could benefit the industry over and above the recovery in underlying market demand." Hazelton says.

In Canada, rental revenue is forecast to retreat 15.2% in 2020 to nearly BUSD 4.7 but begin a moderate recovery with 7.3% growth in 2021. Further revenue increases of 8.3% in 2022, 6.8% in 2023, and 3.7% in 2024 will bring the market to just over BUSD 6.0.



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