ERA MARKET REPORT

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2021

ERA
EQUIPMENT RENTAL
INDUSTRY REPORT

EUROPEAN
RENTAL
ASSOCIATION

IHS Markit

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FOREWORD

Dear ERA member and reader,

The European Rental Association (ERA) is releasing its 2021 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.

This edition, comprising market trends and international comparisons, uses a common methodology and definition to analyse 15 European markets, plus the Baltic states (as a single region), with detailed market size results, actual (2018–19), estimates (2020–21), and forecasts (2022–23). These countries account for more than 95% of the equipment rental industry in the EU27, the European Free-Trade Association (EFTA) countries, and the United Kingdom.

ERA publishes the report later this year due to a delay from Eurostat in delivering its 2019 data. Unfortunately, the data will still not be available before the end of the year 2021 and IHS Markit and ERA took the decision to publish the report based on the available data. When receiving the data for the year 2019, and if this is justified, an update of the report would be established and released as soon as possible.

The overarching theme from this year's report is that 2020 was a difficult year for all the markets covered, even for those who managed to remain positive amidst the pandemic. Consequently, some markets lost considerably (France, Italy, Spain, UK), while others also lost ground but fared better overall (Switzerland, Sweden, Germany). This trend continued into the first quarter of 2021 before seeing returns closer to pre-pandemic levels later in the year.

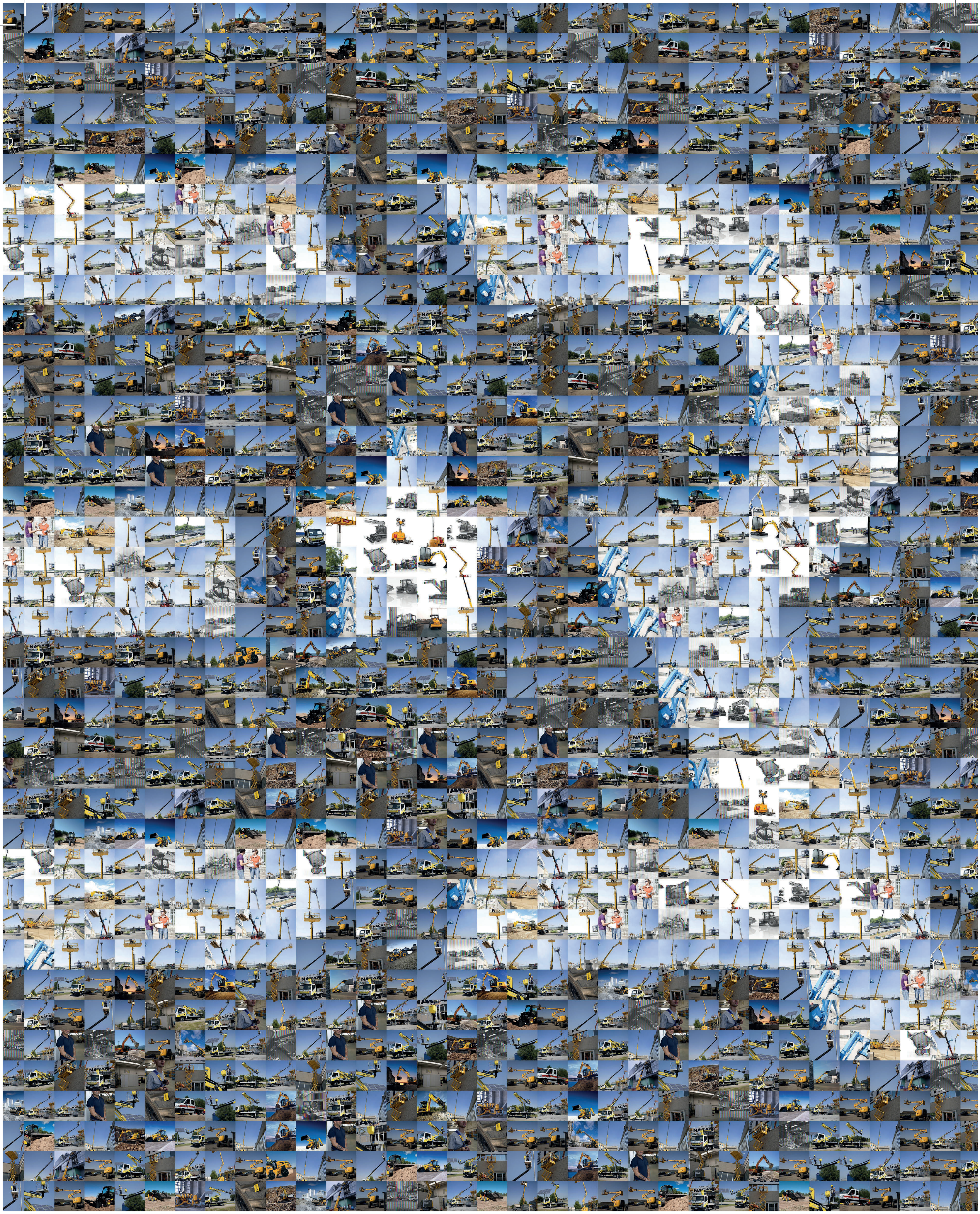
The COVID-19 pandemic took Europe by surprise last year and continues to plague the recovery in some markets, both directly and indirectly. The immediate impact differed from country to country. Nordic countries, which did not lock down, with almost no site shutdowns, performed better than Southern Europe and the UK, which faced severe lockdowns and activity disruptions. With Brexit now effective, the UK finds itself in a difficult position as the sourcing of materials now incurs increased costs, and the labour shortage, present across Europe, is further exacerbated.

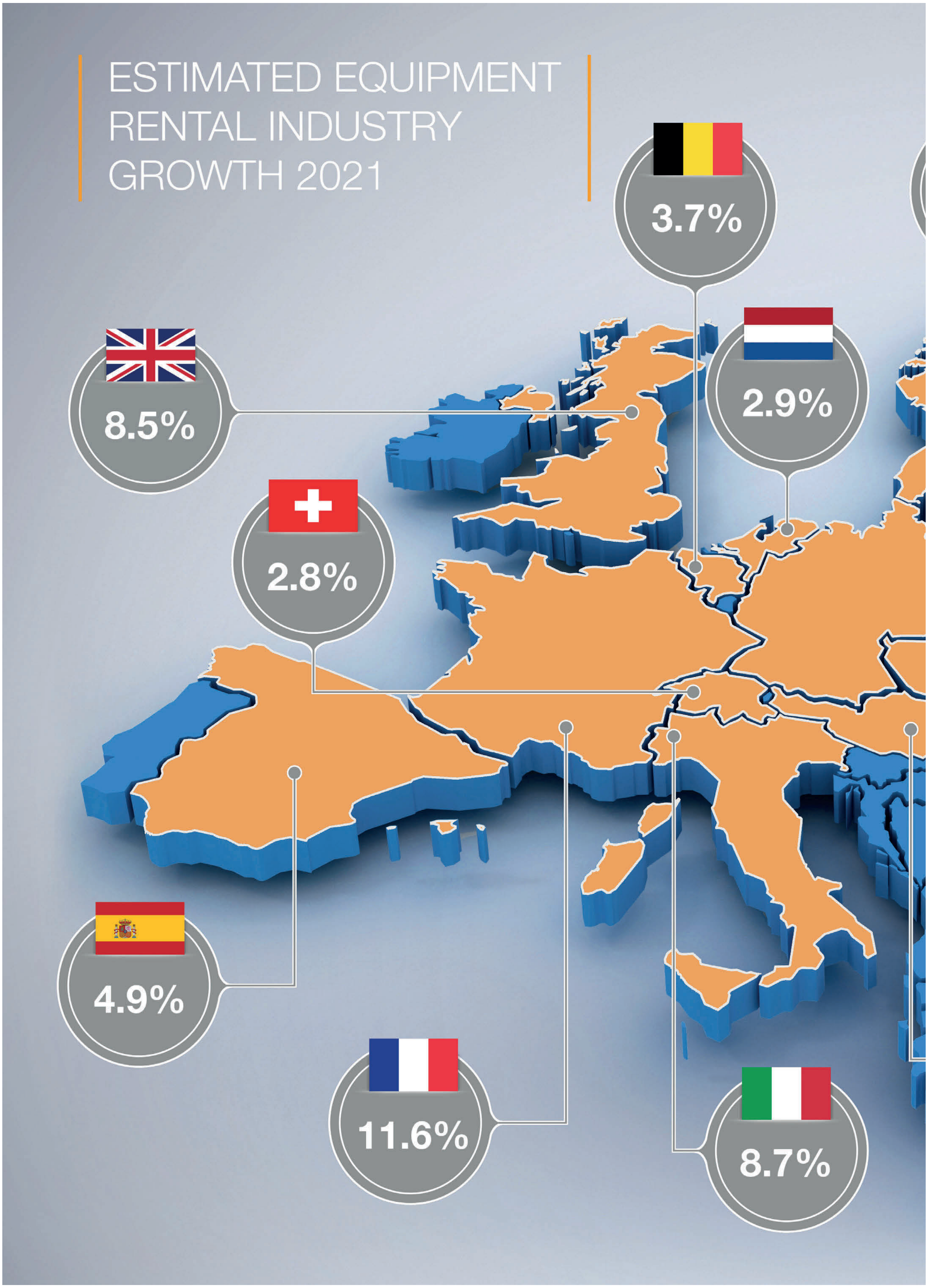
The reopening of most European economies after the first quarter of 2021 proved beneficial for rental activity as construction was able to pick up, and other sectors of the economy also reopened. Performance throughout the rest of the year was able to pick up in most markets and now points to a solid growth forecast for 2021, mainly in Southern Europe and the UK, which were the worst-hit regions, while growth in Nordic countries and Eastern Europe remains more constrained.

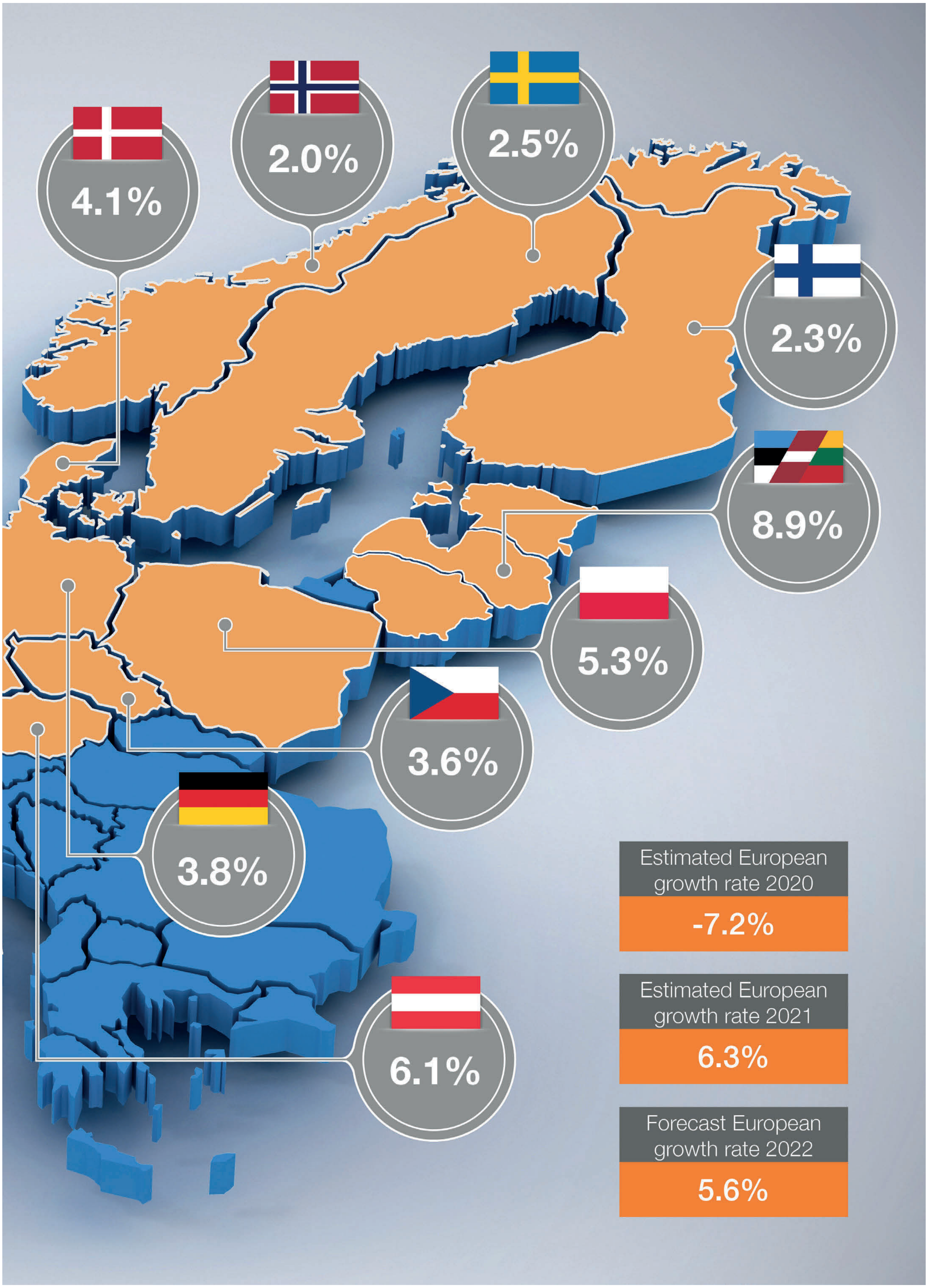
It is important to stress the extreme conditions of 2020 and 2021, which have been analysed with our forecasts. Large peaks are expected this year, and further significant growth is expected in the short term.

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 2021
3.7%
8.5%
2.9%
2.8%
4.9%
11.6%
8.7%



4.1%
2.0%
2.5%
2.3%
8.9%
5.3%
3.6%
3.8%
6.1%
Estimated European growth rate 2020
-7.2%
Estimated European growth rate 2021
6.3%
Forecast European growth rate 2022
5.6%

REPORT BY

THE EUROPEAN RENTAL ASSOCIATION (ERA)

EUROPEAN
RENTAL
ASSOCIATION

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

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

IHS MARKIT

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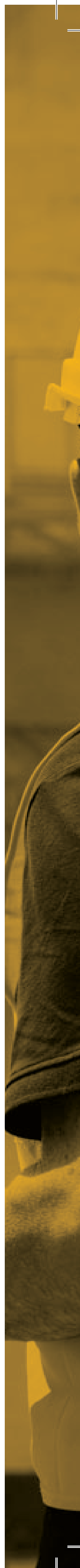
2

METHODOLOGICAL OVERVIEW



2.1 Market sizing and methodology

The approach used to build the market report relies on two distinct but related approaches.

Market sizing
In the first stage, to determine the size of the rental market, we make use of data from Eurostat on annual turnover for NACE rev. 2 codes 77.32 (Renting and leasing of construction and civil engineering machinery and equipment), 77.39 (Renting and leasing of other machinery, equipment and tangible goods n.e.c.), and where available 77.29 (Renting and leasing of other personal and household goods). The output is then validated using Amadeus data to ensure firms with rental as a secondary business are not overlooked.
The next step involves in applying a statistical formula to aggregate those figures for each country into a figure for Total annual turnover of rental companies in Y-2 (two years before the year of this report's publication).

Forecasting
The second stage involves forecasting the growth rates through the study of key market drivers. We first estimate the weight of the construction industry's turnover, GDP, and industrial production output in relation to the total turnover figure derived above. This leads to five main country categories based on the effect of construction on rental penetration. We subsequently sense check these figures together with industry experts through interviews with senior rental specialists.
Finally, we put together these figures and growth rates to produce the tables and graphs seen throughout the main body of this report.

2.2 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 Czechia 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 is allocated to its main activity without regard to 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.
The gross output (GO) is significantly higher than the gross value added (GVA) measure that is often used 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 **20 extended interviews** with senior industry experts from various countries. We would like to take the opportunity to thank these experts, as well as the members of the ERA Statistics Committee, for the time and effort they have spent in supporting us in the production of this report.

2.3 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 for each year:

- **Actual data (2018–19), dark blue**. An approach relying on official statistics was applied to calculate the market size.
- **Estimates (2020–21), 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 (2022–23), 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 2020, equipment rental companies and other companies providing rental services in the EU28 and EFTA countries generated a total rental turnover of more than **EUR25.2 billion**.

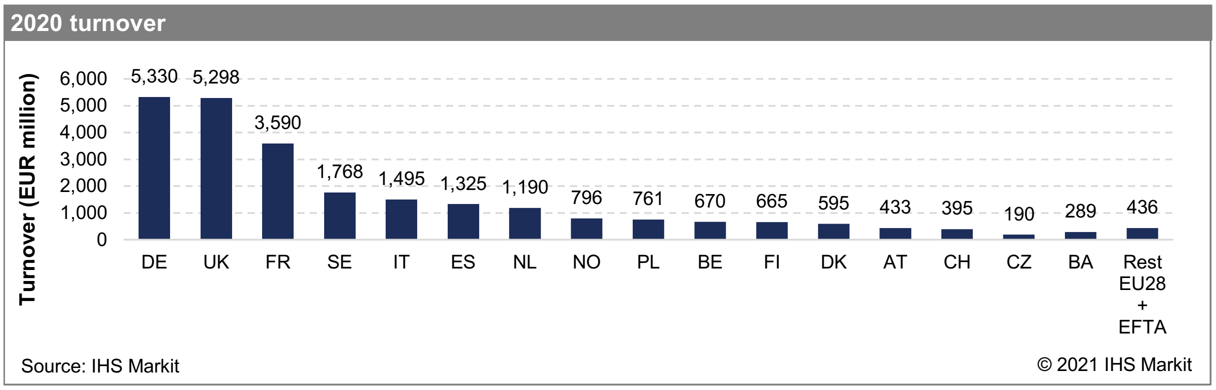
Warning

• Compared with the 2020 report, the biggest change is the UK losing its considerable lead on Germany as the leading rental market, with Germany over-taking the top spot by a small margin (of less than 1%). However, 2021 should see the UK reclaim its place as the largest European market, with rental turnover rebounding more strongly.

• National statistics vary across the region. This year, 2019 Eurostat data are not yet available for any country as of the publication of this report. For all the countries concerned, only 2018 figures are available. Therefore, the 2019 and 2020 figures are based on forecast drivers and validated with interviews.

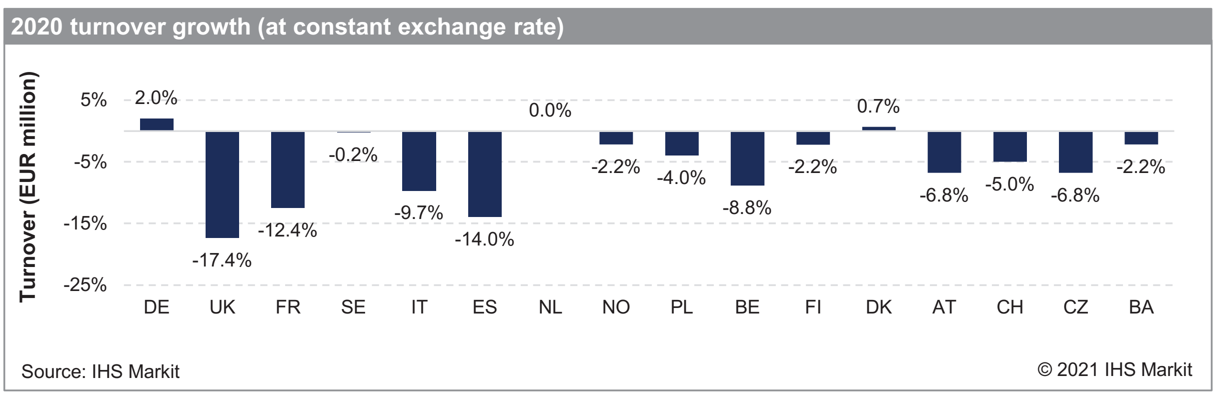
Based on 2018 statistics, and for the 15 main countries covered under the study (the Baltics region did not have statistics available), the European equipment rental industry (without operators) is as follows:

• # of rental companies (without operators): 18,100
• # of employed persons in rental companies (without operators): 161,500



3.2 Market forecasts

At a constant exchange rate, the equipment rental industry in the 16 countries and regions surveyed fell 7.2% in 2020. An estimate for 2021 shows an increase of 6.3%. For 2022, an increase of 5.6% is expected, also at constant exchange rates.

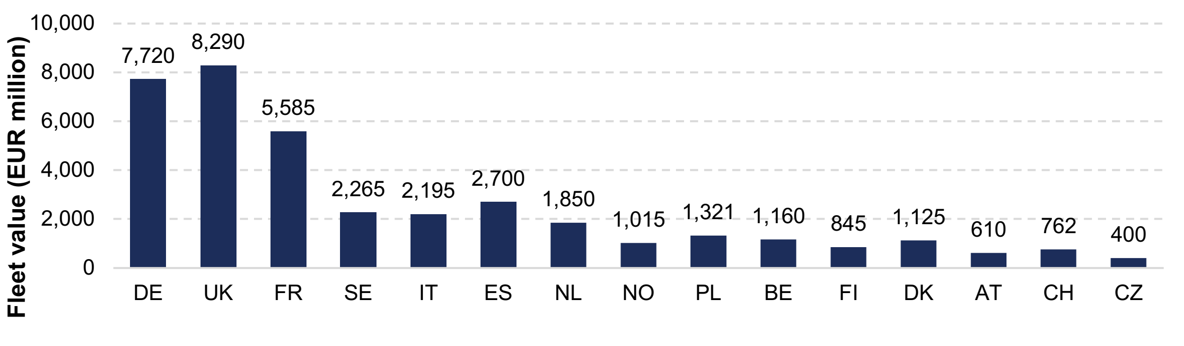


3.3 Investments and rental fleet size

According to the annual economic report from the **Committee for European Construction Equipment**, 2020 turned out to be an unexpected year for the European construction equipment sector, and for the world. While some small declines in sales had been anticipated in some markets, after an above-trend 2019, total sales fell sharply following the pandemic and lockdowns. This decline brought construction activity in March and April to a halt before seeing a strong boost from May until the end of the year, nearly catching up to 2019 levels. Heavy equipment sales in the European market fell 19% whereas light and medium equipment were almost unaffected, falling only 3% in 2021. Meanwhile, investments in the rental industry of the 15 countries and regions covered in this report (the Baltics region did not have statistics available) fell **11.3%** in 2020 compared with 2019.

Given the current situation, and the influx of funds from the EU and its member states earmarked for infrastructure and small businesses, capex investment is expected to rebound strongly in 2021 and 2022, particularly in markets with strong long-term infrastructure plans. Uncertainty concerning vaccination roll-out in some markets as well as the appearance of new COVID-19 variants could affect the forecast and dampen the investment outlook in the short-to-medium term.

2020 value of the rental fleet (at original cost)

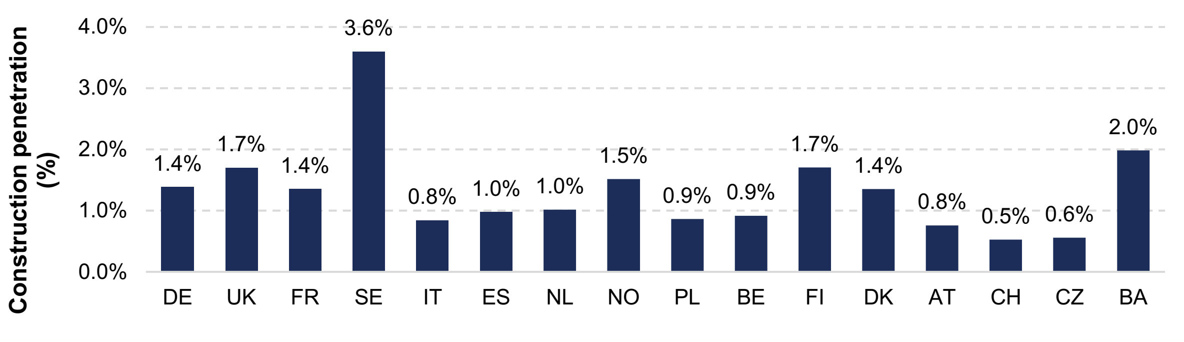


Source: IHS Markit

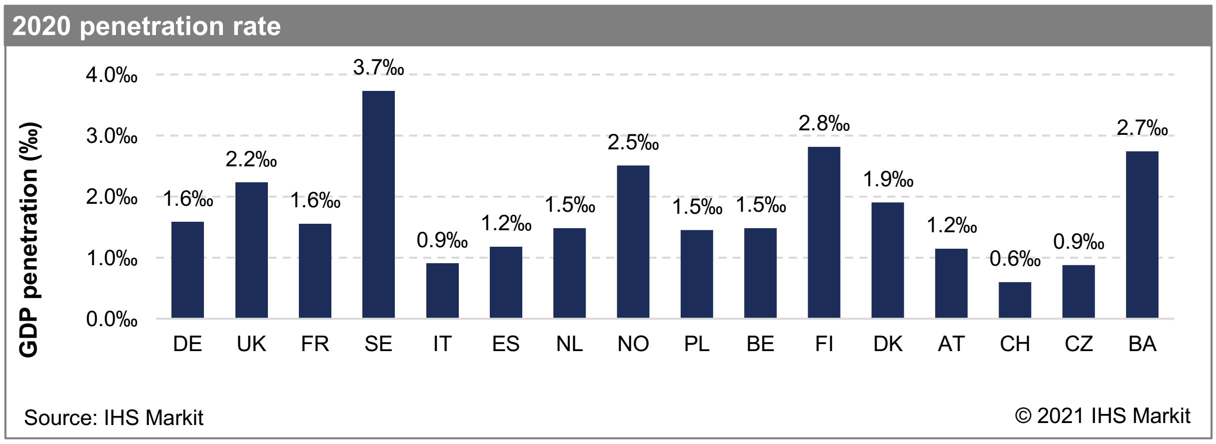
3.4 Penetration rates

Regarding the equipment rental penetration in 2020, we monitored two different metrics for the 16 countries and regions covered: the average construction industry penetration rate was **1.3%**, and the average GDP penetration rate was **1.6‰**.

2020 penetration rate



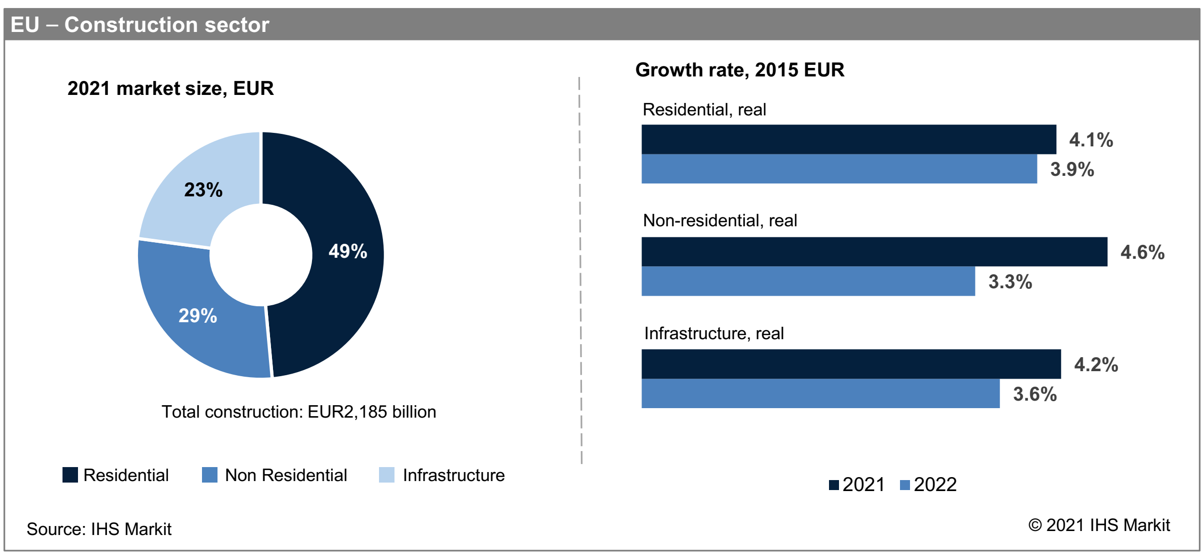
Source: IHS Markit



3.5 Macroeconomic environment

After a 2020 that took the world by surprise, the outlook for 2021 sees substantial improvements. All leading economic indicators point to strong growth. Global trade is rebounding, although lagging problems in the supply chain persist, specifically with the ongoing microchip shortage affecting much of the electronics and manufacturing sectors. The European Union is seeing growth in manufacturing driven by mainland China's recovery as well as improvements in the US economy. However, the Purchasing Managers' Index® (PMI®) series continues to show a wide gap between manufacturing and services, which reverses pre-pandemic trends with manufacturing now outperforming services. Meanwhile, the labour market has changed markedly. Despite the unemployment rate increasing only one percentage point, youth unemployment soared. A structural shift toward short-time work and other flexible arrangements is likely to affect purchasing power. Thus, despite an increase in disposable income during 2020, as households could not spend their cash freely, the counteracting force of a shifting workforce might mitigate consumer sentiment and spending.

EU GDP in the 16 countries and regions surveyed is expected to grow 8.3% in 2021, after a decline of 5.0% in 2020 and growth of 3.3% in 2019. The euro area is set to grow at the same rate after a similar 2020 (with a 4.9% drop in GDP). Meanwhile, business investment is increasing because of improving sales figures. Construction capex in Europe, a major driver of equipment demand, is set to grow at a rate of 1% to 2% annually, while the repercussions of the COVID-19 pandemic are sure to keep uncertainty high in the near future, further muddying the outlook for demand.
During the crisis, the Eurozone Construction PMI® dropped to a low of 15.1 in April 2020, coinciding with an 11.5% drop in real GDP that same month. Since then, we have observed a strong rebound in the economy and in the construction index, which have closely followed each other until this year. Indeed, during the recovery, other factors have contributed to a smaller rebound in construction. First, indices of supplier's delivery times have fallen continuously since September 2020 to a low of 15.5 in June 2021, owing in large part to global shortages and constrained supply chains. Second, input price indices have skyrocketed since October 2020 to a high of 88.1 in June 2021. These factors have compounded to constrain the construction sector's recovery in Europe and to slow growth.



3.6 European overview

European overview

2020	DE	UK	FR	SE	IT	ES	NL	NO	PL
Rental turnover [EUR million]	5,330	5,300	3,590	1,770	1,495	1,325	1,190	795	760
Investment [EUR million]	1,545	1,165	570	230	255	160	250	130	115
Value of rental fleet [EUR million]	7,720	8,290	5,585	2,265	2,195	2,700	1,850	1,015	1,320
Ratio: Investment / Value of the rental fleet	20%	14%	10%	10%	12%	6%	14%	13%	9%
GDP [EUR billion]	3,360	2,376	2,301	474	1,650	1,122	800	317	523
GDP penetration	1.6‰	2.2‰	1.6‰	3.7‰	0.9‰	1.2‰	1.5‰	2.5‰	1.5‰
Construction output [EUR billion]	385	312	266	49	178	136	117	53	88
Construction industry penetration	1.4%	1.7%	1.4%	3.6%	0.8%	1.0%	1.0%	1.5%	0.9%
Country population [Million]	84	68	65	10	60	47	17	5	38
Country population penetration [EUR per person]	64	78	55	175	25	28	69	147	20
2020 year-on-year percent change									
Turnover	2.0%	-17.4%	-12.4%	-0.2%	-9.7%	-14.0%	0.0%	-2.2%	-4.0%
Investment	11.6%	-31.5%	-18.0%	-0.8%	-17.7%	-25.6%	-2.0%	-5.7%	-18.4%
Rental Fleet	1.6%	-20.8%	-9.4%	-0.4%	-7.4%	-3.6%	-0.3%	-1.8%	-0.9%
Exchange rate 2020 aop [LCU/ EUR]	–	0.9	--	10.5	--	--	–	10.7	4.4

Source: IHS Markit

European overview

2020	BE	FI	DK	AT	CH	CZ	BA	16 countries	Rest EU28 + EFTA	Total
Rental turnover [EUR million]	670	665	595	435	395	190	290	24,795	435	25,230
Investment [EUR million]	90	85	155	100	85	65	*	5,000	n.a.	n.a.
Value of rental fleet [EUR million]	1,160	845	1,125	610	760	400	*	37,840	n.a.	n.a.
Ratio: Investment / Value of the rental fleet	8%	10%	14%	16%	11%	16%	*	13%	n.a.	n.a.
GDP [EUR billion]	451	236	312	377	657	215	105	15,277	1,466	16,743
GDP penetration	1.5‰	2.8‰	1.9‰	1.2‰	0.6‰	0.9‰	2.8‰	1.6‰	0.3‰	1.5‰
Total construction output [EUR billion]	73	39	44	57	75	34	15	1,919	135	2,054
Construction industry penetration	0.9%	1.7%	1.4%	0.8%	0.5%	0.6%	2.0%	1.3%	0.3%	1.2%
Country population [Million]	12	6	6	9	9	11	6	452	75	527
Country population penetration [EUR per person]	58	120	103	48	46	18	49	55	6	48
2020 year-on-year percent change										
Turnover	-8.8%	-2.2%	0.7%	-6.5%	-5.0%	-6.8%	-1.7%	-7.2%	n.a.	n.a.
Investment	-18.2%	-5.6%	3.1%	-16.7%	-14.3%	-10.6%	0.0%	-11.3%	n.a.	n.a.
Rental Fleet	-7.9%	-1.2%	0.4%	-6.2%	-3.0%	-4.2%	0.0%	-6.6%	n.a.	n.a.
Exchange rate 2020 aop [LCU/ EUR]	–	--	7.5	--	1.1	26.5	--			

Source: IHS Markit

3.7 Long-term equipment rental market trend

All Countries, EUR	Actual					
	2009	2010	2011	2012	2013	2014
1. United Kingdom (UK)						
Total turnover [EUR million]	4,230	4,595	5,465	6,370	6,080	6,300
Exchange rate [GBP per EUR]	0.9	0.9	0.9	0.8	0.8	0.8
2. Germany (DE)						
Total turnover [EUR million]	2,705	2,895	3,665	3,500	3,500	3,800
3. France (FR)						
Total turnover [EUR million]	2,565	2,555	3,095	3,365	3,365	3,595
4. Sweden (SE)						
Total turnover [EUR million]	745	1,025	1,355	1,445	1,455	1,405
Exchange rate [SEK per EUR]	10.6	9.5	9.0	8.7	8.6	9.1
5. Italy (IT)						
Total turnover [EUR million]	1,470	1,680	1,340	1,330	1,330	1,310
6. Spain (ES)						
Total turnover [EUR million]	1,365	1,340	1,345	1,140	1,140	1,165
7. Netherlands (NL)						
Total turnover [EUR million]	805	820	825	850	850	890
8. Norway (NO)						
Total turnover [EUR million]	460	585	755	990	950	875
Exchange rate [NOK per EUR]	8.7	8.0	7.8	7.5	7.8	8.4
9. Poland (PL)						
Total turnover [EUR million]	45	195	345	355	355	600
Exchange rate [PLN per EUR]	4.3	4.0	4.1	4.2	4.2	4.2
10. Belgium (BE)						
Total turnover [EUR million]	285	330	375	595	595	630
11. Finland (FI)						
Total turnover [EUR million]	250	335	400	445	445	445
12. Denmark (DK)						
Total turnover [EUR million]	310	285	405	425	425	445
Exchange rate [DKK per EUR]	7.4	7.4	7.5	7.4	7.5	7.5
13. Austria (AT)						
Total turnover [EUR million]	185	200	210	325	325	330
14. Switzerland (CH)						
Total turnover [EUR million]	245	220	325	315	305	320
Exchange rate [CHF per EUR]	1.5	1.4	1.2	1.2	1.2	1.2
15. Baltics (BA)						
Total turnover [EUR million]						
16. Czech Republic (CZ)						
Total turnover [EUR million]			150	150	145	135
Exchange rate [CZK per EUR]	26.5	25.3	24.6	25.2	26.0	27.5

						Estimates		Forecast	
	2015	2016	2017	2018	2019	2020	2021	2022	2023
	7,380 0.7	6,700 0.8	6,320 0.9	6,340 0.9	6,500 0.9	5,300 0,9	5,900 0,9	6,235 0,9	6,695 0,9
	3,950	4,315	4,615	4,985	5,225	5,330	5,535	5,920	6,250
	3,620	3,345	3,600	3,880	4,100	3,590	4,005	4,215	4,390
	1,450 9.4	1,590 9.5	1,715 9.6	1,720 10.3	1,715 10.6	1,770 10.5	1,885 10.1	1,950 10.0	2,030 10.0
	1,360	1,395	1,465	1,550	1,625	1,495	1,625	1,760	1,865
	1,210	1,190	1,340	1,435	1,525	1,325	1,390	1,490	1,575
	940	1,005	1,065	1,150	1,225	1,190	1,225	1,260	1,305
	810 8.9	820 9.3	855 9.3	870 9.6	890 9.9	795 10.7	850 10.2	920 9.9	990 9.6
	590 4.2	570 4.4	700 4.3	760 4.3	820 4.3	760 4.4	785 4.5	835 4.5	915 4.4
	635	650	690	715	735	670	695	720	755
	470	520	580	640	660	665	680	705	750
	475 7.5	510 7.4	535 7.4	560 7.5	580 7.5	595 7.5	620 7.4	645 7.5	665 7.5
	345	380	390	410	445	433	460	485	515
	375 1.1	375 1.1	375 1.1	370 1.2	395 1.1	395 1.1	400 1.1	410 1.1	415 1.1
				290	290	290	315	335	360
	145 27.3	155 27.0	180 26.3	195 25.7	205 25.7	190 26.5	205 25.6	220 25.0	245 24.7

4 COUNTRY OVERVIEW

Austria (AT)

The Austrian rental turnover growth for 2021 was a solid 6.1%, partially recovering the drop of 6.8% experienced last year. 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, despite the latter still being below its 2019 levels.

The Austrian government's immediate core policy challenge will continue to be limiting the negative impact of the COVID-19 pandemic. Co-ordinated and robust fiscal and monetary policies will help to limit permanent output and employment losses. The government will prioritise preventing any renewed imposition of a strict lockdown.

The structure of the Austrian rental market remains identical to previous years, with a dominance of ownership over usership, keeping penetration rates low, and a sophisticated demand from customers regarding products and services offerings, further skewing the market toward buying equipment. Just as in Switzerland, the Austrian rental market is characterised by the simultaneous presence of large international players and local renters with loyal customer bases. The continued importance of OEMs and distributors active in the rental sector, as well as the need for rental specialists is at the heart of why they remain the largest players in the marketplace.

Around 80% of the rental market continues to be dominated by firms with fewer than 50 employees. In spite of this high degree of fragmentation, the Austrian market retains a high level of competition and service quality, alongside regularly renewed fleets.

The Austrian market has not fundamentally changed significantly in recent years, despite recent developments in M&A activity in the region.

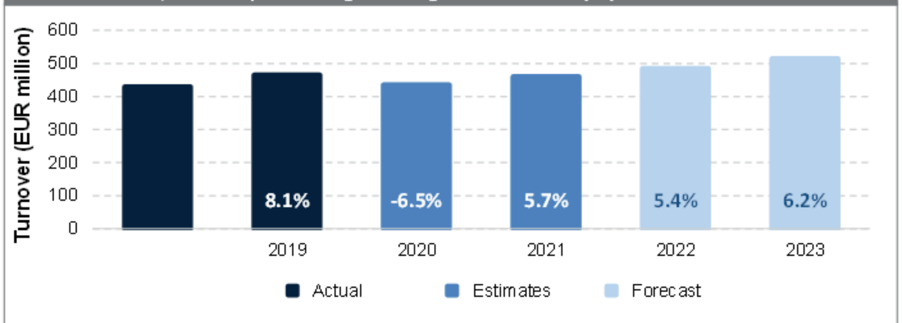
This might trigger a consolidation cycle in the near future, despite the currently high degree of stability in the market.

Austria (AT), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	430	465	435	460	485	515
- Rental companies	235	255	240	255	265	285
- Other comp. providing rental services (rental turnover only)	195	210	195	205	220	230
Investment [EUR million]	115	120	100	105		
Rental fleet value [EUR million]	600	650	610	640		
Rental market drivers						
GDP [EUR billion]	385	397	377	401	428	442
GDP penetration	1.1‰	1.2‰	1.2‰	1.1‰	1.1‰	1.2‰
Construction output [EUR billion]	57	59	57	61	65	67
Construction penetration	0.8%	0.8%	0.8%	0.8%	0.7%	0.8%
Population [million]	9	9	9	9	9	9
Population penetration [EUR per person]	48	52	48	51	53	57

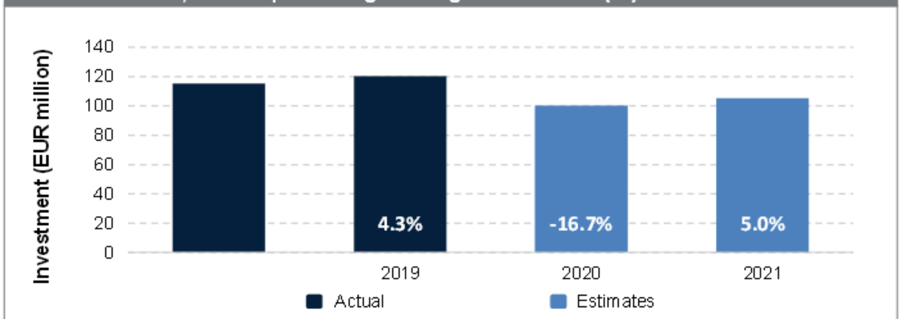
Source: IHS Markit and official statistics data

a. Review of key indicators

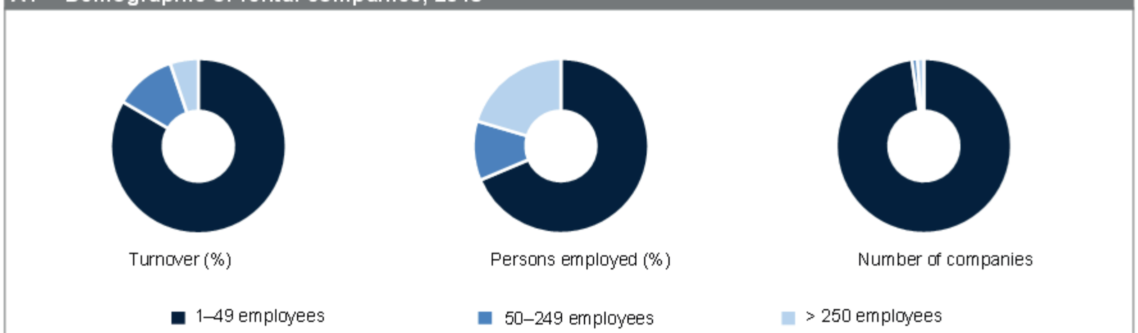
AT – Turnover, annual percentage change in columns (%)



AT – Investment, annual percentage change in columns (%)



AT – Demographic of rental companies, 2018



Source: IHS Markit

b. Macroeconomic environment

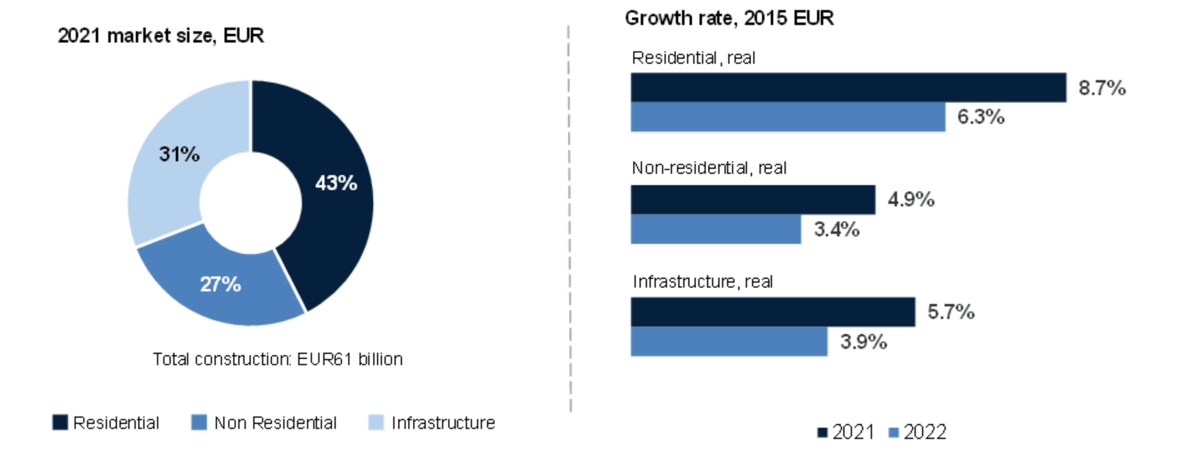
After being outpaced by growth in construction spending in 2018–19, GDP fell 5.3% in 2020 and is now set to grow at 6.4% in 2021, before picking up to 6.7% in 2022. Meanwhile, total construction spending dropped 2.6% in 2020, before setting up to rebound over 7.6% in 2021, once again outperforming GDP and pointing to a strong recovery in the construction sector. The Austrian government has injected more than EUR50 billion (or 13% of GDP) into the economy since the beginning of the pandemic, showing strong fiscal support for businesses, in addition to EU-wide stimulus packages. However, this has led to an increase in the government budget deficit, to nearly 10%. It is set to gradually reduce by 2022, with a slow return to a balanced budget.

Rising infection rates in autumn 2021 led to downward revisions of the economic recovery in Austria for 2021, with expectations that GDP will not return to pre-pandemic levels before late 2022. Meanwhile, the EU Recovery and Resilience plan will help to lift growth expectations for the short-to-medium term, bringing some relief to a battered economy, which suffered heavily from sharp declines in services, particularly tourism. We still expect a V-shaped recovery, with fiscal stimulus from the Austrian government and the EU helping to boost business investment, coupled with increasing business confidence that already returned to pre-crisis levels.

Growth in the construction sector will be strongly affected by infrastructure spending, set to grow 5.7% in 2021, and accounting for nearly half of non-residential expenditure. The Austrian Manufacturing PMI® supports this optimistic outlook in conjunction with increases in investment in construction. After a sharp decline in the first half of 2020, having fallen more than 20%, manufacturing production levelled off in the second half of last year, before seeing an expected rebound in the first quarter of 2021, well over 20%. A similar pattern could be observed in equipment investment, which declined 14.8% in 2020 but is set to rise 5.1% in 2021 and 3.4% in 2022, bringing it back to 2017 levels, but still below pre-COVID-19 levels in 2019.

Over the horizon to 2031, the country's population will still average an increase of only 0.2% annually, moderately slower than the global average of 0.7%. Residential construction in the long run will face many sources of downward risk from structural changes to the Austrian population. An ageing and shrinking workforce, low birth rates, below average R&D expenditure, a gap in tech-oriented industries, low levels of venture capital, and high barriers to entry into the Austrian market will be key aspects to monitor.

AT – Construction sector



Source: IHS Markit

Baltics (BA)

The economic performance of the three Baltic states of Estonia, Latvia, and Lithuania was better than most other European economies. After enjoying solid growth in recent years, the pandemic caused a drop of 1.7% in GDP, which is already set to recover and even exceed 2019 levels in 2021, with growth of 8.6%. The previous trend of high economic performance will then resume in 2022 and 2023, with GDP growth above 5% in both years. Meanwhile, rental turnover in 2021 climbed 8.6% after falling only 1.7% in 2020, as the Baltics region fared better during the pandemic, echoing performances from the Nordic markets.

During the COVID-19 pandemic, construction sites did slow down strongly, while rentals nearly stopped for a short period. However, the swift response of governments in the region permitted most construction activity to resume quickly, allowing a drop of only 0.1% in 2020. The effect on the rental sector was more pronounced, with a fall of 1.7% in 2020, but strong growth should resume in 2021 and 2022 of 8.6% and 6.3%, respectively.
In contrast to other regions, Baltic countries are set to hold firmly in the middle. Indeed, Southern Europe prepares to rebound strongly after severe drops in construction activity in 2020 while Nordic markets will grow slowly, given a stronger performance during the pandemic. Meanwhile, the three Baltic states should enjoy moderate growth in the short-to-medium term, given their drop of only 2.2% in 2020.

The Baltic market remains young compared with the rest of Europe. However, it remains strongly influenced by Nordic countries and benefits from rapid economic growth and influx of funds from the EU aimed at infrastructure projects. The declining population might limit the development of non-residential structures and residential construction activity, while key projects such as Rail Baltica will continue to boost the sector as a whole and create opportunities for rental firms.

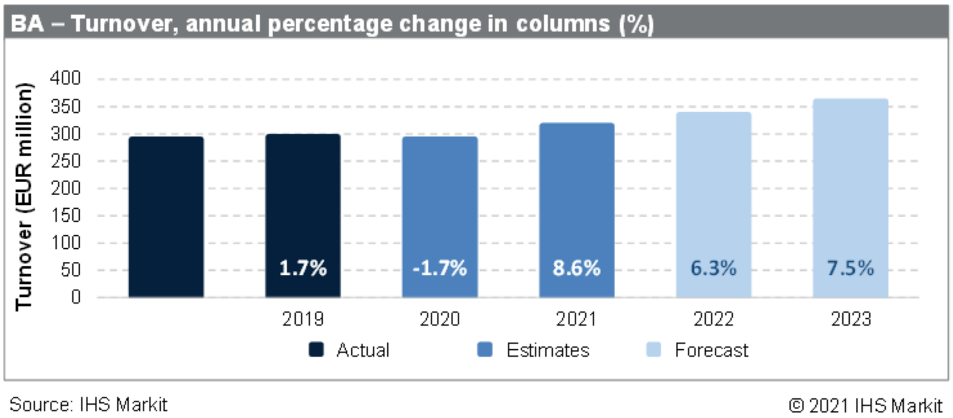
Baltics (BA), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	290	295	290	315	335	360
- Rental companies	245	250	245	265	280	300
- Other comp. providing rental services (rental turnover only)	45	45	45	50	55	60
Investment [EUR million]	*	*	*	*		
Rental fleet value [EUR million]	*	*	*	*		
Rental market drivers						
GDP [EUR billion]	101	107	105	114	121	127
GDP penetration	2.9‰	2.7‰	2.8‰	2.8‰	2.8‰	2.8‰
Construction output [EUR billion]	14	15	15	15	16	16
Construction penetration	2.0%	2.0%	2.0%	2.1%	2.1%	2.2%
Population [million]	6	6	6	6	6	6
Population penetration [EUR per person]	48	49	49	54	57	62

Source: IHS Markit and official statistics data

Baltics (BA), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Country Breakdown						
Turnover [EUR million]	290	295	290	315	335	360
- Lithuania	105	107	105	114	121	130
- Estonia	100	102	100	109	116	124
- Latvia	85	86	85	92	98	106

Source: IHS Markit and official statistics data

a. Review of key indicators



>Investment estimation in the Baltics is not available because of data limitations.
>Eurostat does not provide data concerning company size classes for the Baltic countries.

b. Macroeconomic environment

GDP in the Baltics contracted 1.7% in 2020 and will exceed its 2019 level in 2021, with growth forecasts of 8.1% in 2021 and 6.4% in 2022. Fixed capital formation is set to grow 11.6% in 2021 and 5.1% in 2022, led by Estonia and Lithuania. Investments in key public projects, boosted by EU stimulus funds, will be key in driving the recovery, alongside pent-up demand and excess savings accumulated in the past 18 months. Exports, a key driver of growth in the region, have started to rebound since September 2020, driven by a recovering transport and logistics sector and EU demand. Exports are forecast to grow between 7.8% and 9.6% in 2021, already surpassing pre-pandemic levels, and with a subsequent CAGR of more than 3% in 2022–26.

Major construction projects in the region, delayed by the pandemic, are now resuming activity. Transport infrastructures will see an expansion with key projects such as Rail Baltica, which has already received more than EUR1.2 billion in funding from the EU and national sources. Additional local projects will contribute to the growth of the construction sector, such as road maintenance plans in Latvia, worth EUR250 million per year in the state budget, and transport infrastructure developments in Lithuania, with the EUR350-million expansion of the port of Klaipeda by 2023. Between 2010 and 2019, the number of construction firms has grown between 40% and 170% across the region, showing strong long-term trends. The leading sector will likely remain residential construction. It will be driven by faster growth in real GDP per capita and disposable income than in housing prices as well as increasing affordability and supported by government schemes to facilitate the purchase of housing.

In the medium-to-long term, redirected domestic and foreign investments following Brexit could spark further growth, if coupled with a return of Baltic nationals to their home countries. EU funds will also be key in the short-to-medium term regarding the financing of infrastructure projects. Downside risks nevertheless persist, especially concerning the potential resumption of lockdowns, slower EU recovery harming export demand, and an ongoing labour shortage in the construction sector in Estonia and Lithuania.

Lithuania remains the largest market in the region, with the largest population and GDP, but the lowest construction penetration rate just below 2.0%, against more than 2.0% in Estonia and 2.1% in Latvia. Lithuania is unique among its peers for having two major urban centres, the capital Vilnius, as well as Kaunas, whereas Latvia and Estonia each only have a single large metropolitan area. On the other hand, Estonia has the largest construction sector relative to its economy, being only 9% smaller than Lithuania's construction sector, while Estonian GDP is 45% smaller than that of Lithuania, while Latvia has an economy of similar size to Estonia but a smaller construction sector, worth around 80% of Estonia's.

Belgium (BE)

Belgian rental turnover growth for 2021 is currently set to reach 3.7%, compared with an 8.8% drop in 2020, with 65% of rental revenues coming from the construction sector. Most Belgian growth drivers – construction output, GDP, and industrial production – did not fare well during this period. The only exception being GDP, with growth set to hit more than 8.2%.

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. Many medium-sized companies have also grown to compete nationally, particularly from the Flanders region. Additionally, the pandemic has led some larger players to specialise in either large (>EUR2 million) or small (<EUR2 million) projects, depending on their own capabilities. The immediate impact of the COVID-19 pandemic was strong in Belgium, with a severe lockdown and many site shutdowns. The second and third quarters of 2020 were significantly affected, with activity halted for two months.

Belgium used to have the highest confirmed cases of COVID-19 per one million population in the world for nearly 18 months since the start of the pandemic. This has had a particularly damaging impact on consumer confidence and spending. On a positive note, 85% of Belgian adults are now vaccinated, limiting the damage from the new wave of the pandemic. Even though new cases have recently increased, the government sees no need for a return to stricter lockdown, with schools as well as client-facing businesses remaining open with some limitations.

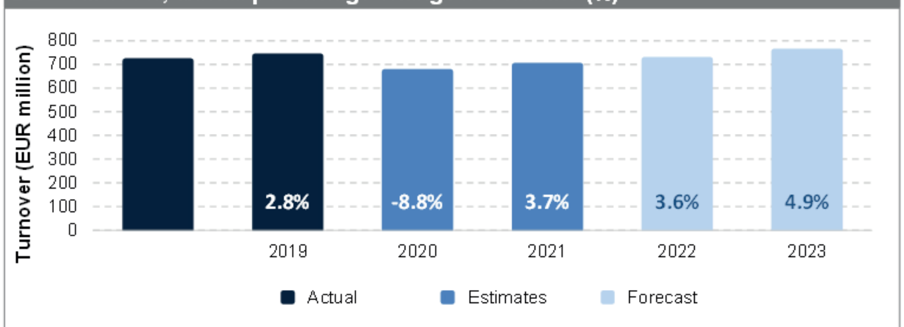
An atypical feature of the Belgium market compared with other European markets, except for Switzerland, is that the regional breakdown is based on language. Seeing that most rental players are local rather than national, this could likely act as an entry barrier. The structure of the Belgian market has 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. Additionally, competition is keeping prices low, with companies in neighbouring markets looking for opportunities close to the borders.

Belgium (BE), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	715	735	670	695	720	755
- Rental companies	690	710	645	670	695	730
- Other comp. providing rental services (rental turnover only)	25	25	25	25	25	25
Investment [EUR million]	105	110	90	95		
Rental fleet value [EUR million]	1,225	1,260	1,160	1,200		
Rental market drivers						
GDP [EUR billion]	460	476	451	488	521	545
GDP penetration	1.6‰	1.5‰	1.5‰	1.4‰	1.4‰	1.4‰
Construction output [EUR billion]	77	78	73	77	80	83
Construction penetration	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Population [million]	11	12	12	12	12	12
Population penetration [EUR per person]	62	64	58	60	62	65

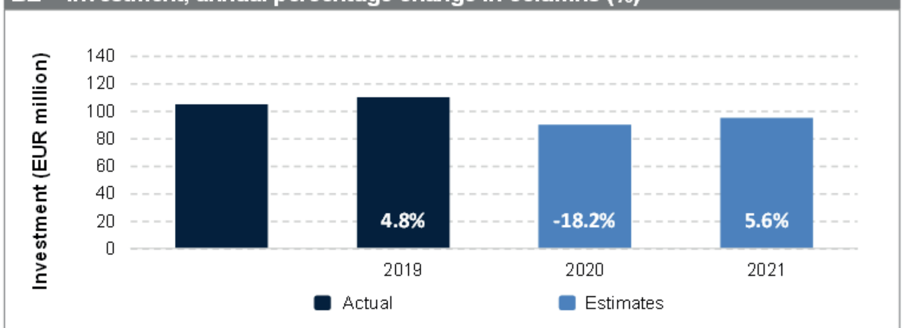
Source: IHS Markit and official statistics data

a. Review of key indicators

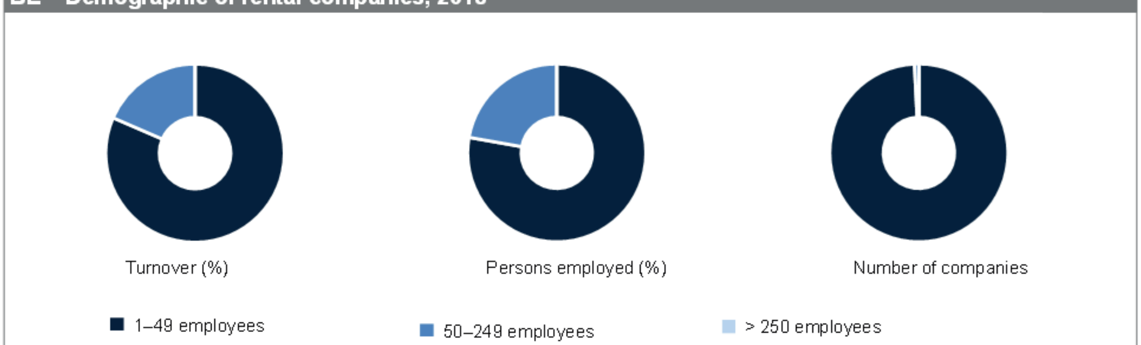
BE – Turnover, annual percentage change in columns (%)



BE – Investment, annual percentage change in columns (%)



BE – Demographic of rental companies, 2018



Source: IHS Markit

b. Macroeconomic environment

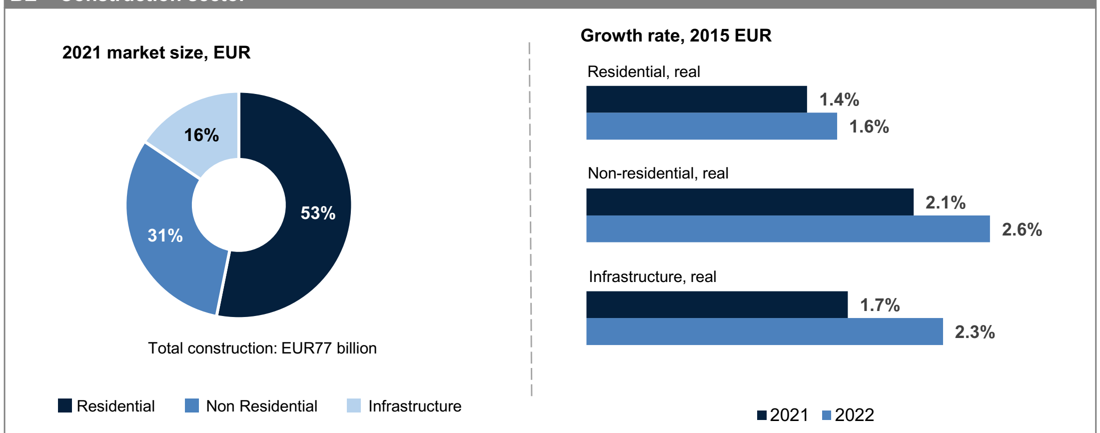
In 2020, GDP fell by 5.3%. It is now expected to grow 8.2% in 2021 and 6.9% in 2022, with a downside risk reflecting factors both domestic (due to high public debt) and external (due to slow eurozone and global recovery). Residential and non-residential fixed investment also dropped substantially, by 6.9% and 7.8%, respectively, in 2020. While initial recovery in non-residential fixed investment is set to be higher at first, it is forecast to quickly tail off between 1% and 2% after 2023, while its residential counterpart will grow between 2% and 3% a year over the same period. However, the business confidence index (compiled by the National Bank of Belgium) grew to 9.8 in June, an increase from 6.5 in May and 4.4 in April, showing a much more positive business outlook.

Meanwhile, spending on structural construction dropped more than 9% in 2020, with infrastructure and residential spending dropping more than 6% each. However, the recovery will be delayed as growth in all three construction segments is not set to exceed 2.7% (with lows close to 0.2%) in 2021–26.

Infrastructure construction will drive this growth outlook. Simultaneously, the index of industrial production in manufacturing dropped 3.6% in 2020 and is set to grow 3.6% in 2021, regaining most of its momentum before levelling off to 1.8% a year from 2022 to 2026.

On the other hand, the consumer price index was not strongly affected by the crisis, growing 0.4% in 2020 and set to increase by 1.9% in 2021. Thus, pressure on consumer spending from prices will be minimal, mostly driven by rising oil prices. The key to consumer spending growth in the short term will be the success and speed of the vaccine roll-out, by allowing a more widespread reopening of consumer-facing sectors in the second half of 2021. Additionally, real estate activities are set to increase 6.8% in 2021, and already make up more than 10% of Belgian GDP. Property prices will be supported by a positive environment of low interest rates, stable taxation, and high confidence in the resilience and stability of Belgian real estate.

BE – Construction sector



Source: IHS Markit

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The Czech Republic (CZ)

The rental market turnover in Czechia increased 3.6% in 2021 compared with a fall of nearly 6.8% last year. 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 Czechia, with no lockdown and only a small reduction in activity. Supply-chain constraints have begun to damage Czechia's manufacturing performance. Although domestic producers are not suffering from a shortage of orders, the lack of components and raw materials has begun to limit output growth. Supply chain limitations have had the biggest impact on the automotive industry, which relies heavily on imported components that are in short supply. Furthermore, due to its dependency on other markets for industrial production (e.g., Germany), volatility remains an issue for the near future.

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 over-capacity of the fleets before demand returns. The Czech National Bank raised its rates, meaning the affordability of mortgages will likely go up in the near future, impacting housing demand in the medium-to-long term. The high price of construction materials further adds to the uncertainty about construction demand in the short term. Consequently, part of the growth opportunity that could have been realised sooner may be delayed to 2023 or later, paired with the EU-wide difficulties in sourcing machines.

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. Czechia is one of the countries affected by recent European M&A activity as in Austria. This might trigger a consolidation cycle in the near future.

Nota bene: *For Czechia 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.*

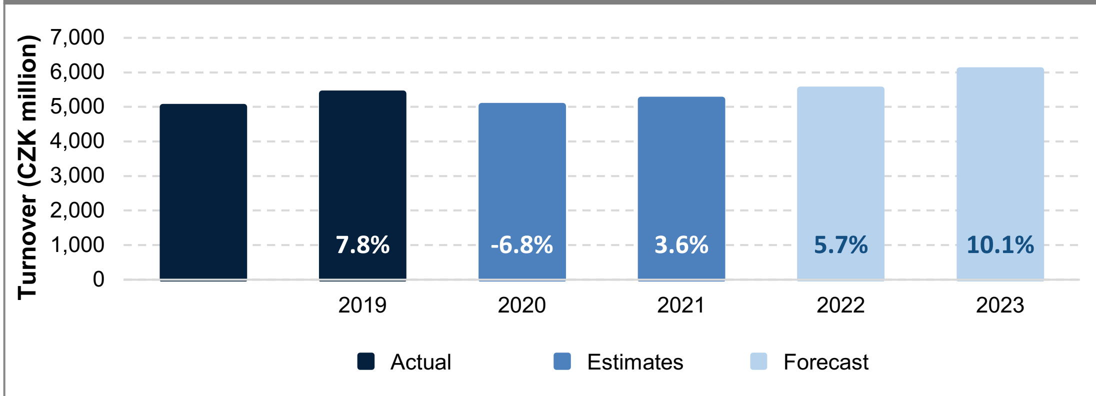
Czechia (CZ), CZK	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [CZK million]	5,000	5,390	5,025	5,205	5,500	6,055
- Rental companies	3,460	3,720	3,570	3,670	3,875	4,200
- Other comp. providing rental services (rental turnover only)	1,540	1,670	1,455	1,535	1,625	1,855
Investment [CZK million]	1,925	1,925	1,720	1,665		
Rental fleet value [CZK million]	10,645	11,040	10,580	10,890		
Rental market drivers						
GDP [CZK billion]	5,416	5,793	5,697	6,085	6,557	6,877
GDP penetration	0.9‰	0.9‰	0.9‰	0.9‰	0.8‰	0.9‰
Construction output [CZK billion]	874	914	894	955	1,031	1,082
Construction penetration	0.6%	0.6%	0.6%	0.5%	0.5%	0.6%
Population [million]	11	11	11	11	11	11
Population penetration [CZK per person]	469	504	469	485	512	563
Exchange rate [CZK per EUR]	25.7	25.7	26.5	25.6	25.0	24.7

Source: IHS Markit and official statistics data

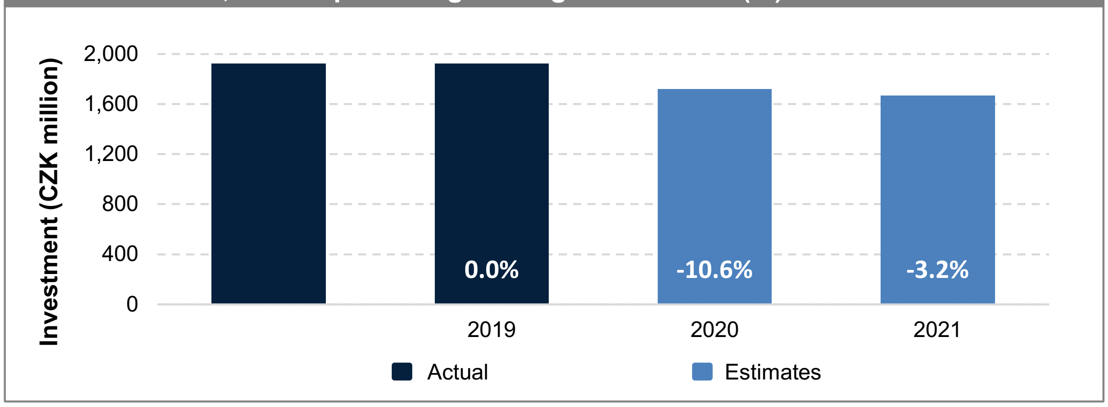
AUSTRIA
BALTICS
BELGIUM
THE CZECH REPUBLIC
DENMARK
FINLAND
FRANCE
GERMANY
ITALY
NETHERLANDS
NORWAY
POLAND
SPAIN
SWEDEN
SWITZERLAND
UNITED KINGDOM

a. Review of key indicators

CZ – Turnover, annual percentage change in columns (%)



CZ – Investment, annual percentage change in columns (%)



Source: IHS Markit

>Eurostat does not provide data concerning company size classes for Czechia.

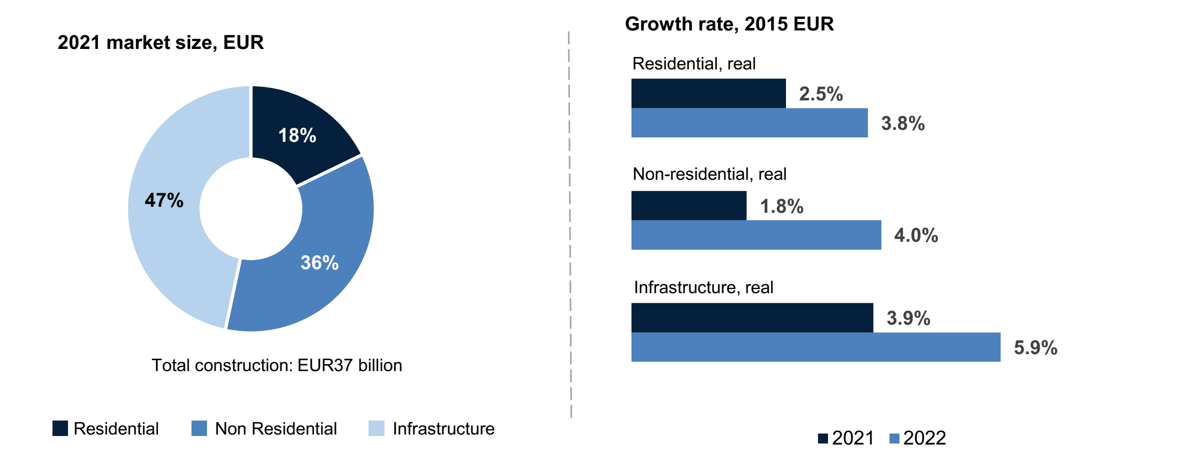
b. Macroeconomic environment

2020 proved to be a difficult year where GDP fell 1.7%, an improvement over previous estimates of more than 7.0%. The Czech economy is now projected to rise 6.8% in 2021, thus easily regaining its lost momentum, and 7.8% in 2022. These figures are partly reliant on the fiscal stimulus packages put in place by the European Central Bank, with much of the funding aimed at infrastructure projects, and on the reopening of the economy and relaxation of social distancing rules leading to increased confidence across sectors in the spring. This improvement in the forecast is also felt across all three fixed investment segments, with infrastructure (representing 47% of total construction spending) driving the trend with a 3.9% growth forecast in 2021 and 5.9% in 2022, supported by EU funds.

The year 2020 saw real construction spending drop 6.2%, with a forecast compound annual growth rate (CAGR) of 3.5% from 2020 to 2025. With Czechia slowly exiting the COVID-19 crisis, there is upside risk to the economic outlook, while most of the downside risk comes from supply chain bottlenecks and future infection rates, hinging on the vaccine roll-out. Manufacturing output dropped 6.9% in 2020, but was already falling in 2019, by 0.2%. It is now expected to rise over 8% in 2021 with sustained growth between 2.5% and 5% to 2026.

More broadly, consumer prices are expected to continue rising along similar trends as pre-pandemic with average inflation between 2.5% and 3%. After a secular falling trend in unemployment since 2012, unemployment rose to 2.6% in 2020 and is set to stabilise around 3.5%, showing some long-term negative effects on labour markets. However, we note that even pre-pandemic labour shortages were problematic, with construction vacancy rates at 12.4% in fourth quarter 2019, twice the level of the next-highest EU country. In the meantime, the government is phasing out restrictions, which will free consumer demand. This should support the recovery, combined with high saving rates and the 2021 tax package, counterbalancing the negative effects of rising unemployment. However, the long-term outlook might be different with strong population growth to 2030 but a forecast decline in the following decade. These trends may in turn affect demand for residential and non-residential investment, with potentially lower long-run demand for housing and office space. This is especially risky if deurbanisation trends started during the pandemic continue, with increased prevalence of remote work, and regional disparities in housing prices keep falling.

CZ – Construction sector



Source: IHS Markit

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Denmark (DK)

Danish rental turnover in 2021 is set to grow moderately compared with other European markets, with 4.1%, after slowing down to 0.7% growth in 2020. This difference comes from the smaller impact of COVID-19 on economic activity across most Nordic countries. 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 and infrastructure segments. The DKK160 billion to upgrade national infrastructures as well as the Femern project for the underwater tunnel between Germany and Denmark, worth over DKK55 billion that is set to last until 2029 will be two of the largest projects to drive the infrastructure segment in Denmark.

The immediate impact of the COVID-19 pandemic was relatively light in Denmark, with a light lockdown and no site shutdowns. The main threat currently remains the machine shortage for the short term, although infrastructure projects with long-term horizons will help mitigate this issue by affording stability to Danish demand for rental equipment. Additionally, the market will benefit from nominal GDP growth in 2021 of around 3.7%, as the wider economy and the construction sector begin a new growth cycle.

The Danish rental market is dominated by companies with fewer than 50 employees, mostly small and independent companies. It is 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, notably with arrivals from new entrants from other Nordic markets. 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. We also note the rise in the last 18 months of the pharmaceutical sector, which will continue to play a role in the future, notably with the so-called "Medicon Valley", as big pharma companies seek to invest and develop their activity.

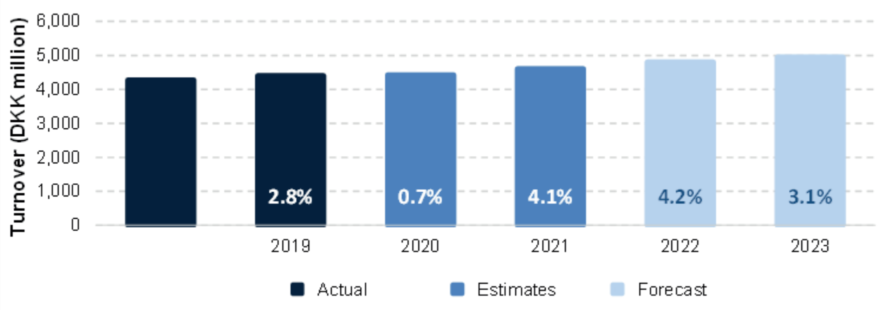
After a few years of investments and growth, there are some concerns about competition intensity, driven by a relative over-capacity of fleets. Pressure continues to push for a slow consolidation process for big players, but also for those of medium-sized firms that have already been undertaking this process. The trend for investment will likely be positive as large-scale infrastructure projects are currently under way across the country.

Denmark (DK), DKK	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [DKK million]	4,285	4,405	4,435	4,615	4,810	4,960
- Rental companies	4,250	4,370	4,400	4,580	4,775	4,925
- Other comp. providing rental services (rental turnover only)	35	35	35	35	35	35
Investment [DKK million]	1,080	1,120	1,155	1,155		
Rental fleet value [DKK million]	8,125	8,360	8,390	8,710		
Rental market drivers						
GDP [DKK billion]	2,253	2,318	2,330	2,417	2,511	2,569
GDP penetration	1.9‰	1.9‰	1.9‰	1.9‰	1.9‰	1.9‰
Construction output [DKK billion]	321	312	328	337	347	355
Construction penetration	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%
Population [million]	6	6	6	6	6	6
Population penetration [DKK per person]	745	763	766	794	824	847
Exchange rate [DKK per EUR]	7.5	7.5	7.5	7.4	7.5	7.5

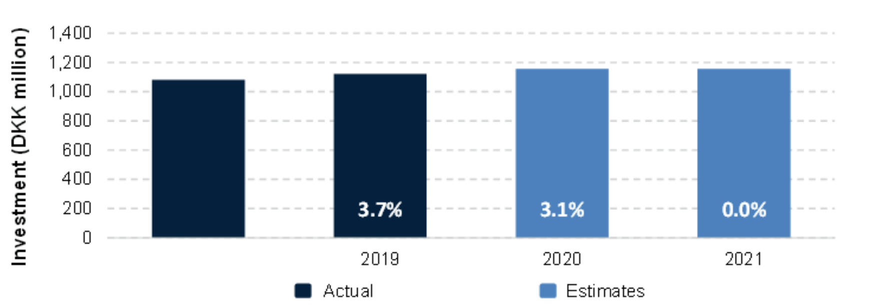
Source: IHS Markit and official statistics data

a. Review of key indicators

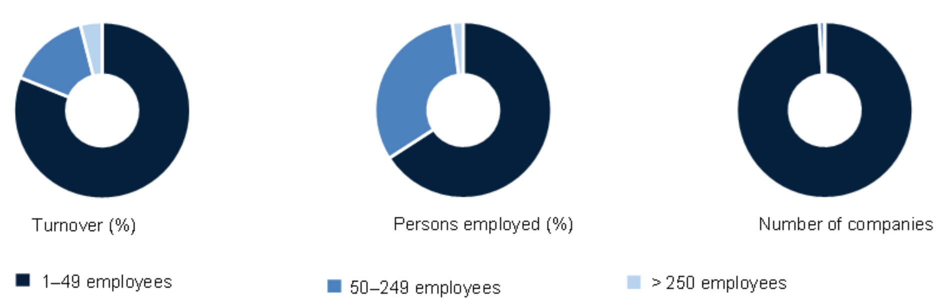
DK – Turnover, annual percentage change in columns (%)



DK – Investment, annual percentage change in columns (%)



DK – Demographic of rental companies, 2018



Source: IHS Markit

b. Macroeconomic environment

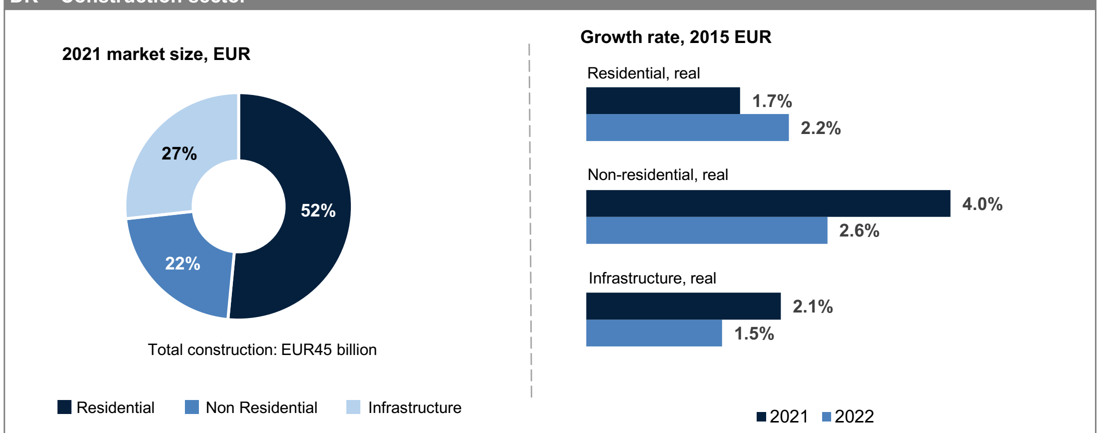
The Danish economy was one of the most resilient in Europe in 2020, as GDP managed to grow by a small margin of 0.5%, and growth in 2021 and 2022 is expected to reach 3.7% and 3.9%, respectively. Due to Denmark's large export sector, the largest downside risk comes from global supply chains being further affected by the pandemic. A surge in infections in December 2020 led to a GDP contraction in the first quarter of 2021. This downturn is expected to be counterbalanced by the swift responses from the government, as well as the success of the vaccination campaign and seasonal effects, in the second half of 2021. Furthermore, low public debt will enable the government to absorb more easily the shocks caused by the pandemic.

Construction grew 1.6% in 2020, driven primarily by the residential segment growing 4.6%. Construction is forecast to grow at a CAGR of 1.7% to 2026. The residential segment, contributing 52% of total spending, is set to grow at the second-highest pace, after structures, over the next decade while infrastructure will experience moderate growth to 2025 before remaining flat until 2030. This is owing in part to the advanced state of development of Denmark's infrastructures and a flat growth profile in the transportation sub-segment after 2025.

Overall industry growth (excluding construction) in 2020 was 3%, with manufacturing growing 4.3% despite a contraction in Germany's manufacturing sector, Denmark's largest bilateral trading partner. Growth in manufacturing is expected to remain in the range of 2–2.5%. Pharmaceuticals grew 15.4% and machinery was up 5.5%. Pharmaceuticals and renewables-related machinery are key export segments and tend to be non-cyclical. The headline manufacturing PMI® stood at 62.1 in June 2021 (values above 50 indicate expansion), with the input prices sub-index down 10 points to 78.1, and suppliers' delivery time up more than fourteen points to 34.3. These trends indicate improving conditions for the third quarter of 2021 as input prices come down and delivery times shorten.

Danish monetary policy underwent significant changes recently, with substantial rates reductions. This policy shift, coupled with a strong commitment to the peg to the euro, is intended to increase stability in money markets. With negative rates, however, lending remains tight. Meanwhile, consumer confidence is up compared with last year, with the unemployment rate still low, implying a positive near-term outlook for consumer spending.

DK – Construction sector



Source: IHS Markit

Finland (FI)

Finnish rental turnover growth for 2021 is expected to be around 2.3% after dropping only 2.2% in 2020, thus already regaining its level from 2019. 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 was 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 2020. Some of the sector's maintenance work was postponed to late 2020 and early 2021. This has put Finland in a strong position to reap benefits from a rebound in activity in 2021.

The rental market mostly comprises large firms with more than 250 employees, which make up 56% of total rental revenues. Together with a few rental companies with 50–250 employees, these large- and medium-sized companies generate almost 74% 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 competitive intensity. Ongoing changes in this market can be expected as Finland is in the middle of experiencing recent European M&A activity, as in Austria and Denmark, in addition to welcoming new entrants in key sectors, such as access and construction.

New trends emerged because of the pandemic. Driven by the need for more home office space, demand for housing outside of the big cities of Helsinki and Espoo has increased in the residential segment. This has also led to the related trend of lower demand for office building construction as people shift where they work. Infrastructure continues to be an under-developed area in Finland where much of the railway and road network sees some renovation work, but not as much as other segments.

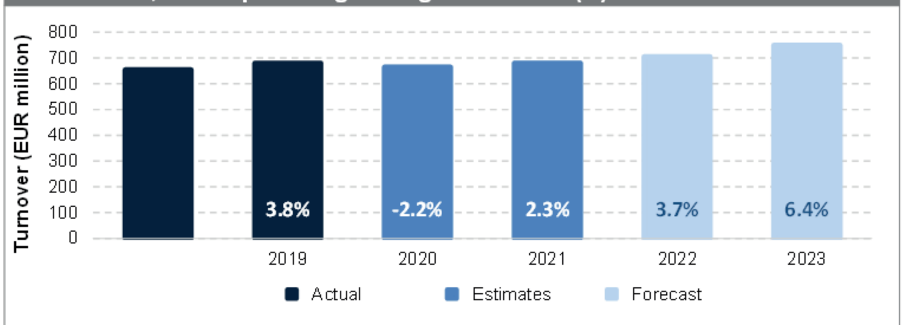
Finally, it is important to note Finland's outsourcing trend. There is a growing trend from ownership to usership, which is expected to further gain traction amid ongoing uncertainty.

Finland (FI), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	655	680	665	680	705	750
- Rental companies	620	645	630	645	670	710
- Other comp. providing rental services (rental turnover only)	35	35	35	35	35	40
Investment [EUR million]	90	90	85	85		
Rental fleet value [EUR million]	835	855	845	855		
Rental market drivers						
GDP [EUR billion]	233	240	236	259	277	294
GDP penetration	2.8‰	2.8‰	2.8‰	2.6‰	2.5‰	2.5‰
Construction output [EUR billion]	39	38	39	42	44	47
Construction penetration	1.7%	1.8%	1.7%	1.6%	1.6%	1.6%
Population [million]	6	6	6	6	6	6
Population penetration [EUR per person]	119	123	120	123	127	135

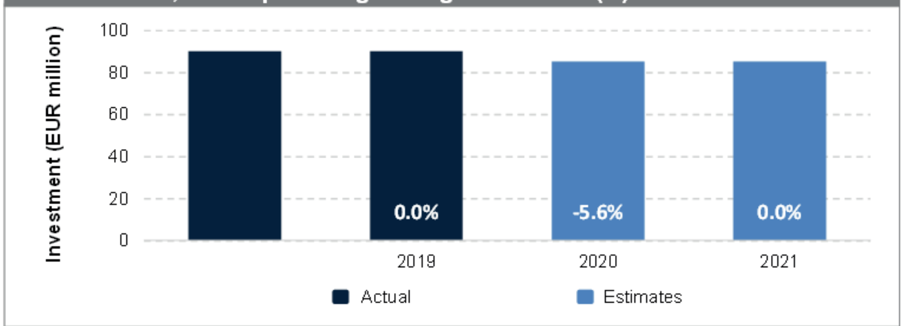
Source: IHS Markit and official statistics data

a. Review of key indicators

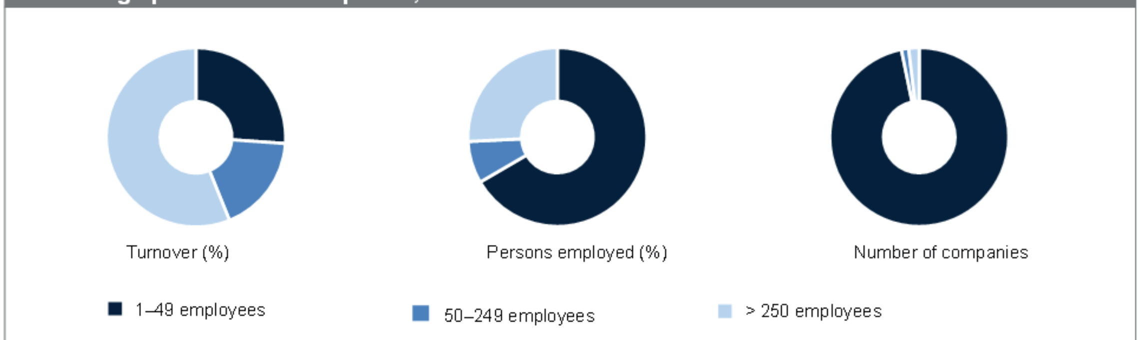
FI – Turnover, annual percentage change in columns (%)



FI – Investment, annual percentage change in columns (%)



FI – Demographic of rental companies, 2018



Source: IHS Markit

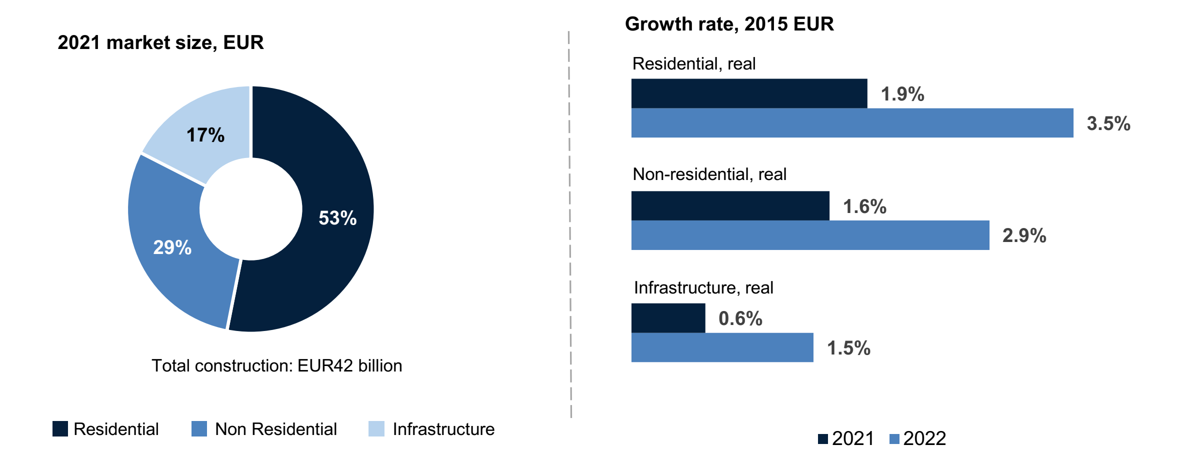
b. Macroeconomic environment

The Finnish economy contracted 1.6% in 2020, outperforming most of Europe, and is now expected to grow 9.9% in 2021, with a strong contribution from price effects, an increase of 10 basis points on the previous forecast, and 6.8% in 2022. This improvement in the 2021 forecast will hinge on exports and domestic demand, which both took significant hits in 2020 and are key to the Finnish economy. The global vaccine roll-out is helping boost exports while recovery in housing construction is supporting fixed investment in the near term. As for domestic demand, the removal of lockdown measures will be key to freeing pent-up demand and excess savings, despite a minor contraction in the first quarter of 2021 and a risk to the second quarter due to the reintroduction of lockdown measures. The main risks to the forecasts will come from the spread of the Delta strain of the virus, uncertainties, and slowdowns in the global vaccine roll-out, and financial market volatility in response to these two factors.

Real construction spending is set to grow 3.0% in 2021 and 2.7% in 2022, led by residential construction spending (53% of total construction spending), while infrastructure spending (17% of total construction spending) will remain weak in the medium term.

Infrastructure projects on high-speed rail services and airport renovation will drive the sector. The construction of new nuclear plants will also be a key driver of infrastructure spending; however, delays are possible because of the ongoing protests based on environmental concerns for some sectors, such as pharmaceutical companies and animal farmers. The relatively expensive labour costs are always a source of concern, especially combined with possible labour strikes in response to privatisations efforts. Although generally fiscally stable, Finland has now agreed to a EUR15-billion stimulus package in response to the COVID-19 pandemic, which is likely to lead to some deterioration of the fiscal balance when combined with lower revenues due to lower economic activity. The fiscal deficit is now set to be pushed to 5.4% of GDP, low by European standards, but high for Finland.

FI – Construction sector



Source: IHS Markit

France (FR)

French rental turnover growth for 2021 is set to rebound 11.6% after falling a record 12.4% in 2020.The share of total rental revenues coming from construction demand is estimated to be about 65%, as the construction sector is set to grow 8.9% in 2021. 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 current state of the French market remains complex. Indeed, while trading volume has picked up throughout 2021, prices continue to fall. This trend is principally driven by two main factors. First, there is a relatively young fleet in France, following tax breaks for machine purchases in 2016, which means that fleet investments remain modest. Second, competition has increased among regional companies moving into neighbouring regions (mainly in the south and west of France) and there is increasing local competition. This trend, along with the rising costs of materials and delivery times for new machines, is squeezing profitability, slowing down consolidation efforts for many rental majors, outside of a select few acquisitions earlier this year.

Like 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 France compared with other European markets is that it is relatively concentrated, with two main players accounting for most of the market by value. Nevertheless, with consolidation efforts having slowed down recently, this leaves room for smaller companies to carve out niches in specialised segments or isolated regions. The greatest challenge for these smaller players is to remain profitable in the short-to-medium term.

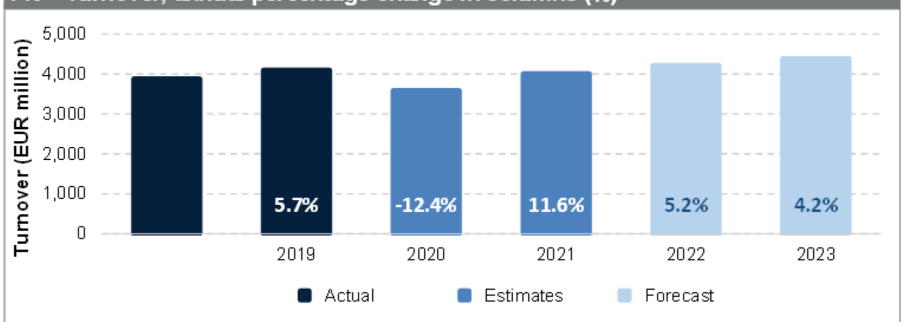
In the future, the trend from rental customers seems to head toward greater risk and carbon footprint sharing, as they increasingly decide to reduce the size of their fleet under management.

France (FR), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	3,880	4,100	3,590	4,005	4,215	4,390
- Rental companies	3,675	3,885	3,400	3,790	3,985	4,160
- Other comp. providing rental services (rental turnover only)	205	215	190	215	230	230
Investment [EUR million]	665	695	570	620		
Rental fleet value [EUR million]	5,910	6,165	5,585	6,070		
Rental market drivers						
GDP [EUR billion]	2,365	2,439	2,301	2,461	2,576	2,658
GDP penetration	1.6‰	1.7‰	1.6‰	1.6‰	1.6‰	1.7‰
Construction output [EUR billion]	304	303	266	289	307	316
Construction penetration	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%
Population [million]	65	65	65	65	66	66
Population penetration [EUR per person]	60	63	55	61	64	67

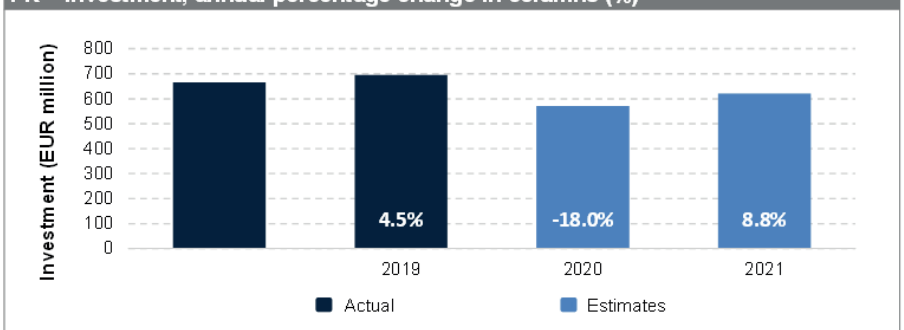
Source: IHS Markit and official statistics data

a. Review of key indicators

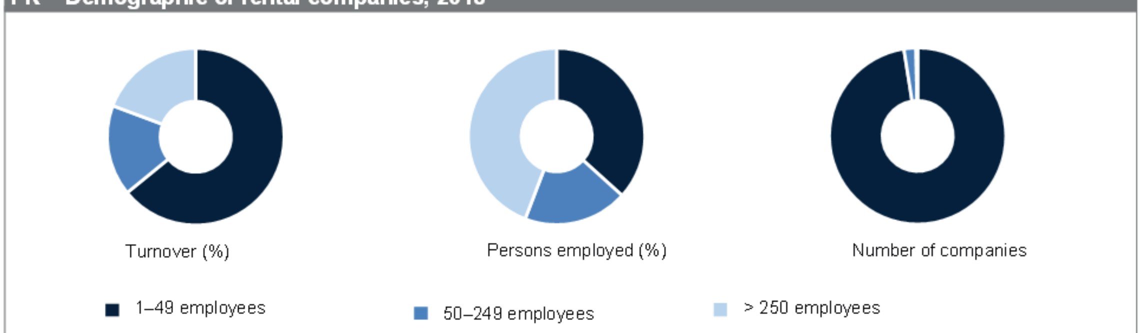
FR – Turnover, annual percentage change in columns (%)



FR – Investment, annual percentage change in columns (%)



FR – Demographic of rental companies, 2018



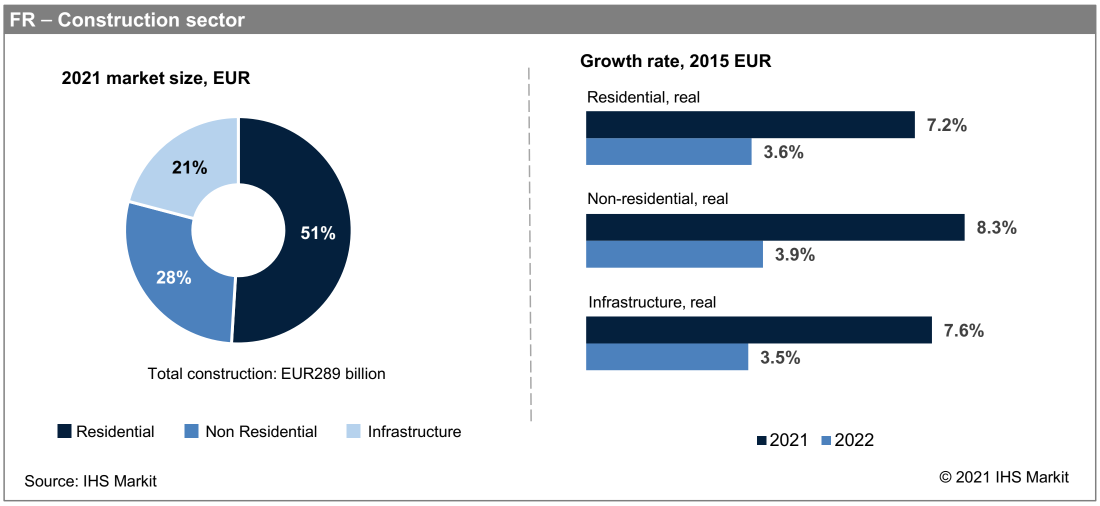
Source: IHS Markit

b. Macroeconomic environment

France's GDP fell 5.7% in 2020, but the forecast for the medium term was revised upward in July to 7.0% for 2021 and 4.7% for 2022, bolstered by exports and domestic demand. Meanwhile, fixed investment was up 8.2% year on year in the first quarter of 2021. One of the main risks to the medium-term forecast stems from supply chain disruptions, which will soften the recovery in industrial production, now set to grow 6.2% and 4.1% in 2021 and 2022, respectively. Fixed capital formation will also experience a strong rebound, with growth in real terms forecast at 9.1% in 2021.

After falling 14.4% in 2020, real construction spending is set to grow 7.6% in 2021 and 3.7% in 2022, far below its 2019 level. Non-residential structures, which account for 28% of total spending, will lead the recovery, followed by residential spending, which accounts for more than 51% of total construction.

Office, commercial, and institutional structures will be key, partly boosted by the "New Greater Paris" project, set to be completed by 2030, which will also support infrastructure spending. Meanwhile, residential growth will be supported by an additional 1.5 million households by 2030 and real GDP per capita, with a CAGR of 1.7% to 2030. However, growth is somewhat at risk given the construction PMI® for France currently at 48.9 (meaning a contraction since May 2021). Although the new orders and employment indices were both up in June, and future activity remains positive (at 58.3), rising input prices and declining suppliers' delivery times continue to be a threat. Unemployment remains above 8% in 2021, with labour shortages in the construction sector despite some improvement in June 2021. The government remains adamant in its commitment to use fiscal stimulus to support the economy, despite the increase in the debt-to-GDP ratio to 115.7% in 2020. Fiscal policy will likely continue its support role until 2023.



Germany (DE)

German rental turnover for 2021 grew 3.8% with growth of 2.0% in 2020, during the COVID-19 pandemic. 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, in part due to pent-up demand from the construction sector being bottlenecked by supply chain issues. This is likely to push some growth to 2022 and 2023, if the signs observed relate to sustainable demand and not simply an anticipation of long delivery times. Currently, the expectation is still on the side of healthy demand, but downside risk remains.

Last year's modest lockdowns and the absence of site shutdowns helped stabilise the German market. The outlook remains generally positive with strong demand for infrastructure work, especially along highways and bridges. Projects for the German Autobahn currently suffer some delays as the management structure recently changed at the national level. This period of transition creates some uncertainty but should be resolved in the short-to-medium term. Another key area for development will be the energy sector as coal energy production is set to be stopped by 2037, necessitating profound changes to the current energy systems across Germany. This trend is one that will be echoed in other major European countries.

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

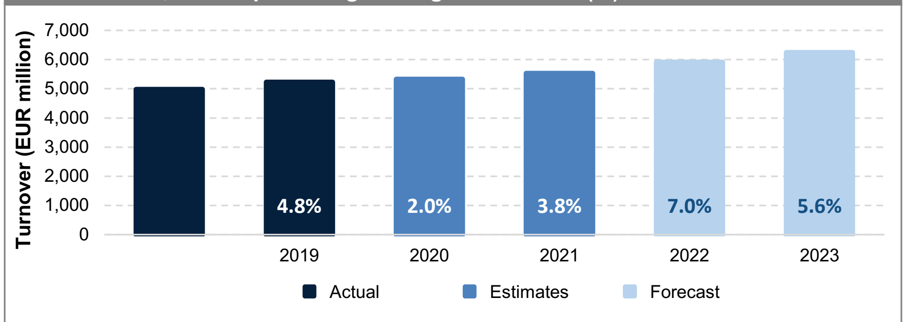
As the newly christened largest European rental market above the UK, at least in 2020, the German market has now become more attractive than ever as observers consider rental penetration still has room for improvement and will benefit from a solid rebound and healthy growth.

Germany (DE), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	4,985	5,225	5,330	5,535	5,920	6,250
- Rental companies	3,970	4,160	4,245	4,405	4,715	4,975
- Other comp. providing rental services (rental turnover only)	1,015	1,065	1,085	1,130	1,205	1,275
Investment [EUR million]	1,330	1,385	1,545	1,590		
Rental fleet value [EUR million]	7,340	7,600	7,720	7,930		
Rental market drivers						
GDP [EUR billion]	3,372	3,479	3,360	3,554	3,783	3,931
GDP penetration	1.5‰	1.5‰	1.6‰	1.6‰	1.6‰	1.6‰
Construction output [EUR billion]	337	365	385	403	424	442
Construction penetration	1.5%	1.4%	1.4%	1.4%	1.4%	1.4%
Population [million]	83	84	84	84	84	84
Population penetration [EUR per person]	60	63	64	66	71	75

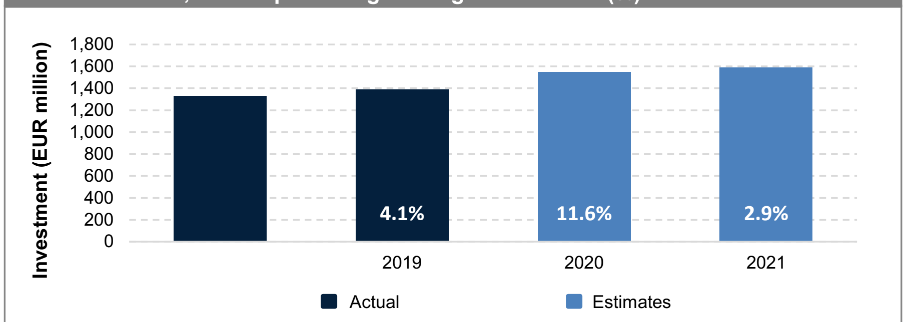
Source: IHS Markit and official statistics data

a. Review of key indicators

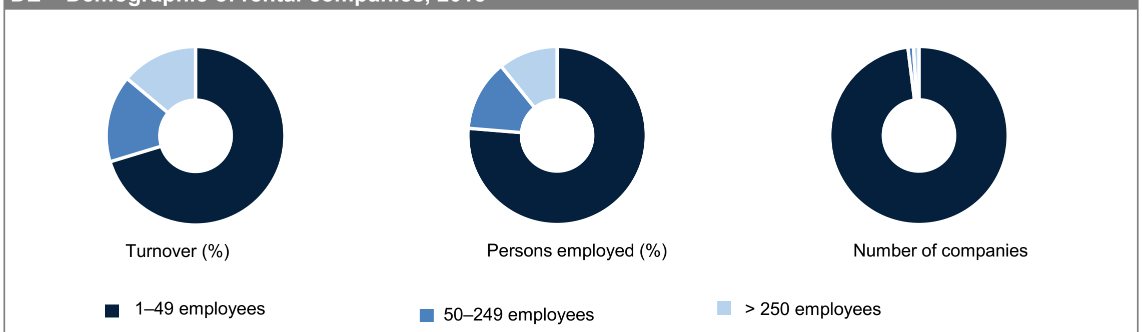
DE – Turnover, annual percentage change in columns (%)



DE – Investment, annual percentage change in columns (%)



DE – Demographic of rental companies, 2018



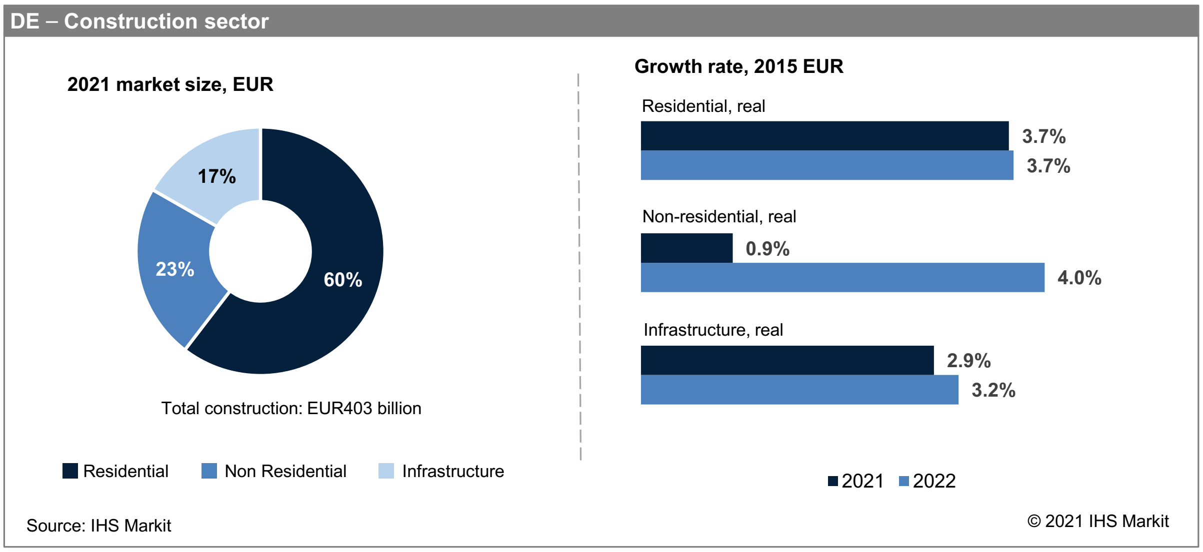
Source: IHS Markit

b. Macroeconomic environment

German GDP fell 3.4% in 2020. The delayed reopening of the economy and loosening of lockdown regulations in mid-May 2021 should be counterbalanced by pent-up consumer demand in the third quarter and yield 5.8% growth in 2021 and 6.5% in 2022. Fixed investment dipped in 2020, led by equipment spending, which fell nearly 13%. In turn, growth in 2021 will be partially led by exports, accounting for more than 47% of the German economy, with the PMI® sub-index for exports at 64.5 in May–June 2021 and global demand rising on the back of the vaccination roll-out. However, risks remain, with the global chip shortage having a delayed knock-on effect further down the supply chain and lower Chinese demand for German capital goods, in particular machinery and vehicles.

Total construction spending in Germany grew 4.2% in 2020, driven by residential construction growth of 5.7%. Forecast sector growth is set to hit 2.9% and 3.7% in 2021 and 2022, respectively. Compound growth for 2020–25 will be 2.4% but will dip significantly to 0.3% for 2025–30. This dip partly owes to the forecast population decline from 2022 onward, averaging -0.5% until 2035. EU stimulus funds will help support German infrastructure spending in the short-to-medium term, while most of the growth to 2030 in this segment will come from energy infrastructures as the country transitions toward a greener economy.

The near-term outlook will be dependent on the success of the vaccine roll-out; by the end of October, around 66% of the population was vaccinated, trailing behind Belgium, Italy, and Spain but ahead of the UK and France. The second potential risk stems from what will happen once fiscal stimulus payments dry up and firms need to adapt to a changed business landscape. These trends should be visible in 2022 and 2023. Meanwhile, the construction sector saw employment fall for the fifth consecutive month in June. This trend could put pressure on the sector, as new orders data show a negative trend, and the outlook remains subdued for future activity. Fiscal consolidation will not start until 2023, after shifting a previous surplus of 1.5% of GDP in 2019 to a deficit of 4.4% in 2020. Nevertheless, the fundamentals of the German economy remain strong and should eventually return to a surplus, as it continues to enjoy strong global demand for its exports and low interest rates.



Italy (IT)

Italian rental turnover growth for 2021 is currently set to hit 8.7% after dropping 9.7% in 2020 amid the global pandemic. The share of rental revenues from construction demand is estimated to average 70%. Construction thus remains substantial in terms of its influence on the rental industry; however, this changes across regions, with demand for specialised and more sophisticated services more prevalent in the north of the country. High regional disparity is not unique to Italy and is also witnessed in France and in Spain, where strong regional actors also exist.

While Italy was the first country in Europe to be affected by COVID-19 last year, it has now shown tremendous success in its vaccination programme and has been able to see nearly double-digit growth in the rental sector versus 2020 (excluding the spring months affected by lockdowns). Additionally, the investment environment remains favourable with regulations in place allowing hyper-amortisation of materials and machines over four years. However, this also creates complications as customers jump at the opportunity to buy cheap, both pressuring rental prices and increasing machine shortages.

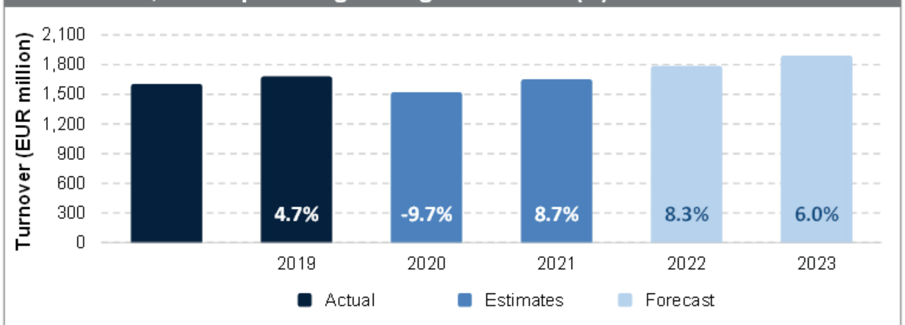
Italy currently remains a relatively immature rental market, highly fragmented, with many players having rental as a secondary line of business but presenting strong opportunities for growth as penetration remains low. Downward risks for potential investors continue to involve slow payment schedules 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	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	1,580	1,655	1,495	1,625	1,760	1,865
- Rental companies	825	865	780	850	920	975
- Other comp. providing rental services (rental turnover only)	755	790	715	775	840	890
Investment [EUR million]	305	310	255	280		
Rental fleet value [EUR million]	2,290	2,370	2,195	2,345		
Rental market drivers						
GDP [EUR billion]	1,771	1,791	1,650	1,782	1,885	1,951
GDP penetration	0.9‰	0.9‰	0.9‰	0.9‰	0.9‰	1.0‰
Construction output [EUR billion]	193	189	178	192	208	217
Construction penetration	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%
Population [million]	61	61	60	60	60	60
Population penetration [EUR per person]	26	27	25	27	29	31

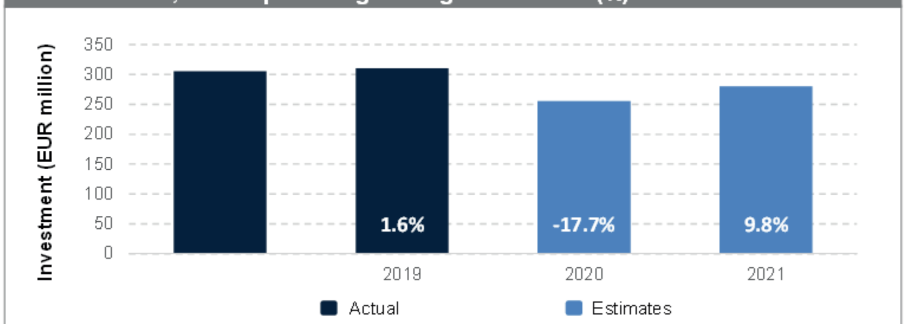
Source: IHS Markit and official statistics data

a. Review of key indicators

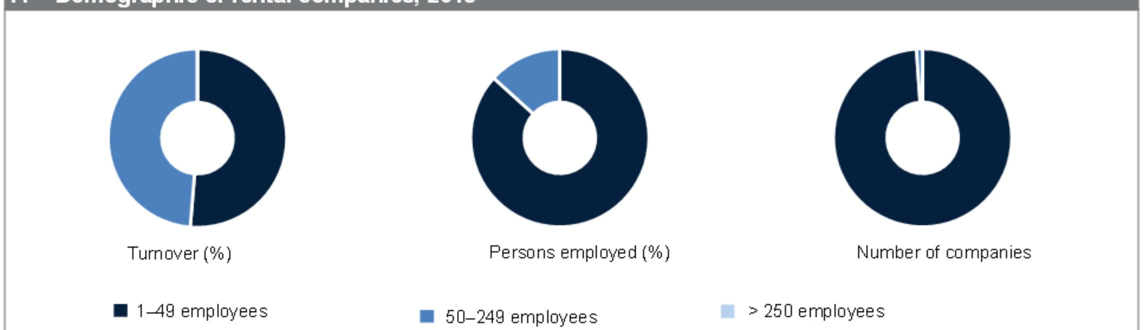
IT – Turnover, annual percentage change in columns (%)



IT – Investment, annual percentage change in columns (%)



IT – Demographic of rental companies, 2018

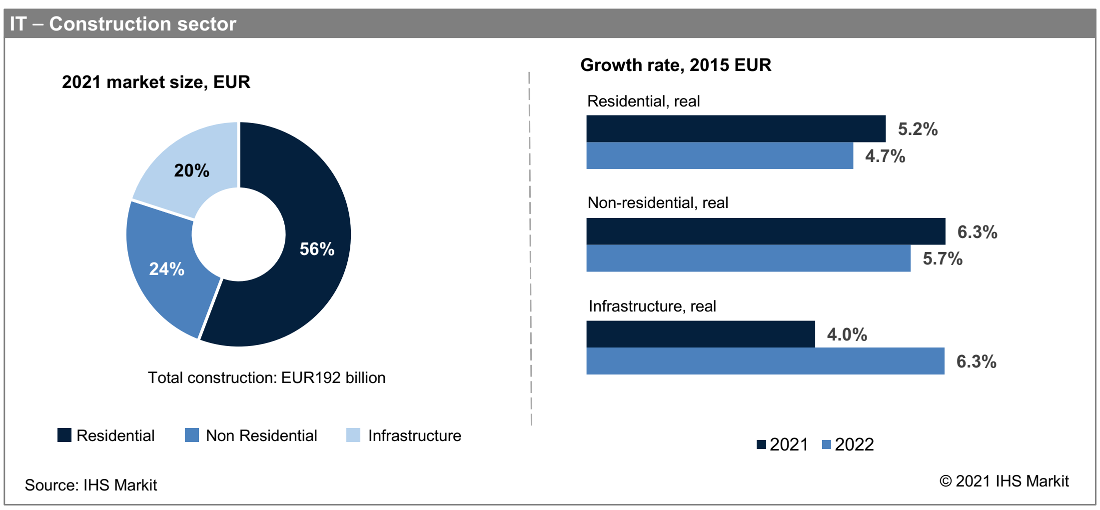


Source: IHS Markit

b. Macroeconomic environment

The Italian economy fell a steep 7.8% in 2020 and is now set to grow 8.0% and 5.8%, in 2021 and 2022, respectively, recovering the losses from the pandemic no sooner than early 2022. This is an improvement from previous forecasts due to first quarter growth in 2021, thus avoiding a technical recession, and the effectiveness of the vaccination programme with nearly 72% of the population fully vaccinated as of late October. Further stress on the economy will come from the elevated public debt ratio, which climbed to 155% of GDP in 2020, following government interventions during the pandemic. Meanwhile, non-performing loans continue to fall following new regulations introduced by the Italian government, including bad loans, standing at above EUR50 billion in May 2021, a more than 75% reduction from the peak observed in April 2017.

After a drop of 7.4% in 2020 led by the non-residential segment, the construction sector is now set to grow 5.2% in 2021 and again in 2022. Infrastructure, capturing 20% of total construction spending, will grow the fastest until 2025 before being overtaken by the more stable residential segment, which represents more than 56% of the sector. This is a significant increase from previous forecasts, principally owing to the reopening of the economy reducing business uncertainty, an increasingly effective vaccination programme, and a boost in EU funds and government investment to support the recovery. The transportation infrastructure sub-segment will post high growth, with key projects such as a high-speed railway on the Treviglio-Brescia and Milan-Genoa lines worth more than EUR2 billion, and the EUR12-billion expansion of the Fiumicino airport in Rome, planned to last until 2044. In the residential segment, house prices continue to climb back after a drop in 2020, rising 1.1% quarter on quarter and 1.7% year on year for first quarter 2021. The outlook for residential construction is positive, despite a forecast decline in population by more than 1.5 million by 2030 and a very slow increase in the number of households by 600,000 in the same period.



The Netherlands (NL)

Dutch rental turnover growth for 2020 remained flat. The 2021 growth outlook is set to be around 2.9%, with a share of rental revenue stemming from demand in the construction sector estimated to average 70%. The better-than-average performance during the pandemic will be followed by milder growth in the short term as the rebound will be lower than in Southern European countries such as Italy or France. Environmental regulations continue to complicate manufacturing and construction activity, in turn having a knock-on effect on the rental sector.

After strong growth in 2019, the outlook now seems more moderate, with investment remaining weak, in part because of machine shortages and delivery times increasing. Meanwhile, construction spending will outpace the rental sector's growth for the short term, reducing penetration and sapping some of the progress made prior to the pandemic.

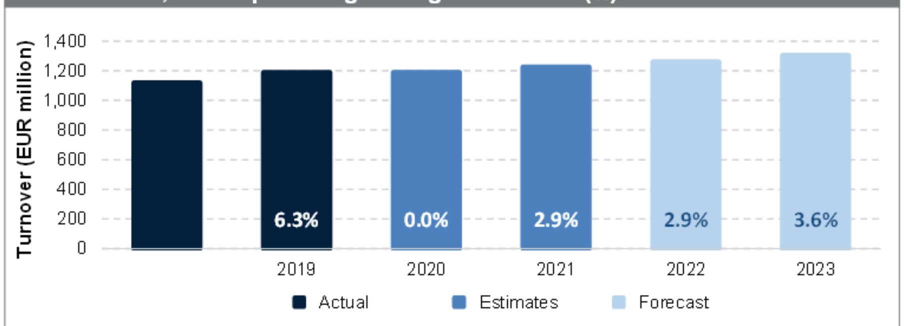
When comparing the Netherlands with the European average, a somewhat consolidated market is evident, with companies of fewer than 50 employees accounting for 40% of the total market by value and just under 55% of all sector employees. Also, the rental industry shares some similarities with the Belgian 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, increasing local competition and threatening incumbents.

Netherlands (NL), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	1,120	1,190	1,190	1,225	1,260	1,305
- Rental companies	1,030	1,095	1,095	1,125	1,160	1,200
- Other comp. providing rental services (rental turnover only)	90	95	95	100	100	105
Investment [EUR million]	240	255	250	255		
Rental fleet value [EUR million]	1,760	1,855	1,850	1,890		
Rental market drivers						
GDP [EUR billion]	774	813	800	854	905	936
GDP penetration	1.4‰	1.5‰	1.5‰	1.4‰	1.4‰	1.4‰
Construction output [EUR billion]	108	113	117	123	127	130
Construction penetration	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Population [million]	17	17	17	17	17	17
Population penetration [EUR per person]	66	70	69	71	73	76

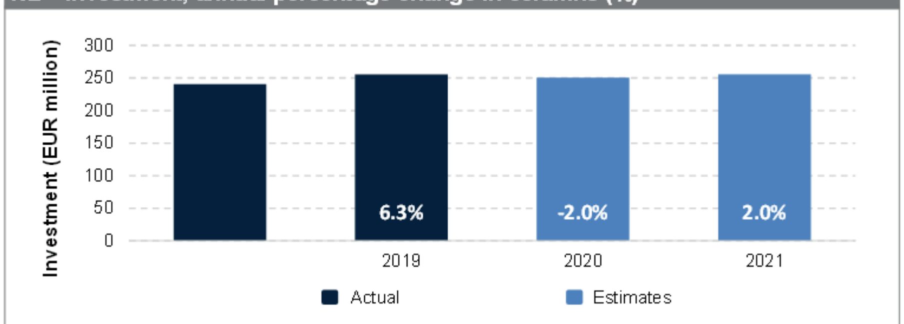
Source: IHS Markit and official statistics data

a. Review of key indicators

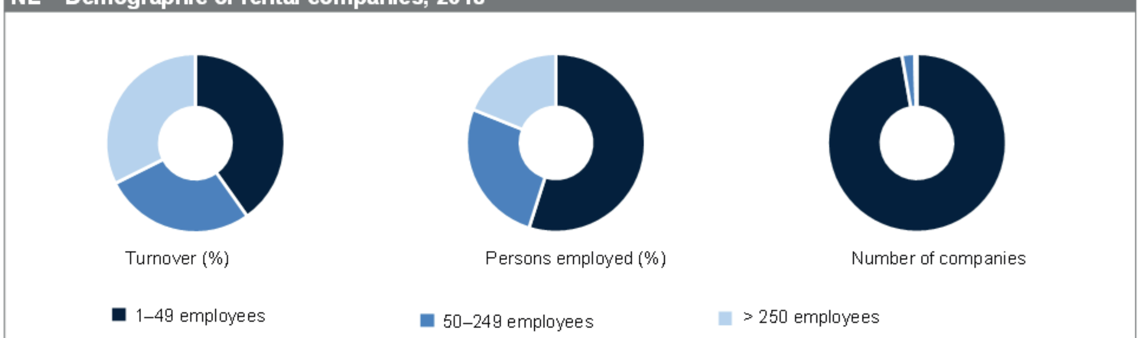
NL – Turnover, annual percentage change in columns (%)



NL – Investment, annual percentage change in columns (%)



NL – Demographic of rental companies, 2018



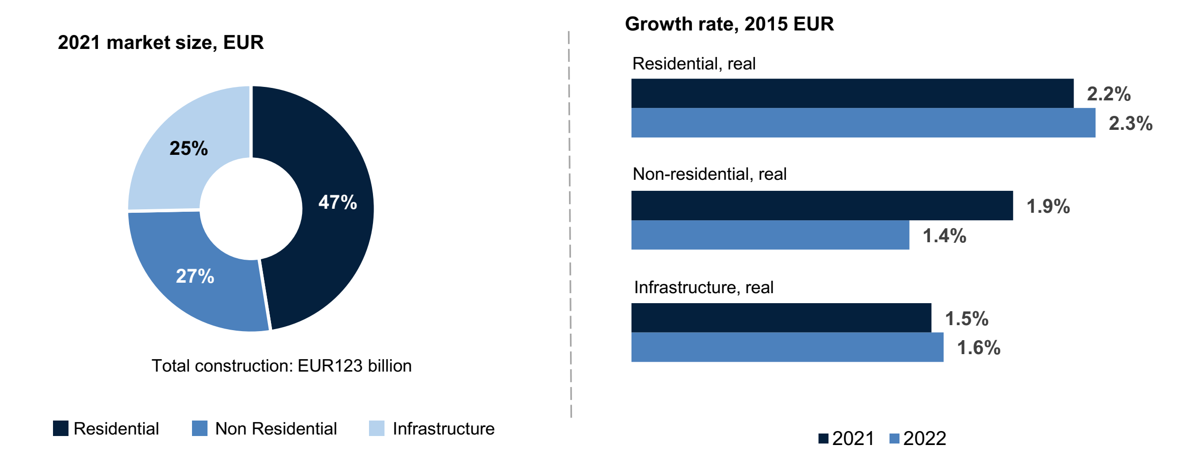
Source: IHS Markit

b. Macroeconomic environment

GDP in the Netherlands fell 1.6% in 2020, with yet another drop in the first quarter of 2021, implying a technical recession. The growth forecasts for 2021 and 2022 now stand at 6.8% and 5.9%, respectively. This is mainly driven by positive sentiment linked to the reopening of the economy in May, and the opportunity for pent-up consumer demand to be directed toward the reopening of non-essential services and retailing. Exports and supply chain disruptions remain problematic for the Dutch economy, with 70% of its exports directed toward the rest of the EU, and 12% of services exported to the UK. Thus, additional bottlenecks present a downward risk on the forecast in the short-to-medium term. However, public finances are in better shape than the rest of Europe, not only allowing the Dutch economy to better cope with the pandemic but also implying a potentially less painful recovery in the medium term.

The pandemic slowed construction growth in 2020 to 0.4%, but this positive trend is expected to pick up to 1.9% in 2021 and again in 2022, led by the residential segment, which represents 47% of the construction sector. By comparison, infrastructure construction will grow at CAGRs between 0.8% and 1.2% in the next 15 years. Household debt to disposable income remains one of the highest levels in Europe, at 200%, implying likely difficulties in loan repayments during recessions when asset values drop. The expectation is that once the economy reopens, consumer spending will rebound and help offset potential downside risk, further supported by government stimulus measures. Indeed, the residential segment is apt to grow at 2.2% in 2021 and accelerate to 2.3% in 2022, accompanied by slow growth in the number of households and population and positive financing conditions. With borrowing costs remaining low, benefitting from a low interest rate environment and a favourable tax structure, housing affordability remains high despite rising housing prices. On the other hand, infrastructure construction will be slowed down by the transportation segment growing at or below 0.4% while public health infrastructure will grow the fastest at between 2.2% and 3.6% until 2030.

NL – Construction sector



Source: IHS Markit

Norway (NO)

After falling 2.2% in 2020, the Norwegian rental market is forecast to grow 2% in 2021, before accelerating above 4.2% until 2023. Because of the nature of the Norwegian market, construction only accounts for 60% of the total demand in the rental sector. However, the oil and gas sector does not account for as large a share as might be expected, as offshore operations offer limited opportunities for rental.

Unlike other Nordic countries, Norway saw a decline in rental activity, while the rest of the Nordics either stayed flat or grew modestly. This situation has come about because of delays in construction and development projects in the energy sector being pushed to 2021 and 2022. The market was already slowing down in 2019, especially in the residential segment, which accounts only for 31% of the total construction market.

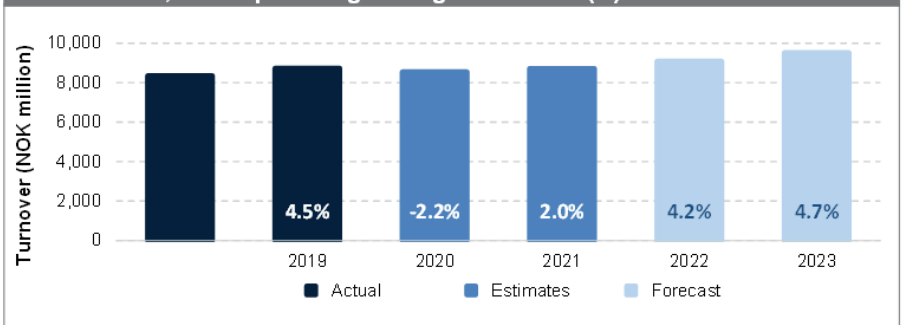
The situation is quite similar to Finland, in that the Norwegian market remains concentrated, with companies of fewer than 50 employees accounting for 25% of the total market by value. That share is in line with Finland's but below Sweden and Denmark's figures. A unique feature of the market, at least when comparing with European standards, is that one of the top rental companies is a rental department of a major construction company instead of a rental major.

Norway (NO), NOK	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [NOK million]	8,355	8,735	8,545	8,715	9,080	9,510
- Rental companies	6,245	6,530	6,390	6,515	6,790	7,110
- Other comp. providing rental services (rental turnover only)	2,110	2,205	2,155	2,200	2,290	2,400
Investment [NOK million]	1,440	1,480	1,395	1,430		
Rental fleet value [NOK million]	10,655	11,085	10,890	11,045		
Rental market drivers						
GDP [NOK billion]	3,566	3,577	3,404	3,875	4,017	4,120
GDP penetration	2.3‰	2.4‰	2.5‰	2.2‰	2.3‰	2.3‰
Construction output [NOK billion]	611	606	564	637	663	686
Construction penetration	1.4%	1.4%	1.5%	1.4%	1.4%	1.4%
Population [million]	5	5	5	5	6	6
Population penetration [NOK per person]	1,565	1,624	1,576	1,595	1,648	1,711
Exchange rate [NOK per EUR]	9.6	9.9	10.7	10.2	9.9	9.6

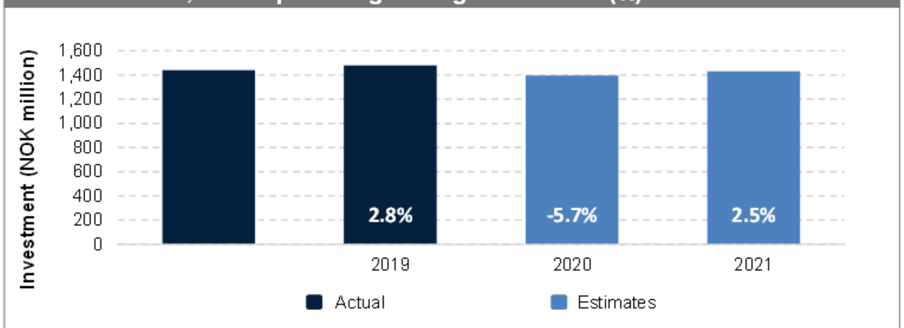
Source: IHS Markit and official statistics data

a. Review of key indicators

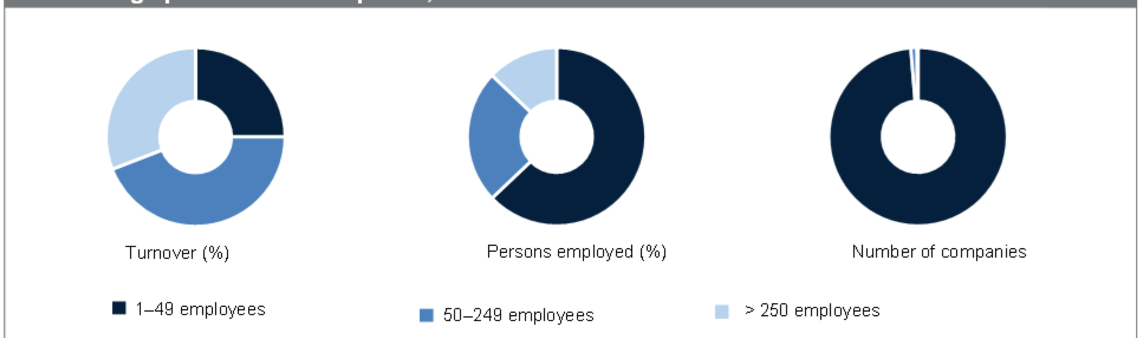
NO – Turnover, annual percentage change in columns (%)



NO – Investment, annual percentage change in columns (%)



NO – Demographic of rental companies, 2018



Source: IHS Markit

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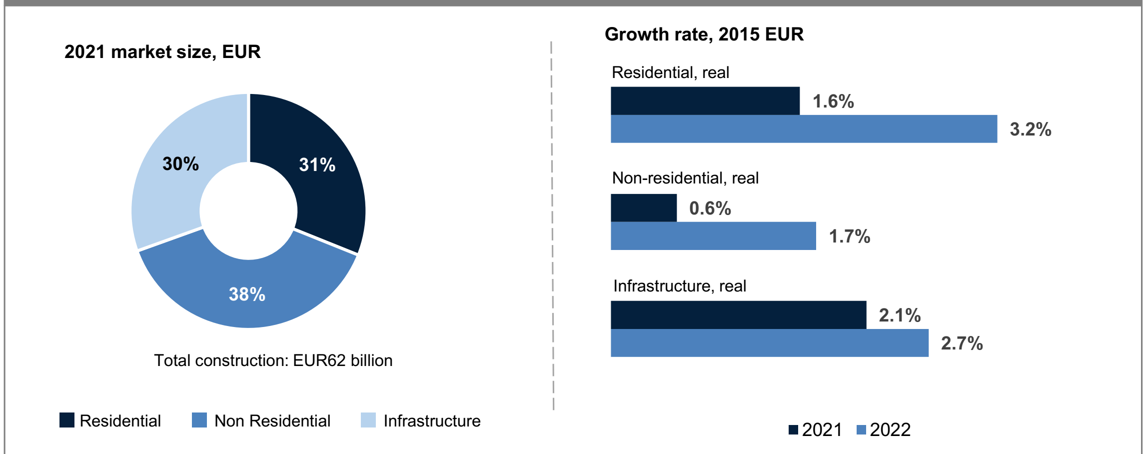
b. Macroeconomic environment

Despite initial expectations of a large drop in 2020, the Norwegian economy ended up only contracting 4.8% owing to a better-than-expected performance in the second half of the year against a backdrop of falling crude oil prices. GDP is now forecast to grow 13.8% in 2021 and 3.7% in 2022, underpinned by rising oil prices and Norway being one of the least affected countries in Europe by the COVID-19 pandemic. The investment outlook remains negative as oil companies, owing partly to lower offshore investment intentions and pipeline development have either postponed or cancelled development projects. Fixed investment is expected to fall 1.9% in 2021 before climbing 1.1% in 2022, reflecting long-term projects with end dates in the second half of 2022. Rising oil prices will help dampen these effects, but levels are still likely to be lower than pre-pandemic. This development in turn will impact manufacturing sub-sectors that service the petroleum industry, further affecting business investment in the medium-to-long term.

Total construction spending fell 3.3% in 2020, led by non-residential construction falling 4.3%. The construction sector is likely to grow 1.4% in 2021 before quickly speeding up to 2.5% in 2022, with strong growth prospects across all sub-segments all the way until 2030. The residential segment is forecast to enjoy strong growth of 2.9% a year until 2025, boosted by rising real GDP per capita, an increase in the number of households of about 8% by 2030, and supportive public finances. A constant threat to the residential sector remains the estimates by official statistics organisations that the housing market is over-valued. Estimates of this over-valuation run as high as 40% from the International Monetary Fund. Additional risk exists with Norwegian monetary policy and interest rate risk. Unless consumers deleverage substantially, risks will persist as large portions of consumer loans have floating interest rates attached to them. Norwegian households' debt to disposable income ratio stands around 200%, meaning this issue remains very much front and centre.

NO – Construction sector



Source: IHS Markit

Poland (PL)

After growing more than 8.5% in 2019 and falling 4% in 2020, the Polish market is set to rebound 5.3% in 2021. The share of rental revenues coming from construction demand remains at 80%, the highest in Europe, with the market benefiting from construction growth. Polish total construction output increased 7.9% in 2021, supporting the rental equipment market.

Like Czechia and other Eastern European countries, the impact of COVID-19 remained insubstantial on the construction and rental sectors. There was no full lockdown, with construction activity continuing throughout the pandemic, unlike in Southern and Western Europe. Although market maturity remains low, with construction penetration rates below 1%, one of the key features of the market remains its high fragmentation, leaving room for larger players to consolidate. Additionally, only around 20% of total rental and construction activity is concentrated in the Warsaw region, offering opportunities for growth across the country. Rental companies with fewer than 50 employees generate nearly 70% of total industry revenue and employ 80% of workers in the sector.

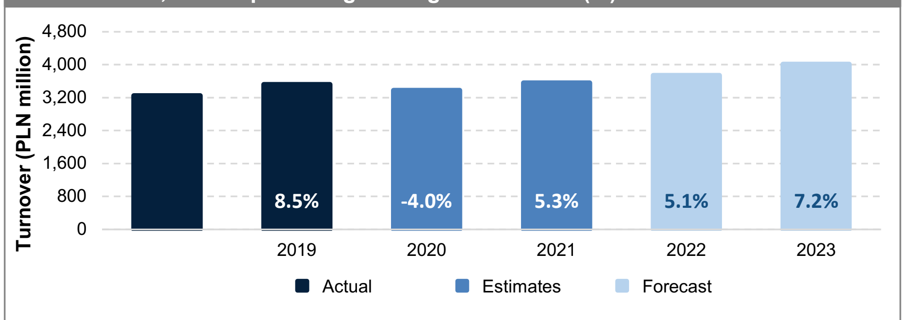
Echoing last year's report, the Polish market remains relatively small suffering from the financial health of contractor companies but remains attractive to rental players. The unique position of Poland as a gateway to Europe for Asian companies offers further development opportunities. Poland is one of the countries where recent M&A activity is having an impact and might trigger some changes as funds continue to buy properties, boosting the residential segment.

Poland (PL), PLN	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [PLN million]	3,245	3,520	3,380	3,560	3,740	4,010
- Rental companies	3,215	3,485	3,345	3,520	3,700	3,970
- Other comp. providing rental services (rental turnover only)	30	35	35	40	40	40
Investment [PLN million]	595	625	510	545		
Rental fleet value [PLN million]	5,805	5,925	5,870	5,945		
Rental market drivers						
GDP [PLN billion]	2,121	2,293	2,326	2,538	2,754	2,912
GDP penetration	1.5‰	1.5‰	1.5‰	1.4‰	1.4‰	1.4‰
Construction output [PLN billion]	399	390	392	423	451	470
Construction penetration	0.8%	0.9%	0.9%	0.8%	0.8%	0.9%
Population [million]	38	38	38	38	38	38
Population penetration [PLN per person]	86	93	89	94	99	106
Exchange rate [PLN per EUR]	4.3	4.3	4.4	4.5	4.5	4.4

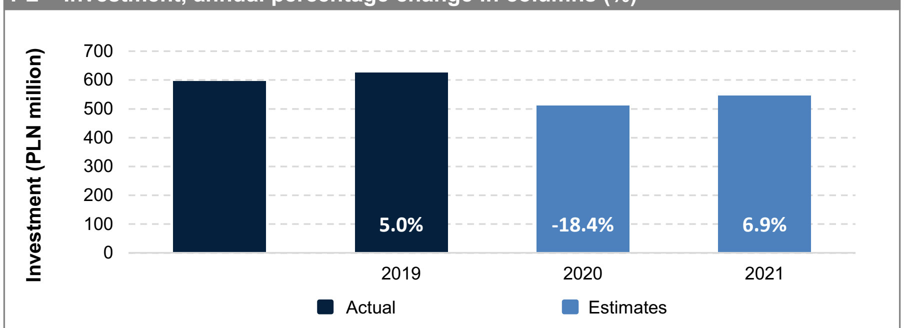
Source: IHS Markit and official statistics data

a. Review of key indicators

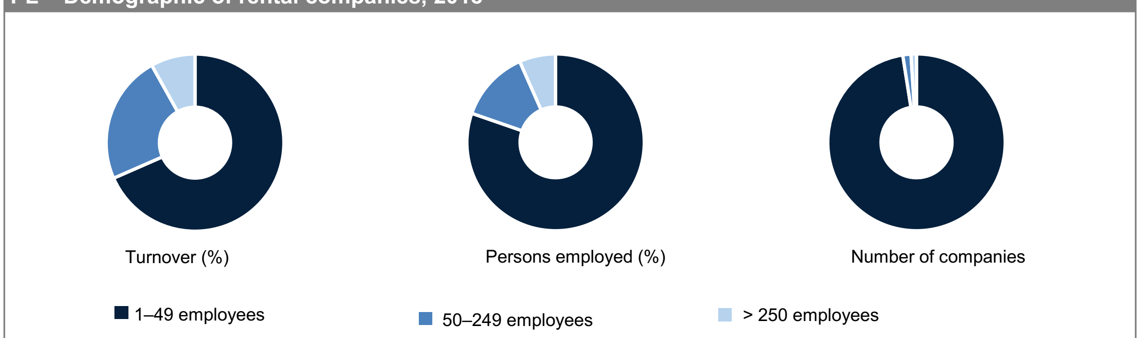
PL – Turnover, annual percentage change in columns (%)



PL – Investment, annual percentage change in columns (%)



PL – Demographic of rental companies, 2018



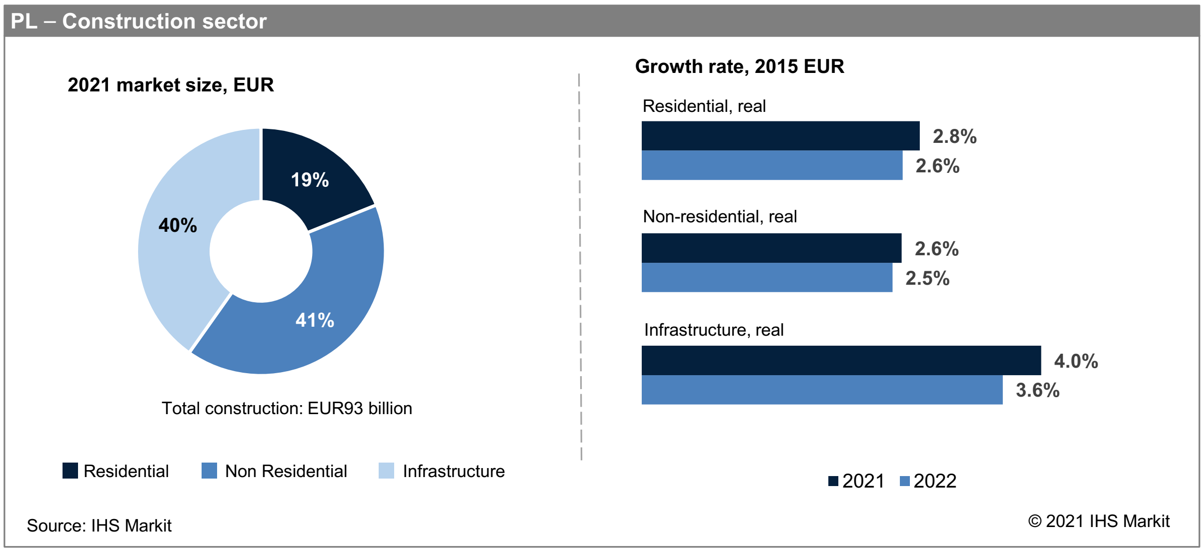
Source: IHS Markit

b. Macroeconomic environment

Polish GDP grew 1.5% in 2020 and is now forecast to grow 9.1% in 2021 and 8.5% in 2022. These figures are increases from previous forecasts based on better-than-expected performance in the first quarter of 2021 and loose monetary and fiscal policies enabling a quicker recovery. Although fixed investment represents a small share of GDP, there are signs that it is recovering in 2021, along with consumer demand, boosted in part by EU transfers. The threat of supply chain disruptions continues to loom over Polish exports, as the EU bloc accounts for 74% of goods exports, with Germany capturing more than 29% of the total.

Manufacturing enjoyed a 13th consecutive month of growth in July 2021 according to the PMI®. This is led by the 8th consecutive month of growth in the New Orders and Exports sub-indices. The business activity outlook remains positive, while suppliers' time continues to slow down, and input prices rise. Although the latter is being passed down to consumers, slower deliveries could create bottlenecks and slow business activity.

Total construction spending in 2020 fell 3.5% and is now expected to climb back 3.2% in 2021 and 3.0% in 2022. The residential segment is forecast to grow at a 2.1% CAGR from 2020 to 2025, despite the population decline during the forecast period. This is offset by the rise in the number of households, rising real GDP per capita set to grow nearly 40% by 2030, and increasing urbanisation rates. Meanwhile, non-residential structures will grow at a 2.1% CAGR in the next five years, despite a fall in office construction at a 0.2% CAGR. The infrastructure segment is likely to face the most headwinds. Despite large-scale projects, such as the National Road Construction Program worth EUR 61 billion or the EUR140 million of EU funds for the renovation of the port of Gdansk, Polish finances and growing antagonistic relationships with the EU threaten further investments in the medium-to-long term. Plans for a new airport in central Poland already had to be shelved until after 2030 because of a lack of national funding, while EU sanctions remain a threat to Poland's access to funds for infrastructure projects.



Spain (ES)

The Spanish rental turnover in 2021 is currently forecast to grow at 4.9% after a steep decline of 14%, leaving it far behind its 2019 peak. The share of rental revenue coming from construction demand remained around 75%. Construction growth in 2021 was driven by infrastructures while the non-residential structure segment barely moved, with 0.3% growth.

The effect of the pandemic on rental activity was felt more strongly in Southern Europe, as well as in the UK. Strict lockdowns with large numbers of site shutdowns meant the second- and third-quarter impact was significant in 2020. The 2021 recovery is currently constrained by the poor performance of the construction sector, having grown only 3% since the start of the year, and set to slow down significantly before the year's end, despite larger projects starting in 2021. The current labour and machine shortages continue to temper the recovery, while penetration is still low.

The regional disparities across Spain, as in Italy and France, should be noted, although the whole country has been affected by the slowdown. The Spanish market remains highly fragmented compared with its neighbours. Nearly 75% of rental sector turnover is generated by firms with fewer than 50 employees – mainly small, independent companies.

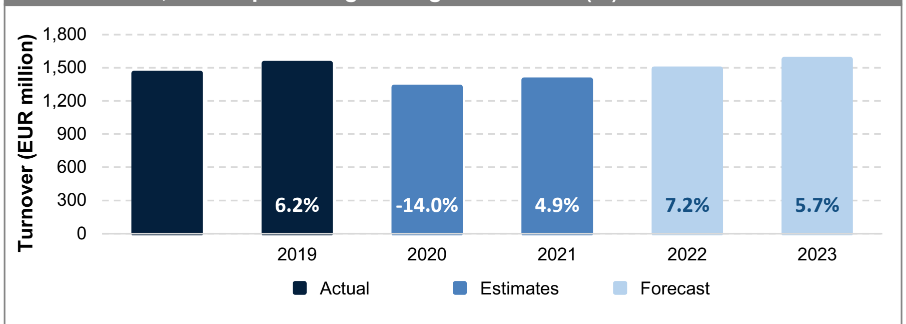
Political uncertainty continues to affect public investment, despite the pandemic taking most of the spotlight. For recovery to fully get under way, public authorities will need to support the construction sector, which should be facilitated by EU funds availability. Another interesting aspect to the market is the loan repayment amnesty will end in May 2022, implying a potential change to the landscape of the market in the next year, which could lead to a wave of consolidation.

Spain (ES), EUR	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [EUR million]	1,450	1,540	1,325	1,390	1,490	1,575
- Rental companies	1,375	1,460	1,255	1,305	1,395	1,490
- Other comp. providing rental services (rental turnover only)	75	80	70	85	95	85
Investment [EUR million]	210	215	160	165		
Rental fleet value [EUR million]	2,755	2,800	2,700	2,710		
Rental market drivers						
GDP [EUR billion]	1,204	1,245	1,122	1,215	1,308	1,372
GDP penetration	1.2‰	1.2‰	1.2‰	1.1‰	1.1‰	1.1‰
Construction output [EUR billion]	150	154	136	134	141	150
Construction penetration	1.0%	1.0%	1.0%	1.0%	1.1%	1.1%
Population [million]	47	47	47	47	47	47
Population penetration [EUR per person]	31	33	28	30	32	34

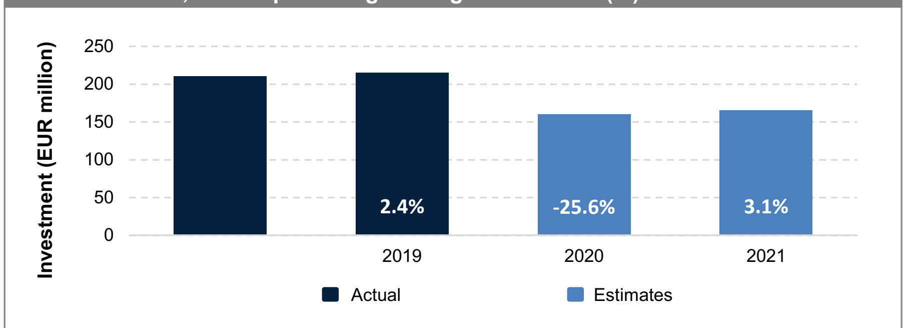
Source: IHS Markit and official statistics data

a. Review of key indicators

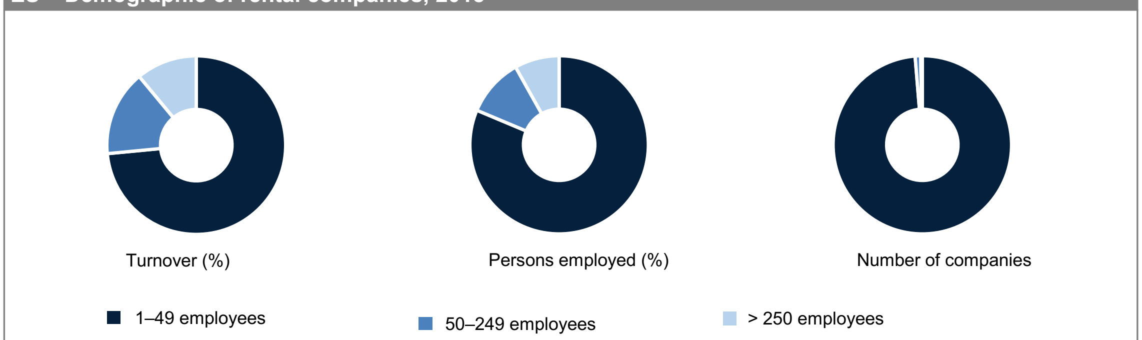
ES – Turnover, annual percentage change in columns (%)



ES – Investment, annual percentage change in columns (%)



ES – Demographic of rental companies, 2018

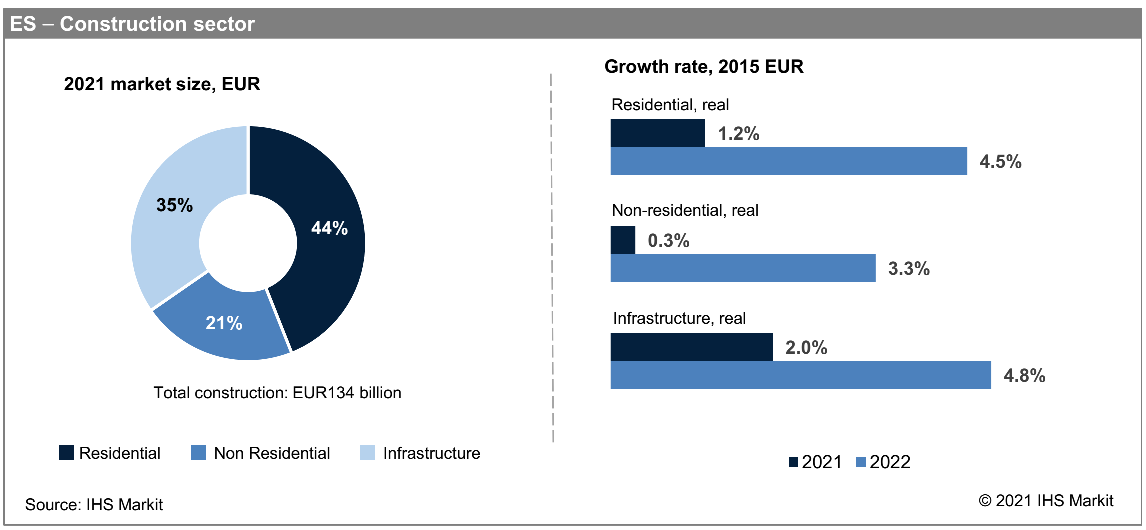


Source: IHS Markit

b. Macroeconomic environment

In 2020, Spain's GDP contracted 9.9% and is now forecast to grow 8.3% in 2021 and 7.6% in 2022, erasing the losses incurred from the pandemic. Growth in the next two years will be supported by a combination of consumer spending in response to the economy reopening, improving exports driven by European-wide recovery, and government and EU fiscal support of nearly EUR54 billion. Government spending in response to the pandemic will increase the public-debt-to-GDP ratio to 120% in 2021, up from 96% in late 2019. As a result of the recession from the pandemic, labour market conditions worsened across sectors, with unemployment peaking at 16%, following sharp layoffs in services and for workers on temporary contracts. However, the latest figures from the PMI® show the positive hiring intentions of firms, on the back of the Spanish economy's reopening and rising activity.

The construction sector dropped a substantial 14.5% in 2020, with growth in 2021 and 2022 only expected to reach 1.3% and 4.3%, respectively, and is not expected to recover its pre-pandemic level until 2026. Growth in the medium term will be led by the infrastructure sector, accounting for 35% of total construction spending, growing at a 4% CAGR until 2025. The residential segment should enjoy a healthy 2.6% CAGR to 2025 despite a forecast population decline, in part because of an increase in the number of households of 3% and an increase in real GDP per capita of 18%, between 2020 and 2025. Non-residential structures should grow at a 2.1% CAGR to 2025, led by institutional and office construction, while commercial construction will shrink slightly in the period. Meanwhile, infrastructure's high growth will be led by the public health and energy sub-segments.



Sweden (SE)

Swedish rental turnover growth for 2020 was essentially flat, dropping only 0.2% before climbing 2.5% in 2021, while the share of rental revenues coming from construction remained at 70%. The sector managed to remain afloat because of the long lead times of projects in Sweden sustaining most of the activity throughout 2020 and in the start of 2021.

As in the rest of the Nordic countries, the impact of the COVID-19 pandemic was minimal in Sweden, owing to its unique no-lockdown approach. Construction and other wider economic activity remained permitted. The Swedish government also did not mandate people to work from home or force construction sites to shut down.

The Swedish approach paid off in the short term; however, as the rest of Europe and the world closed, economic activity also slowed there. Much of the construction activity in Sweden remained steady, but renovation continues to be key, in particular for energy and infrastructures, which will likely drive growth in the medium-to-long term. Construction will begin a new cycle after falling in 2019, despite high levels of penetration for rental, allowing the sector to resist cycles better.

Sweden continues to boast 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. Strong demand for modern and safe machines with good environmental performance continues to be key. Like other Nordic countries, sustainability and ecological considerations are important for contractors and public authorities in Sweden, with the largest mine in Sweden currently threatened with closure amid environmental concerns. Should this come to pass, the effect on the supply chain would be felt across the entire sector.

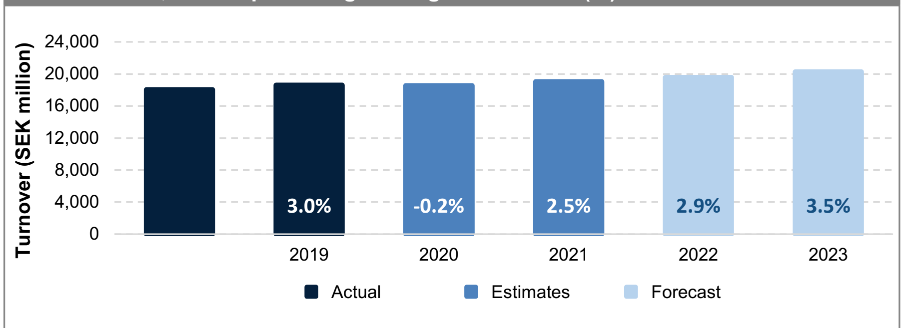
With that said, the high level of investment expected in the market implies further consolidation, despite an already consolidated market, with companies with more than 250 employees generating almost 50% of total revenues.

Sweden (SE), SEK	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [SEK million]	18,055	18,605	18,565	19,035	19,585	20,280
- Rental companies	17,780	18,320	18,280	18,745	19,285	19,970
- Other comp. providing rental services (rental turnover only)	275	285	285	290	300	310
Investment [SEK million]	2,410	2,435	2,415	2,420		
Rental fleet value [SEK million]	23,285	23,875	23,780	24,260		
Rental market drivers						
GDP [SEK billion]	4,830	5,053	4,975	5,344	5,651	5,843
GDP penetration	3.7‰	3.7‰	3.7‰	3.6‰	3.5‰	3.5‰
Construction output [SEK billion]	524	505	517	540	562	581
Construction penetration	3.4%	3.7%	3.6%	3.5%	3.5%	3.5%
Population [million]	10	10	10	10	10	10
Population penetration [SEK per person]	1,811	1,854	1,838	1,873	1,917	1,974
Exchange rate [SEK per EUR]	10.3	10.6	10.5	10.1	10.0	10.0

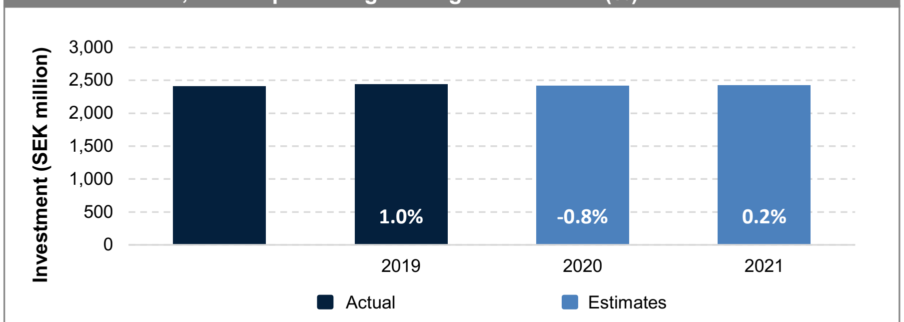
Source: IHS Markit and official statistics data

a. Review of key indicators

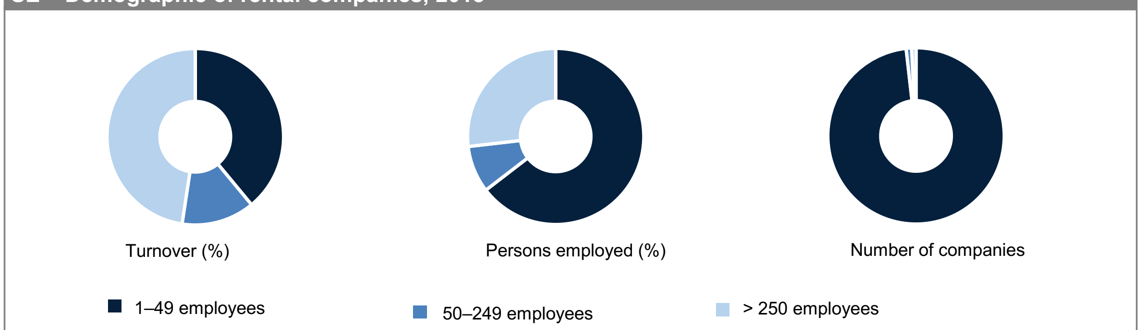
SE – Turnover, annual percentage change in columns (%)



SE – Investment, annual percentage change in columns (%)



SE – Demographic of rental companies, 2018

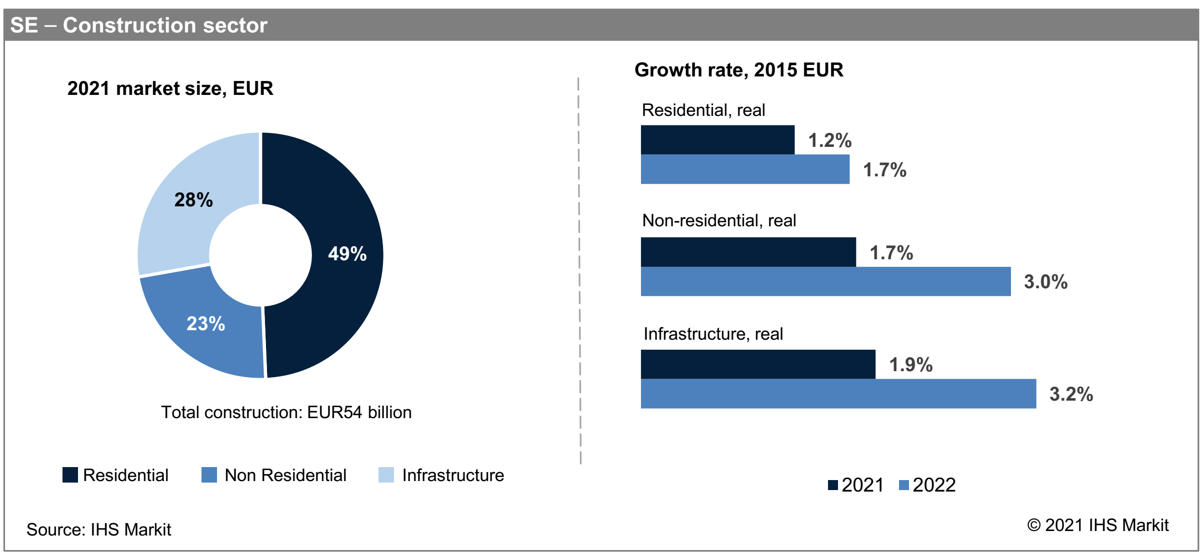


Source: IHS Markit

b. Macroeconomic environment

In 2020, Sweden's economy dipped 1.5%, a better-than-average performance among its European peers. The Swedish economy is forecast to grow 7.4% in 2021 and 5.8% in 2022. Strong performance is likely, based on the acceleration of the vaccination roll-out in the second quarter of 2021 and consumer demand in key sectors, such as transports with changes in vehicle regulations in April. Despite Sweden's unique approach to the pandemic, a second wave still hit in late 2020 and early 2021, reducing consumer confidence and spending. Nevertheless, a booming manufacturing sector and exports will help support the recovery. Supply chain disruptions pose a downside risk to the forecast, as consumer demand had been flat since mid-2018, leaving net exports with a more important contributing role to the Swedish growth engine. Fixed investment is apt to grow at 2.5% in 2021 and 2.8% in 2022, after a contraction in investment in new dwellings and firms delaying investment plans.

Sweden's above-average economic performance in 2020 was echoed by the construction sector, which grew 1.1% and is forecast to accelerate to 1.5% in 2021 and to 2.4% in 2022. This growth will be led by the infrastructure segment, accounting for 28% of total construction spending. Revisions have shifted some of the growth outlook from 2021 to 2022 because of rising cases of the Delta variant in Europe, which are expected to slow down consumer spending because of tightening restrictions. The residential segment should enjoy steady growth, owing to low borrowing costs, rising real income gains, and supportive labour market conditions. There remain risks in this segment, due to the high degree of household indebtedness of 170% of gross disposable income and an over-valued housing market. This could prove difficult to navigate in the long run, if interest rates remain too low. Non-residential structures also look set to grow well in the medium term, led by institutional and commercial construction growing at 5.1% and 2.9% CAGRs to 2025, while industrial construction will contract on average 0.9% a year during the same period. The infrastructure segment will continue to lead, with 1.9% growth in 2021 and 3.2% in 2022, driven by the energy sub-segment supporting the energy transition toward a low-carbon economy. Additionally, in 2018–29, the Swedish government has planned more than SEK700 billion of infrastructure investments, with a special focus on railway at more than SEK125 billion.



Switzerland (CH)

Swiss rental turnover growth for 2021 is expected to reach 2.8% after falling 5% in 2020, erasing gains made in 2019. The share of rental revenues stemming from construction demand remained at approximately 70%, benefiting from positive traction in Swiss construction in the last few years, despite a slowdown in activity starting in 2019.

The COVID-19 pandemic had a relatively mild impact in Switzerland in 2020, with a modest lockdown and a few site shutdowns. 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 and few rental companies having national coverage, a feature only also seen in Belgium.

The penetration rate in the market remains low, with ownership still being preferred over usership. This preference is partly because of customers exhibiting sophisticated requirements that are more easily met by owning equipment. As is the case in the Austrian market, the competition between international and local rental players is still a strong feature of the market, with local players having a stronger local customer base. Meanwhile, the role of OEMs and distributors with rental business divisions continues to grow.

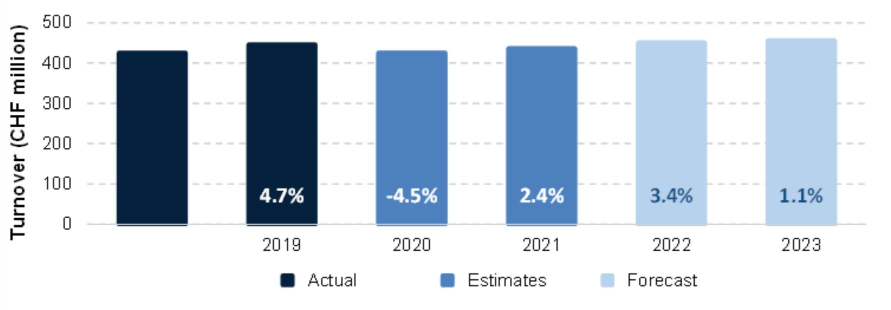
Nota bene: For Czechia and Switzerland, Eurostat provides information at a higher sectorial level than expected (NACE code 77.3 instead of NACE rev. 2 code 77.32). As a result, some assumptions have been made to develop comparable rental market estimates.

Switzerland (CH), CHF	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [CHF million]	425	445	425	435	450	455
- Rental companies	375	390	370	380	390	400
- Other comp. providing rental services (rental turnover only)	50	55	55	55	60	55
Investment [CHF million]	105	105	90	90		
Rental fleet value [CHF million]	820	840	815	830		
Rental market drivers						
GDP [CHF billion]	720	728	703	744	779	797
GDP penetration	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰	0.6‰
Construction output [CHF billion]	82	82	80	84	86	87
Construction penetration	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Population [million]	9	9	9	9	9	9
Population penetration [CHF per person]	50	52	49	50	51	52
Exchange rate [CHF per EUR]	1.2	1.1	1.1	1.1	1.1	1.1

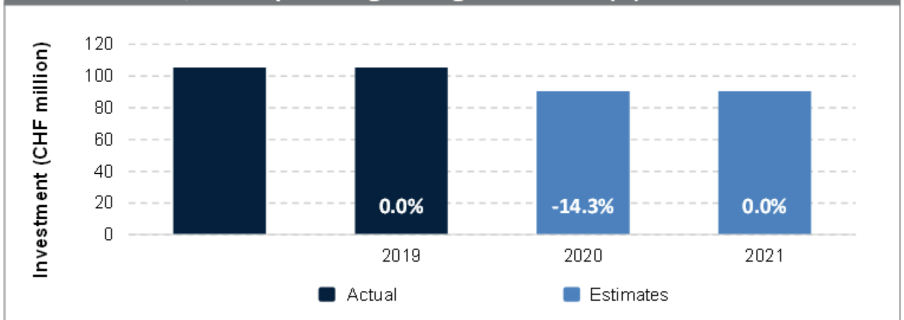
Source: IHS Markit and official statistics data

a. Review of key indicators

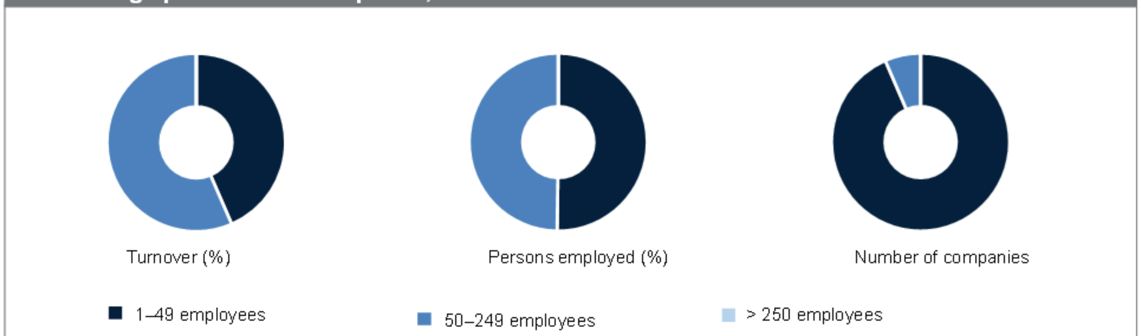
CH – Turnover, annual percentage change in columns (%)



CH – Investment, annual percentage change in columns (%)



CH – Demographic of rental companies, 2018



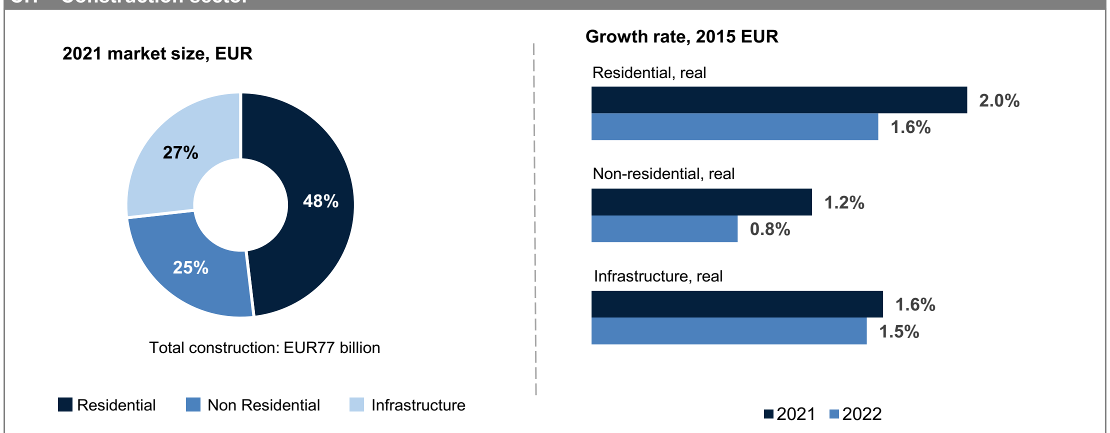
Source: IHS Markit

b. Macroeconomic environment

The Swiss economy should grow 5.8% in 2021 and 4.8% in 2022, after a contraction of 3.4% last year. Figures for production in March and merchandise exports in May proved positive, while retail sales for May and unemployment in June proved weaker than expected. This mixed picture for the first half of 2021 is not likely to slow growth significantly. Exports, driven by the pharmaceutical sector, are proving to be a key indicator of the recovery for the second half of 2021, alongside positive figures for the manufacturing PMI®, reaching a high of 66.9 in May while the services PMI® reached a four-year high in June following the lifting of restrictions. The outlook for equipment spending is also positive; after recovering three-quarters of its losses in the second half of 2020, investment remained steady in the first quarter of 2021. This will be supported in the second half of 2021 by the manufacturing sector's recovery. Medium-term prospects remain positive with a moderate debt-to-GDP ratio of 31% despite fiscal stimulus to counter the effects of the pandemic, thus paving the way for a solid foundation for the Swiss recovery.

Real total construction spending fell 1% in 2020, dragged down by the non-residential segment falling 1.4%. Total spending is now forecast to rebound by 1.7% in 2021, before slowing down to 1.3% in 2022. All segments are expected to experience a CAGR between 1.1% and 1.3% to 2025, showing slow but stable growth. The number of households will grow by around 8% by 2030, while real GDP per capita is expected to grow about 13.5% in the same period, or 1.3% per year. This sluggish outlook will be partly responsible for the lukewarm growth in the residential segment. On the other hand, some major infrastructure projects remain in the pipeline such as the New Transalpine Rail Link costing CHF18.7 billion. Indeed, transportation-related construction will lead the growth in infrastructure spending, ahead of energy-related construction. Future plans will hinge on the resurgence of COVID-19 cases across Europe, potentially slowing down activity and diverting funding toward more short-term fiscal stimulus outlets.

CH – Construction sector



Source: IHS Markit

United Kingdom (UK)

In the UK rental market, 2020 marked an enormous shift as the COVID-19 pandemic took hold and Brexit was finally announced. Consequently, last year's rental turnover fell more than 17.4%, before only climbing up 8.5% this year. This modest rebound is due to labour shortages, in part due to Brexit, and increased supply chain costs now that the UK is no longer in the customs union. Additionally, recent developments with fuel prices rising and fuel itself becoming scarce have further slowed down the economic recovery in the last quarter of 2021. The share of total rental revenues coming from construction demand remained at 60%.

Continued large infrastructure projects such as High Speed 2, Hinkley Point C, and Highways England's five-year roads programme, have helped maintain confidence in the medium term. Nevertheless, in the short term, the pandemic and Brexit continue to bring in uncertainty, as new variants develop, the vaccination roll-out slows down, labour becomes more difficult to source, and prices shoot up for materials and fuel.

As was the case in Southern European countries, the impact of the COVID-19 pandemic was severe in the United Kingdom, with multiple strict lockdowns and many site shutdowns. However, recent announcements by the government that there will be no further lockdown have helped business confidence, despite rising cases in the third and fourth quarters of 2021.

Nevertheless, the UK market remains the most mature in Europe, with a high level of consolidation and high penetration rates. As such, it continues to be a valuable target for investors looking to fund the expansions of players in the marketplace. 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 should further increase with the pandemic.

New trends around digitisation are creating opportunities for new entrants. One such example is the rise of a type of "gig economy" business model, but also the increasing need for larger incumbent players to become one-stop shops for their customers. The latter is a trend that has been ongoing in recent years and seems poised to continue, leading to a higher level of re-rental in the UK than elsewhere in Europe (see note).

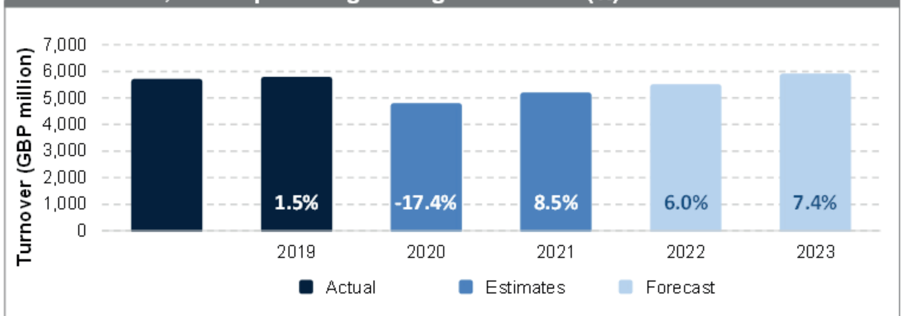
Nota bene: For the United Kingdom, to factor in the unusually high re-rental activity (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted by 5% the total rental market. In effect, a concern was expressed that the national statistics would lead to double counting revenues of rental players. A further investigation is carried out in a special "UK focus: Cross-hire" chapter in this report. The results of that chapter are not used in this 2021 report and will only be used from next year onward.

United Kingdom (UK), GBP	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [GBP million]	5,615	5,700	4,710	5,110	5,415	5,815
- Rental companies	5,415	5,500	4,550	5,010	5,310	5,610
- Other comp. providing rental services (rental turnover only)	200	200	160	100	105	205
Investment [GBP million]	1,515	1,510	1,035	1,080		
Rental fleet value [GBP million]	9,125	9,300	7,370	8,230		
Rental market drivers						
GDP [GBP billion]	2,142	2,218	2,112	2,335	2,549	2,657
GDP penetration	2.6‰	2.6‰	2.2‰	2.2‰	2.1‰	2.2‰
Construction output [GBP billion]	303	310	277	301	321	338
Construction penetration	1.9%	1.8%	1.7%	1.7%	1.7%	1.7%
Population [million]	67	68	68	68	68	69
Population penetration [GBP per person]	84	84	69	75	79	85
Exchange rate [GBP per EUR]	0.9	0.9	0.9	0.9	0.9	0.9

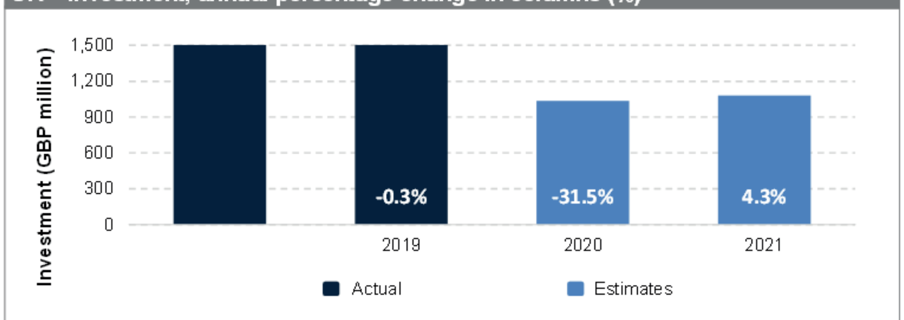
Source: IHS Markit and official statistics data

a. Review of key indicators

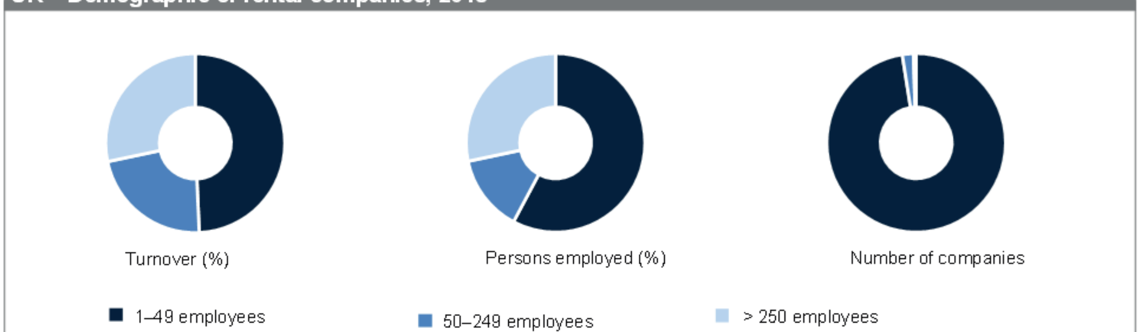
UK – Turnover, annual percentage change in columns (%)



UK – Investment, annual percentage change in columns (%)



UK – Demographic of rental companies, 2018



Source: IHS Markit

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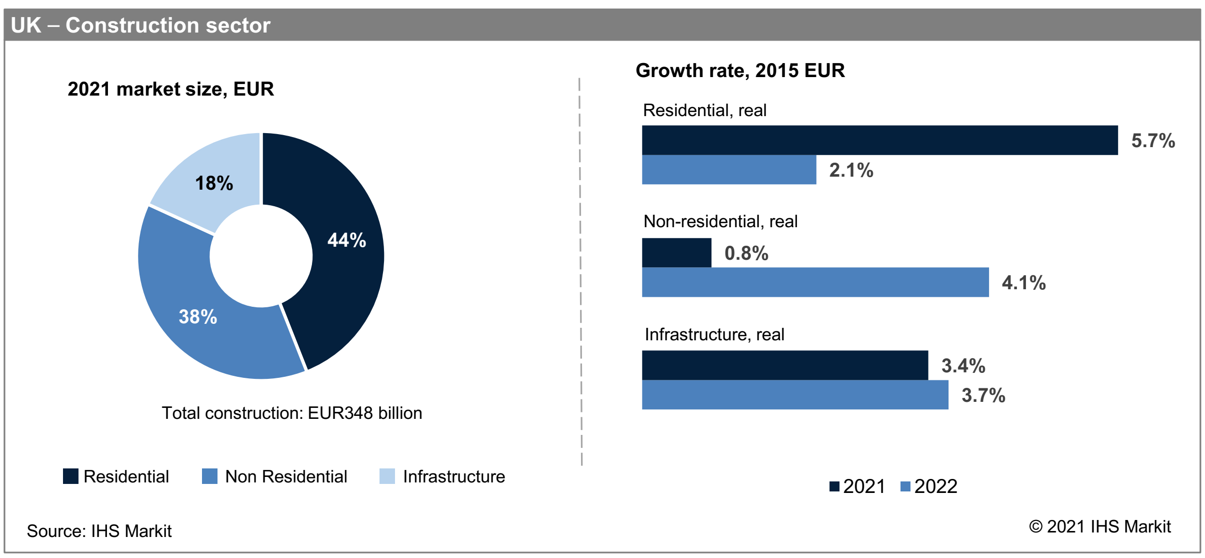
b. Macroeconomic environment

The UK economy nominally contracted 4.8% in 2020 and is now forecast to grow 10.6% in 2021 and 9.1% in 2022. Inflation is now likely to rise to 2.4% in 2021 and 2.9% in 2022, while it could peak as high as 3% in the coming months. Price pressures are coming from the increase in crude oil prices and disrupted supply chains pushing up input prices, the latter being passed on to consumers. Further normalisations of trading conditions might allow retailers to experiment with bolder pricing decisions in the second half of 2021. Meanwhile, the Bank of England has brought forward its policy rate rise to the third quarter of 2022, because of the stronger growth profile for the economy, and in part to accommodate inflation levels currently above its target of 2%. The EU and UK came to a free-trade agreement on goods but nothing concrete on services. Additionally, Brexit and the pandemic have led to a sharp reduction in overseas workers in the UK, leading to – or exacerbating in certain cases – labour shortages in several industries.
In the short-to-medium term, the emergence of virus variants could lead to unexpected lockdowns while the lack of a free-trade agreement on services (particularly financial services) continues to bring uncertainty to the UK-EU relationship. The impact of the pandemic has left government borrowing at 15% of GDP, a sixfold increase on its 2019 levels and 50% higher than during the 2009 financial crisis. There is upside risk coming from a fast and effective vaccination programme, with 68% of the population being fully vaccinated as of late October. The largest industrial sectors benefit from greater post-Brexit clarity, helping to boost investment decisions in the short term. They will also benefit from the government two-year tax break to help shift forward some of that delayed capital expenditure. Until 2023, firms can offset 130% of investment spending on eligible plant and machinery against profits.

In 2020, construction spending fell 14%, led by non-residential spending falling 15.6%, following Brexit concerns and pandemic-related restrictions. Growth is now likely to reach 3.4% in 2021 and 3.2% in 2022, leaving the sector 8.2% below 2019 levels. In the 2020–25, growth will be led by the infrastructure segment, representing 18% of total construction spending, growing at a CAGR of 3.5%. Residential construction, capturing 44% of construction spending, is set to grow 5.7% in 2021 and 2.1% in 2022, as households are expected to unleash some of their excess savings accumulated during the pandemic. "Project Speed" and its GBP250 billion in infrastructure projects is still going ahead. An additional GBP4 billion of funding has also been announced to finance local infrastructure projects to help the rest of the UK catch up with the southeast of England. Non-residential structure growth of 2.3% per year to 2025 will be supported by office construction at a nearly 2.9% CAGR, while institutional construction will grow at a 0.8% CAGR.



5

UK FOCUS: CROSS-HIRE

5.1 Getting the size just right

One persistent aspect that has limited the accuracy of the market sizing for the UK – as well as for other large rental markets in Europe – is the issue of cross-hire. Cross-hire activity traditionally concerns rental business taking place between rental companies. For example, a large rental firm hires specialist equipment from a smaller, specialised rental company to complete a larger project. This practice tends to be more common in more mature markets, with fewer growth opportunities and greater levels of consolidation.

Clearly determining the cross-hire rate in a market would solve the issue of double counting that currently exists. National statistics offices may count the revenue of two firms together, even when one firm engaged in cross-hire with another. This consideration would also allow the more accurate sizing of the relevant market, where cross-hire is more prevalent. This chapter therefore chooses to focus on the UK market, where it is generally accepted that cross-hire is most prevalent, partially because the UK market is one of, if not the, most mature rental markets in Europe.

In the future, once this process is completed for the UK, similar exercises will be conducted for other large European rental markets to continue improving the accuracy of this report. It will target larger and more mature markets, where cross-hire is either more significant or more prevalent.

5.2 Methodology

To assess the size and prevalence of cross-hire in the UK, we followed a two-pronged approach with a:

- Qualitative approach: conducting interviews with key players across several product segments in the UK; and a
- Quantitative approach: utilising data from participants to estimate cross-hire rates across product families.

We crossed insights and data from industry experts in six product categories covering construction equipment (including plant equipment), access equipment (powered access, hoisting, and lifting & safety), power generation, industrial equipment (rail, utilities, and offshore equipment), tools, and others (accommodation and traffic management).

5.3 Cross-hire continues to make headway

We estimate cross-hire to represent 7.4% of the GBP6-billion UK equipment rental market (as of 2019). The highest levels are in others (13%) and industrial equipment (10%), because of the high level of specialisation; the lowest levels are in tools (4%) and construction equipment (6%), where ownership is either easier or more profitable over time.

The general trend in recent years has been towards more cross-hire, especially in the access equipment product category and specialised equipment, such as modular accommodation, and is likely to continue. As the market continues to consolidate, larger players become one-stop shops for their customers, which leads to hire levels of cross-hire activity among them (up to 20% of total revenue for some of the larger UK renters), as they work with specialist renters who focus on less generalist equipment and service. Smaller and more regional firms do not engage as heavily in cross-hire, with the smallest and most specialised rental firms having nearly no cross-hire activity at all.

Previous estimates put cross-hire at around 5% of the overall UK market by value. This estimate of 7.4% for the UK cross-hire rate will not be used to resize the UK market until the 2022 report, at which time other estimates for larger markets will have been obtained. Thus, for this 2021 report, the current value used throughout remains that of 5%.

UK Rental market (2019) – Turnover (GBP million) and Cross-hire rates (%)

Product categories	Turnover	Cross-hire rate	Product segments
Construction equipment	1,705	6%	Plant equipment
Access equipment	1,390	8%	Powered access / Hoisting / Lifting & Safety
Power generation	615	9%	Power generation
Industrial equipment	875	10%	Rail (off-track) / Utilities & Pipeline / Offshore equipment
Tools	1,090	4%	Tool hire
Others	325	13%	Accommodation / Traffic management
TOTAL (inc. cross-hire)	**6,000**	**7.4%**	

Source: IHS Markit

6

AMERICAN RENTAL ASSOCIATION

US rental revenue

After a 2020 that saw equipment rental turnover drop more than 9.1%, 2021 saw total turnover for construction/industrial and general tools rental climb 3% above 2020, to USD47.6 billion, with forecasts for 2022 of USD52.4 billion (+9.9% vs. 2021). Revenues in the construction and industrial segments are likely to record the largest growth rates in the short term, with up to 12.3% in 2022, totalling USD38.7 billion (or 74% of total turnover).

In terms of regulatory developments, the US passed the Infrastructure Investment and Jobs Act 2021 (IIJA), which will see more than USD1.2 trillion in funds invested across the country with USD550 billion earmarked for new spending on transportation, water and power infrastructure, and pollution clean-up. With the bill passing, the spill over effects across the economy, both for the construction and industrial sectors, will be tremendous and give robust support to spending and jobs growth in the medium-to-long term. The impact for the rental industry is estimated by the American Rental Association to be in the vicinity of USD8 billion over eight years, boosting current forecasts by nearly 8%.

In addition to the bill passing, early indicators appear positive for the outlook of the sector in the medium term. Currently, forecasts appear more positive than during previous updates. This positivity is due to improvements in the non-residential segment and key indicators, such as the American Institute of Architects billings index.
Additionally, part of the USD350-billion American Rescue Plan fund will be devoted to construction projects at state and mu-

nicipal levels, further supporting the recovery of the rental equipment market. These trends together are being picked up by the industry, with investment plans in construction and industrial segments set to grow more than 36% in 2021 and 2022 to reach nearly USD14.2 billion.

Meanwhile, investment in tools should grow 20% a year for the next two years and reach more than USD4 billion in 2022. This growth is partly the result of de-fleeting in 2020, during the pandemic, and an aging fleet that needs to be replaced in preparation for the start of new growth cycles.

United States (US), USD	Actual		Estimates		Forecast	
	2018	2019	2020	2021	2022	2023
Market size						
Turnover [USD million]	48,200	50,900	46,250	47,625	52,375	55,275
- Construction and Industrial	35,800	37,675	33,625	34,475	38,725	41,150
- Tools	12,400	13,225	12,625	13,150	13,650	14,125
Investment [USD million]	13,275	13,750	7,650	10,400	14,150	15,700
Rental market drivers						
GDP [USD billion]	20,527	21,373	20,894	22,888	24,612	25,862
GDP penetration	2.3‰	2.4‰	2.2‰	2.1‰	2.1‰	2.1‰
Construction output [USD billion]	1,333	1,390	1,470	1,560	1,599	1,628
Construction penetration	3.6%	3.7%	3.1%	3.1%	3.3%	3.4%
Population [million]	329	330	332	332	333	335
Population penetration [USD per person]	147	154	139	143	157	165
Exchange rate [USD per EUR]	1.2	1.1	1.1	1.2	1.2	1.2

Source: IHS Markit, official statistics data, and American Rental Association

www.erarental.org