2022 Market Report

October 2022

European overview

Market sizing and methodology

The approach used to build the market repot 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 less consumption, 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. Changes in rental rates are then accounted for by applying a 2-period average of the deflator for the construction industry as a proxy.

Finally, we put together these figures and growth rates to produce the tables and graphs seen throughout the main body of this report.

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.

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 (2019–20), dark blue**. An approach relying on official statistics was applied to calculate the market size.
- **Estimates (2021–22), 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 (2023–24), 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 less consumption, 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.

European overview

Market size

The European rental market experienced a strong growth of 7.9% in 2021. The market is expected to slow down in 2022 with projected growth of 4.1% as soaring energy prices, inflation and high interest rates dampen outlook for businesses and households.

About 58% of European rental market revenue comes from small size firms. 23% of turnover is generated by middle-size companies. Companies with more than 250 employees generate almost a fifth of the market's turnover.

The ranking of countries remains stable with the UK, Germany and France leading the largest share of the European rental market, comprising about 60% of the total market size. Spain and Italy are expected to increase their market share by 2024.

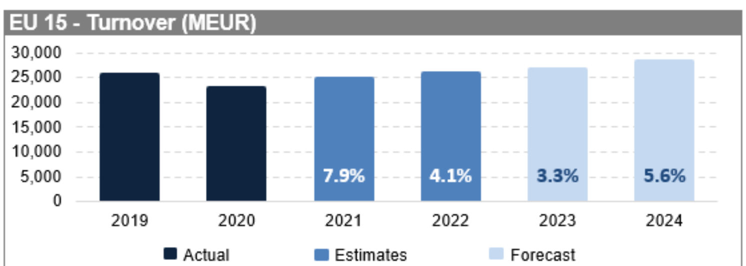
Investment in the 15 European countries increased by 7.1% in 2021 after a large drop of 21.0% during 2020. Looking ahead, we expect an investment growth of 3.9% in 2022.

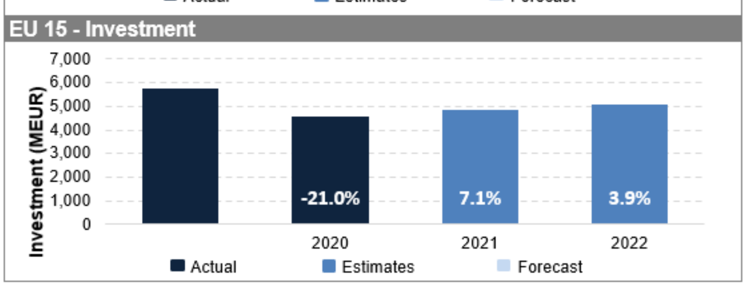
European rental market is projected to remain strong through mid-2023 as order bookings in all end-using sectors are expected to be positive. In the short-term European rental market will benefit from the economic uncertainty as rental will replace demand for machinery due to increasing price pressures.

As construction becomes more expensive due to the high energy input costs equipment manufacturers and sales of new equipment or the rental of equipment will be impacted. European construction/infrastructure are expected to benefit from the EU stimulus programme, however, high level of debt remains a major risk.

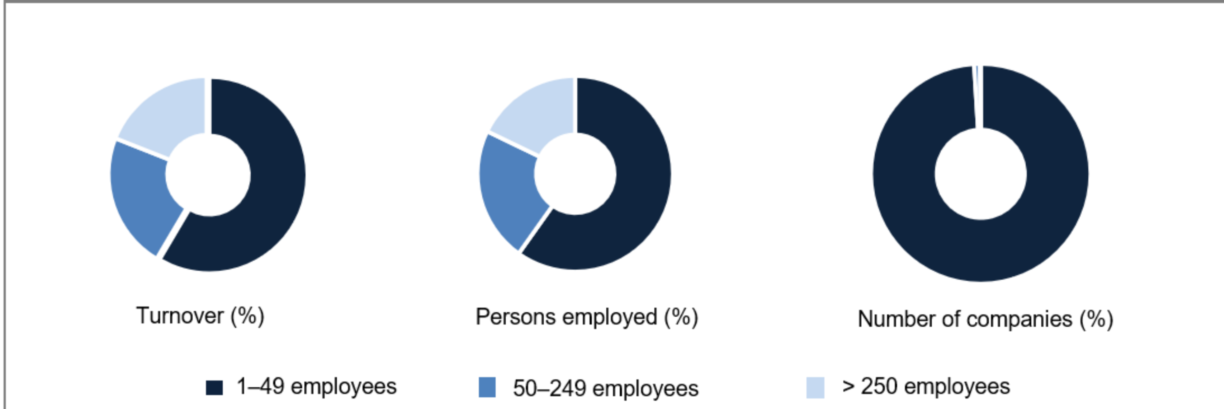
Total construction in EU15 is projected to rise 1.2% this year and 0.3% in 2023. Residential construction is forecasted to slow down to 1.0% growth in 2022 and -0.5% drop in 2023. Infrastructure construction will experience a strong growth of 2.4% in 2022 and 2.5% in 2023.

Europe (EU 15)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [EUR million]	25,582	22,889	24,676	25,697	26,551	28,041
GDP deflator	1.7	1.9	3.4	7.4	5.1	2.3
Consumer Price Index	1.5	0.9	2.7	8.8	6.1	2.1
Investment [EUR million]	5,763	4,553	4,877	5,066		
Rental fleet value [EUR million]	41,222	37,081	39,701	41,078		





EU – Demographic of rental companies, 2019



Source: S&P Global

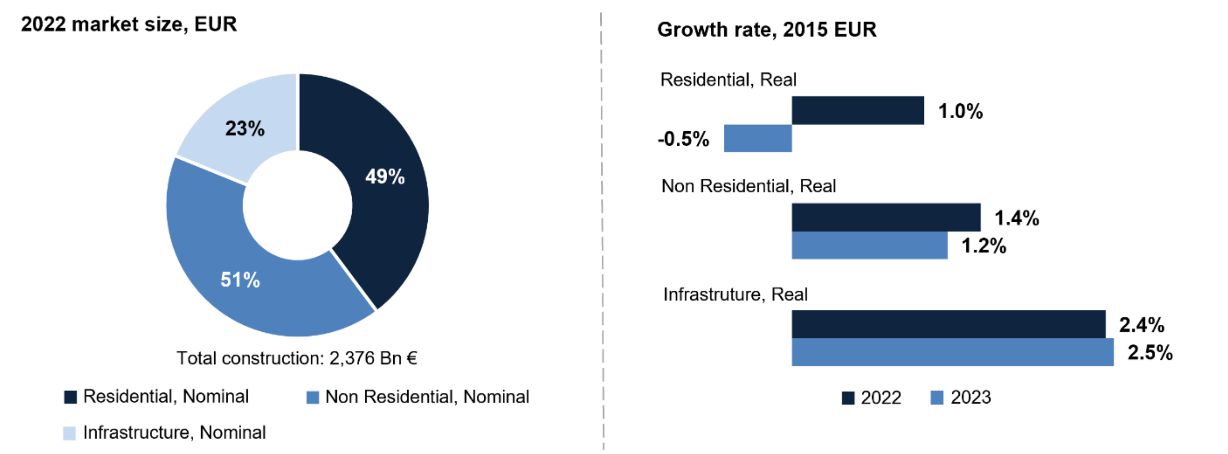
Macroeconomic environment

After growing 5.2% in 2021 following the COVID-19 economic crisis in 2020, the Eurozone faces many headwinds in 2022 and 2023, which has led to a deteriorated outlook. Robust real GDP growth in the first half of 2022 partly reflected a temporary boost from a pandemic-related rebound in consumer demand for services. However, multiple headwinds will likely weigh heavily on economic activity over the coming quarters, and we forecast real GDP to contract on a quarter-on-quarter basis in fourth quarter 2022 and first quarter 2023. These headwinds include the adverse impact of exceptionally high inflation on household real incomes, deteriorating sentiment across key sectors, and less favourable financial conditions. Leading indicators have markedly weakened across the board, including our purchasing managers' indexes (PMIs), which are already indicative of recessionary conditions in the manufacturing sector. High energy prices and supply disruptions related to the Russia-Ukraine conflict are a key downside risk, threatening a deeper-than-forecast recession.

Well above-target consumer price inflation will persist. HICP inflation has hit new heights, fuelled by record high energy and food inflation rates. Core HICP inflation has been less elevated but has also risen sharply as price pressures have broadened out. The pass through of businesses' higher input costs into non-energy industrial goods inflation has been a key driver of the pickup, but with core producer price inflation and surveys of industrial firms' pricing intentions having peaked, a moderation is likely from 2023. Services inflation rates should also ease as pent-up demand for services fades. In tandem with large base effects for energy and food, we forecast HICP inflation to markedly decline over the course of 2023, although a return to the ECB's 2% target is only expected in 2024.

Longer-term eurozone growth prospects will remain challenging. Looking beyond the short-term headwinds to growth, eurozone real GDP growth rates will likely be restrained by structural factors. Demographic trends are unfavourable in many member states, while productivity growth has been on a long-term downward trend. Large, multiyear fiscal adjustments will also be needed in the member states with very elevated public-sector debt burdens. Market pressure for fiscal tightening is likely to build as the ECB reduces its policy support. We estimate a long-term potential real GDP growth rate for the eurozone of just 0.0% in 2023 and 1.9% in 2024.

EU 15 - Construction sector



Source: S&P Global

Country Overview

Austria (AT)

The Austrian rental turnover growth for 2022 is expected to increase by 3.3%, after the solid growth of 7.0% experienced last year. Austria's rental industry achieves about 70% of its revenue from the construction which has been suffering from slow market growth in 2022.

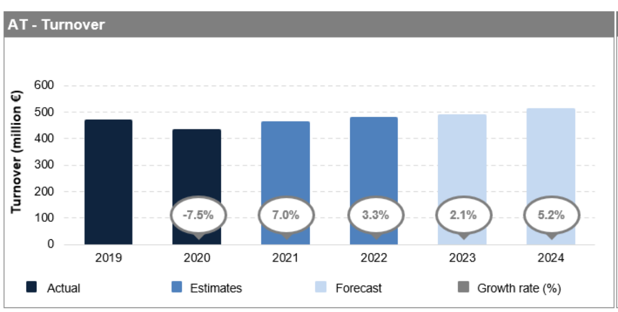
With food and energy prices exerting considerable upward pressure in the wake of the Russian war in Ukraine, inflation will peak near 10% during third quarter 2022. Excluding energy and food, underlying inflation will still likely increase at a 4–5% rate in late 2022. High inflation is creating uncertainty for rental revenue growth. As material, and even labour costs escalate at rates not seen in 40 years, project pro formas become less reliable. Tighter financial policy is leading to higher borrowing costs, limiting construction of housing and non-residential structures, with the greatest impact falling on households and smaller firms. Rising total project costs, combined with economic uncertainty begin to induce project cancellations, particularly for projects that have not yet broken ground.

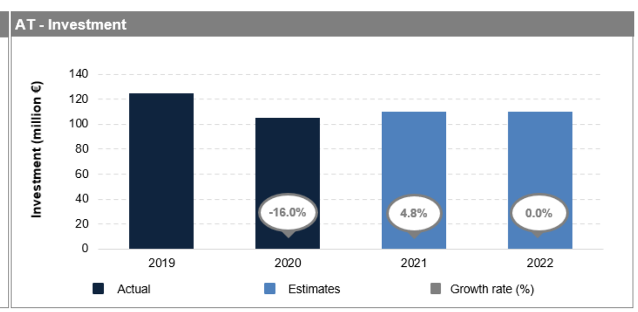
Platforms and material handling equipment have been driving revenue growth via stronger demand as well as increased prices. Rate increases of 5% or more have been recorded by some rental companies. However, the slowdown in construction demand and constrained availability of new machinery, especially in emerging sectors such as electricity generation, will slow revenue growth to 2.1% in 2023. Small companies will see the largest drop in revenues as demand for smaller projects will decline while larger players are benefiting from ongoing government spending and large infrastructure projects.

Investment is expected to stay flat, remaining relatively stable but companies are becoming cautious while planning their investment in the near-term.

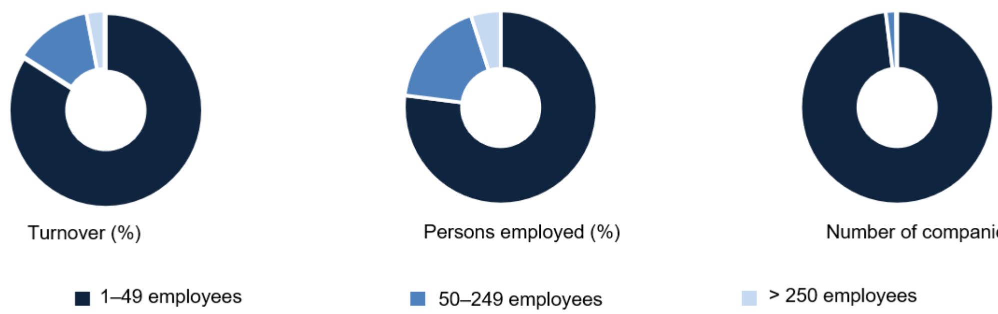
Austria has a relatively small equipment rental market, with contractor-owned equipment still dominating usage. Customer requirements are considered sophisticated in terms of products and services, which makes it appealing to own equipment. Like Switzerland, the Austrian market is characterized by a mix between international companies operating in Austria and national rental players having a strong and local customer base. The important role of distributors and OEMs having rental operations and the importance of rental specialists make them the biggest rental players in the market.

Austria (AT)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	465	430	460	475	485	510
GDP deflator	1.5	2.6	1.9	4.7	2.8	1.5
Consumer Price Index	1.5	1.4	2.8	8.6	6.0	3.2
Rental fleet investment [million €]	125	105	110	110		
Rental fleet value [million Euro]	650	605	640	660		





AT – Demographic of rental companies, 2019



Source: S&P Global

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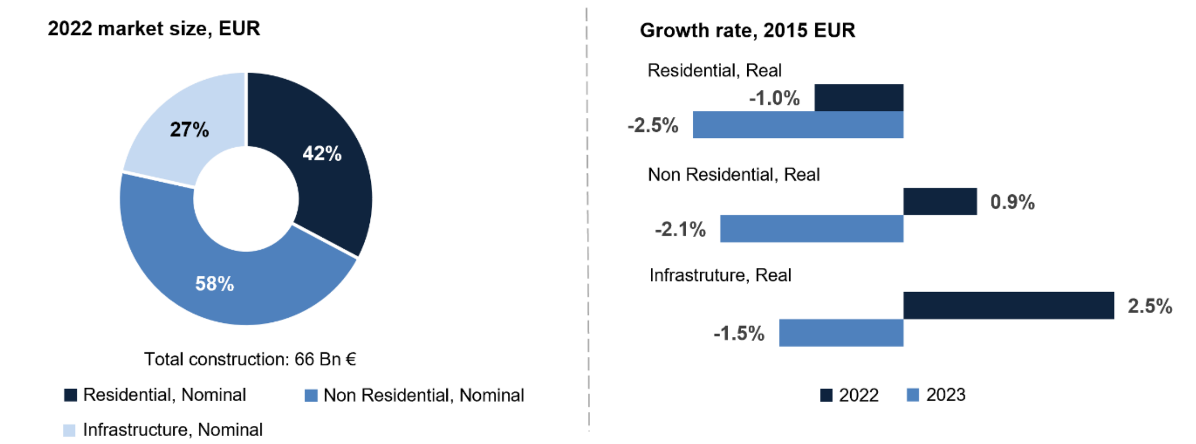
Macroeconomic environment

After rising 4.9% in 2021, real GDP is expected to increase 3.9% in 2022 before slowing to 0.8% growth in 2023. Meanwhile, total construction spending declined by -1.2% in 2021, with weak growth in residential construction (-2.7%) and non-residential construction (-2.1%). However, total construction spending is anticipated to rise 0.1% in 2022, before a slowdown of -2.3% in 2023 as issues regarding the cost and supply of building materials remain. Construction spending in Austria will face a 0.6% compound annual growth rate (CAGR) between 2021 and 2026 with growth led by the non-residential structures segment. The strong economic rebound thus far in 2022 is the result of loosened pandemic restrictions; however, it is proving to be short-lived owing to Russia's invasion of Ukraine and the associated global supply chain disruptions. Thus, the near-term outlook for net growth heading into 2023 is negative.

With food and energy prices exerting considerable additional upward pressure owing to the Russia-Ukraine war, inflation will peak in the 10% area in late 2022. Even without energy and food, underlying inflation will likely increase to 4–5% in coming months. The European Central Bank has embarked on an aggressive monetary tightening cycle, with policy rate hikes of a cumulative 125 basis points in July and September likely to be doubled by end-2022.Supply chain disruptions remain an important restraining force for economic activity, but June delivery times and input price data of the manufacturing PMI® survey indicate that a countermovement toward easing bottlenecks has begun. This can be attributed to workarounds being found on the supply side, and to a weakening of domestic demand. On the bright side, consumer spending is still providing some support around mid-2022, fuelled by excess savings accumulated during past lockdown phases in which fiscal support measures supported income levels. Consumer confidence at record lows, therefore, must not be taken at face value, as this is partly offset by the robust labour market situation and the availability of these savings, thus preventing any rapid drop of actual private consumption despite the current spike in inflation.

Despite past pension reforms and immigration, long-term growth prospects in Austria are subdued. Over the next 10 years, the country's population will average an increase of only 0.2% annually, which is slower than the global average of 0.9%. Real GDP growth of 3.0% is unlikely to return in the coming years, with 2021 and 2022 being notable exceptions owing to the rebound from the pandemic-induced recession, the deepest in Austria's post-war history. An aging society, low birth rates, a shrinking working-age population, sub-average research and development expenditures, a dearth of technology-driven industries, a lack of venture capital, and high barriers to entry into the Austrian market will weigh on achievable growth beyond about 2025.

AT - Construction sector



Source: S&P Global

Belgium (BE)

Belgian rental turnover growth for 2022 is expected to reach 3.6%, compared with an 3.7% increase in 2021. The construction sector accounts for 65% of rental revenue. Real GDP growth remains strong by regional standards at 2.5% in 2022, however industrial production and construction outlooks for 2022 have worsened. The market is expected to improve in 2023 as construction activity is projected to improve.

Despite the slowing of construction market growth, rental companies still have full order books through mid-2023, which are supporting growing revenues. As rental volume growth slows, increasing rates will still support revenue growth. The main risk to the forecast is ongoing supply chain disruptions, recently accentuated by weather conditions impacting transportation in the Rhine River and the availability of raw materials, such as steel and lumber. In addition, shortages of skilled labour remain an ongoing concern, increasing labour cost even above materials cost and impacting construction affordability and profitability.

High inflation, tighter credit conditions, and ongoing supply-side issues have their highest impacts on small and medium sized companies who have more limited accessibility to credit markets and lower capitalization. As the government has withdrawn support for Covid relief, these companies are struggling with the availability of working capital. This concern may linger into 2023.

Belgium is atypical from other European markets (except for Switzerland) in that its regional breakdown is based on language. As most Belgian rental players are local rather than national, this can act as an entry barrier. The structure of the Belgian market has not evolved significantly in recent years. However, there is now a clear trend of companies from Flanders targeting the rest of the country. This may be the first step towards consolidating a market that is still highly fragmented. Stiff competition within a region limits potential rate increases, so companies in neighbouring areas are incentivized to find other opportunities, ideally close to their borders.

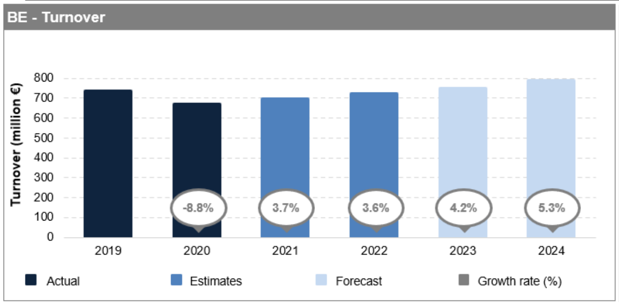
The Belgian market is characterised by the regional split between Wallonia, where generalist rental companies mostly focus on the construction sector, and Flanders, where specialised companies are more oriented towards the non-construction sector. Many medium-sized companies have also grown to compete nationally, particularly from the Flanders region.

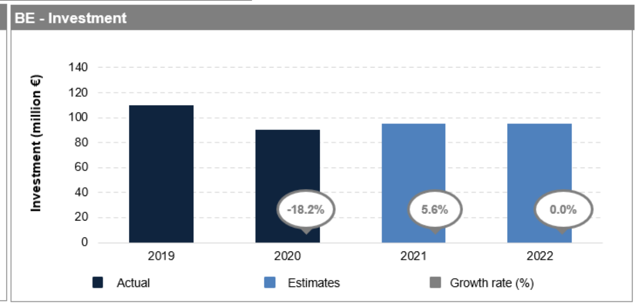
About three quarters of Belgium’s turnover is generated by small firms with less than 50 employees. The remaining quarter comes from middle sized companies that employ 28% of the market’s employees.

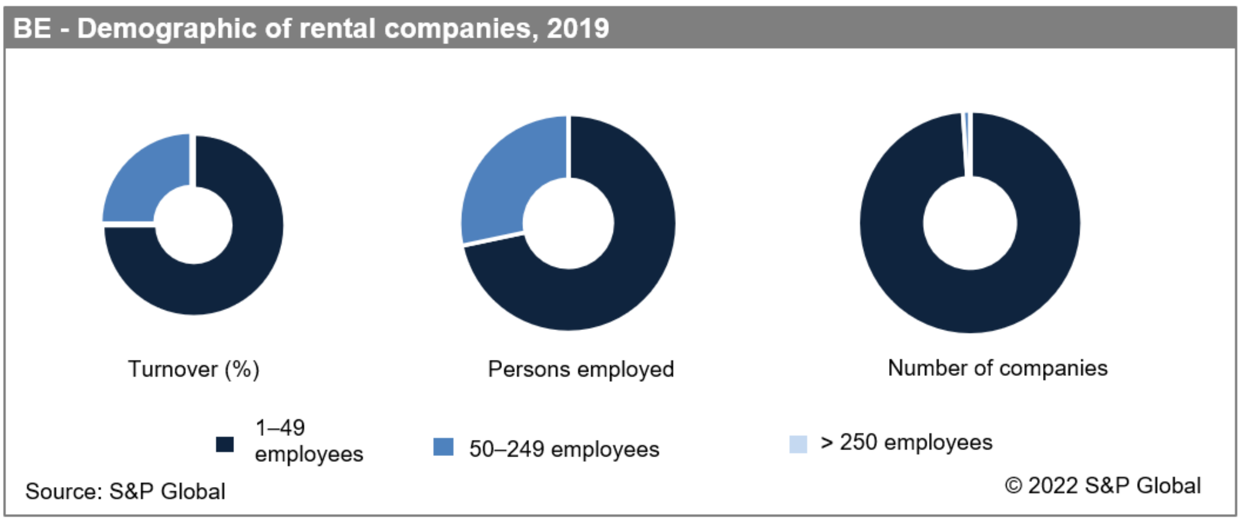
Investment levels record no-change in 2022 due to conflicting market signals. Companies are renewing fleet and adding new machinery as market demand is high for smaller machines, access equipment and platforms. Yet high inflation, tighter credit conditions, and ongoing supply-side issues have dampened prospects for growth and weakened prospective investment activity.

Transition to hybrid machinery or battery powered equipment has begun, but the transition is slow. This activity is not market transforming in the short-term, although the longer-range destiny is clearly green. Outside the construction and industrial sectors, rental demand is reported to be growing rapidly in the Belgian events sector.

Belgium (BE)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	735	670	695	720	750	790
GDP deflator	1.8	1.3	4.3	9.0	7.8	3.3
Consumer Price Index	1.3	0.4	3.2	10.4	7.8	2.5
Rental fleet investment [million €]	110	90	95	95		
Rental fleet value [million Euro]	1,260	1,160	1,200	1,240		







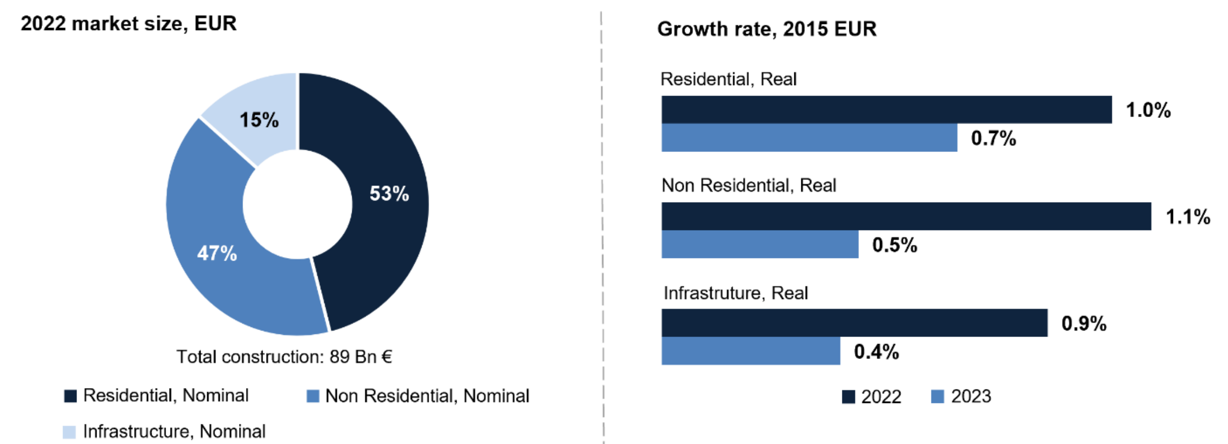
Macroeconomic environment

After strong post-pandemic growth of 6.2% in 2021, real GDP is expected to post more modest growth of 2.5% in 2022 and 0.7% in 2023. Negative fallout from the Ukrainian crisis, including higher input costs, supply chain disruptions, record-high natural gas prices, and trade disruptions will adversely impact the economy in the near term. Fixed investment was a key contributor to growth in the first half of 2022. Conversely, retail sales were disappointing, falling by 5.6% year on year (y/y) in June and 3.0% y/y in May. The latest consumer confidence surveys by the National Bank of Belgium confirm the headwinds that Belgian households face. The index measuring consumer expectations for the next 12 months have shown a notable weakness since December 2021, when the headline figure fell to -4 points. The index reported its worst reading in March, falling to -16 points, in response to the Ukrainian crisis. Consumer price inflation, particularly with respect to higher prices for natural gas, electricity, and food prices, is souring consumer confidence and dampening private consumption. Headline inflation will likely average 10.0% in 2022, before declining to 6.9% in 2023.

Real total construction rose 3.2% in 2021, driven in part by residential construction, which grew 3.7%. Non-residential construction posted growth of 2.7%, owing to strong gains in institutional and transportation infrastructure construction. Going forward, real total construction is expected to exhibit more modest growth, rising 1.1% and 0.6% in 2022 and 2023, respectively. Residential construction will contribute to this growth, rising 1.0% in 2022 and 0.7% in 2023, while industrial construction and transportation construction will drive the non-residential side. Nonetheless, office construction and energy construction will exhibit weakness on the non-residential side in the near term. Similarly, industrial production grew 16.8% in 2021, coming off a 3.8% decline during at the height of the pandemic in 2020. This high statistical base effect will contribute to a projected decline of 1.3% in 2022 and marginal growth of 0.8% in 2023. Moreover, high inflation, tighter credit conditions, and ongoing supply-side issues will dampen investment activity.

Belgian GDP growth is set to be broadly stable in the long run, with growth averaging around 1.1%-1.2% in the outer years of the forecast. This assessment is contingent on Belgium remaining one of the most open eurozone countries, with exports and imports accounting for a large share of GDP. However, Belgian exporters will face still competition in protecting their market shares in the medium-to-long term, particularly from other eurozone members. Accordingly, private investment should increase its contribution to GDP as firms continue to invest in labour cost-saving equipment to maintain international competitiveness. Accordingly, exports are expected to increase at a CAGR of 2.8% from 2025 to 2030, while imports will rise at an annualized rate of 3.2%.

BE - Construction sector



Source: S&P Global

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Czechia (CZ)

Rental market turnover in Czechia is projected to increase 4.5% in 2022, compared with an increase of nearly 3.6% last year. The share of rental revenue from the construction sector is estimated to be 75% across the country. The rental industry benefits from high utilization rates, ongoing projects and solid fixed investment growth.

A large portion of rental industry turnover is generated by firms with fewer than 50 employees, mainly small, independent companies. However, there are concerns related to increased competition driven by relative over-capacity of fleets which limits potential rate increases. Despite the impact of the Russian war in Ukraine on the economy, construction activity and industrial production remain solid, supporting further rental business this year. Looking ahead, we expect growth opportunities to transition to government projects as private companies face cash flow challenges due to increased interest rates.

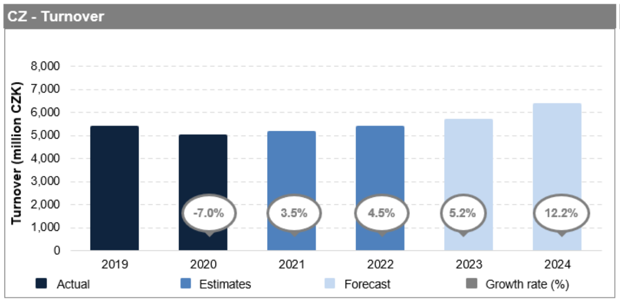
The Czech National Bank raised its lending rates, reducing household mortgage affordability and reducing new housing demand to moderate rates. The increased price, and decreased availability, of building materials further added to the uncertainty over construction demand this year. Consequently, some 2022 opportunities will be deferred to 2023, particularly in the manufacturing sector. Delays in getting materials to construction sites have been compounded by European-wide difficulties in sourcing new equipment.

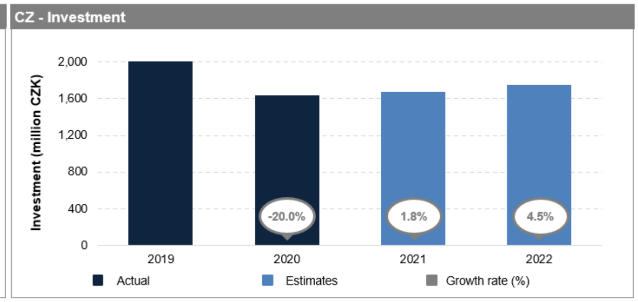
Characterised by the important role of contractors usually having in-house rental departments, there is a unique importance of the tool segment, which is mainly driven by local players. The Czech rental market is a small but appealing market with a good mix of international companies and local rental players.

Czech investment is forecasted to grow 4.5% after a slower 2021 growth of 1.8%.

Nota bene: For Czechia and Switzerland, Eurostat provides information at a higher sectoral 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 data.

Czech Republic (CZ)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million CZK]	5,330	4,955	5,130	5,360	5,640	6,330
GDP deflator	3.9	4.3	3.3	8.8	7.2	2.4
Consumer Price Index	2.6	3.3	3.3	15.0	9.7	2.3
Rental fleet investment [million €]	2,050	1,640	1,670	1,745	0	0
Rental fleet value [million Euro]	11,040	10,610	10,820	11,090	0	0





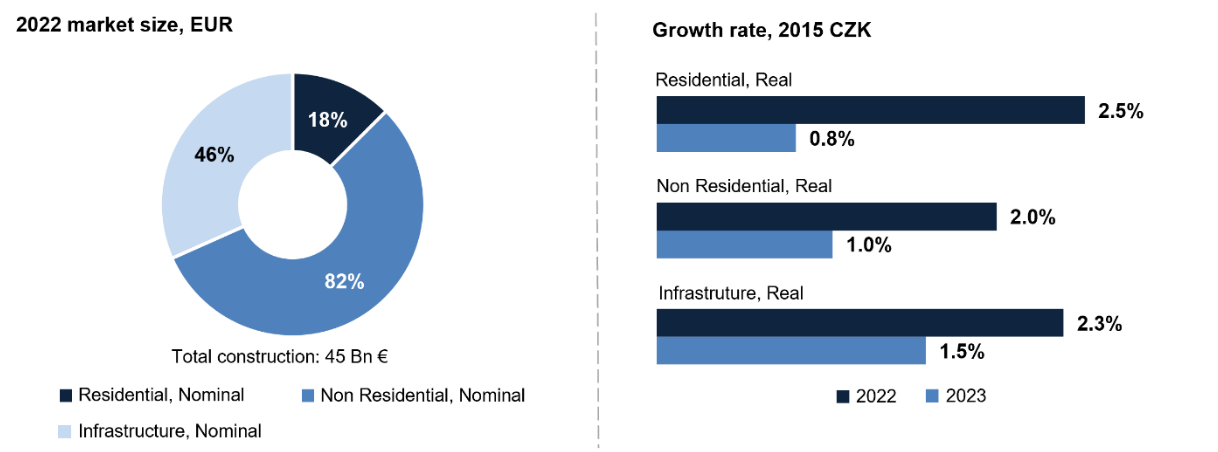
Macroeconomic environment

Czech real GDP will continue its post-pandemic recovery, with expected growth of 2.1% in 2022; however, Russia's war in Ukraine raises downside risks for Czech economic growth, owing to supply chain bottlenecks, surging prices, and a looming energy crisis. These factors have reduced the GDP growth outlook for 2023 to 1.0%. Czech private consumption is facing renewed downward pressure in 2022 as Russia's invasion of Ukraine dampens confidence and drives up inflation, particularly for food and energy products. Consumer price inflation surged 17.5% y/y in July 2022, the highest figure since 1993. Business uncertainty is also up, and while fixed investment growth in 2022 will benefit from low base effects and the inflow of EU funds, seasonally adjusted fixed investment remained 3.4% below pre-COVID-19 levels. Industrial production is also exhibiting a similar post-pandemic pattern, with strong growth of 6.2% in 2021, but slow growth of 1.0% projected for 2022 due to supply bottlenecks stemming from Russia's invasion of Ukraine. According to European Commission Surveys from the third quarter of 2022, the share of respondents citing material and equipment shortages as a factor hindering industrial production jumped to 53.0%, a record high. On the other hand, household consumption will be supported by high savings rates, pent-up demand, an influx of Ukrainian refugees, and a tight labour market.

Real total construction spending increased 2.7% in 2021, driven primarily by residential construction (4.8%), while non-residential construction exhibited growth of 2.2%. Within the non-residential segment, industrial construction was the strongest performer, increasing 3.7% in 2021, while the office segment declined 0.6%. Additionally, spending on energy infrastructure grew 3.8% in 2021, while public health construction declined 9.8%. Going forward, residential construction is anticipated to grow at a moderate annualized rate of 2.1% through 2026. Similarly, non-residential construction is forecast to increase at an annualized rate of 1.9% through 2026, with strong growth in industrial construction contributing to the forecast, and a weak office segment limiting overall gains in the non-residential segment.

Following weakness in 2022-2023 due to the Ukrainian crisis, Czech real GDP growth will average less than 3.0% annually from 2025 onwards, putting it closer to eurozone levels over the medium-to- long term. The Czech economy is highly dependent on exports, so the medium outlook depends on continued demand in Germany and other key European markets. A bright spot is that the EU recovery fund offers a unique opportunity for Czechia to move forward on green energy and digitalization fronts, and the country's extensive lithium deposits make it a favourable location for battery production. Despite a large inflow of Ukrainian refugees, the Czech workforce is expected to gradually decline from the mid-2020s onward, heightening existing labour shortages and hampering investment inflows and GDP growth.

CZ - Construction sector



Source: S&P Global

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Denmark (DK)

Danish rental turnover in 2022 is set to grow 4.6%, modestly higher than the 4.2% growth of 2021. The share of rental market revenues coming from the construction sector remained at 70%. The rental market therefore benefits from still positive construction output, particularly the non-residential and infrastructure segments.

Although rising interest and inflation rates slowed construction output, investment experienced a quick rebound after an 8.3% decline in 2020. Investment rose by 4.0% in 2021 and is projected to grow even higher this year at 5.3%. The Danish rental market is also consolidating; Kiloutou has recently signed an agreement to acquire GSV, while Renta Group has recently completed the acquisition of Lohke Materieludlejning A/S.

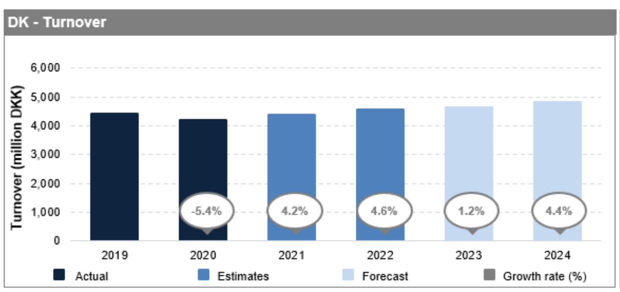
Real GDP in Denmark is expected to expand by 3.1% in 2022 and 2.0% in 2023. Real total construction spending in Denmark increased 7.0% in 2021. Residential construction rose by 4.5%, while non-residential construction experienced growth of 9.6%. Looking ahead, however, total construction spending is forecast to rise by only 1.1% in 2022 and 1.7% in 2023 as high inflation and rising interest rates dampen consumer and business confidence and, in turn, spending and investment activity.

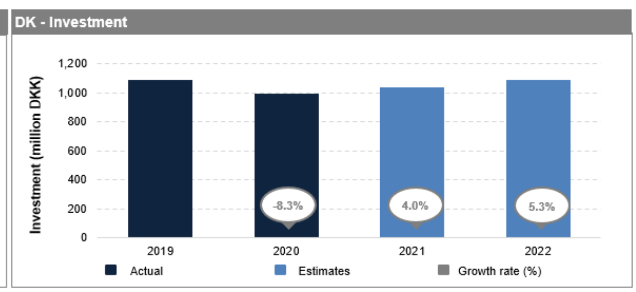
Denmark has a robust pharmaceutical industry which does not in itself generate significant rental revenue, but it does insulate the broader economy and household investment from swings in the economic cycle.

The Danish rental market is dominated by companies with fewer than 50 employees, which generate 80% of the total rental market turnover and are mostly small and independent companies. It is a fragmented market, but that does not mean it suffers from immaturity or low investments.

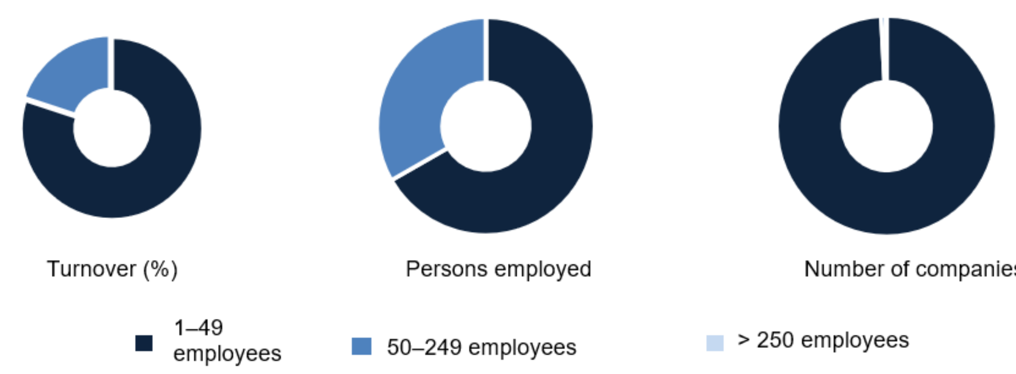
Nota bene: To factor in the unusually high re-rental activity in Denmark (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 5%.

Denmark (DK)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million DKK]	4,200	3,970	4,135	4,325	4,380	4,575
GDP deflator	1.0	2.6	2.8	5.8	-0.2	1.0
Consumer Price Index	0.7	0.3	1.9	8.0	4.4	2.0
Rental fleet investment [million €]	1,085	995	1,035	1,090	0	0
Rental fleet value [million Euro]	8,360	7,955	8,250	8,585	0	0





DK - Demographic of rental companies, 2019



Source: S&P Global

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Macroeconomic environment

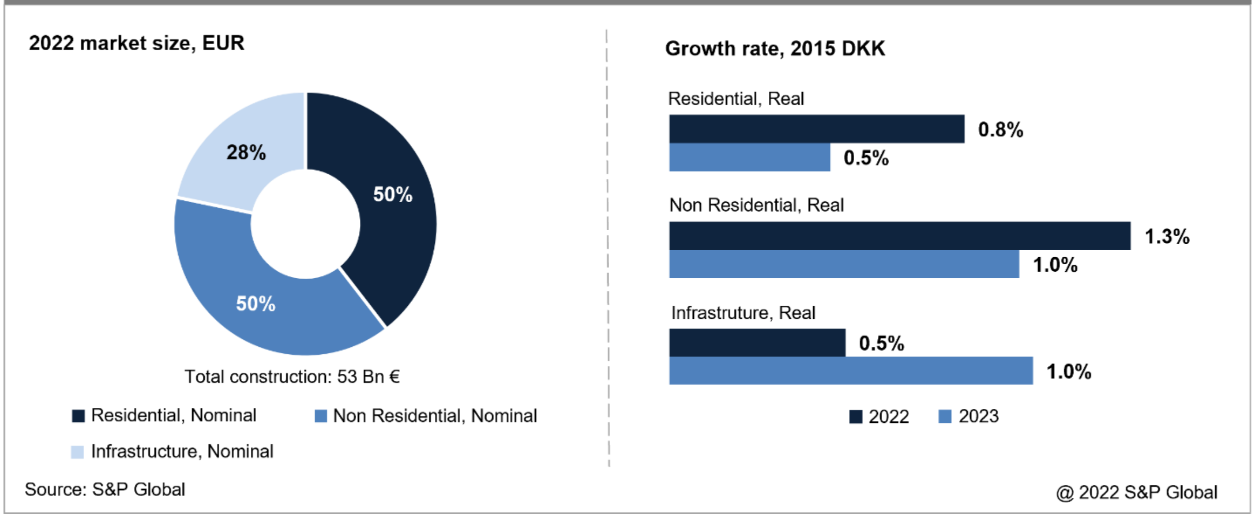
The Danish economy was one of the most resilient in Europe through the pandemic, with real GDP only falling 2.0% in 2020. As the first country in Europe to remove anticontagion restrictions, Denmark's real GDP grew 4.9% in 2021, a quick bounce back from the COVID-19 economic crisis. In fact, there were signs of overheating during the first quarter of 2022, with the Danish economy declining 0.6% q/q; however, this contraction is driven by strong performance in 2021, rather than underlying weakness. On an annual basis, in first quarter 2022, real GDP was 6.2% larger than in first quarter 2021 and is 5.5% above the pre-pandemic level. Real GDP is expected to grow 3.0% in 2022, albeit a marked slowdown in momentum from the second half of 2022 will result in the economy expanding only 1.2% in 2023.

Real total construction spending increased 6.9% in 2021, driven largely by growth in non-residential construction (9.6%), particularly institutional construction. Residential construction also rose by a healthy 4.4% in 2021. However, total construction spending is forecast to rise only 1.1% in 2022 and 0.7% in 2023 as high inflation and rising interest rates dampen consumer and business confidence, and, in turn, spending and investment activity. Non-residential construction will continue to rise at a healthy rate, though, with growth of 1.3% in 2022, and 1.0% in 2023.

The PMI™ points toward a slowdown in activity on the production side of the economy in the second half of the year. The output component of the manufacturing PMI™ dropped to 32 in July and the new order component of the PMI™ stood at 30.1 in July; these are the lowest readings since the start of the COVID-19 pandemic. However, while a decline in export orders from global economies in the coming quarters will weigh on Danish industrial activity, the noncyclicality of a considerable share of Danish pharmaceutical exports will ensure a robust export and industrial production performance in 2022, with expected y/y growth of 9.7%. Nonetheless, a slowdown on the demand side is also imminent. The Danish labour market is red hot, with low unemployment and nearly twice as many job vacancies as there were prior to the pandemic. Furthermore, consumer price inflation is projected to average 7.7% in 2022, before moderating to 3.9% in 2023. These factors will squeeze family budgets and result in households reigning in spending.

Over the medium-to-long term, real GDP will stay around 1.2-1.7%, before edging down to 1.4-1.6% through the tail end of the forecast horizon. Long-term growth will be restricted by demographic factors, namely peaking labour force participation growth amid an aging population. Experts also estimate that retirees will soon exceed the number of taxpayers in Denmark, putting further pressures on already deteriorating public finances and endangering the country's generous welfare system.

DK - Construction sector



Finland (FI)

Finnish rental turnover growth for 2022 is expected to be 6.8% after slow growth of 2.3% in 2021. The share of rental revenues coming from the construction sector is estimated to average 70%. The construction share is beneficial in 2022, with solid growth in infrastructure and non-residential structures. However, the construction sector's weight on the industry creates uncertainty around the outlook if project delays caused by inflation materialize in 2023.

Inflation pressures have been intensifying in 2022, with soaring oil prices and ample global liquidity. Finish inflation has risen to 7.7% in 2022 as energy prices have been compounded by global food price inflation and commodity price spikes from the Russian invasion of Ukraine.

Demand from NATO for temporary space units and high inflation as well as continued strong performance of the Finnish economy in 2022 resulted in outsized growth for rental businesses. Acute labour shortages, supply chain bottlenecks, high inflation and interest rates will slow growth down heading into 2023.

Real GDP growth in Finland is forecast to slow to 1.2% in 2022 and 1.1% in 2023. Real construction spending in Finland grew 2.9% in 2021. Residential construction increased 1.5% and non-residential construction growth was 4.4%. Looking forward, total construction spending is expected to rise by only 0.3% in 2022 before growth of 1.6% in 2023.

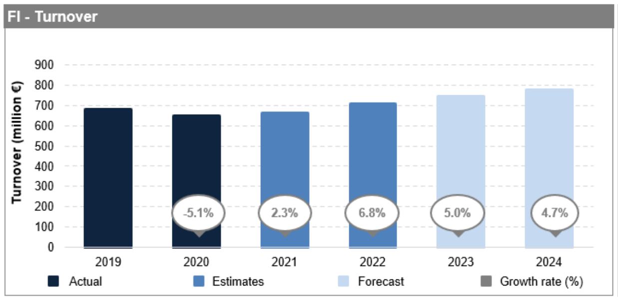
The rental market mostly comprises large firms with more than 250 employees, which make up 37% of total rental revenues. Rental companies with 1- 49 employees generate 63% of total industry revenue.

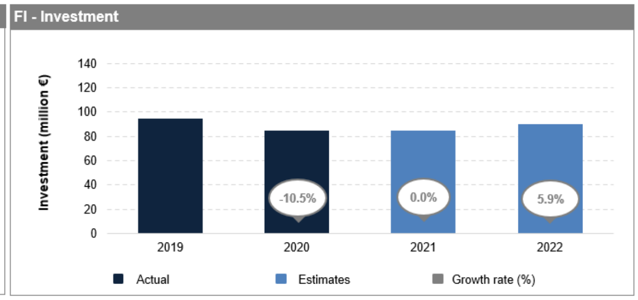
M&A activity in Finland has been stable especially when compared to Norway and Sweden which have seen more activity and small business consolidations of late. Investment is still robust as companies are renewing fleet and adding more sustainable options. This trend is expected to continue as the government moves towards environmentally oriented policies and support for green industries and technologies.

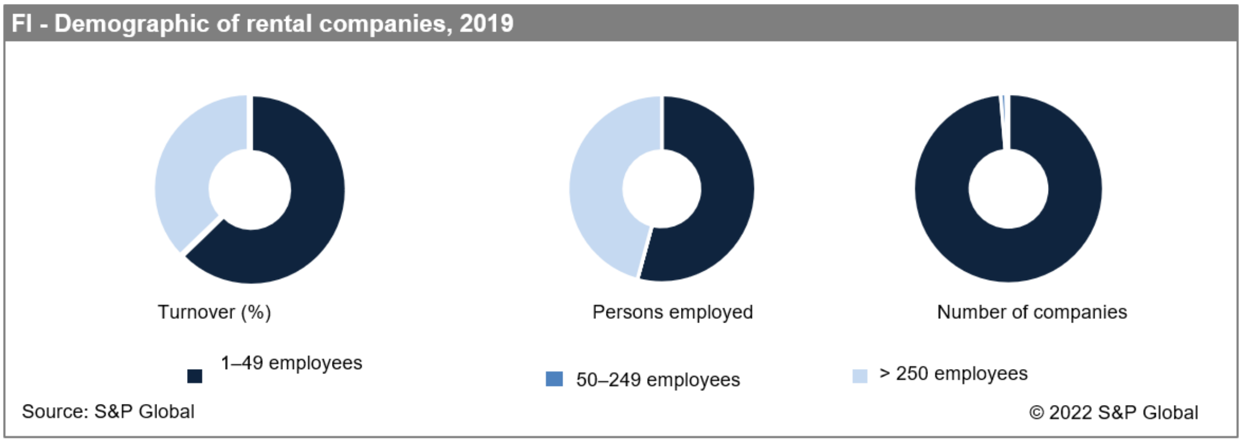
Companies expect demand for crane equipment and electric machinery to trend upward. In the longer-term transition to greener machinery driven especially by public sector investment is expected to grow faster.

After no growth in 2021, investment is projected to grow 5.9%.

Finland (FI)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	680	645	660	705	740	775
GDP deflator	1.5	1.5	2.5	15.6	13.7	2.9
Consumer Price Index	1.1	0.4	2.1	7.7	5.2	2.3
Rental fleet investment [million €]	95	85	85	90	0	0
Rental fleet value [million Euro]	855	825	835	875	0	0







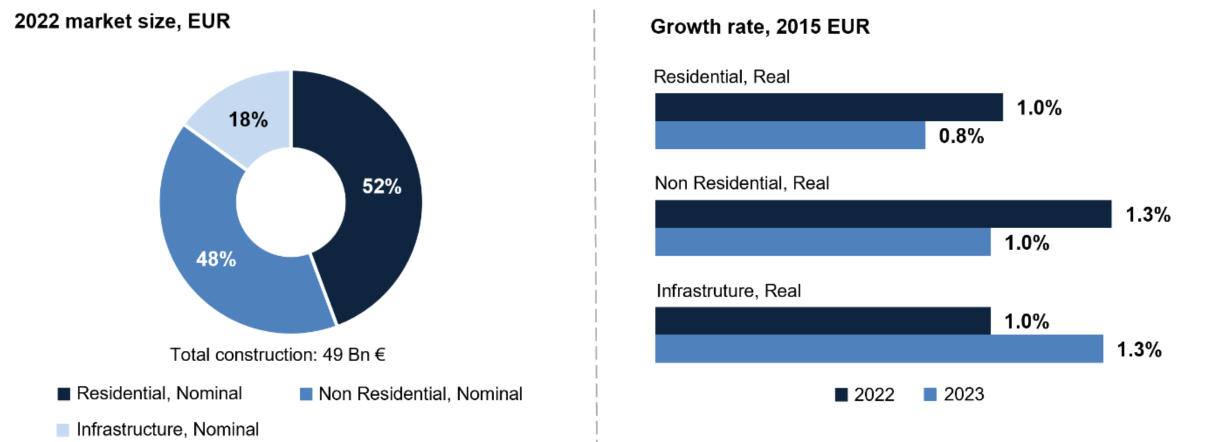
Macroeconomic environment

The Finnish economy outperformed much of Europe during the pandemic, contracting only 2.2% in 2020, and bouncing back in 2021 with growth of 3.0%. Moreover, projected real GDP growth for 2022 was revised upward from 1.1% to 1.7%; however, GDP growth for 2023 was lowered from 1.0% to 0.7%. Underlying the weak growth for 2023 is collapsing export demand from Russia, as well as weak demand from other export markets due to sanctions complicating international trade, which in turn pushes up already elevated costs. The global supply chain constraints will also likely continue restricting industrial expansion in key export markets and domestically. Recovery of the Finnish economy typically lags that of peer nations due to its export structure, which includes a high share of investment and luxury goods. However, it was previously even more delayed than usual and muted because the Finnish industrial sector suffers productivity and competitiveness issues. For example, although the number of hours worked by employed persons in 2017 rose by 0.7%, the amount of labour input per employed person remained nearly unchanged. Inflation will likely accelerate to 7.5% in 2022, given dramatic growth of commodity prices and the exacerbating impact on supply-side bottlenecks caused by the Russia-Ukraine war. High prices also increase the risk of second-round inflationary effects.

Real total construction spending in final grew 2.8% in 2021, with residential construction rising 1.4% and non-residential construction growing 4.4%. Within the non-residential segment, commercial construction exhibited the best performance, increasing 10.2% in 2021, while growth was weakest in office construction. Total construction is forecast to slow in 2022, rising only 1.2% before further decrease in growth 0.9% in 2023. From 2021 to 2026, total construction spending is expected to rise at an annualized rate of 1.2%. Commercial, energy, transportation, and residential construction will exhibit the strongest gains during this period, while office construction and public health construction will be exhibit relative weakness.

Going forward, real GDP growth will remain under 2.0%, driven largely by investment demand, particularly the construction of new nuclear power plants. Private consumption growth is projected to recover as well, reaching 2.4% by the end of the decade, since unemployment should gradually start easing. Again, given the important structural rigidities in the labour markets, major improvement may prove more painful than expected. Fiscal challenges will also remain on the agenda in the medium term, with spending needing to be reined in after the fiscal easing that mitigated the impact of the COVID-19 economic crisis.

FI - Construction sector



Source: S&P Global

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France (FR)

French rental turnover growth for 2022 is set to slow to 3.1% after a strong 11.5% performance in 2022. The share of total rental revenues coming from construction demand is estimated to be about 65%, with the construction sector is set to grow 2.2% in 2022. Moving forward, growth in France's construction sector will slow, with total construction spending expected to increase only 0.1% in 2023. Rental market growth benefits more from rate price increases than volumes, but also from the backlog from previous years when activity was stalled by the pandemic. Government spending will also support growth going forward.

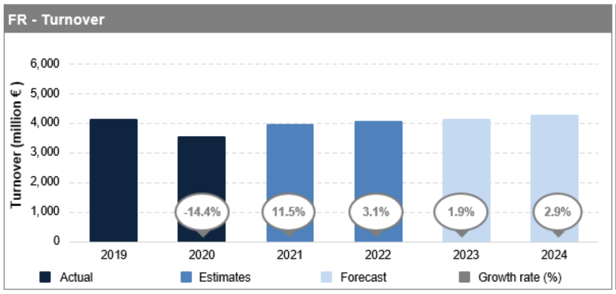
As with Germany, the French market is relatively balanced and has benefited from a sound economic environment in the past. The impact of high inflation on the construction sector will have a negative impact on the rental market in unit terms. However, France has implemented a Covid-relief plan for civil engineering which is expected to boost demand for construction activity. Roads and buildings renovations are a great opportunity for the construction industry. However, inflation and the war in Ukraine creates uncertainty about the short-term future.

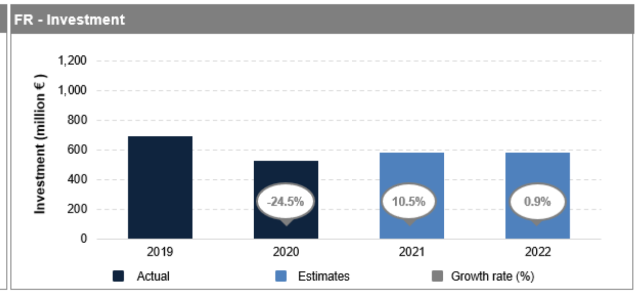
Like Spain and Italy, the French market is characterised by its strong regional disparity, which has a direct impact on equipment rental activity. A major feature of France compared with other European markets is that it is relatively concentrated, with two main players accounting for most of the market by value. Even though small companies with less than 50 employees account for the largest number of rental companies, they only employ 30% of the rental workforce and generate 40% of the rental turnover, while medium and large companies generate the remaining 60%. We have seen increased consolidation efforts and expect this to continue. The greatest challenge for smaller players in the market is to remain profitable in the short-to-medium term.

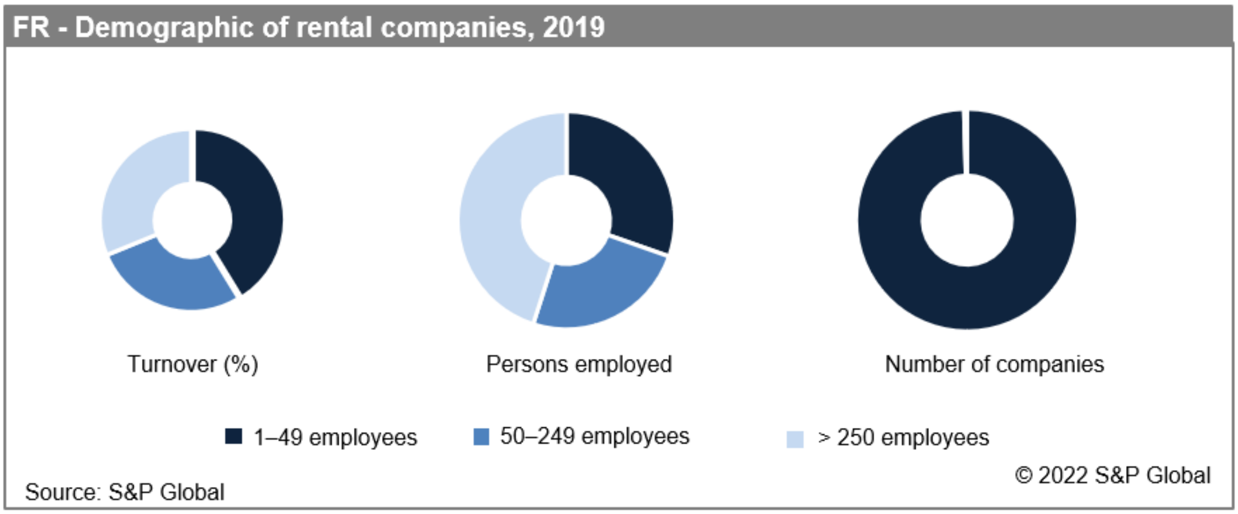
After a sharp decline in investment during the pandemic, the market experienced strong investment growth of 10.5% in 2021 with a slowdown to 0.9% in 2022. Stronger growth is expected in the future due to France's renovations of public buildings, hospitals, schools, and roads.

Nota bene: To factor in the unusually high re-rental activity in France (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

France (FR)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	4,000	3,420	3,815	3,935	4,005	4,125
GDP deflator	1.3	2.8	1.3	2.7	3.1	1.5
Consumer Price Index	1.3	0.5	2.1	5.9	3.2	1.7
Rental fleet investment [million €]	695	525	580	585	0	0
Rental fleet value [million Euro]	6,165	5,500	5,975	6,105	0	0





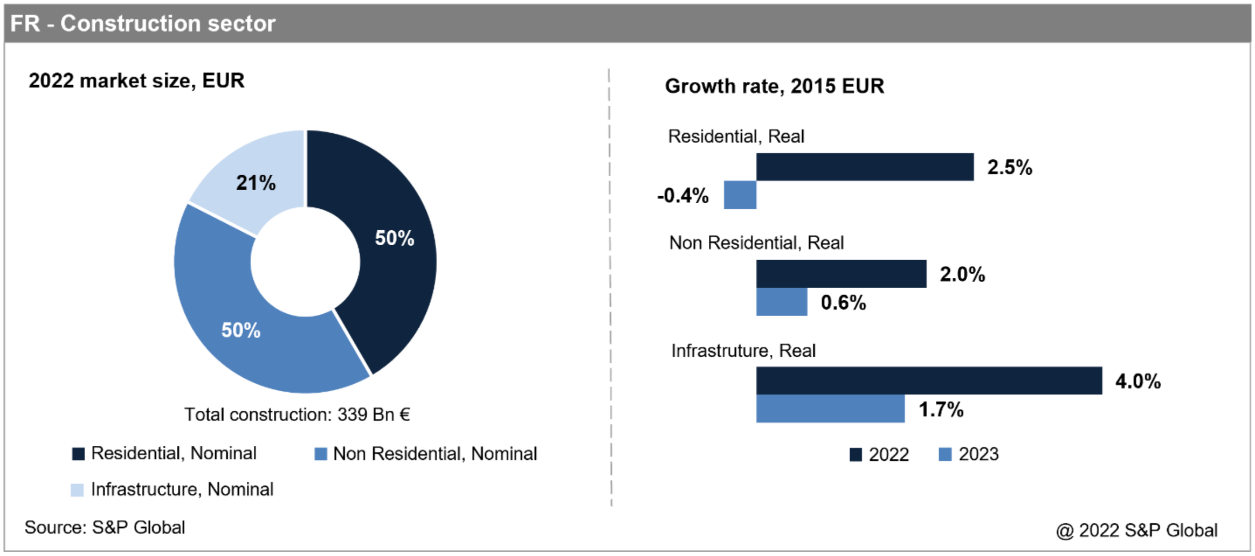


Macroeconomic environment

After plunging 7.9% in 2020, France's real GDP rose 6.8% in 2021, and is expected to continue increasing in 2022, albeit more modestly at 2.4%. Real GDP grew 0.5% q/q in 2022, bolstered by stronger demand for exports, which in turn was boosted by transport services and tourism. On the other hand, French imports declined 0.6% q/q, and real household consumption has fallen for the second consecutive quarter. Investment spending grew 0.5% q/q, boosted by greater investment in information, communication, and business services. Nonetheless, underlying economic growth will weaken substantially during the second half of 2022 as higher inflation and other spillovers from Russia-Ukraine war take their toll. In particular, the PMI® showed July output falling at its fastest pace since early 2020, while the flash composite also put the service sector PMI® at a 15-month low. Inflation, which stood at 6.8% in July, is also expected to rise further in latter part of 2022 as energy and food prices accelerate. Accordingly, real GDP growth is forecast to decelerate to 0.7% in 2023. However, despite the gloomy outlook, tourism and other customer-facing service industries will remain strong, and high household savings will help moderate the impact of higher inflation on private consumption.

Total construction spending surged 12.9% in 2021, driven by 14.8% growth in non-residential structures and 12.7% growth in infrastructure construction spending. Within non-residential structures, institutional construction exhibited the best performance, while the industrial segment was the weakest. For infrastructure construction, the transportation segment exhibited the strongest performance, while public health construction was the weakest. Residential construction also posted strong growth of 11.0% in 2021. Moving forward, growth in France's construction sector will slow, with total construction spending expected to increase 2.2% in 2022 and a further 0.1% in 2023.

France's population is expected to age over the next several decades, which will impede growth and pose a risk to public finance. The old-age dependency ratio, which measures the ratio of population aged 65 or over as a proportion of the working age population, is set to increase from 37% in 2020, to 44.9% in 2030, and 51.9% in 2040. France's demographic profile has two important implications. First, if we assume that the labour participation rate will increase from 59% to around 62% by the end of the forecast horizon, the contribution of labour to potential growth will be negligible. Second, an aging population is also likely to put pressure on the public finances. The pension reform currently being discussed in the National Assembly will be key in ensuring the long-term sustainability of the pension system.



Germany (DE)

German rental turnover for 2022 is projected to grow 2.0% after a growth of 4.4% in 2021. The share of rental revenues coming from construction demand remains at approximately 65%. Weakening demand in the construction sector is pulling growth to lower levels this year.

Inflation, supply chain issues, and project cancellations are currently causing uncertainty for the rental market growth. Constraints on the German rental sector are myriad. High energy prices and uncertain supplies are hindering the manufacturing sector. Weakness in manufacturing is compounded by weakening global growth and demand for German exports. Supply chain issues to the crucial German automotive sector has held back production levels. Disposable income has been reduced via inflation in household budgets, and this will negatively impact the heretofore vibrant German home renovation market. However, the bright spot is infrastructure work, especially for road transport (highways and bridges). German fleet utilization is high, and rental turnover is expected to grow 2.4% in 2023 as infrastructure growth strengthens.

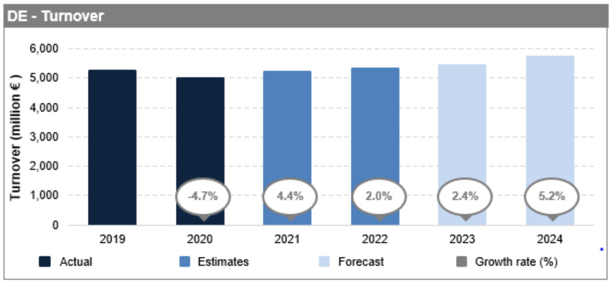
Similar to Austria and Switzerland, there is a preference for ownership versus rental, a healthy mix of local and international players, and a strong local customer base. Distributors and OEMs play an important role in the German market, which has strong demand for innovation, services, and quality.

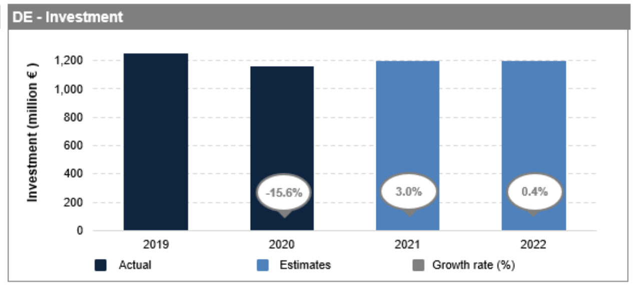
Germany has a lot of small and medium sized companies with family backgrounds. About half of rental turnover in Germany comes from small firms with less than 50 employees. The other half of the country’s rental turnover is evenly distributed between medium sized and large companies.

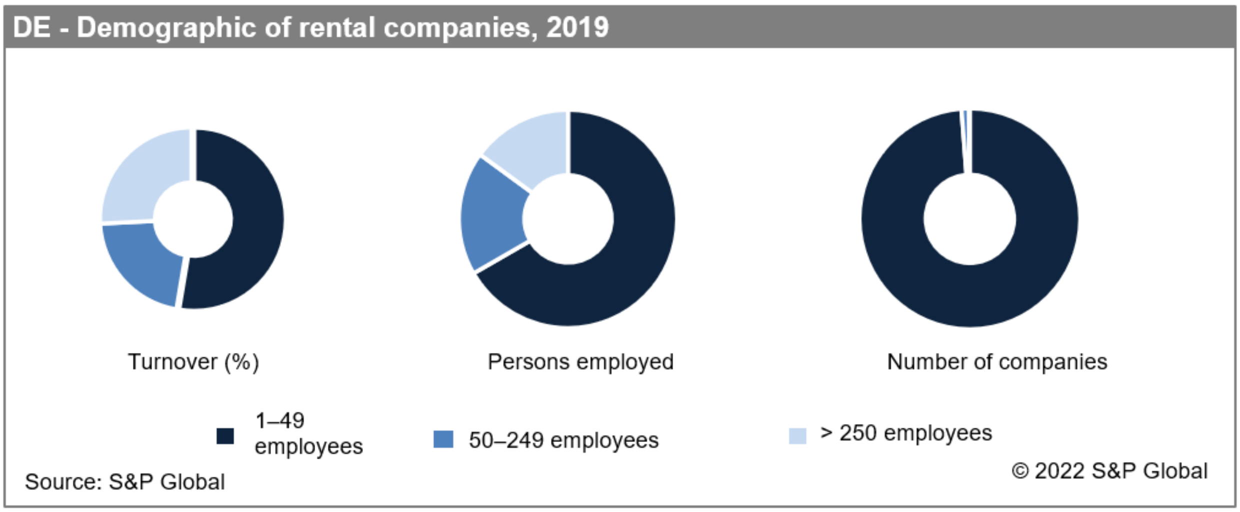
Investment has reached positive values again after a steep decline in 2020. Investment grew 3.0% in 2021 but is projected for a meagre 0.4% growth in 2022.

Nota bene: To factor in the unusually high re-rental activity in the German market (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 5%.

Germany (DE)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	4,965	4,730	4,940	5,040	5,160	5,430
GDP deflator	2.1	1.8	3.1	6.0	5.9	3.0
Consumer Price Index	1.4	0.4	3.2	8.7	7.0	3.0
Rental fleet investment [million €]	1,375	1,160	1,195	1,200	0	0
Rental fleet value [million Euro]	7,600	7,330	7,575	7,695	0	0







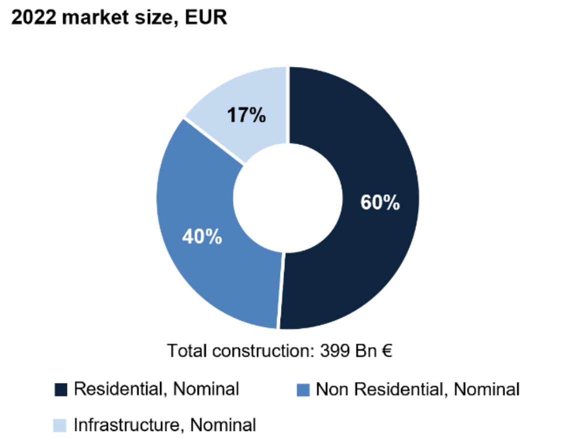
Macroeconomic environment

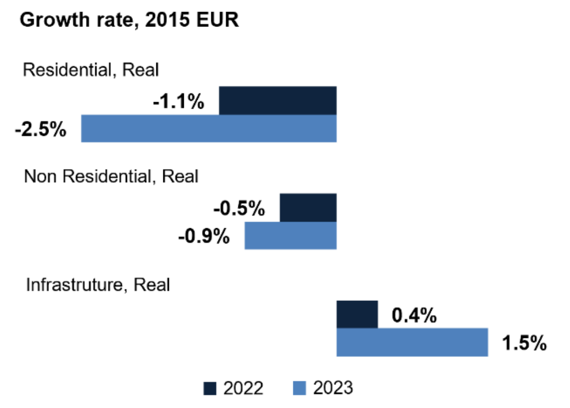
After declining 4.1% in 2020, German real GDP grew 2.6% in 2021 following a relaxation of many pandemic-related restrictions. Nonetheless, ongoing supply chain problems caused by an increasingly protracted war in Ukraine have made Germany's post-pandemic recovery short-lived. German GDP stagnated in the second quarter of 2022, and the consumer price index is on track to grow 8.3% this year. The renewed worsening of supply chain disruptions, fresh boost to inflation, and bringing forward of monetary tightening by the ECB that the Russia-Ukraine war has triggered make GDP contraction more likely than not during the next 2–3 quarters. As such, growth in German's economy will slow to 1.5% in 2022, with only marginal growth of 0.6% expected in 2023. During the pandemic, the German government extended fiscal support and stimulus packages exceeding 15% of GDP. Since June 2022, the boosting impact for public consumption from pandemic-related fiscal measures has shifted toward support measures to cushion the burden of high inflation caused by the Russia-Ukraine war. These measures include a lower tax burden on electricity and fuel, lump-sum payments to low-income households, and public transport subsidies.

Inflation and higher interest rates are also taking their toll on Germany's construction sector. After declining 1.3% in 2021, real total construction spending is forecast to be -0.9% in 2022 and -1.8% in 2023. Again, this reflects the impact of high inflation and financing costs from tighter monetary policy, particularly on the residential sector. While non-residential construction has also slowed significantly, it has benefited somewhat from public spending on infrastructure, especially the transportation segment. Supply chain hindrances have impeded exports since mid-2021, following an interim recovery after the first pandemic wave of 2020. The PMI® subindex for export orders recovered in January–February 2022, but the outbreak of the war caused a renewed decline from February's 56.4 to just 42.8 in July, well in contraction territory (sub-50).

Both the pandemic and Russia's invasion of Ukraine are causing major shifts in Germany's economic structure and global supply chains, with more emphasis in the future being put on security than on the cost effectiveness of supplies. This outcome requires economic actors to adjust to this new environment, and some harm to potential GDP growth appears unavoidable given resulting deglobalization tendencies. Germany's aging population and shrinking workforce are also key long-term threats to growth. The latest official projections by Destatis (September 2021) foresee a decline from 83.2 million at end-2020 to 81.3 million inhabitants by 2035, based on middle-of-the-road expectations about birth rates and life expectancy and average annual immigration of 220,000.

DE - Construction sector





Source: S&P Global

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Italy (IT)

Italian rental turnover growth for 2022 is currently set to hit 4.1% after strong growth of 8.3% in 2021. The share of rental revenues from construction demand is estimated to average 70%. Construction 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.

Relatively low inflation allows Italy to pursue looser fiscal policy which will benefit rental, and there appears to be an increasing awareness of Italian customers towards rental market. This trend is expected to continue as Italy's National Recovery and Resilience Plan (PNRR) points to modernization of buildings, major infrastructure work and more sustainable construction solutions. Italy is a prime beneficiary of these funds, receiving over 191 billion euro, or about 10% of Italian GDP.

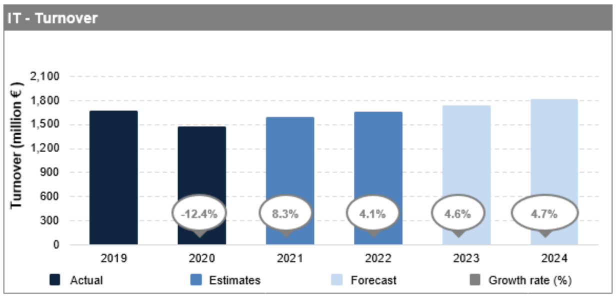
Risk to rental growth in the short-term is coming from increasing new machinery and maintenance costs which is critical given price sensitivity of Italian customers, while supply chain issues, high inflation and elevated public sector debt creates overall economic uncertainty.

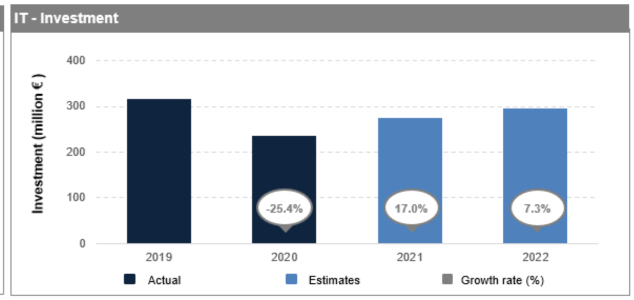
Investment in Italy however continued to expand, growing by 7.3% in 2022 as compared to 17% growth rate in 2021. Companies are still investing in new and more sustainable machinery and expanding their fleet as future growth expectations for the industry are strong.

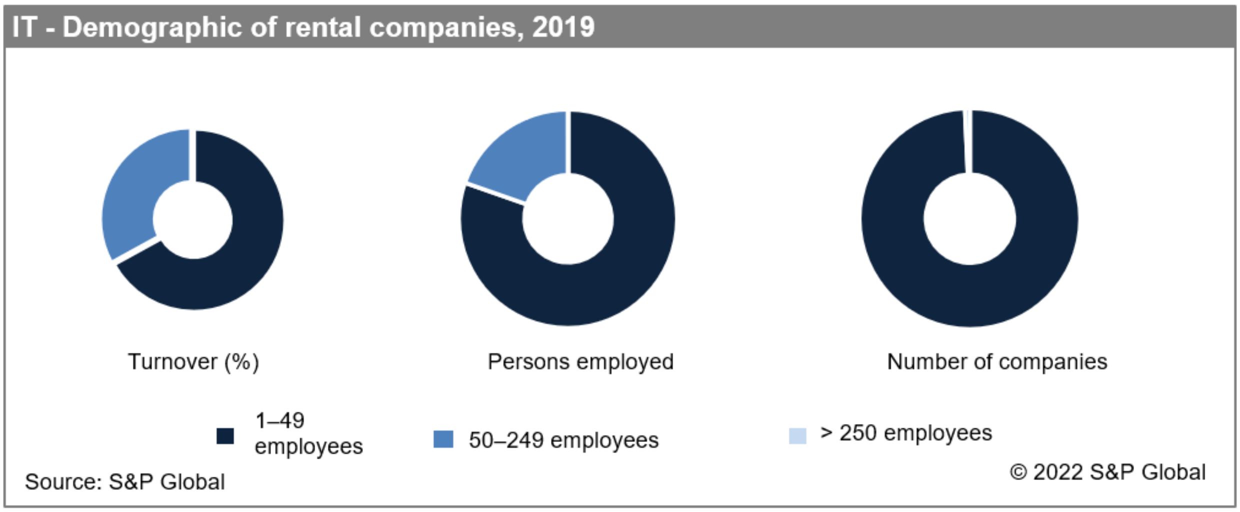
The rental market mostly comprises small firms with less than 50 employees, which make up 67% of total rental revenues. Rental companies with <50 employees generate 33% of total industry revenue but they are expected to increase their industry share through acquisition in the next few years.

Nota bene: To factor in the unusually high re-rental activity in Italy (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

Italy (IT)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	1,615	1,415	1,530	1,595	1,665	1,745
GDP deflator	0.9	1.4	0.5	4.2	8.4	2.5
Consumer Price Index	0.6	-0.1	1.9	8.2	7.6	1.1
Rental fleet investment [million €]	315	235	275	295	0	0
Rental fleet value [million Euro]	2,370	2,150	2,280	2,350	0	0







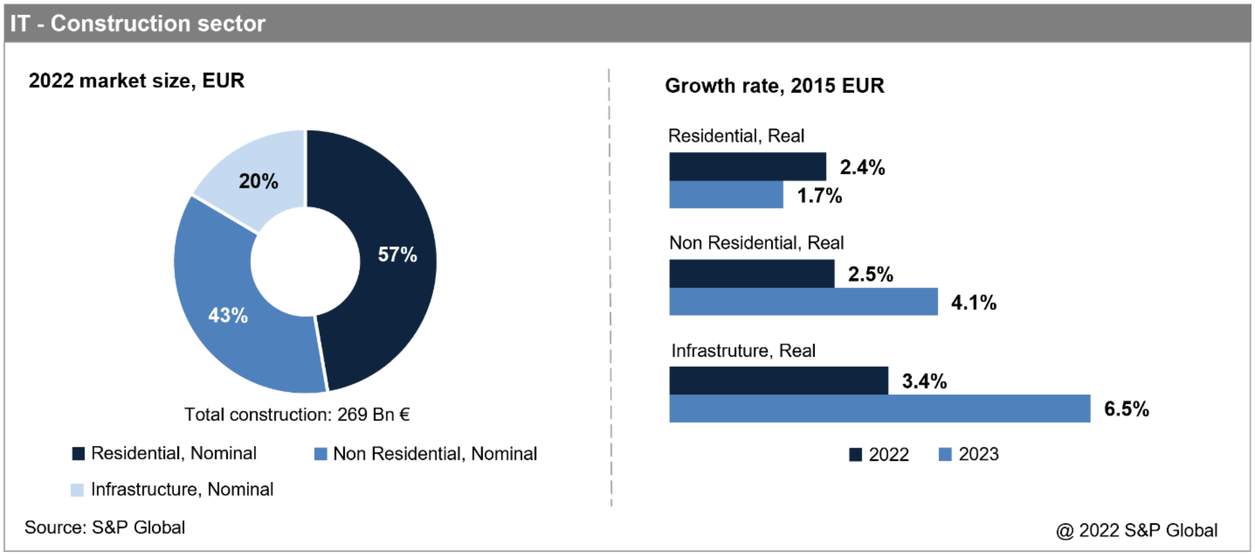
Macroeconomic environment

After plunging 9.1% in 2020, the Italian economy bounced back strongly in 2021, growing 6.6%. In 2022, real GDP growth is expected to grow a healthy 3.3% on the back of q/q growth of 1.0% in the second quarter, which followed 0.1% q/q growth in the first quarter of 2022, 0.7% q/q in the fourth quarter of 2021, and 2.7% q/q growth in the third quarter of 2021. Additionally, Italy's economy continues to receive support from still-loose monetary policy conditions.

Nonetheless, Italy faces several near-term obstacles, pointing to uneven GDP developments in the second half of 2022 and into 2023. First, the PMI® survey signals that Italian manufacturing activity slipped into contraction territory during July, with the sharpest fall in new orders for manufacturers since the height of the pandemic. Firms flagged capacity pressures owing to logistical issues with goods shortages, constraining short-term output developments. Additionally, many firms reported strong inflationary pressures, with input costs rising at a brisk pace in line with rising material, fuel, and energy costs. These factors have caused soaring consumer price inflation, with the forecast for the consumer price index being revised up from 7.1% to 8.1% for 2022. In 2023, inflation will likely average 5.8%. Rising inflation is spurring a cost-of-living crisis, which has sent consumer confidence tumbling. The national statistics office reported that its measure of consumer confidence decreased from 112.4 in February to a 26-month low of 94.8 in July. Softer confidence reflected increased pessimism about the economy, with its subindex toppling from 129.4 in February to an 18-month low of 84.9 in July.

Real total construction spending in Italy grew 17.8% in 2021. Residential construction increased 19.6% and non-residential construction growth was 15.4%. Looking ahead, total construction spending growth is forecast to slow to 2.5% in 2022 and 2.8% in 2023, even though infrastructure is set to benefit from public spending through the Recovery and Resilience Facility.

The general government budget deficit stood at 9.6% of GDP in 2020, which will likely narrow to 7.3% in 2021 and 4.4% in 2022. Italy also faces an elevated public-debt ratio, which climbed from 134.8% of GDP in 2019 to 155.3% in 2020 before retreating to 151.4% in 2021. Italy needs to tackle its mountain of public debt, and the country will need to embrace structural fiscal reforms to achieve sustainable reductions. Additionally, a more efficient labour market remains a key policy challenge, with the economy still needing deeper reforms to reverse Italy's poor productivity performance. Assuming the implementation of far-reaching structural reforms in Italy and short-term adjustment pains, real GDP growth could climb above 1.0% in the outer years of the forecast.



Netherlands (NL)

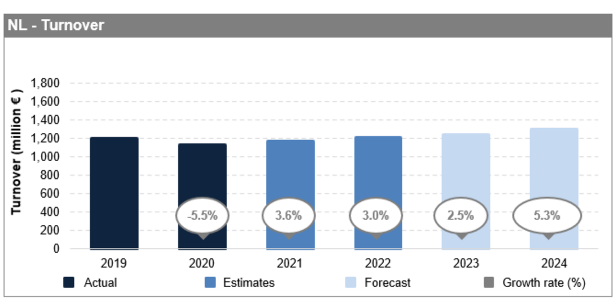
Dutch rental turnover growth for 2021 reached 3.6%. The 2022 growth outlook is set to be around 3.0%, with a share of rental revenue stemming from demand in the construction sector estimated to average 70%. Even though economic growth remain healthy, high inflation and rising interest rates dampens investment outlook for this year. Dutch rental investment is forecasted to slow to 2.1% in 2022 after a strong growth of 6.7% in 2021.

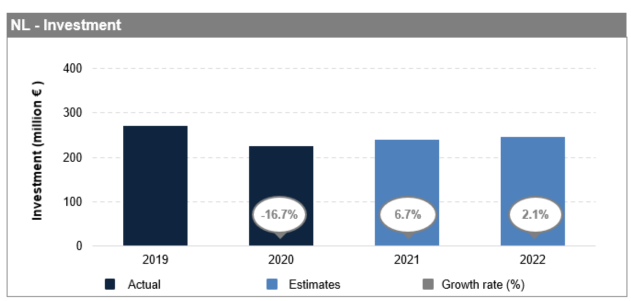
Growth in the medium-to-longer term will be driven by continued investment in infrastructure, environment, and new technologies, primarily ones that focus on energy efficiency and energy security. Sunbelt, the UK's equipment rental provider, opened an equipment depot in Rotterdam to supply energy and power services to clients in Europe.

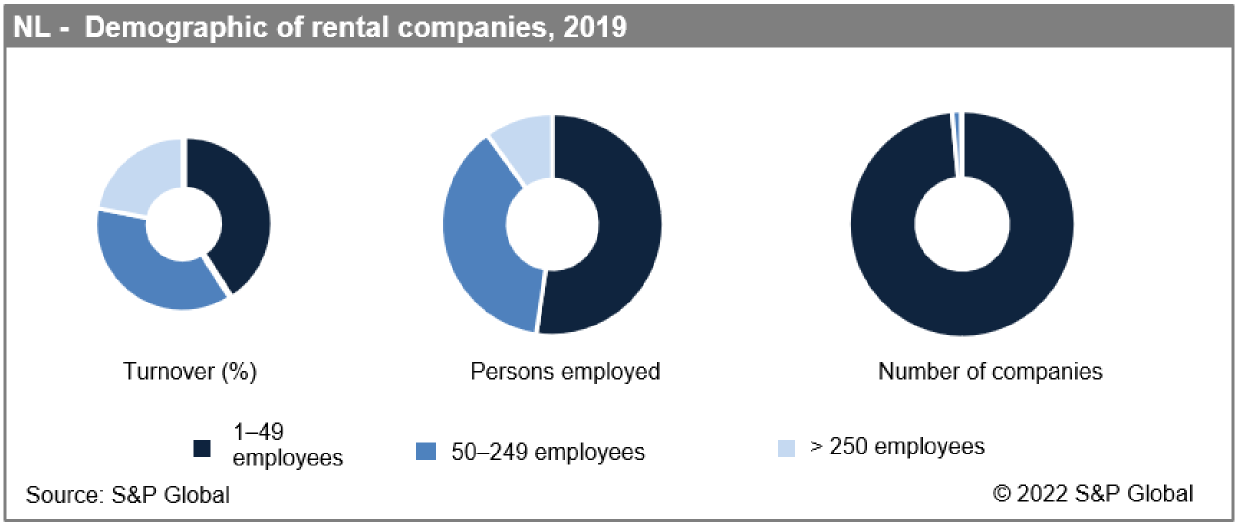
The rental market in the Netherlands is dominated by small size firms with less than 50 employees that make up about 41% of the rental turnover. Another 37% is brought by medium sized companies. Companies with more than 250 employees generate 22% of rental market turnover.

Nota bene: To factor in the unusually high re-rental activity in the Netherlands (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

Netherlands (NL)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	1,160	1,095	1,135	1,170	1,200	1,265
GDP deflator	3.0	1.9	2.5	4.2	3.6	3.2
Consumer Price Index	2.7	1.1	2.8	11.0	4.0	2.0
Rental fleet investment [million €]	270	225	240	245	0	0
Rental fleet value [million Euro]	1,855	1,775	1,820	1,865	0	0







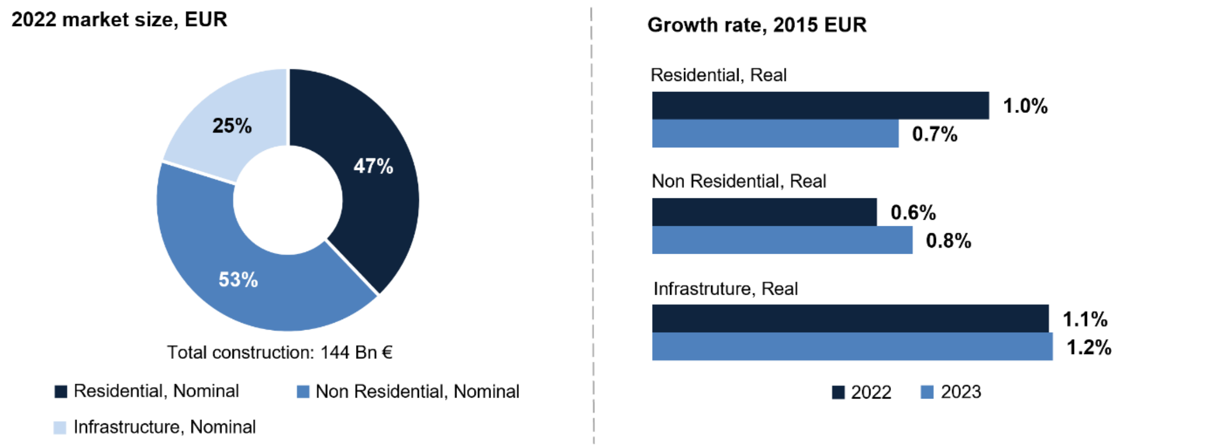
Macroeconomic environment

Real GDP in the Netherlands grew 4.9% in 2021, bouncing back from the 3.9% drop in 2020. The economy continued to soar in the first half of 2022, recording a 0.5% q/q expansion in the first quarter and surprisingly strong 2.6% q/q growth in the second. Private consumption carried activity in the first quarter, as the easing of COVID-19 restrictions meant the unleashing of households' pent-up demand for goods and services. Net trade also remained a small spur for the economy, while fixed investments dragged on growth. In the second quarter, a 5.2% q/q expansion in gross fixed capital formation underpinned growth. On a sectoral basis, valued-added growth was strongest in the culture, recreation, and other services sector (up 31% q/q), considering its high rebound potential after the last few quarters were characterized by COVID-19 containment restrictions. Moreover, the energy supply sector recorded strong 8.8% q/q value-added growth, benefiting the current energy situation. The labour market grew increasingly tighter in the first half of 2022, supporting private consumption. In the second quarter, the unemployment rate averaged 3.3% of the labour force, the participation rate soared to a record 74.8% in June, and there were 142 vacancies per 100 unemployed persons. These factors have real GDP projected to grow a healthy 4.4% in 2022.

Real total construction spending increased 1.3% in 2021, with increases of 1.4% in the residential and 1.2% in the non-residential segments. Going forward, total construction spending is expected to rise only 0.8% in 2022, before even slower growth of 0.7% in 2023. In general, the strength of the Dutch economy will unlikely persist in the second half of 2022 and into 2023. High inflation rates are increasingly hurting demand, while rising interest rates dampen fixed investment, and possible energy shortages weigh on the production side of the economy. Accordingly, real GDP growth is expected to slow to 0.6% in 2023.

A worsening economic outlook for the Netherlands' primary trading partners, particularly Germany, will hurt Dutch exports. Moreover, inflation has soared in the Netherlands, posing the biggest risk to the Dutch economic outlook through its negative effect on real household incomes and consequently, private consumption. The EU Harmonized Index of Consumer Prices for the Netherlands rose to 10.4% y/y in September, on the back of a renewed uptick in energy prices and accelerating food price inflation. Monetary tightening also pushed up mortgage rates to the highest in over a decade in mid-June (e.g., an average of 4.15% for a 20-year mortgage). Growth in the medium-to-longer term will be driven by continued investment in infrastructure, environment, and new technologies, primarily ones that focus on energy efficiency and energy security. Nonetheless, the gradual tightening of the ECB's monetary policy will be a hindrance to growth in the medium term.

NL - Construction sector



Source: S&P Global

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Norway (NO)

Norwegian rental market is forecast to experience the strongest growth in the region at 10.7% in 2022, before slowing to 4.9% in 2023. Due to 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.

Rental market growth in Norway is driven by rates which are estimated to contribute 5.6% to growth in 2022.

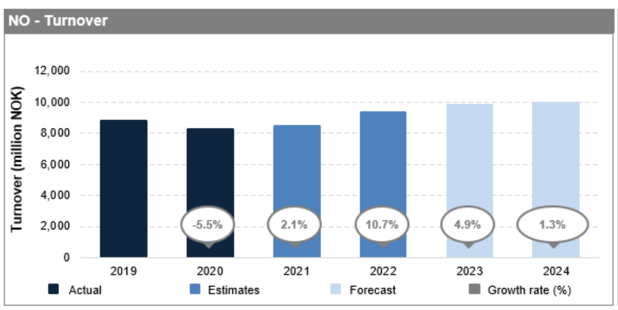
Rental market growth in Norway is mainly driven by elevated prices as well as strong Real GDP growth, which is estimated at 2.9% in 2022. Meanwhile, real total construction spending in Norway rose by 1.2% in 2021 and is expected to pick up to 1.9% in 2022 and 1.9% in 2023. The biggest risk to rental growth is government project delays or cancellations due to high inflation and interest rates, although increasing penetration should continue to support the sector going forward.

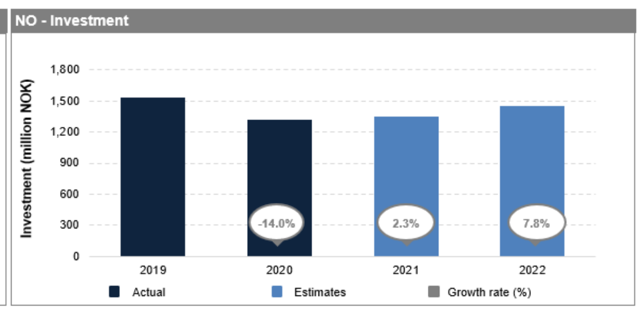
The rental market is mostly comprised of small firms with less than 50 employees, which make up 77% of total rental revenues. Medium sized rental companies with 51- 250 employees generate about 18% of total industry revenue while they employ 27%% of the total rental workforce.

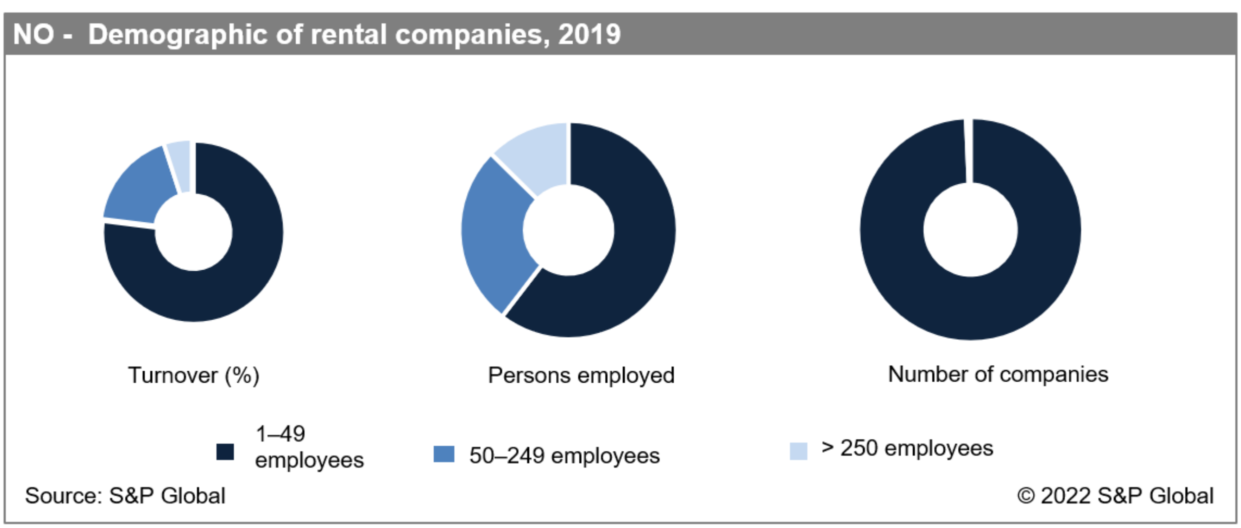
Investment growth is estimated at 7.8% in 2022 after a slow rebound of 2.3% in 2021.

Nota bene: To factor in the unusually high re-rental activity in the Norwegian market (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 5%.

Norway (NO)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million NOK]	8,305	7,845	8,010	8,865	9,295	9,420
GDP deflator	-0.6	-3.7	16.8	23.8	6.2	1.7
Consumer Price Index	2.2	1.3	3.5	5.6	4.2	2.1
Rental fleet investment [million €]	1,535	1,320	1,350	1,455	0	0
Rental fleet value [million Euro]	11,085	10,600	10,770	11,695	0	0







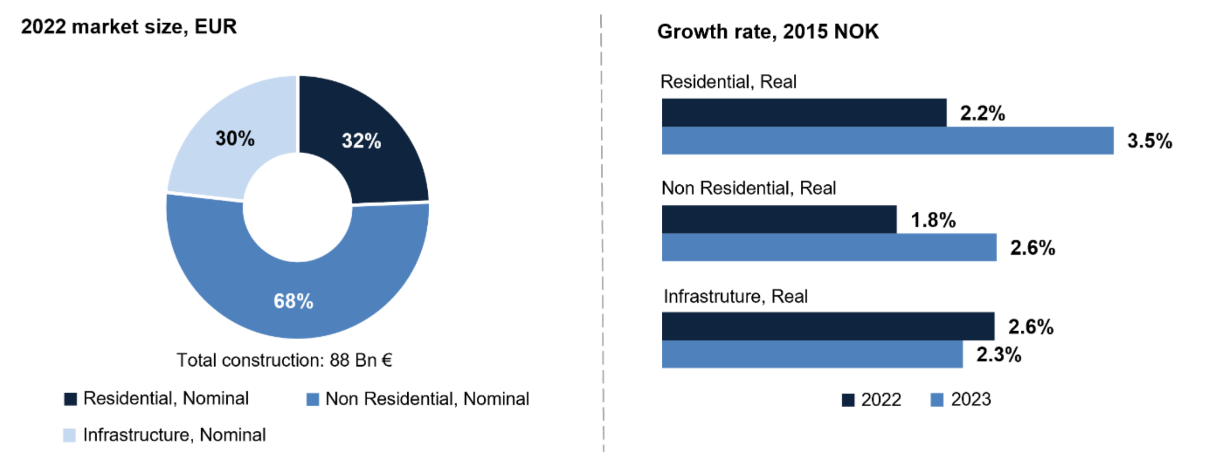
Macroeconomic environment

Norway's economy performed relatively well through the pandemic, contracting only 1.3% in 2020 before returning to strong growth of 4.0% in 2021. Business investment due to high oil prices and natural gas exports, and private consumption driven by pent-up demand, were both growth engines in 2021, and should remain so in 2022. In the first quarter of 2022, employment grew 0.6% q/q, and July's registered unemployment rate is close to its 1.6% pre-financial-crisis level. Moreover, economic growth in the second quarter of 2022 reflected reopening effects. Private consumption boosted activity with a 3.2% q/q expansion on the back of services as spending behaviour normalized. On the flip side, mainland investment in the second quarter fell 2.9% q/q on the back of high material costs and labour shortages, while offshore investment grew 7.7% q/q. Nonetheless, Norway's real GDP growth is expected to moderate to 2.9% in 2022 and 2.0% in 2023. Household consumption is expected to lose steam in the second half of 2022 as high inflation erodes purchasing power and consumer confidence deteriorates. Additionally, depressed outlooks across European economies mean Norwegian mainland exports will come under pressure in the latter half of 2022 and beyond. These factors, along with inflation and higher interest rates will moderate GDP growth over the near-to-medium term.

Real total construction spending in Norway rose by 1.2% in 2021, driven by a 3.3% rise in the residential segment, while non-residential construction saw growth of only 0.3%. Going forward, total construction spending growth is expected to pick up to 1.9% in 2022 and 1.9% in 2023. In particular, the residential segment, as well as industrial, commercial, and transportation will drive Norway's construction sector over the next five years. In contrast, office construction and public health infrastructure will be some of the weakest performers.

Norway's mainland economy is set to expand at a broadly solid pace into the medium term. Trend growth will likely remain at around 2.0% in the outer years of the forecast period. The main trigger will be diminishing crude oil and natural gas reserves. Norway will be under increasing pressure to diversify its productive capabilities as the petroleum sector steadily shrinks. However, the mainland economy appears to have a relatively healthy outlook. Specifically, the long-term outlook for household spending remains relatively sound, with consumer growth expected to remain healthy, supported by a firm housing market and a persistently strong labour market. Norway's demographics are more positive than most of Europe and should therefore be less of a constraint to growth. The latest population forecasts show the working-age population will continue to grow modestly, albeit at a markedly slower pace in the outer years of the forecast.

NO - Construction sector



Source: S&P Global

Poland (PL)

After growing 5.3% in 2021, the Polish market remains strong with expected growth of 6.7% in 2022. The share of rental revenues coming from construction demand remains at 80%, the highest in Europe, with the market benefiting from continued positive construction spending.

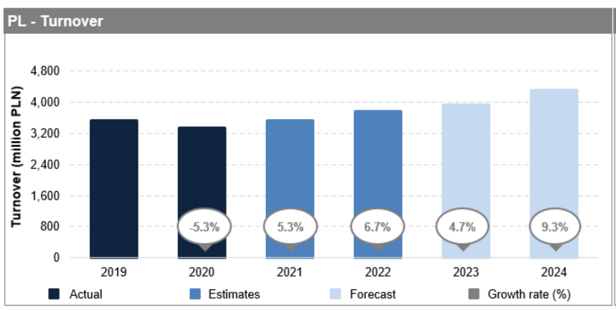
Real GDP growth in Poland is forecast to slow to 3.8% in 2022 and 2.8% in 2023. Real total construction spending in Poland grew 1.6% in 2021. Residential construction increased 0.5% and nonresidential construction growth was 1.8%. Although total construction spending is set to continue on this positive course, modest growth rates of 1.8% and 2.2% are anticipated in 2022 and 2023, respectively, given issues around the availability and cost of building materials and labor, as well as delays in EU funding. Poland does receive about 35 billion euro in Recovery and Resilience funds, about 6.6% of GDP. The Russian war in Ukraine has been especially disruptive to the Polish construction sector. While the country has taken in millions of refugees, these have been primarily women and children. Meanwhile, Poland has had an exodus of Ukrainian men, who used to work in the construction center, but who have returned to defend their country.

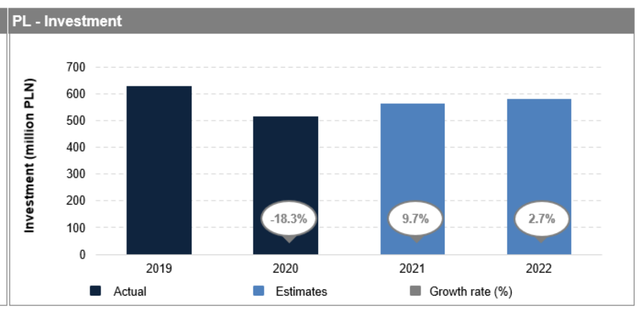
Rental companies with fewer than 50 employees in Poland generate nearly 75% of total industry revenue and employ about 87% of the workers in this sector. Medium sized companies account for 19% of the industry's revenue while large companies generate the remaining 6% of the revenue.

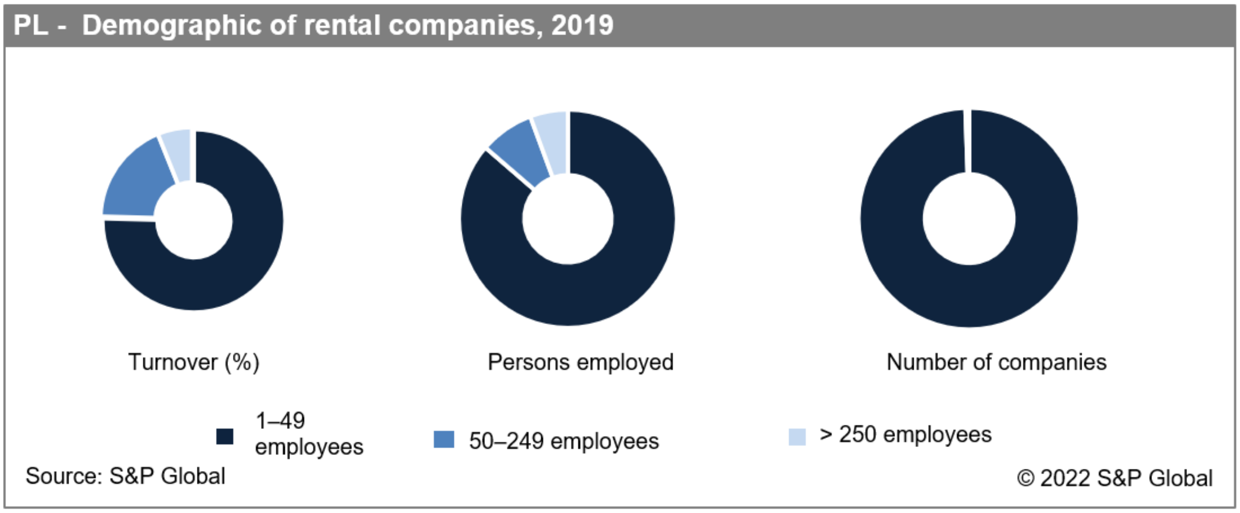
Polish investment is projected to growth at a modest rate of 2.7% in 2022 after a strong 2021 growth of nearly 10%. Delays in accessing EU funds, surging material and labour costs and Russia-Ukraine war raises pressure further.

Looking ahead, investment in renewable energy projects under the national plan for energy policy and in transport infrastructure supports equipment rental market, specifically, demand for green machinery such as construction equipment that are fuelled by green hydrogen, are expected to rise.

Poland (PL)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million PLN]	3,515	3,330	3,505	3,740	3,915	4,280
GDP deflator	3.1	4.2	5.9	9.2	6.3	2.3
Consumer Price Index	2.1	3.7	5.2	13.1	12.6	4.7
Rental fleet investment [million €]	630	515	565	580		
Rental fleet value [million Euro]	5,925	5,850	5,925	6,020		







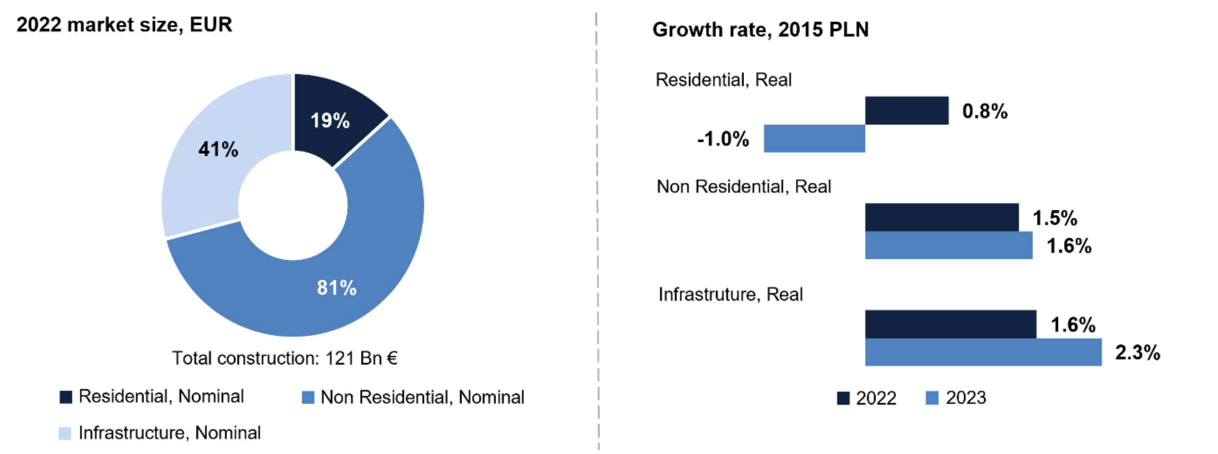
Macroeconomic environment

Polish real GDP grew 5.8% in 2021, bouncing back strongly from the COVID-10 economic crisis. Strong growth is expected to continue, with real GDP rising 4.0% in 2022. Year-on-year growth in industrial output surged at the beginning of 2022, and a tight labour market and loose fiscal policy have also supported growth. Nonetheless, Polish GDP faces downward pressures amid Russia's invasion and protracted war with Ukraine, which has dampened household consumption and put further upward pressure on inflation and interest rates. Despite government measures aimed at reducing the impact of soaring energy costs on consumers, inflation jumped to 15.6% y/y in July, the fastest rate since 1997. This puts annual inflation at 13.1% in 2022 and 12.5% in 2023, far above the 2.5% target. Moreover, Poland's central bank is projected to further tighten monetary policy before the end of 2022. Amid these factors, real GDP growth is expected to slow to 1.1% in 2023.

Delays in EU funding present downside risks for fixed investment, and the Russia-Ukraine conflict raises pressures further. Surging material costs present severe challenges for Poland's construction sector, further exacerbated by the exit of thousands of Ukrainian workers who returned home to defend their country. In first quarter 2022, fixed investment stood 6.9% above pre-COVID-19 levels, but investment in non-residential construction was still down markedly compared with fourth-quarter 2019 levels. Real total construction spending in Poland grew 1.6% in 2021. Residential construction increased 0.5% and non-residential construction growth was 1.8%. Although total construction spending is set to continue this positive course, modest growth rates of 1.3% and 1.1% are anticipated in 2022 and 2023, respectively, given issues around the availability and cost of building materials and labour, as well as delays in EU funding.

Poland's economic convergence with Western Europe will continue in the medium-to-long term, but the pace of catchup will slow. In the longer term, more rapid economic growth could be triggered by upgrades to the business climate and public infrastructure, as well as improvements to the education system to better match job needs. The outlook for exports will depend on Poland's ability to move up the technology ladder while maintaining its role as a manufacturing hub for Western European countries (particularly Germany).

PL - Construction sector



Source: S&P Global

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Spain (ES)

Spanish rental turnover in 2022 is currently forecast to grow 5.4% after solid growth of 4.5% in 2021. The share of rental revenue coming from construction demand remained around 75%. Construction growth in 2022 is driven by infrastructures with 6.0% growth. The strong growth in construction market during 2022 is the main driver for rental business. High level of investment in public work, increasing penetration rate, events business and new industries entering the rental market will be supporting the sector going forward.

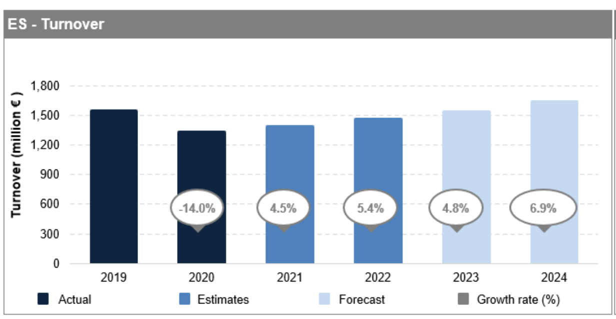
The Spanish construction market is somewhat stronger than its neighbours. The Spanish economy is dependent upon tourism, especially to its beach locales. The pandemic largely shut down the accommodation industry, but it has been revitalized with reduced travel restrictions this year. This has induced both new and renovation activity into the commercial construction sector that other European countries have not experienced.

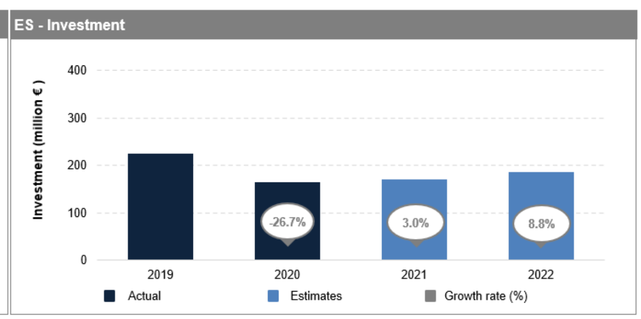
The Spanish market remains highly fragmented compared with its neighbours. Nearly 72% of the industry's employees are employed by small sized firms that generate 63% of the rental market revenue in Spain. The remaining 28% the market's employees comprises of medium and large size companies generating 17% and 19% of the rental market revenue, respectively. There is a sign of consolidation in the market with larger players acquiring smaller companies. Loxam recently acquired Arteixo Maquinaria, a rental company with two locations in Galicia, northwest Spain.

Investment has peaked this year reaching 8.8% growth after a slower bounce at 3.0% post Covid crisis in 2021. Investment shift to green machinery is starting to take place although at a slow pace as prices are still not very competitive. Risk to investment growth is driven by soaring input costs and retreating corporate confidence in the face of the uncertain Spanish and global growth outlooks in the wake of Russia's invasion of Ukraine.

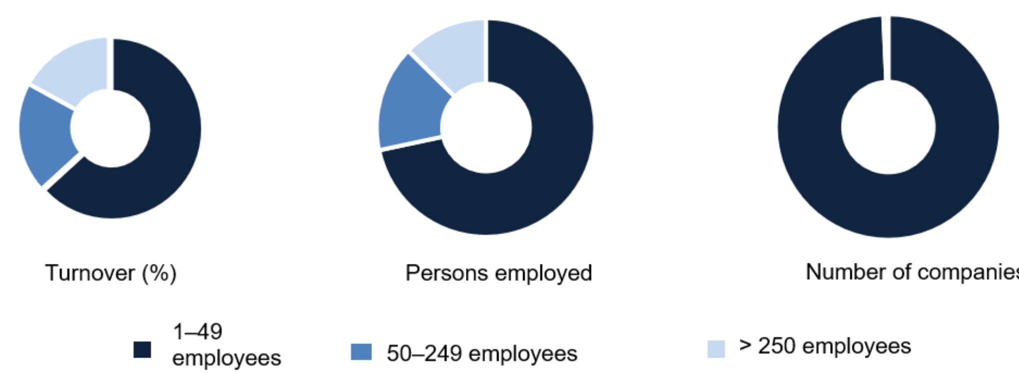
Nota bene: To factor in the unusually high re-rental activity in the Spanish market (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

Spain (ES)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million €]	1,500	1,290	1,350	1,425	1,490	1,595
GDP deflator	1.4	1.2	2.3	3.4	5.3	2.7
Consumer Price Index	0.8	-0.3	3.0	9.5	6.4	0.7
Rental fleet investment [million €]	225	165	170	185	0	0
Rental fleet value [million Euro]	2,800	2,700	2,735	2,770	0	0





ES - Demographic of rental companies, 2019



Source: S&P Global

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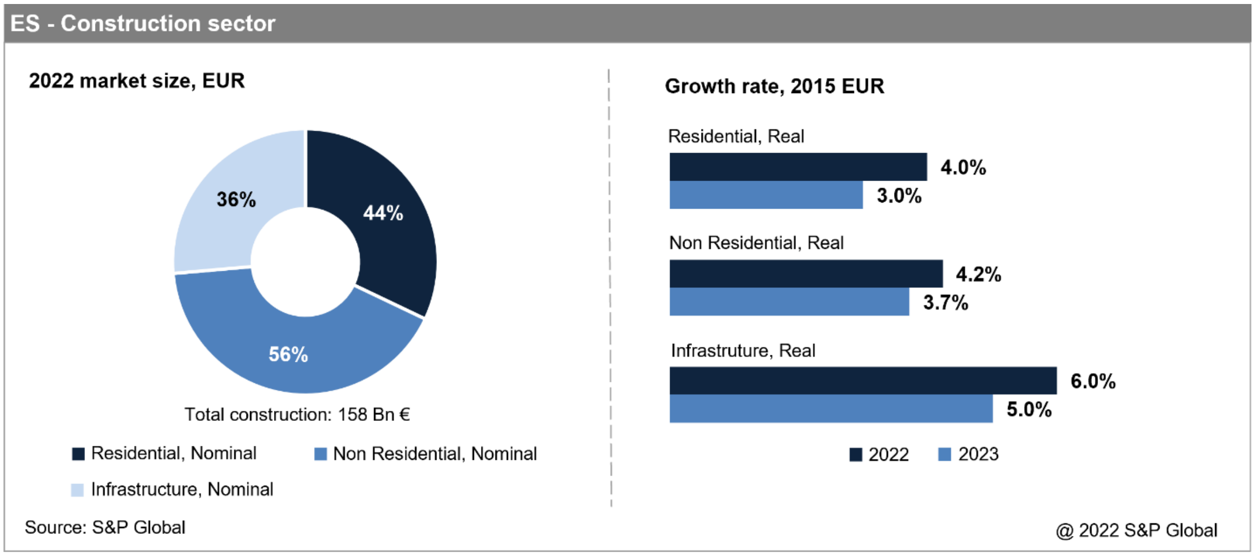
Macroeconomic environment

Spain's real GDP grew 5.1% in 2021 and is expected to increase 4.5% in 2022, effectively erasing the losses incurred from the height of the pandemic in 2020. Growth has been fuelled by fewer COVID-19 restrictions, which has bolstered the service sector and helped revitalize tourism. Additionally, the use of grants and loans obtainable from the EU's Recovery and Resilience Facility has boosted business and general government investment. However, investment intentions are still at risk from soaring input cost pressures and retreating corporate confidence in the face of the uncertain Spanish and global growth outlooks in the wake of Russia's invasion of Ukraine. Consumer price inflation is set to average 10.1% in 2022, up from 7.0% in 2021. The situation could worsen if Russia reduces the flow of gas into Europe, or if the war triggers more severe sanctions. Spain only imports around 5% of its natural gas from Russia but this factor will not protect Spain from the inevitable surge in spot prices. These factors will contribute to a slowdown in real GDP growth in 2023 to 1.7%. However, support continues from some households having access to higher-than-normal savings accumulated during the COVID-19 lockdowns. The gross household savings rate increased from 6.3% in 2019 to 14.8% of nominal disposable income in 2020. The rate remained high in 2021 but eased back to 9.6% by the fourth quarter.

Real total construction spending in Spain declined 3.4% in 2021. Residential construction fell 4.3% and non-residential construction dropped 2.8%, amid soaring input costs and lower corporate confidence. Going forward, construction spending is anticipated to rise by 4.1% in 2022, followed by a growth of 3.4% in 2023 driven by the infrastructure sector. Residential, institutional, and transportation construction will help drive the sector's growth over the next several years.

Under the most recent projected growth, Spain's real GDP will return to pre-pandemic levels by late 2023, and its economy should evolve at a more sedated pace in the medium and long terms when compared with real GDP developments before the COVID-19 pandemic. Specifically, real GDP growth will likely be above 2% in the medium term. This cautious assessment reflects the current loss of a decisive government, suggesting a roadblock to further supply-side and labour market reforms.



Sweden (SE)

Swedish rental turnover growth for 2021 was 2.5%, improving to a projected increase of 3.2% in 2022, while the share of rental revenues coming from construction remained at 70%.

Demand for new buildings is the main risk to the sector growth as high inflation is affecting household spending power and squeezing rental margins. The Swedish rental market is also mature with an already high penetration rate compared to other European countries leaving less room for penetration driven growth. Going forward, public sector investment is expected to support rental market growth. Sweden's residential sector is seeing the strongest price declines in Europe, which is decimating new and renovation activity. As with Germany, Sweden's heavy manufacturing dependence has been exposed to energy supply constraints and weaking global demand for its exports.

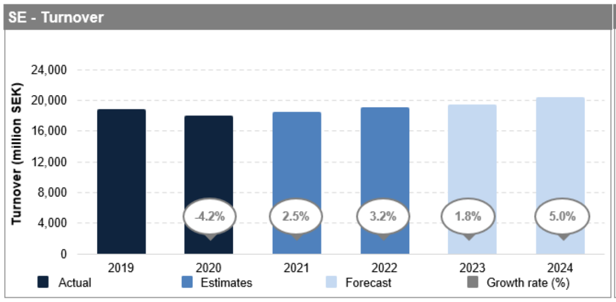
Investment in green steel and battery production and demand for power generation from wind and solar will increase demand for equipment manufacturers as well as rental market. Volvo Group initiated the process for a large-scale battery production facility while Northvolt, Sweden's battery specialist, is expanding their production. Meanwhile, H2 Green Steel is planning a fossil-fuel free steel plant in Sweden using hydrogen.

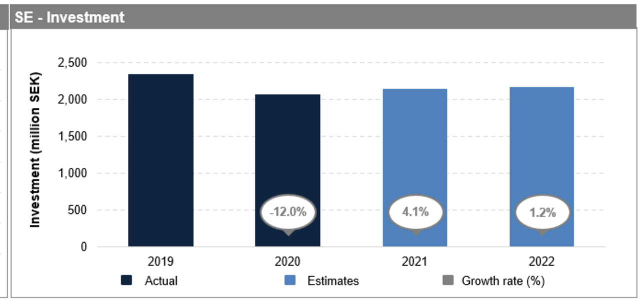
The Swedish rental market turnover is comprised of small firms that account for 59% of the market turnover. The remaining 41% is generated by middle sized companies that employ around 40% of employees in the industry. There is a growing trend of consolidation across all Nordic countries including Sweden.

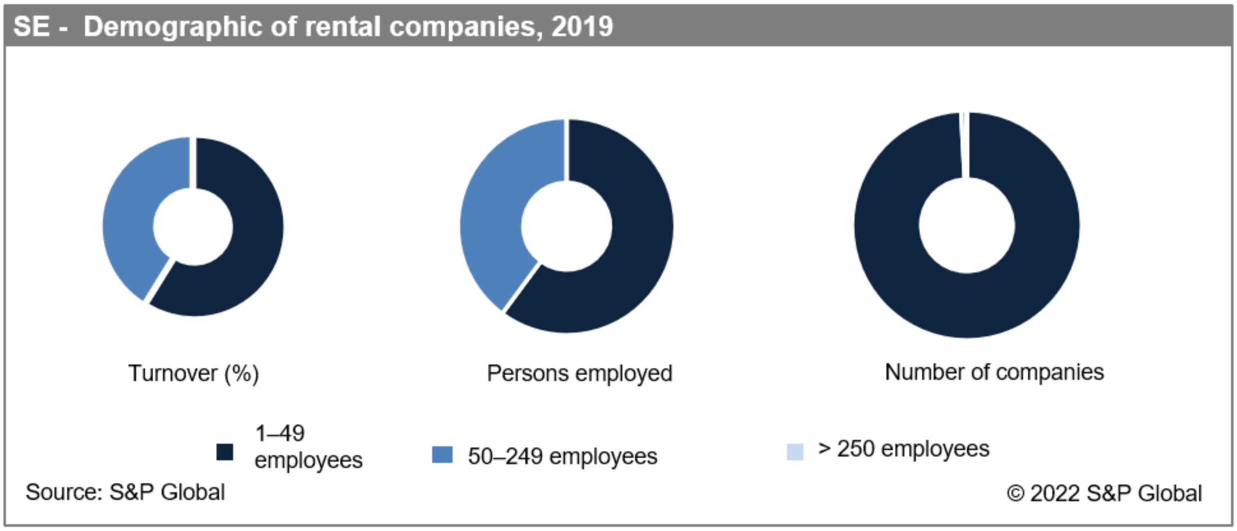
Investment is projected to weaken to 1.2% in 2022 after a growth of 4.1% in 2021.

Nota bene: To factor in the unusually high re-rental activity in Sweden (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 5%.

Sweden (SE)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million SEK]	17,670	16,920	17,340	17,900	18,225	19,135
GDP deflator	2.5	2.0	3.0	5.1	1.4	3.8
Consumer Price Index	1.7	0.7	2.7	7.9	5.3	2.1
Rental fleet investment [million €]	2,340	2,060	2,145	2,170	0	0
Rental fleet value [million Euro]	23,875	23,015	23,500	24,145	0	0







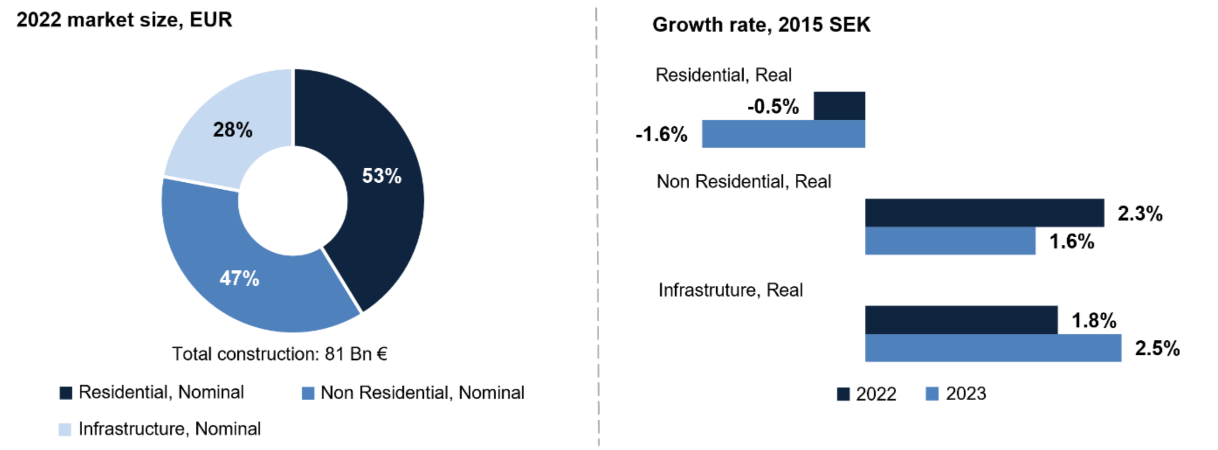
Macroeconomic environment

The Swedish economy grew 4.9% in 2021, is projected to grow 1.9% in 2022. The country began 2022 with a 0.8% q/q contraction. Net exports were the main drag on the economy, shaving 0.7 percentage points off growth. Domestically, consumption also held back growth, which is partly owing to COVID-19 containment restrictions in the beginning of 2022. Moreover, government expenditure decreased due to the scaling down of spending on COVID-19 testing and vaccinations. A flash estimate suggests GDP expanded 1.4% q/q in the second quarter, fully reversing its first-quarter decline. However, as the flash estimate does not offer a detailed breakdown and is frequently revised heavily. Separate data suggest that domestic demand could be the main growth driver in the second quarter, while external demand has moved largely sideways since April. In sharp contrast to depressed consumer sentiment, private consumption was up 1.5% q/q and a full 6.2% y/y in the second quarter. It is being supported by a labour market in the strongest shape since the financial crisis. The employment rate reached a new all-time high of 69% in the second quarter. On the production side of the economy, activity is healthy on the back of private-sector services, whereas construction and manufacturing have moved sideways in the second quarter.

Real total construction spending in Sweden rose by 1.0% in 2021. Residential construction increased by 9.3%, while non-residential construction fell by 7.2%. Looking ahead, total construction spending is expected to rise slightly in 2022, by 0.8%, as higher inflation and interest rates as well as heightened economic uncertainty dampen investment and private consumption. Growth is then likely to slow to -0.1% in 2023.

Growth will slow heading into the second half of 2022, as soaring inflation brings about a tightening monetary environment. We expect the Swedish economy to fall into a small recession and expand by 0.7% y/y in 2023. Household purchasing power will be eroded by inflation, which is red-hot in Sweden. The consumer price index with fixed interest rate (CPIF) excluding energy (CPIF-XE) rose to 6.6% y/y in July. The higher energy costs rise, the greater the likelihood of stronger indirect effects, pushing up core inflation beyond the 7% mark. Meanwhile, food recorded the highest annual food inflation rate since the mid-1980s with 13.5% y/y. On the upside, Sweden's direct exposure to the Russia-Ukraine war is small, given limited trade with both countries before the war and Sweden's large domestic energy sources. In the medium term, Sweden's growth should evolve solidly, supported by a relatively supportive fiscal and monetary policy stance. In the outer years of the forecast horizon, growth in Sweden will likely slip from its current trend rate of 2.0% to around 1.5%.

SE - Construction sector



Source: S&P Global

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Switzerland (CH)

Swiss rental turnover for 2022 is expected to grow modestly at 1.2% after 2.4% growth in 2021. 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.

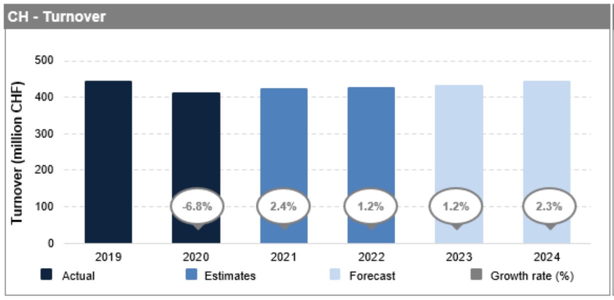
Switzerland's rental market is relatively balanced with 58% of the rental turnover coming from small companies with less than 50 employees while the remaining 42% is from middle sized companies with over 50 employees.

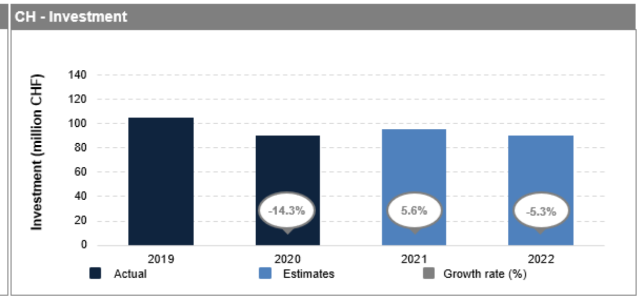
Swiss investment is set to decline by 5.3% in 2022 after solid growth of 5.6% in 2021. Project delays due to high labour and material cost are impacting the rental market. M&A activity has also been slow due to high prices.

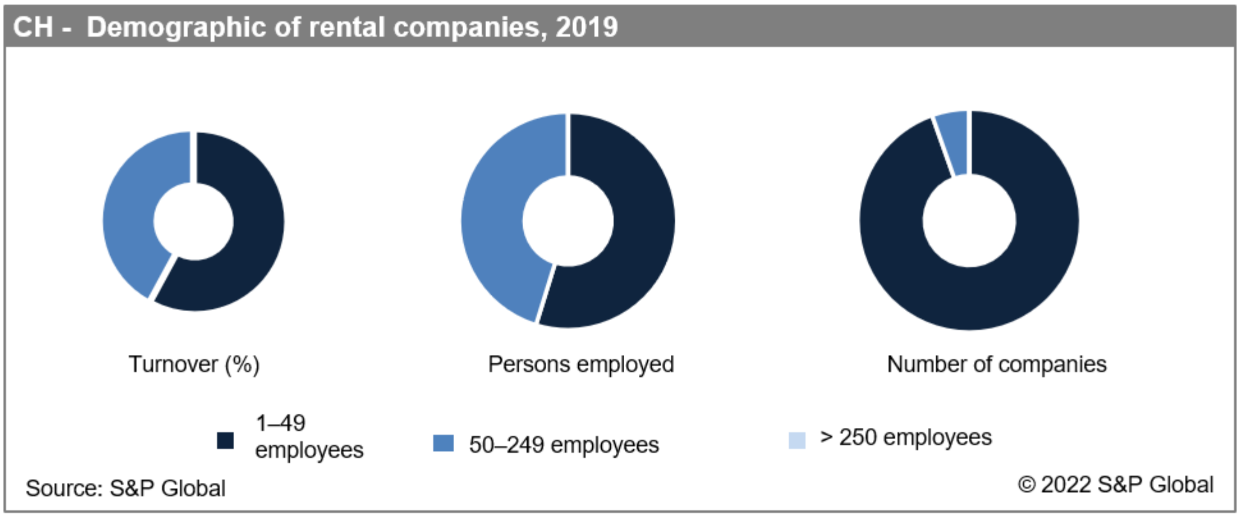
The penetration rate in the market remains low, with ownership still being preferred over usership.

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)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million CHF]	440	410	420	425	430	440
GDP deflator	-0.1	-0.8	1.1	3.3	0.9	0.3
Consumer Price Index	0.04	-0.7	0.6	2.9	2.1	1.2
Rental fleet investment [million €]	105	90	95	90		
Rental fleet value [million Euro]	840	800	815	825		





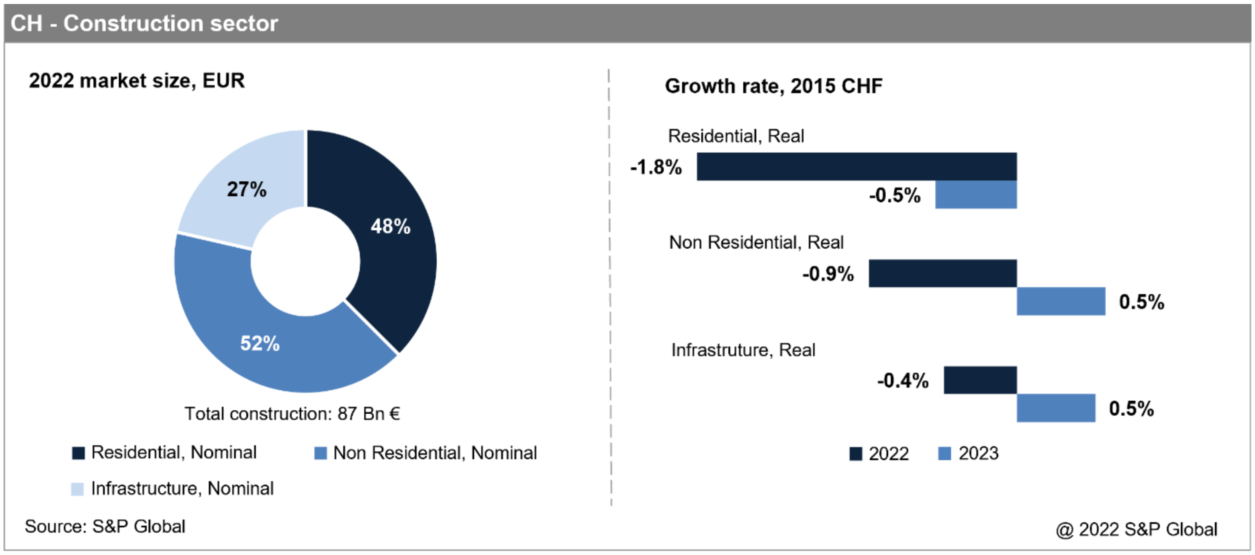


Macroeconomic environment

The Swiss economy grew 3.7% in 2021, amid the easing of most pandemic-related restrictions bolstering service-sector activity. Key leading indicators were strong at the beginning of 2022, with the manufacturing PMI™ ending 2021 at 65.8, and remaining above 60 through the first quarter. Retail sales began 2022 strong, rising by double digits in February. Nonetheless, ongoing global supply chain problems and the associated boost to inflation mar the near-term outlook. Manufacturing PMI™, while still above long-term averages and the neutral mark of 50, fell to 58 in July, which is significantly below the 2021 average. Inflation will increase markedly further from 0.6% in 2021 to 2.9% in 2022. Core inflation (excluding food and energy), which reached a 4-year low of -0.8% in June 2020, rebounded to a series high of 2.0% in July. As energy prices will stay high for an extended period now that Western countries increasingly shun Russian energy imports for good, more of this will spill over into core inflation. While the burden of higher inflation on real purchasing power is smaller in Switzerland than elsewhere in Europe (owing to Swiss franc appreciation), inflation and geopolitical uncertainty will weigh on private consumption the longer this situation persists. Accordingly, real GDP growth is forecast to slow to 2.4% in 2022 and 1.2% in 2023.

After rising by 1.3% in 2021, real total construction spending in Switzerland is set to decline by 1.3% in 2022. This reflects falls in all segments, most notably in residential because of the impact of rising inflation and interest rates, as well as tighter mortgage lending requirements on demand. Growth is projected to be flat in 2023. The residential sector in Switzerland is expected to muddle along with a -0.1% compound annual growth rate (CAGR) between 2021 and 2026. Over the next five years, the outlook for non-residential structures construction in Switzerland calls for a meagre 0.5% compound annual growth rate (CAGR). Between 2026 and 2031, the institutional segment will contribute the most to the expected 1.0% CAGR in non-residential structures. The industrial segment is expected to realize the lowest growth over this period.

Over the next 10 years, the country's population will average an increase of 0.6% annually, which is moderately slower than global annual growth of 0.9%. Medium-term growth prospects are more subdued than before Russia's invasion of Ukraine. The longer this war lasts, the clearer it is becoming that European economic and financial ties with Russia as an important provider of commodities will not return to pre-war conditions for many years, if ever.



United Kingdom (UK)

UK rental market will grow by 4.0% in 2022, a slowdown from last year's 10.0% growth rate. The share of total rental revenues coming from construction demand remained at 60%. Continued projects from previous years are still supporting rental market growth. However, higher material costs are putting more pressure as rental prices remain below inflation rate.

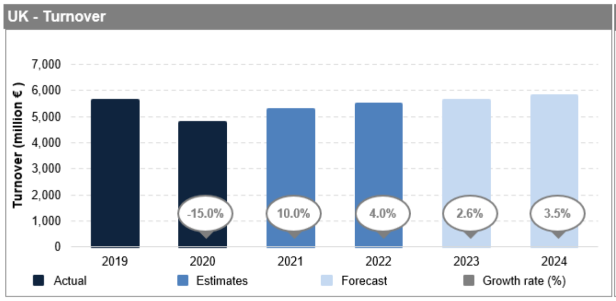
The UK rental market will slow in 2023 to 2.6% growth, despite rising infrastructure spending. High prices, availability of labour and materials as well as increased overall construction cost is expected result in project delays or cancellations. The residential segment is expected to decline further as higher mortgage rates affect affordability. Political uncertainty, Brexit repercussions and energy shortages and price hikes will all conspire to put the UK into recession by late 2022, extending through the first half of 2023.

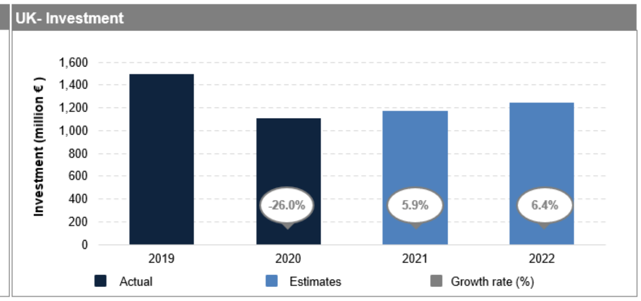
The UK market is mature, with a high level of consolidation and high penetration rates. Middle and large size companies employ almost 60% of UK rental market employees. However, over 50% of UK rental turnover is generated by smaller firms. Middle size companies with 50-249 employees account for 25% of the UK rental market turnover. Companies with over 250 employees generate 21% of the total revenue. There is an appetite for further consolidation in the market as smaller companies are looking for buyers. For example, Vp PLC, a Harrogate-based equipment rental firm, have recently been put up for sale.

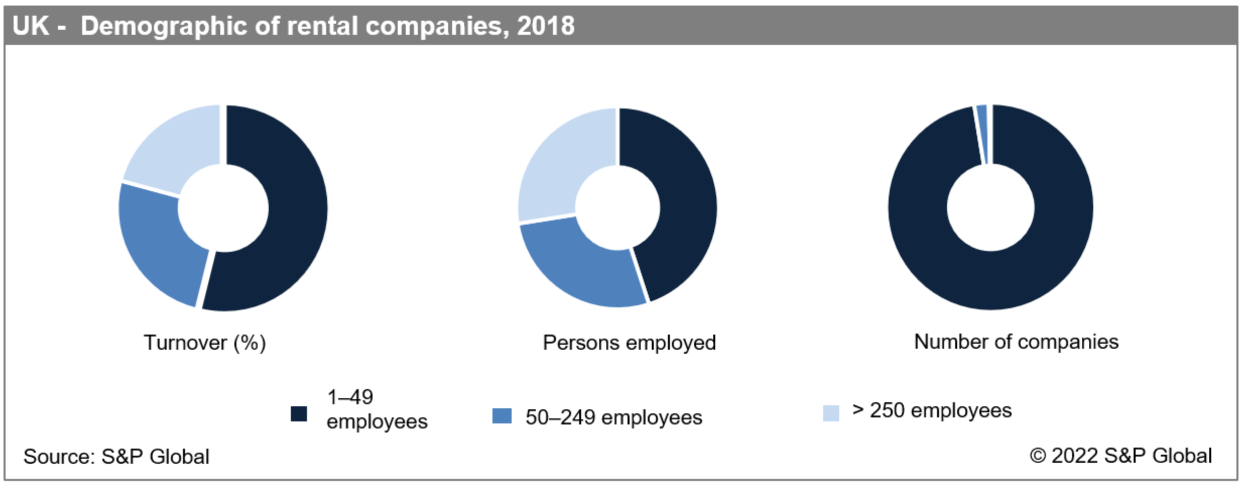
The market is projected to experience investment growth of 6.4% in 2022 after a 5.9% increase in 2021. Investment is trending towards battery/hybrid and compact machines. In addition, companies are investing in Tier 5 engine generators to comply with the emission standards.

Nota bene: For 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 7.5% total rental market. In effect, a concern was expressed that the national statistics would lead to double counting revenues of rental players.

United Kingdom (UK)	Actual		Estimates		Forecast	
	2019	2020	2021	2022	2023	2024
Market size						
Turnover [million £]	5,195	4,410	4,850	5,045	5,175	5,355
GDP deflator	2.1	5.9	0.4	4.7	4.7	2.9
Consumer Price Index	1.8	0.9	2.6	9.0	5.5	1.3
Rental fleet investment [million €]	1,500	1,110	1,175	1,250	0	0
Rental fleet value [million Euro]	9,300	7,400	8,325	8,735	0	0







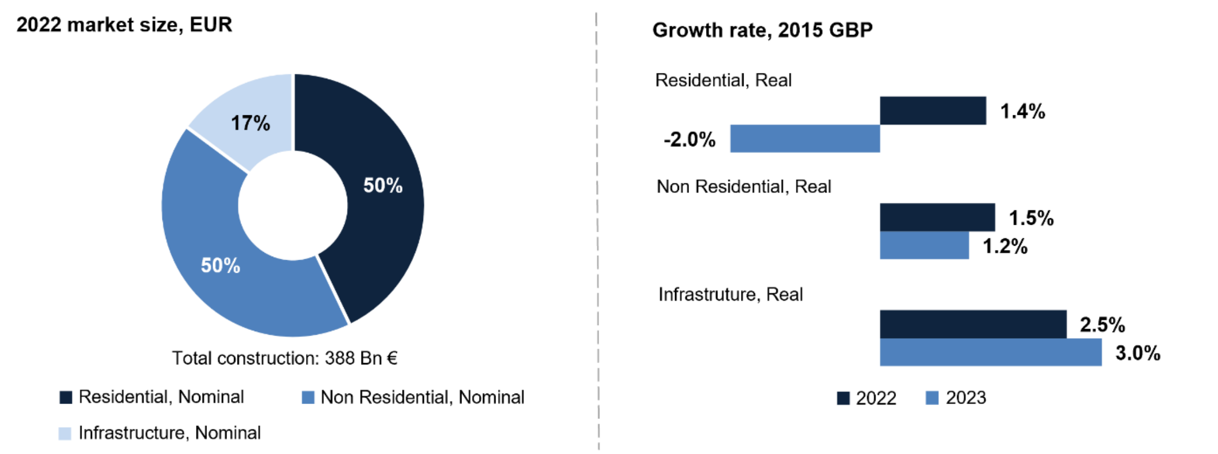
Macroeconomic environment

The UK economy grew 7.4% in 2021, bouncing back strongly from a 9.3% decline in 2020. In 2022, UK real GDP is forecast to grow 3.4% and is projected to decline 0.1% in 2023. Despite the end of the COVID-19 restrictions in early 2022 providing some boost to activity, the post-pandemic recovery faces strengthening headwinds, namely rampant inflation squeezing household budgets and persistent supply chain disruption. More elevated inflation throughout 2022 and the first half of 2023 points to a bigger hit on consumer confidence and real incomes, with household disposable income adjusted for inflation set to shrink for only the third time since 1990 in 2022. Consumer price inflation will likely average 9.2% (up from 8.8%) in 2022 and 4.3% (down from 5.1%) in 2023. This forecast entails the 12-month rate peaking in October 2022. Rising energy prices remain behind the inflation spike and these pressures will remain acute. High input costs continue to lift non-energy goods inflation. Unprocessed food inflation continues to spiral up. The Bank of England lifted its bank rate by 75 basis points to 1.75% in early August, implying hikes in six successive meetings. Further hikes are likely in the next meetings.

The PMI® monthly surveys in May–August reveal firms' acute concerns about squeezed margins, the cost-of-living crisis, and weaker order books, sinking business expectations to their lowest level in two years. The survey's respondents also fretted about the uncertain outlook for the global economy and UK consumer spending. GfK's Consumer Confidence Index deteriorated to -44 in August, the lowest score since the survey began in 1974. This score implied that the index sat below the levels recorded during the global banking crisis and the COVID-19 lockdowns. Following a strong rebound of 12.9% in 2021, real total construction spending growth in the United Kingdom is expected to slow to 1.5% in 2022 as higher inflation and rising interest rates dampen consumer spending and business investment. This, higher construction costs, and issues around the availability of materials and skilled labour are also likely to limit growth to a decline of -0.4% in 2023.

We expect a shallow recession to last during the final three quarters of 2022 and the first half of 2023. The medium-term outlook for the UK economy is less certain due to both structural changes in the post-pandemic period, but also uncertainty in how the UK economy will fare outside of the EU. Nonetheless, Britain's demographics are less unfavourable compared with most of Europe and should therefore be less of a constraint to growth. The latest population forecasts by the Office for National Statistics (2018 based) show that the total population should rise from 66.4 million in 2018 to 69.4 million in mid-2028, 70 million by mid-2031, and 72.4 million in 2043. The working-age population will continue to grow for most of the forecast period.

UK - Construction sector



Source: S&P Global