2023 Market Report

October 2023

S&P Global
Market Intelligence

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 next step involves 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. Turnover estimates are then adjusted to reflect changes in rental rates. The construction industry deflator is applied to real estimates to obtain the nominal figures of the rental turnover.

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 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 rental market estimates.

Construction data

Forecasts of construction activity are taken from the S&P Global Market Intelligence, **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/S&P Global expert interviews

In addition to statistics, the analysis presented utilizes 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 (2020–21), dark blue**. An approach relying on official statistics was applied to calculate the market size.
- **Estimates (2022–23), 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 (2024–25), 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 is expected to slow down from a strong growth of 7.5% in 2022 to 2.7% in 2023. Higher borrowing costs and still elevated inflation take their toll on activity. However, high machinery purchase prices and uncertainty about the economic environment is shifting demand for usership over ownership hence we expect rental market to outperform construction sector.

Subdued eurozone economic growth, less favorable financing conditions; still subdued business confidence; and still high inflation will also weigh on investment. Residential sector will remain the main drag on overall growth while investment in infrastructure projects supported by the EU's Recovery and Resilience Fund should support rental market going forward. A rebound in 2025 is expected with rental growing by 4.6%.

In the longer term, diversification of the industry from construction and investment in green projects will benefit the sector growth.

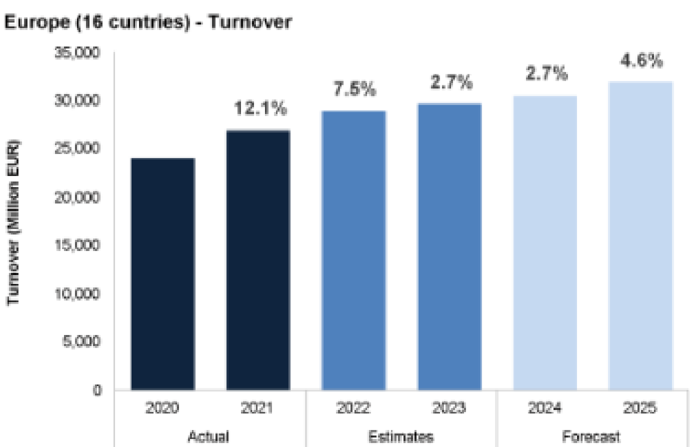
About 58% of European rental market revenue comes from small size firms. 23% of turnover is generated by middle-size companies. Companies with more than 250 employees generate almost a fifth of the market's turnover.

The ranking of countries by market size remains remarkably stable with the United Kingdom and Germany, the region's two largest economies at the top. Both economies are expected to struggle in 2023 yet hold their positions. As Sweden finds growth challenging over the next couple of years, Italy and Spain is expected to increase their market share by 2024.

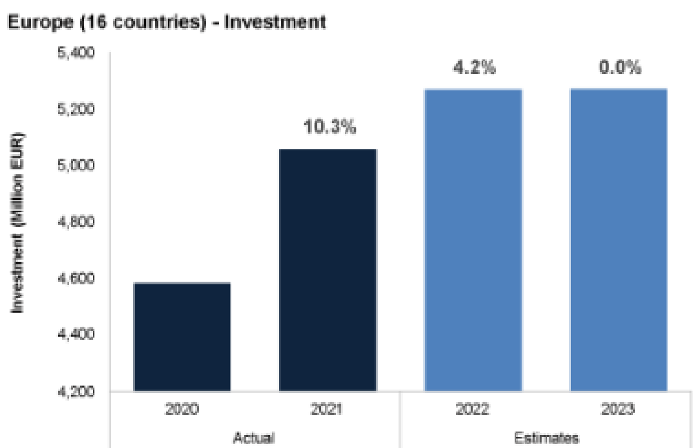
After growing by 10.3% and 4.2% in 2021 and 2022 respectively, investment is expected to be flat in 2023.

Europe (16 countries)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	23,981	26,872	28,879	29,666	30,479	31,891
GDP deflator	2.1	3.2	7.0	5.6	2.8	1.8
Construction deflator	0.9	4.6	11.7	4.9	2.0	1.9
Consumer Price Index	0.8	2.6	8.7	5.9	2.8	2.1
Rental fleet investment [million €]	4,583	5,057	5,268	5,269		
Rental fleet value [million €]	37,321	41,889	44,557	45,496		

Source: S&P Global Market Intelligence and official statistics data

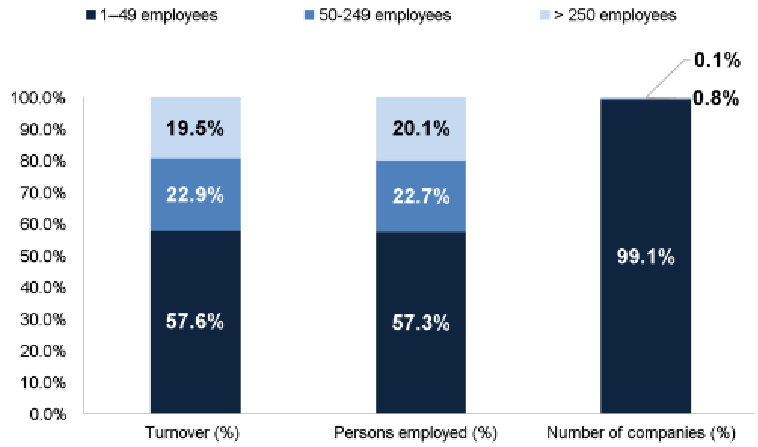


Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

Europe (16 countries) - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.

Long-term equipment rental market trend

All countries, EUR	Actual											Estimates		Forecast	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1. United Kingdom (UK)															
Total turnover [EUR million]	5,055	5,895	5,625	5,825	6,825	6,195	5,840	5,870	6,015	4,965	6,570	7,135	7,260	7,345	7,520
Exchange rate [GBP per EUR]	0.9	0.8	0.8	0.8	0.7	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
2. Germany (DE)															
Total turnover [EUR million]	3,485	3,320	3,320	3,610	3,755	4,100	4,385	4,735	4,965	4,725	4,940	5,120	5,320	5,380	5,615
3. France (FR)															
Total turnover [EUR million]	3,015	3,280	3,280	3,500	3,530	3,260	3,510	3,785	4,000	3,425	3,820	4,015	4,205	4,300	4,410
4. Sweden (SE)															
Total turnover [EUR million]	1,275	1,360	1,370	1,325	1,365	1,495	1,610	1,620	1,650	1,595	1,690	1,730	1,610	1,675	1,840
Exchange rate [SEK per EUR]	9.0	8.7	8.6	9.1	9.4	9.5	9.6	10.3	10.6	10.5	10.1	10.6	11.6	11.4	10.9
5. Italy (IT)															
Total turnover [EUR million]	1,310	1,295	1,295	1,280	1,325	1,360	1,430	1,510	1,615	1,415	1,530	1,740	1,845	1,880	1,950
6. Spain (ES)															
Total turnover [EUR million]	1,310	1,110	1,110	1,140	1,175	1,160	1,305	1,400	1,500	1,290	1,355	1,505	1,595	1,690	1,810
7. Netherlands (NL)															
Total turnover [EUR million]	810	825	825	870	915	980	1,040	1,120	1,165	1,100	1,135	1,215	1,255	1,305	1,375
8. Norway (NO)															
Total turnover [EUR million]	720	940	900	830	770	780	810	825	845	730	790	915	850	910	1,035
Exchange rate [NOK per EUR]	7.8	7.5	7.8	8.4	8.9	9.3	9.3	9.6	9.9	10.7	10.2	10.1	11.3	11.0	10.3
9. Poland (PL)															
Total turnover [EUR million]	345	355	355	600	590	570	700	760	820	750	770	840	915	1,005	1,095
Exchange rate [PLN per EUR]	4.1	4.2	4.2	4.2	4.2	4.4	4.3	4.3	4.3	4.4	4.6	4.7	4.6	4.6	4.5
10. Belgium (BE)															
Total turnover [EUR million]	375	590	590	630	635	650	690	715	735	670	695	750	775	810	850
11. Finland (FI)															
Total turnover [EUR million]	405	445	445	445	470	520	580	640	680	645	660	720	740	770	815
12. Denmark (DK)															
Total turnover [EUR million]	385	400	400	420	450	480	505	525	555	525	550	610	635	655	690
Exchange rate [DKK per EUR]	7.5	7.4	7.5	7.5	7.5	7.4	7.4	7.5	7.5	7.5	7.4	7.4	7.5	7.4	7.5
13. Austria (AT)															
Total turnover [EUR million]	210	325	325	330	350	380	390	410	465	435	460	490	495	515	540
14. Switzerland (CH)															
Total turnover [EUR million]	320	315	310	320	375	375	375	370	395	380	385	420	440	450	460
Exchange rate [CHF per EUR]	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.1	1.0	1.0	1.0	1.0
15. Portugal (PT)															
Total turnover [EUR million]	160	120	115	115	95	100	115	130	145	135	160	185	200	210	225
16. Czech Republic (CZ)															
Total turnover [EUR million]	155	145	140	135	140	155	175	195	210	185	200	225	250	270	295
Exchange rate [CZK per EUR]	24.6	25.2	26.0	27.5	27.3	27.0	26.3	25.7	25.7	26.5	25.6	24.6	24.0	24.5	24.3

Source: S&P Global Market Intelligence and official statistics data

S&P Global Market Intelligence analysts expect the Eurozone to experience a mild recession during the second half of 2023. The lagged effects of tighter monetary policy will continue to weigh on economic activity. Growth forecasts for 2023 and 2024 have been revised down in the September update.

Consumer price inflation will continue to fall. Inflation in the Harmonized Index of Consumer Prices has declined markedly since October 2022, driven primarily by energy effects. Base effects related to the conflict in Ukraine are pushing down on energy and food inflation rates. Furthermore, the moderation in surveys of industrial firms' pricing intentions and declining producer price inflation rates are also indicative of lower core goods inflation. Services inflation rates have been topping out, but tight labor markets and rising pay growth suggest only a gradual decline.

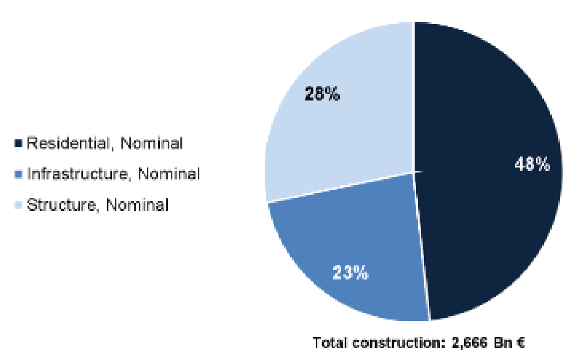
We estimate that the European Central Bank likely have reached the end of its tightening cycle, although it has left the door open to further tightening if the inflationary outlook deteriorates in late 2023.

Eurozone construction downturn extends as housing woes deepen. The HCOB (Hamburg Commercial Bank) Eurozone Construction Purchasing Managers' Index® (PMI®) Total Activity Index, compiled by S&P Global, fell slightly from 44.6 in May to 44.2 in June to signal a reduction in overall construction activity for the 14th consecutive month. The rate of decline was sharp, and the strongest seen in 2023 so far. The aggregate reduction in the Eurozone was led by a marked deterioration in activity in Germany that was the steepest seen since February 2021 (41.4). There was also a further strong, albeit softer reduction among French firms (43.7), while companies in Italy signaled only a modest reduction in total activity (48.6).

At the sector level, the contraction in Eurozone construction activity was led by residential construction, where the rate of reduction was the most marked seen for six months. Weaker demand for construction materials and other inputs reduced the pressure on supply chains, which allowed for a further shortening in lead times that was the most marked in over 14 years. The reduced demand for inputs also eased inflationary pressures in the sector, as businesses signaled the slowest rise in input prices since March 2016, when the current sequence of inflation began.

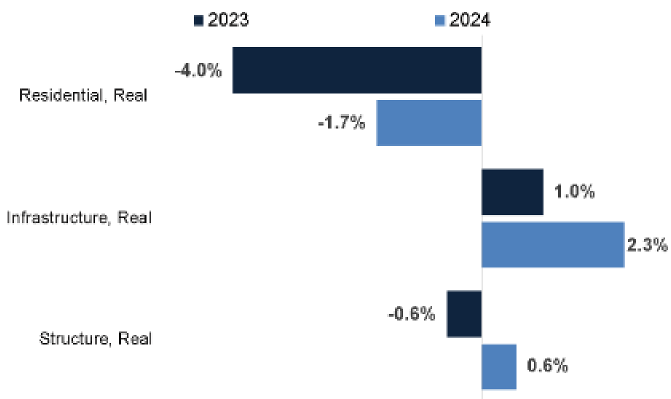
Tighter financial conditions would spell more misery for the residential construction segment, with the July forecast expecting an even sharper decline of 3.7% in 2023, followed by a further fall of 1.4% in 2024. Higher mortgage rates and cost-of-living pressures would further deter potential buyers from purchasing a home and discourage homeowners from making significant improvements to their property, despite accumulated pandemic savings and various energy-efficiency support schemes rolled out by governments. In addition, Eurozone house prices, which registered a second consecutive quarterly decline during the first quarter of this year, are expected to remain on a downward trend amid a weak credit outlook.

Europe (16 countries) - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Europe (16 countries) - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Country Overview

Austria (AT)

Austria's rental turnover growth for 2023 is expected to increase by 1.3%, after strong growth in 2022 during which it increased by 6.6%. The share of rental revenues coming from the construction sector is estimated to average 70% of the market, though the construction sector's weight on the industry is not beneficial for the rental market in 2023. Even though, construction is still the core of the equipment rental business, companies have sought to diversify their services amid unfavorable market conditions.

High inflation continues to create uncertainty for rental revenue growth, although there is variance across the market, with some companies seeing full machine bookings, and others facing headwinds.

The main risk to the rental market is a slowdown in private residential construction, with the greatest impact falling on smaller firms specializing in single-family homes. Rising total project costs, combined with economic uncertainty have led to project cancellations or postponements, particularly for projects that have not yet broken ground.

Infrastructure projects have been driving revenue growth, especially for larger players benefiting from ongoing government spending. Access and material handling machinery is seeing strong demand across the rental sector. Further growth has been driven by clean energy projects, as well as data center construction and the laying of fiber internet cables.

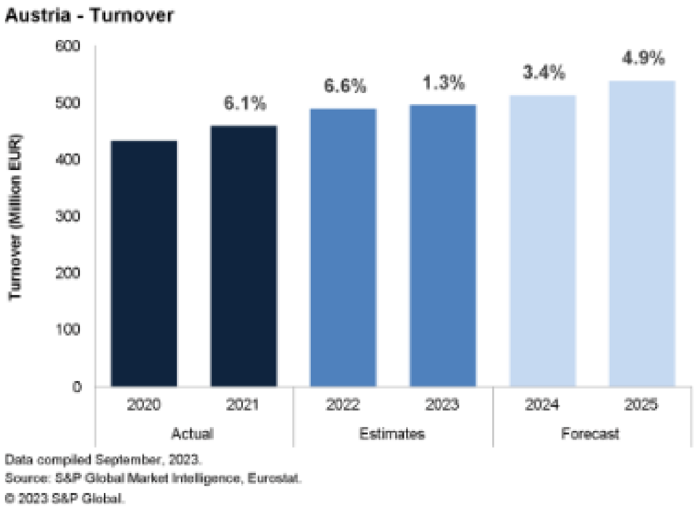
Prices have increased in the rental market in line with customer expectations, however, prices rise have been limited by the large number of players in the market and aggressive competition.

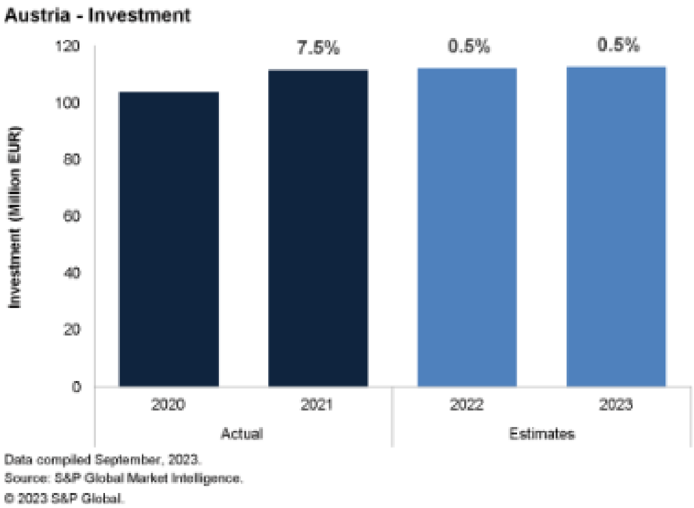
Investment is expected to record very limited growth this year of 0.5%. The appetite for investment in fleet is still strong among larger rental companies, who are hoping for the market to recover soon. There is very limited appetite for takeovers, though, with the largest consolidation movements having already taken place during the last couple of years.

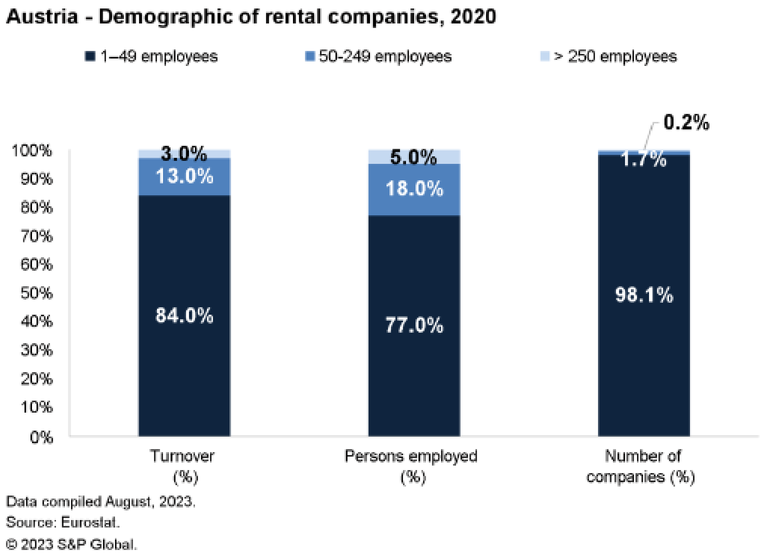
Austria has a relatively small equipment rental market, with contractor-owned equipment still dominating usage. Customer requirements are considered sophisticated in terms of products and services, which make it appealing to own equipment. Like Switzerland, the Austrian market is characterized by a mix 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	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	433	459	489	496	513	538
GDP deflator	2.5	2.0	4.9	7.9	3.4	1.8
Construction deflator	0.7	4.4	11.7	3.8	1.9	1.9
Consumer Price Index	1.4	2.8	8.6	7.6	3.2	2.6
Rental fleet investment [million €]	104	111	112	113		
Rental fleet value [million €]	605	640	680	689		

Source: S&P Global Market Intelligence and official statistics data







Macroeconomic environment

The economic rebound during the first half of 2022, enabled by a successful winter tourism season and consumers' ability to satisfy pent-up demand following the lifting of pandemic-related restrictions, subsequently turned into stagnation and even sizable contraction in recent months. This reflects the damage to consumer and business confidence caused by Russia's invasion of Ukraine and subsequently surging energy prices and overall inflation (peak at 11.6% in January 2023, still 7.6% in August), which has led to substantial tightening of monetary policy and worsening credit conditions. Notwithstanding easing concerns about energy security and costs, a sustained upswing will only develop during 2024. GDP growth of 4.9% in 2022 will be followed by roughly stagnation in 2023 and growth of 0.5% in 2024.

Real total construction spending in Austria is expected to contract by 2.5% in 2023 and by a further 1.0% in 2024 in the face of subdued economic growth and higher interest rates, according to the July update.

The residential construction downturn seen during 2022 is set to continue in the near term as further monetary policy tightening by the European Central Bank exacerbates the expected deterioration in housing affordability and demand. Tighter lending standards, high construction costs and labor shortages would also inhibit residential investment prospects. As a result, we anticipate spending in this segment to fall by 3.8% in 2023, followed by a further 3.0% in 2024. Construction spending in nonresidential structures will also remain on a downward trajectory, falling by 3.6% in 2023 and 2.0% in 2024.

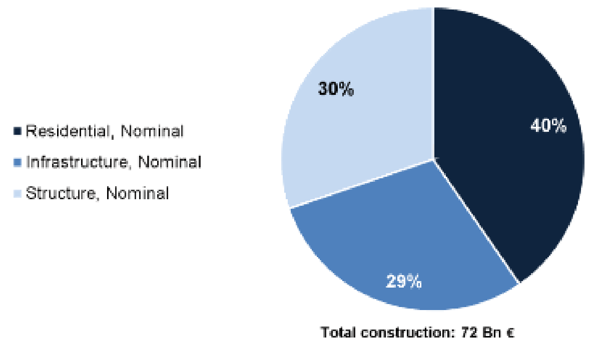
Subdued economic conditions, higher interest rate levels and structural changes brought by the shift toward hybrid working and online shopping will continue to weigh on investment intentions and construction activity in the near term. Infrastructure construction spending is forecast to increase by 0.5% in 2023 and 3.0% in 2024. Energy and water and sewer construction will be the key drivers of growth over the next two years.

Construction spending in Austria will record a 0.3% compound annual growth rate (CAGR) between 2022 and 2027 with growth led by the infrastructure segment. In the longer run, growth will improve to a 0.9% compound annual rate between 2027 and 2032. The nonresidential structures segment will demonstrate the highest growth over the period.

Although inflation has begun a downward trend since hitting a multidecade high of 11.6% in January, it is unlikely reach the ECB's 2% goal before 2025 or even 2026. Underlying inflation should stay around 6% for most of 2023 on lingering upward pressure in the tourism-related service sector.

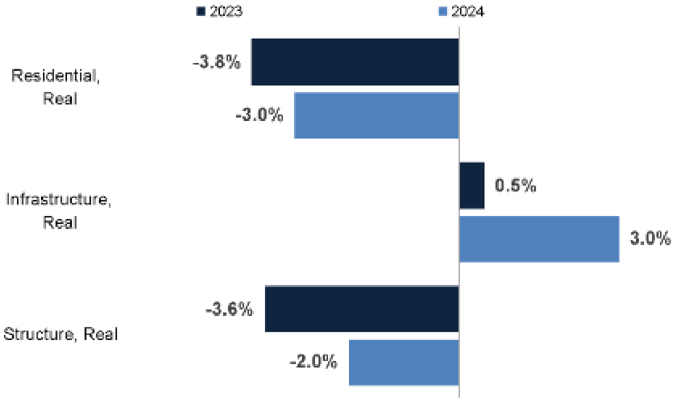
The European Central Bank (ECB) may refrain from further tightening of monetary policy following its latest policy rate hike in mid-September, but a switch toward monetary easing will hardly occur before mid-2024.

Austria - Nominal construction market in 2023, shares



Data compiled August, 2023.

Austria - Real construction growth



Data compiled August, 2023.

Belgium (BE)

Belgium's rental turnover growth for 2023 is expected to reach 3.3%, compared with strong growth of 8.1% in 2022. The construction sector accounts for 65% of rental revenue. Real GDP growth dropped drastically from 3.2% in 2022 to only 0.9% in 2023. Industrial production and construction outlooks for 2023 have also worsened, with industrial production expected to decline by 6% this year and real total construction projected to decrease by 0.3%.

Rental volume growth has slowed this year mainly due to a weaker private construction market, where low economic growth and tighter credit conditions have dampened investment activity. In addition, shortages of skilled labor remain an ongoing concern, increasing labor costs above material costs and impacting construction affordability and profitability. These factors have their highest impacts on small and medium sized companies who have more limited access to credit markets and lower capitalization, leading to an increased number of bankruptcies across the sector.

Infrastructure business has driven growth of the rental market in Belgium, supported by a great number of government projects, which has increased in the run-up to upcoming elections.

77.5 % of Belgium's turnover is generated by small firms with fewer than 50 employees. The remaining 22.5% comes from middle sized companies that employ 33.6% of the market's employees.

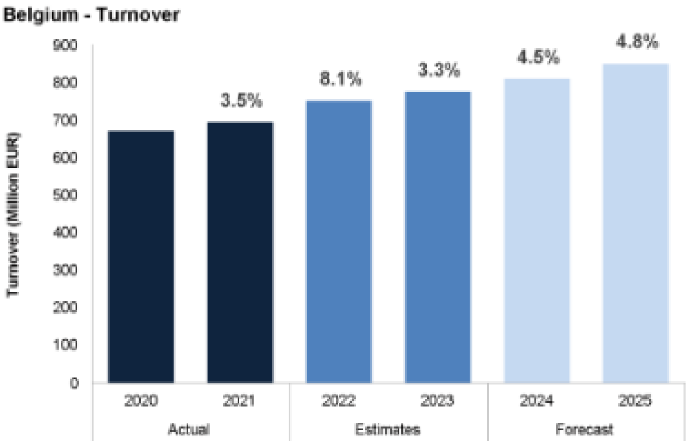
The structure of the Belgian market has not evolved significantly in recent years. However, there is now a clear need for consolidation of a market that is still highly fragmented. Light structured companies are having difficulties in financing new investments or obtaining skilled labor force and are therefore open to acquisition proposals from larger players.

Investment levels recorded no change in 2022 due to conflicting market signals, however it is expected to grow by 2.7% in 2023. The appetite for investment is still quite moderate across the sector, and similar amounts of money invested in new machinery this year would not obtain the same amount of machinery as one or two years ago due to higher purchasing prices.

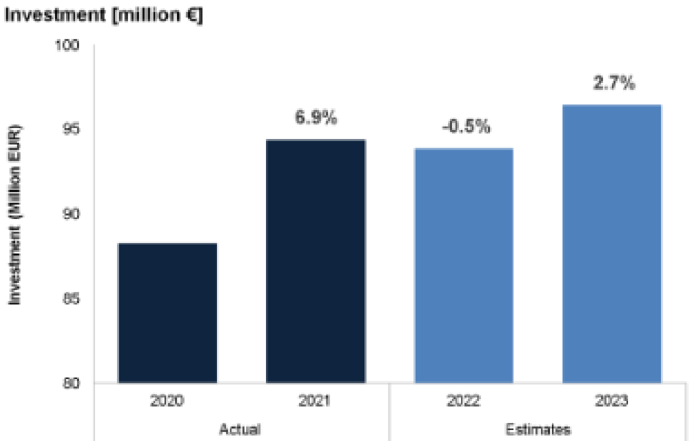
The rental market has seen strong demand for access machinery, telehandlers and mobile machinery as well as modular spaces. Outside the construction and industrial sectors, rental demand is reported to be growing rapidly in the events and festivals sector, especially during the summer season. Transition to hybrid machinery or battery powered equipment is still very slow, especially for heavy equipment, which currently does not meet market requirements. The trend is not expected to change in the short term without government financial support or the introduction of new regulations.

Belgium (BE)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	671	694	750	775	810	849
GDP deflator	1.5	2.8	5.9	3.3	3.3	1.1
Construction deflator	0.4	4.3	12.8	3.4	2.7	1.6
Consumer Price Index	0.4	3.2	10.3	3.1	3.5	2.1
Rental fleet investment [million €]	88	94	94	96		
Rental fleet value [million €]	1,162	1,198	1,283	1,320		

Source: S&P Global Market Intelligence and official statistics data

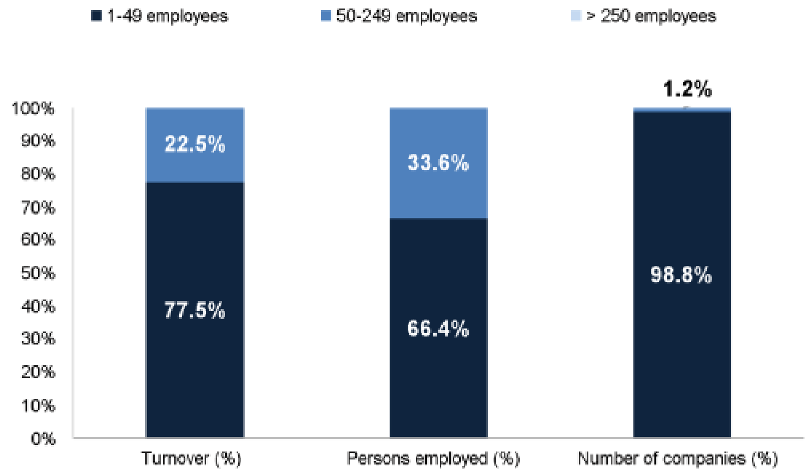


Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

Belgium - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

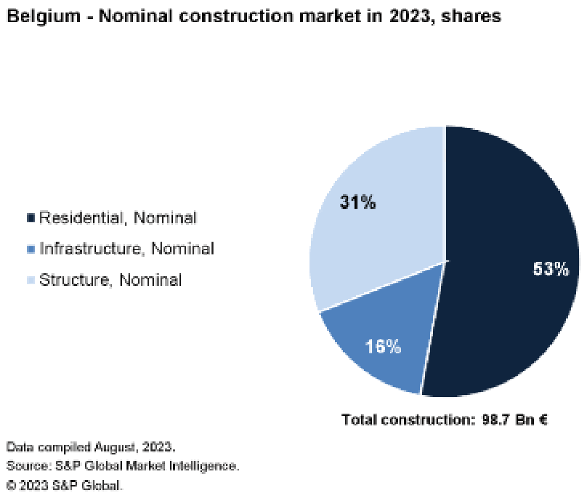
Belgium's real GDP grew by 3.1% in 2022, according to the National Bank of Belgium (NBB). The Belgian economy avoided recession despite the supply chain shock and high energy prices as a result of the Russia-Ukraine war. Earlier real GDP fell by 5.7% in 2020 — the steepest fall since World War II — but recovered to its pre-pandemic levels in third quarter 2021. Real GDP expanded by 6.1% in 2021. Real GDP growth is likely to slow in 2023 owing to lingering trade disruption and tight monetary conditions. Real GDP growth will edge down to 0.9% in 2023 and 0.7% in 2024 according to S&P Global Market Intelligence September forecast. The government's financial support measures to ease pressure from the energy price crisis are likely to elevate already high public debt. Rising interest rates will increase Belgium's already high debt service burden. We expect economic activity to weaken owing to falling investment, softer exports and private consumption, constrained by tight credit conditions.

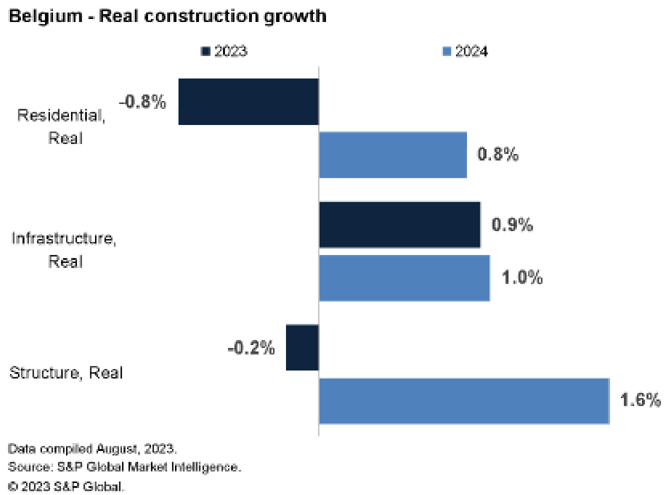
Real total construction spending in Belgium is likely to decline 0.3% in 2023 as weaker economic growth and tighter credit conditions dampen investment activity across the sector, especially in residential and nonresidential structures. A slight pickup in growth to 1.1% is then expected in 2024.

After rising by 1.3% in 2022, residential construction spending in Belgium is expected to fall by 0.8% in 2023 before growing by 0.8% in 2024. In nonresidential structures, spending is forecast to fall 0.2% in 2023 before increasing by 1.6% in 2024. Infrastructure construction spending is forecast to rise 0.9% in 2023, followed by growth of 1.0% in 2024. Transportation infrastructure construction will record the highest growth rate in both years.

Construction spending in Belgium will face a 1.1% compound annual growth rate (CAGR) between 2022 and 2027, with growth led by the nonresidential structures segment. In the longer run, growth will improve to a 1.2% compound annual rate between 2027 and 2032. The nonresidential structures segment will again demonstrate the highest growth over the period.

Consumer price inflation will remain elevated, as producers will continue passing high input costs onto consumers. Headline inflation should average 3.0% in 2023, slowing from 10.3% in 2022.





Czechia (CZ)

Rental market turnover in Czechia is projected to increase by 7.0% in 2023, compared with an increase of 8.6% in 2022. The share of rental revenue from the construction sector is estimated to be 75% but demand from industry, such as waste, commercial and energy sectors are gaining some market share. Despite the strong nominal rental revenue growth, higher inflation and wages are putting pressure on margins.

Investment in construction sector has been weak in 2023 due to high mortgage rates as well acute labor shortages which are putting pressure on project costs and impacting affordability. However, rental market investment is expected to increase by 2.7% in 2023 as future expectation for rental is positive especially when the construction market pics up again. After contracting by 1.2% in 2023, real total construction is expected to pick up to 2.8% growth in 2024, owning to lower interest rates and inflows of EU funds. We therefore estimate rental market to grow by 10.5% in 2024.

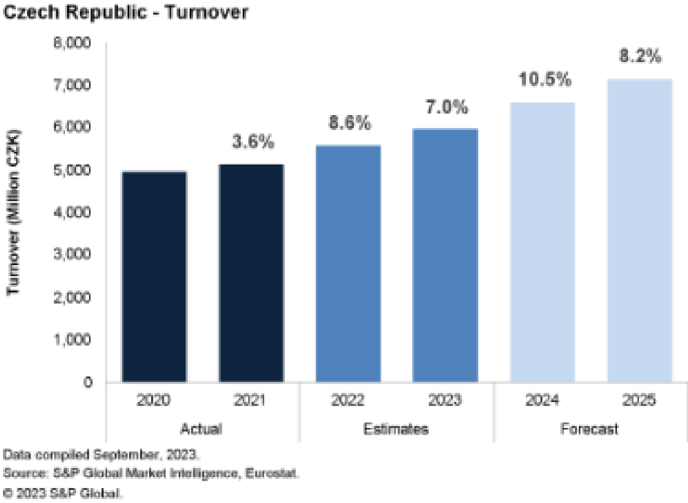
A large portion of rental industry turnover is generated by firms with fewer than 50 employees, mainly small, independent companies who are struggling with high financing costs hence more conscious in making large investments. However, since machine prices have been rising more than rental price, we expect demand for rental to continue growing.

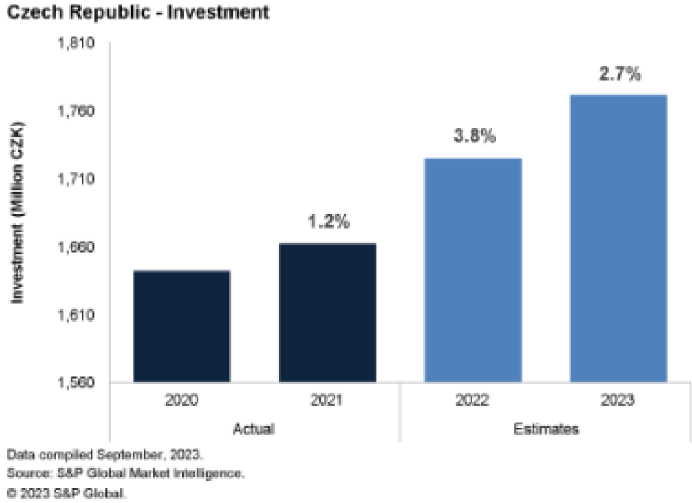
The strongest demand is observed for powered access machinery, while demand for ESG compliant machines is still very limited in Czechia mainly due to high prices. The Czech rental market is a small and saturated market, with the same players present on the market for long time.

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.

Czechia (CZ)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million CZK]	4,954	5,132	5,575	5,962	6,590	7,132
GDP deflator	4.3	3.3	8.5	7.6	3.3	2.5
Construction deflator	2.5	3.9	12.9	8.6	3.7	3.1
Consumer Price Index	3.3	3.3	14.8	11.7	3.3	2.5
Rental fleet investment [million CZK]	1,642	1,662	1,725	1,771		
Rental fleet value [million CZK]	10,612	10,822	11,335	11,768		

Source: S&P Global Market Intelligence and official statistics data





Macroeconomic environment

Russia's invasion of Ukraine has negatively affected Czechia's economy while creating humanitarian challenges stemming from a surge in refugees; Czechia is among the top destination countries for Ukrainians seeking refuge in Europe. The Czech government remains a staunch supporter of Ukraine, providing military aid, and backing tougher EU sanction packages against Russia. This trajectory will likely be reinforced under the new president, former general, Petr Pavel.

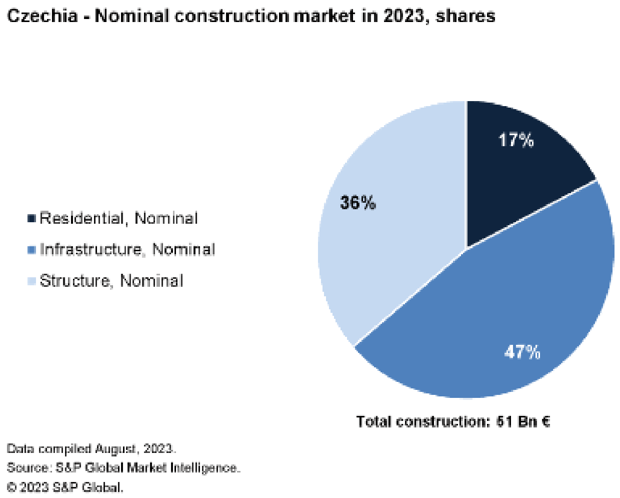
Despite growing by 0.1% quarter over quarter in April–June 2023, the Czech economy declined by 0.6% in the first half of 2023 compared with the same period of 2022. In the remainder of 2023 and in 2024, we expect economic activity to accelerate, supported by higher domestic demand, reflecting a gradual improvement in real incomes. Tight labor market and excess savings are counteracting the adverse effect of still-elevated inflation and geopolitical uncertainty. Net export is expected to remain positive, supporting headline GDP. We are projecting full-year growth at 0.1% for 2023 and at 2.5% for 2024. The disbursement of EU funds, especially toward digitalization, infrastructure, and the green transition, will support investment despite the high level of uncertainty and elevated borrowing costs.

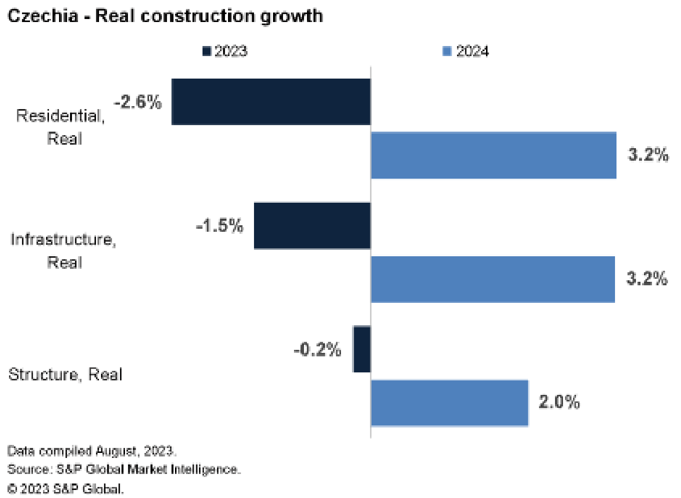
Given the weak investment picture during the first quarter and a subdued economic outlook, real total construction spending in Czechia is expected to decline by 1.2% in 2023. Thereafter, growth is forecast to recover to 2.8% in 2024, owing to lower interest rates and the inflow of EU funds.

Residential construction spending in Czechia is expected to fall by 2.6% in 2023 as high interest rates and increased living costs reduce demand for housing. The downbeat outlook also reflects the sharp annual decline in the number of building permits granted and housing starts during the first half of this year. Growth is then expected to rebound to 3.2% in 2024, as monetary policy eases. In nonresidential structures, construction spending is expected to fall marginally in 2023, by 0.2%, as tighter financial conditions, high construction costs and weak economic growth prospects dampen investor sentiment and activity. Spending will then likely change course by growing 2.0% in 2024.Infrastructure construction spending is forecast to contract by 1.5% in 2023, before rising by 3.2% in 2024 due to projects financed by EU Recovery and Resilience Facility (RRF) funds. Water and sewer infrastructure construction will be the main driver of growth in both years.

Construction spending in Czechia will experience a 1.5% compound annual growth rate (CAGR) between 2022 and 2027 with growth led by the infrastructure segment. In the longer run, growth will improve to a 1.7% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.

The Czech koruna faced volatility during Russia's war in Ukraine, triggering Czech National Bank (CNB) interventions to support the currency last year, but has strengthened since early 2023 amid investor optimism in emerging markets. Depending on wage pressures and fiscal spending over the second quarter, we expect the first rate cut to be delivered in November 2023. Czechia still has high foreign-exchange reserves, providing flexibility should the koruna face renewed downward pressure.





Denmark (DK)

Danish rental turnover in 2023 is set to grow 4.0%, much lower than the 10.8% growth of 2022. The share of rental market revenues coming from the construction sector remained at 70%, which has not helped the rental business since the housing market has declined sharply this year. The industry sector has increased its share in rental this year however, indicating that there might be a shift away from construction in the longer term.

High inflation and rising interest rates slowed construction output as well as investment, with the latter expected to note a sharp decline of 4.6% this year, after a strong rebound in 2021 and 2022.

Real GDP in Denmark is expected to slow from 2.7% growth in 2022 to 1.7% growth in 2023. Real total construction spending is expected to decrease by 2.6% this year, down from 5.4% growth in 2022. Residential construction is projected to decline by 5.0%, while non-residential structures construction should decrease by 1.8%. Looking ahead, in 2024, total construction spending is forecast to stay at the same level as in 2023 and start recovering in 2025.

Rental market revenue growth is currently driven by demand from public contracts such as railway projects. Civil engineering, industry and energy related investment will drive rental growth as well. The sector observes high demand for cabins on construction sites, access machinery and heavy equipment above 16 tons. Utilization rate of electric machinery is also rising, since all larger companies in Denmark are required to report on their Environmental, Social and Corporate Governance (ESG) in connection to their annual reports.

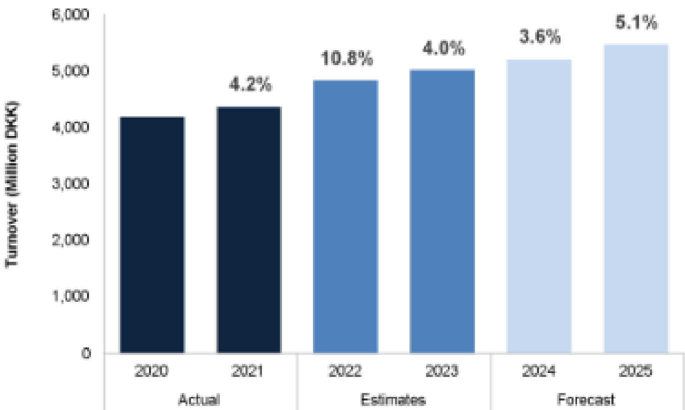
The Danish rental market is dominated by companies with fewer than 50 employees, which generate 80.8% of the total rental market turnover and are mostly small and independent companies. It is still a fragmented market, even though some consolidation movements are visible on the market right now and a couple of large acquisitions have taken place in the market during the last twelve months.

Nota bene: To factor in the 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 6%.

Denmark (DK)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million DKK]	4,178	4,354	4,824	5,015	5,196	5,461
GDP deflator	2.9	2.9	8.1	-0.6	0.8	0.5
Construction deflator	0.9	3.5	9.1	2.5	2.0	1.8
Consumer Price Index	0.3	1.9	8.5	4.3	2.4	2.0
Rental fleet investment [million DKK]	993	1,046	1,092	1,041		
Rental fleet value [million DKK]	7,957	8,250	9,028	9,342		

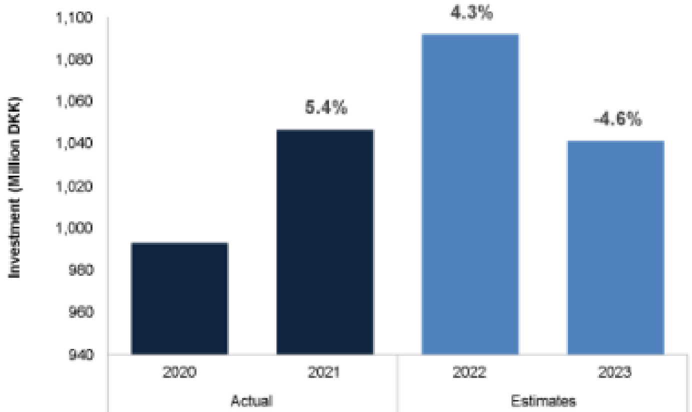
Source: S&P Global Market Intelligence and official statistics data

Denmark - Turnover



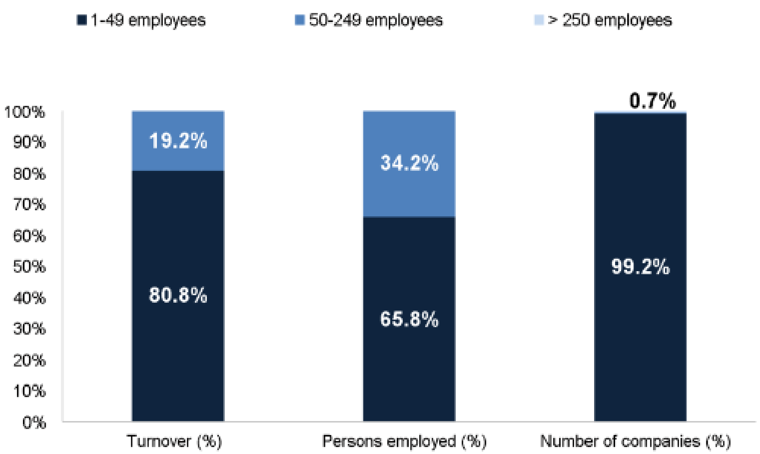
Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.

Denmark - Investment



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

Denmark - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

Growth in the Danish economy is almost exclusively driven by the pharmaceutical sector, without which GDP would have shrunk by 0.3% year over year in the first half of 2023 compared with the recorded 1.7% expansion. We see the Danish economy facing a mild slump as foreign demand softens, but with a real wage growth rebound in private consumption and strong investment in the pharmaceutical sector, the economy is projected to be 1.7% larger at end-2023 than in 2022.

The construction outlook for Denmark has been downgraded in the July update, with real total spending now forecast to decline 2.6% in 2023, before remaining flat in 2024, as the effects of past and additional monetary policy tightening by the Danish central bank reduces demand for construction work across most segments, especially in residential and non-residential structures.

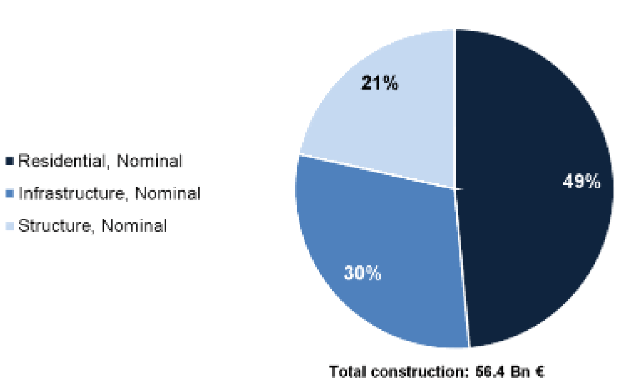
Residential construction spending in Denmark is expected to fall 5.0% in 2023, followed by a further decline of 1.0% in 2024. This reflects the impact of rising interest rates, which is yet to fully filter through to lower house prices and activity. Elevated construction costs and an expected slowdown in the labor market would also restrain activity in the housing market. The number of housing starts is already faltering, with a double-digit annual decline recorded in the first three months of 2023, according to seasonally adjusted figures from Statistics Denmark. In non-residential structures, we also expect spending growth to slip into negative territory as economic uncertainty, higher financing and construction costs, and concerns about financial viability prompt investors to exercise caution, resulting in project delays, especially in offices and commercial. As a result, real spending in this segment will likely decrease 1.8% in 2023 and a further 0.2% in 2024. Infrastructure construction spending is likely to increase 1.0% in 2023 and 1.9% in 2024. Energy infrastructure construction will post the highest growth rate in 2023 and transportation will in 2024.

Construction spending in Denmark will face a 0.6% compound annual growth rate (CAGR) between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 1.2% compound annual rate between 2027 and 2032. The non-residential structures segment will demonstrate the highest growth over the period.

Inflation is moderating as producer prices and firms' pricing intentions are falling. Nevertheless, we expect a decline in the headline rate to the 2% long-term benchmark to require a multi-year process due to strong nominal wage growth. For 2023, we project a headline inflation rate average of 4.2%, followed by 2.4% in 2024.

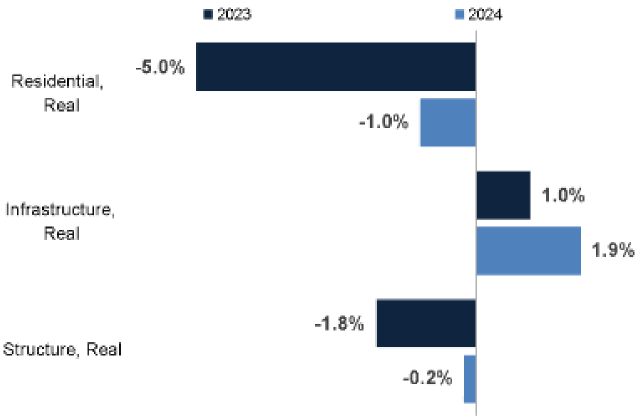
The krone is currently trading within the Danish central bank's accepted 2.5% band around the central parity rate of 746.038 kroner per €100. We assess that the current negative deposit rate spread of 40 basis points versus the eurozone will need to be maintained until at least 2025, given high structural demand for the krone due to strong net foreign wealth returns and a favorable net trade position.

Denmark - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Denmark - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Finland (FI)

After strong growth in 2022 (9.2%) rental turnover growth in Finland is expected to slow down sharply to 3.2% in 2023. Given the lagged effect of monetary tightening, growth is expected to remain subdued in 2024, rising by 3.7%.

The share of rental revenues coming from the construction sector is estimated to average 70%. Weak economic growth, labour shortages, high material and energy prices have dampened demand for the construction sector which is negatively affecting equipment rental market.

High inflation (4.5% in 2023) and rising interest rates will continue to dampen demand for new construction of housing. The number of residential building permits have declined during the first half of 2023 compared with the same period a year earlier and some projects have been put on hold. However, investment in energy infrastructure such the nuclear power should support rental market growth going forward.

Real GDP growth in Finland is forecast to slow to 0.4% in 2023 (from 1.6% in 2022) and is expected to improve very moderately, to 0.7% growth in 2024. Real total construction spending in Finland is expected to drop by 2.9% in 2023 amid weak economic environment, with residential construction expecting the largest decline, by 5%, as demand for housing weakens amid rising mortgage rates and the loss in households' purchasing power.

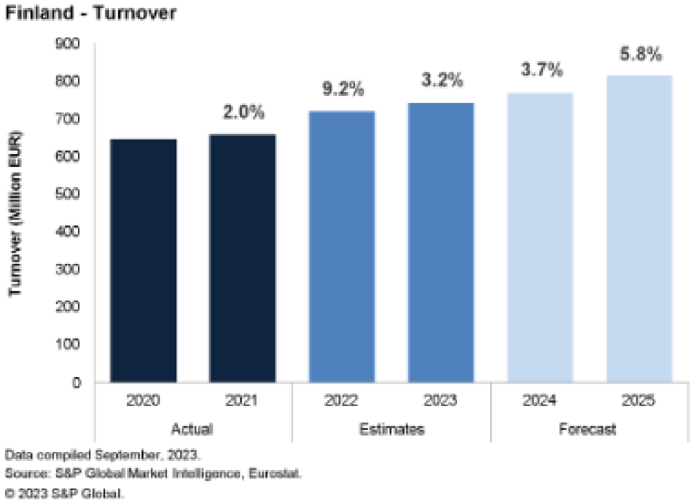
The rental turnover generated by large firms with more than 250 employees make up 37.5% of total rental revenues while small companies with 1-49 employees generate 62.5% of total industry revenue.

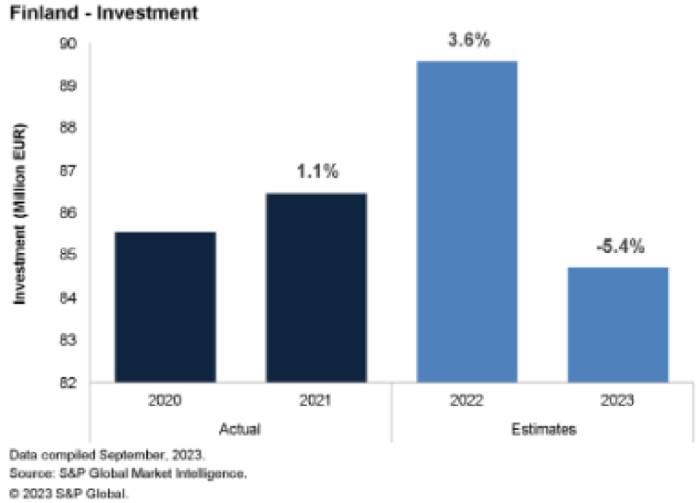
Investment is expected to drop by 5.4% 2023 as companies are more conscious due to uncertainty in the economic environment. Investment in the previous years have been strong but delays in delivery times due to supply chain bottlenecks have just been met recently as supply chain conditions improved. However, investment in new machinery is still rising as demand for access platforms, earth moving machinery, generators are strong. In addition, demand for ESG compliant machines is increasing, supported by government environmentally friendly policies. This trend is expected to continue, as Finland is a very environmentally conscious country, however still lagging behind Norway.

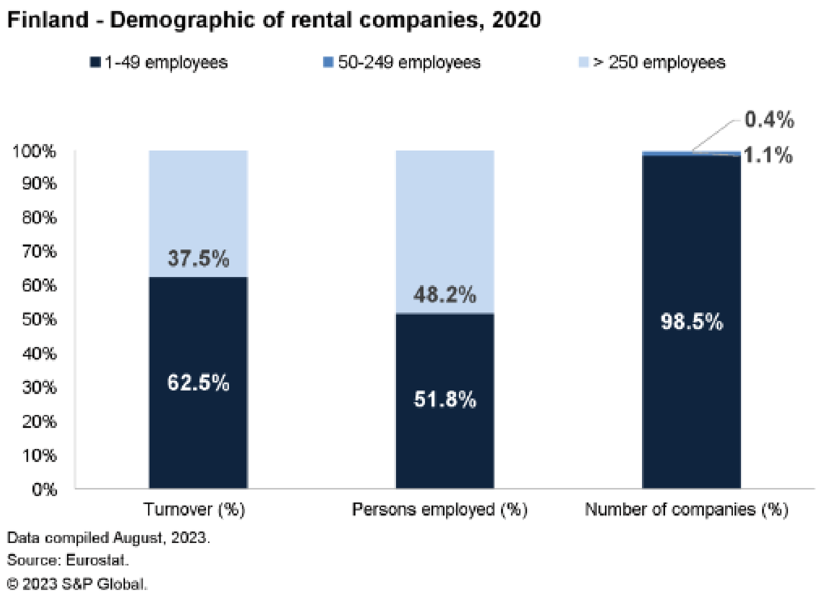
Nota bene: To factor in the high re-rental activity in Finland (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 4%.

Finland (FI)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	645	658	718	741	769	813
GDP deflator	1.6	2.2	5.4	9.1	4.4	3.8
Construction deflator	0.5	4.5	11.3	5.4	2.8	2.6
Consumer Price Index	0.4	2.1	7.2	4.6	2.3	2.1
Rental fleet investment [million €]	86	86	90	85		
Rental fleet value [million €]	826	837	887	906		

Source: S&P Global Market Intelligence and official statistics data







Macroeconomic environment

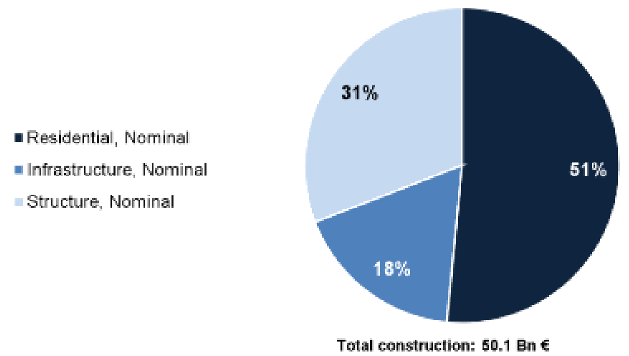
Finland exited a recession in the first quarter of 2023 on the back of import demand compression, while domestic demand was weak. Growth in the subsequent quarters will remain sluggish on the back of persistent high inflation and a weakening external environment. We project GDP to grow by 0.4% in 2023, followed by 0.7% in 2024. The rise in the interest rate level continues to weigh on the housing market but most of downturn lies behind us. The resulting construction downturn is well underway as of the second quarter. A mild winter in 2022/23 and consequent reduced demand, as well as diversification away from Russia, helped Finland avoid energy shortages and allowed energy prices to fall. The main drivers of inflation this year are food and services prices. We project inflation will moderate to 4.5% in 2023, but a return to 2% is not expected until 2025 as the delayed pass-through of higher energy costs and the uptick in wages will keep core inflation elevated. Given the high share of mortgages with variable rates, and high household debt (156% of disposable income in 2022), coupled with an ample supply of new homes, house prices will decline further, having already posted three consecutive quarters of contractions. A slow recovery is projected for mid-2024. With elevated inflation hitting real incomes, the overall strike risk, which usually increases before collective agreements expire, remains high, as demonstrated by the labor strikes by pulp and paper industry workers in April 2023.

Real total construction spending in Finland is expected to contract by 2.9% in 2023 amid weaker economic growth, rising interest rates and labor shortages. Given the lagged effect of monetary policy tightening, growth is predicted to be marginal in 2024, at 0.1%.

Residential construction spending is forecast to decline by 5.0% in 2023, followed by a further 1.5% in 2024, as demand for housing weakens amid rising mortgage rates and the loss in households' purchasing power. In addition, the number of residential building permits granted, and project starts declined throughout 2022 and during the first half of 2023 compared with the same period a year earlier, underpinning our weak outlook for the near term. In nonresidential structures, construction spending is expected to decline by 1.3% in 2023, owing to higher financing costs and economic uncertainty. Spending in the segment is then expected to change course by growing 2.2% in 2024. Infrastructure construction spending is likely to expand by 0.8% in 2023 and 1.0% in 2024. Water and sewer will post the highest growth rate in both years.

Construction spending in Finland will face a 1.0% compound annual growth rate (CAGR) between 2022 and 2027 with growth led by the infrastructure segment. In the longer run, growth will ramp up to a 2.2% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.

Finland - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.
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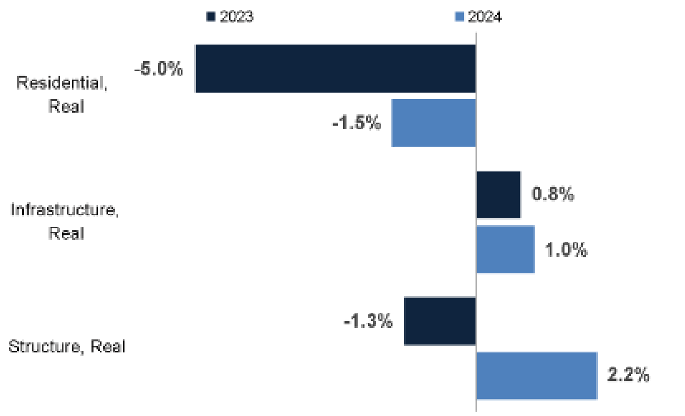
Finland - Real construction growth



Data compiled August, 2023.
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France (FR)

French rental turnover is expected to grow by 4.8% in 2023, slightly lower than the 5.2% growth in 2022. Price increases and increased penetration have had a positive impact on rental revenues despite the slowdown in overall activity.

The share of total rental revenues coming from construction demand is estimated to be about 65%. Real total construction spending is set to decline by 1.5% in 2023 and further 0.1% in 2024 due to economic headwinds in the form of high inflation and interest rates, as well as lingering issues around the availability and cost of labor and materials. Given the lagged effects of interest rate hikes and deteriorating economic conditions, we expect equipment rental turnover to grow by only 2.2% in 2024.

Residential construction will remain the main drag on overall industry growth in the near term. In the medium term, the market will be supported by the €100 billion "France Relance" recovery plan, which was announced in September 2020 with the aim to stimulate post-pandemic economic recovery. Of the total, €39.4 billion will be financed by the European Union for the country's National Recovery and Resilience Plan (NRRP). The NRRP, which covers the 2021–26 period, includes €4.4 billion for modernizing the railway network. In addition, several railway projects are underway including the €25.0 billion Turin-Lyon high-speed link between France and Italy.

Like Spain and Italy, the French market is characterized by its strong regional disparity, which has a direct impact on equipment rental activity. Most of the rental market companies are small with fewer than 50 employees. Small companies generate about 39% of total rental revenue and employ 30% of the rental workforce while large companies with more than

250 employees employ 45.7% of the total rental workforce and make up 33% of the revenues. The biggest challenge for small companies is to remain profitable given higher financing costs. We expect to see increased consolidation efforts.

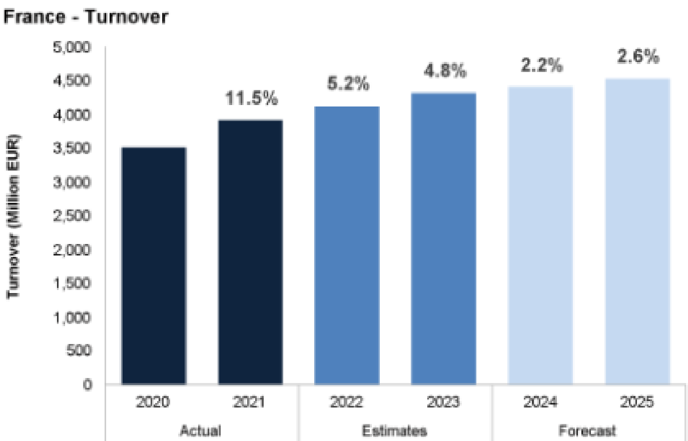
After a sharp decline in investment during the pandemic, the market experienced strong investment growth of 10.3% in 2021 with a slowdown to 1.5% in 2022. We expect a further slowing to 0.9% in 2023 as investors adopt a "wait and see" approach amid tighter financial conditions and economic uncertainty.

Demand for earthmoving machinery is expected to rise due to civil engineering activity while investment in green machinery is only growing slowly as prices are still high. Access machinery and small equipment demand is also rising.

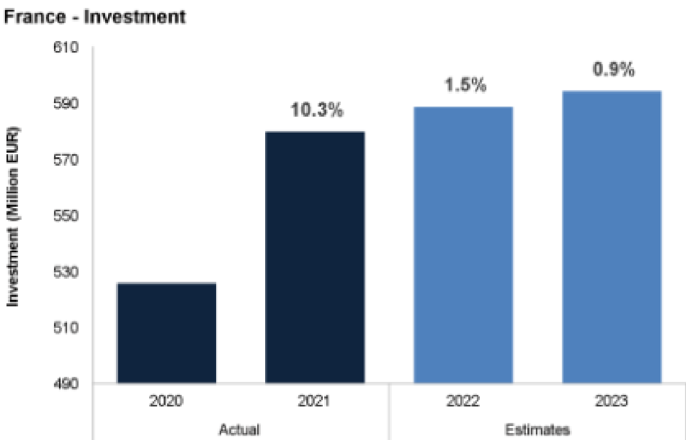
Nota bene: To factor in the high re-rental activity in France (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

France (FR)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	3,513	3,915	4,118	4,315	4,410	4,524
GDP deflator	2.8	1.4	2.9	4.9	2.2	1.6
Construction deflator	1.8	1.8	6.7	7.7	0.1	0.6
Consumer Price Index	0.5	2.1	5.9	5.3	2.2	1.9
Rental fleet investment [million €]	526	580	589	594		
Rental fleet value [million €]	5,500	5,973	6,205	6,427		

Source: S&P Global Market Intelligence and official statistics data

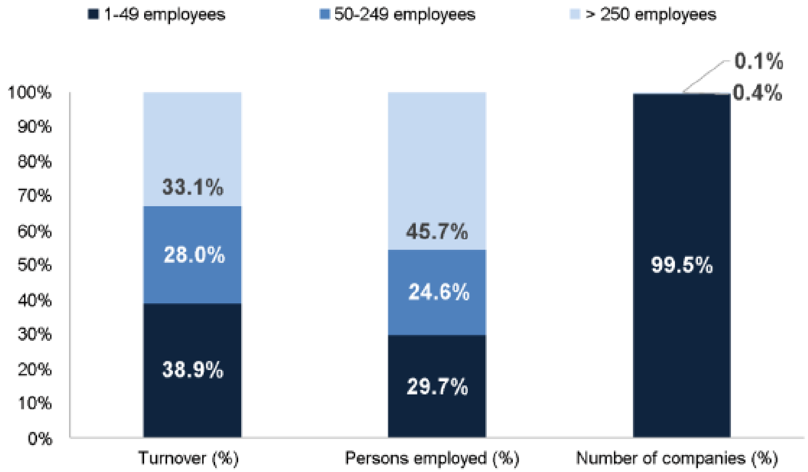


Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

France - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.
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Macroeconomic environment

High-frequency indicators suggest that economic activity lost momentum at the end of the second quarter. Real GDP grew by 0.2% quarter over quarter during the first quarter of 2023, and we project a marginal increase in activity during the second quarter. Tighter monetary policy will lead to a deceleration in activity during the second half of 2023. However, we expect a robust labor market and still ample fiscal support to drive a modest 0.6% increase in real GDP in 2023, slightly below the eurozone average.

Government borrowing is projected to reach a record high in 2023. The draft budget for the year estimates the fiscal deficit, as a percentage of GDP, to remain stable at 5.0%. Funding will mainly be provided by the issuance of a record €270 billion in long-term bonds and an increase in the stock of outstanding short-term government securities. Bond spreads have remained stable despite higher policy rates, but a higher interest bill will limit the government's ability to use fiscal policy to support activity in 2024.

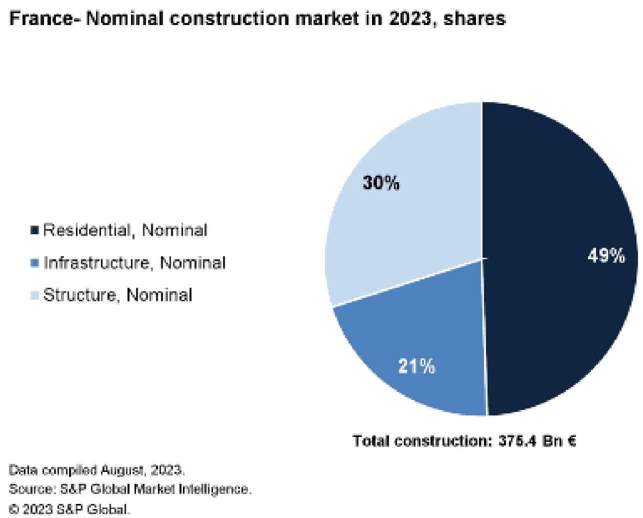
Protest and labor strike risks remain very high, as highlighted by rallies staged in opposition to the pension reform and riots that started in Nanterre on June 27, 2023, spreading nationwide over seven days. Strike-related disruption is likely to act as a drag on economic growth. Environmental issues are another major protest trigger.

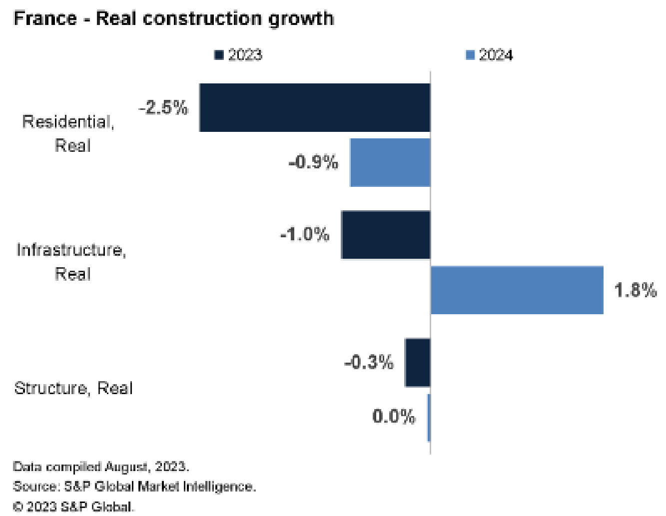
After a subdued performance in 2022, real total construction spending in France is expected to contract 1.5% in 2023 as economic headwinds in the form of high inflation and interest rates, as well as lingering issues around the availability and cost of labor and materials, remain. Given the lagged effects of previous and future interest rate hikes by the European Central Bank that are yet to be fully felt, construction spending is projected to fall by another 0.1% in 2024.

Residential will continue to be the main drag on overall sector growth in 2023, with real spending forecast to fall by 2.5%, followed by a further 0.9% in 2024, as the squeeze on households' budgets from high inflation and rising interest rates, as well as tighter lending standards, leads to lower demand for housing. In nonresidential structures, construction spending is expected to decline 0.3% in 2023 as investors adopt a "wait and see" approach amid tighter financial conditions and economic uncertainty, before remaining flat (0.0%) in 2024. Infrastructure construction spending is likely to decline 1.0% in 2023, reflecting the weakness in the civil engineering component of the HCOB PMI data, before rising 1.8% in 2023. Growth over the medium term will be underpinned by the €100 billion "France Relance" recovery plan, which was announced in September 2020 with the aim to stimulate post-pandemic economic recovery. Of the total, €39.4 billion will be financed by the European Union for the country's National Recovery and Resilience Plan (NRRP). The NRRP, which covers the 2021–26 period, includes €4.4 billion for modernizing the railway network.

Construction spending in France will experience a 0.7% compound annual growth rate between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 0.9% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.

Inflation will fall more gradually than in other Eurozone economies but likely remain elevated in 2023 and only fall gradually in 2024. Higher borrowing costs are expected to drive a fall in residential house prices in 2023 and 2024, but supply shortages will limit the downside. Public debt levels have increased substantially since the start of the pandemic and should remain above 100% of GDP over the medium term.





Germany (DE)

German rental turnover is projected to grow 3.9% in 2023 before slowing to 1.2% in 2024. The growth in rental market turnover this year is mainly attributable to price impacts rather than improved activity. Consumer price inflation in Germany remains elevated, averaging 6.1% in 2023 before falling to 2.8% in 2024.

The share of rental revenues coming from construction demand remains at approximately 65%. Weakening demand in the construction sector is pulling rental turnover growth down. The German economy entered a technical recession in the fourth quarter of 2022 and will not return to a sustained recovery before 2024 as tightened financial conditions, weak domestic and external demand will continue to weigh on the economy.

The rental market slowdown will deepen as declines in housing activity continue to weigh heavily on the German construction sector. Residential construction in Germany is forecast to fall by a 4.8% in 2023 and 3.5% in 2024, reflecting a deterioration in the purchasing power of potential homebuyers. Disposable income has been reduced via inflation in household budgets, and this will negatively impact the heretofore vibrant German home renovation market. However, the German government has recently announced 58bn Euros commitments to green infrastructure projects of which 18.9bn Euros will go to subsidies for building renovations and new buildings in 2024.

Although the bright spot is infrastructure work, which is expected to rise by 0.5% in 2023, this is forecast to decline in 2024 as the lagged impact of tighter monetary conditions filters through to lower activity. Most of the EU funding will be spread out over several years and, as a result, will only modestly support the near-term outlook of the segment. Notwithstanding, maintenance of road networks, streets and bridges and construction of logistic centers will contribute to rental growth.

Similar to Austria and Switzerland, there is a preference for ownership versus rental in Germany, 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.

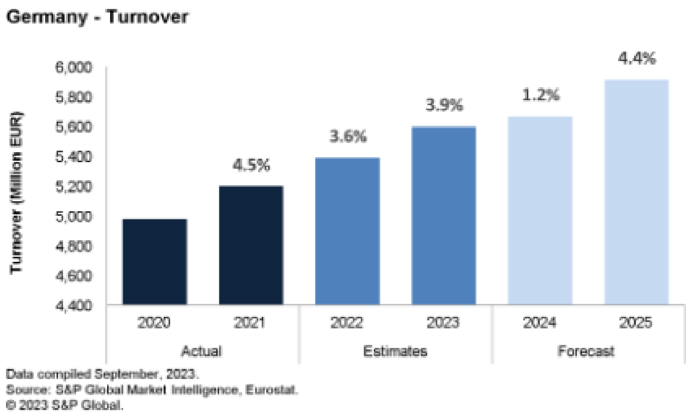
Germany has a lot of small and medium sized companies with family backgrounds. Nearly half of rental turnover in Germany comes from small firms with fewer than 50 employees. Medium size companies generate 21.5% of rental turnover, while large companies make about 30% of the rental market turnover.

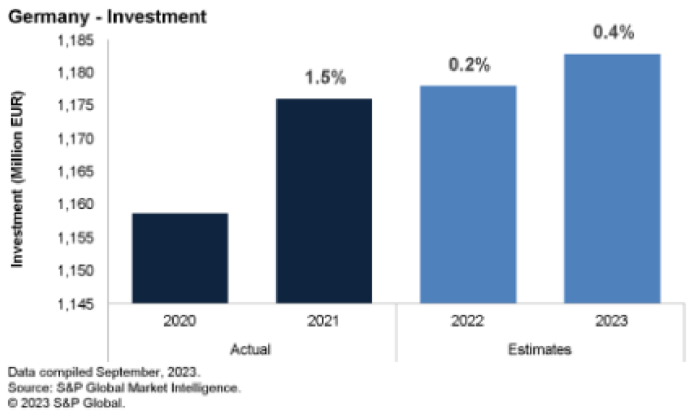
Investment is expected to grow by 0.4% in 2023, slightly higher than 2022 growth rate, but investors remain conscious. Demand for truck platforms, container solutions, safety products and electrical switchboards are trending up. Demand for ESG compliant machines is also rising but these don't yet comprise a significant share of the market.

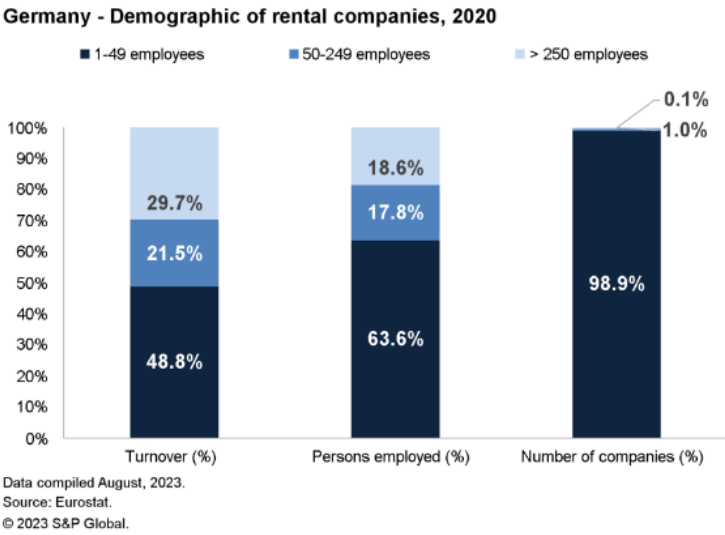
Nota bene: To factor in the high re-rental activity in the German market (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 5%.

Germany (DE)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	4,976	5,200	5,388	5,599	5,665	5,912
GDP deflator	1.8	3.1	5.5	6.7	2.8	1.7
Construction deflator	1.8	2.4	8.5	13.8	-0.8	0.8
Consumer Price Index	0.4	3.2	8.7	5.9	2.5	2.0
Rental fleet investment [million €]	1,159	1,176	1,178	1,183		
Rental fleet value [million €]	7,329	7,576	7,781	8,010		

Source: S&P Global Market Intelligence and official statistics data







Macroeconomic environment

Notwithstanding a substantial energy price decline since October 2022, second-round effects are keeping core inflation elevated and delaying monetary easing. The recession that began in the fourth quarter of 2022 will hardly give way to a sustained recovery ahead of 2024. Consumer reticence due to lingering cost-of-living worries and investment retrenchment — caused by Ukrainian-war-related uncertainty and tightening financial conditions — will burden economic activity throughout the second half of 2023. Weakening domestic and external demand should enable the European Central Bank to refrain from further policy rate hikes following the latest step in September, but sticky underlying inflation will prevent a return to rate cuts ahead of mid-2024.

German real GDP contracted in late 2022 and early 2023 and only stagnated during second-quarter 2023, mainly caused by declining private consumption as consumers grappled with a significant inflation-related loss in purchasing power and ongoing high uncertainty linked to the Ukraine war. A renewed decline of leading indicators like our proprietary PMI data or the ifo business climate survey in recent months suggests that (mild) further GDP contraction lies ahead during the remainder of 2023. Currently accelerating wage growth alongside moderating headline inflation will support domestic consumer demand, but investment suffers from tightened credit conditions and China's faltering post-pandemic industrial rebound and weakening European growth momentum is weighing on German exports.

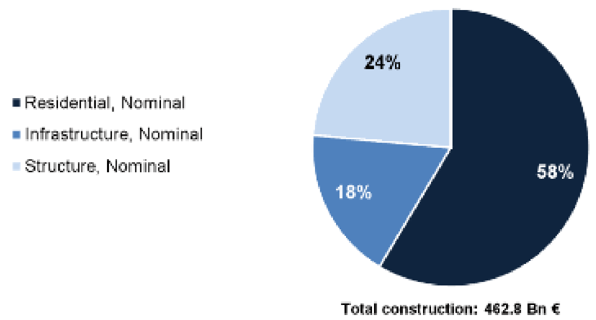
Real total construction spending in Germany has been falling since 2021. This downward trend is expected to continue in 2023 and 2024, with declines of 3.4% and 2.6%, respectively, as war-related uncertainty, persistent inflationary pressures, and a challenging financing environment — which is set to be exacerbated by an extended period of monetary policy tightening by the European Central Bank — depress demand for building work.

Residential construction in Germany declined by 2.7% in 2022 and is forecast to fall by a further 4.8% in 2023 and 3.5% in 2024, even though an influx of Ukrainian refugees and other migrants is increasing demand for housing. This reflects a deterioration in the purchasing power of potential homebuyers amid sticky core inflation and prolonged monetary policy tightening by the European Central Bank that would only feed into higher mortgage rates.The cost of building new residential buildings also remains high, even though the annual rate of inflation has eased since mid-2022.

In nonresidential structures, we also expect spending to decrease by 2.8% in 2023 because of the impact of weaker economic growth and high financing and building costs on investor appetite for new developments. Furthermore, the volume of new orders in nonresidential buildings fell by 15.4% in January–May 2023 compared with the same period a year earlier. This, alongside the impact of further monetary policy tightening by the ECB, is expected to filter through to lower activity with a lag and, as result, another decline of 2.0% is anticipated during 2024. Office construction, which dominates the nonresidential segment, will continue to face headwinds in 2023, from economic uncertainties to higher development costs. Infrastructure construction spending is expected to rise by only 0.5% in 2023, given the annual decline in new orders during the first five months of this year and the ongoing downturn in the civil engineering component of the HCOB Germany Construction PMI data since March.

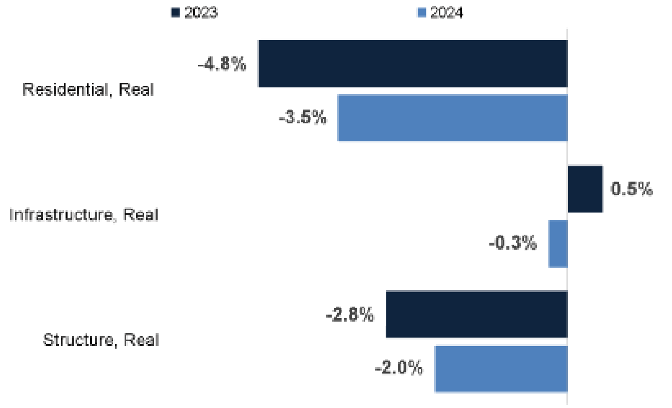
Construction spending in Germany will experience a 0.3% compound annual growth rate between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 1.4% compound annual rate between 2027 and 2032. The infrastructure segment will again demonstrate the highest growth over the period.

Germany - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Germany - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Italy (IT)

Italian rental turnover is expected to grow by a healthy 5.9% in 2023 after strong growth of 13.9% in 2022.

The share of rental revenues coming from construction demand is estimated to average 70%. Construction remains substantial in terms of its influence on rental turnover. We expect 2024 rental market growth to be lower with a projected 2.1% growth rate, as demand for construction work deteriorates. A decline in building permits and a weakening in housing demand amid higher mortgage costs and the ongoing squeeze on real incomes as well as the expiration of the “super bonus” scheme that provided tax incentives for home renovations will likely have a significant impact on the residential market.

Infrastructure construction spending is likely to expand at a moderate 3.7% in 2023 and 4.5% in 2024 given delays in the implementation of the NRRP due to reduced administrative capacity and red tape. Persistent cost pressures are also likely to affect the decision-making and delivery of projects.

Italy is the largest beneficiary of the EU’s Recovery and Resilience Facility (RRF). The country is set to receive €191.5 billion of grants and loans for its NRRP, which aims to deliver 132 investments and 58 reforms between 2021 and 2026. In November 2022, they received €66.9 billion of the grants and loans committed. With €32.1 billion of the total earmarked for sustainable mobility, including investments to integrate more regions into the high-speed rail network and complete rail freight corridors, transportation infrastructure construction is expected to see the highest growth in the near term, hence expectation of an uplift in 2025.

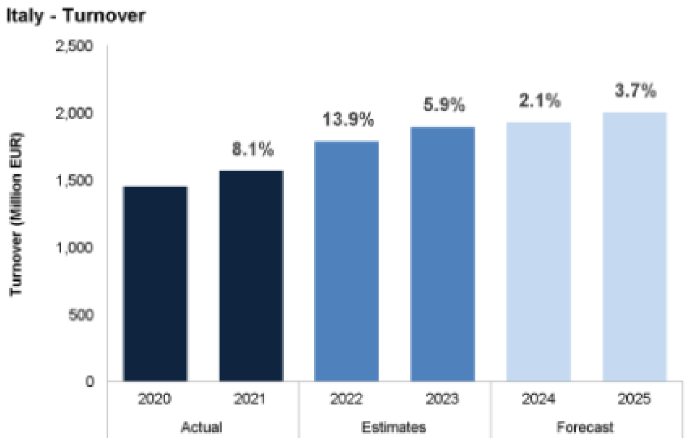
Following very strong growth post-pandemic, investment in Italy is expected to be flat, growing by a meagre 0.1% in 2023, as compared to 9% growth in 2022. Companies are still investing in new and more sustainable machinery and expanding their fleet for future growth expectations.

The rental market mostly comprises small firms with fewer than 50 employees, which make up 65.7% of total rental revenues. Rental companies with more than 50 employees generate 34.3% of total industry revenue but they are expected to increase their industry share through acquisitions in the next few years especially given the small firm’s struggle with financing costs.

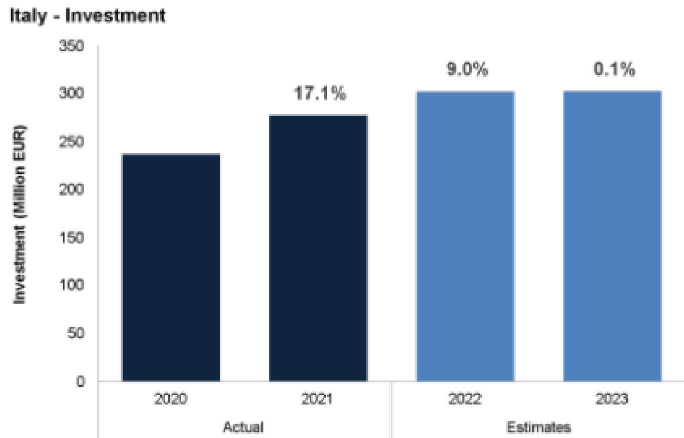
Nota bene: To factor in the high re-rental activity in Italy (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

Italy (IT)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	1,450	1,567	1,784	1,891	1,930	2,001
GDP deflator	1.6	0.6	3.0	5.7	2.0	1.8
Construction deflator	2.1	2.0	14.1	7.0	-2.4	0.6
Consumer Price Index	-0.1	1.9	8.7	6.3	2.1	1.4
Rental fleet investment [million €]	237	277	302	302		
Rental fleet value [million €]	2,149	2,279	2,517	2,629		

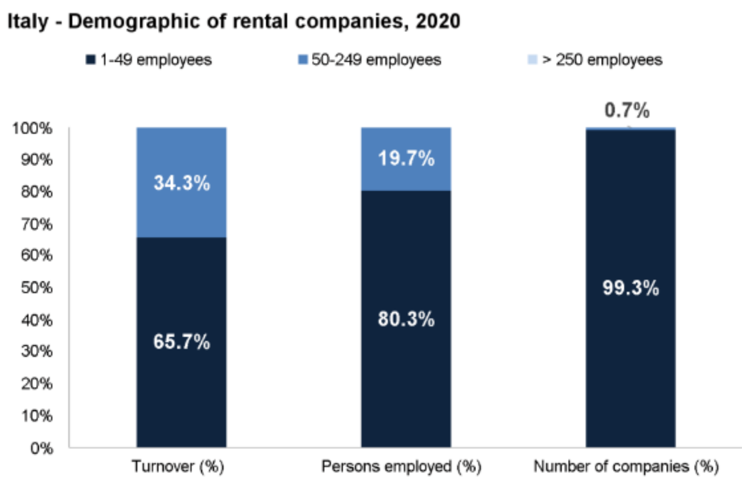
Source: S&P Global Market Intelligence and official statistics data



Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

According to the September update, Italian economy should expand by 0.6% in 2023 before stagnating in 2024, after a 3.8% gain in 2022.

The economy faces a challenging outlook, predominantly from the continued recession in the industrial sector alongside the fallout from tighter financial conditions and the impact of still elevated inflation on households and firms.

Real total construction spending in Italy is expected to grow a mere 0.3% in 2023 before declining 0.3% in 2024, as weaker economic growth, tighter financial conditions and ongoing uncertainty associated with the war in Ukraine dampen household and business confidence and, in turn, spending and investment plans. In addition, delays in spending EU funds are weighing on growth prospects in nonresidential structures and infrastructure. Issues around the supply and cost of raw materials will continue to impact the delivery of current and planned projects in the near term despite the easing of such constraints seen in recent industry surveys and official data. Figures from the national statistical office (ISTAT) show that the construction producer prices of residential and nonresidential buildings fell 0.3% month over month in June but rose 2.4% year to date and were still in double-digit growth compared to its pre-pandemic level.

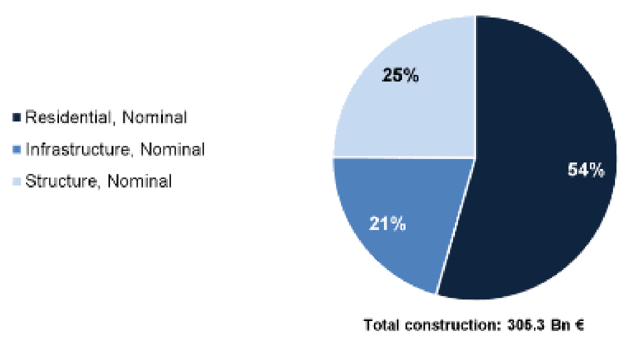
The monthly HCOB Construction Purchasing Managers' Index® (PMI®) surveys covering the second quarter of 2023 showed that cost pressures persisted due to a general increase in raw material prices. This trend continued in the July survey; however, Italian constructors reported a slight increase in new orders for a second consecutive month and remained optimistic about the next 12 months, although the index measuring this fell to a 5-month low amid concerns over higher interest rates and the potential for planning delays with local authorities. After rising by a healthy 10.0% in 2022, residential construction spending in Italy is expected to fall by 1.2% in 2023, reflecting the recent annual decline in building permits and a weakening in housing demand amid higher mortgage costs and the ongoing squeeze on real incomes.

In nonresidential structures, construction spending is expected to rise modestly in 2023 and 2024, by 1.0% and 2.0%, respectively, as investors continue to take a wait-and-see approach because of economic and geopolitical uncertainty and the higher cost of capital. Institutional construction is expected to expand at a healthy rate in 2023 and 2024 due to investments and reforms focused on building and improving healthcare and education facilities under the Italian National Recovery and Resilience Plan (NRRP). However, the EU affairs minister, Raffaele Fitto, warned of delays in the contract-awarding stage for €4.6 billion worth of new childcare facilities. Infrastructure construction spending is also likely to expand at a moderate 3.7% in 2023 and 4.5% in 2024 given delays in the implementation of the NRRP due to reduced administrative capacity and red tape. Persistent cost pressures are also likely to affect the decision-making and delivery of projects.

Construction spending in Italy will experience a 1.2% compound annual growth rate (CAGR) between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will slow to a 0.6% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.

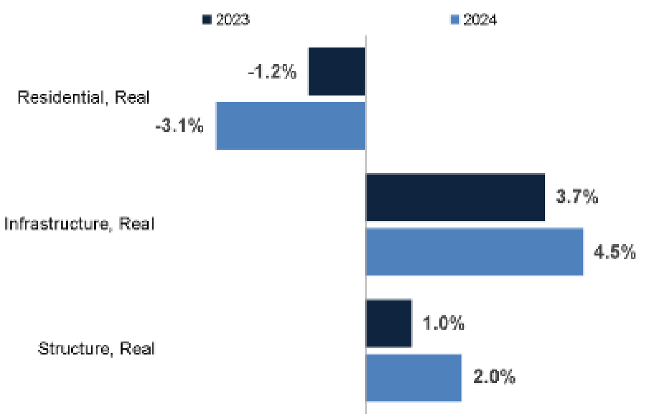
Consumer price inflation will likely average 6.2% in 2023 and 2.3% in 2024. Italy faces an elevated public-debt ratio over the forecast horizon, which climbed to a peak of 144.4% by end-2022.

Italy - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Italy - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Netherlands (NL)

Dutch rental turnover growth for 2022 reached 7.2%. The 2023 growth outlook is set to slow to 3.3%, with the share of rental revenue stemming from demand in the construction sector estimated to average 70%. Construction sector is the main risk to rental market growth due to carbon emission legislations. Netherlands have introduced new taxes on real estate companies and revoked nitrogen emission exemption for the construction sector. This will likely lead to a drop in the number of permits being issued, as well as the pausing, postponement, or cancellation of projects in housing and infrastructure.

Rental market share is supported by the growth of industry's share of the rental market and improved digitalization, allowing companies to reach out to more customers. Additionally, market penetration is increasing due to affordability constraints to buying new machines. Netherland's rental market is currently larger than that of Germany.

Investment is expected to pick up in 2023 to growth of 4.2% after a weak growth of 2.5% in 2022.

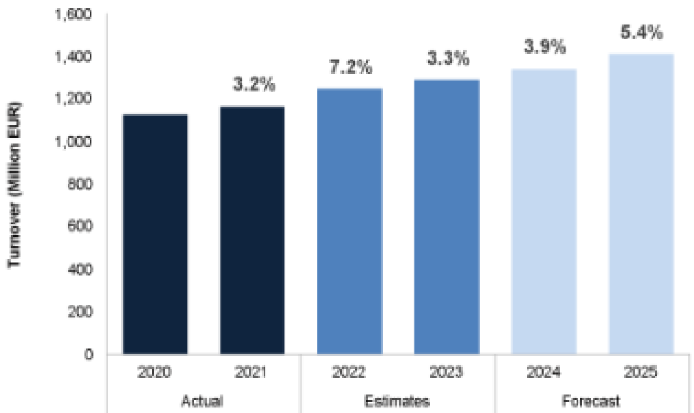
The rental market in the Netherlands is dominated by small size firms with fewer than 50 employees that account for 41.3% of the rental turnover. Medium-sized companies account for 37.5% of revenue, while companies with more than 250 employees generate 22.2% of rental market turnover.

Nota bene: To factor in the 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	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	1,127	1,163	1,247	1,288	1,339	1,411
GDP deflator	1.9	2.9	5.6	7.9	2.4	0.9
Construction deflator	0.7	5.4	10.1	3.8	3.7	2.6
Consumer Price Index	1.1	2.8	11.6	4.8	3.4	1.9
Rental fleet investment [million €]	225	235	241	251		
Rental fleet value [million €]	1,773	1,819	1,924	1,975		

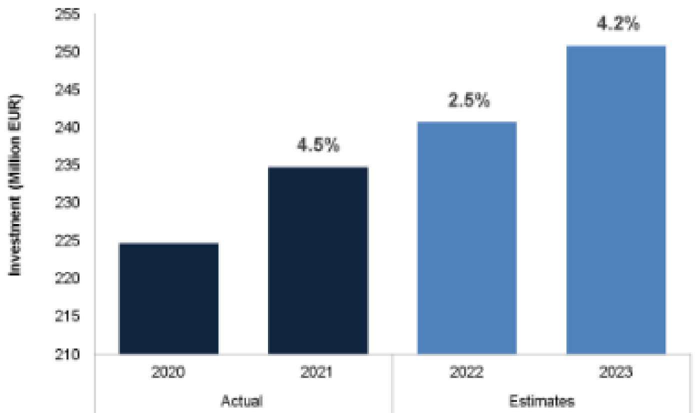
Source: S&P Global Market Intelligence and official statistics data

Netherlands - Turnover



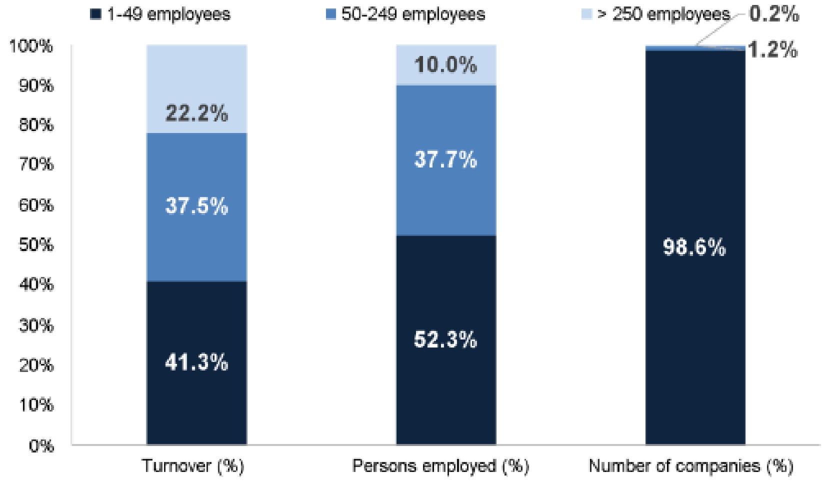
Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.

Netherlands - Investment



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

Netherlands - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

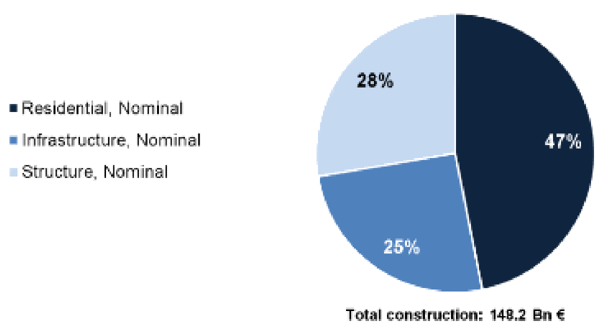
The Netherlands was in a confirmed technical recession during the first half of 2023. Despite this, the economy remains resilient and there are no signs of a sharply deteriorating labor market. Amid a weakening export environment and persistent purchasing power squeeze on domestic households, we project minimal growth in the second half of 2023. By the end of 2023, the economy is projected to be 0.4% larger than in 2022. The restoration in purchasing power as well as government investment programs should see Dutch GDP rebound by 0.8% in 2024. There is an increasing discrepancy between official inflation prints and the “actual” inflation Dutch households experience due to a methodological change in the calculation of the CPI index by Statistics Netherlands. This will push the headline rate to sub-1% in September and October, before rising back to around 3.4%. For the full year 2023, we project HICP to average 4.7%, followed by 3.5% price growth in 2024.

Real total construction spending in the Netherlands is expected to fall less sharply in 2023 (by 0.7%) after official data on the sector showed a surprisingly strong performance in the first quarter. The first-quarter increase should prove temporary, however, given weakening economic conditions and the lagged impact of interest rate rises, which, alongside persistent labor shortages, will impact construction spending during the remainder of 2023 and in 2024, when we foresee a sharper decline of 1.6%.

Residential construction is expected to fall in 2023, albeit by only 0.5% thanks to base effects and energy efficiency measures. Weaker household consumption due to lower confidence and disposable incomes, as well as a new tax on real estate companies, still-high costs for labor and materials, and declining house prices should lead to lower demand and investment across the segment. As a result, residential investment is projected to fall a further 4.5% in 2024.

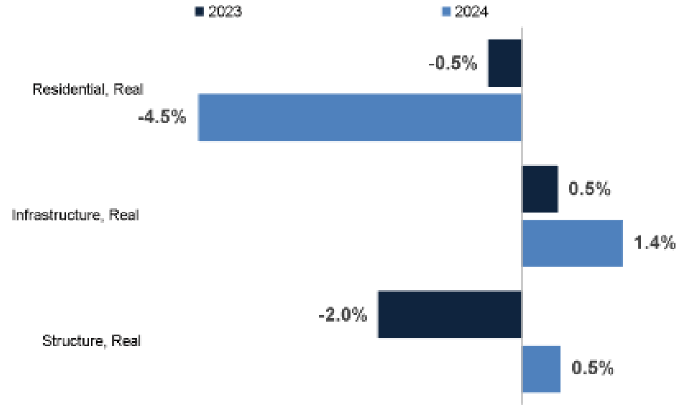
Construction spending in nonresidential structures is set to fall 2.0% in 2023 as increased risk aversion, high input prices and policy rate hiking constrain investment plans. Tax arrears that were deferred from the height of the pandemic and are payable from October 2022 will also weigh on investment intentions in the near term. Thereafter, growth is expected to rebound slightly to 0.5% in 2024. Infrastructure construction spending is expected to rise only 0.5% in 2023, followed by a further 1.4% in 2024. The modest expansions reflect the Dutch government’s announcement in March 2023 to halt all new road and railway projects across the country due to concerns about nitrogen emissions, as well as rising construction prices and labor shortages. In June, the Dutch Ministry of Infrastructure and Water Management revealed that 14 road projects and three waterway projects have been paused. This concerns an amount of more than €4.0 billion, which will now be directed towards major infrastructure maintenance rather than new construction work.

Netherlands - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Netherlands - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Norway (NO)

The Norwegian rental market is forecast to grow by 4.0% in 2023, after a 15.6% increase in 2022 that was driven mainly by elevated prices and strong real GDP growth. The rental market slowdown in 2023 is mainly driven by weaker GDP growth and a decline in industrial production. Norwegian GDP is set to slow from 3.2% in 2022 to 1.3% in 2023. Although rental prices have increased, the utilization rate has declined which limited the growth of rental market.

Weakness in construction spending will also weigh on equipment rental market growth. Real total construction spending is projected to decline by 0.7% (from 2.9% growth in 2022), residential construction is estimated to contract by 5.0% (from -1.5% in 2022), while infrastructure construction spending should mark a 0.5% decline (from 3.8% growth in 2022).

Construction is estimated to account for around 60% of total rental demand, but the share of rental from the industrial sector is increasing. The decline in new building construction will be offset by public projects, especially in the infrastructure sector. Oil and gas companies indicated accelerating investment plans, which together with renewable energy projects will make a solid contribution to rental market growth. Also, demand for renovation projects and improved penetration will support the rental market.

The rental market is mostly comprised of small firms with fewer 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 25.5% of the total rental workforce.

After strong growth of 6.2% in 2022, investment is slowing down to an estimated 1.6% growth in 2023 due to the weak economic environment. Demand for equipment used in civil engineering, such as electrical machinery has trended downward as high prices put pressure on demand. Demand for scaffolding rose due to increased renovation while demand for ESG compliant machines is also rising.

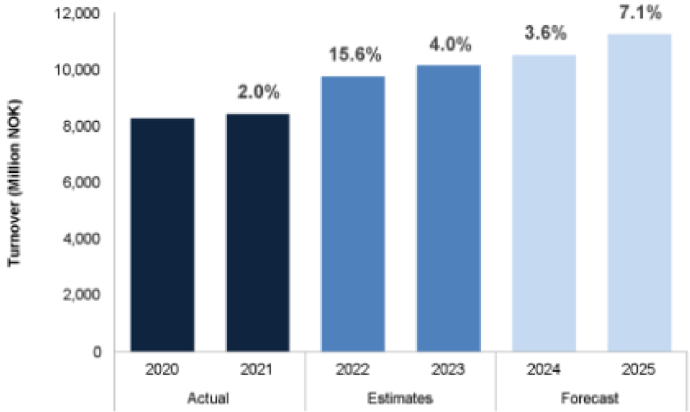
The Norwegian market is consolidating as firms are looking to enhance their offerings and expand their market presence.

Nota bene: To factor in the 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	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million NOK]	8,261	8,429	9,742	10,134	10,496	11,245
GDP deflator	-2.5	16.5	28.5	-2.9	6.1	1.6
Construction deflator	-2.5	16.1	26.5	-5.8	3.3	1.9
Consumer Price Index	1.3	3.5	5.8	5.7	2.9	2.1
Rental fleet investment [million NOK]	1,321	1,329	1,411	1,433		
Rental fleet value [million NOK]	10,599	10,772	12,114	12,504		

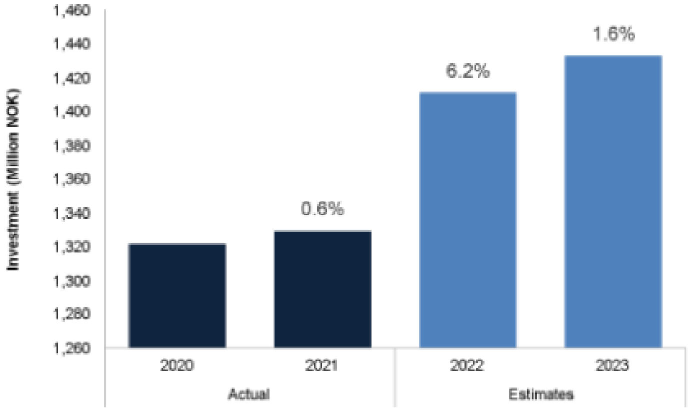
Source: S&P Global Market Intelligence and official statistics data

Norway - Turnover



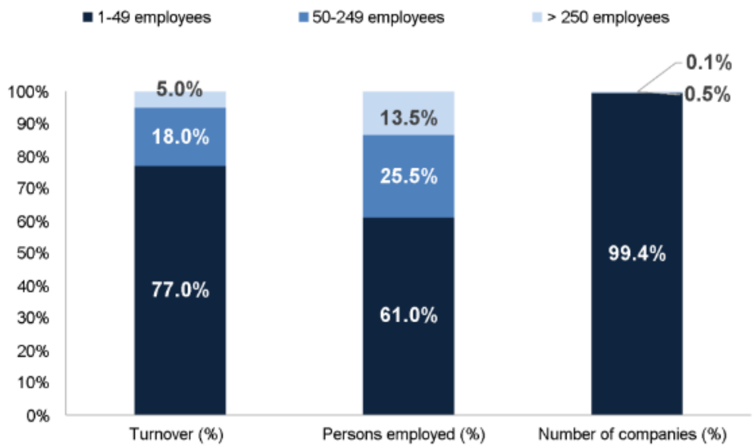
Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.

Norway - Investment



Data compiled September, 2023.
Source: S&P Global Market Intelligence.

Norway - Demographic of rental companies, 2020



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

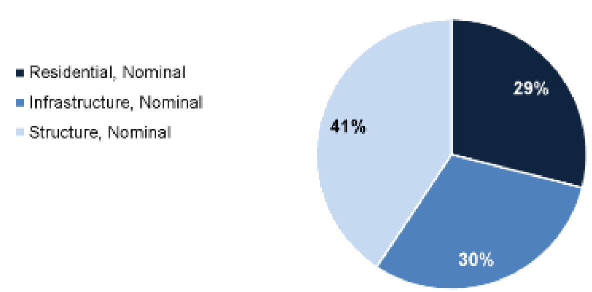
Momentum in the total Norwegian economy has levelled off and we expect a small quarterly contraction in GDP in the second quarter of 2023; risks of a mild mainland recession are elevated. For the full-year 2023, we project GDP growth of approximately 1.3%, followed by 1.2% growth in 2024. Capacity utilization is only easing gradually. With core inflation still elevated and continued weakness of the Norwegian krone, a return to the 2% inflation rate target will be a multi-year process. We forecast the inflation rate to average 5.7% this year and 3.1% in 2024. Norges Bank raised the policy rate from 4.0% to 4.25% percent during the September meeting. Rate cuts are expected to begin in September 2024. While relative rates would support a strengthening krone, the depressed global investment sentiment and lower oil demand provide headwinds. We have moderated the krone rally over the coming 12-month period and now see the krone at 11.30/€1.00 at end-2023 and 10.70/€1.00 at end-2024.

Real total construction spending in Norway is expected to contract 0.7% in 2023 as persistent inflation and higher interest rates curb demand across the economy. These headwinds, alongside high construction costs and ongoing issues around the availability of skilled labor, will continue to create challenges for the industry and will likely limit the rebound in overall growth to 1.0% in 2024.

Residential construction spending in Norway fell 1.5% in 2022, and it is expected to contract a further 5.0% in 2023 and 2.0% in 2024. This downward trend reflects a deterioration in households' finances amid weak income growth, still-elevated inflation and higher interest rate expenses. Moreover, housing starts declined sharply in annual terms during January-July 2023, while house prices are expected to edge down in the second half of 2023 after a positive performance in the first half of the year. In nonresidential structures, construction spending is set to expand 2.4% in 2023 and another 3.0% in 2024. Growth will be driven by offices construction, as well as investment in oil and gas field developments, which should provide a pipeline of work in the medium to long term. Investment in renewable energy will also support growth, although most of the work occurring on such projects is classified as manufacturing rather than construction. Infrastructure construction spending is expected to fall 0.5% in 2023, before growing 1.0% growth in 2024.

Construction spending in Norway will record a 1.8% compound annual growth rate (CAGR) between 2022 and 2027, with growth led by the nonresidential structures segment. In the longer run, growth will improve to a 2.4% compound annual rate between 2027 and 2032. The infrastructure segment will demonstrate the highest growth over the period.

Norway - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.
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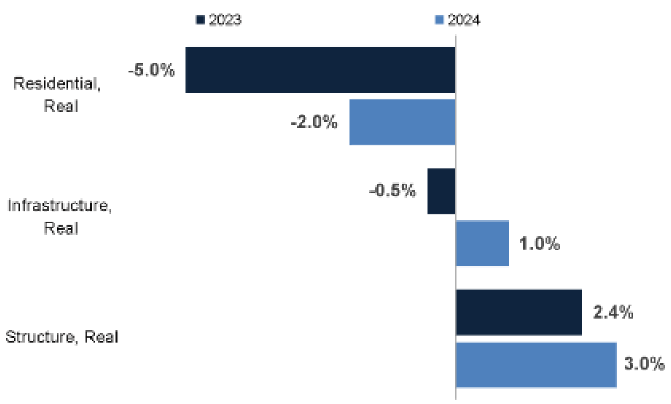
Norway - Real construction growth



Data compiled August, 2023.
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Poland (PL)

After growing 12.1% in 2022, the Polish rental market is projected to increase by 7.5% in 2023 and 9.2% in 2024. The positive results, however, are mainly driven by high base effect rather than improvement in activity. Industrial production has recorded double digit growth in 2022 and GDP growth was also much stronger than previously expected (5.5%). 2023 economic outlook remains weak, mainly due to persistent inflation, but high inflation is also largely contributing to positive rental turnover growth in nominal terms this year. The National Bank of Poland has also cut its benchmark interest rate by 0.75 points in September, which is much more than expected. Changing the course on monetary policy, however, is mainly assigned to this month's election in Poland.

The share of rental revenues coming from construction demand remains at 80%, which is the highest in Europe.

Real GDP growth in Poland is forecast to slow to 0.8% in 2023, before picking up in 2024 and marking 2.7% growth. The construction outlook for Poland this year is lower due to high interest rates, an overall slowdown in economic activity and delays in EU funding. Real total construction spending is expected to decrease by 0.2% in 2023. Residential construction should drop by 1.8% and non-residential structures construction is expected to decline by 1.0%. Nevertheless, government fiscal stimulus measures such as "First Apartment" program should support the housing market in the near-term.

Currently, the slow state of the housing market (about 30% fewer building permits this year in comparison to 2022) is dragging down the rental market and has resulted in more competition for other projects. The housing market is expected to improve next year, which results in more optimistic outlook for the rental turnover in 2024.

The main drivers for the rental market are infrastructure projects such as new road construction in the south of Poland, renewable power projects and warehousing. Also, plans to expand the electricity infrastructure network including the expansion and modernization of the transmission and distribution systems will support demand for equipment rental market.

Rental companies have seen high demand for scaffolding, access machinery and heavy equipment.

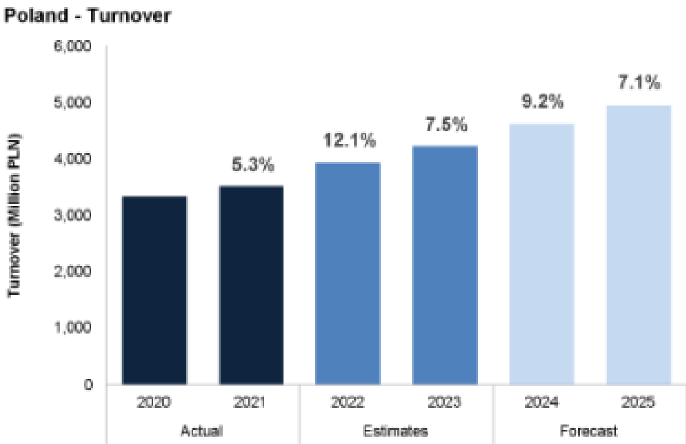
The Polish rental market is very fragmented, and there is a strong need for consolidation as large number of players leads to strong price competition. Additionally, the Polish rental market is not hermetic and multinational companies entering the market can impose lower prices.

Rental companies with fewer than 50 employees in Poland generate over 75% of total industry revenue and employ around 86% of the workers in this sector. Medium sized companies account for 18.5% of the industry's revenue while large companies generate the remaining 6% of its revenue.

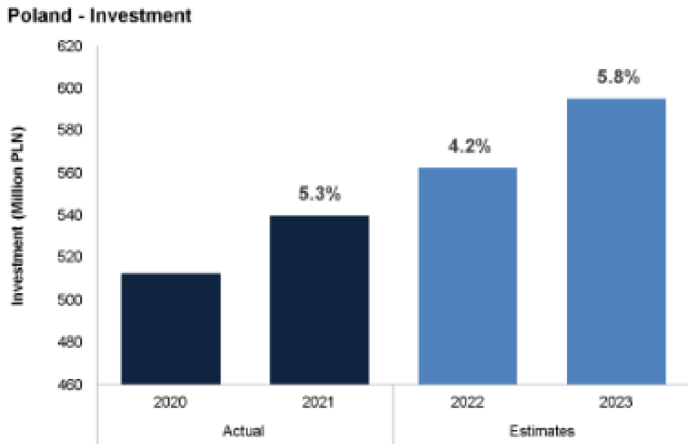
Polish investment is projected to grow by 5.8% this year, following 4.2% growth in 2022.

Poland (PL)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million PLN]	3,331	3,507	3,930	4,223	4,613	4,942
GDP deflator	4.3	5.5	10.8	12.6	5.8	2.6
Construction deflator	2.7	6.9	14.8	9.0	5.1	3.0
Consumer Price Index	3.7	5.2	13.2	11.7	6.4	4.1
Rental fleet investment [million PLN]	513	540	562	595		
Rental fleet value [million PLN]	5,848	5,925	6,103	6,217		

Source: S&P Global Market Intelligence and official statistics data



Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



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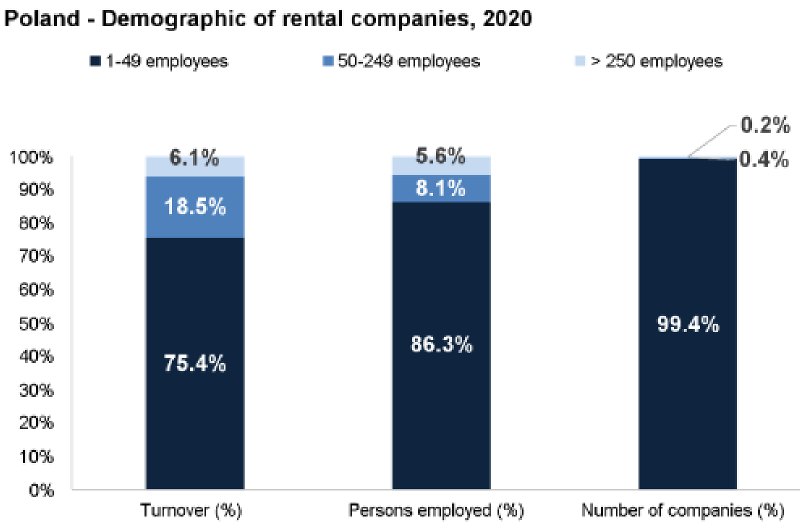


Data compiled August, 2023.
Source: Eurostat.

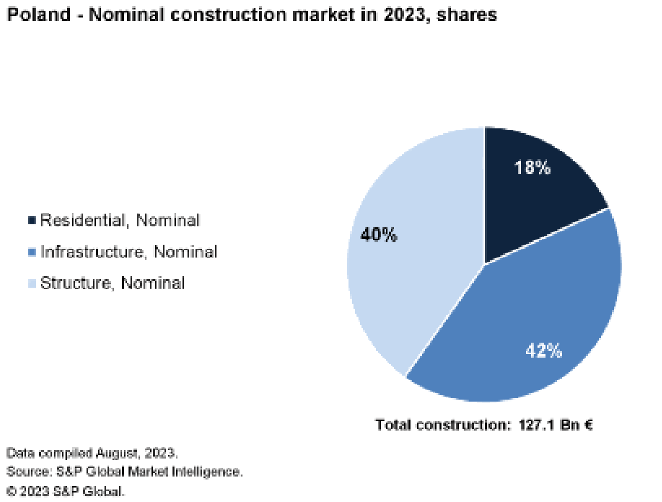
Macroeconomic environment

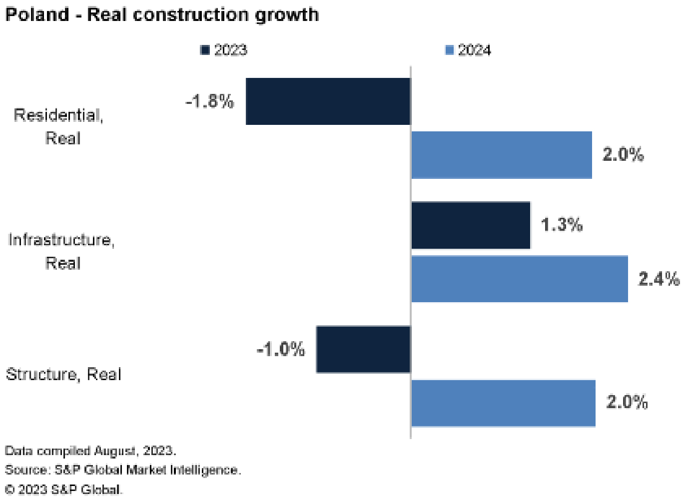
After strong real GDP growth of 5.5 % in 2022, Poland's near-term outlook remains weak owing to persistent inflation and diminished domestic and external demand. Nevertheless, the economy will manage to avoid a full-year recession and will grow by around 0.6% in 2023. Fiscal stimulus measures, rapid wage growth and a tight labor market will support Poland's near-term consumption outlook, but high inflation will have the opposite effect. Fixed investment and public finances face downside risks owing to ongoing uncertainty and delays in EU fund inflows. Although Poland's industrial output was booming in 2022, production is weakening in 2023 owing to high base effects, elevated prices and dampening external demand. Despite still-high inflation, the National Bank of Poland has cut the policy rate by 75 basis points in September. Our latest forecast assumes that the next steps will be more gradual.

Real total construction spending in Poland is expected to decline by 0.2% in 2023 as demand across the sector is affected by a slowdown in economic activity and high interest rates. Growth should then rebound modestly to 2.2% in 2024. Construction spending in the residential segment is likely to decline by 1.8% in 2023, following modest expansion of 1.9% in 2022 as high interest rates and tighter regulatory requirements continue to dent demand for properties. However, the launch of the government's "First Apartment" scheme from July 1 should support a revival in housing demand and house price growth from the second half of this year, and as the NBP shifts gear to monetary easing, we expect residential construction growth to rebound to 2.0% in 2024.

In nonresidential structures, spending is expected to decline by 1.0% in 2023, as economic and geopolitical uncertainty, restrictive financial conditions, as well as high material and labor costs impact investor confidence for new investment plans. As such factors begin to wane, growth is then likely to rebound moderately to 2.0% in 2024. In the infrastructure segment, construction spending growth is forecast to slow from 3.6% in 2022 to 1.3% in 2023 because of ongoing delays in EU funding inflows and a shift in government spending priorities to focus on defense amid the ongoing war in Ukraine. The disbursement of EU recovery funds should then underpin a pickup in growth to 2.4% in 2024.

Construction spending in Poland will record a 1.2% compound annual growth rate between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 1.5% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.





Portugal (PT)

Portuguese rental turnover is currently forecast to grow 6.5% in 2023 and 5.3% in 2024. The rental market outlook is very positive, despite uncertain economic environment. The inflation is still high, but high prices are favorable for the rental market in Portugal, as customers prefer to rent machinery rather than buy. The share of rental revenue coming from construction demand is estimated to 72.5% and there is no shift in this trend anticipated in the short-term.

Portugal is one of the countries that will benefit most from the EU Recovery and Resilience Facility (RRF) fund, obtaining a total of €16.6 billion in grants and loans to support investments in transport, health, digital technologies and housing, which is one of the main issues in Portugal. Portugal's national plan is to implement a large-scale investment programme to improve the energy-efficiency of residential and public buildings as well as to extend the metro networks in Lisbon and Porto for more sustainable transport development.

European Investment Bank together with InvestEU programme is also supporting development and construction of renewable energy projects like solar photovoltaics and onshore wind assets across Portugal.

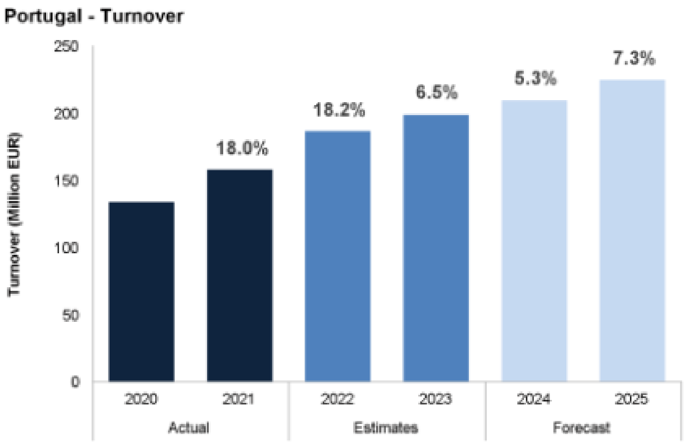
Infrastructure projects, especially public works are driving the rental market growth, although distribution and execution of the European funds has been delayed. In addition, the market observes demand for all kinds of machinery associated with construction sector, including excavators and loaders.

The Portuguese rental market is highly fragmented, especially the northern part of the country. 74.5% of the industry's employees are employed by small sized firms that generate 65.9% of the rental market revenue. Medium and large size companies account for the remaining 25.5% of the industry's employees, generating 21.6% and 12.5% of the rental market revenue, respectively.

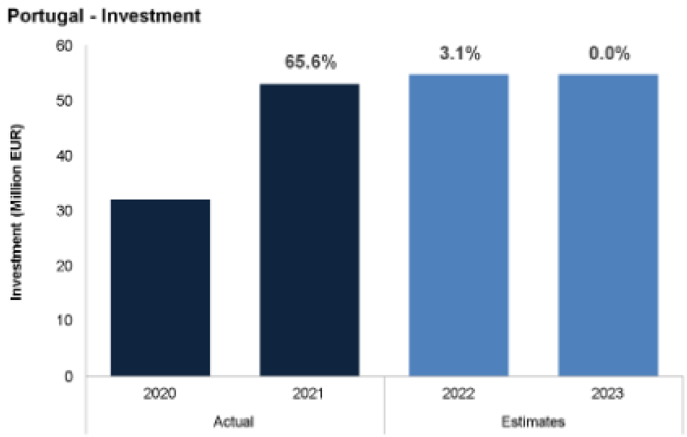
Investment level in Portugal will be stable this year, after a peak in 2021, it slowed down to 3.1% growth in 2022 and is expected to stay at the same level in 2023.

Portugal (PT)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	134	158	187	199	209	224
GDP deflator	2.0	1.5	4.4	6.6	1.7	1.6
Construction deflator	0.6	4.2	11.4	4.6	1.8	1.9
Consumer Price Index	-0.1	0.9	8.1	5.1	2.4	1.7
Rental fleet investment [million €]	32	53	55	55		
Rental fleet value [million €]	236	257	280	289		

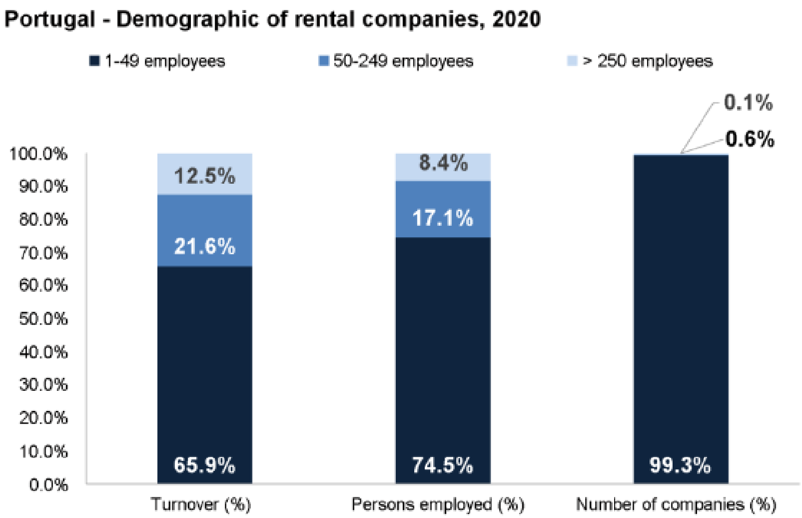
Source: S&P Global Market Intelligence and official statistics data



Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

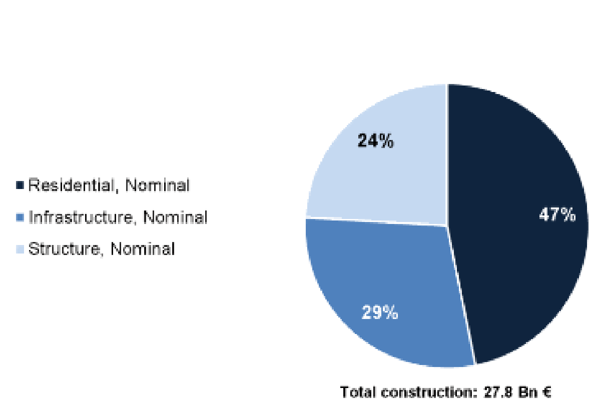
Real GDP is expected to grow solidly in 2023 despite still high inflation, softer external demand and tighter credit conditions. However, real GDP growth is forecast to halve in 2024 in line with the prospect of high interest rate for longer in the eurozone. Inflation likely peaked during the third quarter of 2022, but it is projected to remain elevated in 2023. The fiscal deficit will continue to narrow in 2023, but the ratio of public debt to GDP is forecast to remain around 100%. Sovereign borrowing costs have increased substantially, but we do not expect Portugal to find difficulties in refinancing its debt. Tourism activity will continue to rebound in 2023, remaining a key driver of growth and employment.

Real total construction spending in Portugal is expected to decline by 0.3% in 2023, as economic activity slows because of still-high inflation and rising interest rates while labor shortages remain a challenge. That said, public investment projects should benefit from the inflow of EU funds, supporting a pickup in growth to 1.8% in 2024.

Residential construction spending is expected to decline by 1.4% in 2023 as a deterioration in households' purchasing power and higher interest rates dampen demand for housing. Thereafter, spending is forecast to return to growth in 2024, albeit to a modest 0.5%. In nonresidential structures, construction spending will likely decrease by 0.4% in 2023 as tighter credit conditions and economic uncertainty dampen investor appetite. Looking at 2024, however, growth is forecast to accelerate to 3.0% thanks to EU funding. Infrastructure construction spending in Portugal is expected to increase by 1.6% in 2023 and a further 3.0% in 2024. Transportation and water and sewer will be the key drivers of growth in both years.

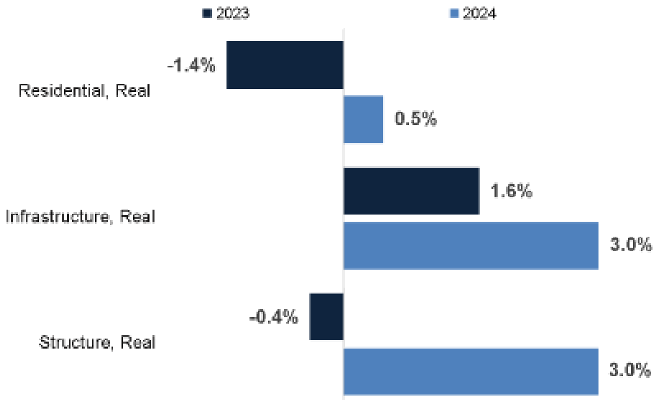
Construction spending in Portugal will experience a 1.8% compound annual growth rate (CAGR) between 2022 and 2027 with growth led by the infrastructure segment. In the longer run, growth will slow to a 1.5% compound annual rate between 2027 and 2032. The nonresidential structures segment will demonstrate the highest growth over the period.

Portugal - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Portugal - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Spain (ES)

Spanish rental turnover is expected to grow by 5.9% in 2023 after strong growth of 11.1% in 2022. Spanish economic growth is solid compared to other European countries, growing by 2%, in 2023.

Real total construction spending is set to slow from 4.1% in 2022 to 1.6% in 2023 as weaker economic activity, tighter financial conditions and persistent cost pressures weigh on demand across the sector. The share of rental revenue coming from construction demand remained around 75%. Rental revenues will be supported by strong growth in the infrastructure segment, which is expected to expand 3.8% in 2023 and a further 4.8% in 2024, driven by major public projects financed by the EU's Recovery and Resilience Facility. The National Recovery and Resilience Plan (NRRP) is set to receive €77.2 billion in grants, up from an initial allocation of €69.6 billion, to deliver a wide range of investments and reforms over the period 2021 to 2026. A high level of investment in public works, increasing penetration and demand from industries newly entering the rental market will support the rental sector going forward.

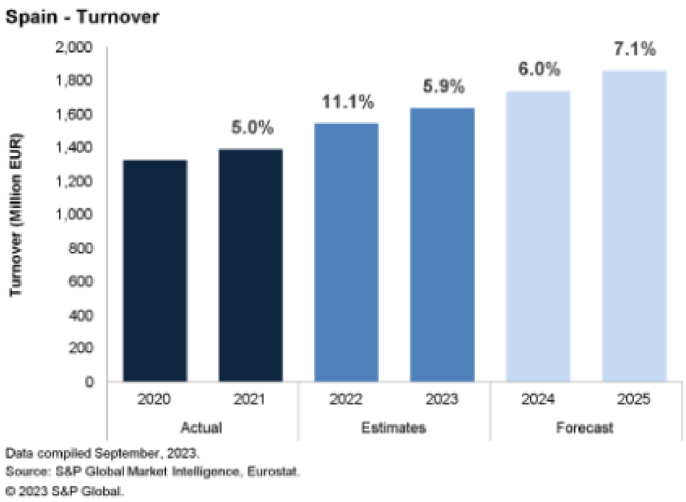
The Spanish market remains highly fragmented. Nearly 72% of the industry's employees are employed by small sized firms that generate 66% of the rental market revenue in Spain. Medium and large size companies account for the remaining 28% of the industry's employees, generating 15.2% and 18.7% of the rental market revenue, respectively. There is a sign of consolidation in the market with larger players acquiring smaller companies.

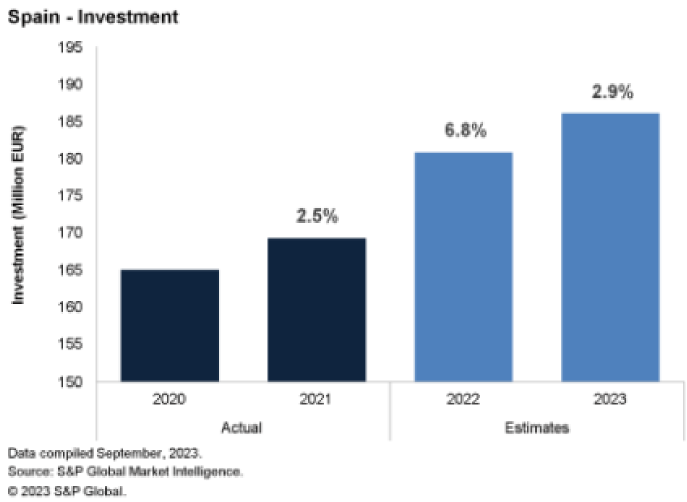
Investment peaked in 2022, reaching 6.8% growth after a slower bounce of 2.5% post Covid crisis in 2021. It is expected to slow but maintain strong growth of 2.9% in 2023. An investment shift to green machinery is starting to take place, although at a slow pace as prices are still not very competitive. 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.

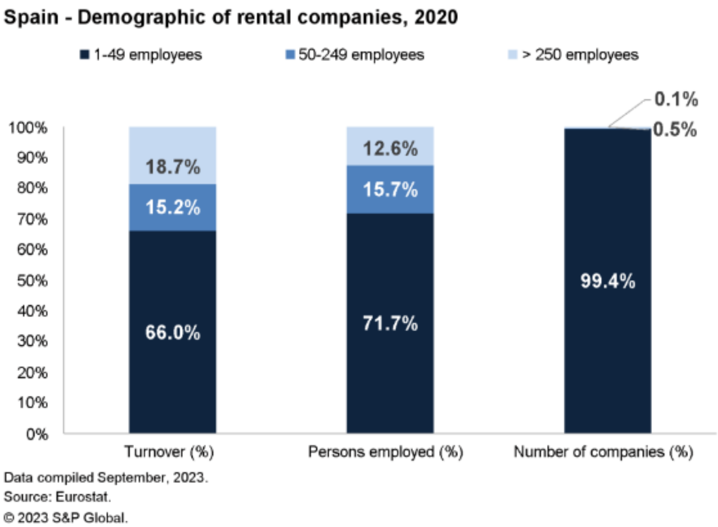
Nota bene: To factor in the high re-rental activity in the Spanish market (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 2.5%.

Spain (ES)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million €]	1,323	1,389	1,543	1,634	1,733	1,857
GDP deflator	1.2	2.3	4.3	6.2	2.8	2.5
Construction deflator	0.4	5.6	13.9	2.0	2.1	2.3
Consumer Price Index	-0.3	3.0	8.3	3.4	2.5	1.7
Rental fleet investment [million €]	165	169	181	186		
Rental fleet value [million €]	2,701	2,735	2,811	2,853		

Source: S&P Global Market Intelligence and official statistics data







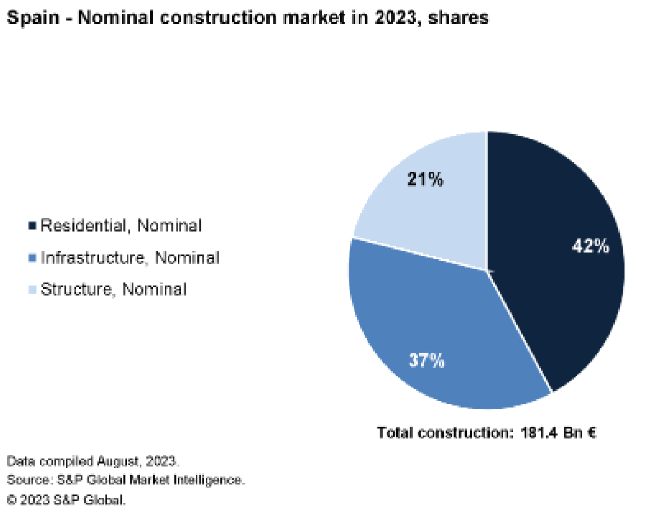
Macroeconomic environment

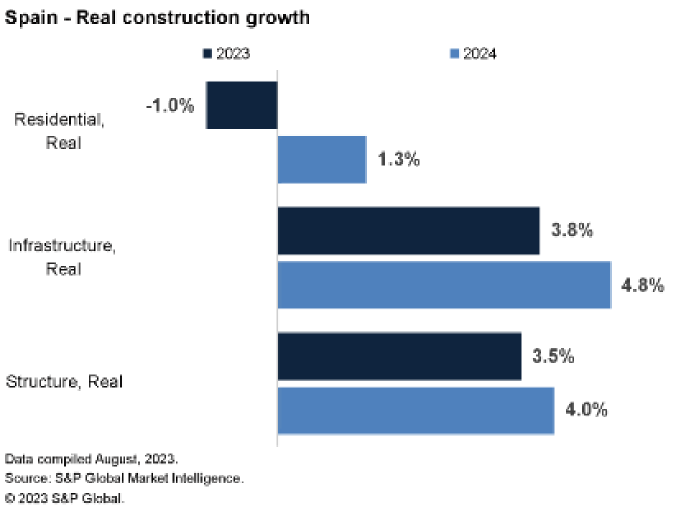
The September update estimates that economic growth will likely shift from 5.5% in 2022 to 2.0% in 2023 and 0.4% in 2024. Consumers now face higher borrowing costs, which will conspire to temper private consumption during the second half of 2023 and in 2024. Consumer price inflation will likely be on a less elevated plane at an average of 3.5% when compared with most of the eurozone (forecast to average 5.6%). The relatively low Spanish inflation forecast for 2023 is due to lower wholesale natural gas prices, which prompted almost instantaneous lower domestic energy costs. Government fiscal shortfalls are smaller but remain substantial. Specifically, they have narrowed from a peak of 10.5% GDP in 2020 to an estimated 4% by 2023, according to the September update.

Real total construction spending growth in Spain is expected to slow from 4.1% in 2022 to 1.6% in 2023 as weaker economic activity, tighter financial conditions and persistent cost pressures weigh on demand across the sector. Nonetheless, this points to a sustained expansion that is likely to gain momentum as we move into 2024, reaching growth of 3.2%, as the country continues to benefit from the being the second-largest receiver of EU recovery funds.

Residential construction spending in Spain is forecast to fall 1.0% in 2023 before rising a modest 1.3% in 2024. Near-term demand for housing is likely to be dampened by lower real household incomes, as well as higher interest rates, which are set to raise the cost of servicing mortgage debt for existing homeowners and deter prospective homebuyers from entering the housing market. Labor shortages and still-elevated building material prices will also continue to impact new build projects. Nonresidential structures construction will also be affected by the general slowdown in economic activity and higher financing costs. Nevertheless, given the rollout of Recovery and Resilience Facility projects, we expect growth in this segment to pick up to 3.5% in 2023 and 4.0% in 2024. Infrastructure construction spending is expected to expand 3.8% in 2023 and a further 4.8% in 2024, driven by major public projects financed by funds from the EU's Recovery and Resilience Facility. As with Italy, however, concerns remain over the absorption of such funds and delivery of planned investments amid reduced administrative capacity, red tape and still-high construction costs.

Construction spending in Spain will record a 3.1% compound annual growth rate (CAGR) between 2022 and 2027, with growth led by the nonresidential structures segment. In the longer run, growth will slow to a 2.0% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.





Sweden (SE)

After strong growth in 2022 (7.2%), Swedish rental turnover is projected to slow down to 1.0% growth in 2023, with a modest recovery to 3.0% in 2024. The share of rental revenues coming from the construction sector remained at 70%, which is not beneficial for the rental market as the housing sector has seen a steep decline this year due to affordability.

High inflation is still affecting household spending power, leading to lower demand for new buildings and this, in turn, poses risk to the rental sector growth. Tight financing conditions and high construction costs are also dampening activity in this sector. Total real construction spending in Sweden is projected to drop by 7.8% this year, while residential construction spending will mark a steep drop by 15.0% and is expected to fall another 6.5% in 2024.

Swedish rental market is also a mature market, so there is less room for penetration led growth.

Investment in green steel and battery plants, as well as demand for power generation from wind, will put a floor under rental market growth. The events business is also growing, as is the demand for safety fences and safety equipment.

The market observes stronger demand for ESG compliant machinery, mostly supported by public purchasers. Time share of machines is being also offered as a sustainable option, hence less need to purchase more machines.

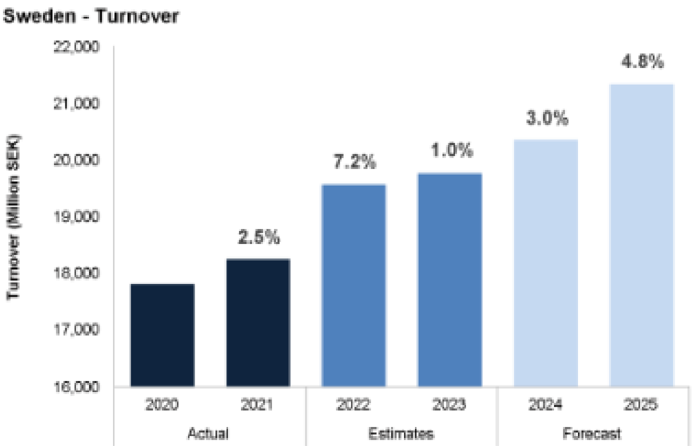
The Swedish rental market turnover is comprised of small firms that account for 54.5% of the market turnover. The remaining 45.5% is generated by middle sized companies that employ nearly 40% of employees in the industry. The growing trend of consolidation across all Nordic countries, including Sweden, is continuing.

Investment is projected to weaken to -2.0% in 2023 after a growth of 3.7% in 2022.

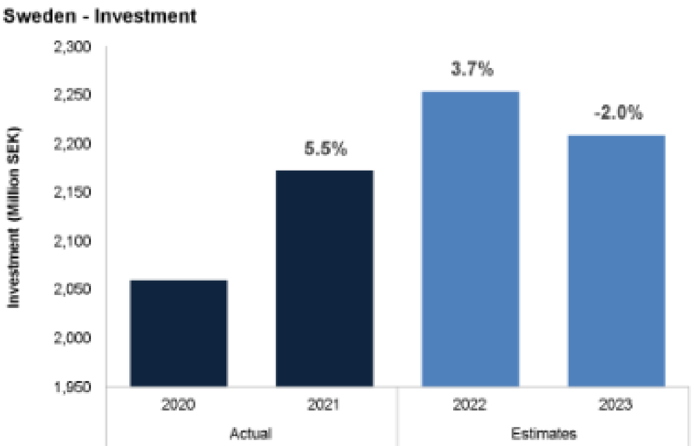
Nota bene: To factor in the high re-rental activity in Sweden (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted total rental market by 6%.

Sweden (SE)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million SEK]	17,810	18,253	19,570	19,766	20,351	21,328
GDP deflator	2.0	2.6	5.6	7.2	0.4	1.6
Construction deflator	0.5	4.2	9.0	4.3	2.7	2.0
Consumer Price Index	0.7	2.7	8.1	6.2	2.1	2.1
Rental fleet investment [million SEK]	2,060	2,172	2,254	2,209		
Rental fleet value [million SEK]	23,015	23,501	24,943	25,156		

Source: S&P Global Market Intelligence and official statistics data



Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



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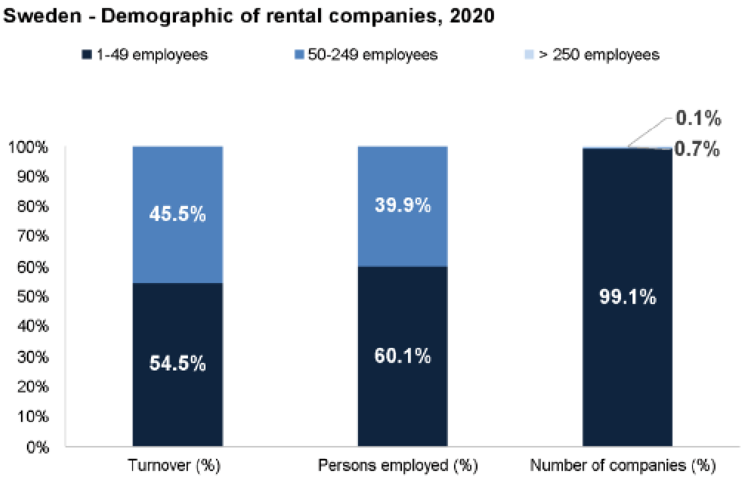
Source: S&P Global Market Intelligence.



Data compiled August, 2023.
Source: Eurostat.

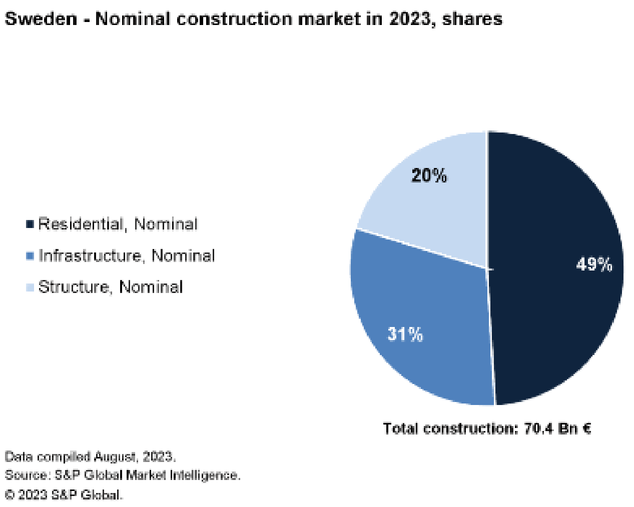
Macroeconomic environment

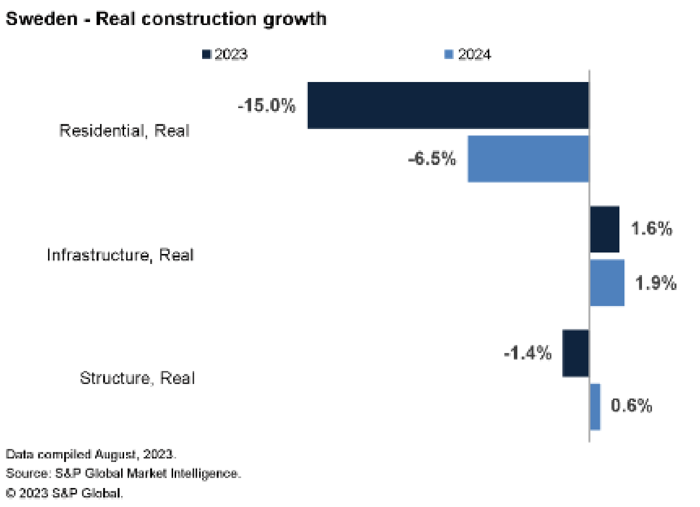
The second-quarter GDP print has been moderated to a 0.8% contraction after revisions. Nevertheless, the adverse outlook remains, given slowing growth among export partners and soft internal demand. We are projecting a three-quarter recession, resulting in GDP falling 0.7% in 2023, followed by a modest 0.6% rebound in 2024.

Inflation has started to taper off. However, underlying inflation is still too high, not least because of the resilient labor market, which sees increasing wage drift. As such, the descent toward the 2% headline inflation rate target will be slow and not occur until mid-2024. We project the harmonized annual inflation rate to average 6.2% in 2023 and 2.3% in 2024.

Real total construction spending in Sweden is expected to contract 7.8% in 2023 as the economy enters a recession this year. In addition, tighter financing conditions and high construction costs will likely lead to a significant reduction in demand and activity, particularly in residential, which will remain a major drag on overall growth this year and in 2024, when we anticipate a further drop of 2.5%. Residential will remain the weakest-performing segment over the next two years, with investment forecast to fall by a sharp 15.0% in 2023, followed by a further decline of 6.5% in 2024. This reflects the impact of rising mortgage rates and falling real incomes on demand for properties, as well as a significant correction in Swedish housing prices. Given this, as well as rising construction costs, the number of building permits and housing starts plunged during the first half of 2023 compared with the same period in 2022. Construction spending in nonresidential structures is also set to fall by 1.4% in 2023 as tighter financial conditions and gloomy economic growth prospects stymie investment appetite. A moderate rebound in growth to 0.6% should then follow in 2024 given the lagged effects of monetary policy tightening. Infrastructure construction spending is expected to expand 1.6% in 2023 and a further 1.9% in 2024, driven by growth in transportation and water and sewer.

Construction spending in Sweden will experience a 0.7% compound annual decline between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 0.7% compound annual rate between 2027 and 2032. The residential segment will demonstrate the highest growth over the period.





Switzerland (CH)

Switzerland has a stable rental market. Following 1.2% growth in 2022, rental turnover in 2023 is expected to increase by 1.3% before advancing to 2.5% in 2024. The share of rental revenues stemming from construction demand remained at approximately 70%, however the industrial sector has increased its market share on the growth of demand.

The main driver of rental revenue growth is the energy sector. The green energy sector has expanded this year, and it is expected to gain even more momentum in 2024. The market has also witnessed high demand for modular spaces and business space adaptation due to limited space for the construction of new buildings in Switzerland.

Demand for ESG compliant machines is rising slowly, with light machinery demand growing faster than for heavy equipment. While Swiss companies are investing in Tier 5 engine generators to comply with the emission standards, Switzerland still lags behind Finland in the pace of transition.

Switzerland's rental market is relatively balanced in terms of company size, with 43.1% of the rental turnover coming from small companies with fewer than 50 employees, and the remaining 56.9% coming from middle sized companies with 50 to 249 employees.

After a rebound in 2021, investment levels in Switzerland were stable throughout 2022, though they are set to decline by 1.4% in 2023.

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

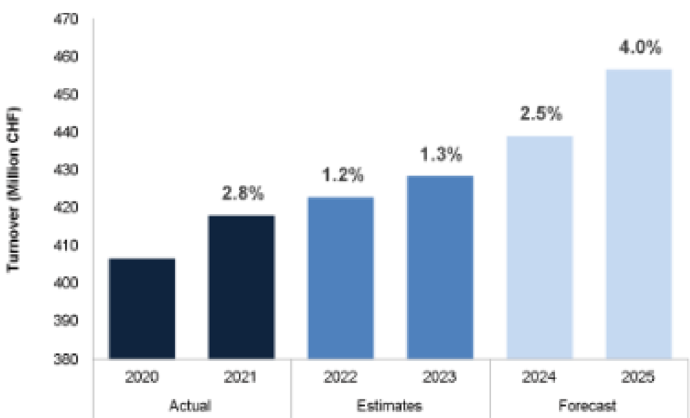
The Swiss rental market is expected to see further consolidation, mainly due to difficulties in growing organically.

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 rental market estimates.

Switzerland (CH)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million CHF]	406	418	423	428	439	457
GDP deflator	-0.8	1.1	3.3	2.9	1.1	0.7
Construction deflator	-0.3	1.7	3.8	3.1	1.8	1.6
Consumer Price Index	-0.7	0.6	2.8	2.2	1.5	1.3
Rental fleet investment [million CHF]	89	92	92	91		
Rental fleet value [million CHF]	802	815	821	828		

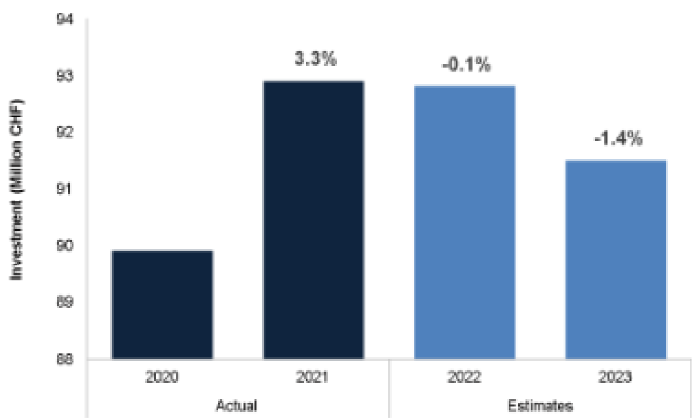
Source: S&P Global Market Intelligence and official statistics data

Switzerland - Turnover

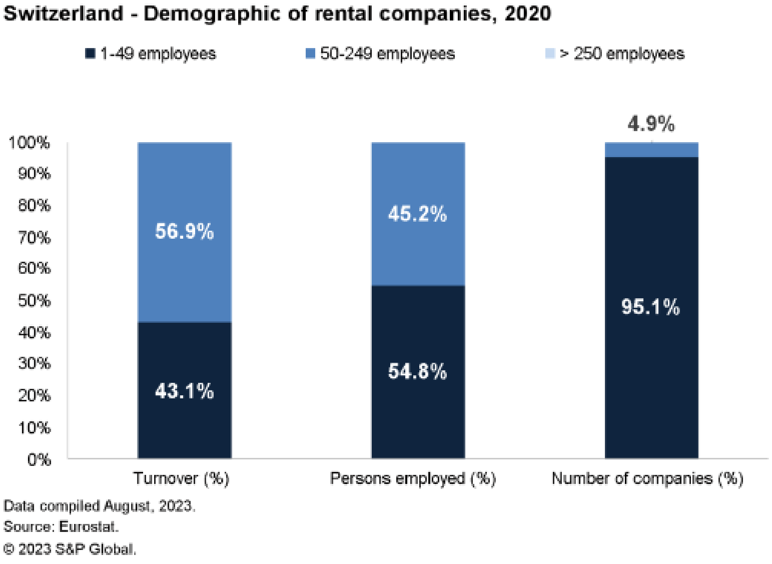


Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.

Switzerland - Investment



Data compiled September, 2023.
Source: S&P Global Market Intelligence.



Macroeconomic environment

Following modest but steady expansion during most of 2022, Switzerland's economy slowed to an average pace of 0.1% quarter over quarter during the three latest quarters ending in mid-2023. Given the downward tendency of leading indicators throughout 2023 so far, we even expect GDP to contract slightly during the remainder of the year. Apart from a generally weakening European economic environment and waning hopes for global trade impulses from a recovering mainland Chinese economy, the strong Swiss franc represents a near-term burden.

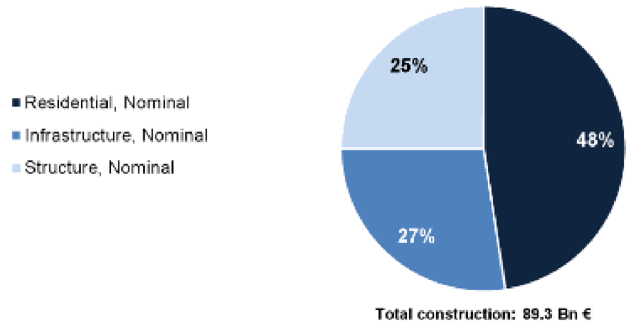
Inflation will continue to retreat from its near-30-year high of 3.5% in August 2022, fluctuating around 1.8% until end-2023 and stabilizing near 1.5% in 2024. Swiss franc strength will remain a restraining force for inflation. The Swiss National Bank's mid-June policy rate hike likely was the last in the current tightening cycle, but a sizable risk for one final increase in September persists.

Real total construction spending in Switzerland will likely remain on a downward trajectory in 2023 by falling 0.8% amid slower economic growth, a tighter monetary policy backdrop and elevated uncertainty linked to the ongoing Russia-Ukraine war. Such factors and a shortage of skilled workers would also limit the expected rebound in growth during 2024 to 0.9%.

In the residential segment, construction spending is forecast to contract by 0.9% in 2023 because of the impact of rising interest rates and tighter mortgage lending requirements on housing demand. Growth is then set to pick up moderately to 0.7% in 2024. In nonresidential structures, spending will likely decline by 1.0% in 2023 and then change course by growing 1.4% in 2024. Infrastructure construction spending is expected to decline by 0.4% in 2023, before recovering slightly to 0.7% growth in 2024. Transportation and water and sewer infrastructure construction will be the main drivers of growth in both years.

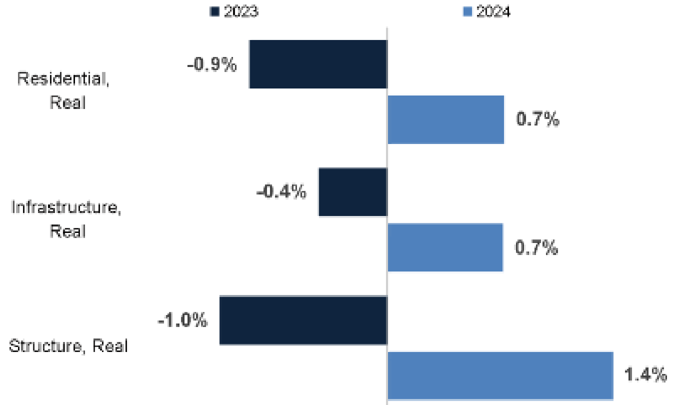
Construction spending in Switzerland will post a 0.6% compound annual growth rate (CAGR) between 2022 and 2027 with growth led by the nonresidential structures segment. In the longer run, growth will improve to a 1.0% compound annual rate between 2027 and 2032. The nonresidential structures segment will again demonstrate the highest growth over the period.

Switzerland - Nominal construction market in 2023, shares



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

Switzerland - Real construction growth



Data compiled August, 2023.
Source: S&P Global Market Intelligence.

United Kingdom (UK)

UK equipment rental turnover will grow by 3.4% in 2023, a slowdown from last year's 7.8% growth rate. The share of total rental revenues coming from construction demand remains at 60%. Although rental companies are diversifying from construction, it remains to have the largest market share in the short to medium term.

Real construction spending is expected to contract by 3.8% in 2023 as weaker economic conditions and higher borrowing costs continue to hold back construction activity. We expect rental market growth to slow further to just 2.7% in 2024 as the UK enters a shallow recession at the beginning of the year.

High mortgage rates coupled with household incomes squeezed by high inflation will hit residential construction while non-residential structures will also decline amid economic uncertainty, high construction costs and long-term structural changes. Infrastructure spending will only partially offset the weakness expected elsewhere, as spending in this segment will also be affected by recent UK government announcements to delay major road and rail projects.

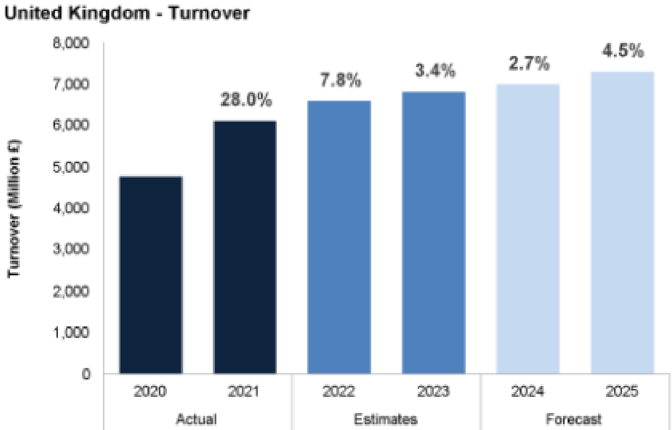
Middle and large size companies employ 55% of the rental market workforce. However, over 50% of UK rental turnover is generated by smaller firms. Middle size companies with 50-249 employees account for 25% of the UK rental market turnover. Companies with over 250 employees generate 21% of the total revenue. There is an appetite for further consolidation in the market as smaller companies are looking for buyers given the challenging business conditions.

Growth in investment is set to slow to 1.8% in 2023 from strong growth of 7.5% in 2022, as companies are more cautious given the economic environment and higher construction costs. Investment in ESG compliant machines is rising but at a very slow pace.

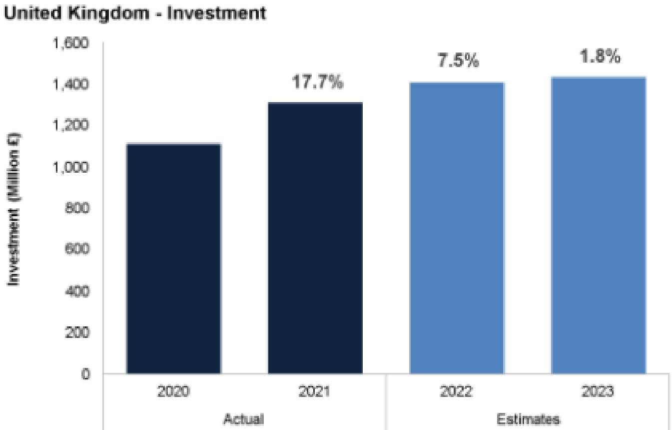
Nota bene: For the United Kingdom, to factor in the high re-rental activity (e.g., rental companies renting out equipment to another rental company to satisfy customer requirements), we discounted by 7.5% total rental market. In effect, a concern was expressed that the national statistics would lead to double counting revenues of rental players.

United Kingdom (UK)	Actual		Estimates		Forecast	
	2020	2021	2022	2023	2024	2025
Market size						
Turnover [million £]	4,771	6,105	6,583	6,804	6,986	7,298
GDP deflator	5.9	0.0	5.4	4.9	3.0	2.4
Construction deflator	1.9	3.2	9.0	7.1	1.5	2.0
Consumer Price Index	0.9	2.6	9.1	7.2	2.5	2.3
Rental fleet investment [million £]	1,111	1,308	1,406	1,432		
Rental fleet value [million £]	7,401	9,987	10,965	11,424		

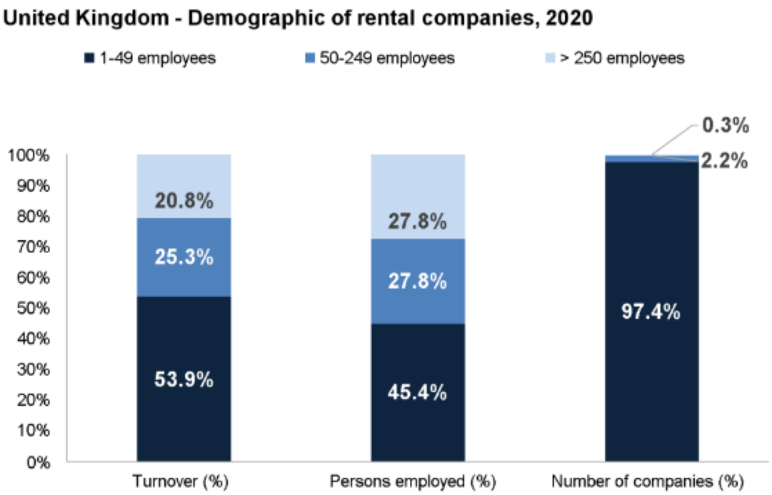
Source: S&P Global Market Intelligence and official statistics data



Data compiled September, 2023.
Source: S&P Global Market Intelligence, Eurostat.



Data compiled September, 2023.
Source: S&P Global Market Intelligence.



Data compiled August, 2023.
Source: Eurostat.

Macroeconomic environment

The UK economy will likely struggle throughout the next few quarters, implying disappointedly real GDP developments in full-year 2023 and 2024. The subdued assessment includes an anticipated shallow recession around the start of 2024. A key trigger is higher mortgage interest payments adding further stress to tight household budgets, which continue to buckle under the strains of rampant food price inflation and energy prices. According to the September forecast, the UK economy will expand by 0.3% in 2023 before contracting by 0.1% in 2024.

Despite the end of COVID-19 restrictions in early 2022, which boosted activity, the post-pandemic recovery has stalled because of notable headwinds, namely rampant inflation and rising borrowing costs triggering a persistent squeeze on household budgets and consumer spending.

The UK's 12-month rate in the consumer price index will fall steadily during the remainder of 2023 and early 2024 after retreating to 6.7% in August.

The Bank of England (BoE) maintained its Bank Rate at 5.25% in September 2023, ending a sequence of 14 successive hikes from December 2021. We assume the Bank Rate has peaked, with the first rate cut likely to occur in June 2024.

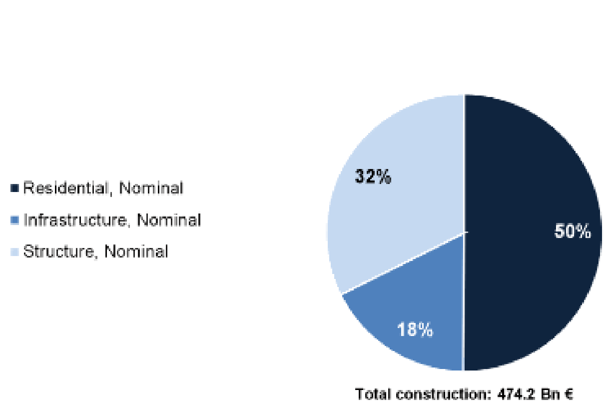
Real total construction spending in the UK is expected to contract by 3.8% in 2023, as weaker economic conditions and higher borrowing costs take their toll on demand and investment activity across the sector, particularly in residential and nonresidential structures. The prospect of more monetary policy tightening by the Bank of England that pushes up the cost of borrowing even further would provide an additional hit to construction activity as we move into 2024, when we anticipate meager growth of 0.4%. Infrastructure will do little to offset the weakness expected elsewhere, as spending in this segment would also be affected by recent UK government announcements to delay major road and rail projects.

Residential construction spending is expected to fall by 7.3% in 2023 and by a further 0.2% in 2024 as rising mortgage interest rates add further pressure on households' budgets, which are already being squeezed by the higher cost of living. This is likely to deter potential buyers from purchasing a home, especially first-time buyers, even though labor market conditions remain healthy and government support in the form of the mortgage guarantee scheme and stamp duty land tax (SDLT) concessions remain in place.

In nonresidential structures, construction spending is forecast to decline by 0.3% in 2023 before remaining flat (0.0%) in 2024. Amid economic uncertainty and high financing and construction costs, developers and investors are likely to delay development activity, particularly in offices and commercial retail, where demand for space is already being impacted by long-term structural changes. Corporate investment would also be dampened by the increase in the corporation tax rate for many firms from April 2023. Infrastructure construction will remain the only bright spot in the near term, although our growth forecasts for 2023 and 2024 have been lowered to 0.7% and 2.9%, respectively, despite major projects underway such as Phase One of High Speed 2 (HS2), Hinkley Point C, as well as work under five-year spending plans in regulated sectors such as roads, rail, and water.

Construction spending in the UK will experience a 0.9% compound annual growth rate between 2022 and 2027, with growth led by the infrastructure segment. In the longer run, growth will improve to a 2.1% compound annual rate between 2027 and 2032. The infrastructure segment will again demonstrate the highest growth over the period.

United Kingdom - Nominal construction market in 2023, shares



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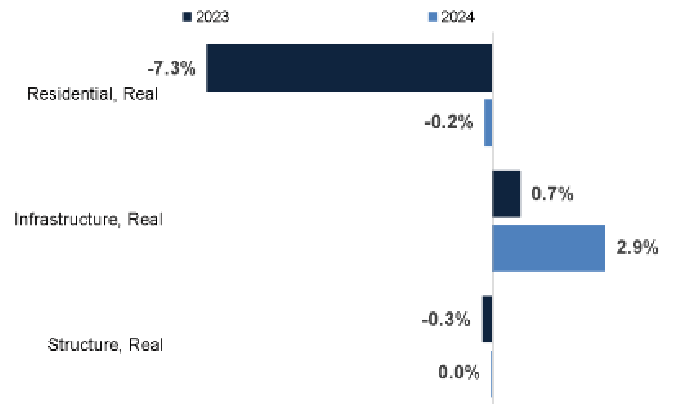
United Kingdom - Real construction growth



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