

ANNUAL ECONOMIC REPORT

No.7
MARCH 2021

Dear reader,

Welcome to the CECE Annual Economic Report.

The report you are reading contains an overview of the macroeconomic situation in Europe, insights on the construction, mining and rental sectors and a substantial focus on machinery & equipment. Please share it within your network with no moderation whatsoever!

Indeed, as a publicly available source of information, the CECE Annual Economic Report helps to promote the knowledge and understanding of the sector amongst the wider audience. Especially, in such unprecedented situation as today's, CECE strives to provide its members and the public with all relevant updates. The report is produced by a small group of experts from the CECE member associations and the CECE team in Brussels. Please read more about them on page 16.

As we all know, 2020 was the most unexpected and unpredictable of years. From a human and health point of view, it was tragic and heart-breaking with feelings of helplessness getting the better of most of us. From an economic point of view, it represented a year of disruptions with certainties and forecasts crumbling before our eyes. However, as you will see in detail, the construction and industrial sectors in Europe have shown a great amount of resilience and capability to rebound quickly, limiting the damages of the first semester.

The sales performance of Q3 and Q4 have indeed made it possible to recover from the close-to-zero activity of early-spring 2020. The full year results point to a decrease in volumes anyway, but it's much more manageable than the projections that were circulating in summer 2020.

The counter-cyclical impact of public investments on infrastructure is hopefully here to stay and you can rely on CECE to make its case with policymakers

in Brussels. The European Recovery and Resilience Plan is a fundamentally important tool to relaunch the economies of the 27 Member States. Its historic significance for the EU is well symbolised by the historic occasion to tackle the long-term concerns attached to the decarbonisation and digitalisation transitions, to which CECE is fully committed.

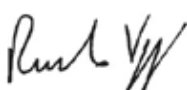
For the building sector, the impact from the EU's Renovation Wave will boost activity in energy efficiency and improvement works on residential properties. On the other hand, we know – but cannot really quantify it yet – that the “new normal” in terms of work-life balance & home-office will have a long-term impact on commercial real-estate.

The report also includes information provided by our national member associations, shedding light on regional market developments. Finally, in light of the collaboration between us and the European Rental Association ERA, you will be able to see a dedicated rental feature describing the good market conditions in 2020 in that key segment of our business.

FORECASTING

The business sentiment that we gauge monthly through the CECE Business Barometer is at very optimistic levels in early 2021. This leads us to believe that the rebound of Q4 2020 is here to stay and could even gain further momentum if the implementation of the national recovery plans will be smooth. It is now difficult to make a numerical forecast, but the final chapters of this report will provide some relevant market intelligence leads for companies and investors to ponder.

Comments are always welcome and can be directed to info@cece.eu. If you want to get an overview of the report before reading it, please take a look at [this video](#).


Riccardo Viaggi
CECE Secretary General

Executive Summary

CONSTRUCTION INDUSTRY

After an unprecedented decline in March and April, construction output in Europe showed a dynamic increase from May onwards. As a result, by November 2020 output had reached 97.5% of the pre-crisis level in February. It is expected that for the full year 2020, construction output in Europe will have seen an 8% decline. For 2021, the forecast is for growth of more than 4%, to be followed by 3.4% in 2022, and 2.4% in 2023.

MINING INDUSTRY

Exploration and drilling activity in the global mining market had been on a growth path in 2019 and the early part of 2020, before the impact of the Covid pandemic significantly reduced activity in Q2. As a result, the number of drilling projects in Q2 fell by 21% compared with Q1 levels. Since then, drilling activity has recovered well in the second half of the year, and Q4 2020 levels were the highest quarterly levels since 2018.

EXTRA FEATURE: RENTAL INDUSTRY

While the major European markets experienced a downturn in rental activity, the latest estimates show that business was better than expected in Northern Europe, with many markets recording small falls.

EQUIPMENT MARKET

Sales on the European construction equipment market went down by 6.4% in 2020. This reflected a combination of a cyclical downturn that was anticipated after years of growth, and a slowdown in business activity due to the Covid pandemic.

OUTLOOK

A forecast of 5% growth in the European equipment market is considered to be a realistic assessment of prospects for 2021. However, against a background of on-going uncertainty due to Covid, even a flat market in 2021 would not be a disappointment.



MACROECONOMIC VIEW

2020: A year under the influence of the Covid-19 pandemic

In 2020, the economy was effectively “closed down” as a result of growing fiscal deficits and unprecedented government interventions. The final level of damage incurred by the crisis will depend on the outcome of the battle between the virus and the vaccine. As a result, the current economic situation is very much dictated by the Covid-19 pandemic.

The euro zone has been one of the areas within the world economy most affected economically by Covid-19. The recession is expected to reach a deficit of 7.2% in 2020, a record level since the creation of the monetary union.

However, the impact of the crisis has been very different across the region. According to leading economists, the decline in disposable household income has remained limited, thanks in particular, to unemployment schemes which have managed to limit loss of jobs (so far), albeit this has been less successful in Spain.

European public finances have absorbed most of the impact of the crisis, aided by very significant intervention by the ECB in the bond market.

The latter increased the size of its balance sheet by 2,322 billion euros during the

year. This action was legitimized by a fall in inflation due mainly to the collapse in energy prices, and prices in specific sectors directly affected by the crisis (air and rail transport, hotels and restaurants, etc.).

The new targeted longer-term refinancing operations have provided massive medium-term financing for banks, allowing them to keep the credit tap open. This is one of the main differences between the recessions of 2008-2009 and 2012-2013.

As a result of increased public guarantees on lending, the increase in private debt has been limited, and this has reduced the risk of bankruptcies that threatened to escalate in 2020. Finally, the European Union responded very positively to the crisis.

This began in the spring, by setting up “safety nets” (ESM credit line, SURE mechanism for refinancing short-time

working, European guarantee fund EIB), and was followed in the summer by the announcement of a European recovery plan of up to 750 billion euros, including 390 billion euros of subsidies.

The Covid-19 pandemic will determine how the global economy recovers. With mass vaccinations in progress, this may result in recovery by the end of 2021 in some countries, but in many countries may be delayed until 2022.

Until then, there will be a continuation of alternating periods of restrictions, followed by economic rebounds in many countries.

This is likely to inhibit investment decisions and limit economic developments. As a result, activity is likely to remain below pre-crisis levels in most countries until 2022.

	Gross Domestic Product growth in %				Gross Investment in equipment in %			
	2019	2020	2021	2022	2019	2020	2021	2022
Germany	+0.6%	-5.6%	+3.5%	+2.6%	+0.5%	-15.7%	+7.1%	+4.1%
France	+1.5%	-9.4%	+5.8%	+3.1%	+3.9%	-17.6%	+11.3%	+5.5%
UK	+1.3%	-10.3%	+3.3%	+2.1%	-2.6%	-15.6%	0.0%	+4.8%
Spain	+2.0%	-12.4%	+5.4%	+4.8%	+4.4%	-23.4%	+5.8%	+10.2%
Italy	+0.3%	-9.9%	+4.1%	+2.8%	+0.9%	-18.8%	+9.4%	+7.6%
EU	+1.5%	-7.4%	+4.1%	+3.0%	+2.8%	-17.6%	+7.6%	+6.0%

Source: European Commission, European Economic Forecast, November 2020



CONSTRUCTION INDUSTRY

2020: A pand'economic year

In November 2020 construction output increased by 1.2% in the EU-27 compared with October 2020. In the euro area the increase amounted to 1.4%. After an unprecedented decline in March and April due to the pandemic, construction output showed a dynamic increase of 22% in May. In the months following this output recovered further, but relatively moderately. As a result, by November 2020 output had reached 97.5% of the pre-crisis level in February 2020. It is expected that for the full year, construction output in Europe will show an 8% decline in 2020. For 2021, the forecast is for growth of more than 4%, to be followed by 3.4% in 2022, and 2.4% in 2023, retaining a positive outlook.

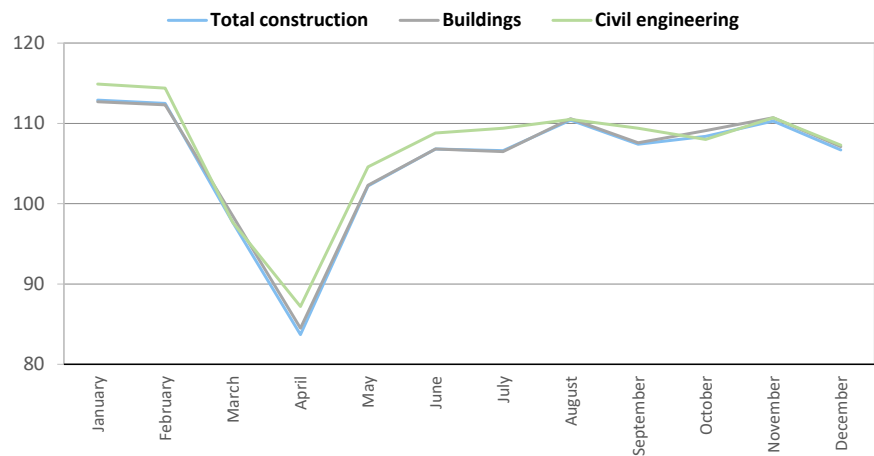
SIGNIFICANT DIFFERENCES ACROSS THE COUNTRIES

The Covid crisis has had a significant and brutal impact on all sectors of the economy, and affected all countries. The lockdown in the spring resulted in severe restrictions on public life in many countries. In many cases, companies have gone out of business. The first lockdown caused rising unemployment, reduced company turnover and tax losses. In October, a new wave of the pandemic prompted many countries to resurrect measures to restrict activity.

However, the direct impact on the construction industry was much less severe than in the spring. Most sites remained open, and following the experience of the March-May period, many protective measures were already in place, alongside digital working practices.

The construction sector has felt a significant impact from the pandemic but the consequences have been different across the countries in Europe. The construction sector had already been weak in Finland and fairly stagnant in Portugal and Norway.

However, in contrast, the United Kingdom suffered a significant fall in activity during the year resulting in a 12.5% decline in output in 2020. This was the first annual fall in output since 2012 when it fell by 7.2%, and was the largest decline since 2009, when it fell by a

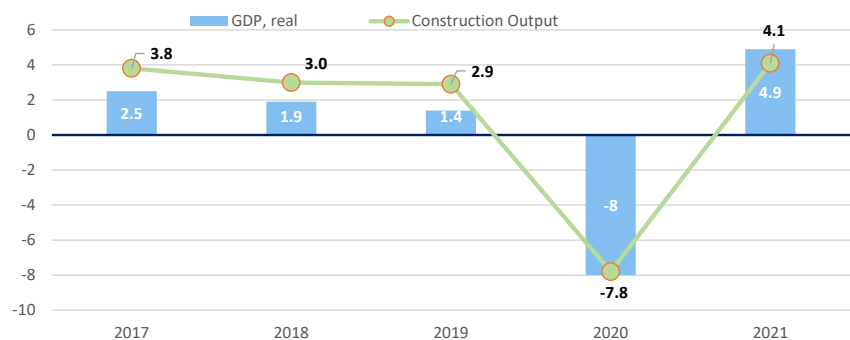


EU-27, Development of Construction Production, January-December 2020; 2015=100
Source: Eurostat (online data code: sts_copr_m)

record 13.2%. The fall in activity in 2020 was a result of both a decline in new work (-15.2%), as well as repair and maintenance (-7.5%). Other major construction markets like France and Spain, which shut down their economies for a number of weeks, were also heavily affected. Span-

ish construction output fell sharply in 2020, recording a fall of 18.2% in Q4 2020.

The lockdown measures imposed by the government in November and the subsequent slowdown in economic activity significantly



GDP vs. Construction Output; y-o-y change, in %
Source: EUROCONSTRUCT (2020, 90th RC-Conference)



reduced output in the country's construction industry in Q4 2020. In France, the restrictions introduced later in the year had less impact on the construction sector than the measures implemented in the spring, with the sector showing a 15% reduction in output for the whole year.

Two-thirds of this decline was a result of the measures reduced during the first lockdown in the spring. The German market has held up well during the pandemic due partly to the approach by public authorities to implement more limited measures to reduce economic activity, particularly in the construction industry.

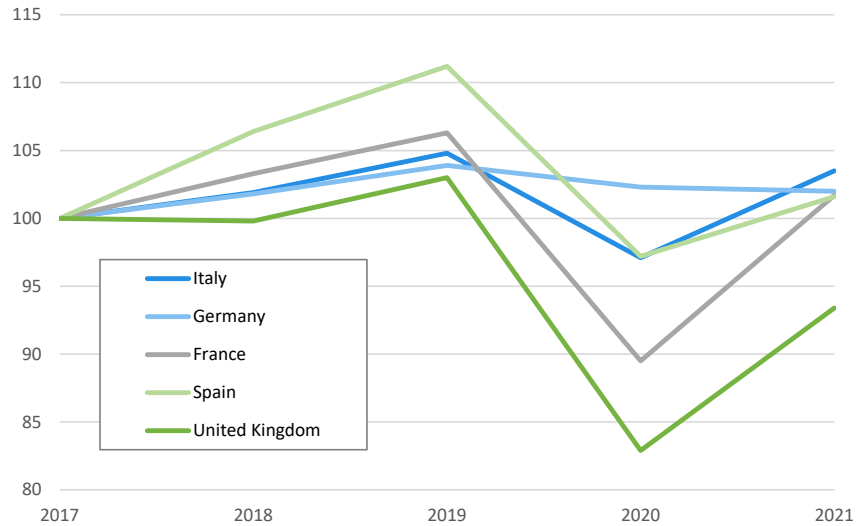
However, the pandemic continues to hold back demand for construction work and construction companies have become more pessimistic about business prospects for the coming year due to its impact on businesses, households and local authorities.

The impact of the pandemic on the construction sector is expected to persist during 2021. Finally, the impact of Covid'19 can clearly be seen on the construction market in Italy. In April 2020, output fell by 51.5% on a month-on-month basis, following a significant fall of 36.4% reported in March.

In the three months to April 2020, the index for construction output showed a decline of 33.2% compared with the previous three months, and year-on-year the index plummeted by 66.7%. Since the summer, construction activity has partially recovered, but has not been strong enough to compensate for the losses incurred earlier in the year. Over the first eleven months of 2020, the index for construction output showed a fall of 8.6%.

PUBLIC WORKS ACTIVITY HAS SEEN LESS IMPACT THAN BUILDING CONSTRUCTION

Looking across the different market segments in Europe, the civil engineering sector is likely to be the least affected by the impact of coronavirus. Expenditure on infrastructure facilities fell by only



Total Construction in Europe; Index 2017=100
Source: EUROCONSTRUCT (2020, 90th RC-Conference)

3.8% in 2020, and is expected to grow by 5.2% this year. In contrast, the building construction sector is seeing bigger reductions in activity. The non-residential construction sector saw a decline of 9.2% in 2020, and will be followed by moderate growth of 2.5% in 2021.

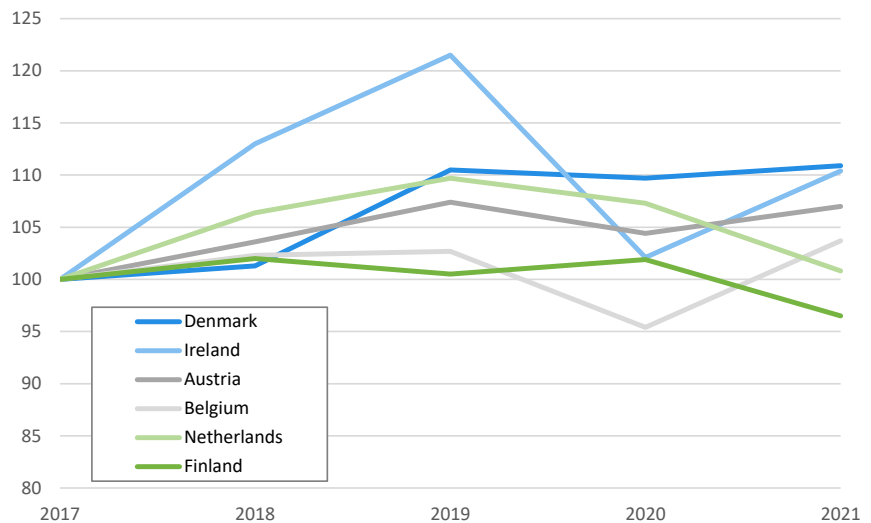
The residential sector saw a significant fall of 8.6% in 2020, but the market is expected to regain significant momentum in 2021, with forecast growth of 4.7%. Due to government restrictions and legal uncertainties during the spring last year, many renovation projects were delayed, including some for many

weeks. As a result, repair and maintenance activity fell by 7.3% in 2020.

2021 AND FUTURE YEARS

According to the latest Eurozone Construction Purchasing Managers (PMI) IHS Markit Index, construction companies in the eurozone reported a continued decline in activity in December.

Demand for new construction projects remains subdued, and companies down-



Total Construction in Europe; Index 2017=100
Source: EUROCONSTRUCT (2020, 90th RC-Conference)

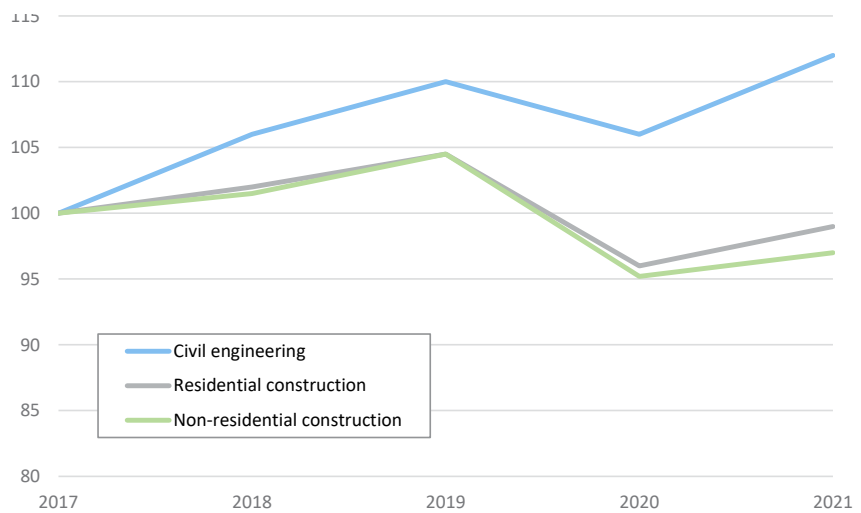


sized at a slightly faster pace than reported in the previous month's survey. Concerns over the long-term impact that the pandemic will have on the construction sector, as well as the lack of new projects in the public and private sectors resulted in manufactures reporting a more pessimistic outlook for the euro area for a fifth consecutive month.

Looking at the major countries, France and Germany continued to report further declines in construction activity, with France signaling the largest drop since May.

In contrast, Italian companies reported marginal growth in activity for the first time since September. Looking ahead, a strong recovery is expected for the Spanish construction industry in 2021 with growth of 7.4% anticipated. Growth prospects in France are even more positive, with output expected to increase by around 10% this year. In the UK, and in many other European countries, a strong housing sector is expected to be significant in helping to weather the COVID-19 storm.

However, new retail, hotel and office construction will continue to see reduced activity for many months. Overall, prospects for the construction industry are quite dependent on how well government relief/stimulus programmes



Total Construction Output by Sector from 2017 to 2021; Index 2017=100
Source: EUROCONSTRUCT (2020, 90th RC-Conference)

work to support activity. However, beyond the impact of the pandemic, it is expected that underlying factors generating demand in the medium term will continue. This includes demand for housing in urban regions, renovation within the energy sector and modernization of infrastructure.

According to Euroconstruct, the European construction market is not expected to fully recover before 2023, with expected

growth of 4.1% in 2021, 3.4% in 2022 and 2.4% in 2023. The civil engineering sector is expected to grow by 5.2% in 2021, while non-residential construction should experience more modest growth of 2.5%. For residential construction, the market is expected to show significant momentum in 2021 with expected growth of 4.7%. All of this suggests that by 2023, it is unlikely that output in the construction industry will have returned to 2019 levels.





GLOBAL MINING INDUSTRY

Shipments of surface mining equipment show a recovery at the end of 2020

Exploration and drilling activity in the global mining market had been on a growth path in 2019 and the early part of 2020, before the impact of the Covid pandemic significantly reduced activity in Q2. As a result, the number of drilling projects in Q2 fell by 21% compared with Q1 levels. Since then, drilling activity has recovered well in the second half of the year, and Q4 2020 levels were the highest quarterly levels since 2018.

The Parker Bay Company monitors deliveries of surface mining equipment to the global mining market on a quarterly basis. Their latest update for Q4 2020 is shown in the graph below, and shows an increase in shipments for the first time since the first quarter of 2019. Deliveries of machines in Q4 showed a 35% increase on Q3 levels to reach an annual total of just over 2,600 units. However, after declining in the first three quarters of the year, this left shipments in 2020 nearly a third below 2019 levels.



Australasia (principally Australia and Indonesia) was the largest region for deliveries in 2020, but still suffered a 20% decline in shipments year-on-year. Deliveries of equipment to mines in Latin America showed the strongest growth in 2020, recording a 4% increase on 2019 levels. In contrast, shipments to North American mines showed a 40% decline in 2020.

Parker Bay run a mining equipment database which includes eight different types of surface mining equipment. Their latest assessment of the active machine popula-

tion suggests more than 80,000 pieces of equipment are active in the global mining market. This includes mining trucks (over 48,000 machines) and crawler and wheeled dozers (over 14,000 machines) as the two most popular machine types. In 2020, shipments of wheeled loaders showed the most resilience, declining by only 4% on 2019 levels. In contrast, mining trucks saw deliveries fall by 37% year-on-year.

Prospects for the global mining industry in 2021 seem reasonable, based on the

latest consensus forecasts for base metals prices from leading industry analysts. Most commodities are forecast to show increases in 2021, albeit iron ore is expected to experience long term reductions in price levels.

As with other industries, uncertainty regarding the pace of recovery from the covid pandemic may inhibit growth in 2021, and significant levels of recovery may not be seen until the following year.



RENTAL MARKET

Resilience and agile business models allowed the rental sector to weather the storm in 2020

The ERA Market Report is drawn up every year in collaboration with IHS Markit and covers 15 European countries that make up 95% of the overall European rental equipment sector. With 17,000 rental companies employing 133,480 people – operators excluded – the European rental industry is worth €27.7 billion in turnover.

After the official publication in October 2020, this year's report was complemented by an update published in February 2021, involving adjustments to the main market indicators. The highlight in the February update was the surprise of a better-than-expected business scenario in 2020. Indeed, while the direct impact from lockdown measures in the first half of the year limited activity, the second part of the year saw a recovery in most countries. This was mainly due to agility in adjusting costs and adapting to the challenging environment.

While the major European markets experienced a downturn in rental activity, the latest estimates show that business was better than expected in Northern Europe, with many markets recording small falls (Denmark -2.3%, Sweden -2.2%, Netherlands -2.3% and Germany -3.1%). In Italy (-11.3%) and Spain (-14.3%), the outcomes published in February 2021 were in line with the October estimates, whereas in France, activity was lower than

forecast. A fall of 15% was seen in 2020, but partial recovery is expected in 2021 with 9.5% growth forecast.

In terms of future trends, the ERA expects relative inertia in the construction sector, and anticipates that government policies will provide positive support for a better outlook for the equipment rental industry. The expected reductions in private sector investments will be offset by increases in infrastructure and renovation via public support measures. The ERA expects economic uncertainty and limited CAPEX investments by contractors and end users will encourage increased use of rental equipment.

The report also features an update on the North-American situation, with collaboration from the ARA. The figures provided in the report reflect a slow recovery from the recession induced by the pandemic in the U.S. The depth and duration of the impact within the construction sector suggests that equipment rental revenues

will only return to 2019 levels in 2023. For 2020, revenue from construction rental dropped 11%, in relation to 2019 levels. Growth in 2021 is expected to be modest at +1.5%, but a strong recovery is forecast to begin in 2022 with 11.3% growth.

In light of the collaboration between CECE and the European Rental Association (ERA), this Annual Economic Report features an overview of the European equipment rental market.

The report is available digitally by contacting the European Rental Association at era@erarental.org.



EUROPEAN
RENTAL
ASSOCIATION





EQUIPMENT MARKET

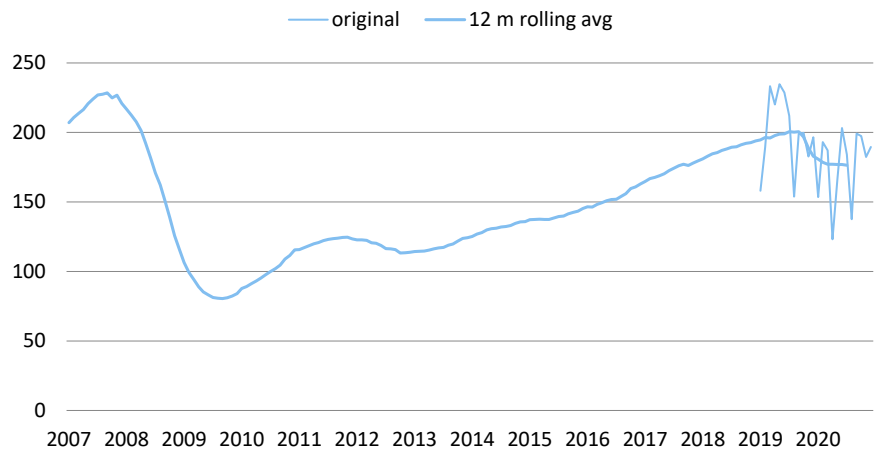
The construction equipment industry impacted not as badly as feared

Sales on the European construction equipment market went down by 6.4% in 2020. This reflected a combination of a cyclical downturn that was anticipated after years of growth, and a slowdown in business activity due to the Covid pandemic. While it is evident that the construction industry and equipment trade were less affected by the pandemic than many other industries (especially the service sector), it was still a pleasant surprise to see only a modest market decline in 2020 amid the Covid crisis.

However, behind the high level figures, there were some significant differences experienced between different equipment segments. In the light and compact equipment segment, sales were almost unaffected by the crisis, and fell by less than 3% last year. This was significant, because it is a high volume segment, and helped to limit the overall fall in sales for construction equipment. However, in contrast, heavy construction machinery suffered a 19% fall in sales, in what emerged as a difficult and challenging year. In summary, less expensive machines were sold at almost normal levels during the pandemic, while investment in more capital-intensive equipment suffered from the economic uncertainty. Unlike earlier years, the different equipment segments experienced similar market experiences last year, despite the impact of stronger sales of light equipment. This was the case for earthmoving equipment, road equipment, concrete equipment and the tower cranes business.

From a geographical perspective, market sales in most countries reflected the impact of the pandemic and the lockdowns, but there were a few exceptions. Most notably, the Italian market reached the same level of sales as 2019, and the Turkish market recovered from the crash experienced in 2019.

2020 began in line with expectations, with a 5% market decline in the first



Monthly construction equipment sales in Europe (index 2010=100)

quarter – a cyclical downturn that had been anticipated. However, in the second quarter, lockdowns across Europe began to take their toll and pushed the market to 28% below the levels of the previous year. The decline in sales in Q2 also reflected the impact of the comparison with the quarter in 2019 when the bauma exhibition was held, and the usual short-term boost in sales took place. As relaxation of lockdown measures developed in Q3, sales in the third quarter reached a similar level as 2019, and were flat year-on-year. The last quarter of the year saw the expected improvement in demand, and sales in Europe went up by 9%. This also reflected the benefit of business postponed in the

first half of the year materializing in Q4.

In a historical context, sales in the European market in 2020 were slightly above 2017 levels. This was approximately 20% below the historical peak in 2007, and around 120% above the 2009 trough.

EARTHMOVING EQUIPMENT

Sales of earthmoving equipment in Europe declined by 11% in 2020. The impact of the pandemic took the level of the decline to slightly higher levels than what would have been expected. As a result, the market is now at levels between 2017 and 2018. 2020 started with a 10% drop in the first quarter be-



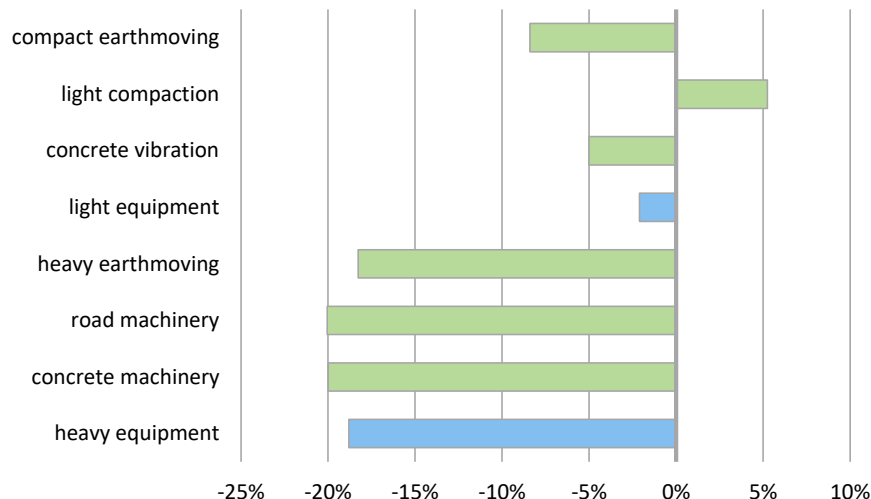
for the impact of lockdowns across Europe in the second quarter took the decline in sales to almost 30%. After another 9% fall in Q3, the last quarter only experienced a minimal decline of 1%.

Compact equipment (-8%) performed considerably better than heavy equipment (-18%) in 2020. On the compact side, backhoe loaders saw the smallest decline of 6%. The two highest volume products, mini excavators and compact wheel loaders, both saw 8% declines in sales. In the heavy segment, both crawler and wheeled excavators recorded 20% declines in sales, while wheeled loaders saw a more modest fall of 16%. Unsurprisingly, the largest machines suffered the biggest falls in sales, with ADTs and rigid dump trucks both declining by more than 25%.

All the major markets saw sales decline in 2020. The biggest market Germany, which accounts for 23% of European sales, went down by 8%. Following falls in France of 15% and 22% in the UK, these markets are now at a similar level, both accounting for 13% of total sales in Europe. Southern European markets recorded a 7% sales decline, but there were diverging trends, as the Italian market was stable, while Spain and Portugal saw sales decline. Nordic markets went down by 15%, but this was from a peak level reached in 2019. Benelux was also affected by the crisis and recorded a 16% fall in sales. CEE markets saw a moderate decline in sales of 11%, but the performance varied across the different countries. The Russian earthmoving equipment market was virtually unchanged in 2020. Finally, the Turkish market saw sales almost double, coming from extremely low levels after a disastrous year in 2019.

ROAD EQUIPMENT

European road equipment provided the unexpected surprise in 2020, with sales growing by 1.7%. After a flat first quarter and a significant fall of 24% in Q2, the second half of the year saw a strong recovery with sales growing by 19% and 29% in Q3 and Q4, respectively. However, the figures for the overall performance disguise some significant differences between the equipment segments. While heavy road machinery sales showed a fall of 20%, the light compaction segment grew by 5%, and resulted



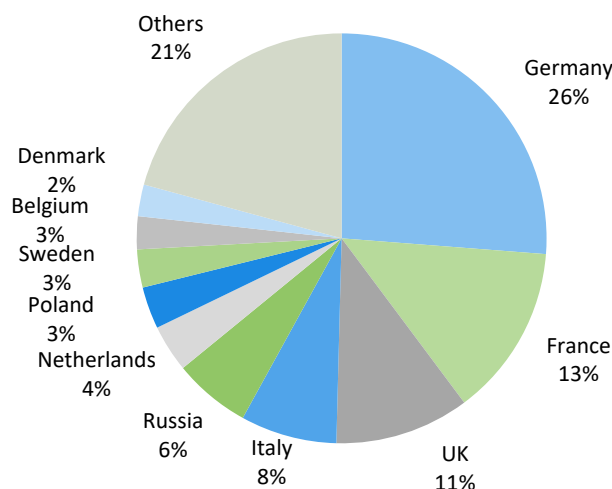
2020 sales development of light and heavy equipment

in positive sales for the sector overall.

On the light equipment side, sales of vibratory plates grew by 7% and sales of tampers were flat. In the heavy equipment segment, the strong decline of tandem rollers sales by 26% was the most notable. Single-drum rollers were less affected, with sales declining by 15%, while asphalt pavers saw stable sales in 2020.

Looking at the geographical regions, it is no surprise that markets with significant light equipment sectors turned out to be the best-performers in 2020. Of the top three markets in Europe, Germany saw remarkable sales growth of

8%. The French market went down by a modest 6%, and the UK market suffered the most, seeing a decline of 18%. The Benelux market recorded a 4% increase in sales, and Nordic markets saw a slight upturn of 2% due to substantial growth in Denmark. Austria and Switzerland saw 10% market growth, with light equipment providing the stimulus again. Southern European markets ended the year with a moderate decline of 4%, with growth in Italy being offset by a significant decline in Spain. CEE markets recorded a stronger downturn, as sales went down by 9%. Growth in Russia (+30%) and Turkey (+48%) were the exceptions in 2020, but in the case of the Turkish market,



Shares of construction equipment sales in European countries, 2020





this reflected a recovery from an extremely low level in 2019.

CONCRETE EQUIPMENT

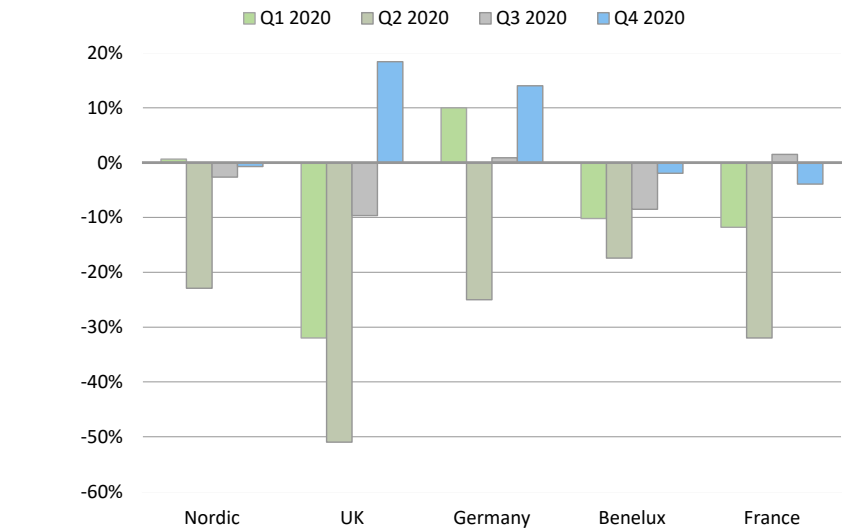
Sales of concrete machinery on the European market went down by 20% in 2020 and performed within expectations against the backdrop of the pandemic. The first half of the year was very weak with declines of 17% and 32% in the first and second quarters, respectively. After a modest decline of 8% in Q3, it is notable that this sector, unlike others, did not see an upturn in the last quarter (-22%). This was an unexpected downturn, but it should be borne in mind that volumes in this sector are low compared with others, and this can sometimes result in more volatile percentage changes quarter-on-quarter.

The sector saw a range of different sales performances across the equipment types in 2020. Sales of stationary concrete pumps declined modestly by 3%, while truck-mounted pumps saw a 13% fall in sales. Truck mixer pumps saw sales decline by 19%, while truck mixers recorded a 25% reduction in sales. Batching plants were less affected and sales declined by only 5%, while mixer systems were almost unchanged in 2020 with only a 2% fall in sales. Finally, concrete vibration equipment – the only segment with significant sales volumes – saw a moderate decline of 5%.

The major markets saw some notable differences in sales. While Germany saw a moderate decline in concrete machinery sales of 8%, the French market fell by more than 30%. Italy also saw a substantial decline, as sales went down by more than 20%, and Southern European markets recorded a 28% fall. Sales in the UK declined by more than 25%, Benelux markets saw a substantial 37% decline, and Nordic markets saw business fall 16% below 2019 levels. On a more positive note, CEE markets saw a sales increase of 4%, and concrete equipment sales in Russia went up by more than 30%.

TOWER CRANES

Tower cranes sales in Europe went down by 14% in 2020, exhibiting a familiar pattern. After a 16% decline in the first quarter and a 32% downturn in the second quarter, Q3 only saw a minimal decline



Construction equipment sales in major European markets compared to previous year in %

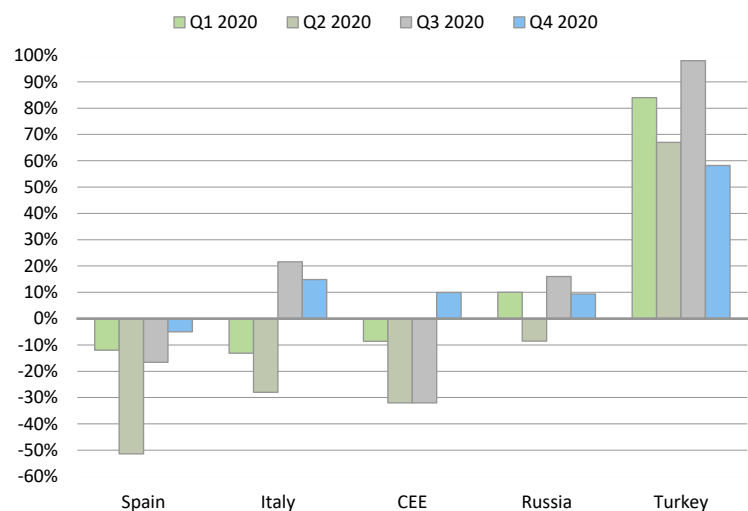
of 4% and the last quarter saw a return to moderate growth of 5%. In previous years, percentage changes in the tower crane sector have been more volatile than the construction equipment sector, due to the low volumes of tower cranes which can more easily result in large percentage changes. However, it is notable that this was not the case in 2020.

Looking at countries according to their market size in Europe, the largest market France saw only a modest decline in sales of 6% in 2020. However, tower crane sales in Germany fell by 24%. The market in Austria and Switzerland is also significant for tower cranes, and recorded a 5% increase in sales. The UK market declined by 23%, and the Russian market saw a

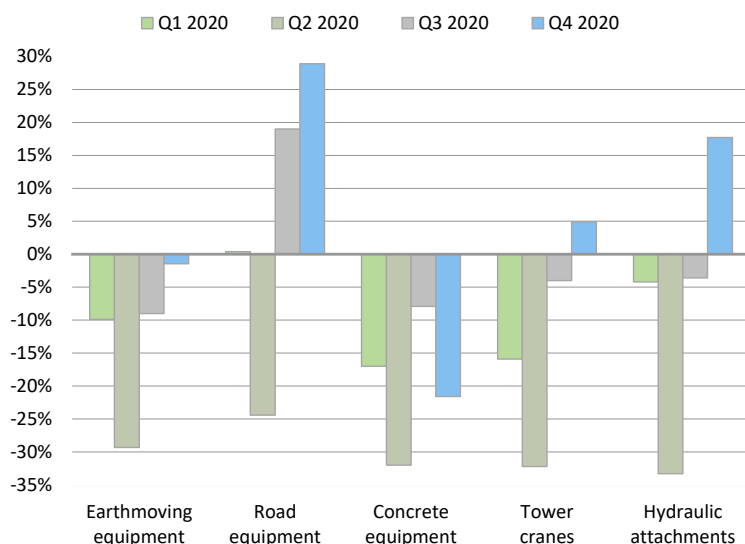
strong recovery with growth in sales of over 50%. Southern European markets went up by 10% due to strong sales in Italy. The biggest downturn in sales in 2020 were seen in the Benelux (-42%), CEE markets (-32%) and Nordic countries (-39%). Finally, unlike other equipment sub-sectors, the Turkish tower cranes market remained at historically low levels.

SUMMARY AND OUTLOOK

After an unprecedented year with a raging pandemic impacting on economies across the world, it is reasonable to suggest that the European construction equipment sector could have suffered a lot more than it did. It became apparent fairly early that the impact of the pandemic



Construction equipment sales in major European markets compared to previous year in %



Product groups: construction equipment sales in Europe compared to previous year in %

would not result in a quick return to pre-crisis levels of sales after one quarter of business inactivity. However, the recovery in sales towards the end of the year was clearly visible, and after benefitting from the effect of better demand for lighter equipment, the industry did see growth return for most product segments. Also, it should be remembered that leading in to 2020, the sector had just completed a long phase of market growth which saw the highest levels of sales since 2007.

While the short-term macroeconomic outlook remains uncertain, with further risks from the spread of variants of the Covid virus, the business climate within the European equipment industry has been resilient. After months of improvement, the climate index in CECE's Business Barometer survey was significantly higher in February 2021 than where it had been at the outbreak of the pandemic a year earlier.

A significant majority of manufacturers expect business to grow in the first half of the year, and the level of satisfaction with current business has also improved significantly. In addition, the order intake for European manufacturers has been growing year-on-year since December 2020 and, sales on the European market are also on a clear growth path. This is consistent with the improvement in equipment sales seen in Q4 2020.

The latest surveys are also highlighting how European manufacturers are optimistic about their home markets, and

are also expecting improved business in most regions globally. This includes high hopes for the US market with the expectation that the new administration will address the need for infrastructure investments and also begin to move towards policies that encourage more free trade. Latin American markets show the potential to recover from the weak market experienced in 2020.

The Middle Eastern market appears to be on track for further growth which began in the second half of last year, and will be supported by improving oil and gas prices. Asian markets are not a prime export destination for European-produced equipment, which means that the development of these regions is less significant for European manufacturers. Most notable in this region, has been the impressive growth in the Chinese market in 2020, following early government stimulus programmes to fight the impact of the pandemic.

China is the largest equipment market in the world by a significant margin with a global share of over 30%, and often behaves differently to the rest of the world. However, after showing very strong growth last year, the Chinese market cannot be expected to show similar growth levels in 2021. Finally, the Indian market should return to a recovery path in 2021.

Returning to the European market, regional disparities remain a significant feature. The notorious North-South gap which has existed since the global economic crisis in

2009, has been getting gradually smaller. However, this development came to a halt in 2020. The most notable example was the Spanish market which had been expected to catch up with the rest of Europe, but unfortunately suffered significant falls during the Covid crisis. In contrast, the Italian market proved to be much more resilient last year. It seems that the major markets in Europe, and those that were not affected significantly by Covid, will be relatively stable in 2021. This includes the Nordic markets as well as Germany, France, Benelux, Austria and Switzerland. The UK market should recover from its 2020 downturn and both Southern and Central and Eastern European markets are expected to see a modest upturn in 2021.

When looking at the main end-using segments for equipment, it seems likely that the rental sector may see a better year in 2021 after experiencing difficulties last year. Greater usage of rental machines is a pattern often seen during periods of economic uncertainty. In other segments, construction, landscaping and quarrying are all currently operating at quite high capacity levels in most parts of Europe. In general, periods of low interest rates provide a favourable investment climate for equipment buyers.

A forecast of 5% growth in the European equipment market is considered to be a realistic assessment of prospects for 2021. However, against a background of on-going uncertainty due to Covid, and the fact that the market is still at comparably high absolute levels of sales means that even a flat market in 2021 would not be a disappointment. The world market is also likely to show moderate growth in 2021, but the volatility of the Chinese market and its significant influence on the overall outcome means that it is difficult to quote reliable figures for overall global growth levels.

In the medium term, the construction equipment industry faces many substantial risks. During periods of crisis, government stimulus programmes tend to benefit the construction sector in a significant manner.

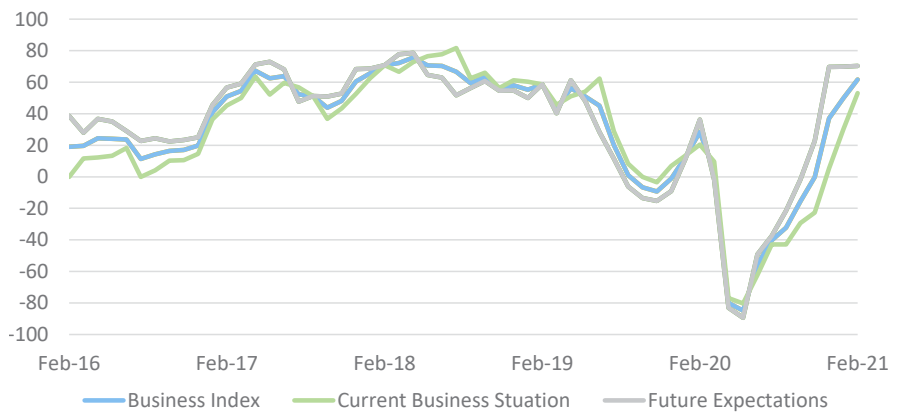
However, in the longer term, the higher debts in many countries will become a problem, as public infrastructure investments will suffer when austerity measures have to be put in place. Another potential area of risk for the sector longer



term is the question as to whether megatrends will change as a result of the pandemic, and what impact this may have.

For example, demand for office space in urban areas may decline on a longer term basis. Travel activities and transport may also change, with both reductions in urban transport and intercontinental travel.

In addition, urbanization in general, one of the most significant megatrends in recent decades, could reduce substantially. All of these trends have considerable potential to have a negative impact on equipment demand in the medium term.



European business climate index, CECE Business Barometer February 2021







EUROPEAN MARKETS

National perspectives by CECE members





The national CECE member associations shed more light on regional developments in the European construction equipment sector, describing main drivers of growth and forecasting the year 2021.

Country	How did the market develop in 2020?	What were the main drivers?	What is the forecast for 2021?
Belgium 	<p>Construction and earth moving equipment:</p> <ul style="list-style-type: none"> - Sales for 2020 were not expected to show any surprising results, but Covid-19 has changed this. For the first time in a number of years, sales of earthmoving equipment showed a limited decline: Equipment <10T: -10% However, this was just below the 2018 level of sales. Equipment >10T: -20% A more significant decrease, suggesting the possible development of a declining trend <p>Lifting equipment:</p> <ul style="list-style-type: none"> - Lift trucks (33% of the Belgian market): -24.5% compared with 2019. - Thermal lift trucks, almost 30% down compared with 2019. 64% of all sold lift trucks are electric (continuously increasing). - Warehouse (67 % of the Belgian market) : -3.6% compared with 2019. A limited decline due to the huge success of “walkies” (E-commerce). 	<p>Construction and earth moving equipment:</p> <ul style="list-style-type: none"> - While a reduced number of public contracts were issued during the first lockdown, activity recovered later in the year. This included release of huge sections of the “Oosterweel project”, ensuring years of activity for many large and small companies, boosting their confidence to invest. - Some parts of the industry are still suffering from the Covid crisis, and this is preventing the industry and utility construction sector from sailing on this positive wave. <p>Lifting equipment:</p> <ul style="list-style-type: none"> - The pharmaceutical, food, transport and logistics sectors remained very active during the crisis. - E-commerce boomed even more during the crisis, boosting the “walkies” business. 	<p>Construction and earth moving equipment:</p> <ul style="list-style-type: none"> - According to Sigma (Equipment Representatives for Public and Private Works, Building and Handling), prospects are not bad given current activity levels, but the sector remains cautious. <p>Lifting equipment:</p> <ul style="list-style-type: none"> - The optimistic forecast for 2021 is c.11,500 units (2019 was 12,467 units) - The pessimistic forecast for 2021 is c. 9,500 units. - Also further development of electric engines and lithium-ion and fuel cell energy.
Czechia 	<ul style="list-style-type: none"> - Sales of Construction equipment were down by 13% - Sales of Earthmoving equipment were down by 7% - The market hit the bottom in Q2, but showed a strong recovery from June, which resulted in a lower decline than expected overall 	<ul style="list-style-type: none"> - Strong growth in the MEX market which is the most popular product in the industry - Travel restrictions have been put in place, but apart from Q2, haven't had much impact on construction sites - In line with previous comments, the gap compared with 2019 was the least in construction, infrastructure and landscaping applications 	<ul style="list-style-type: none"> - Sales volumes ~15% - Turnover - between 10% and 20% - Worldwide industry turnover - between 10% and 20%



Country	How did the market develop in 2020?	What were the main drivers?	What is the forecast for 2021?
Finland 	<ul style="list-style-type: none"> - Rental markets increased by 3 % - Exports of equipment are estimated to have decreased by 10 % and imports by 18% 	<ul style="list-style-type: none"> - A high number of construction project starts compared with previous years - Construction sites were largely unaffected by Covid - Economic recovery measures - Low interest rates 	<ul style="list-style-type: none"> - Equipment sales to increase by between 5% and 10% - Rental markets to decline by 3 %
France 	<ul style="list-style-type: none"> - Construction equipment sales were down by 17.9% - Earthmoving equipment sales declined by 15.2% [Consisting of a 14.3% fall in Heavy equipment and a 15.9% fall in Compact equipment] 	<ul style="list-style-type: none"> - Two full months of lockdown from 17th March to 11th May - A partial recovery in the summer of activity falls experienced in the spring - A decline in investment by rental companies - A 22% fall in new building activity - A 9% decline in the repair and maintenance sector - A 15% decline in the civil engineering market - Less public funding in the construction sector 	<ul style="list-style-type: none"> - Sales volumes to increase by 5% - Turnover to grow by between 0% and 10%
Germany 	<ul style="list-style-type: none"> - Hardly any Covid effect was visible - Sales in Germany went down by 7%, coming from all-time record levels - Major differences between equipment types: compact equipment - 3%, heavy equipment -18% - Q2 was the only quarter showing a decline. All others were stable or showed growth 	<ul style="list-style-type: none"> - Supply side and general business activity were badly affected in Q2 - No major disruptions to demand, as construction sites kept working throughout the year - Both building construction and civil engineering performed well - A cyclical downturn had been anticipated 	<ul style="list-style-type: none"> - Demand in all customer segments is expected to remain robust - The German market is expected to be flat, possibly showing a minimal upward trend - Worldwide industry turnover from German production is likely to grow by around 5%
Italy 	<ul style="list-style-type: none"> - Construction equipment sales up by 0.2% - Earthmoving equipment sales: 0% - Road machines: +15% - Market is not on par with 2008 crisis record levels: -46% 	<ul style="list-style-type: none"> - End of Stability pact - Road works - Civil works - Safety and 4.0 incentives 	<ul style="list-style-type: none"> - Sales volume: 5 to 10% - Turnover: -5 to 5%
The Netherlands 	<ul style="list-style-type: none"> - Earthmoving equipment sales – 17,5%% 		<ul style="list-style-type: none"> - Sales volume: +20%
Russia 	<ul style="list-style-type: none"> - Construction equipment sales: +1% - Earthmoving equipment (excavators) sales: +2,5 % 	<ul style="list-style-type: none"> - Specific features of the Russian market, which consists of mainly middle and heavy class machines, helped to overcome the situation. - Those machines are mainly working in road construction and mining/extraction segments, which did not stop working even during lockdown. - Very high level of road construction activities during the season played positive role. 	<ul style="list-style-type: none"> - Recently we have been forced to revise our forecast for 2021 – from growth to decline scenario. Unfortunately, the initiative of our main regulatory body (Ministry of Industry and Trade) to increase scrappage fee by 2-4 times will lead to significant growth of the prices for 80% of the machines on the market, which will cause inevitable market decline. The final decree is not yet signed and we cannot give any better forecast at this stage.



Country	How did the market develop in 2020?	What were the main drivers?	What is the forecast for 2021?
Spain 	<ul style="list-style-type: none"> - Construction equipment sales decreased by -23% % - Earthmoving equipment sales: -12.3 % - In the year of the pandemic, the sector broke with seven consecutive years of growth, and fell back to 2017 levels. However, in the second half of the year the market has cushioned its fall after the 39.1% decline registered in the first semester. - The drop has been generalized in all machinery segments. Although the impact of the measures against the Covid-19 pandemic in the market is evident, 2019 has already suffered a notable slowdown in the market, growing by just 7.4% compared to the previous year. - Contracting activity in public works collapsed by up to 63% in 2020. 	<ul style="list-style-type: none"> - The COVID19 pandemic has temporarily paralyzed works in most European countries. All of this has led to increased significant public spending in all countries and test all economic mechanisms and resources at national and european level, detracting public promoters investment capabilities to all countries. - The Spanish construction sector has operated with limitations on works that have been higher than those of many other European countries, which explains that the production decline is above average. - It is hoped that some of the work not executed in 2020 will be completed in 2021. 	<ul style="list-style-type: none"> - Sales volume: 6 % - Turnover: 8% to 10% - Worldwide industry turnover: 9% - Civil engineering subsector with the better expectations growth 6.8% by 2022, 4.7% by 2023. - Public and private investment in rehabilitation sector. growth in the renovation market in Spain. - High expectations thanks to European recovery funds Budget of 11,527 million euros in infrastructures for 2021 - Fall of 11% in the Spanish economy in 2020. Economy has fallen sharply but will pick up quickly. Spanish GDP growth at 6.3% in 2021. - Drop by 14.1% in rental equipment, rebounding by 5,2 in 2021
Sweden 	<ul style="list-style-type: none"> - Earthmoving: A slight decrease in domestic sales as well as exports. - Road Construction: A slight decrease in domestic sales as well as exports. - Compaction: A slight decrease in domestic sales as well as exports. - others: Almost status quo in domestic sales as well as exports. 	<ul style="list-style-type: none"> - Limited problems due to disrupted supply chains during the second quarter. - Several big infrastructure projects are still in progress. Despite problems with Covid-19, demand has been relatively good. - Several big infrastructure projects are still in progress. Despite problems with Covid-19, demand has been relatively good. - Despite Covid-19, demand has been relatively stable. Drivers are the big infrastructure projects as well as high ore prices. Most problems were experienced during the second quarter. 	<ul style="list-style-type: none"> - Increased sales compared with 2020 due to high demand. Additional lock downs could be a potential problem. - Increased sales compared with 2020. Additional Government investments are expected to maintain infrastructure projects. - Increased sales compared with 2020. Additional Government investments are expected to maintain infrastructure projects. - Increased sales compared with 2020. Opportunities for physical customer meetings are expected to make a positive contribution.
Turkey 	<ul style="list-style-type: none"> - Construction equipment sales were up by 53% - Earthmoving equipment sales also increased by 53% 	<ul style="list-style-type: none"> - Extension of credits - Increased public procurements, especially for compact equipment - Increased economic activity in the summer months, as a result of orders being postponed in the early part of 2020 	<ul style="list-style-type: none"> - Growth of 20% is anticipated for the Turkish construction equipment market. However, this assumes that "herd immunity" is achieved for the coronavirus, and a third wave is avoided. Also, that there is no global economic crisis in 2021 which impacts on Turkey
UK 	<ul style="list-style-type: none"> - Sales of construction and earthmoving equipment fell by 24.5% in 2020 - This was a second year of declining sales after peaking in 2018, and a modest fall in 2019 - Sales in 2020 were hit hard by the Covid pandemic, but recovered to near normal levels in the last quarter, similar to Q4 2019 	<ul style="list-style-type: none"> - Construction output crashed in Q2 by 33% due to the impact of Covid. Activity has been recovering well in the second half of the year and a 14% fall is expected for the full year - On-going activity on major infrastructure projects has supported growth, including HS2 - The housebuilding market has also been resilient in 2020, and this has supported demand for smaller equipment, particularly mini/midi excavators 	<ul style="list-style-type: none"> - Construction output is expected to grow by 14% in 2021, a similar level to the decline seen in 2020 - A similar pattern is expected for sales of construction equipment, with growth at c.25% to offset the 2020 decline and return to 2019 levels



CECE REPORTING TEAM

Contributors

Take a moment to get to know our CECE reporting Team. Below we list the contributors to this publication.



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Construction Equipment and Building Material Machinery

Sebastian contributes to the publication by providing the text for the Equipment Market chapter, covering tower cranes, earth-moving, road and concrete equipment. Sebastian is also involved in the drafting phase of the script of the report's animated movie.



CORRADO SERRENTINO
Communication & Public Affairs Manager,
UNACEA

Corrado contributes to the report by drafting the Snapshots. These chapters change from year to year, in order to cover the most relevant topics for the industry at a given moment in time. The topics range from areas like exhibitions and trade fairs, to major investments and CECE Economic Forums.

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Roma keeps the publication in order by managing deadlines and laying out the publication into a publishable version, once all chapters have been drafted. In addition, together with Riccardo, she coordinates the production of the report's animated movie.



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Rudolph is responsible for drafting the Macroeconomic View which provides insights into the economy of the euro zone. He also contributes to the publication by drafting the Construction Industry chapter, covering the construction sector by country.



RICCARDO VIAGGI
Secretary General, CECE

Riccardo is the head of the organisation, and oversees the whole publication. He is also involved in providing input into the report by writing the opening statement and drafting the rental industry chapter. In addition, together with Roma, he coordinates the production of the report's animated movie.

PAUL LYONS
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Paul, apart from being one of the contributors of the report by drafting the Global Mining Industry chapter, is also responsible for the proof-reading of the entire text. Being a native English speaker, this task was entrusted to him. Thanks to Paul no linguistic bloopers sneak into our report.





CONSTRUCTION EQUIPMENT SECTOR IN EUROPE



40 BN €
REVENUES

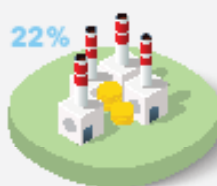


300 000
OVERALL
EMPLOYMENT



1 200
COMPANIES

MOST COMPANIES ARE SMEs



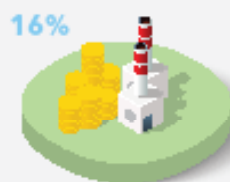
<10 MN €



10-50 MN €



50-100 MN €



100 MN € - 1 BN €

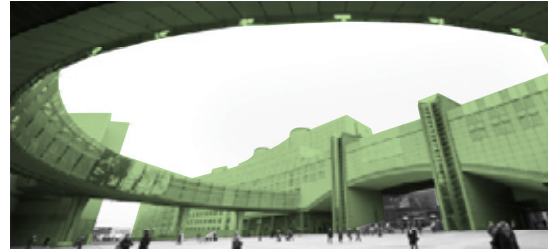


>1 BN €



Source : McKinsey 2016





What is the Committee for European Construction equipment?

CECE represents the European construction equipment industry towards the European Institutions, coordinating the views of its national member associations, and working with other organizations worldwide to achieve a fair competitive environment via harmonized standards and regulations.

Our figures

- 13 COUNTRIES
- 1,200 COMPANIES EMPLOYING DIRECTLY AND INDIRECTLY AROUND 300,000 PEOPLE
- INDUSTRY REVENUES: 40 BN €
- 20% OF THE WORLDWIDE PRODUCTION

WHAT WE DO

CECE is the acknowledged partner of the institutions of the European Union for all questions related to the construction equipment industry. Based in Brussels, CECE's work involves political representation and the monitoring of legislation and standardization on behalf of its member associations and their corporate members.

CECE also cooperates with CEN and ISO, the European and International Committees for Standardization. CECE furthermore delivers economic and statistical services to its members and partners.

Representing the interests of the industry

New buildings and infrastructures connect people, boost economies and serve people all over the globe. Construction equipment manufacturers are highly innovative and have invested heavily in increasing the productivity of their machines, while reducing their environmental impact.

The European construction equipment industry forms an important, integral part of the European machinery sector. Manufacturers are predominantly small and medium-sized companies but also large European and multinational companies with production sites in Europe. The industry employs directly and indirectly up to 300,000 people.

Statistics and economic topics

CECE collects and provides up-to-date market data for many types of construction equipment, providing a leading indicator for the development of European construction equipment markets.

Since 2008 CECE runs a monthly business trend enquiry, the CECE Barometer. The companies taking part in the Barometer receive a report about the economic situation in Europe each month.

Exhibitions

CECE gives patronage to a limited number of leading sector exhibitions, contributing to successful trade fairs around the globe.

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