COMMITTEE FOR EUROPEAN CONSTRUCTION EQUIPMENT

No.6
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ANNUAL ECONOMIC REPORT

Dear reader,

Welcome to the CECE Annual Economic Report.

This report contains an overview of the macroeconomic situation in Europe, insights on the construction and mining industries, and a deep-dive focus on machinery & equipment. As you will see in detail, 2019 was another positive year overall for our sector, with a 3.4% overall sales increase. The European market outperformed the global average and beat our expectations of a soft landing.

Indeed, this report, provides you with detailed numbers for the whole year 2019 and has been compiled in the course of February and beginning of March 2020. At that time, the situation with the Covid-19 outbreak was not as severe as it is now when I am writing this editorial. This is why forecasts that we have made in the concluding parts of our report are currently being pulverised by a looming crisis, which is facing us already in the middle of the health emergency.

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, you will be able to see a dedicated rental feature describing the good market conditions in 2019 in that key segment of our business.

In these challenging times, CECE member companies are struggling to pursue their number one goal: ensure the safety, health and well-being of their working people, their most precious asset. This is why, “emergency-mode” is on within the whole European economy. But there will come a time when the health crisis and the pandemic will be behind us. That is when we need to come up with creative solutions and coherent policy asks to relaunch our industry’s livelihood and pick-up on all the challenges we had and face the new ones from the aftermath.

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, 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. We hope it provides you with valuable new insights and we wish you pleasant reading.

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 growing by 3.2% in 2018, construction output in Europe increased by less than 2% in 2019. After five years of continuous growth, output is still well below the peak level reached before the financial crisis in 2008. In the next two years, construction activity is expected to show growth levels of less than 1.5%.

MINING INDUSTRY

After a year of recovery in 2018, many features of the global mining showed a slow-down in 2019. Analysis of exploration activity shows that expenditure experienced modest falls in 2019, and as a result, the number of drilling projects showed a 13% reduction on 2018 levels.

NEW FEATURE: RENTAL INDUSTRY

Following a positive cycle in the construction industry, the equipment rental market in Europe grew by 4.4% in 2018, followed by positive estimates of +3.8% in 2019. Forecasts offered by the ERA Market Report shows a growth rate of 3.2% for 2020.

EQUIPMENT MARKET

2019 turned out to be a better year for the European construction equipment sector than initially expected. While some small single-digit declines in sales had been anticipated across the industry, total sales in Europe grew by 3.4% compared with the previous year.

OUTLOOK

Taking on board levels of underlying equipment demand and the current status of economic cycles, a 10% decline in global sales and a 5% decline in the European market in 2020 would be realistic scenarios. However, these forecasts are pulverized by the emerging Covid-19 crisis which is set to have severe effects on the sector as well as the overall economy.

The macroeconomic situation remained on a path of moderate growth

The European economy remains on a path of steady and moderate growth. In 2019, the euro zone economy grew by 1.2%. This year, the European economy should increase at the same pace.

The economic expansion in the euro area is now the longest on record since the introduction of the euro, but its pace has become more subdued. GDP growth in 2019 was 1.2% in the euro area, down from 1.9% in 2018. Economic activity is still being restrained by the high level of uncertainty linked to trade policies, as well as cyclical and structural factors.

The resilience of economic growth has been remarkable against the background of the global manufacturing downturn, triggered by factors including global trade tensions, and the problems faced by the automobile sector.

The latter is focused in Germany, where the problems within the car industry are continuing. In the other large euro area countries, the manufacturing sector's gross value added has been stable, and in Central and Eastern European Member States, has shown growth.

Economic activity in the euro area has been driven by consumer spending, partially reflecting the delayed impact of government measures on household incomes. Household incomes are also continuing to benefit from ongoing improvements in the labour market. This includes continued, but slower employment growth, as well as wage increases and fiscal measures in several countries.

Investment growth remained well above GDP growth at 3.2% in 2019. While construction investment held up in the third quarter (0.8% q-o-q), non-construction investment fell (-0.8%).

The recent decline in investment in equipment was in line with reduced profit margins in recent quarters, alongside a downturn in manufacturing activity, and uncertainty resulting from trade tensions. In 2020, the euro area economy is expected to hold up, with private consumption helping to sustain the current growth momentum. However, investment in equipment is set to remain weak, in line with subdued demand expectations at home and overseas. It may also be dampened by the decline in capacity utilization in manufacturing during 2019, which reduced some of the supply constraints that had been experienced. At this stage, it is uncertain if lower financing costs can continue to stimulate investment, after been in place for several years.

The impact of other factors such as uncertainty over trade tensions and regulatory frameworks, and changes to cross-border supply chains, may have increased their influence. Public investment is expected to increase significantly in a number of countries, including transport and digital infrastructure developments.

In conclusion, euro area GDP is forecast to grow by 1.2% in both 2020 and 2021.

	Gross Domestic Product growth in %				Gross Investment in equipment in %			
	2018	2019	2020	2021	2018	2019	2020	2021
Germany	+1.5%	+0.6%	+1.1%	+1.1%	+12.5%	+0.9%	-2.8%	+0.1%
France	+1.7%	+1.2%	+1.1%	+1.2%	+3.9%	+4.1%	+2.1%	+1.2%
UK	+1.3%	+1.3%	+1.2%	+1.2%	-1.6%	-1.0%	-1.4%	+0.4%
Spain	+2.4%	+2.0%	+1.6%	+1.5%	+5.6%	+4.9%	+3.4%	+2.3%
Italy	+0.8%	+0.2%	+0.3%	+0.6%	+8.3%	+10.9%	+3.1%	+0.6%
EU28	**+2.1%**	**+1.5%**	**+1.4%**	**+1.4%**	**+3.2%**	**+1.5%**	**+2.5%**	**+1.8%**

GDP forecast for European countries, source: European Commission, European Economic Forecast, February 2020
Investment growth forecast for European countries, source: REXECODE Forecasts, February 2020

Construction activity has risen steadily across EU countries

After growing by 3.2% in 2018, construction output in Europe increased by less than 2% in 2019. After five years of continuous growth, output is still well below the peak level reached before the financial crisis in 2008. In the next two years, construction activity is expected to show growth levels of less than 1.5%. The sector sustaining growth in the European construction market in the coming years is expected to be infrastructure. It is forecast to achieve an average annual growth rate of more than 3%, compared to the weaker performing building sector, at only 1% average growth.

STEADY GROWTH IN CONSTRUCTION OUTPUT IN EUROPE

Up to the end of 2006, construction output in Europe had shown steady growth. However, following the economic and financial crisis, output began to decline dramatically. Between spring 2008 and early 2013, construction activity in the EU-28 showed a constant decline, apart from a brief upturn in the summer of 2010.

During this time, output fell by more than 30%. Since the spring of 2013, construction output in the EU-28 has been growing steadily, and has recovered to over 80% of the peak level before the financial crisis. The pattern of decline and recovery in the euro area (19 countries) is similar to the development seen in the EU-28.

EU-28 and EA-19 construction production, 2005-2019, monthly data, seasonally and calendar adjusted (2015=100), Source: Eurostat

During the period of decline and recovery, the civil engineering sector (e.g. railways, roads, bridges, airport runways, and dams) showed some notable differences compared with the building construction sector, which includes both residential and non-residential buildings, and accounts for around three quarters of total construction in the EU-28.

In the period immediately after the crisis, the civil engineering sector declined less than the building sector. However in the period between 2010 and 2013, civil engineering also declined substantially. Since 2013 both sectors have seen a relatively strong recovery, but neither have reached pre-crisis levels of output.

The crisis in the building sector hit all EU-28 countries, but showed a range of different experiences. All countries experienced a decline in this sector, ranging from the most significant reduction of 48.2% in Lithuania in 2009, to relatively stable levels of activity in Germany and Luxembourg. In several countries, including Estonia, Ireland, Spain, Hungary, Latvia, and Portugal, output had already begun to decline before 2009. However, in a number of other countries, the fall in building activity was more immediate, but was short lived. For the EU-28 as a whole, building activity declined between 2010 and 2013, but during the following five years showed a recovery with positive rates of growth.

Construction output showed growth in 2019 compared with 2018, in both the euro area, by 1.8%, and in the EU-27, by 2.4%. In the euro area in December 2019, compared with December 2018, building construction decreased by 4.6%, while civil engineering increased by 0.9%. In the EU27 building construction decreased by 2.8%, while civil engineering increased by 0.4%. Among EU Member States for which data is available, the biggest declines in construction output in 2019 were seen in Belgium (-6.5%), Spain (-6.2%) and Poland (-5.5%). In contrast, the biggest increases were recorded in Romania (+23.1%), Czechia (+6.2%), Slovenia and Sweden (both +2.9%).

Construction production per type of construction 2005 - 2019, EU-28, calendar and seasonally adjusted data (2015 = 100) - Source: Eurostat

WHAT WILL THE TREND BE IN 2020 ?

The European Commission's indicator of construction confidence remained broadly stable in the fourth quarter of 2019, after moderating in the previous quarter. The Economic Sentiment Indicator (ESI) moved up to a five month high of 102.8 in January, driven by a marked increase in confidence in industry and construction.

The marked rise in construction confidence (+1.2) was fuelled by managers' improved assessment of the level of order bookings, while their employment expectations remained virtually unchanged.

According to Euroconstruct, construction activity in Europe is expected to grow by around 1% between 2020 and 2022. Compared with average annual growth of 3% between 2016 and 2019, this indicates a significant slowdown in Europe. In particular, new residential construction - the current driver of activity – will slow down in 2020, and decline in 2021.

The construction sector benefits from economic factors such as the current purchasing power of private households, favourable financing conditions and higher corporate profits. In addition, it also benefits from population growth (albeit slowing), and the need for infrastructure development and stronger/new environmental policies.

The majority of factors are pointing towards slower growth in construction output in the coming years. In addition, steep increases in the cost of building plots and high occupancy rates are also hindering growth. Investment in housing is expected to remain strong, as increases in disposable incomes and favourable financing conditions have improved the affordability of housing. Strong order bookings are currently supporting this outlook. However, in several countries, construction investment is likely to face capacity constraints and feel the impact of continued increases in house prices.

These come on top of regulatory measures and demographic factors that could also dampen demand.

A reversal in some of the trends in recent years is being observed. New build activity in the construction sector, which has shown strong growth in the past five years, is beginning to weaken, while the outlook for the repair and maintenance market is looking much more favourable. In the period from 2020 to 2022 all main construction sectors are expected to face a decline in average annual growth rates. Civil engineering is expected to grow by 2.2%, non-residential by 1.0% and residential construction by only 0.5%.

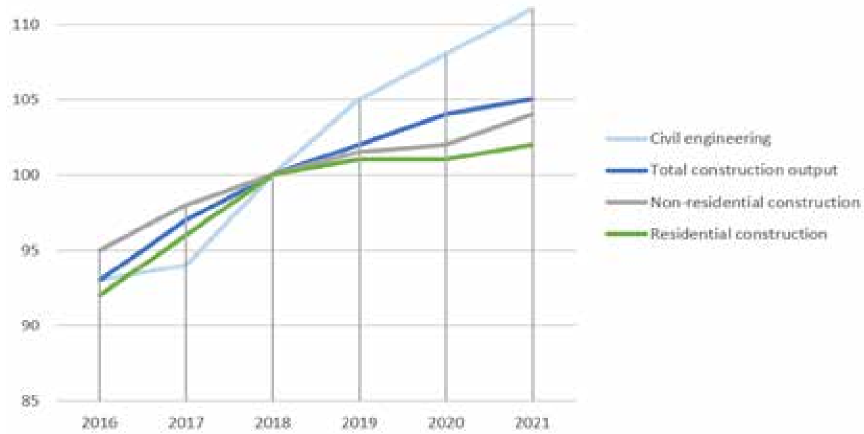
From a country perspective within Europe, the largest construction markets face the least favourable prospects. In Germany, while investment in construction has gained some momentum, growth in construction output is expected to come to an end, after showing 0.8% growth in 2019. A cumulative decline of slightly above 2% is forecast for the period from 2020 to 2022.

Activity is expected to be weak in areas like commercial buildings and

Construction output by sector

Index at constant price

2018=100



Source: Euroconstruct

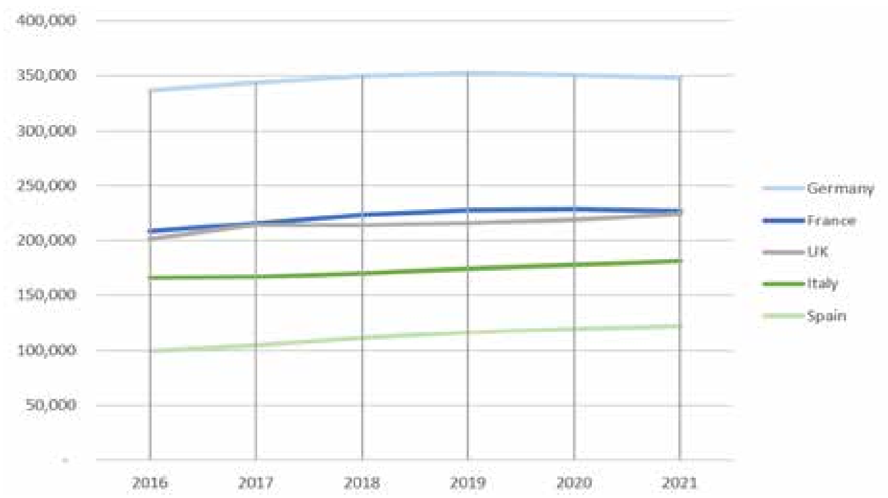
infrastructure sector. In Austria, investment in the construction sector is set to gradually slowdown in 2020 and 2021. New orders for construction in the United Kingdom decreased 0.4% year-on-year in the fourth quarter of 2019. This followed a 6.7% reduction in the previous quarter. The latest forecast from the Construction Products Association (CPA) for the UK anticipates a 0.3% fall in construction output in 2020, before recovering to show modest growth of 1.2% in 2021.

The outlook in the French construction market is not favourable, with a small decline expected in 2020. Prospects in the Nordic countries are poor, where average levels of construction activity in Finland and Sweden are expected to fall in the next three years. For example, in Finland, residential construction activity is expected to slowdown, and could turn out to be more severe than anticipated.

In the Netherlands, construction investment is set to slowdown as the number of building permits has declined substantially, due to stricter regulatory requirements and economic uncertainty.

Construction output by country

Million euro at 2018 prices



Source: Euroconstruct

From an individual country perspective, Ireland is forecast to show the strongest cumulative growth from 2019 to 2022, at 30.1%. In this country, investment in construction has continued at a rapid pace, and completions in residential property have surged. The level of building permits suggest a continuation of this trend, which is reinforced by a public support scheme for homebuyers. Construction output in Spain and Italy should grow by 3.1% and 2.1% respectively in 2020.

GLOBAL MINING INDUSTRY

The global mining market slowed down in 2019

After a year of recovery in 2018, many features of the global mining showed a slow-down in 2019. Analysis of exploration activity shows that expenditure experienced modest falls in 2019, and as a result, the number of drilling projects showed a 13% reduction on 2018 levels. This was despite some recovery in drilling activity in the second half of 2019, after a weak beginning to the year.

The Parker Bay Company monitors deliveries of surface mining equipment to the global mining market on a quarterly basis. Their latest update to Q4 2019 is shown in the graph below. This shows that shipments continued on a steady downward trend in 2019, after reaching a peak in the last quarter of 2018.

This resulted in an 18% decline in shipments in 2019, on a units sold basis, compared with the previous year. In value terms, the fall was only 12%, which indicates that there was a mix change towards larger/higher value equipment during the year.

Parker Bay operate a mining equipment database which includes eight different type of surface mining equipment. Their latest assessment of the active machine population 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 13,000 machines) as the two most popular machine types.

Based on the latest consensus forecasts for commodity prices from leading industry analysts, prospects for the global mining industry in 2020 seem reasonable. Most commodities are forecast to experience an increase in price levels in 2020 compared with 2019, except for zinc, where the outlook is flat, and iron ore, where further reductions are expected.

Rental Equipment Market shows good upward trend and positive forecast for 2020

Following a positive cycle in the construction industry, the equipment rental market in Europe grew by 4.4% in 2018, followed by positive estimates of +3.8% in 2019. Forecasts offered by the ERA Market Report shows a growth rate of 3.2% for 2020. In this positive environment, the report singles out special growth forecasts of over 5% for Spain, +8.2% for Poland and +6% for Czech Republic in 2020.

The ERA Market Report is drawn up every year through a coverage of 15 European countries that make up 95% of the overall European rental equipment sector.

With 17,000 rental companies employing 140,000 people – operators excluded – the European rental industry generated € 26 billion in turnover in 2018.

With € 6.8 billion turnover, the UK is by far the largest national mar¬ket, despite virtually stagnating in 2019 and 0.9% growth expected in 2020. France and Germany stand around the € 4 billion mark and these first three countries make up 60% of the total European rental market.

Sweden Italy, Spain and The Nether¬lands range between € 1.6 and € 1.1 billion. The average rental penetration in re¬gards to the construction industry stood at 1.4% in 2018 and invest¬ment in rental equipment grew by 3.1% compared with the previous year.

This year's special focus of the report is Russia, a very young rental equipment market and modest in size, but with growth potential. Indeed, the market size tripled in the period from 2010 to 2015, both considering market penetration and turnover of equipment rental companies.

During this historic period, certain drivers have been evident, such as the Sochi Winter Olympics, oil and gas-fields development and large industrial construction projects in Siberia. The market is still largely dominated by equipment ownership, most of all in the large mining sector. The rental market in Russia generally features large machines, often rented with an operator for a long period.

The report points to certain typical characteristics of the Russian construction sector as important pull factors for rental: economic and fiscal uncertainties as well as lack of financing could prevent contractors from buying equipment in the near future.

On the opposite hand, bad debts, payment delays, enormous distances and difficult products' support are increasing the challenges for a young industry.

In the table above you can find the historical evolution of the European rental market with regards to 4 main CECE-type equipment (based on Off-Highway Research data on actual sales of equipment – 2007 to 2017).

Equipment penetration rates	2007	2017
Mini excavators	51%	56%
Crawler excavators	36%	45%
Wheeled loaders	34%	32%
Tandem rollers	66%	69%

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.

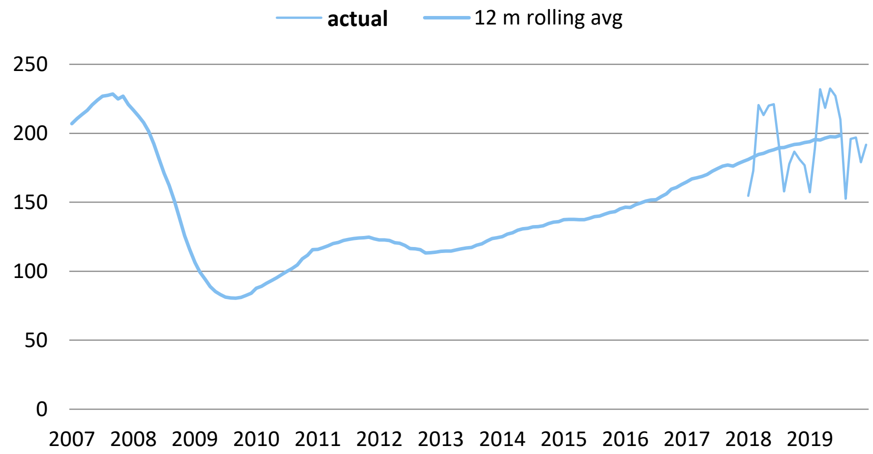
This quick recap of the main indicators and drivers of the sector is offered as a summary of the ERA Market Report 2018, which is available for purchase. The ERA Market Report is an annual publication by ERA and IHS Markit. The full ERA Market Report features all figures for the overall European sector as well as detailed national figures.

EUROPEAN RENTAL ASSOCIATION

Better year for the European construction equipment than expected

2019 turned out to be a better year for the European construction equipment sector than initially expected. While some small single-digit declines in sales had been anticipated across the industry, total sales in Europe grew by 3.4% compared with the previous year. However, the slowing momentum of sales during the year was in line with expectations. After a 7.1% sales increase in Q1, and 6.5% growth in the second quarter, when the world's leading exhibition bauma boosted sales, the market turned down and sales declined by 0.1% and 2.5%, respectively, in the third and fourth quarters. In 2019, the European market reached a new high after the economic crisis of 2008/09, but still lags behind the volumes of the peak year in 2007.

Most markets in Western and Northern Europe that were already at very high levels of absolute sales experienced a stable market in 2019, or in some cases, modest growth in sales. Markets in Southern and Central and Eastern European mostly recorded growth in sales, but did not meet the optimistic levels expected. Once again, the Turkish market was the exception in 2019, with sales in "free fall", following a poor market in 2018.



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

EARTHMOVING EQUIPMENT

Sales of earthmoving equipment in Europe (including Russia and Turkey) grew by another 5 % in 2019, at what appears to be the end of a growth cycle. The market is at its highest post-crisis level, but sales are still 12% below the 2007 peak. However, there are some significant regional differences in sales within the sector.

While some countries have reached levels of sales up to 30% above the pre-crisis peak, there are also examples of markets that are still more than 50% below peak levels. The gap between these groups of markets has not narrowed significantly, and it remains to be seen as to whether this position will change.

2019 saw steady growth in sales across all quarters. Q1 started with 5.4% growth in sales compared with the previous year, slowing slightly in Q2 to 3.9%. In Q3, growth picked up again at 6.5%, and finally, in the last quarter saw some moderation to 4.1%. Machine supply constraints and failure to meet delivery times held back some growth in sales in 2018, but were not an issue in 2019.

As a result, it looks like sales in 2019 benefitted from this carry-over of sales into the following year. As expected, the introduction of the EU Stage V emissions standard did not have any major impact on the market in 2019.

The biggest market Germany surpassed all expectations and grew by another 10% in 2019. This represented the fourth consecutive year of significant growth, and took the German earthmoving market to a remarkable 24% above the peak levels of sales seen in 2007. The modest 2.4% decline in sales in the UK, ranked second in Europe, was probably a combination of an expected cyclical downturn, as well as uncertainty due to Brexit. Europe's third-largest market France recorded solid growth in sales of 8%. The Nordic markets seem to have peaked, and remained unchanged compared with 2018, at very high absolute levels of sales. The same can be said for Austria and Switzerland, a market that showed a small 1% decline in 2019. The Benelux markets recorded another 8% growth in sales, rounding off a very positive year for the earthmoving equipment sector in Western Europe.

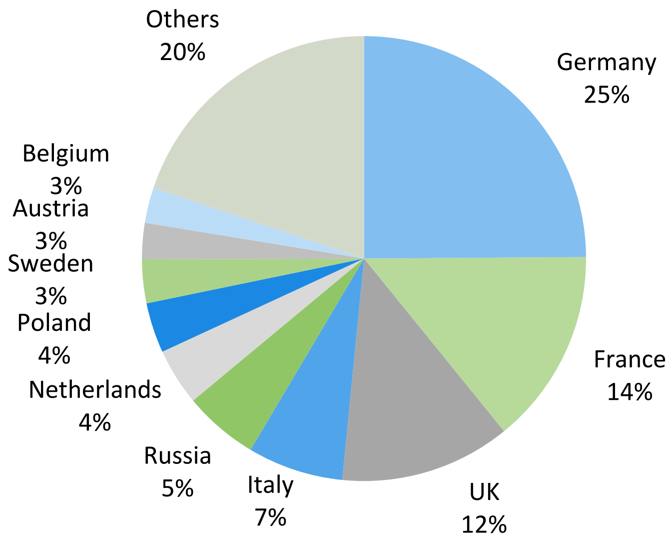
Southern Europe continued to recover in 2019 and recorded a 10% increase in sales, taking the total sales volume for the region to a similar level as the French market. Italy, the fourth largest market in Europe, made a significant contribution to this, growing by 13%. In contrast, the Spanish market (+2%) fell short of expected growth levels in 2019, and remains 70% below the 2007 peak levels. Central and Eastern European markets grew at above average levels again, and saw a 13% increase in sales. This region consists of a mix of large and small markets, which experienced a range of different fortunes in 2019. The largest market Poland only grew by 4%, while the strongest growth was seen in the Czech Republic, Slovakia, and Hungary. The Russian market saw sales grow by another 12%, while Turkey declined significantly by 58%, having been at low levels of sales to begin with. The only positive feature in the Turkish market was that sales in the last quarter in 2019 were above those of a very poor Q4 2018.

Similar to 2018, the patterns of growth across the product lines within the earthmoving segment were very similar, with both compact and heavy machinery seeing sales grow by 5% in 2019. The largest sub segment, crawler excavators, experienced a 4% sales increase. Sales of compact wheel loaders grew by 13%, supported by the strong German market which is always the biggest user of these types of machines. On the heavy equipment side, sales of crawler excavators were flat, and both wheeled excavators and wheeled loaders saw a 4% increase in sales.

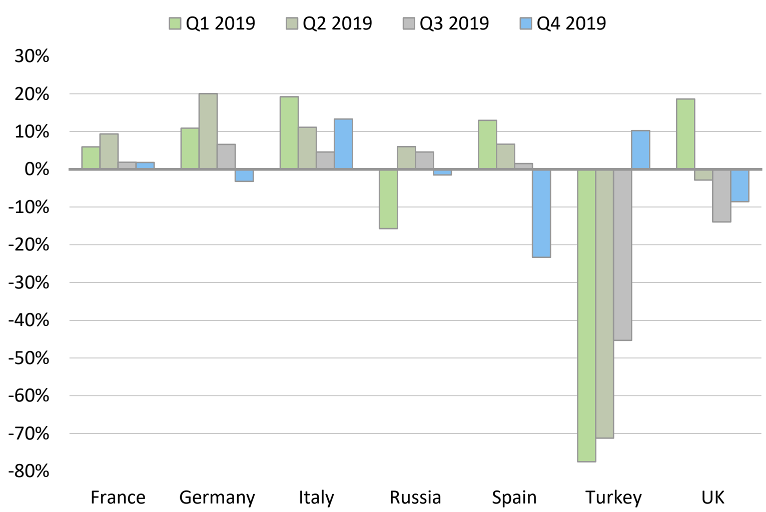
ROAD EQUIPMENT

Sales of road equipment in the European market grew modestly by 2% in 2019. The pattern of sales growth during the year was in line with expectations, given the late stage of the economic cycle in this sector. After 9% growth in the first quarter, sales accelerated in the second quarter to reach 12%, probably due mostly to the boost in sales resulting from the bauma exhibition in April. Following this, the second half of the year saw a clear downward trend, with Q3 sales at 7% below the previous year's, and Q4 showing a reduction of 12% compared with the last quarter in 2018. Despite the poor ending to the year, the overall position within the sector is not a cause for concern. This is because, when comparisons are made, it should be borne in mind that the last quarter of 2018 saw very strong growth in sales. In summary, the absolute level of road machinery sales in 2019 was very high.

Similar to the earthmoving sector, a remarkable feature of sales in 2019 was the 10% increase in Germany, which was already at very high levels following growth in earlier years. However, one caveat to these statistics is the anecdotal evidence that suggests that a substantial number of almost-new, unused machines were transferred out of Germany and exported to North America and other regions (taking advantage of arbitrage and currency opportunities). Statistics are not available to quantify this effect, but it appears to have been a relevant factor on the level of sales recorded during the year. The other major markets in Europe were less dynamic in 2019. France, which ranks as number two in Europe, saw a modest 2% increase in sales, and the UK market only grew by 1%.

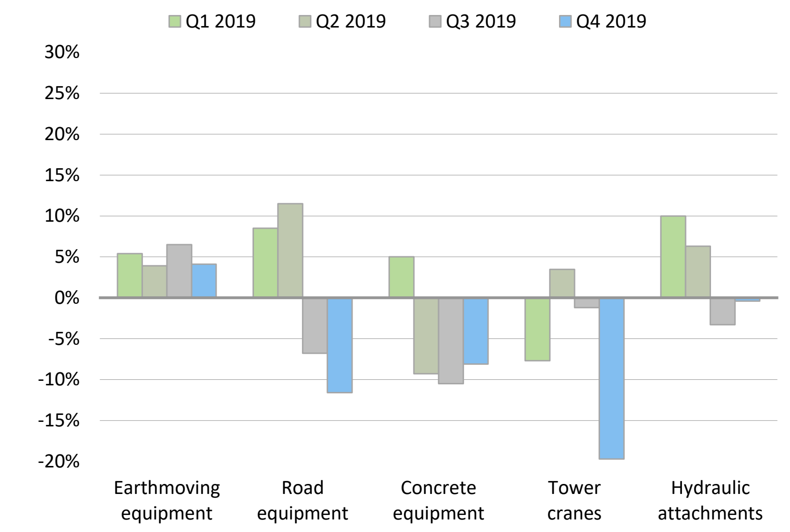


Shares of construction equipment sales in European countries, 2019



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

The Nordic markets saw growth in sales come to an end in 2019, as sales fell by 6%, after showing very strong growth in earlier years. The Benelux markets saw a modest increase of 2% in 2019, while Austria and Switzerland saw sales decline by 11%. What should be borne in mind is that sales in these two markets were very strong in 2018. A 4% increase in sales in Southern Europe did not meet the expectations for a region that was supposed to catch up with Western and Northern European markets. However, on a more positive note, CEE markets showed solid growth in sales of 10%. Similar to the earthmoving sector, the Turkish market saw another disastrous year, with sales falling by 65%. The only positive takeaway is that the worst appears to be over now in this market.



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

Across the product segments there were small differences in the pattern of sales in 2019. Light compaction equipment grew by slightly more than 2%, while heavy compaction equipment saw sales fall by 1%. Sales of vibratory plates grew by 3%, and the market for tampers was almost unchanged at 1% growth. Tandem rollers saw sales decline by 3%, while single-drum rollers grew by 3%. Asphalt pavers saw sales decline by almost a fifth in 2019, but this followed an exceptionally strong 2018.

CONCRETE EQUIPMENT

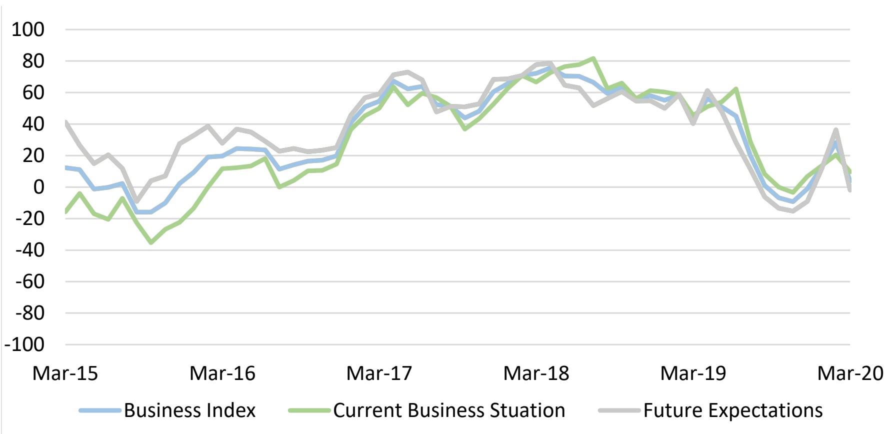
As expected, growth in sales of concrete machinery came to an end in 2019, after four consecutive years of growth, culminating in a very strong 17% increase in 2018. However, against the backdrop of steady growth in the residential and non-residential building construction sub-sectors, only a small downturn in sales was anticipated. With a moderate 6% decline in concrete machinery sales in 2019, the result was along the lines expected in the European market. Growth was only seen in the first quarter (+5%), and was followed by a 9% decline in Q2, and 11% and 8% reductions in Q3 and Q4, respectively. The trend of this market becoming less volatile in recent years continued in 2019.

The two biggest volume markets in Europe both saw substantial declines in 2019, with France falling by 12%, and Germany by 7%, but both still remain the largest markets. Western European remained stable overall with Austria and Switzerland, and the UK all recording unchanged levels of sales in 2019. In contrast, the Benelux markets recorded growth in sales of 20%, while the Nordic markets saw sales decline by approximately 20%. The growth in Southern European markets came to a halt, with sales recording a modest 4% fall.

This was primarily due to a poor market in Spain. CEE markets continued their recovery and saw sales grow by 9%. Only Poland, the largest of the CEE markets, was disappointing, showing a 15% reduction in sales in 2019. The Russian market saw an interruption to the growth path of sales, and registered a decline of 30%, however this was partly due to a statistical base effect. Across the different concrete machinery products, sales of truck mixers showed the biggest decline, with sales in Europe down by 7% in 2019. The market for mixer systems only experienced a small decline of 1.5%, and sales of batching plants decreased by 1.7%. The concrete pumps business and concrete vibration equipment (no detailed data available) reported a positive market in 2019.

TOWER CRANES

Tower cranes are the other major building construction equipment sub-sector within CECE scope, and similar to concrete equipment, saw sales in Europe decline by 6% in 2019. This was primarily due to a weak fourth quarter, when sales dropped by 19%. After the first three quarters of the year, sales were flat compared with the previous year, including a 4% increase in Q2, helped by bauma. Overall, tower cranes remain the most volatile equipment segment, which is largely due to



European business climate index, CECE Barometer March 2020 the low level of absolute sales volumes compared with other equipment types.

The largest European market France saw a significant decline in sales of 20%, which is more due to a comparison with exceptionally strong sales in 2018, than a market collapse. Germany saw an increase in sales of 8% in 2019, but market volumes are still well below the market in France. These two countries still account for more than 50% of the total tower crane market in Europe. The UK is ranked as number three in Europe, and recorded a 5% growth in sales.

Many of the other major markets saw similar prospects in 2019. Belgium experienced a 25% decline, the Austrian saw sales fall by 20% and the Swiss market recorded a 12% drop. In contrast, the Southern European market grew by 20%, despite a modest decline in sales of 4% in Italy. The Nordic markets recorded a 15% sales increase. The CEE markets did not live up to expectations and saw a relatively flat year compared with 2018. Sales in Russia more than doubled, but from very low levels in 2018. The Turkish market declined to a point where it almost disappeared.

SUMMARY AND OUTLOOK

It had been expected that 2019 would be the turning point year after a sustained period of growth in equipment sales for a number of years. This was the outcome in 2019, but after a positive first half year, sales still ended up 3.4% above 2018 levels. This means that sales in Europe outperformed a flat world market. Sales around the world provided two groupings with similar experiences. North America, Latin America and China all experienced single-digit growth. While in contrast, Africa, the Middle East, Oceania, India, and Southeast Asia all suffered reductions in sales, with some at double-digit levels.

The outlook for the world market in 2020 remains mixed. There are a number of positive indicators like recovering commodity prices which support mining activity, and a positive investment climate thanks to low interest rates. This is complemented by growth forecasts for the construction industry in many regions, and stability developing in many markets that were previously uncertain, such as Brazil and India. However, risks and uncertainties remain significant around the world. The Covid outbreak is having an impact on business in China and Asia in the first half of the year, and could also have strong negative effects around the rest of the world.

Trade tariffs damaged the industry last year – not only indirectly as a result of the US-China trade war, but also directly in the form of duties imposed by the USA on German and UK-produced excavators and light equipment, as retaliation following the WTO ruling on the Airbus case. Trade barriers still have significant potential to further disrupt trade and market sales, with no party likely to be on the winning side in the long run. This includes Europe, where even though uncertainties about Brexit are over, trade relations between the EU and the UK still have to be negotiated, and it remains unclear as to whether there will be a business-friendly solution.

In an environment with many uncertainties, reliable forecasts for the world and the European market are very difficult to make. Taking on board levels of underlying equipment demand and the current status of economic cycles, a 10% decline in global sales and a 5% decline in the European market in 2020 are realistic scenarios.

However, the impact of prolonged business inactivity due to the Coronavirus pandemic could be immense, and could pulverize all of these forecasts. CECE Business Barometer, the most relevant leading indicator for the European construction equipment sector, confirms these concerns: In the March 2020 survey, future business expectations recorded the sharpest drop ever in the history of that survey, and it must be expected that the worst is still to come for the sector.

National perspectives

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 2020.

	How did the market develop in 2019?	What were the main drivers?	What is the forecast for 2020?
Belgium AGORIA	2019 was an excellent year, although very slightly below the exceptional year of 2018. • sales of earthmoving equipment and construction showed same results as 2018. • sales of lifting equipment decreased by ±4,5% in units.	Earthmoving equipment & construction : • Civil engineering works (renovation and new construction) were largely supported by the existing order portfolio. New sales were slowing down. • Other favorable one-shot effects like the “Energy Performance of Buildings EPB 2018” effect, the acceleration of certain projects (Brussels tramway, Oosterweel, etc.). Lifting equipment : e-commerce & automation is helping this booming business. Belgium’s economy is based on services and as such contributes largely to our sector’s success.	Despite a still busy sector, Sigma (Equipment Representatives for Public and Private Works, Building and Handling) expects a drop of ±15% in 2020, as major investment projects are slow to materialize. After many exceptional years, this decline does not create any (immediate) problems, as order books remain full for maintenance or smaller projects. We still don’t have a government. In the long term, it may have an impact on crucial investments in the renewal of our infrastructure because of the lack of decisions.
Czech Republic SVSS CZECH REPUBLIC	• construction equipment sales up by -2,6%. • market is +6% above par with pre-crisis record.	Based on the fact, that in year 2018 there was -1% decline (against 2017) in general construction permits in Czech republic. Construction permitted in 2018 was constructed during 2019 – this is the reason for downturn. Again comparing the overall construction permits value database by Czech Statistical Bureau.	• Sales volume: +2%. As the overall qty and value of construction permits did rise 3% in 2019 in comparison with 2018 – we expect better sales forecast for 2020. • Turnover: 100 % to 103 % Based on the fact, that some manufacturers will have to introduce the EU Stage V motorized units to the market – higher turnover is expected. Worldwide industry turnover: 101%.
Finland Technology Industries of Finland	• Construction of residential buildings decreased by -5,0 %. • Construction and mining machinery exports decreased by -5 %. • Construction equipment rental decreased by -1 %.	• Low interest rates • Residential building starts decline from high level • Public projects drive civil engineering	• Finnish GDP is expected to grow by +1,0 %. • Construction of residential buildings is expected to plummet by -18,0 %. • Total construction (new buildings, renovation and civil engineering) is expected to decrease by -3,0 %. • Construction equipment sales are expected to decrease by -5...-10 %. • Rental markets are expected to grow by +5 %.

France	• construction equipment sales up by 5%. • earthmoving equipment sales: 11%. • strong market recovery for 4 years. • market 10% below the last peak in 2007.	• Growth in investment in the house building sector, especially renovation work. • Antiseismic safety measures in infrastructure work (bridges, overpasses)a • favorable investment climate (low interest rates, increase, improvement of the municipalities fiscal situation). • Real estate boom in metropolitan areas. • Big investments in storage buildings. • Road/bridges programs benefit civil engineering. • The greater Paris project support the civil engineering activity in Paris and the region around Paris. • Rental customers with strong fleet investments. • A high level of machine replacement due to the obsolescence of fleets.	• Sales volume: -5%. • Turnover: -5% to +5%. • A bit less purchase from rental companies. • Active support from private actors.
Germany	• Sales in Germany went up by another 10%. • Earthmoving equipment sales reached 40,000 units for the first time in history. • Compact equipment performed slightly stronger than heavy equipment. • Second half delivered an unexpectedly strong momentum.	• Strong growth was a result of improved ability to supply (better machine availability). • General economic climate in Germany still favourable. • Customers from all segments still record strong order backlog and good capital availability.	• Stable underlying demand, but a cyclical downturn should translate into a 5% to 10% sales decline. • Market should meet (the very strong) 2018 levels. • Availability of operators still a major bottleneck. • Total industry turnover forecast of German manufacturers: -3% to -5%.
Italy	• construction equipment sales up by 16%. • earthmoving equipment sales: 15%. • market is 50% compared with pre-crisis record levels.	• Sostitution of obsolete fleet. • Incentives laws.	• Sales volume: 9%. • Turnover: 2% to 4%.
Spain	• construction equipment sales up by 7,4% earthmoving equipment sales: 12,08%. • the market continues to grow but still with lower values than before crisis.	• Economy slowdown (especially in the second half of the year). • Political crisis has paralyzed public investment making more conservative to private sector. • Construction sector continues to grow but affected by the slowing due to uncertainty. • Increase of earthmoving compacting and lifting equipment sales. • Decrease of equipment mini, crushing and compacting.	• Sales volume: 7%. • Turnover: 4,6% to 3,1%.

Sweden	• Earthmoving: Moderate increase in domestic sales as well as exports. • Compaction: Almost status quo in domestic sales as well as exports. • Others: No big changes in domestic sales or exports compared to 2018.	• Big infrastructure projects are still running. • Still a high demand, especially in the north American market. • Several big infrastructure projects are still in progress.	• Moderate stagnation in domestic sales as well as exports. • A moderate increase in exports but more or less status quo in the domestic market. • A moderate increase in domestic sales as well as in exports.
Turkey	• Total construction equipment sales decreased by %54.4. • Earth moving equipment sales were down by %53.2. • Lowest sales numbers of the last five years were seen in domestic market. • Sales figures of the domestic market fell to the level of 3.000 units. • A growth recorded in the last quarter of 2019 compared with the same period of the previous year (32.5% in October, 6%in November, 52% in December).	• High interest rates, increase in exchange rates and inflation caused a significant decrease in the profit margins of the manufacturing sector, which is dependent especially on component imports. • As in 2018, the primary customer in 2019 were the public authorities.	• It is expected that the positive atmosphere caught in the last quarter of 2019 to grow stronger with an important decrease in interest rates and inflation expected in 2020. • A considerable increase in rental tendency and export is expected also in 2020.
UK	• Sales of construction and earthmoving equipment showed a 6% fall in 2019. • This followed a peak level reached in 2018, after sales reached their highest absolute levels since the market crash 10 years before.	• While construction activity was relatively stable, the equipment market seemed to suffer more from the climate of political and economic uncertainty. • Construction output grew by 2.5% in 2019, but new orders showed signs of weakening, falling by 1.2% on 2018 levels. • Civil engineering (infrastructure) was the strongest sector in 2019 showing growth in new orders and output. • The housing sector also showed growth in output in 2019, but new orders fell by 7.6%.	• Construction output is forecast to show a small decline in 2020, at between 0% and -0.5%. • Sales of construction equipment are expected to stabilize as the political and economic uncertainty of 2019 comes to an end. However, equipment sales are expected to be relatively flat, at similar levels to 2019.

SNAPSHOT: Economic Forum

THE GLOBAL OUTLOOK FOR THE CONSTRUCTION EQUIPMENT MARKET

According to Chris Sleight from Off-Highway Research, the global market for construction equipment reached an historical peak in 2018, with 1.1 million units sold. Alongside this, the global value of construction equipment sales was worth $110 billion in 2018. Starting in 2019, a modest decline in sales is expected at a global level until 2021, after which the next phase of growth is expected to begin.

Looking at the major regional markets, it is interesting to note that all have been on a growth path since 2016, except Japan, where sales showed a modest fall in 2018. Equipment sales in China represented one third of the global market in 2018, with almost 340,000 machines sold. Second to this, North American sales reached approximately 190,000 machines in 2018. Sales in the European market were 175,000 units, India reached 85,000 units and Japan 65,000 units.

Growth in equipment sales in the European market began in 2013. After reaching a peak in 2018, a slight decline is expected in 2019, and further falls in sales are expected until 2022.

However, the reduction in sales is forecast to be moderate, falling from 175,000 units in 2018 to 160,000 units in 2022, a fall of only 9% over four years. Looking at the pattern of sales within the EU market, countries in the northern region have reached a peak, while in contrast, further growth is expected in the southern region, albeit absolute sales volumes remain at relatively low levels in these countries.

The North America market is forecast to continue its growth until 2022, when sales are forecast to reach a peak level of 240,000 machines. Following this, a modest decline is expected in 2023 to around 225,000 machines. There are uncertainties which cast some doubts over this forecast, including internal politics, but strong investment in construction and infrastructure is continuing to act as a driver for the construction equipment market.

The Chinese market experienced a severe downturn in 2015, when sales fell to less than 140,000 machines, a fall of 40% on the previous year. Even more dramatic, is the comparison with the peak level of sales reached in 2011 at 475,000 machines. However, since 2016 China has been on a steady recovery path which has led to the latest peak in 2018. In 2019-2021, a declining trend is expected, before the market is forecast to return to growth in 2022. Exports of construction equipment from China remain significant, especially to emerging markets. In 2018, 85,000 machines were exported, which represented 20% of total machine production.

India reached an historical peak level of sales in 2018, at nearly 85,000 machines. In 2019, a modest fall to around 80,000 units is forecast, due primarily to the uncertainty caused by the election. However, from 2020, growth in sales is expected to resume, and according to Off-Highway Research, should achieve a record level of 115,000 machines in 2023. India is also emerging as regional export hub, similar to China.

CONSTRUCTION EQUIPMENT SECTOR IN EUROPE

40 BN €
REVENUES

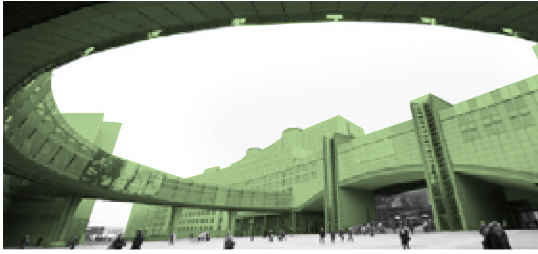
300 000
OVERALL EMPLOYMENT

1 200
COMPANIES

MOST COMPANIES ARE SMEs

Source : McKinsey 2016

COMMITTEE FOR EUROPEAN
CONSTRUCTION EQUIPMENT



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 and 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 a 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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