INTERNATIONAL rental NEWS

# IRN RENTAL TRACKER

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# Remaining positive

**Optimism among European rental companies has moderated compared to recent highs but remains positive overall, with utilisation rates stable or increasing and investment levels maintained.** Thomas Allen **reports on the** ERA/*IRN* **RentalTracker for Q1 2019**

The sentiment within the European rental market has remained relatively positive over the past couple of years, though there has been a gradual downward trend since the high in the first quarter of 2017. This has continued in the latest RentalTracker survey undertaken at the end of March this year, with the positive balance of opinion on current business conditions dropping from 44% in the third quarter of 2018 to 32% now.

That said, this is still a strong figure, considering it had struggled to reach above 25% between 2011 and 2016. (The 'balance' figure recorded for each question in the survey is the percentage of positive responses less the percentage of negative responses.)

## Current business conditions

Looking at the overall trend of current market conditions, 44% of respondents said they felt market conditions were improving, which was only slightly counterbalanced by 12% of respondents who saw a deterioration, giving the positive balance of 32%. This compares to a balance of 44% in the third quarter of 2018 and 50% in the first quarter. The current 32% balance, although historically high for the survey, is the lowest since the first quarter of 2016, when the figure was just 18%

It is also worth noting that we had more than 155 responses to the survey, which is the highest for several years and more than double the number for the same quarter in 2018. (*IRN* thanks the various rental associations in Europe for their help in distributing the survey.)

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**FIGURE 1**

## Europe: Business conditions now

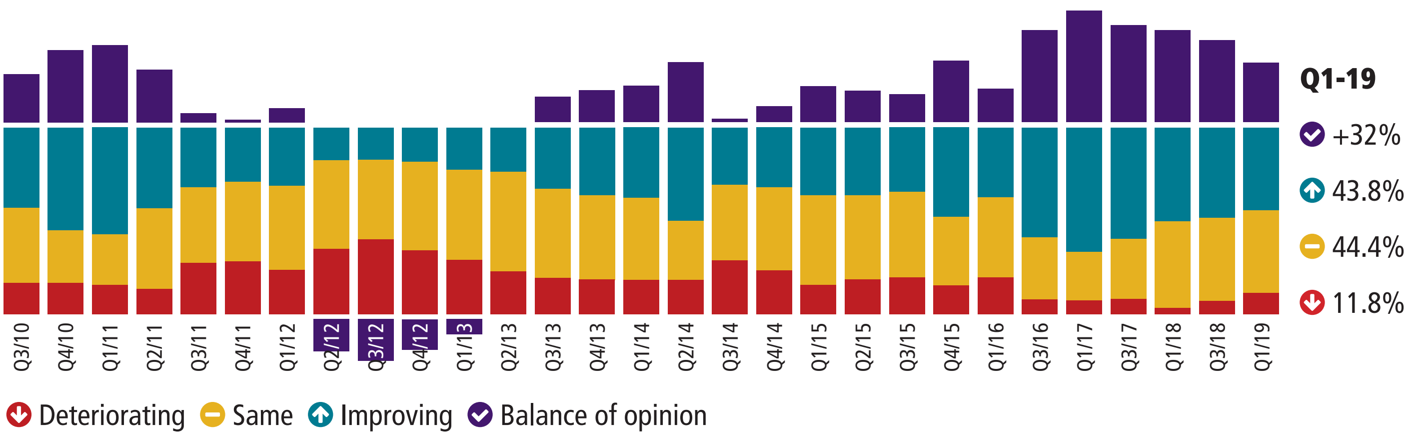



**FIGURE 2**

## Europe: Expectations for year from now

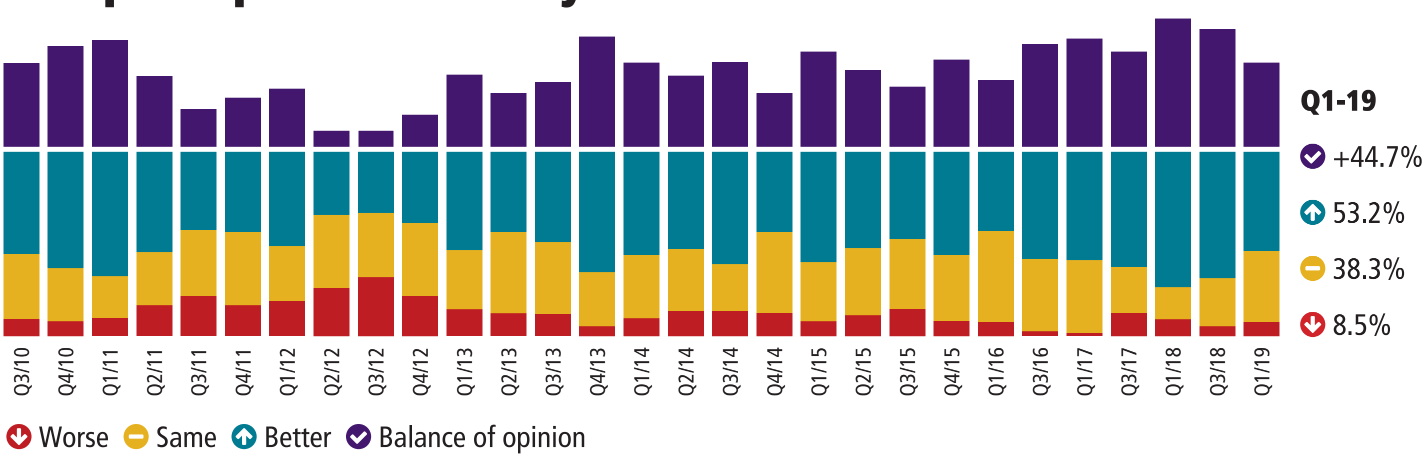
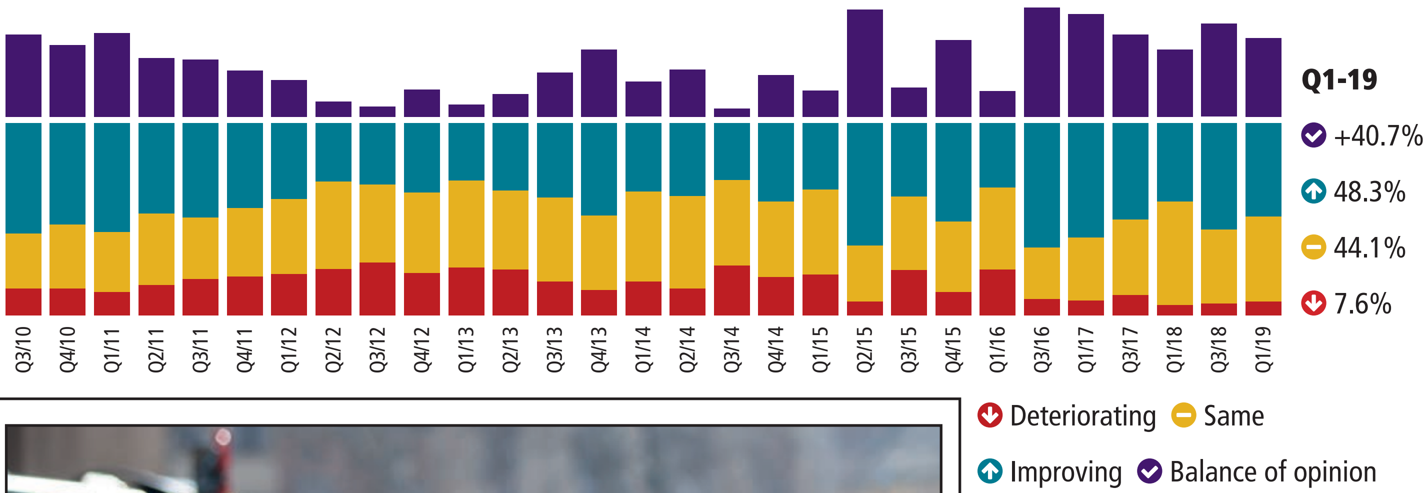


FIGURE 3

## Europe: Time utilisation trend






> "The sentiment in Spain remains particularly positive, with 67% of companies seeing conditions improving"

Breaking it down by country, the sentiment in Spain remains particularly positive, with 67% of rental companies seeing conditions improving and the remaining third experiencing a stable market; none of the Spanish respondents are seeing a deterioration of market conditions. However, this compares with 90% of respondents saying conditions had improved in the previous RentalTracker for the third quarter of 2018. It should be taken into consideration that the market is recovering from a low base following the financial crisis.

### Among the most positive

The next most positive market is Germany, with 64% of firms reporting improved market conditions and 36% saying there was no change. None of the German respondents – on a good sample number – said conditions were deteriorating. The German rental market has enjoyed stable growth for almost a decade now, and there seems to be no immediate sign of a decline.

Just behind Germany is the UK and Ireland. Despite concerns around Brexit, the responses from UK and Irish companies were encouraging, although it is important to note that the sample size was small. No one is suffering a drop in business, while 45% of respondents are enjoying buoyant market conditions.

French firms have also expressed confidence about the market, with 46% reporting a steady market, 42% saying conditions are improving and just 12% seeing a decline.

Of the multinational companies, 50% said overall market conditions were currently improving, but 33% reported deteriorating conditions. It seems that Europe's largest rental businesses are viewing the market less positively than their smaller or national competitors.

The degree of positivity in each country was largely mirrored by the general perception of year-on-year growth, comparing Q1 2019 with Q1 2018. Spanish and German respondents reported the highest levels of growth compared to the first quarter of 2018 – 68% and 52% respectively. The UK bucked the trend a little, with just 36% of firms saying they had experienced year-on-year growth. With that said, 55% had seen no change and just 9% reported negative growth.

## Stepping back

Taking Europe as a whole, 52% reported year-on-year growth, representing a drop from the 63% recorded in the previous RentalTracker six months ago. Also, the overall balance figure for year-on-year growth came to 42%, which is also down on the record 58% recorded for the third quarter of 2018. Though this latest positive balance on year-on-year growth is still relatively high, it is the lowest since the first quarter of 2016.

What are rental companies thinking about business conditions a year from now? There was a positive balance of 45% of respondents expecting market conditions to be better in the first quarter of 2020. This is a drop from the 62% recorded in the previous RentalTracker, as well as the 67% in the first quarter of 2018.

Overall, European rental businesses remain optimistic about business conditions a year from now, just slightly less optimistic than they were six months ago.

Germany was the most positive about the next twelve months, with 67% of companies expecting to see growth and just 6% predicting a slight decline. Perhaps surprisingly though – given the issue of Brexit – UK and Irish respondents were similarly optimistic, with 60% of respondents saying they should see growth. Not a single one is anticipating a decline. Again, we caution against overstating this finding because of the sample size.

Less surprising is Spain's optimism, with 59% expecting growth over the next twelve months and just 5% foreseeing a drop in business.

## Investment

Investment is a powerful barometer to gauge a company's outlook and, in terms of fleet investment overall in Europe, 42% said they would increase investment compared to 2018, while 44% said spending would remain the same.

Just 14% of respondents said investment this year would reduce. Although a very positive finding, it represents a slight weakening of investment intentions.

Germany appears to be feeling most bullish, with 64% of respondents planning to increase the level of capital expenditure in 2019, and none intending to reduce investment. Similarly, 41% of Spanish respondents see investment growing over the course of the year, though 14% are expecting to cut back on capital expenditure. Not far behind was the UK and Ireland, with 38% of companies looking to bolster investment and none intending to reduce it.

The least confident about future investment where the multinational companies, with 22% foreseeing a reduction in capital expenditure in 2019 versus just 11% saying they will increase spending. French respondents were similarly divided, with 28% reporting that investment will rise and 17% saying

**TABLE 1**

## Forward thinking

**PERCENTAGE FORCASTING BUSINESS TO BE 'BETTER' OR 'MUCH BETTER' 12 MONTHS AHEAD** (third-quarter 2018 in brackets)

| | | |
|---|---|---|
| Spain | 59% | (100%) |
| France | 30% | (79%) |
| **All Europe** | **53.2%** | (68%) |
| UK/Ireland | 60% | (64%) |
| Germany | 67% | (53%) |
| Multinationals | 50% | |

## Thank you

More than 155 companies responded to the ERA/*IRN* RentalTracker survey for Q1 2019.

Thank you to all the rental businesses that took part and to all the companies and associations that helped to promote the survey throughout Europe.

The RentalTracker for Europe is a joint venture between *IRN* magazine and the European Rental Association (ERA).

If you have any suggestions about how the survey could be improved, please contact the ERA on: era@erarental.org or, Thomas Allen, *IRN* Editor: **thomas.allen@khl.com**

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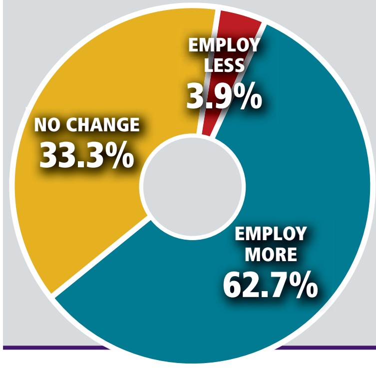
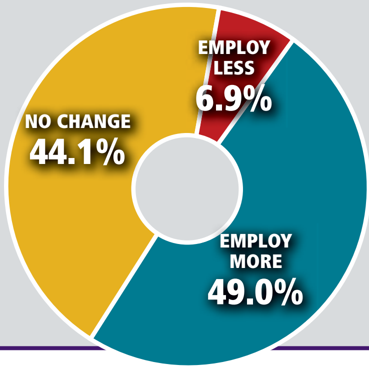
**FIGURE 4**

## Europe: Employment intentions for next quarter

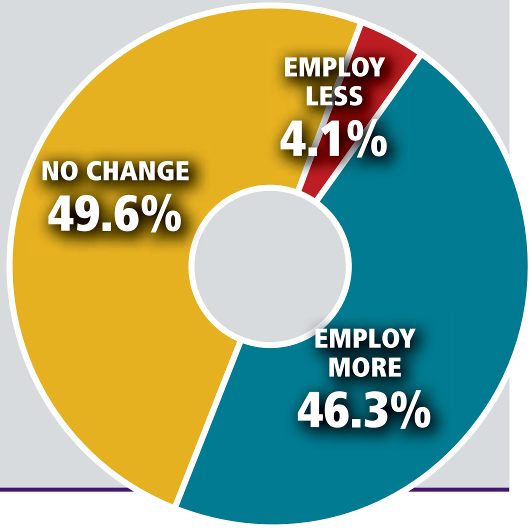
### Asked end of Q1 2018




### Asked end of Q3 2018




### Asked end of Q3 2018




it will drop, which means the majority will maintain 2018 spending levels this year, which is not a bad situation.

## Employment intentions

Meanwhile, the employment intentions of Europe's rental companies have not shifted greatly from the positive picture found six months ago. Fully 46% of companies will employ more staff in the second quarter of 2019, while 50% will not change their staffing. A tiny proportion, just 4%, reported that they would cut employment.

The response from French companies was the most encouraging, with 57% of respondents expecting to employ more in the second quarter of the year, and none believing they will reduce their workforce, although one respondent commented that it is difficult to recruit new employees. Closely behind was the UK and Ireland, with 40% of firms looking to grow employee numbers in Q2 and, again, none considering a reduction.

Despite a robust market, German respondents seem to be a little less hasty about employing more people – just 27% intend to do so in 2019, and 20% say they will reduce the number of staff.

## Time utilisation

The notable, and pleasing, feature of the utilisation data in the Q1 survey is that fewer than 8% of respondents were reporting falling time utilisation rates on their fleets. Almost 50% said utilisation was improving while the balance of respondents, 44%, said it was stable.

Although representing a slight softening of the picture from Q3 2018, it still represents a very positive environment, and maintains the findings from the past two years.

Multinationals were the most positive on utilisation – 67% reported increasing utilisation in Q1 2019 – closely followed by Spain (59%) and then Germany (50%). In France, there was a notable softening in utilisation, with just 22% reporting an increase, which compared to 61% in Q3 2018.

The Q1 2019 survey paints an overall positive picture of rental sentiment, although with evidence of a softening of conditions starting to creep in.

It remains to be seen whether the UK will have left the EU by the time of the next Rental Tracker survey, at the end of September. That is just another of the uncertainties that businesses in Europe are facing. **IRN**

**TABLE 2**

## The here and now

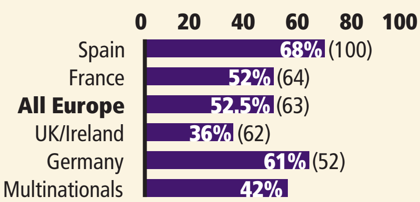
### How countries differ on key indicators in the survey (all figures in percentages)

**PERCENTAGE OF COMPANIES EXPERIENCING IMPROVING MARKET CONDITIONS (END Q1, 2019)**

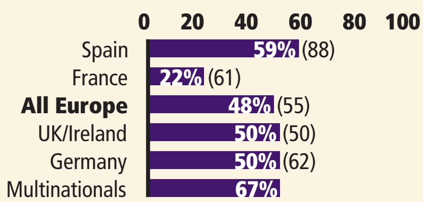
| | |
|---|---|
| Spain | 67% |
| **All Europe** | **43.8%** |
| UK/Ireland | 45% |
| France | 42% |
| Germany | 56% |
| Multinationals | 50% |

**NOTE:** Balance of opinion = proportion seeing improvement - proportion seeing worsening conditions.

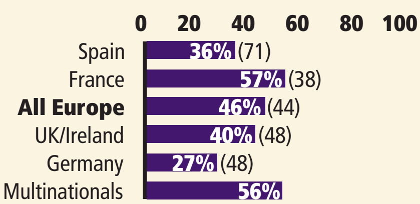
**PERCENTAGE REPORTING Q1 2019 GROWTH VS Q1 2018**
(first-quarter 2018 brackets)



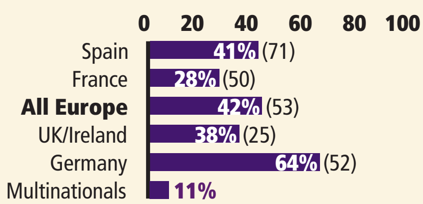

**PERCENTAGE WITH INCREASING UTILISATION IN Q3 2018**
(third-quarter 2018 brackets)




**PERCENTAGE WHICH WILL EMPLOY MORE IN Q3 2019**
(third-quarter 2018 brackets)




**PERCENTAGE EXPECTING TO INCREASE INVESTMENT OVER THE COURSE OF 2019**
(third-quarter 2018 brackets)



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