

International Tower Cranes Conference

Trends in the European construction market

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The 2019 outlook, a downward revision from the previous forecast

Risks across the globe are rising

- > Likelihood of a currency crisis in emerging markets,
 - > Ongoing tariff disputes by the United States despite an agreed truce in late 2018
 - > And decelerating growth in many economies.
- => Expectations are that growth will continue, although at a more moderate pace

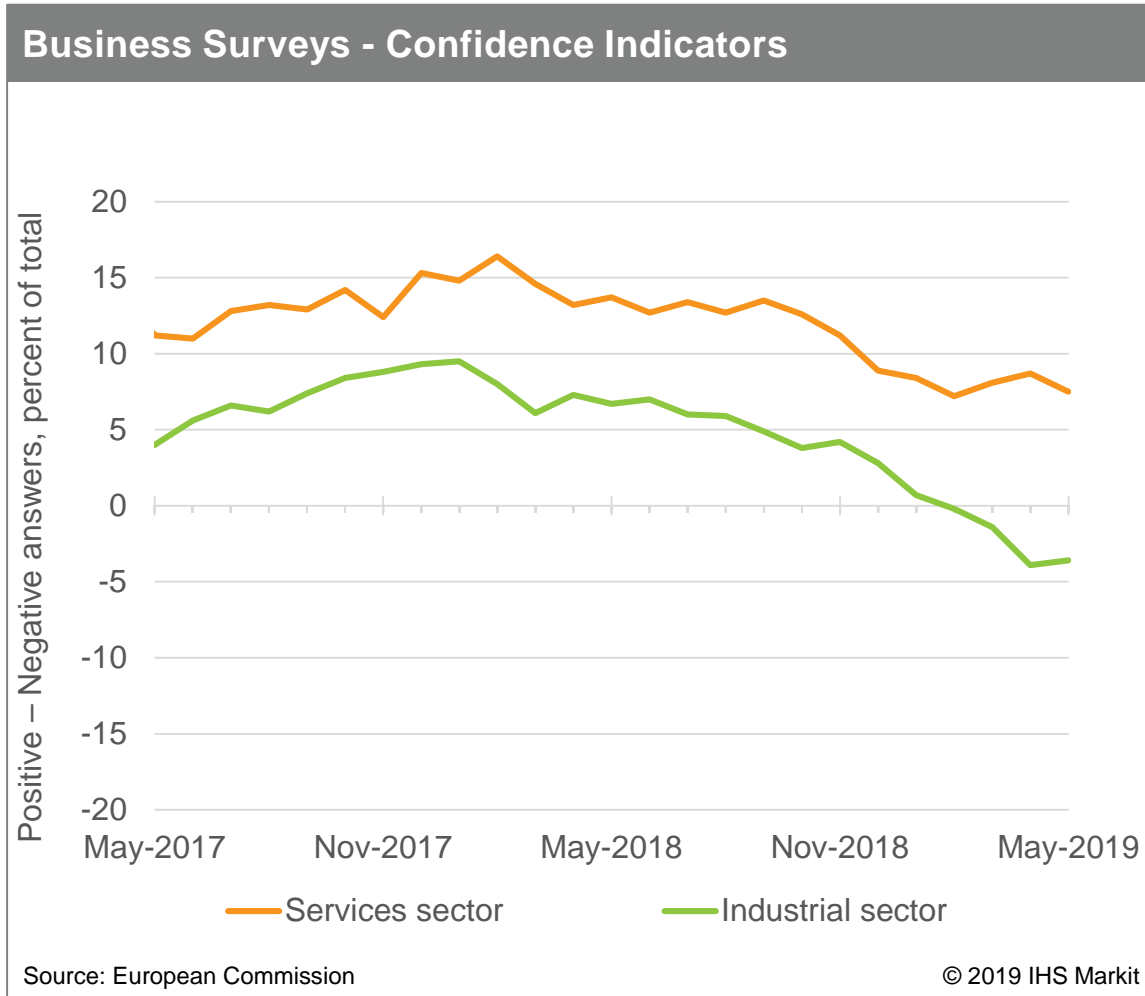
And outlooks for the eurozone and UK have become more downbeat

- > Worsened political fragmentation with European elections.
 - > Election results testimony of deeply divided UK public.
- => Likely complicating handling of contentious issues by EU leadership.

Real GDP Growth						
World Regions	2017	2018	2019	2020	2021	2022
World	3.3	3.2	2.8	2.8	2.8	2.8
Eurozone	2.5	1.8	1.2	1.1	1.2	1.3

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Europe's growth continues to slow...



Europe macro-economy:

Eurozone Real GDP growth projected to slow down from 1.8% last year to 1.2% in 2019 and 1.1% in 2020.

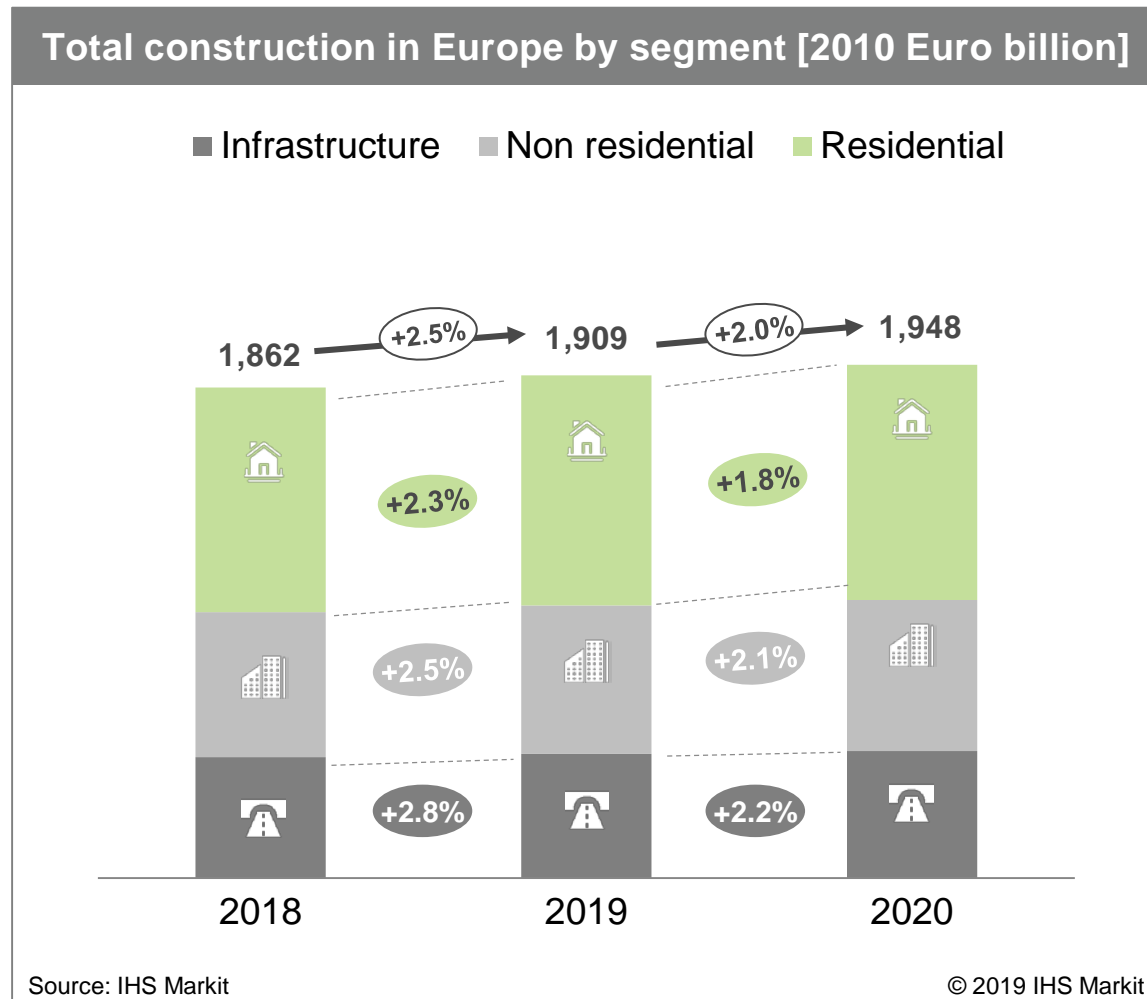
> Leading indicators for the industrial sectors remain weak.

Potential risks to the forecast



- Hard Brexit/ “No-deal” Brexit
- Escalation in trade protectionism
- Fiscal crisis in Italy

... however, pessimism has not yet gained steam in construction



Residential:

- > Pickup in salary growth and continued expansion in employment should support private consumption, yet consumer spending moderated by slowing job creation.

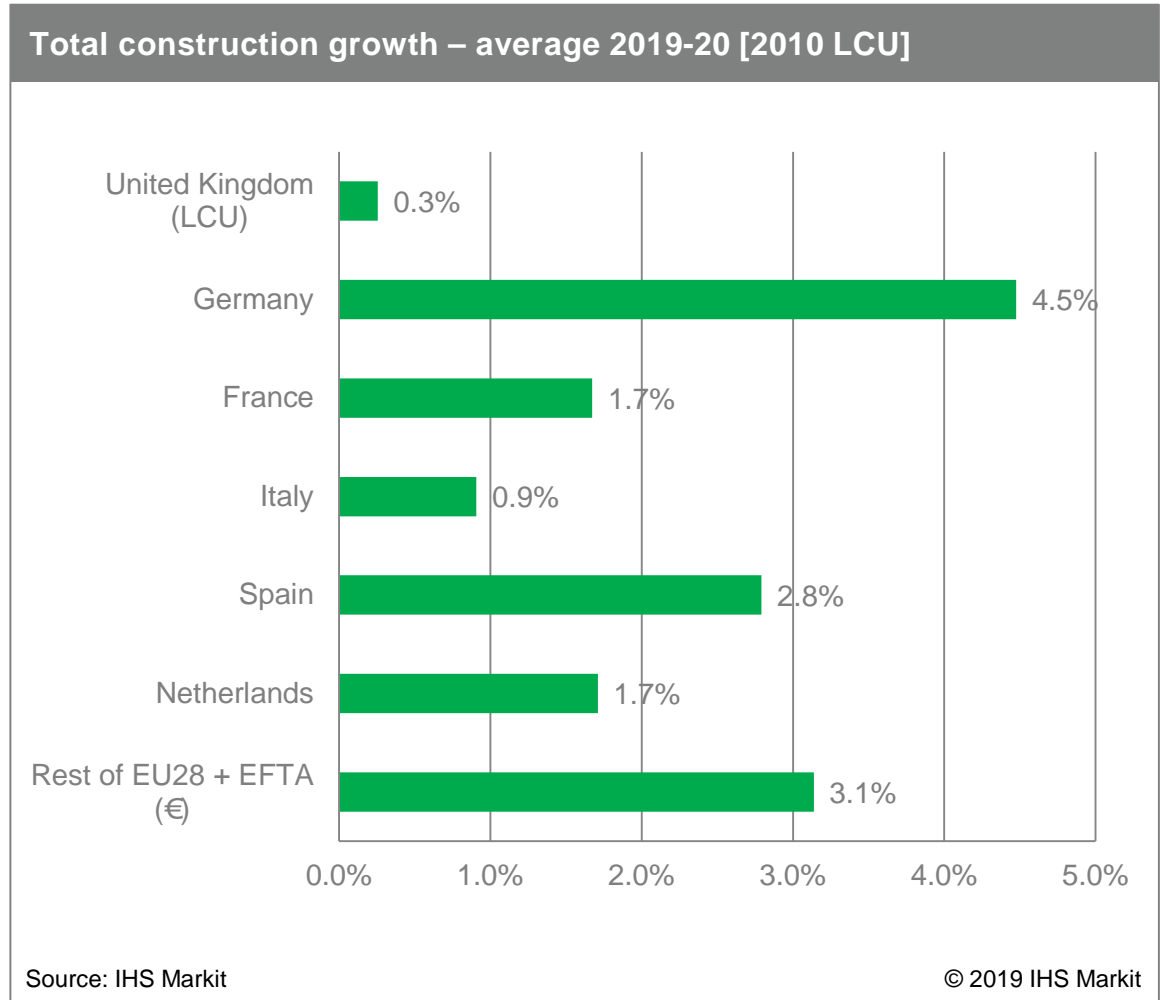
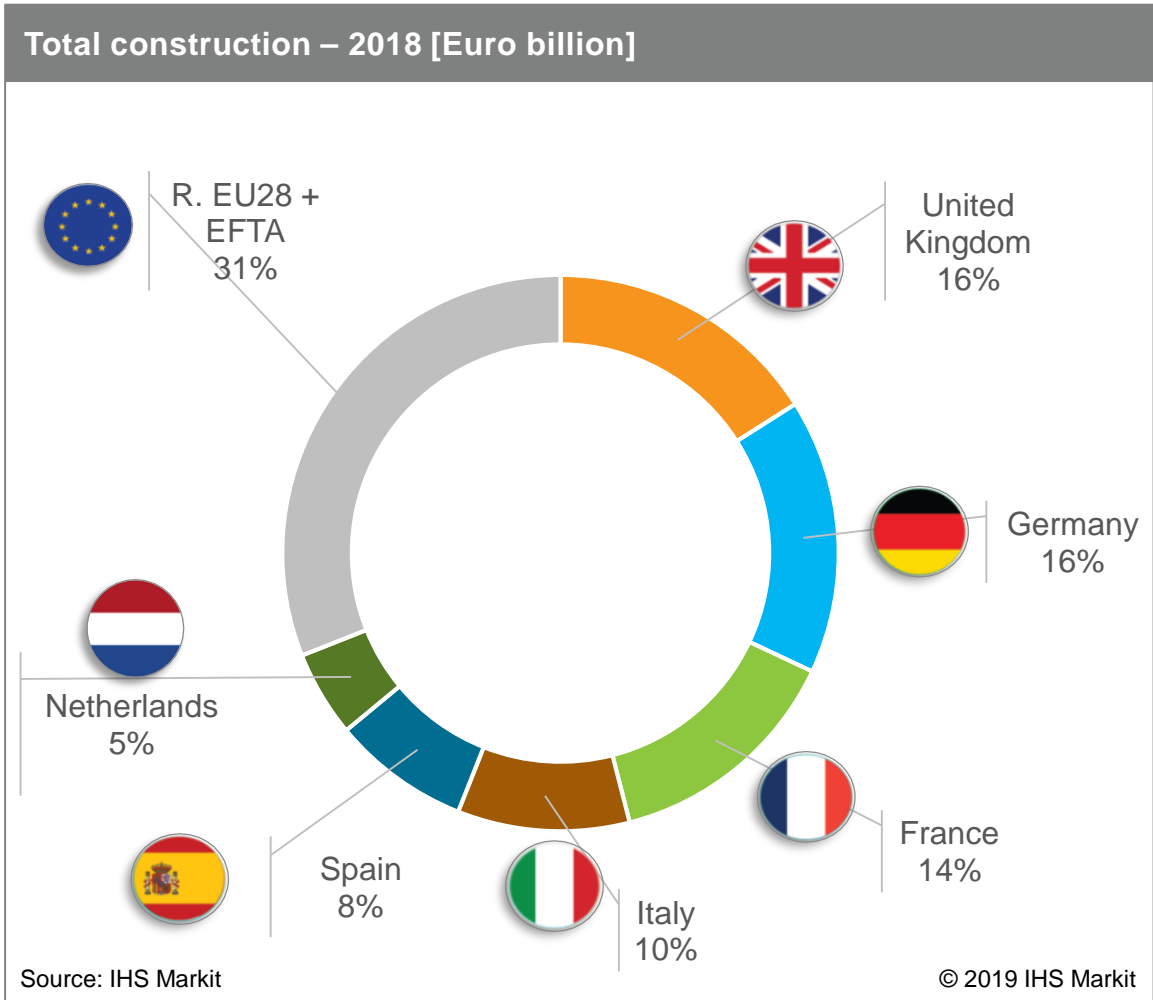
Non residential:

- > Corporate investment may be boosted by continued demand and accommodative credit conditions, but growth expected to moderate in 2019 and beyond as the economy cools.

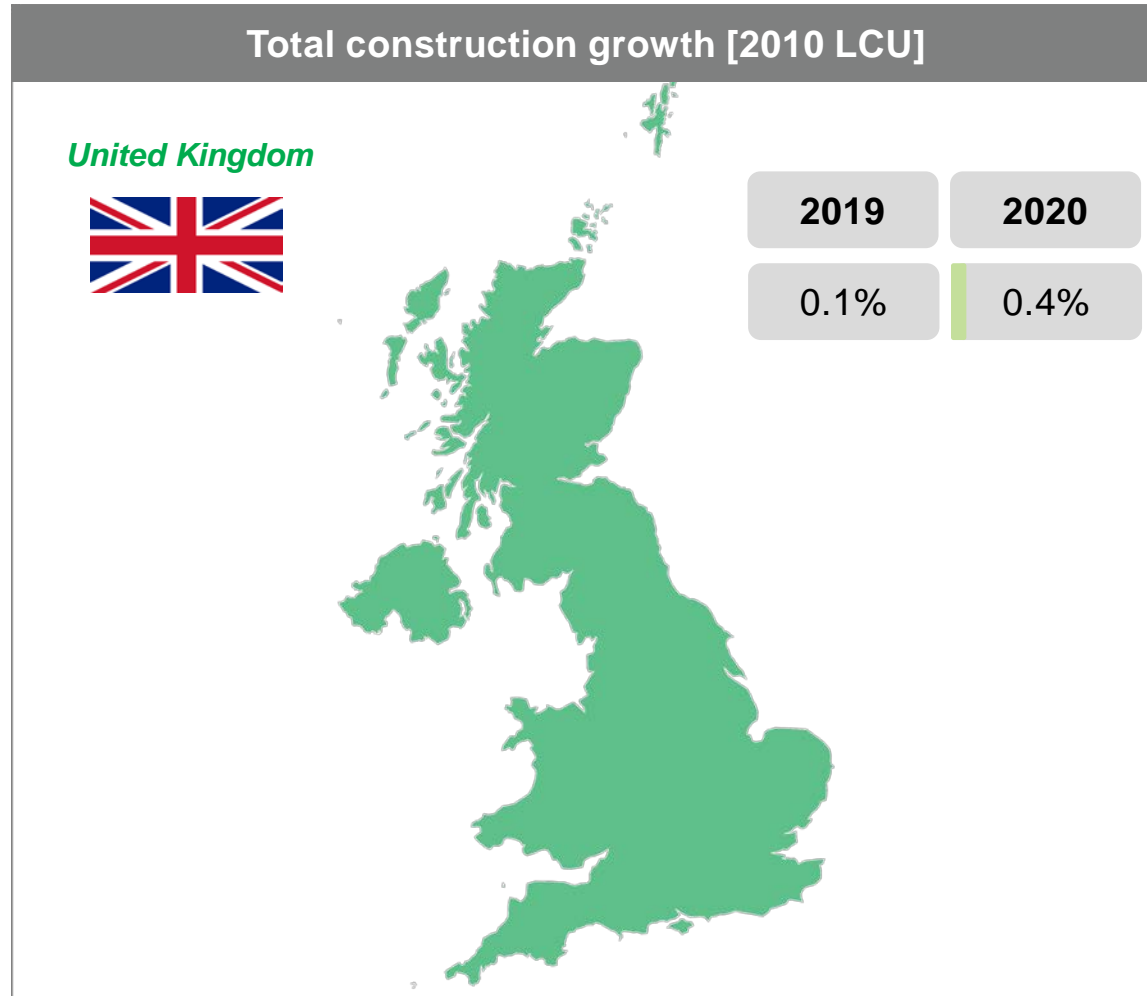
Infrastructure:

- > While still elevated, general government debt-to-GDP ratio declined recently with concerning additional expenditure just as the economy heads into phase of lower growth.

Growing European construction sector, yet nuanced across countries

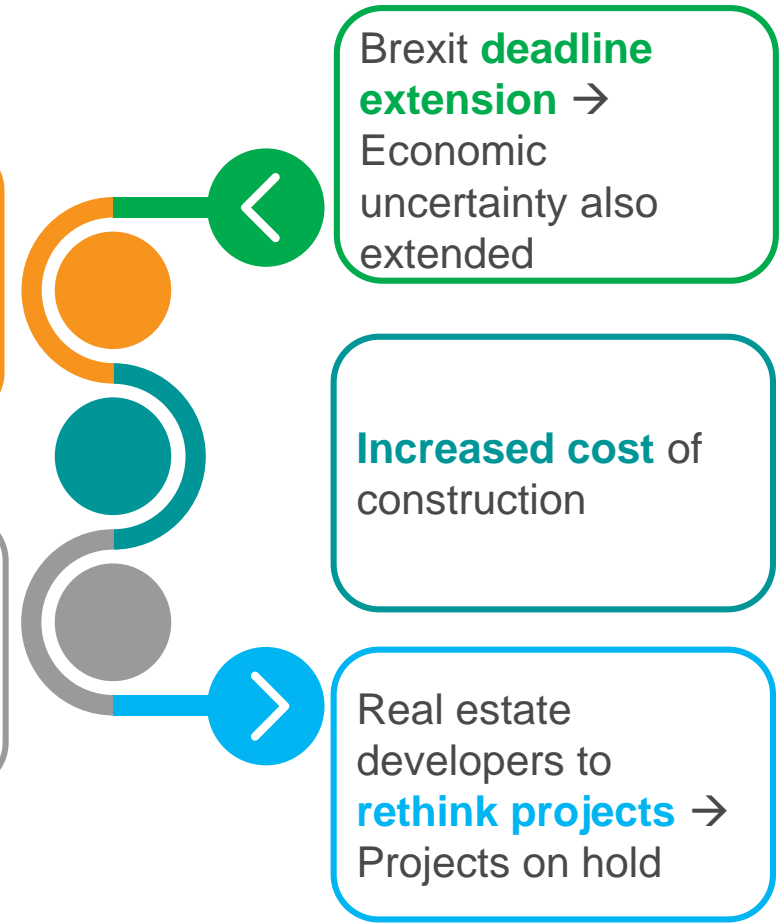


United Kingdom market uncertainty

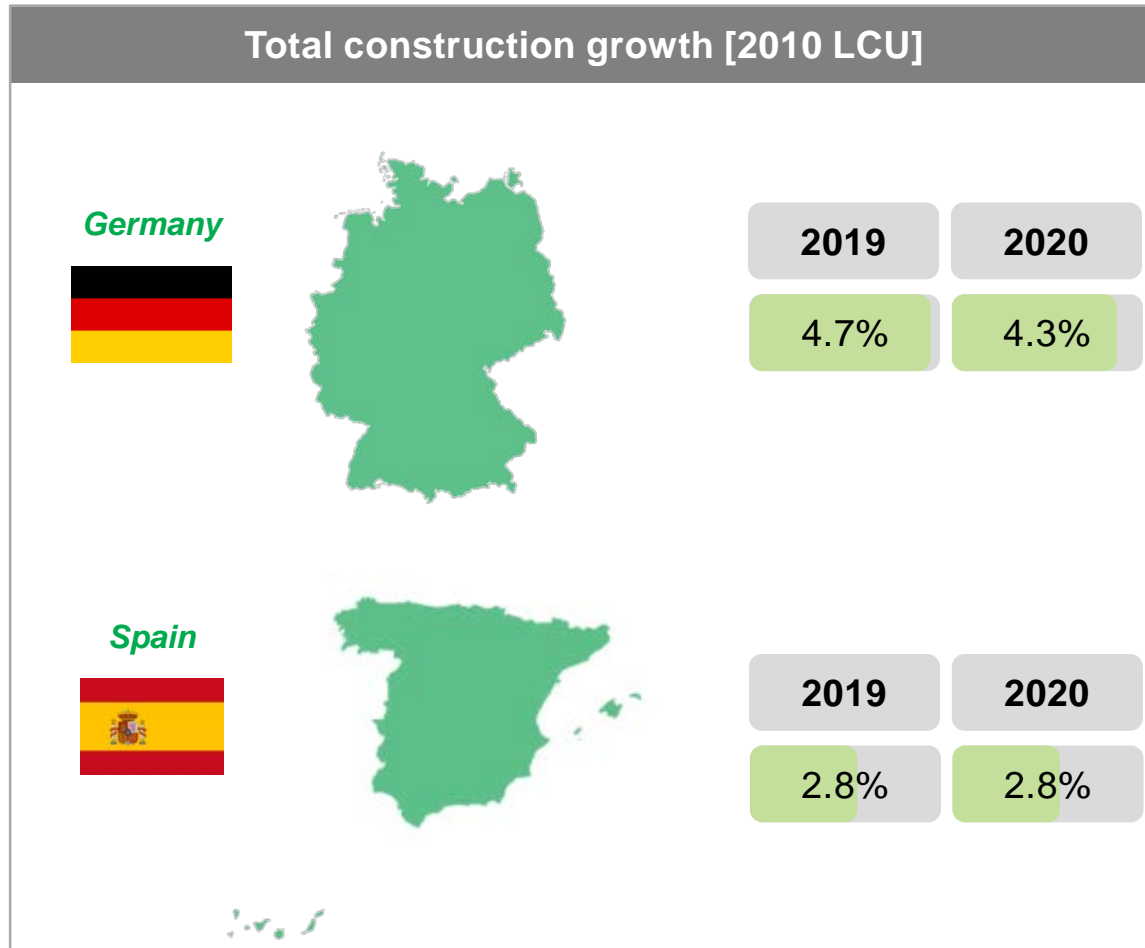


Declining investments →
Non-residential hit the most

Anticipated **pent-up demand** in the property market



Solid momentum for Germany and Spain...



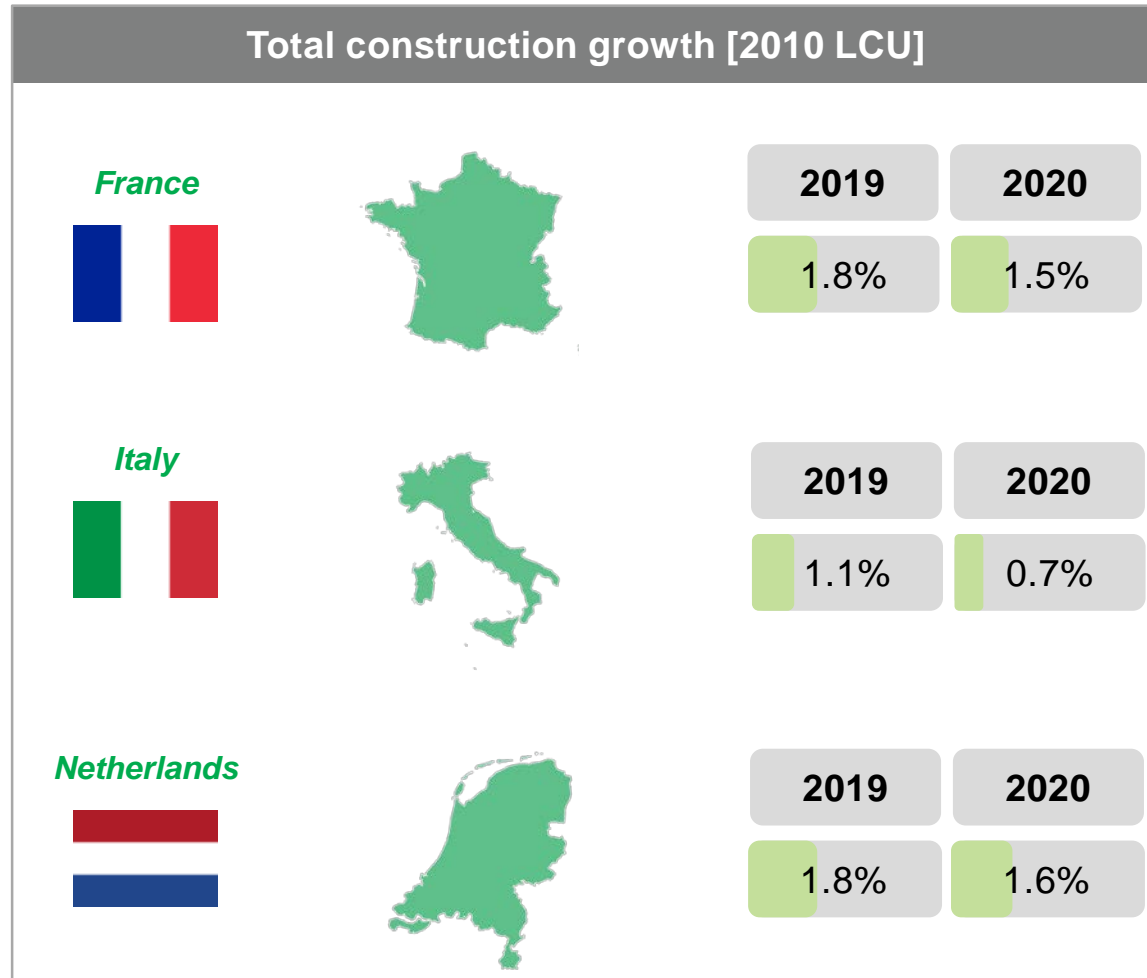
Germany

- > Construction sector will remain buoyant given housing demand, additional migrant needs, and historically low interest rates.
- > Additional public spending on transport, energy, or IT infrastructure could exacerbate capacity constraints.

Spain

- > Economy continues to display solid momentum in the first quarter of 2019, rising for a 22nd successive quarter.
- > Growth performance moderately better than expected, signals further resilience of the economy to domestic political risks, and continued deleveraging by consumers and firms.

... Whereas Netherlands joined France, Italy, in slow moving group



France

- > Construction sector activity supported by low interest rates, rising house prices, and improving labor market conditions, yet still impacted by European slowdown.

Italy

- > Construction sector most exposed by still punishingly high bad bank debts, weak domestic demand, increased political and economic uncertainty.

The Netherlands

- > Dutch economy among strongest growers within Eurozone, however stagnant jobs and rising inflation constrained growth.

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