

Clear growth is expected for the work machine rental market in 2025 and 2026 – 2024 remains a negative year

Construction production has continued to reduce quite strongly this year and is keeping the rental machine market in the negative territory again this year. A turn for the better is taking place in late 2024 already. The clearly better development in non-residential construction, which is important for work machine rental, compared to residential construction, is keeping the negative figure in machine rental quite small. The continuation of the interest rate cuts that started in the summer, along with the improving outlook for the international economy, will push the rental market up by 6% in 2025 and by 9% in 2026.

As in the previous year, Finland's economic growth in 2024 will be negative. Recent GDP forecasts range between -0.3% and -0.5%. Both consumer and business confidence have been low this year. However, business confidence rebounded in early 2024 from a very low level. In construction, confidence is at its weakest but has improved during 2024. Falling interest rates have caused an upturn in consumers' intentions to buy a home, with the October figures already close to the average level of the 2010s. Weaker employment and the threat of unemployment are dragging down consumer confidence.

In Finland, construction output reduced by 13% in 2023. Reduction has continued to be strong in early 2024, and the full-year forecast stands at -5%. The status of residential construction remains very difficult. Output rose to high levels as demand was boosted by zero interest rates, while rapid interest rate rises almost halted demand for new homes in 2023. There is still an oversupply of new homes, and new home sales have almost come to a standstill. Non-residential construction has not declined nearly as much. Public and industrial construction, in particular, have picked up, and non-residential construction will increase slightly in 2024.

Construction has picked up in late 2024. The central bank started cutting interest rates in June and continued to do so in both September and October. The rate cuts are expected to continue, which will boost housing sales and investment, especially with the fading inflation. In 2025, construction output will increase by 6%. Construction will increase in all sub-sectors in both 2025 and 2026.

Work machine rental reduced by 10% in 2023. The main reason lies in the largest market sector, new building construction, which declined by 20%. In 2024, the rental market will continue to decline, but at a slower rate of -4%. Work machine rental in new building construction will reduce by 10%. The non-residential construction market will remain unchanged, but the rental market for residential construction will continue to decline sharply (-30%). The rental market for renovation will grow slightly this year, despite the decline in renovation.

The forecast for 2025 stands at +6% and that for 2026 at +9%. Growth will be fastest in new construction in both years (averaging over 10%), but growth will also be experienced across all other rental market sectors. Growth in the rental market for renovation and other sectors will range between 3% and 5%. These sectors are also affected by falling interest rates and accelerating economic growth.

Forecast risks are mainly downward. The tighter geopolitical situation, the threat of a trade war and the political and economic situation in Germany add uncertainty to decision-making. A ceasefire in the Middle East and in Ukraine is a slightly more likely and positive risk than in the past. If it were to materialise, this would boost confidence in the future.

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