

Europe

Strongly hit by the covid-19 pandemic, the eurozone observed its sharpest drop since 1995 by 11.8% in the second half of 2020. It is worth noting that the decline was less severe than expected, and quite fast economic rebound started already in May when the lockdown measures were released. In case of partial success in limiting the virus spread and the absence of the second severe lockdown, European Central Bank (as of September 2020) forecasts a decline of GDP by 8% in the eurozone in 2020 with an expected rebound by 5% in 2021 and by 3.2% in 2022.

France

The French GDP took one of the hardest hit by the covid-19 crisis with -16% in the second quarter. The same results concern the construction and tourism sectors, which fell respectively 65% and 97% in April. On the other hand, the unemployment rate is the indicator which held up the best since it continued to decrease during the second quarter, thanks to social protections and government aid. Regarding the HVAC&R sector, it varied unevenly with an average drop of 15% in new orders in the second quarter, but it was mainly rooftops, fan coils, VRF and AHU that suffered the most, while chillers, heat exchangers and cooling towers recorded positive or almost positive growth, thanks to government incentives and eco-requirements.

Germany

After stagnating but still positive GDP growth in 2019 by 0.6%, in the second quarter of 2020 German economy contracted by the record 9.7%, which is the deepest fall since 1970. At the same time, this decline was less drastic in comparison to other major European economies that faced a double-digit drop. For the German economy, this recession of 1st half of 2020 was less severe than expected. Since the third quarter, stable recovery has started with further forecasts improving every month. In September, the GDP 2020 forecast for Germany was improved from -6.3% to -5.8% with an expected rebound by 4.4% in 2021. Main drivers of fast recovery in Germany is the 130-billion-euro stimulus package from the government, that includes an establishment of a 50-billion-euro fund to support climate change, innovations, and digitalization.

Italy

The Italian GDP took one of the hardest hit by the covid-19 crisis with -17% in the second quarter. The same results concern the construction and tourism sectors, which fell respectively 68% and 92% in April. Regarding the unemployment rate, it increased from 6.4% to 10.3% between April and July. Regarding the HVAC sector, new orders in the second quarter fell by 25% on average, except for the filters, which increased slightly thanks to data centers, hospital, education, and food sector.

Spain

Achieving 2% of growth in the GDP in 2019, Spain's economy was slowly and stably growing until the health crisis. In the second quarter of 2020, the economy dropped by 21.5% compared to the same period in the previous year, due to suspended economic activity caused by strict lockdown measures.

United Kingdom

The UK's economy was strongly hit by the covid-19 crisis: in the second quarter of 2020, the country's GDP dropped by 17%, the strongest among the major European economies. OECD forecasts a decrease of 10.1% in 2020, the worst contraction since 1949. In 2021, the rebound between 6.5% and 8.7% is

expected. However, it will not allow the UK to restore to the level of pre-pandemic time before at least 2022. The situation is aggravated by the absence of Brexit deal, though less discussed during this year, but creating a huge background uncertainty for the UK's economy. The fast rebound of construction after lockdown with unexpectedly high 17,6% growth in July, driven by private housing and commercial construction, gives hope for a faster end of the recession and positive prospects for HVAC, though the uncertainty related to the possible second wave remains high.

Russia

In 2020, Russia was hoping to restart the economic revival accelerated by the large-scale national projects, but these plans were completely disturbed by the covid-19-crisis. In addition to rather strict anti-covid-19 measures and partial lockdown, Russia suffered from the decreased demand for its oil and gas as a result of slowing down of world and European economy and the oil price tension with OPEC in the 1st half of 2020. The estimations of expected GDP decline in 2020 in Russia varies according to the different sources from more positive given by the Central Bank of Russia (-4.5%/-5.5%) to less optimistic given by Eurasian Development Bank and World Bank (-6%/-6.6%). The restart of GDP growth is expected already in 2021 at the level of around +4%, so the rebound to the pre-covid-19 level is not foreseen before 2022. Overall, the covid-19 impact on the Russian economy was less severe than for other European countries due to a relatively small service sector in the economy, that suffered the most from this crisis.

Turkey

After a slowdown in the second half of 2018, Turkey's economy showed signs of improvement in 2019 and managed to achieve growth by 0.9% by the end of the year. Nonetheless, the construction market that was already showing a decreasing trend (dropped by 48% in 2018) did not rebound. On the contrary, it dropped by 50% by the end of 2019, mostly due to the lack of trust by the investors, given the unreliable economic situation. The trust in the construction market seemed to be recovering in 2020, as the building permits have already increased by 129% in the second quarter of 2020 compared to the same period in 2019. The devaluation of Turkish lira was relatively taken under control in 2019 comparing to 2018, however, with the impact of the worldwide health crisis, it reached record figures in the third quarter in 2020. Turkey's economy has already shrunk by 9% in the second quarter of 2020 comparing to the same period in 2019, which is the lowest level of the past 10 years.

Benelux

The economy in the Benelux zone continued to grow in a stagnant but stable way in 2019: Belgium grew by 1.4% in 2019, Luxembourg by 2.3%, and the Netherlands grew by 1.8%. However, with the impact of the pandemic, the forecasts for 2020 does not look very optimistic. The Belgian economy is expected to fall by at least 9%, while the GDP of the Netherlands is projected to fall by at least 8%. Luxembourg is expecting the lowest decline in 2020 around at least 6.5%.

With the arrival of the health crisis, the chiller market in Benelux has declined by 19.7% in the first half of 2020 comparing to the same period in the previous year. Despite the decline, Belgium and the Netherlands were among the countries that handled the health crisis relatively better in Europe. Therefore, the recovery in the chiller market in the Benelux zone is expected rather earlier than other European countries, specifically in the first half of 2021.

Northern Europe

Though all Nordic countries, except Finland, stated the historic GDP fall in the second quarter of 2020, Northern Europe relatively better survived the covid-19 crisis than other European countries. Sweden, the only northern European country that did not implement strict lockdown measures, faced the highest decline by -8,7% in second quarter, that is still lower than the drop in other major European economies. In all Northern countries, extensive government support programmes were introduced, mainly oriented to support the households and to limit unemployment. Despite a quite soft decrease, the recovery is expected to be slow for Northern Europe as all their countries are highly dependent on export and therefore the rebound of global markets. With forecasted GDP drop by 3,5%-5% in 2020 in all four countries, the economic recovery will restart in 2021 with a 3%- 4% increase, expecting to reach a pre-covid-19 level in mid-2022.

Northern Europe continues actively adopting the new low GWP refrigerants, but at a slightly slower pace than some other European countries. In 2019 the share of HFO and Blends accounted for 10,2%, 1,5 times increase in comparison to 2018 (in Europe overall the respective share made 6,9% with growth of 1,8 times in the similar period). Among Northern countries, Sweden and Denmark are the pioneers of new refrigerants adoption with 15% share taken by HFO and Blends. Finland has a traditionally low demand for low GWP refrigerants, while Norway registered a very moderate increase by only 25%.