

THE GOOD, THE BAD AND THE UGLY;

OPPORTUNITY, COVID AND BREXIT

I. Construction & Engineering

September 2021





We all have heard how challenging times are a great foundation for new ideas and opportunities, but before we experience the good, there will be several encounters with the bad and the ugly

Looking back,
how has Covid-19 and Brexit
impacted the UK economy?

Looking at the future,
what opportunities resulted
from these challenges?



Brexit and Covid in Construction

On the 24th December 2020 the EU and the UK finally agreed the TCA (Trade and Cooperation Agreement), active from the 1st Jan 2021. The TCA has introduced several changes, affecting many areas in this sector. From the freedom of movement from workers, to the ability to source construction, materials.

The addition of Covid has worsened this situation increasing the prices of materials and slowing down transport and activities.

With some statistics stating 56% of British businesses are finding it more difficult to buy and/or sell with the EU, this report is one in a series, which shares how British business trading in the Construction & Engineering sector, have been impacted by Brexit and Covid.

"Roughly 60% of imported materials used in UK construction projects comes from the EU"

The Construction Leadership Council (September 2021)

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 50.4%: Yes, costs are higher.
- 40.3%: Costs are the same
- 9.3%: No, costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 49.6%: Yes
- 22.7%: No
- 27.7%: NA

Any impacts on the exports to EU?

British businesses say:

- 45.4%: Yes.
- 16.8%: No
- 37.8%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 42.9%: Yes. It makes more complicated
- 17.6%: It's easier
- 16.8%: It's the same
- 22.7%: NA

Covid facts

Has the pandemic affected your business investments?

British businesses say:

- 41.2%: We are investing more
- 25.2%: We are investing less
- 33.6%: It remained the same

In the last year, have you postponed any acquisitions?

British businesses say:

- 38.9%: Yes, due to the pandemic putting pressure on businesses
- 14.5%: Yes due to lack of available finance
- 46.6%: No.

How stressed are you about profits decreasing?

British businesses say:

- 16.8%: Not stressed
- 41.2%: Moderately stressed
- 30.5%: Very stressed
- 11.5%: Extremely stressed

How stressed do you feel about cash flow?

British businesses say:

- 17.6%: Not stressed at all
- 48.9%: Moderately stressed
- 26%: Very stressed
- 7.5%: Extremely stressed

Brexit and Covid in Engineering

Engineering and Construction are intertwined, so the challenges mentioned above, such as a shortage in raw materials have also strongly affected this sector, and specially with the shortage of qualified engineers.

The United Kingdom has always been very privileged with highly qualified and world class skilled professionals in various sectors. However, leaving the EU means that many of these skills will part and as a consequence become more expensive.

Engineering is the back bone of so many other sectors; from Finance to Communications, Construction, Energy... etc, encompassing a large part of the economy. This is why more innovative thinking is important in order to find solutions to these challenges which will prove decisive for businesses to survive and thrive.

"The country needs 1.8million new engineers and technicians by 2025"

Engineering UK (June 2017)

Brexit facts

Have business costs increased since Brexit?

British businesses say:

- 52.7%: Yes
- 40.7%: Costs are the same
- 6.4%: Costs have reduced

Any impacts on the imports from EU?

British businesses say:

- 59.3%: Yes
- 25.3%: No
- 15.4%: NA

Any impacts on the exports to EU?

British businesses say:

- 59.3%: Yes
- 22%: No
- 18.7%: NA

Is accessing supplies from EU more difficult now?

British businesses say:

- 49.5%: It's more complicated
- 25.3%: It's easier
- 18.7%: The same
- 6.5%: NA

Covid facts

What have you invested in during this time?

British businesses say:

- 41.5%: Hardware
- 39%: Software
- 19.5%: Both (above)

In the last year, have you had to postpone any acquisition?

British businesses say:

- 41.2% Yes, due to more pressure on businesses
- 20.6% Yes, due to lack of available finance
- 38.2%: No

How stressed are you about profits decreasing?

British businesses say:

- 16.7%: Not stressed
- 39.2%: Moderately stressed
- 32.3%: Very stressed
- 11.8%: Extremely stressed

How stressed do you feel about cash flow?

British businesses say:

- 17.6%: Not stressed
- 42.2%: Moderately stressed
- 32.4%: Very stressed
- 7.8%: Extremely stressed

Opportunities generated from Covid and Brexit challenges

There is no doubt the world has undergone a tremendous transformation that has touched every individual and every sector. Having to overcome so many barriers, and wanting to survive this new reality, industries have had to reassemble and reinvent themselves.

And it is so, that after surviving the Bad and the Ugly, we start having a glimpse of the Good.

A few of the new opportunities for both, Engineering and Construction sectors:

- Move to an improved supply chain management
- Closer collaboration between subcontractors & suppliers through technology
- Offsite prefabrication
- AI powered video surveillance for security and keeping workers safe
- Reuse & recycle of existing spaces, structures & materials
- Enhanced city developments (with AI systems & thermal cameras)
- Moving to paperless in favour of technology
- Stronger cybersecurity measures derived from the huge increase of remote workers
- Green building acceleration
- Site digitalisation, a smarter way of working & collaborating
- The technology behind virtual tools (remote working) becomes more advanced
- Online entertainment. Online platforms bring the music and entertainment closer to people
- 3D printing technology becomes more popular

Who to chat to

If you wish to discuss this or any of the other articles in more detail, please feel free to contact Teodora Barr-Gonzalez either by phone or email

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Report: "The Good, The Bad & the Ugly; Opportunity, Covid & Brexit (I)"

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Part of the data used originates from a survey carried out by Close Brothers Asset Finance (March 2021). This data is focused on Construction companies across the UK with a turnover greater than 10m pa.

