STATE OF TRADE - SURVEY
RESULTS FOR Q1 - 2019

This survey is for quarter 1 (Q1) the period between 1 January and 31 March 2019.

This summary shows BESA only responses at both national and regional levels. **Total respondents = 160**

The State of Trade Survey is carried out on a quarterly basis, in partnership with the Electrical Contractors Association (ECA), the Scottish Electrical Trade Body (SELECT) and the Scottish and Northern Ireland Plumbing Employer's Federation (SNIPEF). This summary and the data herein represents the responses of Building Engineering Services Association (BESA) members. BESA, the ECA and SELECT represent a membership of over 4,500 businesses over the whole UK, covering England, Scotland, Wales and Northern Ireland, with a combined annual turnover of over £12 billion.

NOTE that figures in some of the graphs below show the **NET proportion of Members**, i.e. those experiencing growth minus those experiencing a decline. A positive figure indicates more are experiencing growth than decline and a negative figure indicates that more are experiencing a decline than growth.

The first quarter of this year saw an enthusiastic approach amongst the majority of respondents who reported that turnover remained largely the same or has somewhat increased since the last quarter. Predicted turnover growth appears to be quite stable across all regions particularly in the capital, with 86% of respondents expecting the same or higher turnover in Q2.

Another encouraging development has been seen in the Commercial Opportunities area, where demand and availability for labour and material remain relatively stable and has shown 3% increase since the last quarter. However, client demand appears to have experienced a minor drop over the last three months and has weakened by 3% since the last quarter.

The downside continues to be the rising material and labour costs with a 17% increase in combined material and labour costs since the last quarter. It appears that the beginning of the year continues the trend of increasing costs from last year and anticipation is even greater to see any positive development in these major areas of concern.

On a positive note, respondents have seen a slight decrease in tendering costs which either remained the same or has somewhat decreased since the last quarter. This positive variation is apparent for the first time in several consecutive quarters and has been widely prominent across all regions except Wales where half of the respondents indicated that greater costs of tendering remains an area of concern.

In another positive development from Q1, payment practices appear to have ever so slightly shifted over the last three months which indicates that respondents have seen a positive decrease from being paid within 60 or more days towards being paid within 30 days. This change is apparent in both direct and indirect public sector work and shows an overall increase of 4% in payments practices meeting the legal timeframe. Nonetheless the figures overall still remain unreasonably high to assert any major improvement with most respondents across all regions still reporting waiting beyond 30 days to be paid.

An interesting addition in Q1 is the breakdown of the signatories to the Prompt Payment Code which has revealed that 6% of respondents have already signed up to the Code and another 9% of respondents plan to join the Code this year. The interest appears to come from Southern and Northern England, Midlands and East, and Wales. However 40% do not plan on joining the Code.

Business Initiative in Q1 looks fairly stable with no major changes reported in the use of BIM and Project Bank Accounts. However 16% of the participants expressed skill shortages; electrical and mechanical engineers, air conditioning engineers and commercial refrigeration specialists are amongst those predominantly sought after.

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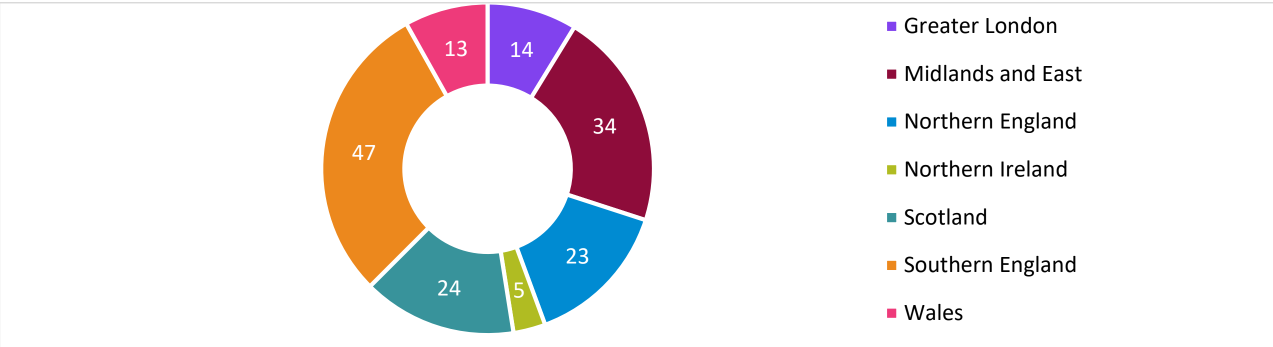
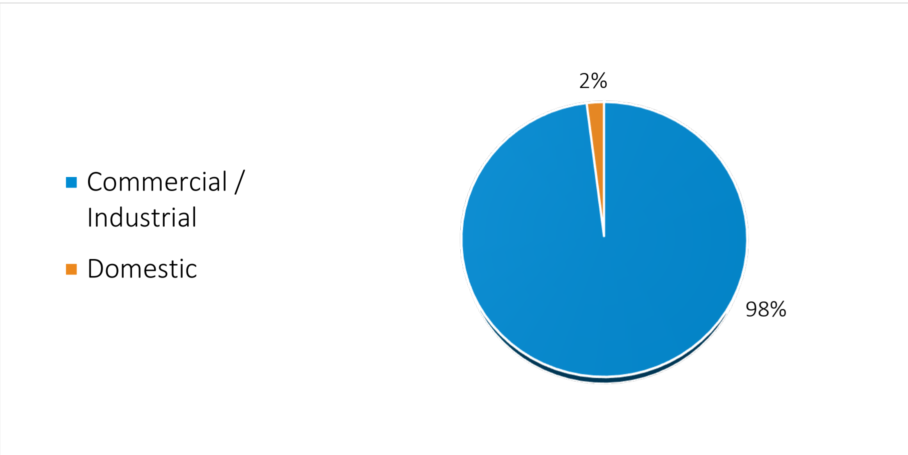
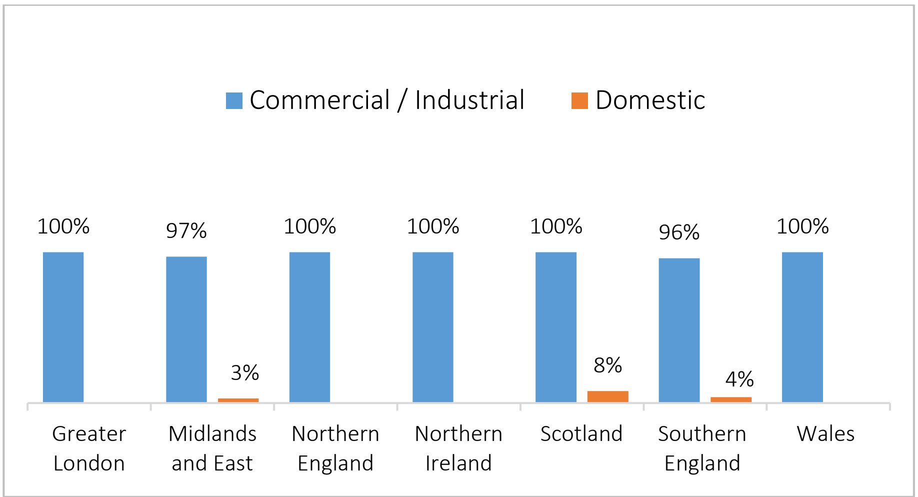
WHERE IS YOUR ORGANISATION'S MAIN OFFICE BASED?



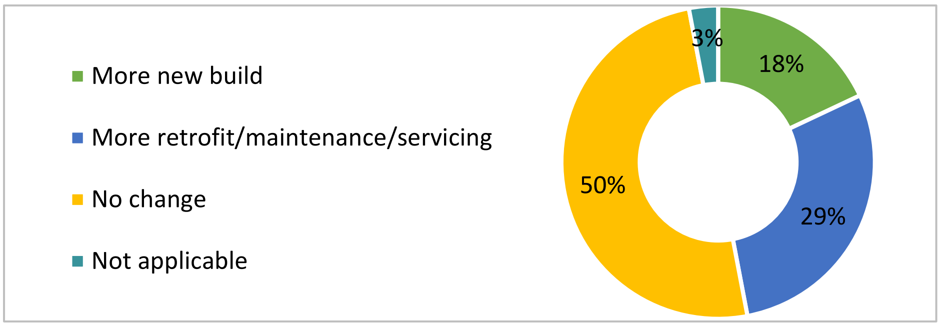
HOW WOULD YOU CLASS THE MAJORITY OF YOUR WORK? ('WORK' INCLUDES DESIGN, INSTALLATION, INSPECTION, COMMISSION, TESTING, MONITORING AND MAINTENANCE CARRIED OUT DIRECTLY OR VIA SUB-CONTRACTORS)?



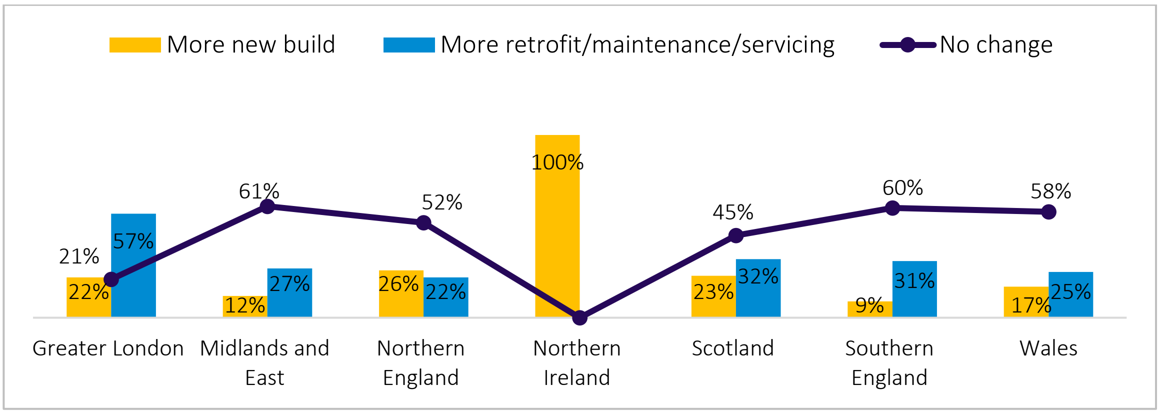
REGIONALLY



HOW WAS YOUR ORGANISATION'S WORK SPLIT BETWEEN RETROFIT/MAINTENANCE/SERVICING AND NEW BUILD COMPARED TO THE PREVIOUS QUARTER?

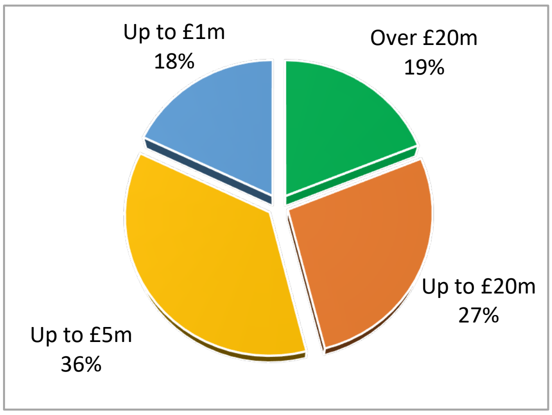


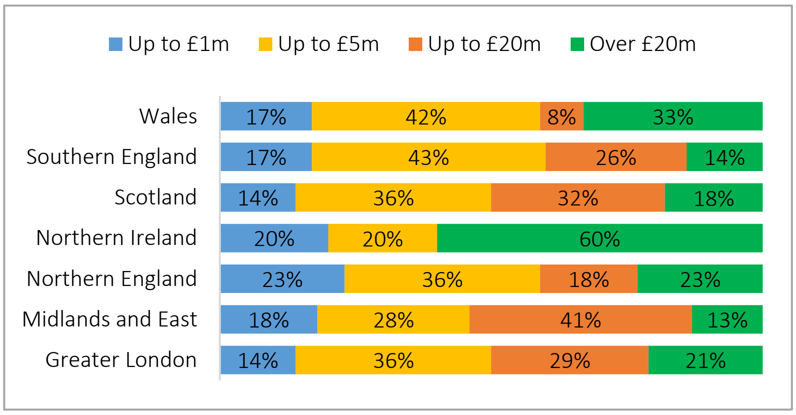
REGIONALLY



MARKET OUTLOOK AND TURNOVER

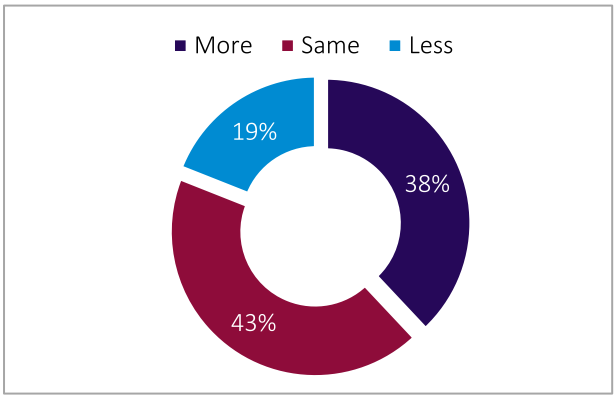
WHAT IS YOUR ORGANISATION'S ESTIMATED TOTAL ANNUAL TURNOVER?

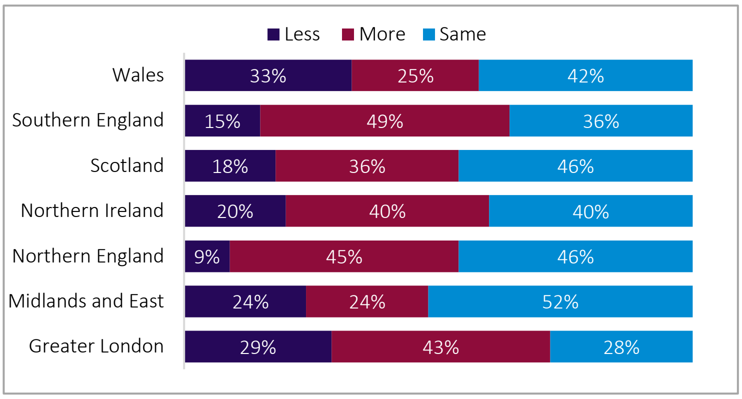




	Up to £1m	Up to £5m	Up to £20m	Over £20m
Wales	17%	42%	8%	33%
Southern England	17%	43%	26%	14%
Scotland	14%	36%	32%	18%
Northern Ireland	20%	20%		60%
Northern England	23%	36%	18%	23%
Midlands and East	18%	28%	41%	13%
Greater London	14%	36%	29%	21%

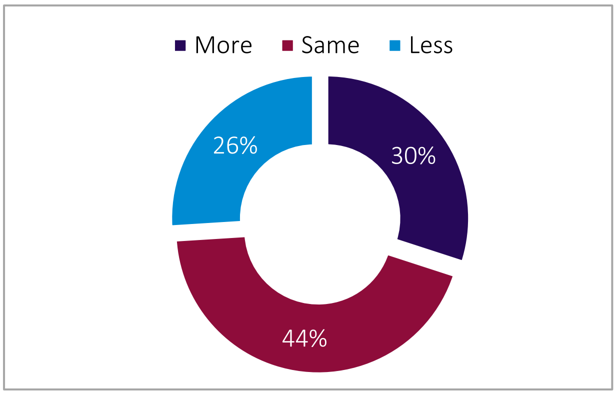
HOW DOES YOUR ENTIRE TURNOVER COMPARE WITH THE LAST QUARTER?

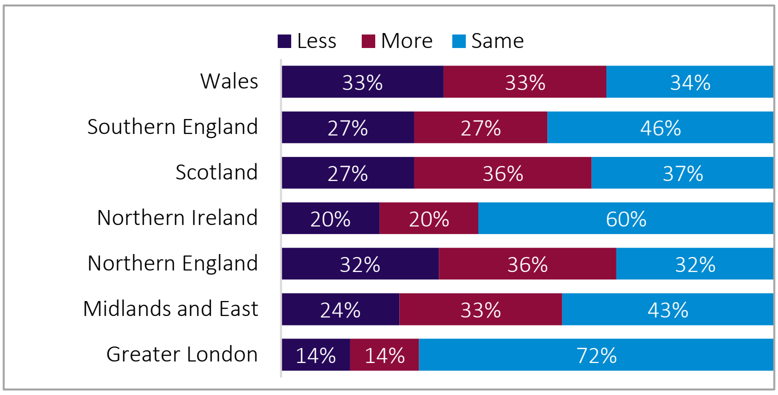




Whilst the majority of participants report that turnover stayed mainly the same, a slight decrease continues to be seen across some regions.

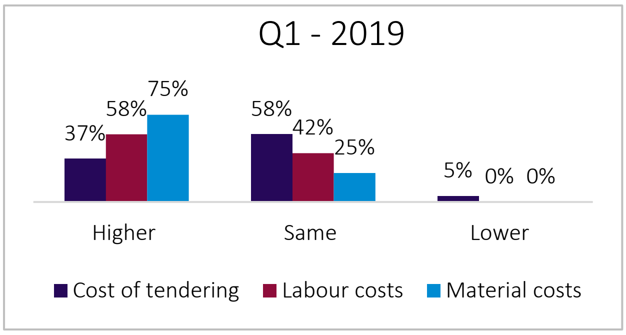
HOW DO YOU EXPECT YOUR TURNOVER FOR THE COMING Q2 2019 TO CHANGE?

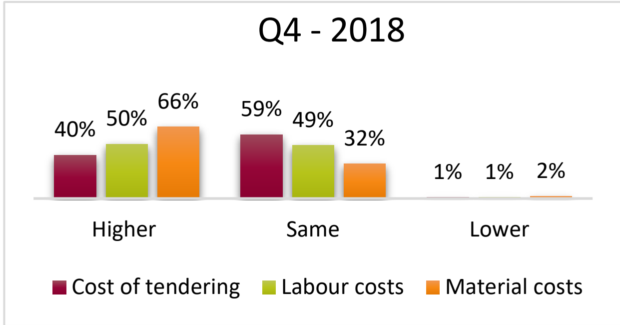




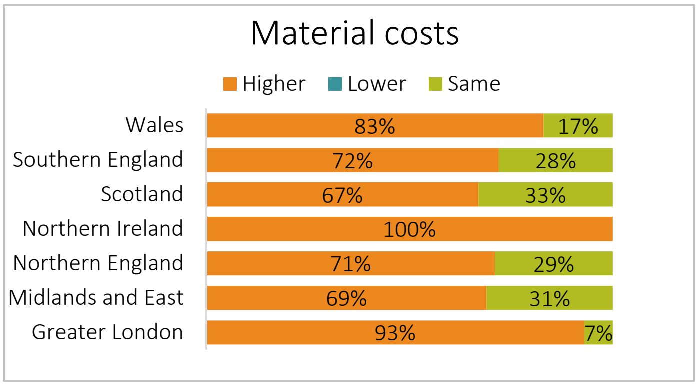
Although in general the attitude for Q2 2019 appears to be positive again, with the majority expecting their turnover to either increase or stay the same in the coming quarter, Wales, South England, Scotland and Northern England estimate there could be a slight decrease in turnover compared with last year. However, the expectation of a decrease appears to be lesser than in the previous quarter.

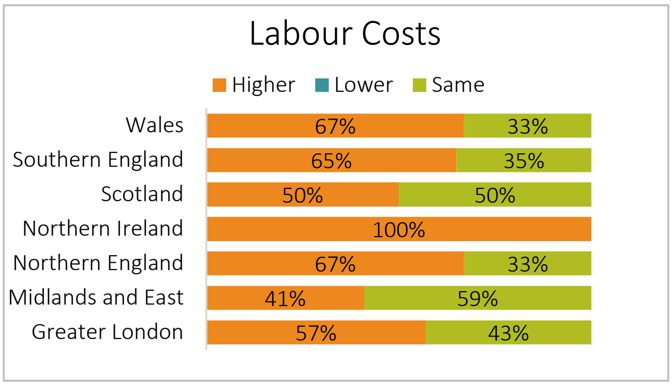
HOW HAVE THE FOLLOWING COSTS TO YOUR ORGANISATION CHANGED IN Q1 COMPARED TO THE LAST QUARTER?

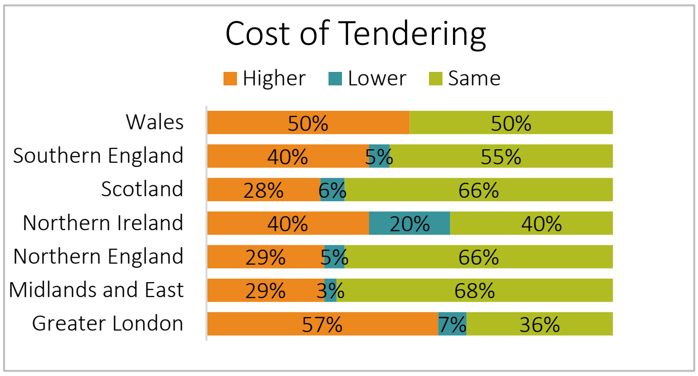




REGIONALLY







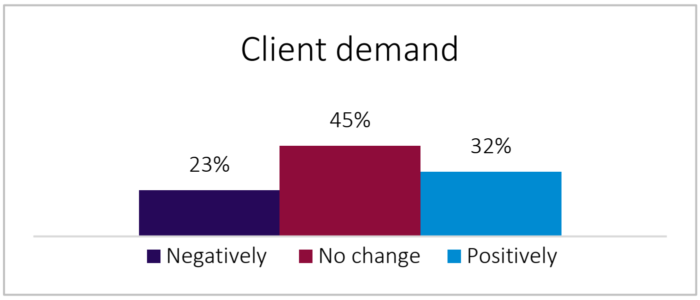
Material costs continue to rise with nearly 8 in 10 participants reporting an increase. The figures in this quarter reveal a 7% rise compared with the last quarter.

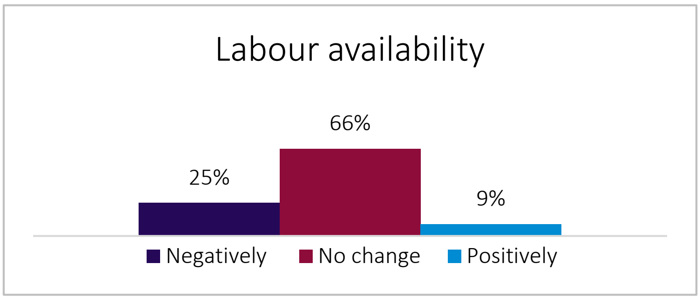
Likewise, labour costs appear to have increased in Northern Ireland, Northern England, Midlands and East and the London region.

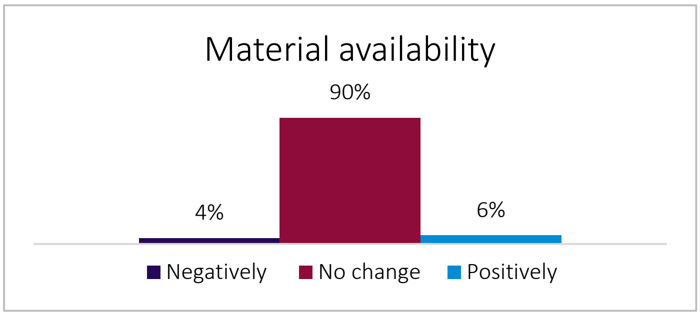
On a positive side, tendering costs appear to have stayed the same or even seem to have slightly decreased across all regions except Wales.

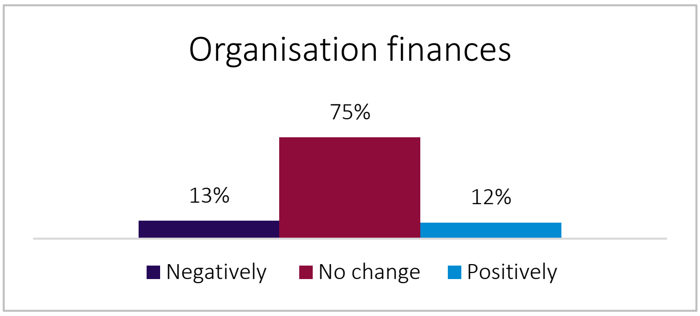
COMMERCIAL OPPORTUNITIES

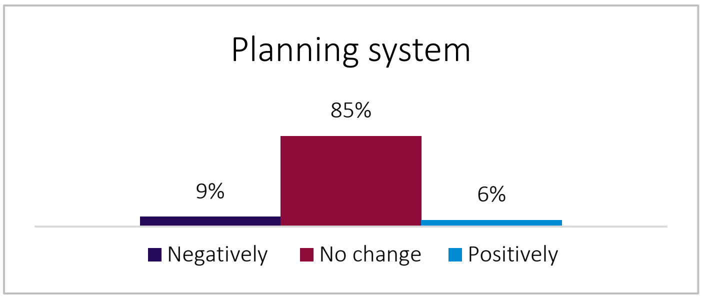
HOW DID THE FOLLOWING AFFECT YOUR ORGANISATION'S WORK OUTPUT DURING Q1 2019 COMPARED TO Q4 2018?

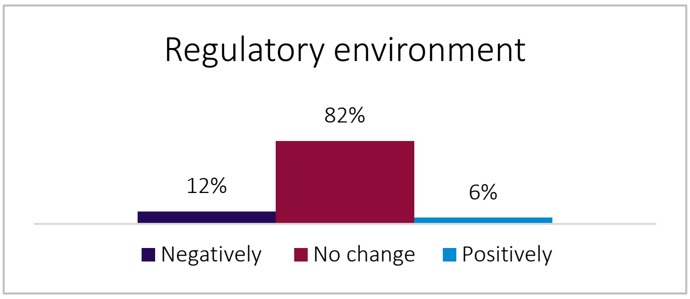


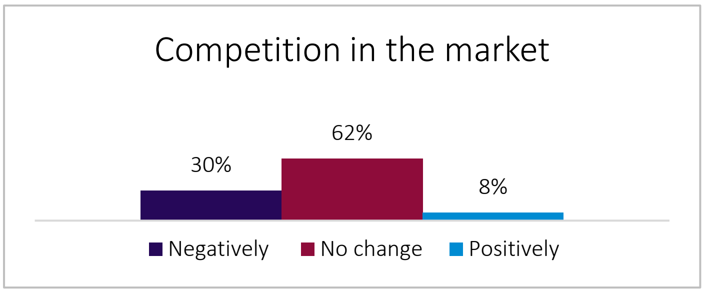






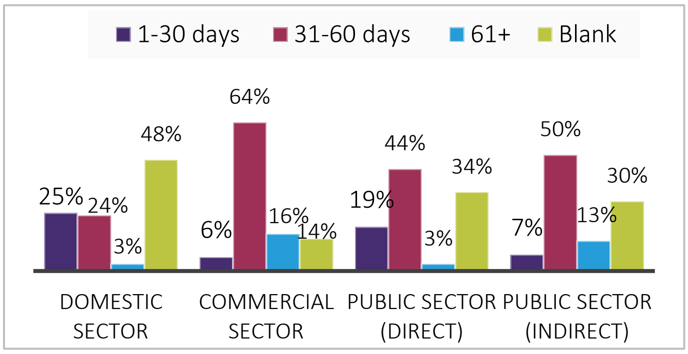






- Client demand has seen a negative increase by 3%
- Labour availability has positively increased by 3%
- All other areas remain relatively stable

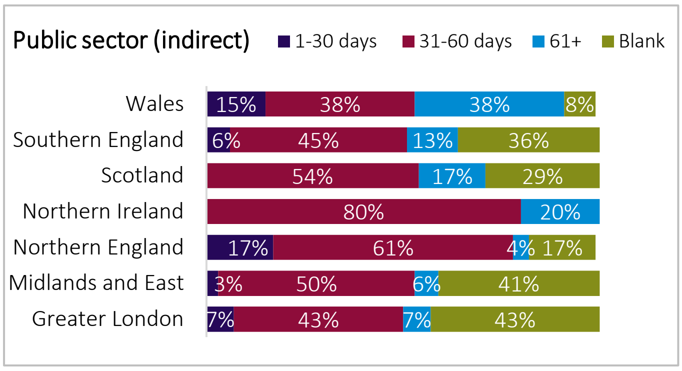
PAYMENTS – MAJORITY OF BUSINESSES WERE NOT BEING PAID WITHIN 30 DAYS

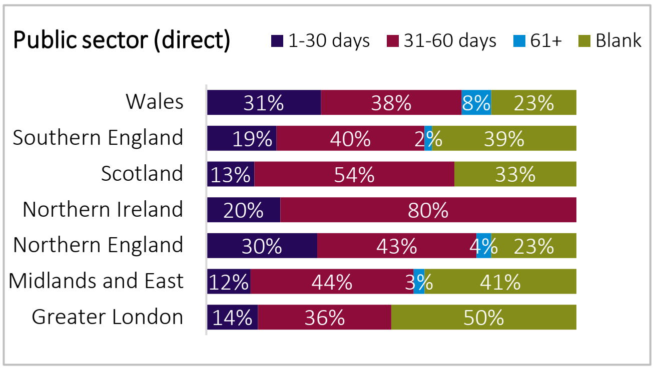


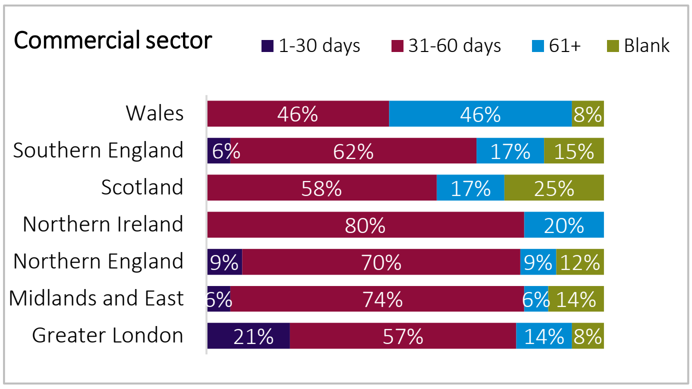
Across both public direct and public indirect sectors half of the respondents indicated that public sector organisations are not paying within 30 days, in continuing breach of legislation.

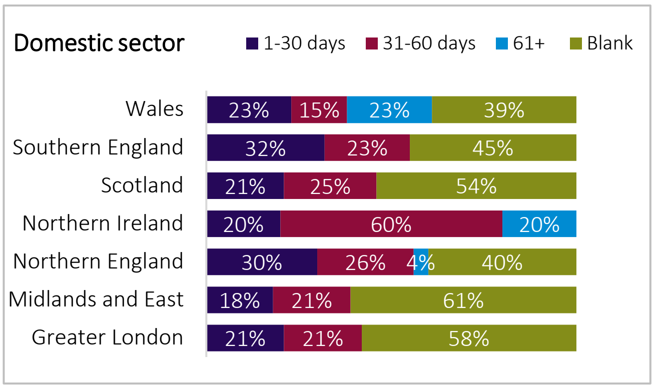
The figures are particularly alarming in the indirect public sector, where **only 11 out of 160 participants (7%)** receive payment within the specified legal timeframe of 30 days.

REGIONALLY



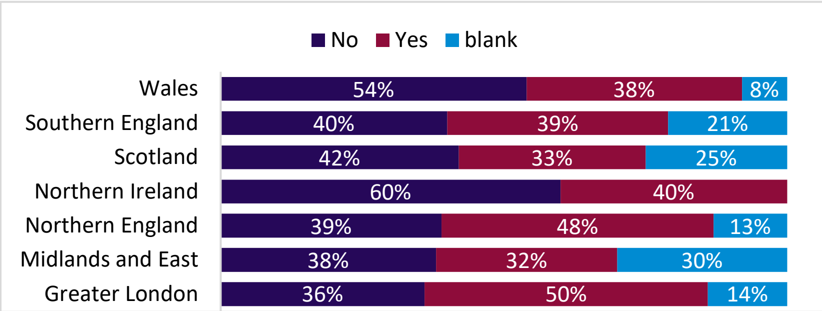






The figures for public direct and indirect sector payments continue to display the critical need for improvement in public procurement and contracts, where less than a quarter of all respondents receive payment within the legislative timeframe of 30 days.

IN YOUR ORGANISATION'S PUBLIC SECTOR WORK, DO YOUR CLIENTS TYPICALLY INSERT 30-DAY PAYMENT CLAUSES?

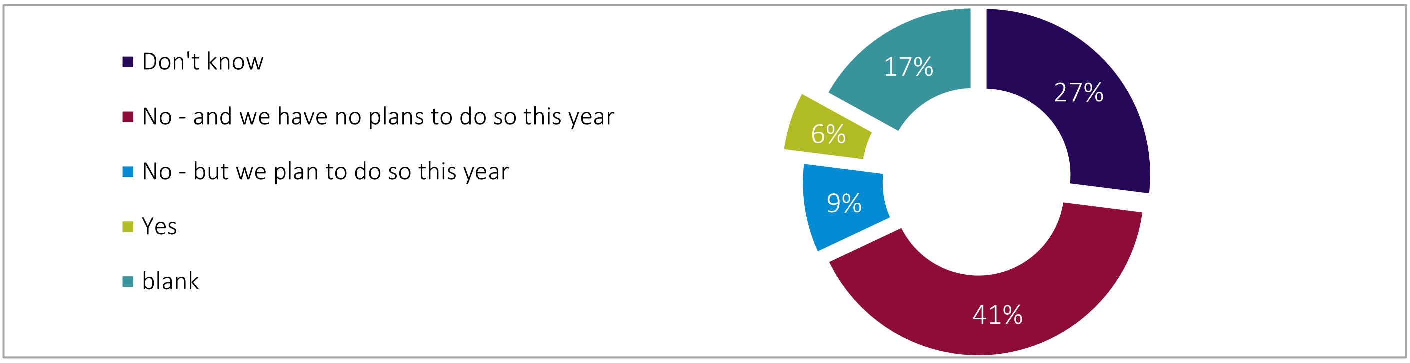


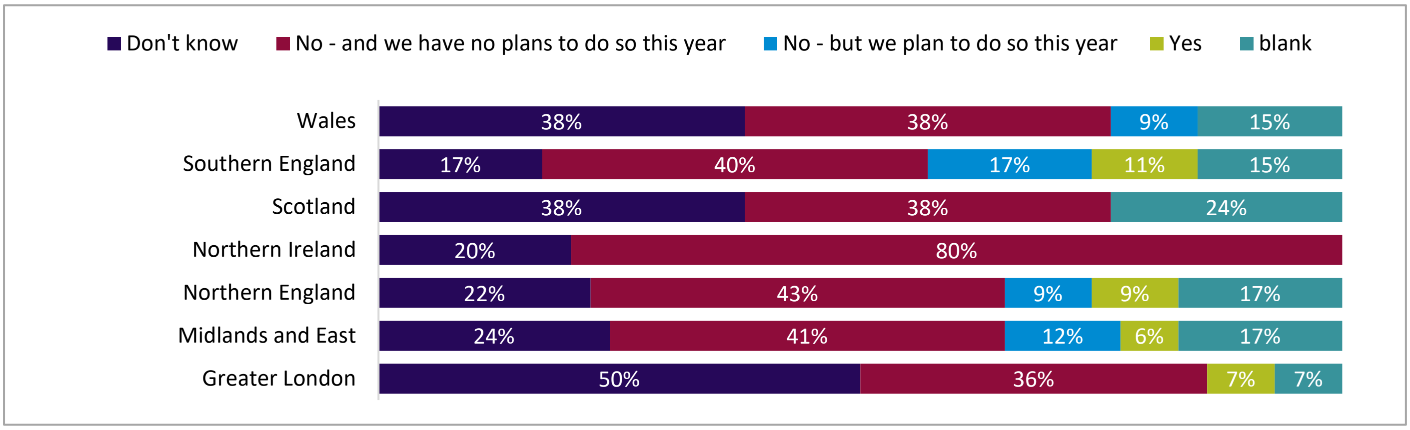
Only 39% of all respondents said that clients typically **DO** insert under 30-day payment clauses whereas 41% said that they **DO NOT** insert such a clause.

Some of the comments received were:

- *"Payment terms usually 60 days regardless of what contract says"*
- *"Contract documents don't mention the payment cycle"*
- *"It appears that public sector payment arrangements are worsening and many disregarding the government payment guidelines"*
- *"European single procurement document (ESPD) is time consuming and complicated and is putting small businesses off the public contracts"*
- *"Poor payment practice is typical between the contractors and their subcontractors"*

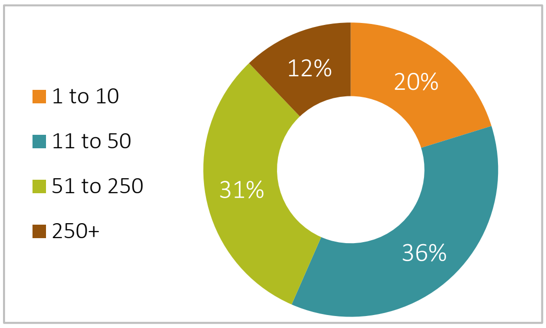
IS YOUR ORGANISATION A SIGNATORY OF THE PROMPT PAYMENT CODE?

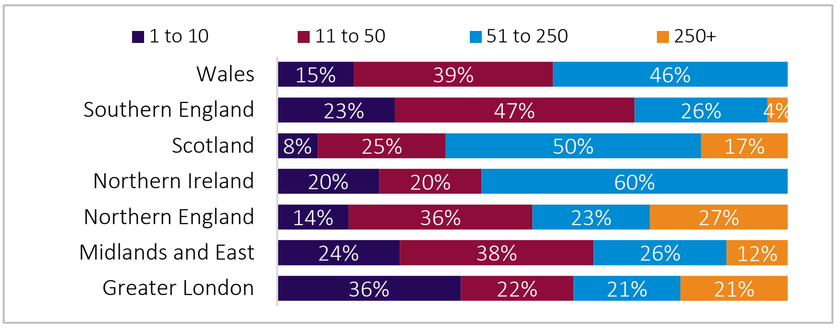




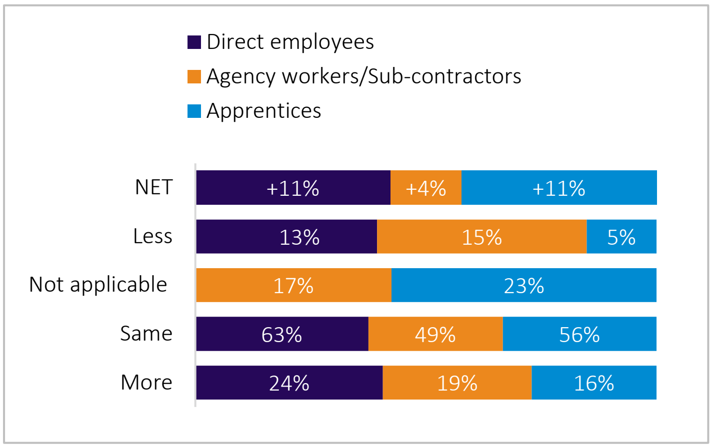
BUSINESS INITIATIVE

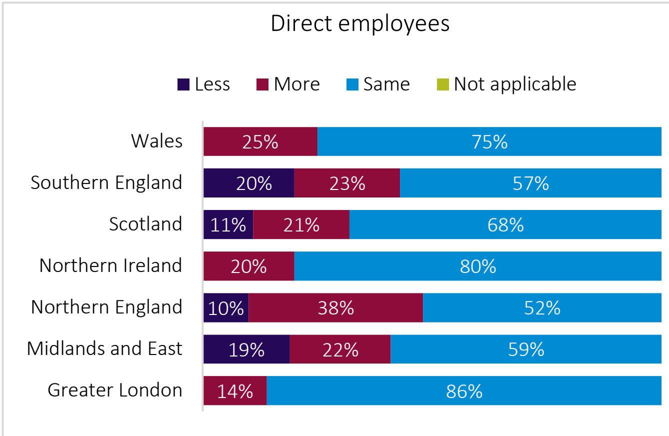
PERCENTAGE OF DIRECT EMPLOYEES IN YOUR ORGANISATION

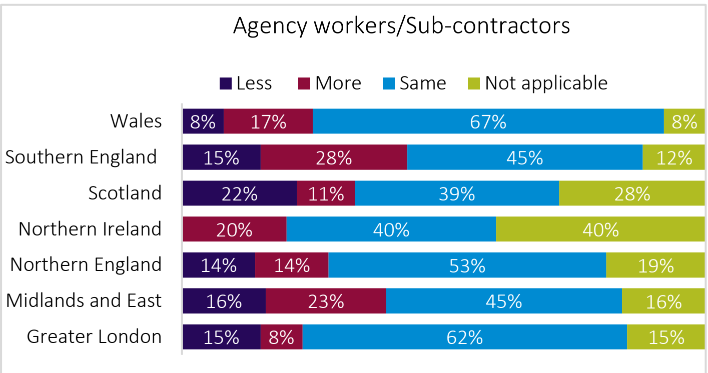


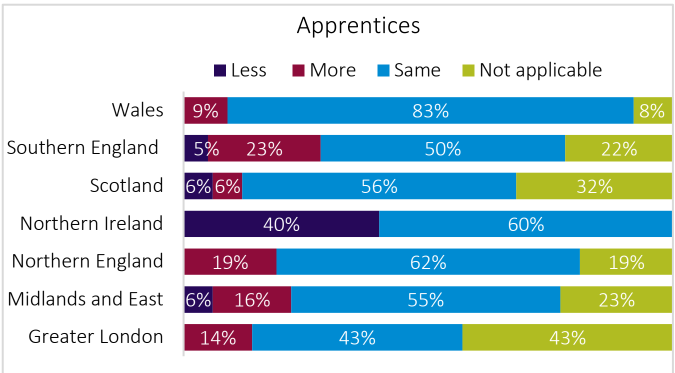


HOW MANY OF THE FOLLOWING TYPES OF PERSONNEL DID YOU EMPLOY IN Q1 COMPARED TO LAST QUARTER?









Across all regions the number of direct employees and apprentices appear to have increased or stayed the same overall since last quarter.

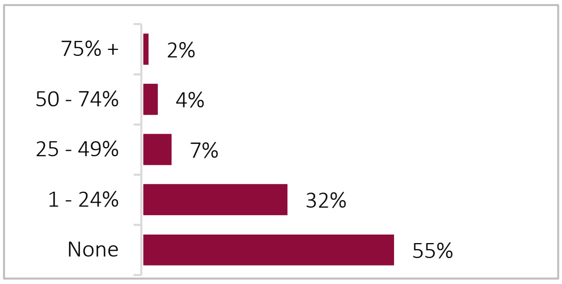
IF YOU EXPERIENCED SKILLS SHORTAGES IN ANY OF THE ABOVE, PLEASE SPECIFY THE NATURE OF THEIR WORK

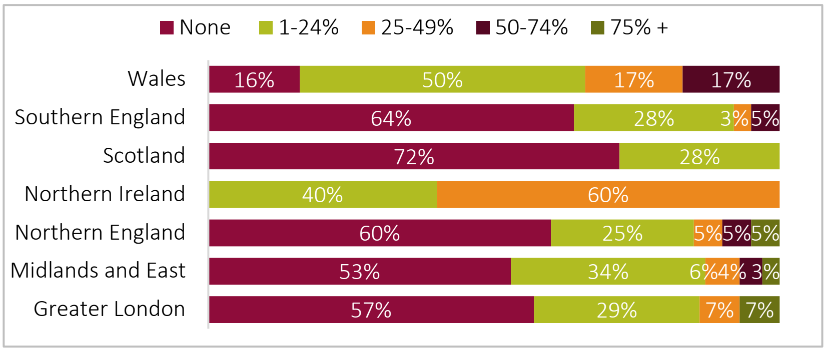
Electrical and Mechanical engineers
Pipe/Sprinkler fitters/ Plumbers
Gas engineers
Air conditioning engineers
Ductwork engineers
Quantity surveyors
Heating and Diagnostic engineers
Catering engineers
Commercial Refrigeration engineers
Project managers
Welders

16% indicated skill shortages concerning professionals listed on the left

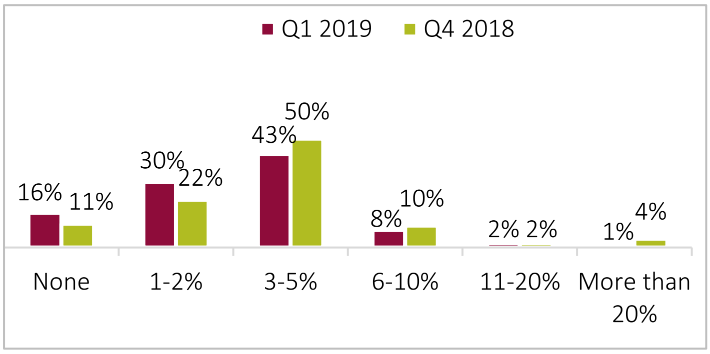
HOW MANY OF YOUR PROJECTS INVOLVED BIM?

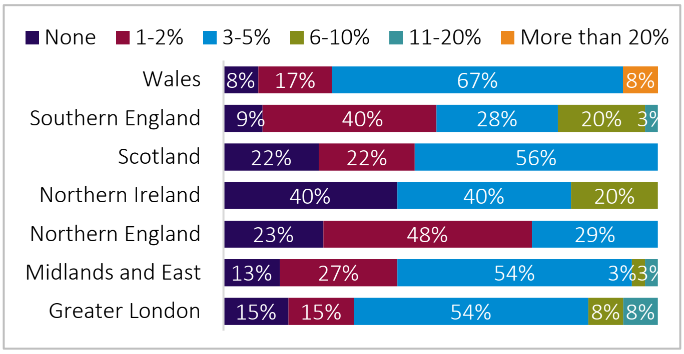
Based on 141 responses.



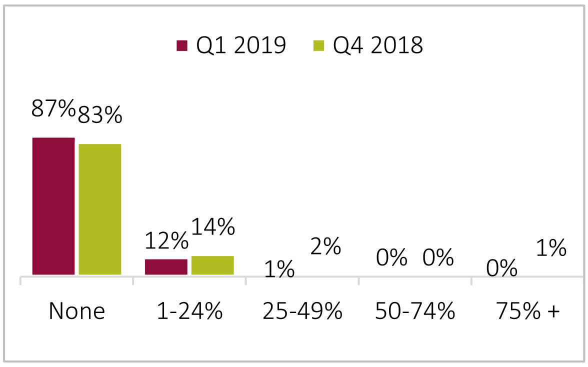


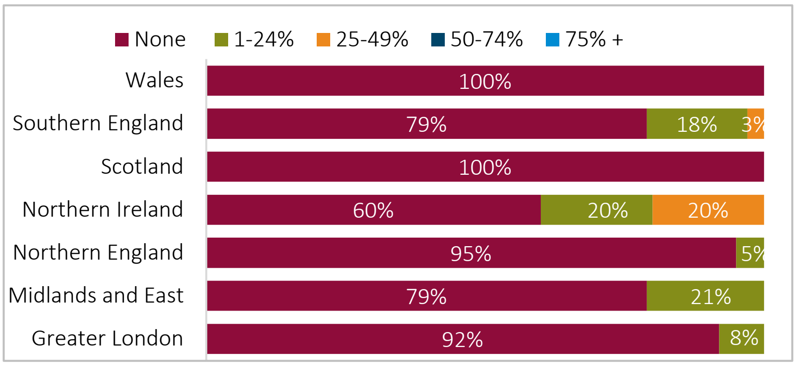
HOW MUCH OF YOUR TURNOVER WAS TIED UP IN RETENTIONS IN Q1?





HOW MANY OF YOUR PROJECTS USED PROJECT BANK ACCOUNTS (PBA) IN Q1?





METHODOLOGY

The data in the State of Trade Survey is drawn from a survey of BESA members, and relates to the period between and including January to March 2019. The total number of respondents to the survey was 160, all from businesses ranging in size, turnover and number of employees. The charts and graphs herein have shown regional, sectoral, trade and national results for Q1 and are complimented by BESA comments and observations. This survey is conducted every quarter to establish trends over time and to effectively study and identify the key issues, concerns and positive developments in the built environment sector. The key data represented in the Survey is:

- Market Outlook
- Turnover
- Payment Practices
- Business Initiative
- Workforce Analysis