/ Brexit and Europe:

Coping with uncertainty in the Construction sector

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Roomex

Intro

Although it's been over three years since the Brexit vote, the total impact on the construction industry across Europe is still far from clear. British politics is at an impasse, and it's unclear how and when the result of the referendum will be implemented - or which Prime Minister will be the one to do so.

A 'soft' Brexit would mean leaving the EU with a deal in place with the other 27 countries. A 'hard' Brexit would mean leaving without a deal, and is potentially likely to have a much more disruptive effect on European markets.

With no clear end in sight, it's crucial that businesses in the construction industry do some forward planning to Brexit-proof their businesses.

Who is this guide for?

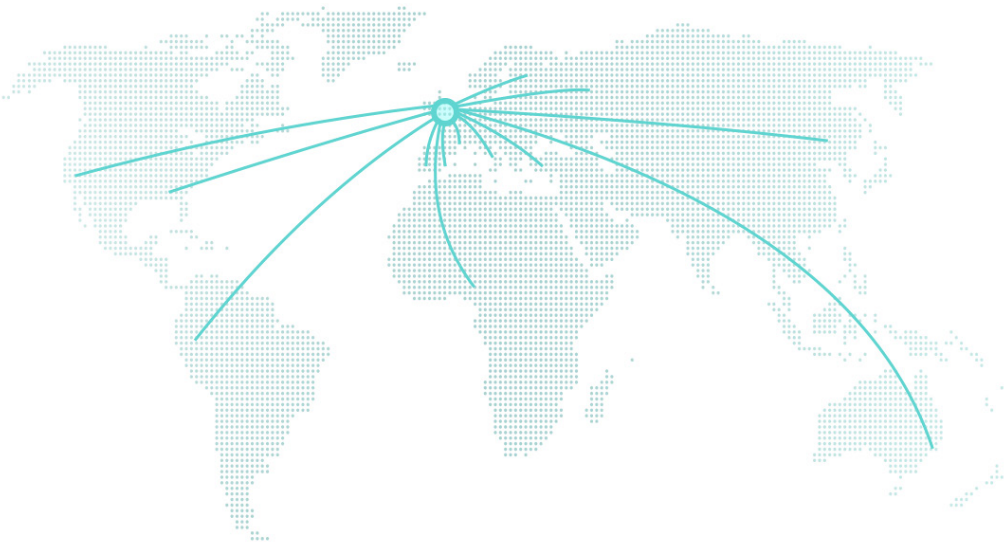
This guide is intended for decision-makers in the construction industry in Europe, and especially those that do business with the UK. These might include:

- **Business Owners**
- **Supply Chain Managers**
- **Hiring Managers**
- **CFOs/ Financial Planners**
- **Quantity Surveyors**
- **Project Managers**

What you'll learn

This book is intended to outline the major issues facing the construction industry post-Brexit, and offer an action plan for mitigating the challenges it may create. It discusses what changes Brexit will bring, and how they might impact your business's ability to operate.

It looks at steps you can take to create a viable business plan in an uncertain environment. This includes making sure you have the right staff, supply chain management, and capital.



Freedom of Movement and construction workers

For many years, the construction industry in Western Europe and particularly in the UK has relied heavily on labourers from eastern European countries that have more recently become members of the EU. This was a straightforward process, because within the EU the principle of Freedom of Movement means citizens of any EU country don't need visas to live or work in other EU countries. As such, British construction companies could easily hire workers from any country in the EU, such as Romania, Estonia, Latvia and Lithuania. In the aftermath of Brexit, company's have been left with little certainty as regards hiring EU nationals in the future. The British Government has committed to ending Freedom of Movement as soon as possible.

What alternatives are available to emigrant construction workers?

The good news for labourers in the construction sector is that their skills are highly sought after. There is a global shortage of construction workers, and those working in the industry as it stands are an ageing cohort. There are many factors behind the move away from careers in construction, but a major one was the recession in the 00s which saw the industry decimated, Very few people trained in construction jobs in the following years, resulting in the skills shortage we see today.

Eastern European workers who would like to emigrate to other EU countries can still easily do so to any country apart from the UK. Language skills, job availability and cultural fit will determine the best choice for each individual.

How can European construction companies take advantage of Brexit's impact on emigration?

If Britain doesn't want immigrant construction workers, countries like Germany, France and Italy that are experiencing a boom in construction should stand ready to take advantage.

Strike while the iron is hot!
European construction companies should seek connections with eastern European recruitment agencies, as well as universities and Chambers of Commerce. Provide attractive remuneration packages, solid career pathways and opportunities for cultural integration for maximum impact.

What about European construction workers who are already in the UK?

If the UK secures a Withdrawal Agreement with the European Union, it's likely that will protect EU workers currently resident and working in the UK. In the case of a 'hard Brexit', where the UK leaves the EU without an agreement, the situation is less clear. In either case,The situation for new EU workers coming to the UK in the future is likely to be more complicated.

The Northern Ireland backstop: What is it, and why does it matter?

Are you confused about the backstop? Northern Ireland is comprised of six counties on the island of Ireland that are a part of the United Kingdom. After decades of violence, known as 'the Troubles', peace was made in 1998 when both sides signed the Good Friday Agreement. Before that, border checkpoints between the Republic of Ireland and Northern Ireland were often the sites of violence.

Since then, people and goods have been able to move freely across an 'invisible' border with no checkpoints. This was made possible by the fact that both the UK and the Republic of Ireland are members of the European Union, so no borders were necessary between them because of Freedom of Movement and Freedom of Goods.

Brexit poses a dilemma for policymakers in this regard. The end of Freedom of Movement means that the UK will be outside of the Single Market, which means a border is theoretically necessary between the two countries. The Republic of Ireland will be in the EU, and Northern Ireland won't be. However, having physical border checkpoints goes against the terms of the Good Friday Agreement.

The Irish backstop is a name referring to the European Union's proposal to keep Northern Ireland in some aspects of the European Union Customs Union and of the European Single Market to prevent a hard border.

If you're operating on sites in Northern Ireland, export materials to Northern Ireland, or use Northern Ireland as a base for business in Ireland, a hard Brexit will impact your ability to cross the border freely. You may need visas for workers, and you could be liable for tariffs transporting goods and equipment across the border.

The global economic outlook

There are indications that globally, a recession may be on the horizon. European construction companies should take this to mean that while the industry is currently expanding, they should assess growth opportunities with prudence.

Economic growth in the US is slowing, China is in the midst of a debt crisis, and the two countries appear set on a trade war with each other, the impact of which will ripple across the global economy. Meanwhile, Venezuela is in political and economic turmoil and Iran is blockaded by the US - which has an impact on the price of oil.

In Europe, the German economy is shrinking, persistent unemployment rates have tipped Italy back into recession, and France is on the brink of one. A global slowdown on top of Brexit is likely to have a significant impact on the ability of the construction sector to sustain growth, profitability, or even maintaining current levels of business.

As such, the construction industry in Europe should be cautious about ambitious new projects, keeping a careful eye on balance sheets and paying particular attention to pipeline planning to avoid a repeat of the devastation of 2008.

A global slowdown on top of Brexit is likely to have a significant impact

What is the impact of a weak Pound?

Since June 2016, the Pound has had a turbulent time. In particular, it tends to dip when Westminster leans toward a hard Brexit, and recover somewhat when leaders talk about making a deal. The overall picture since the vote, however, is that the Pound has dipped by 18%. Although certain British sectors, particularly the services industry, are performing better than expected, construction and manufacturing are both contracting.

If you export raw materials to the UK, a weak pound may reduce demand as your prices become comparably higher.
The weak Pound, can however be an advantage if you are importing goods from the UK as it makes prices more competitive. It also devalues salaries making the UK a less attractive place to emigrate to for work.

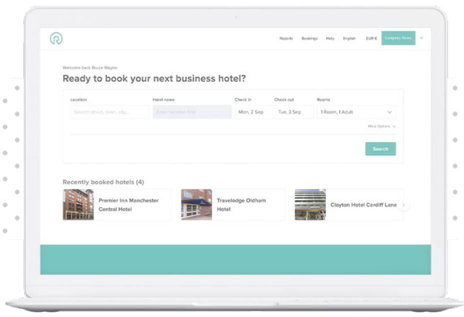
International investment

In the aftermath of the Brexit vote, numerous major global financial services firms - especially those headquartered in the US and Asia - that had been operating out of the City of London started making contingency plans. In many cases, they decided to move their European headquarters to Dublin, Paris or Luxembourg rather than Dublin in order to retain the rights that go along with being in the EU.

This may mean new opportunities for projects as these banks and firms expand across Europe, as well as greater access to funds for investments.

Want to learn more?

Get in touch with one of our workforce travel experts today



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