

SME Q3 2023

Barometer

Investing for success

CONSTRUCTION



paragon

Investment plans

Construction SMEs are planning to invest in a range of critical assets over the next six months.

Equipment is set to record the largest increase in the proportion of firms planning to invest, with 40% of those surveyed planning to do so – a nine percentage point increase from the previously recorded data.

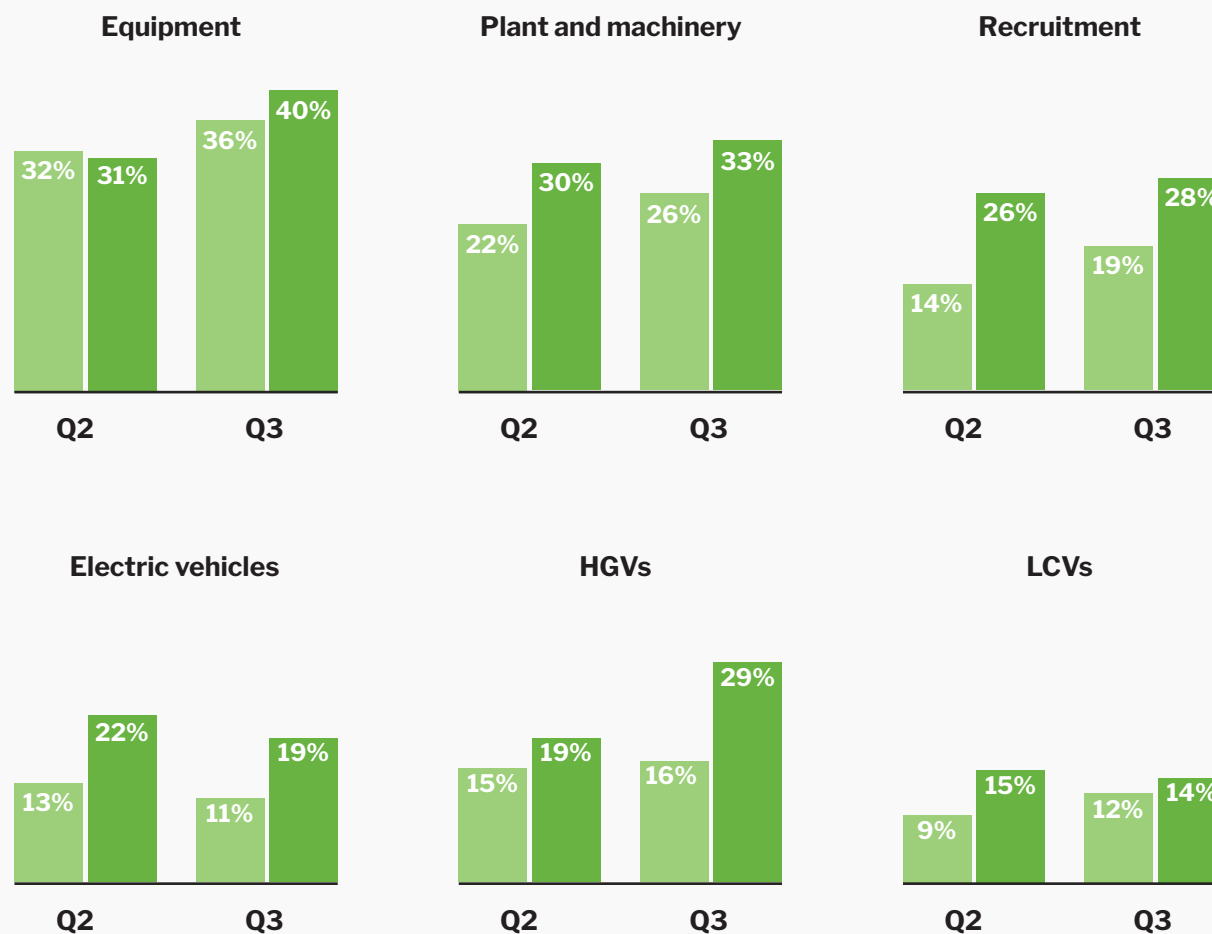
Plant and machinery investment is also set to increase, thanks to a 3% rise in the proportion of construction firms planning to spend on assets (33%).

HGV assets are also forecast to increase, thanks to the proportion of firms investing rising from 19% to 29% - but the new data finds a reduction in the number of firms set to invest in LCVs and electric vehicles. While LCVs only see a percentage point fall to 14%, electric vehicles are due to fall from 22% to 19% of firms investing.



Past vs. planned investment

■ Last six months ■ Next six months



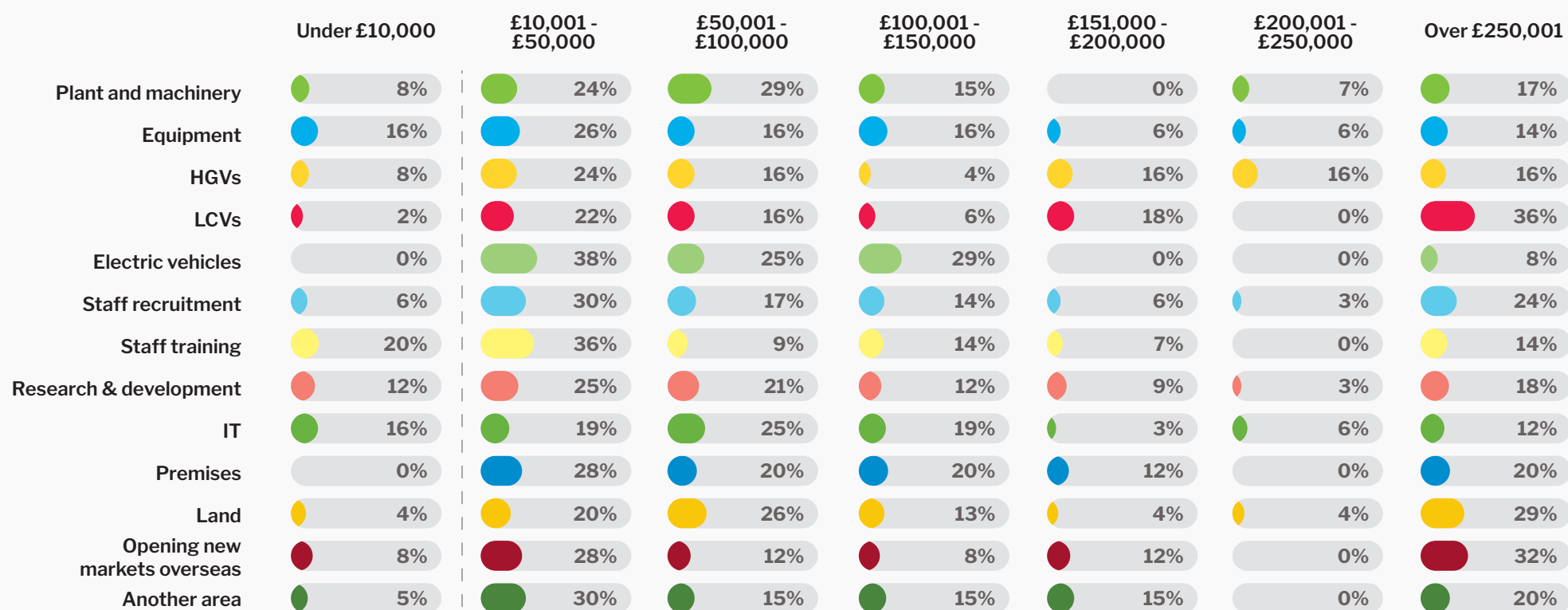
Investment levels

LCVs are set to lead the level of substantial investment by construction SMEs over the next six months - with over a third (36%) of business planning to acquire assets set to spend over £250,000.

The new data also finds UK construction SMEs planning to invest in expansion overseas, with 32% of those set to do so predicted to spend over £250,000. This level of investment is closely followed by 29% investing a similar amount in land (29%).

Traditional construction assets will also continue. Of those planning to invest in machinery and equipment, 83% and 86% respectively will spend up to £250,000.

Planned investment spend by SMEs in the next six months

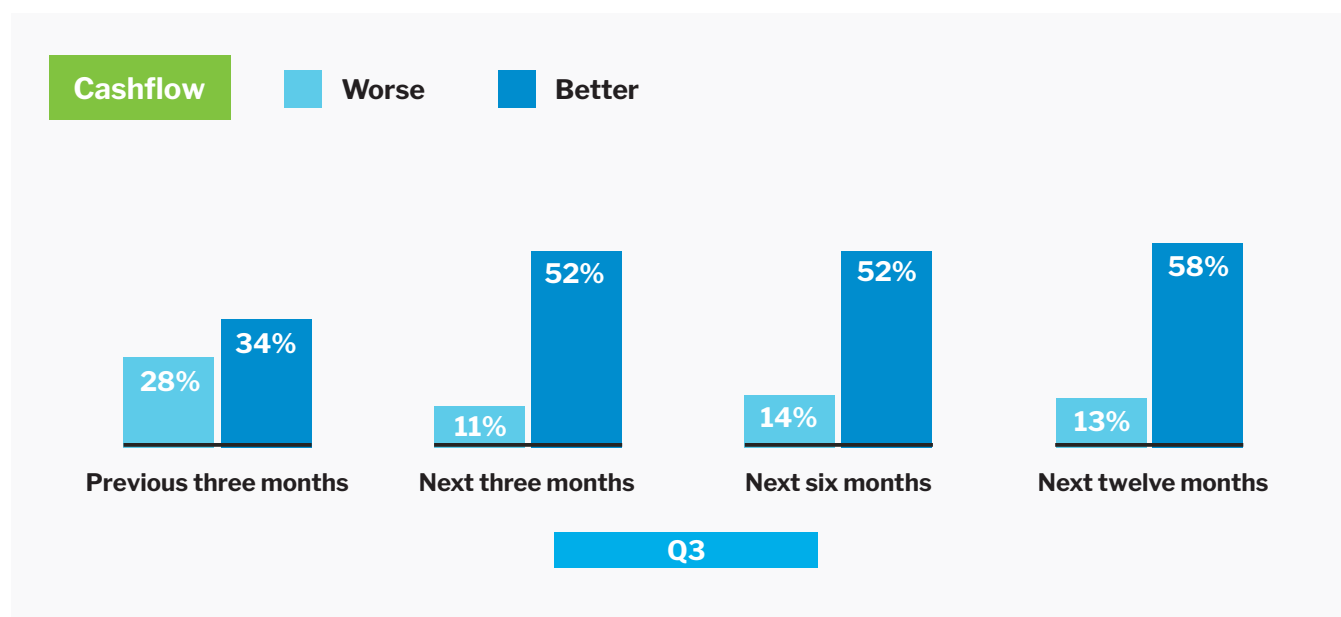
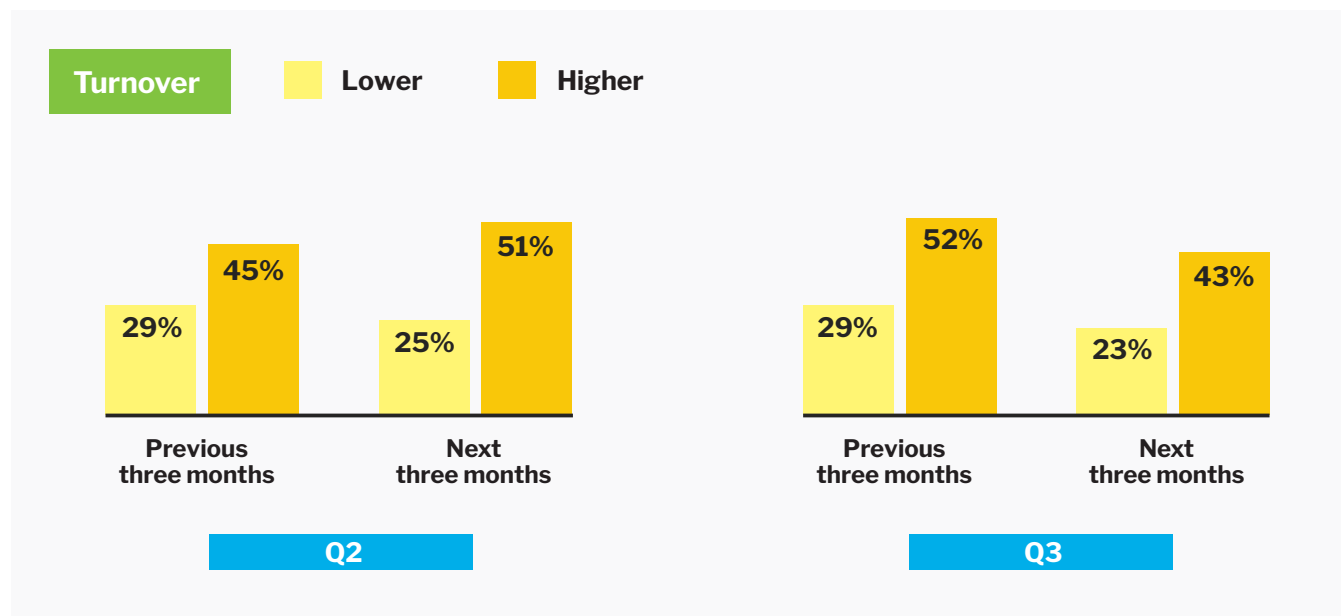


Cashflow and turnover

Almost half of construction SMEs (52%) have reported increased levels of turnover – a 7% increase on the previous data set.

Looking forward, turnover is set to decline in the coming months with the proportion of firms expecting it to increase falling to 43% - the lowest level recorded in either the current or previous data sets.

While construction firms were found to have concerns over turnover, this is counterbalanced by expectations for improved cash flow. The previous data found that 44% expected it to improve in the following three months, but this has increased to 52% in the new data set – rising to 58% in 12 months' time.



Business confidence

Over half (52%) of construction SMEs surveyed were confident about the prospects for their own business over the next three months, a decline from the 54% recorded in the previous data. This small decline is concurrent with 51% of firms continuing to have confidence in the sector, a percentage point reduction on past data.

While firms report a decline in confidence for their business and the wider sector, there has been an improvement in confidence in the UK economy – rising by 5 percentage points to 39% in the new data.

Confidence in the next three months

Q2

Own business

54%

confident

17%

not confident

39%

unsure

Own sector (agriculture, transport, manufacturing and construction)

52%

confident

17%

not confident

31%

unsure

UK economy

34%

confident

33%

not confident

33%

unsure

Q3

Own business

52%

confident

18%

not confident

30%

unsure

Own sector (agriculture, transport, manufacturing and construction)

51%

confident

11%

not confident

32%

unsure

UK economy

39%

confident

32%

not confident

29%

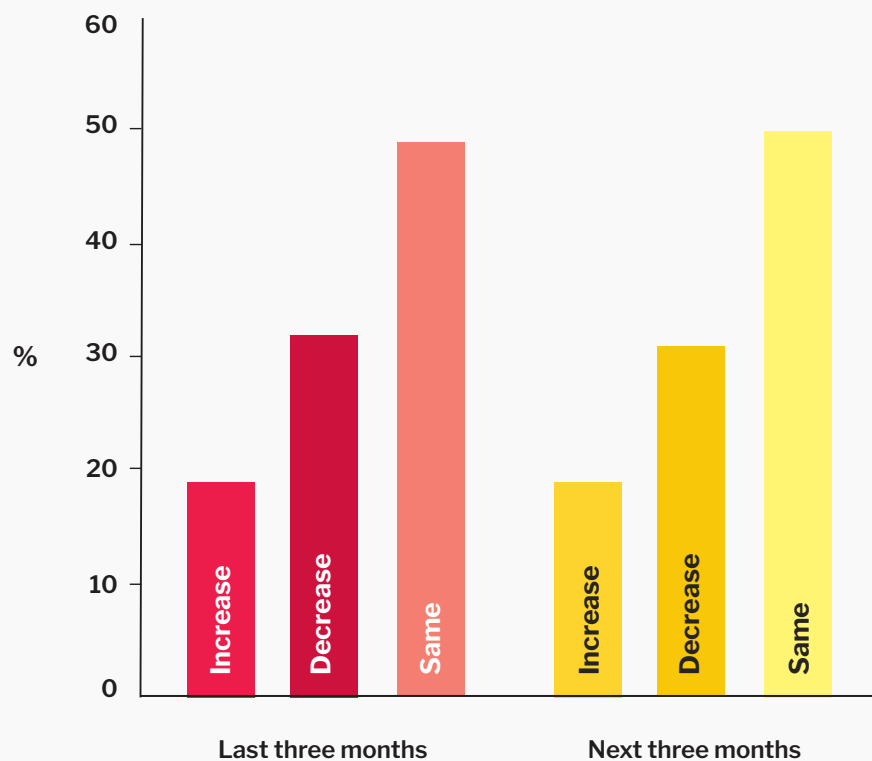
unsure

Employment and recruitment

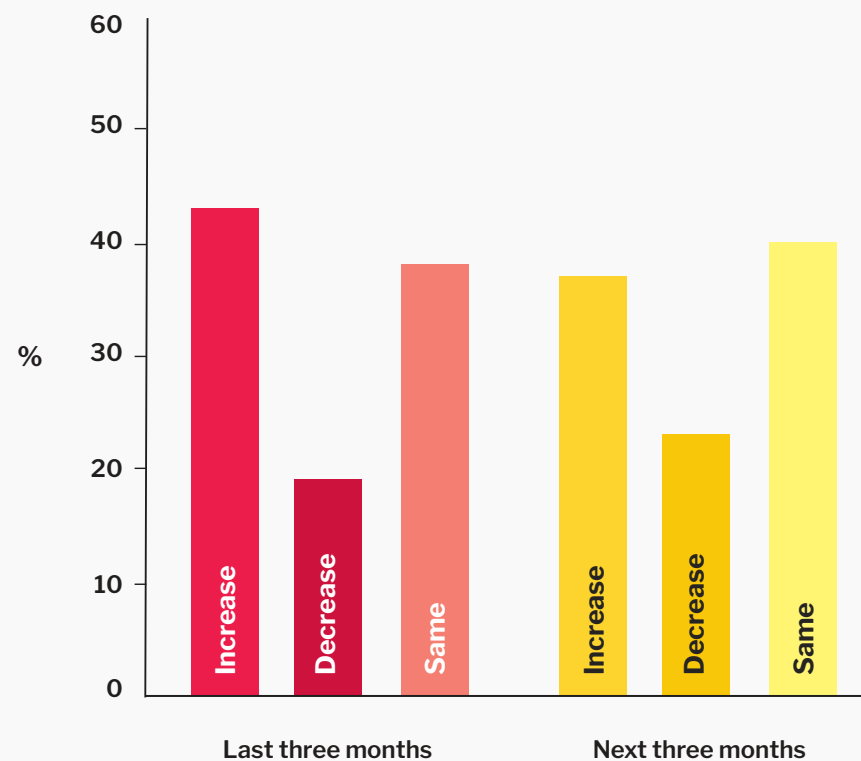
Over four in ten construction SMEs (43%) recently increased full-time staff numbers, a rise of 24 percentage points from the previous data.

The rise in current employment levels is not set to continue, with a fall to 37% expected in the coming months – alongside the proportion of firms expecting lower full-time staffing levels rising to 23% from 19%.

Staffing



Q2

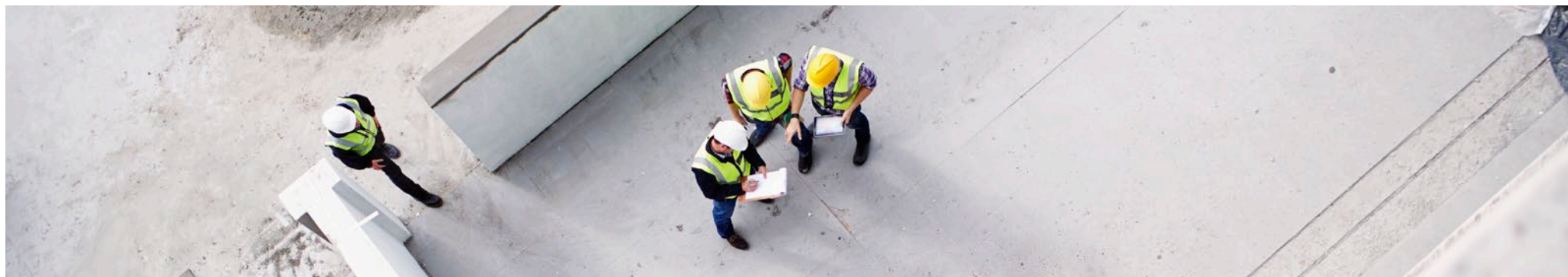
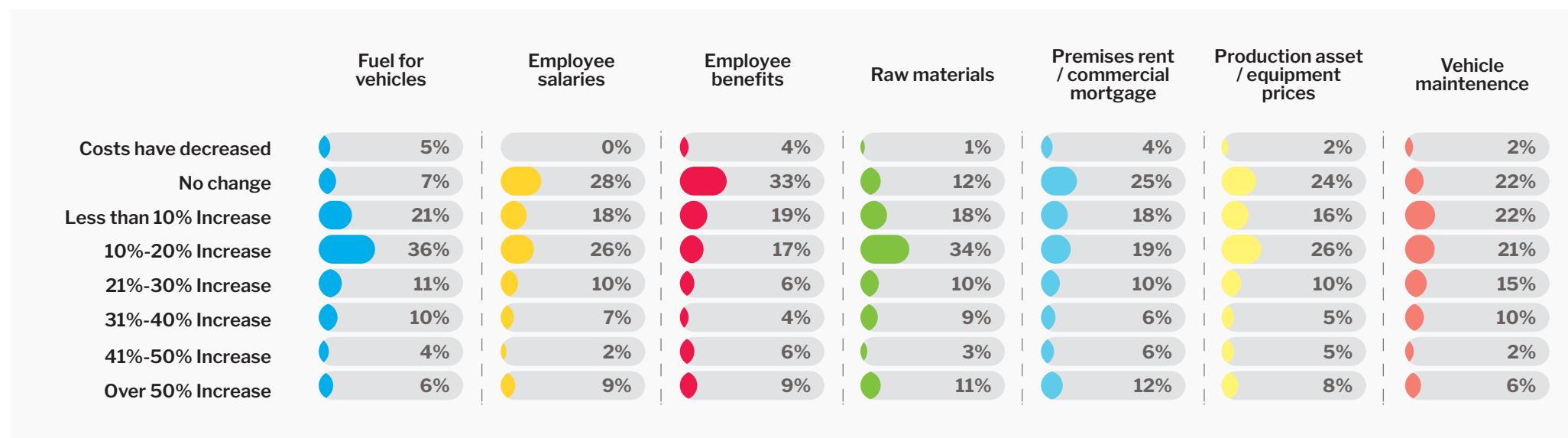


Q3

Business costs

The increasing costs of raw materials and production assets and equipment have continued to challenge construction SMEs, with the proportion of firms reporting a 50% increase rising to 11% and 8% respectively.

Construction SMEs have though benefitted from lower vehicle fuel costs, with the number of firms reporting a 50% or over increase falling from 8% to 6% across the data sets.



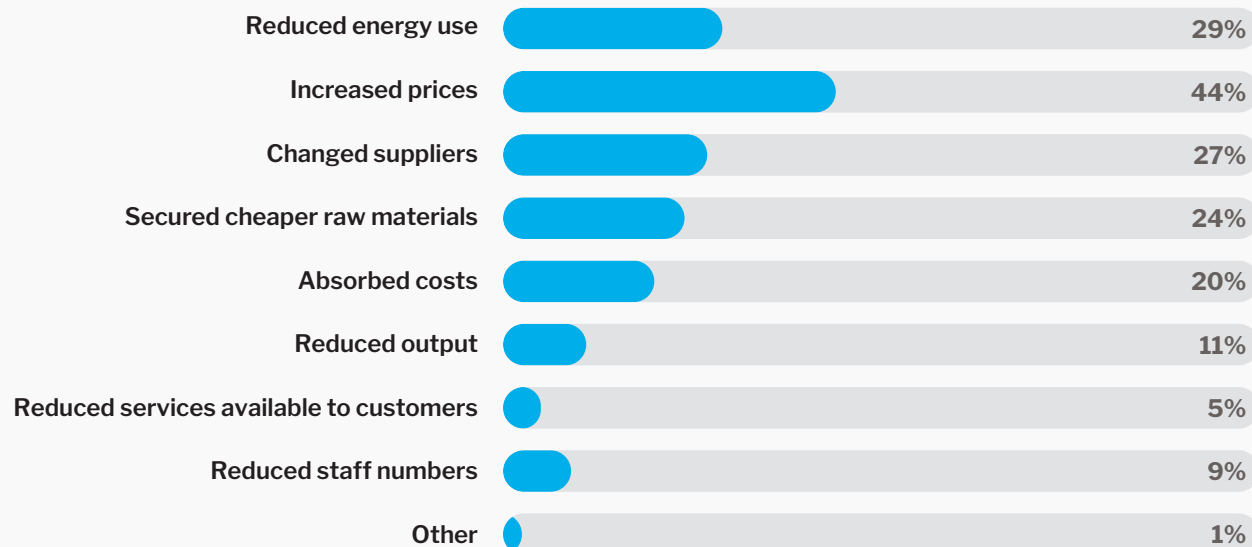
Business cost response

Construction SMEs have taken a range of measures in response to the rise in business costs.

Reductions in output and services have proven crucial with over a third (29%) having reduced their costs by reducing energy use, 11% by reducing their output, and 5% by limiting the range of services available to customers.

SMEs have also sought to address rising costs by seeking cheaper materials (24%) and changing suppliers (27%) to find better value.

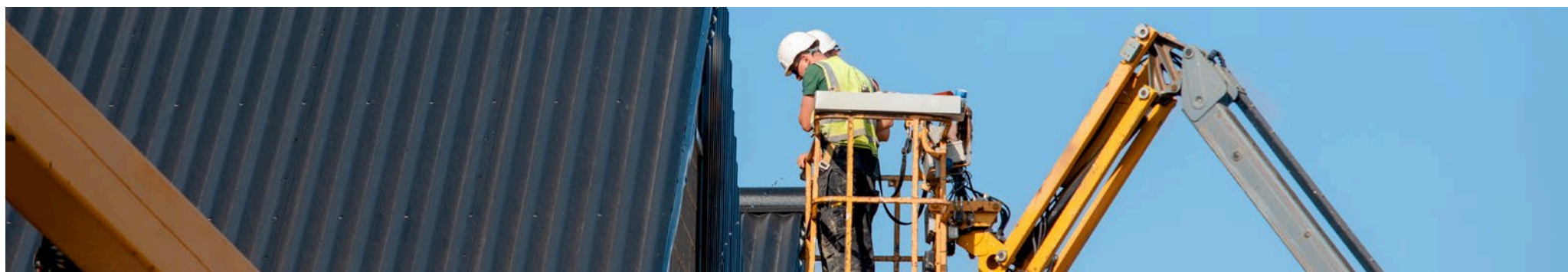
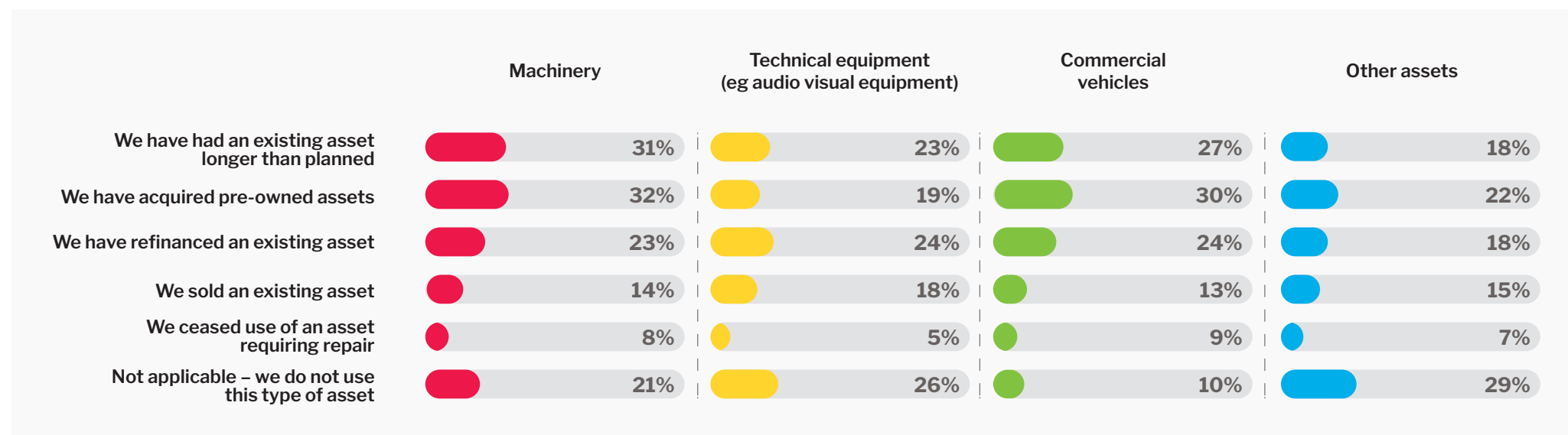
Seeking to not pass on full cost rises to customers, 20% of the construction SMEs surveyed choosing to absorb all costs without passing on any increases.



Asset availability

The proportion of construction SMEs using an existing machinery asset for longer than planned rose from 20% in Q2 to 31%, and those acquiring pre-owned assets remained steady at 32%, the new data finds.

The approach of firms towards commercial vehicle assets though shows a fall in using an asset for longer than planned, with a decrease from 30% to 27% - while those seeking to acquire pre-owned assets increased by 5 percentage points to 30% between Q2 and Q3.



Past and planned Green investment

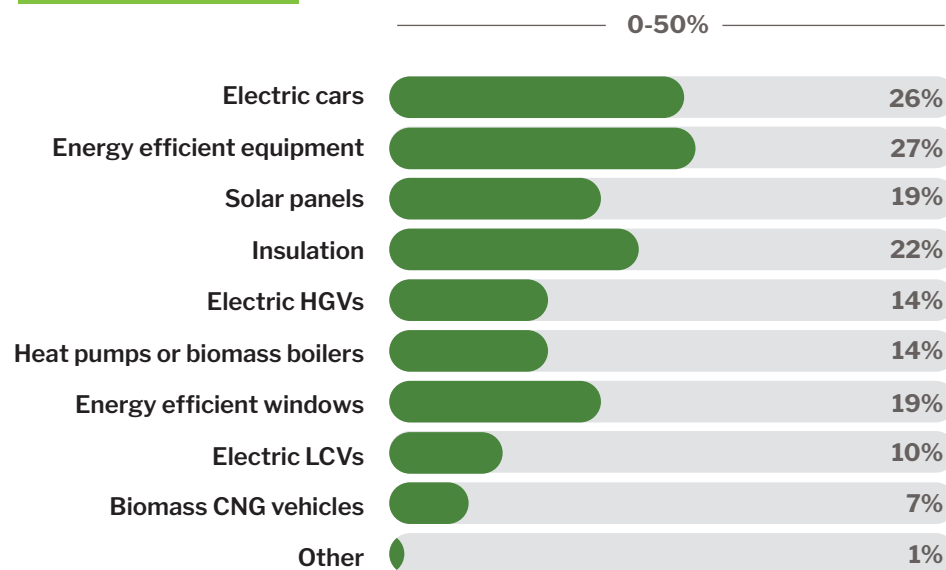
Over the last 12 months, 74% of transport SMEs have made some investment in green technology or assets - with energy-efficient equipment (27%), electric cars (26%), and insulation (22%) leading the areas for investment.

The proportion of SMEs investing in green technology and assets is set to increase to 78% over the next 12 months – with increases to planned expenditure on energy-efficient equipment (33%), but there is set to be a small reduction in electric car investment (25%) and insulation spending remaining at 22%.

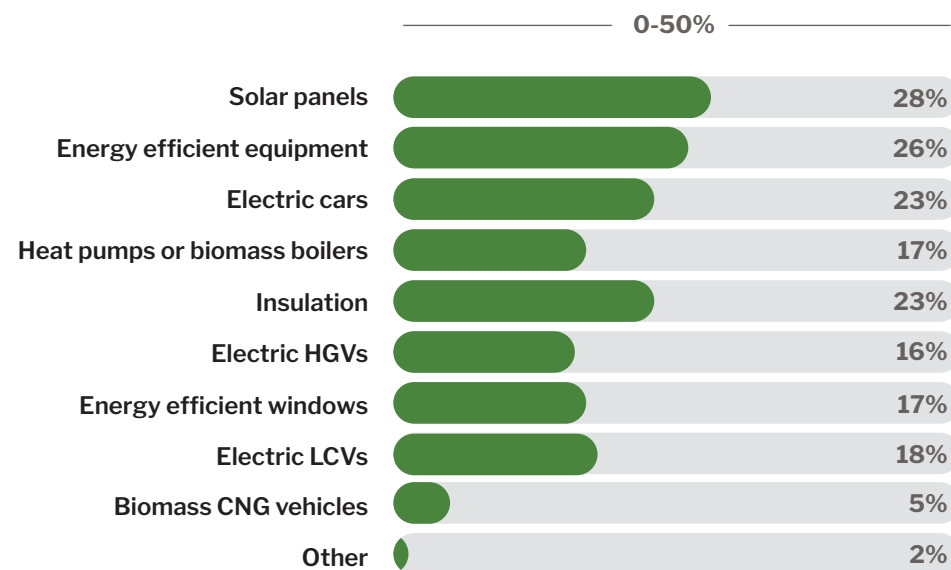
Construction SMEs plan to increase investment in a range of other green assets, with the proportion of firms investing in solar panels rising from 19% to 27% across the two data sets.



Past investment



Planned investment

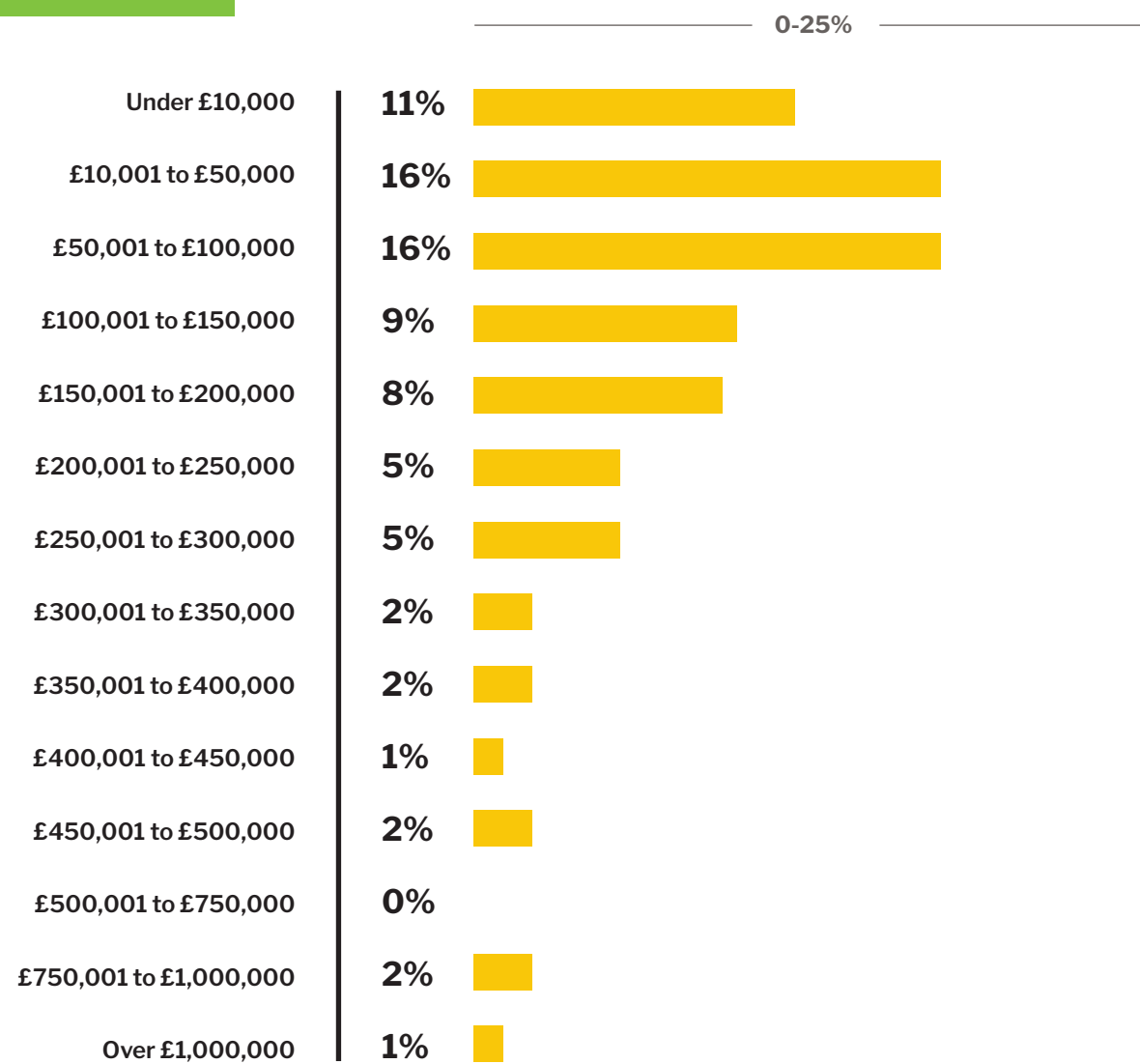


Green investment levels

Two-thirds (65%) of construction SMEs plan to invest up to £250,000 in green technology and assets in the next year, with a further 15% planning on expenditure of over that amount.



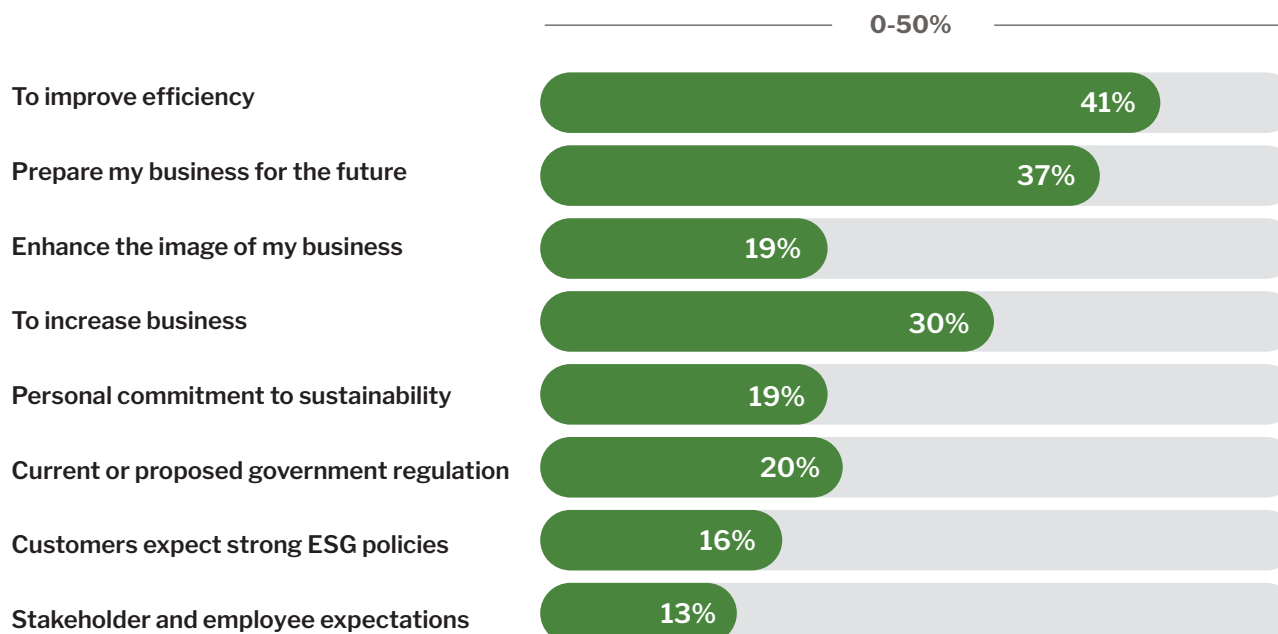
Green investment



Reasons for Green investment

The primary drivers for construction SMEs to have invested in green technology and assets over the last 12 months were to improve efficiency (41%), prepare their business for the future (37%), and to increase business (30%).

Almost one-in-five (19%) cited a personal commitment to sustainability, with the same proportion citing the need to enhance the image of their business. A further 20% referred to current or proposed government as a cause for green investment.



Benefits of Green investment

Asked about the benefits of green investment to their business, 46% of SMEs cited lower energy costs, with 30% and 28% respectively citing either the need to start or continue the process of transitioning their business to being more sustainable.

To start process of transitioning to sustainable technology

0-50%

30%

Lower energy costs

46%

To continue the process of transitioning to sustainable technology

28%

Improve manufacturing costs

24%

Replace existing assets

34%

Comply with forthcoming legislation

20%

To assess viability of assets

6%



CASE STUDY

Thanks to our funding package, DSM Contract Lifting Services supported the King's coronation

Finance	£1 million+
Location	London
Assets	Böcker truck mounted cranes, a spider crane and a specialist HGV Hiab
Deal team	Tracey Cronin, Business Development Manager

Paragon Bank provided London and Essex-based crane hire specialists DSM Contract Lifting Services with over £1 million of financing support to further expand its fleet.

Founded in 2017, DSM operates throughout London and South East England and works with major clients to provide lifting and transport services - including high-profile, specialist work with Government bodies and heritage sites.

Across six agreements the assets acquired include a Böcker truck-mounted AK46 and AK52, a Volvo FH crane lorry with 31m of reach, and a Jekko 650SPX Spider crane - expanding both the range of services it can provide clients and the volume of work the company is able to undertake.

The Paragon-financed assets played a key role in the celebrations for the coronation of His Majesty King Charles III, with DSM helping to mount the flags that outlined the route from Buckingham Palace to Westminster Abbey. The company also provided crane services for the preparation of the funeral of Her Majesty Queen Elizabeth II.

Tracey Cronin, Paragon Business Development Manager for the Construction team, led the deal.

'I am delighted to work with DSM Contract Lifting Services and support its growth. SMEs, such as DSM, play a vital role in our economy and it is essential that they can access the funding they require the assets necessary to expand and refresh their fleet - and Paragon is proud to support businesses throughout the country to achieve their goals.'

'It is wonderful to know that units we've financed are going to be put to such fantastic use. The eyes of the world will be watching the King travel to the Abbey and it will be great to know that assets we've financed will have been part of the celebrations.'

Tracey Cronin, Paragon Bank Business Development Manager



'We were honoured to provide our services to support the funeral of Her Majesty Queen Elizabeth II, and we are proud to continue working with Government and industry partners to help deliver the coronation of his majesty King Charles III. To be entrusted with this responsibility is a reflection of the standards we strive to deliver for our clients - and we are delighted to provide them thanks to the support we receive from Paragon.'

'Paragon's Construction Finance team has been the ideal funding partner for DSM Contract Lifting Services. They share our enthusiasm for providing the highest quality of service and are committed to providing a financing package that supports our business. I look forward to continuing our partnership in the years ahead.'

Melvyn Rogers, DSM Contract Lifting Services

