

Mechanical and Electrical Engineering: Inc Impact of COVID-19 - UK - November 2020

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“COVID-19 has impacted demand for M&E services strongly during 2020. However, the recovery prospects for the end-use markets vary significantly, with some expecting a rapid recovery, others a gradual growth in demand while some have been structurally altered, with long-term implications for demand.”
 – Terry Leggett, Senior Analyst

This report looks at the following areas:

- The difficulties faced by the M&E industry in 2020 as a result of COVID-19 together with the forecast opportunities
- Which demand sectors will gain as a result of the trends created or furthered by COVID-19
- Which end-use markets will face structural changes as a result of the market changes also including the Brexit impact
- How the separate sectors of the industry are performing

Even with the economic uncertainties surrounding Brexit, the M&E market grew by almost 4% in 2019 to £34.5 billion. However, the significant impact of COVID-19 in 2020 has seen the market decline by almost 19%.

After years of slow growth in what is essentially a mature sector, albeit one bringing in new technology the disruption caused by COVID-19 has been widespread. Not all sectors have been impacted equally, and not all sectors will quickly recover.

Some of the end-use sectors are now expected to reflect structural changes that have been either initiated or accelerated by the pandemic. The levels of office demand will fundamentally decline with remote working becoming more commonplace with lockdowns and social distancing measures. The bricks and mortar retail sector has faced accelerated competition from e-commerce changing the demand for buildings. Universities have stalled investments, and generally the gestation period of M&E contracts has extended along with the economic disruption and uncertainty.

At the same time, some types of building have seen demand grow; data centre usage has been boosted by remote working and warehouses have proved a resilient area of demand partly influenced by Brexit. As commercial buildings are vacated as leases lapse, then so repurposing to residential accommodation affords a major opportunity to both address the housing shortage, utilise brown field development and occupy the high street. Residential construction could strongly exceed previous expectations and potentially meet government targets.

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