

Q2
2023

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**MASTER
BUILDERS**

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State of Trade Survey

For more than 30 years, the Federation of Master Builders (FMB) State of Trade Survey has monitored key indicators and predicted future short-term developments in the UK construction industry. It is the only survey of its kind to focus exclusively on small and medium-sized (SME) firms throughout the construction sector.

The report looks at activity from **April to June 2023**. It casts ahead from **July to September 2023**.



BRIAN BERRY, Chief Executive,
Federation of Master Builders

“High interest rates as a result of high inflation and the slow fall of energy prices are fuelling a precarious position for house builders and the RMI market.”

– FMB member

View from the Chief Executive

This quarter’s State of Trade data reveals a slightly better picture than previous quarters with workloads rebounding and pressures on lack of labour easing. However, the rebound is led by a continued resurgence in repair, maintenance and improvement (RMI), with other parts of the sector still struggling, most notably house building. This is not to be unexpected, given all other major indicators tracking the industry also point towards a downturn in house building activity. Material prices are still causing problems and the number of businesses reporting lower profits than expected has risen to just under 50%. On a more positive note there are similar numbers of members to last quarter involved in energy efficiency improvements to properties.



Key indicators

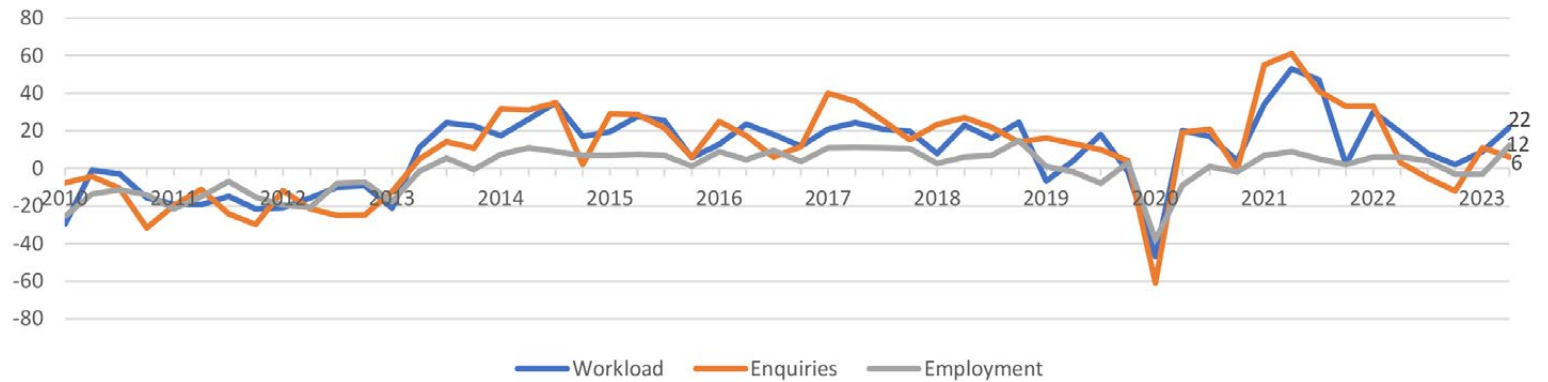
The second quarter (Q2) of 2023 continues to be more buoyant than the end of 2022, with a net boost in workload and employment. However, there has been a slight decrease in the net balance of enquiries since Q1 2023.

In Q2 2023 compared to Q1 2023, 40% of FMB members reported that there has been a significant increase in workloads (40%), while, conversely, 18% of members reported a reduction.

There has been an increase in the net balance of employment in Q2 2023 compared to Q1 2023, with almost one in four (24%) members reporting an increase in the number of employees in their company's workforce.

With regards to enquiries, whilst 40% of FMB members reported an increase in enquiries in this quarter, 36% reported that enquires were lower in Q2 2023 than Q1 2023. Overall, this means there has been a slight decrease in the net balance of enquiries since Q1.

Key indicators



Graph 1 - Q3. Looking back, how does your company's workload in the period April - June 2023 compared to January - March 2023? Base: Total excl N/A (n=208) Q6. Looking back, how has the level of enquiries regarding future work changed in the period April - June 2023 compared to January - March 2023? Base: Total excl N/A (n= 208) Q8. How has the number of employees within your company's workforce changed during April - June 2023 compared to January - March 2023? Base: Total excl N/A (n= 208) Net balance of change.



"The market is very unpredictable at the moment, which makes tenders and quotes more challenging to win."

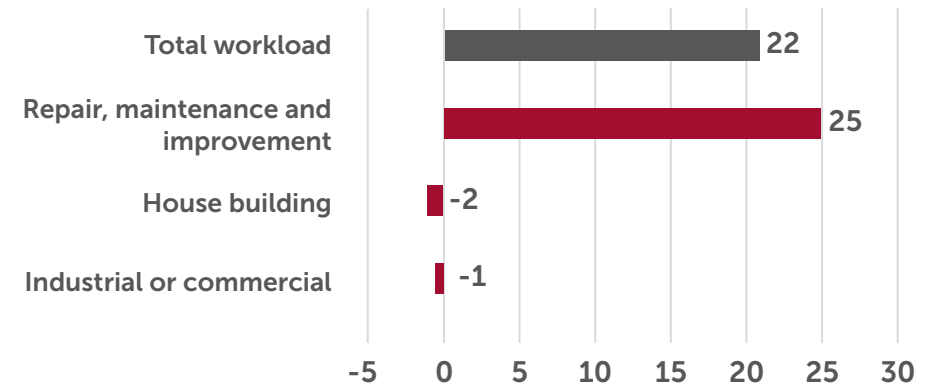
– FMB member

Workload and enquiries by sector

The increase in total workload and enquires is primarily driven by a continued strong rebound in the repair, maintenance and improvement sector - a trend continued from Q1 2023. On balance, 25% of members in this sector reported an increase in workload. Members in the industrial and commercial sector continue to report a net decrease in workload (-1% on balance) and in enquires (-15% on balance). Members in the housebuilding sector have also reported a continuous decline - 2% of members reported a decrease in workload on balance. Whilst this is an improvement on Q1 2023 figures where there was a 4% decrease, it still shows decline. Enquiries in the housebuilding sector continue to decline, with 13% of members reporting a decrease in Q2 2023 – this is largely in line with Q1 2023 where there was a decline of 14% in enquiries.

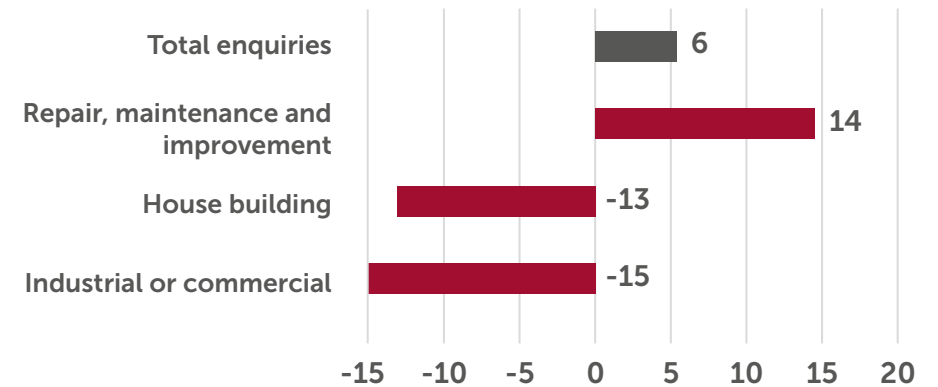


Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period April - June 2023 compared to January - March 2023, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=208); House building (n=118); Repair, maintenance and improvement (n=198); Industrial or commercial (n=101). Excluding N/As. Net balance of change.

Enquiries by sector



Graph 3 - Q6 Looking back, how has the level of enquiries regarding future work changed in the period April - June 2023 compared to January - March 2023, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=208); House building (n=118); Repair, maintenance and improvement (n=198); Industrial or commercial (n=101). Excluding N/As. Net balance of change.

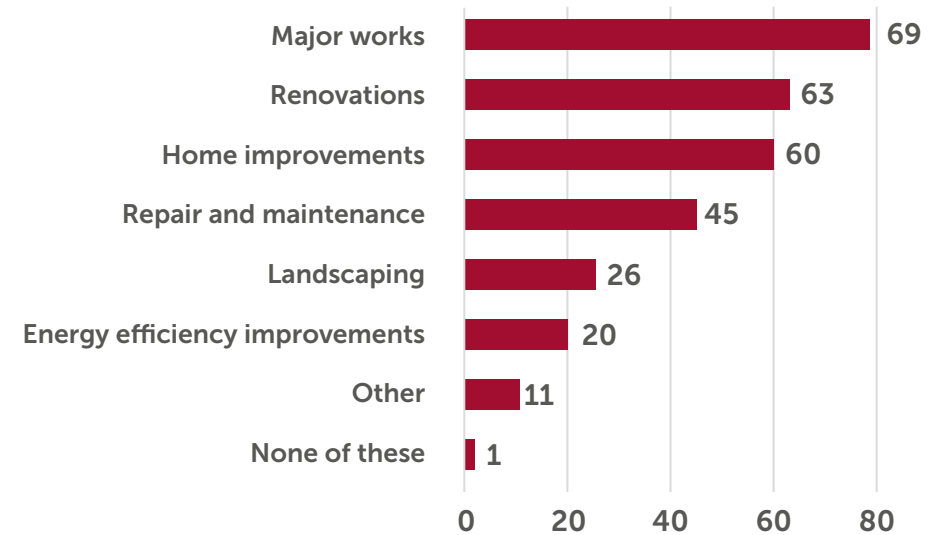
Type of activity by sector

Among FMB members, those that work in the major works (69%) and renovations (67%) sectors are the most common types of work that have been delivered, followed closely by home improvements (60%). All these figures are consistent with Q1 2023, with repair and maintenance climbing the most on the last quarter by 8%

Almost all (93%) FMB members that work in the house building sector have reported doing 1-5 house starts in the second quarter of 2023. These figures are consistent with last the quarter.

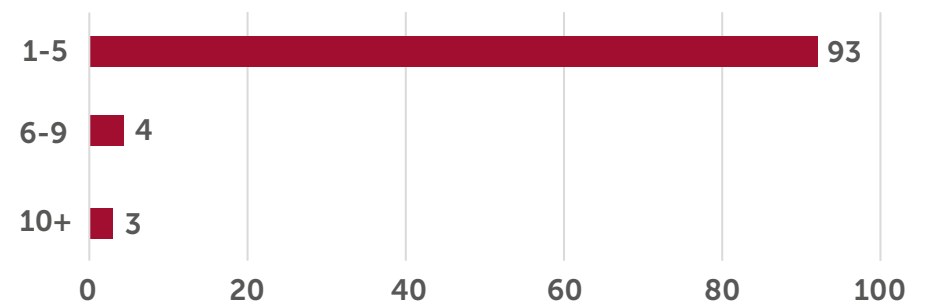


Types of repairs, maintenance and improvement works that has been delivered in the period of April-June 2023



Graph 4 - Q4 W14. Which of the following repair, maintenance and improvement works has your company delivered for existing domestic dwellings in the period April - June 2023? Base: Total (n=198), All working in the RMI sector.

Number of houses that have been built in the period of April-June 2023



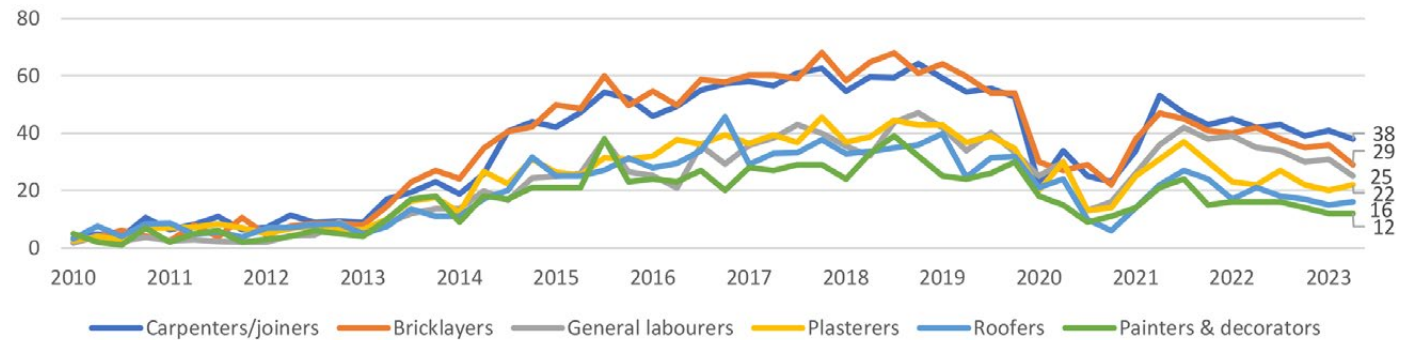
Graph 5 - Q5 W14 2. How many housing starts has your company done in the period April - June 2023? Base: Total (n=118), All working in the housebuilding sector.

Employment and skills shortages

On balance, 64% of members report no changes in the employment level in Q2 2023 compared to Q1 2023, and 12% state that the number has decreased. Whereas 24% of members report a higher number of employees in their company during April – June 2023, when compared with January to March 2023.

Difficulties recruiting for each of the occupations in graph 6 continue to ease for the most part, but carpenters/joiners, bricklayers, and general labourers are still difficult occupations to recruit, with at least one in four FMB members struggling to fill vacancies for each of these (38%, 29%, and 25% respectively) in Q2 2023. There is a slight increase in the percentage of members finding it difficult to recruit for plasterers (increasing from 20% to 22% from Q1 2023).

Difficulty in recruiting for each of the following occupations



“While the number of projects being carried out continues to be good, recruitment of staff remains a challenge.”

– FMB member

Graph 6 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of April-June 2023?
Base: Total (n=208). Net balance of change.

Impact of lack of available skilled tradespeople

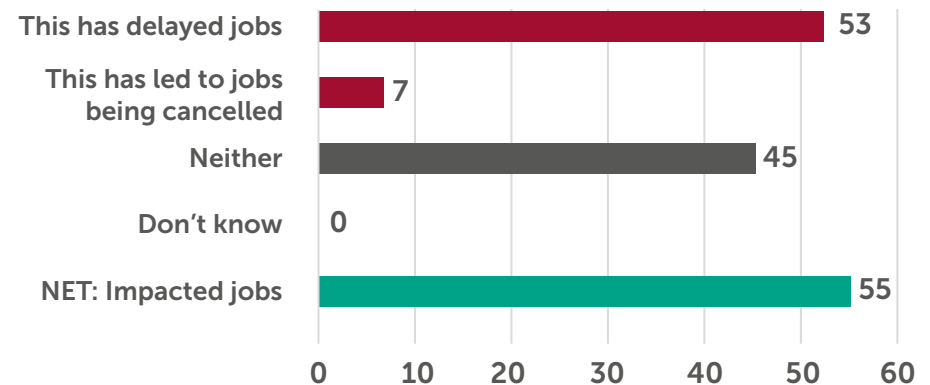
Reflecting the slight easing of difficulties faced in hiring skilled tradespeople, over half (55%) of FMB members reported that a lack of skilled tradespeople has impacted jobs in Q2 2023, compared to 51% who said the same in Q1 2023. Just over half (53%) stated that the lack of skilled tradespeople has delayed jobs, increasing from 47% in Q1 2023, and the proportion reporting that this has led to jobs being cancelled (7%) remains close to Q1 2023 (10%).

“The industry is suffering due to no regulation and non-existent pathways into the industry for new starters.”

– FMB member

Graph 7 - Q13. How, if at all, has the lack of skilled trades people impacted your company's work over the period of April - June 2023?
Base: Total (n=208).

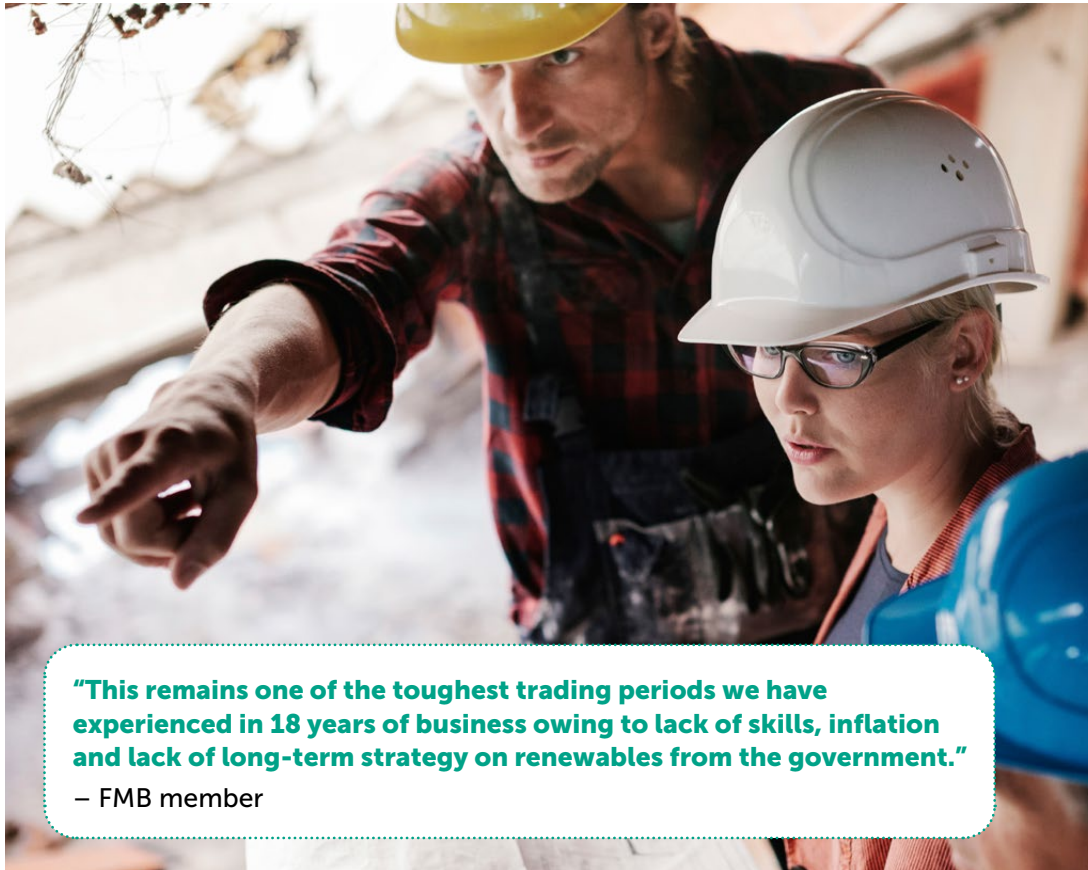
Impact of lack of skilled tradespeople April - June 2023



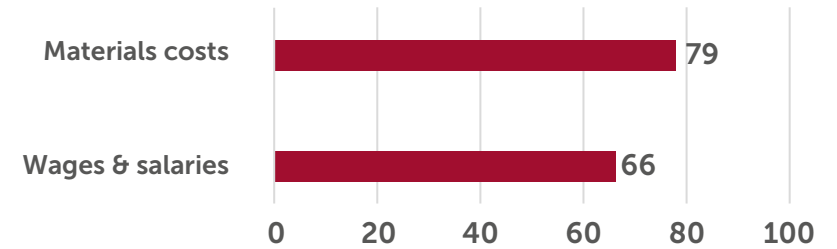
Prices and costs

In Q2 2023, most FMB members continue to report an overall rise in prices that they charge for work and their outgoing costs. Almost eight in ten (79%) FMB members reported an increase in material costs on balance (compared to 87% in Q1 2023). Also, nearly seven in ten (66%) report an increase in wages and salaries on balance (an increase on 60% in Q1 2023 and 61% in Q4 2022).

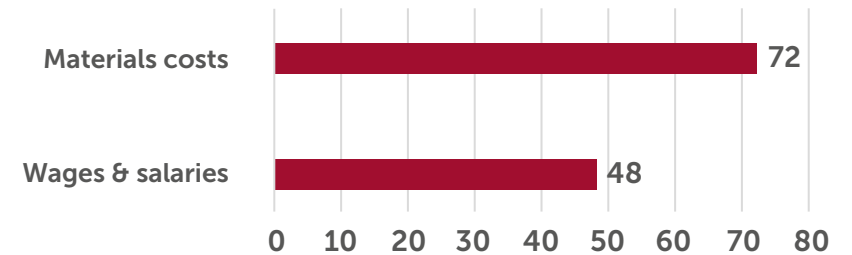
The majority of FMB members expect materials and wages & salaries to continue to increase next quarter (July – September 2023), with around seven in ten (72%) expecting an increase in the cost of materials on balance, and just under half of the members (48%) expecting an increase in wages and salaries on balance.



Past quarter prices and costs
April-June 2023



Expected costs
July - September 2023



Graph 8 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of April – June 2023? Base: The prices you charge for work (n=207); Wages & salaries (n=207); Materials costs (n=206) Excl N/As. Net balance of change Graph 8 – Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of July – September 2023? (n=199); Wages & salaries (n=203); Materials costs (n=197) Excl N/As. Net balance of change, showing only materials costs and wages & salaries.

Impact of changes in prices and costs

Of those members experiencing an increase in outgoing costs in Q2 2023, around seven in ten members (69%) have said that this had led to an increase in the prices they charged for work, it is notable that the percentage has decreased from Q1 2023 (75%). And just under half (49%) say that business profits are lower than expected or that the business has made a loss, it is notable that the number has slightly increased from Q1 2023 (45%).

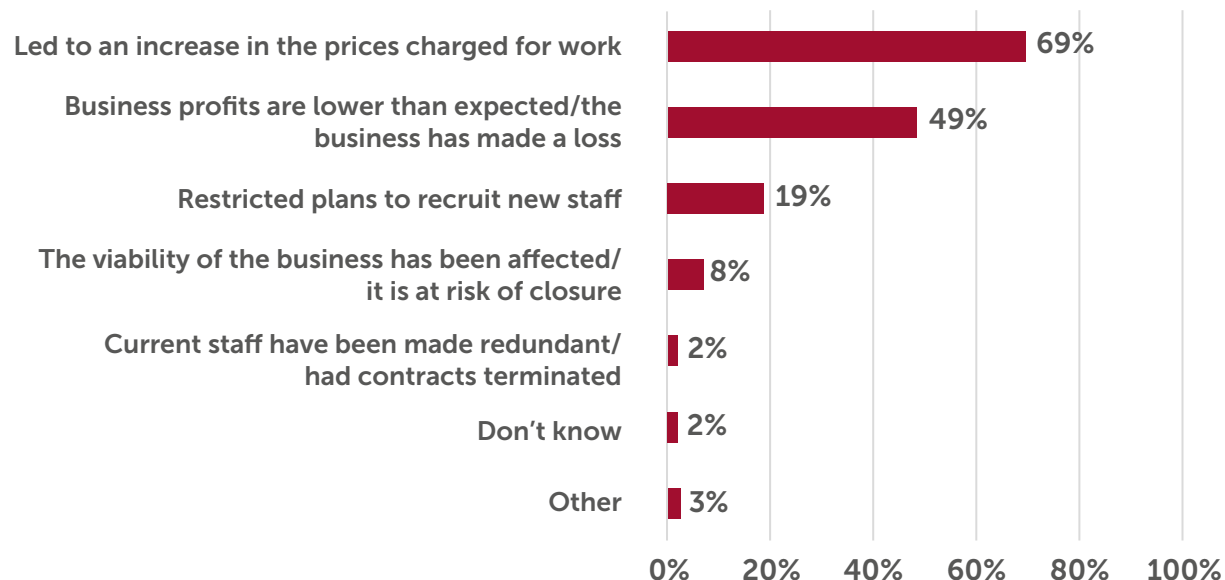
Almost one in ten (8%) reported that the viability of their business has been affected and/or it is at risk of closure. For a notable minority, cost pressures have restricted plans to recruit new staff (19%), and 2% have made staff redundant or terminated staff contracts as a result.

"I'm finding that some suppliers are not passing on cost reductions when they can."

– FMB member



Impact of increase in outgoing costs (materials and/or wages)

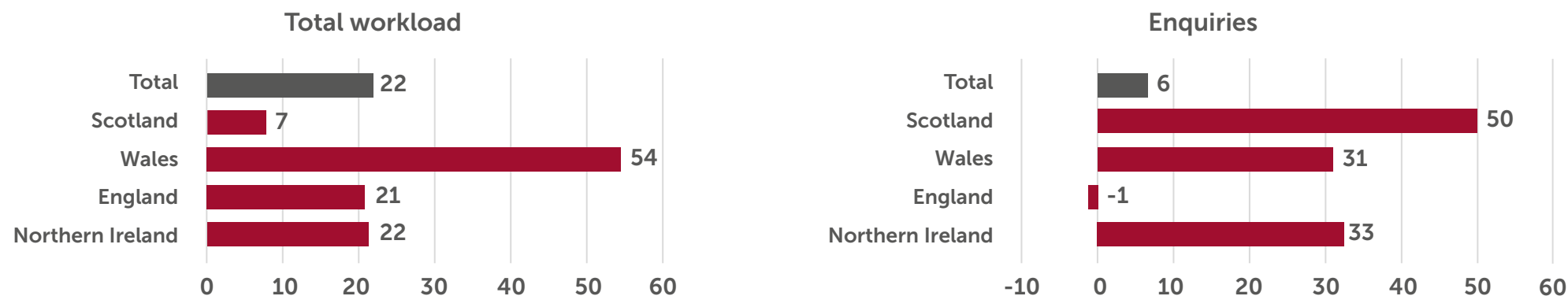


Graph 9 - Q11a. You said that your outgoing costs (wages & salaries and/or material costs) have increased over the period of April-June 2023. How, if at all, has this impacted your company? Base: all who report an increase in outgoing costs this quarter (n=185).



Key indicators in the home nations

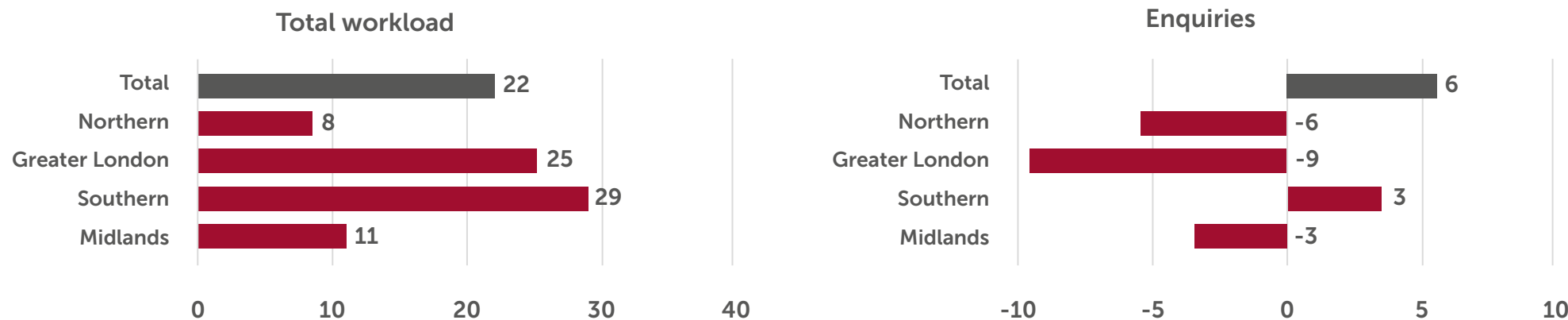
In this quarter, there has been a substantial increase in overall workload (from 9% in Q1 2023 to 22% in Q2 2023 on balance). Despite a decrease in national workload from last quarter in Northern Ireland and Scotland (43% to 22%, and 13% to 7% respectively on balance), there has been a massive increase in Wales from -16% in Q1 2023 to 54% in Q2 2023 on balance. There has also been an increase in England in workload from 10% in Q1 2023 to 21% in Q2 2023 on balance. There has been a decrease in national enquiries from 11% in Q1 2023 to 6% in Q2 2023 on balance. Enquiries within Scotland and Wales have increased on balance since Q1 2023 from 0% to 50% and -5% to 31% respectively. While enquiries in England and Northern Ireland have seen a net decrease from 13% to -1% and 43% to 33% respectively on balance.



Graphs 10 and 11 - Q3/Q6. Base: England (n=172); Wales* (n=13); Scotland* (n=14), Northern Ireland* (n=4) *Caution: Results for Wales, Scotland and Northern Ireland should be interpreted with caution due to very limited base size. Net balance of change.

Key indicators in the English regions

Total workload has seen a net increase in all regions in Q2 2023 compared to Q1 2023. Most notably, Greater London has increased from 7% in Q1 on balance to 25% in Q1 2023, and the North has increased from -8% on balance in Q1 2023 to 8% in Q2 2023. The South also has increased from 16% in Q1 compared to 29% in Q2 2023 on balance, and a steady increase in the Midlands from 4% to 11% in Q2 2023 on balance. In contrast, overall the number of enquiries has decreased on balance in the Midlands, Southern, and Greater London since Q1 2023 (19% to -3%, 18% to 3%, and 0% to -9% respectively). In terms of regional enquires the North is the only region in the country that has a slight increase from -8% in Q1 2023 to -6% in Q2 2023.



Graphs 12 and 13 - Q3/Q6. Base: Northern* (n=36); Midlands* (n=37); Southern (n=99); Greater London* (n=32). *Caution: Results should be treated as indicative due to limited base size. Net balance of change.

For more information

This quarter, the survey was issued between 19th June and 10th July 2023 and received 208 completes. It was published in July 2023.

For more information about the FMB please visit

www.fmb.org.uk

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