

Q3
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 **July to September 2023**. It casts ahead from **October to December 2023**.





BRIAN BERRY, Chief Executive,
Federation of Master Builders

"State of the market is slower than 6 months ago as far as enquiries and order intake is concerned, procurement of material's not much of a problem, trades still difficult to rely on."

– FMB member

View from the Chief Executive

This quarter's State of Trade data reveals a sharp decline across all trackable areas of workload, enquiries, and employment. Which contrasts with last quarter where we were seeing a slightly better picture. Despite this decline, the repair, maintenance and improvement sector remains the most buoyant market with most members reporting increased workloads, but enquiries have plummeted. Housebuilding is of particular concern as it continues to see a reported decline in output. While workloads and enquiries remain a mixed picture across the Home Nations, the picture across the English regions for future work is looking negative, with a significant downturn in enquiries being reported. Overall, a worrying picture, with less work on the horizon, employment of certain trades becoming slightly more difficult to hire for and half of companies reporting they won't hit their financial targets. However, there may be some easing in the upward trend of material costs on the horizon.



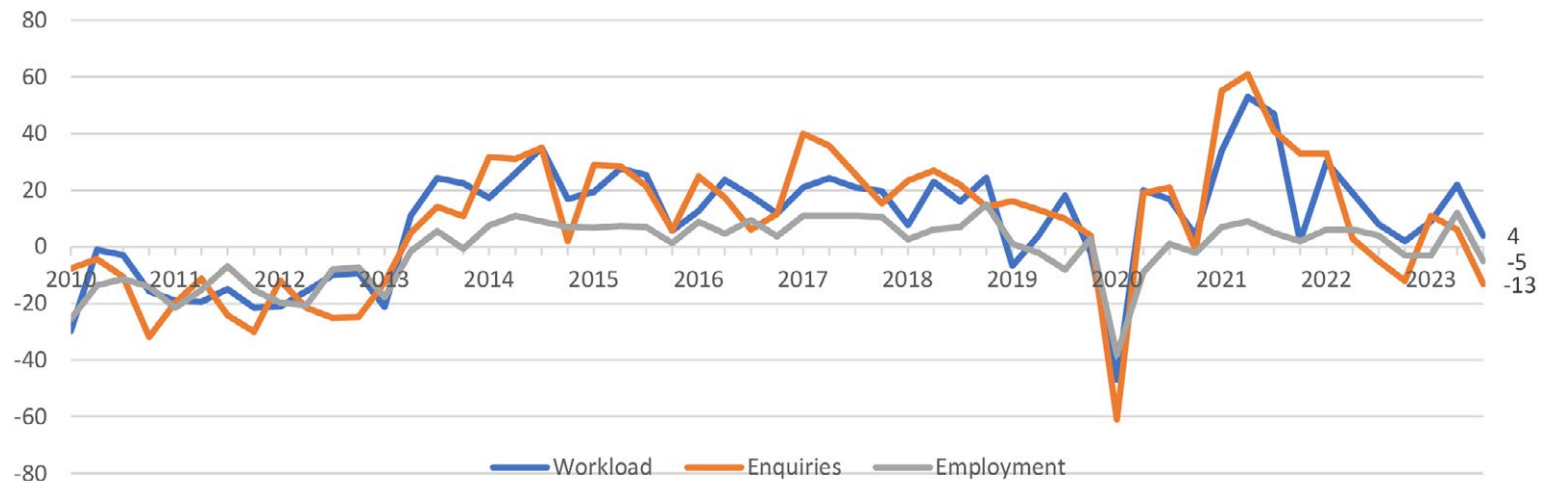
Key indicators

The third quarter (Q3) of 2023 has seen a substantial decline in workloads, enquiries, and employment compared to the previous quarter, Q2 2023. According to reports from FMB members, enquiries have decreased by -13%, followed by workloads 4% and employment -5%. Overall, this means there has been a decrease in the net balance of total key indicators (workloads, enquiries and employment) since Q2.

In contrast to Q2, more than 40% of FMB members in Q3 2023 have reported a decrease in the number of enquiries, while 29% reported no change in future job enquiries. Regarding workloads, only 38% of members reported no changes, while 33% reported an increase in their workloads.

Within the companies of FMB members, a significant proportion (64%) reported no changes in employment numbers, while 20% reported a reduction in the number of employees.

Key indicators



Graph 1 - Q3. Looking back, how does your company's workload in the period of period July - September 2023 compared to April - June 2023? Base: Total excl N/A (n=213) Q6. Looking back, how has the level of enquiries regarding future work changed in the period July - September 2023 compared to April - June 2023? Base: Total excl N/A (n= 213) Q8. How has the number of employees within your company's workforce changed during July - September 2023 compared to April - June 2023? Base: Total excl N/A (n= 213) Net balance of change.



Workload and enquiries by sector

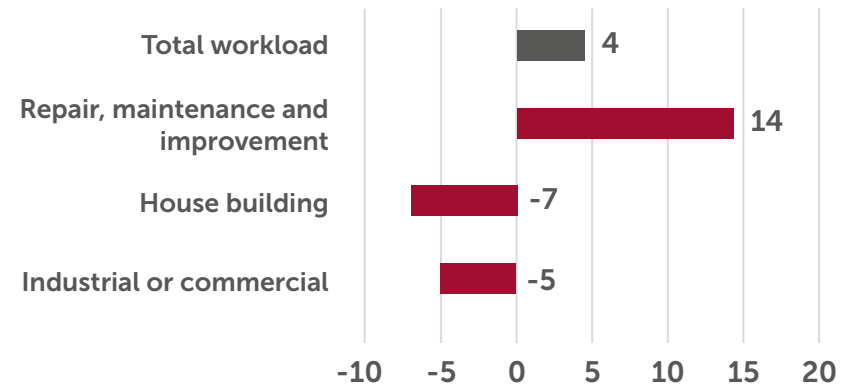
The FMB members report that the steady growth in total workload is primarily influenced by a strong increase of 14% observed in the repair, maintenance, and improvement sector, which has been consistent since Q1 2023. However, there has been a decrease in the number of enquiries within this sector, specifically by -8%. In contrast, members in the housebuilding sector have consistently reported a net decrease in workload, with a decline of -7% on balance. Enquiries within the housebuilding sector have also continued to decline, with -20% of members reporting a decrease in Q3 2023. This decline is in line with the previous quarters, Q1 and Q2 2023, which saw declines of 14% and -13% in enquiries, respectively. Similarly, members in the industrial or commercial sector have reported a continuous decline, with -5% of members reporting a decrease in workload and -16% reporting a decline in enquiries on balance.



"Enquiries have slowed considerably since June 2023. Interest rates and the cost of living has impacted largely on this. There is a massive shortage of skilled construction workers in this country and it's only going to get worse."

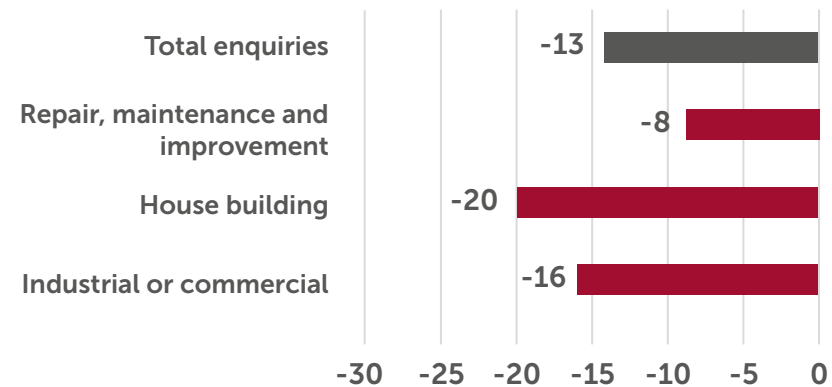
– FMB member

Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period July - September 2023 compared to April - June 2023, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=213); House building (n=94); Repair, maintenance and improvement (n=199); Industrial or commercial (n=93). 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 July - September 2023 compared to April - June 2023, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=213); House building (n=92); Repair, maintenance and improvement (n=202); Industrial or commercial (n=95). Excluding N/As. Net balance of change.

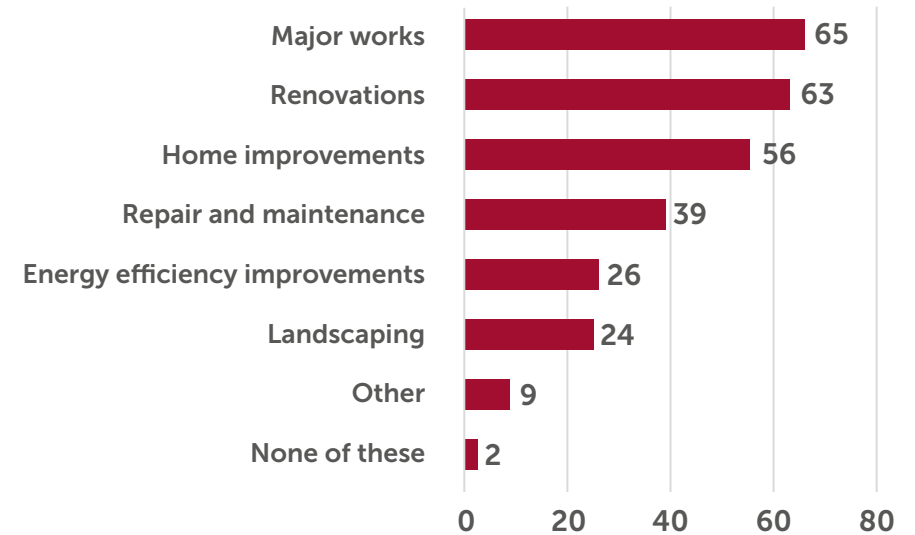
Type of activity by sector

The most prevalent types of work delivered among FMB members are major works, like extensions, and renovations, with 65% and 64% of members involved in these sectors, respectively. Home improvements, such as a kitchen refit, are also a common type of work, with 56% of members engaged in this area. Also of note are energy efficiency improvements which sit at 26%

A significant majority of FMB members (90%) in the house building sector reported initiating 1-5 house starts during the second quarter of 2023. These figures are consistent with previous quarters.

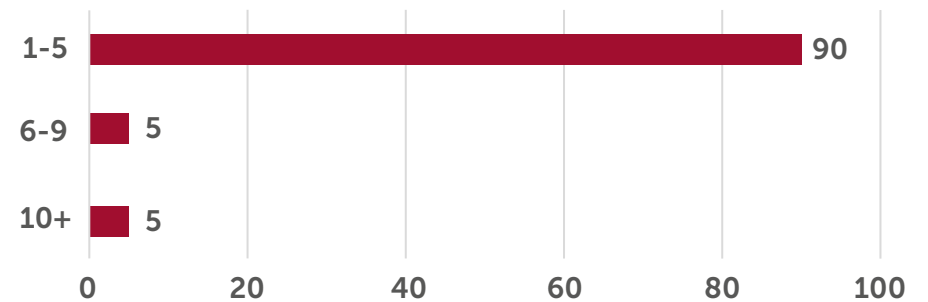


Types of repairs, maintenance and improvement works that has been delivered in the period of July-September 2023



Graph 4 - Q4 W15. Which of the following repair, maintenance and improvement works has your company delivered for existing domestic dwellings in the period of July - September 2023? Base: Total (n=199), All working in the RMI sector.

Number of houses that have been built in the period of July-September 2023



Graph 5 - Q5 W15 2. How many housing starts has your company done in the period of July - September 2023? Base: Total excluding don't know (n=94), All working in the housebuilding sector

Employment and skills shortages

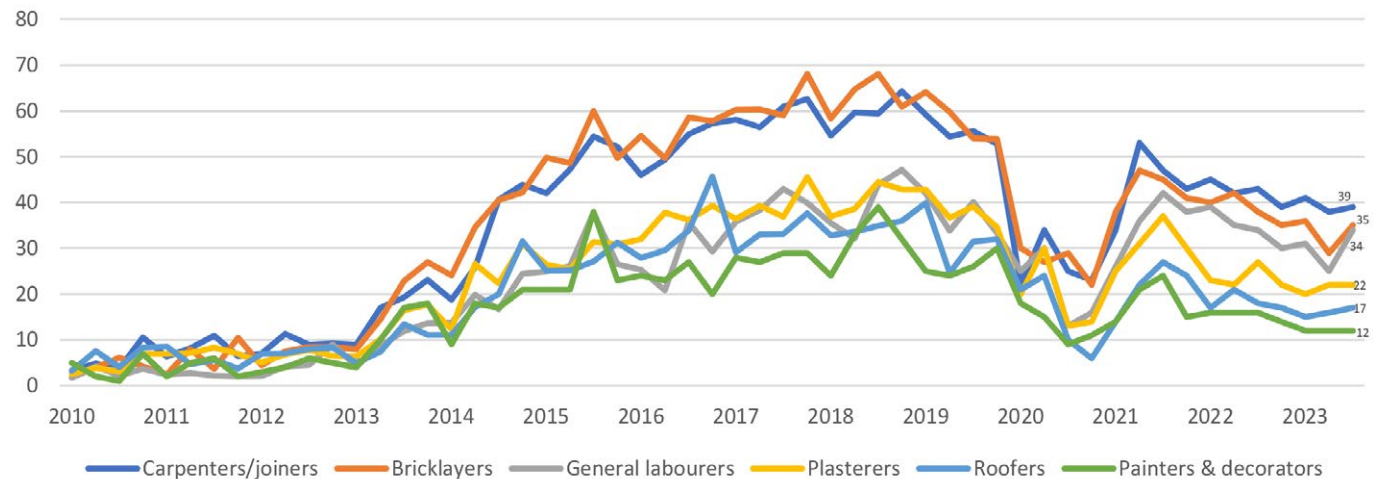
In terms of employment levels, a majority of FMB members (64%) indicated no changes during the third quarter of 2023 compared to the second quarter. Meanwhile, 20% reported a decrease in the number of employees. Conversely, only 15% of members reported an increase in the number of employees in their companies from July to September 2023 when compared to April to June 2023. On balance, this resulted in a drop of 5% in employment for this quarter.

Difficulties recruiting for each of the occupations below has increased slightly overall. Carpenters/joiners, bricklayers, and general labourers continue to be demanding roles to fill, with at least one in three FMB members encountering difficulties in hiring for each of these positions during Q3 2023 (39%, 35%, and 34% respectively). The percentage of members facing recruitment difficulties for roofers has slightly increased from 16% to 17% compared to Q2 2023. Whilst, there has been no change in the percentage of members encountering difficulties in recruiting plasterers and painters and decorators since Q2 2023 (22% and 12% respectively).

Impact of lack of skilled tradespeople available

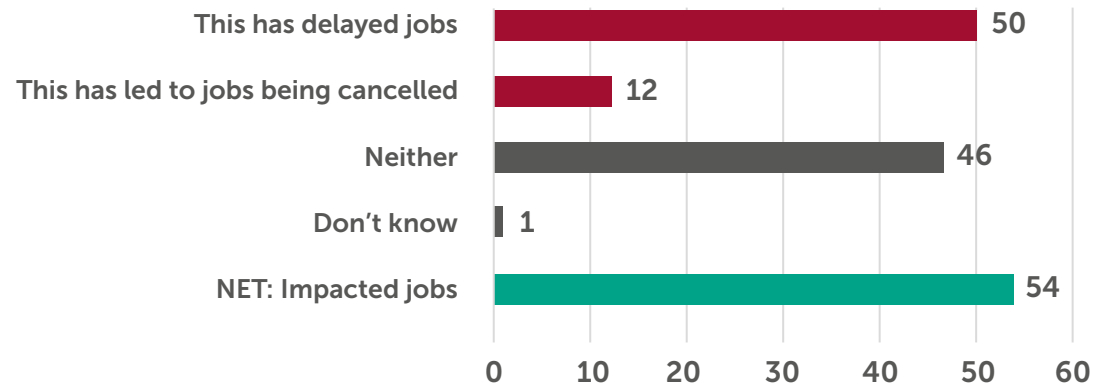
In Q3 2023, a significant proportion of FMB members (54%) acknowledged that the shortage of skilled tradespeople has had an impact on their jobs. This reflects a slight increase compared to the figures of 51% in Q1 2023 and 55% in Q2 2023. Half of the members (50%) stated that this shortage has resulted in job delays, whilst this represents a slight decrease from the 53% reported in Q2 2023, it is still a considerable proportion. A more significant increase was seen in the proportion of members (12%) reporting that the shortage has led to job cancellations in Q3 2023, which is the highest such figure recorded this year.

Difficulty in recruiting for each of the following occupations



Graphs 6 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of July - September 2023? Base: Total (n=213). Net balance of change.

Impact of lack of skilled tradespeople July to September 2023



Graph 7 - Q13. How, if at all, has the lack of skilled trades people impacted your company's work over the period of July - September 2023? Base: Total (n=213)

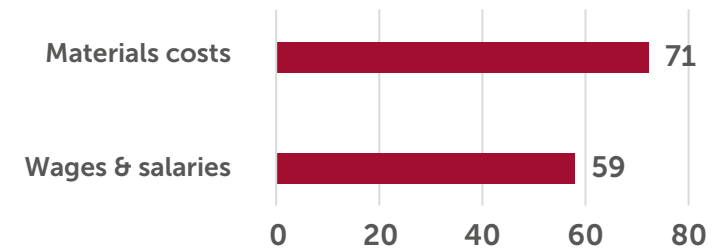
Prices and costs

In Q3 2023, a majority of FMB members (62%) experienced an upward trend in the prices they charged for their services, while 32% reported no change in their pricing structure. Meanwhile, FMB members expressed continued expectations of rising outgoing costs. Around 71% of members reported a net increase in material costs and nearly 59% of members reported a net increase in wages and salaries. Whilst these both represent a decrease from the percentages of 87% and 79% observed in Q1 and Q2 2023 respectively for material costs and 66% in Q2 for wages and salaries, it still represents a high proportion of members.

For the upcoming quarter (October - December 2023), approximately half of FMB members anticipate a continued upward trajectory in material costs and wages & salaries. Specifically, around 55% of members expect a net increase in material costs. It is noteworthy that the percentage of members expecting an increase in material costs has exhibited a gradual decline from 79% in Q1 to 72% in Q2, and further decreased to 55% in Q3. Furthermore, about 36% of members anticipate a net increase in wages and salaries, representing a decrease from the 48% reported in Q2 2023.

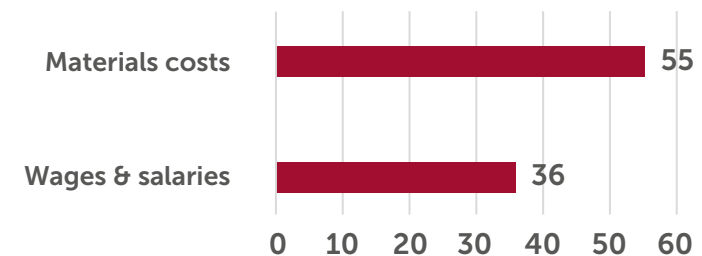


Past quarter prices and costs July-September 2023



Graph 8 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of July - September 2023? Base: The prices you charge for work (n=207); Wages & salaries (n=211); Materials costs (n=212) Excl N/As. Net balance of change.

Expected costs October - December 2023



Graph 9 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of October - December 2023? (n=209); Wages & salaries (n=208); Materials costs (n=206) Excl N/As. Net balance of change.

Impact of changes in prices and costs

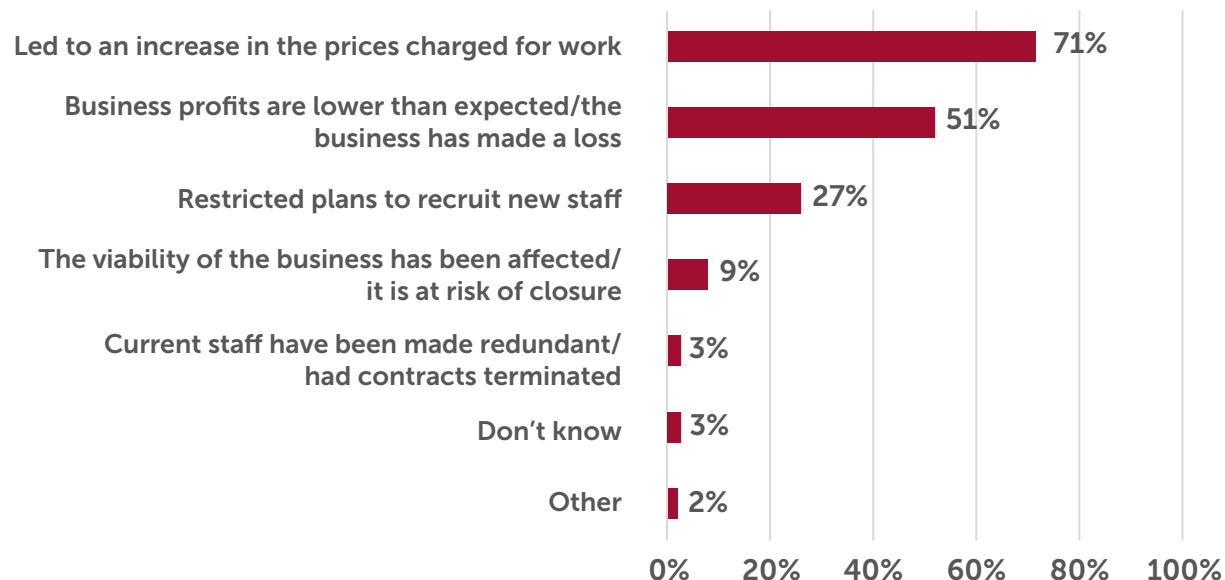
Among the FMB members who experienced an increase in outgoing costs during Q3 2023, approximately 71% stated that this escalation resulted in an upward adjustment in the prices they charged for their services. This percentage reflects a slight increase compared to the figure of 69% reported in Q2 2023. Additionally, around 51% of these members expressed lower-than-expected business profits or reported financial losses, which has increased from 49% in Q2 2023. Furthermore, 9% of respondents indicated that their business viability has been adversely affected, putting them at risk of closure. For nearly a third of members, cost pressures have impeded their plans to recruit new staff (27%), whilst a much smaller proportion (3%) have resorted to staff redundancies or contract terminations as a consequence.

"I think that the increase of material costs and shortage of skilled labour has had an impact on my business this last year and can't see things getting much better for the future."

– FMB member



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



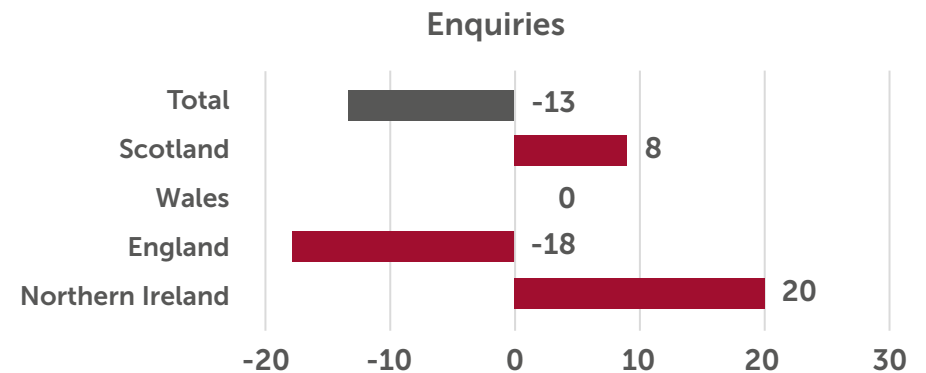
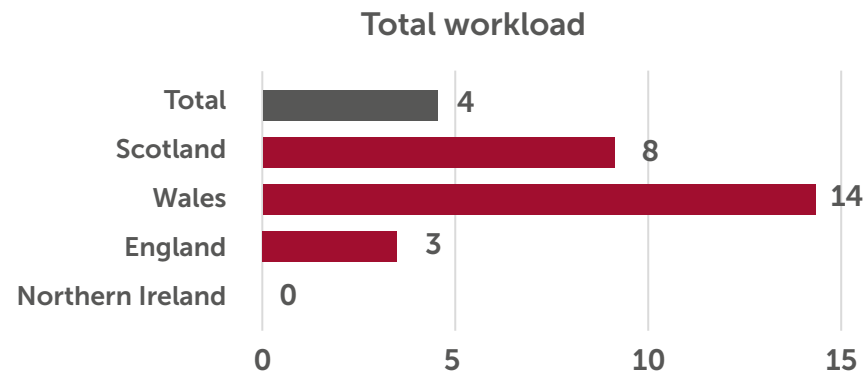
Graph 10 - Q11a. You said that your outgoing costs (wages & salaries and/or material costs) have increased over the period of July-September 2023. How, if at all, has this impacted your company? Base: all who report an increase in outgoing costs this quarter (n=174)



Key indicators in the Home Nations

From Q1 to Q2 2023, there had been a steady increase in overall workload from 9% to 22% respectively. In Q3 2023, this has dropped to below Q1 levels at 4%. Notably, this figure represents the lowest reported workload decrease throughout the year. In terms of regional variations, both Wales and Northern Ireland experienced substantial declines in workload compared to Q2 2023, with figures dropping from a net change of 54% in Q2 to 14% and from 22% to 0%, respectively. Similarly, there was a decline in workload reported in England, decreasing from a net change of 21% in Q2 2023 to 3% in Q3 2023. Conversely, Scotland witnessed a slight increase, rising from 7% in Q2 2023 to 8% in this quarter.

There has been a notable decline in national enquiries throughout the year, with the percentage of members reporting this decrease decreasing from 11% in Q1 2023 to 6% in Q2 2023, and further decreasing to -13% in Q3 2023. When examining regional variations, there were decreases across the board. Scotland witnessed a decrease from a net change of 50% to 8% on balance, while Wales saw a decline from 31% to 0% on balance. Similarly, there has been a net decrease in enquiries reported in England, falling from -1% to -18% on balance. In Northern Ireland, enquiries have also decreased on balance, from 33% to 20%.



Graphs 11 and 12 -. Q3/Q6. Base: England (n=169); Wales* (n=21); Scotland* (n=13), Northern Ireland* (n=10) *Caution: Results for Wales, Scotland and Northern Ireland should be interpreted with caution due to very limited base size. Net balance of change.

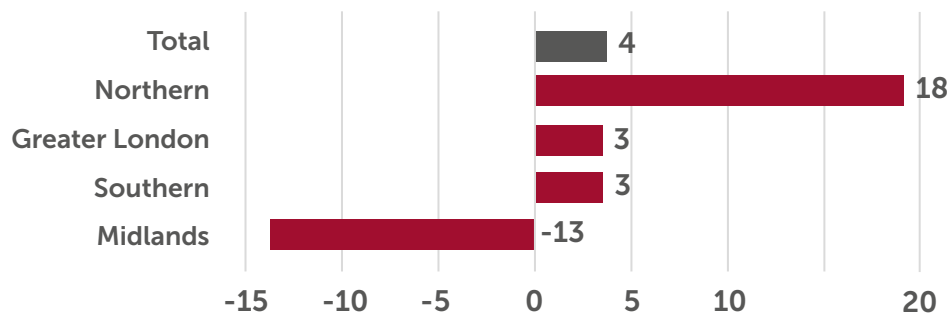
Key indicators in the English regions

In Q3 2023, there has been a decrease in total workload across all regions compared to Q2 2023. Notably, the South region experienced a significant drop, declining from 29% on balance in Q2 2023 to 3% in Q3 2023. Similarly, both Greater London and Midland regions reported decreases, with figures dropping from 25% and 11% in Q2 2023 to 3% and -13% in Q3 2023 on balance, respectively.

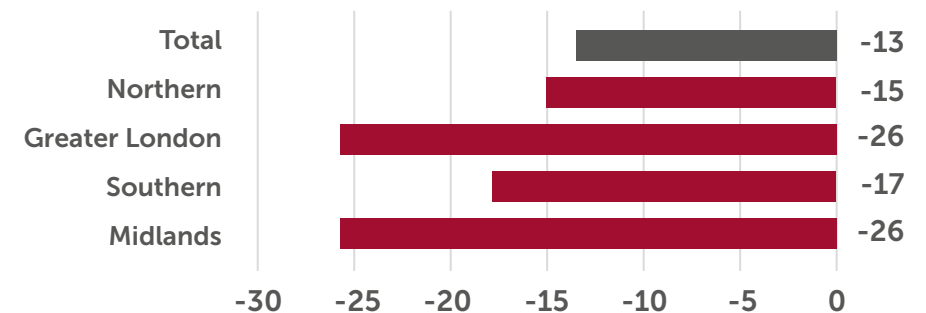
However, it is worth mentioning that the North region stands out as the only region to observe an increase in workload during this quarter. The figure rose from 8% on balance in Q2 2023 to 18% in Q3 2023. During Q3 2023, there was a notable decrease in the overall number of enquiries, with figures dropping from 6% in Q2 2023 to -13% in Q3 2023. On balance, the Midland region experienced the largest decline in enquiries, plummeting from -3% in Q2 2023 to -17% in Q3 2023. Similarly, the South region observed a decrease, declining from -3% in Q2 2023 to -17% in Q3 2023. Followed by, the Greater London region reported a substantial drop, falling from -9% in Q2 2023 to -26% in Q3 2023. Additionally, the North region experienced a decline, with figures decreasing from -6% in Q2 2023 to -15% in Q3 2023.



Total workload



Enquiries



Graphs 13 and 14 - Q3/Q6. Base: Northern* (n=34); Midlands* (n=31); Southern (n=104); Greater London* (n=38). *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 26th September and 10th October 2023 and received 213 completes. It was published in October 2023.

For more information about the FMB please visit

www.fmb.org.uk

For more information about Savanta, please contact:
Kanpunnarin Amphunan, Senior Research Executive,
on: **kanpunnarin.amphunan@savanta.com**



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