

Q4
2021

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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 in **October to December 2021**. It casts ahead to **January to March 2022**.



BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

The end of last year was a tough one for small builders, with many reporting to this survey that it presented the most difficult trading conditions they've seen over their many years in the business. The FMB's State of Trade Survey indicates that the market is now cooling off. We saw an explosion of activity following the easing of pandemic restrictions when consumers had waited patiently for work to be done, wallets primed, full with the savings some had been able to make. But, that wasn't going to last forever.

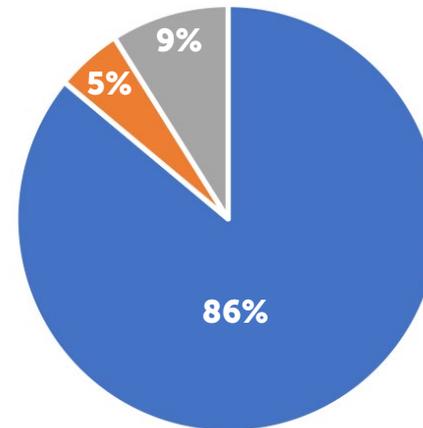
Workloads are down and enquiries following suit; we're also seeing employment numbers drop from their peak earlier in 2021. Is this downturn the market returning to normality, or are we seeing the difficult financial conditions, including rising inflation, starting to bite the consumer, as it has done our members, with them beginning to think twice about embarking on a build.

Industry urges Government to introduce licensing to stave off rogue traders and protect consumers

Builders have made it clear they want licensing, with an overwhelming 86% saying that the industry should be regulated in order to boost standards, protect consumers and fundamentally rid the market of rogue traders.

The FMB has made the case for licensing builders a key priority of ours and will continue to do so in 2022. Some of our members will have seen that the campaign made it to Parliament late in 2021, in the form of a Private Members Bill.

Do you support or oppose the Government introducing a mandatory licensing scheme for UK builders to enforce basic standards of competence?



■ Support ■ Oppose ■ Neither / Don't Know

"There is no other option than for a licencing scheme. The UK needs this with the amount of cowboys and rouge traders out there. I've been fixing their mess for 24 years. Things have to change"

– FMB member



BRIAN BERRY, Chief Executive,
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View from the Chief Executive

What will licensing do?

Licensing is a vital tool to uplift the industry; it will give builders a sense of professionalism, much like other trades that are regulated. This will mean that the industry is no longer seen as the last resort of school leavers, but a coveted career, underpinned by a clear level of competence.

Beyond our own industry, this will help save customers money, time and energy. It cannot be understated the damage rogue traders do to consumers – they not only waste time, sucking up jobs from legitimate, quality builders, but are dangerous. In what other walk of life could you hold as much responsibility as a builder in terms of safety and not have a least a basic level of standards to ensure you are qualified. My worry is that this will just get worse as prices rise and purse strings tighten as the consumer, will understandably, seek out the quick and cheap option unwittingly falling prey to a cowboy builder.

A year of opportunity and difficulty

This year, the third with the pandemic, will be a bumpy one. Inflation is wreaking havoc with material prices and people's wallets, skills shortages still plague the industry and builders will be under increasing pressure. But the Government's agenda should be leaning in our favour.

The UK Government has a genuine opportunity this year to support local builders and communities and boost local economies if it delivers a Levelling Up White Paper that makes substantive commitments. Small builders enable people in local communities to train locally, work locally and ultimately stay local, uplifting every part of the nation in equal measure. To me, this is what levelling up should look like.



"We strongly support a professional building industry that should be regulated and licensed in the same way that the electrical and plumbing and heating sectors of our industry are regulated"

– FMB member

Key indicators

There has been a sharp fall in both workload and enquiries in the fourth quarter of 2021, though overall both continue to increase, and employment has held steady.

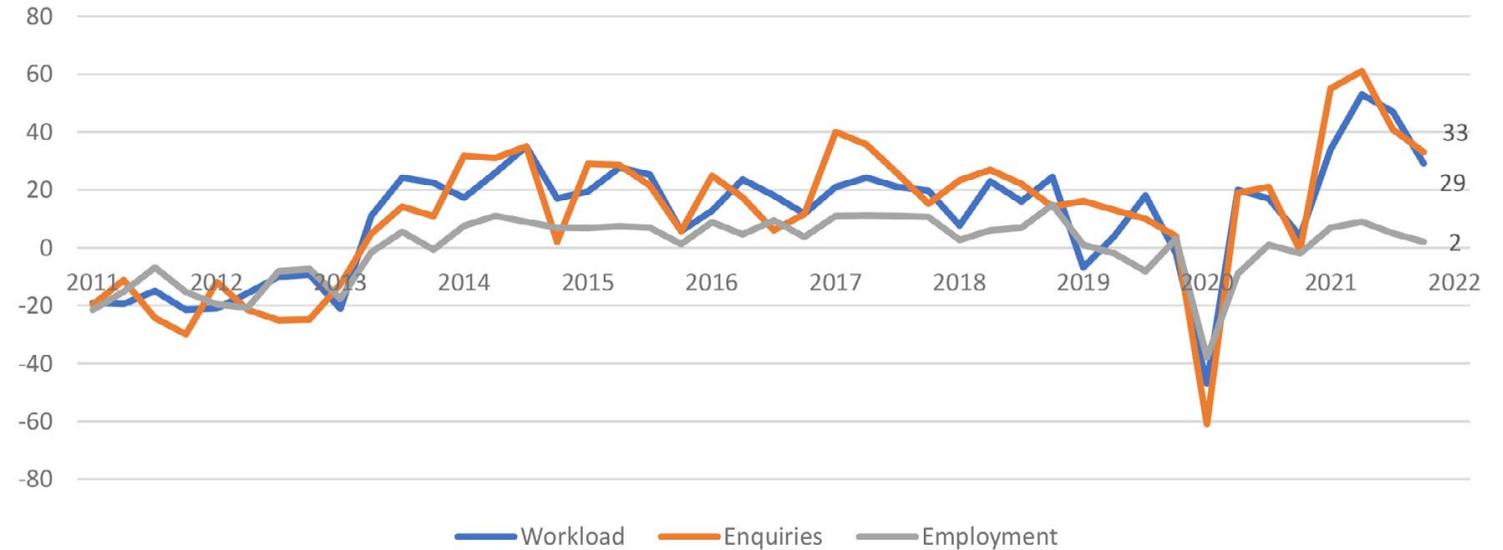
41% of FMB members report a higher workload in Q4 of 2021 than in Q3 (July-September 2021), while 12% say their workload has fallen, resulting in a net change of 29% on Q3. Enquiries continue their downward trajectory, mirroring workload rates. This could be indicative of a cooling off the market following a high after the lifting of pandemic restrictions.

A fifth (18%) report their company's workforce grew in Q4, but 16% report lower numbers of staff. 52% of FMB members report a higher level of enquiries in Q4 compared to Q3, though 19% report this to be lower, providing a net gain of 33% for Q4.

"Labour is a massive problem, causing huge gaps between trades on site which in turn delays the overall project which in turn puts huge stress on our cashflow"

– FMB member

Key indicators



Graph 1 - Q3. Looking back, how does your company's workload in the period October - December 2021, compare to that in July - September 2021? Base: Total excl N/A (n=440) Q6. Looking back, how has the level of enquiries regarding future work changed in the period October - December 2021 compared to July - September 2021? Base: Total excl N/A (n= 440) Q8. How has the number of employees within your company's workforce changed during October - December 2021 compared to July - September 2021?? Base: Total excl N/A (n= 440) Net balance of change



Workload and enquiries by sector

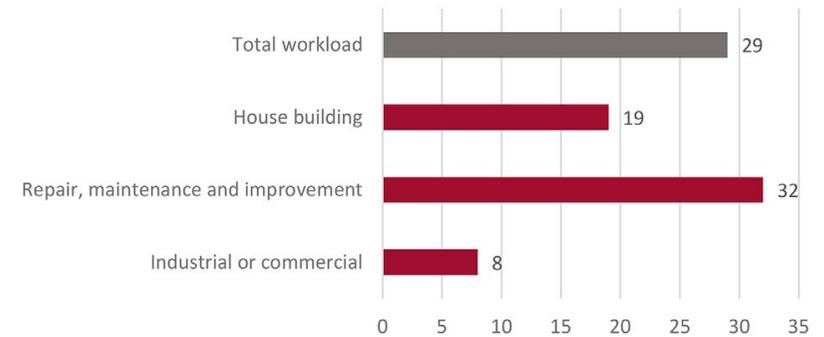
Workload and enquiries are down across the board on Q3. The repair, maintenance and improvement sector continues to perform most strongly, with around a third (32%) of FMB members seeing a net increase in workload and enquiries, although down on Q3, which sat at just under 50%.

Industrial or commercial work has had a much more difficult quarter, with 8% of respondents saying their workload as increased on balance in Q4, compared to 28% in Q3. Similarly, only 5% report a net increase in enquiries, compared to 22% in Q3. A quarter (26%) have said they have seen a decrease in enquiries for this sector.

Housebuilding remains stable on Q3, seeing only marginal dips in workload and enquiries, which stood at 21% and 29% respectively. While it's relatively positive housebuilding has remained stable, it will require a significant boost in workload to match UK Government targets of 300,000 units per year. In 2022, the FMB will continue to campaign for greater access to the housing market for SME developers.

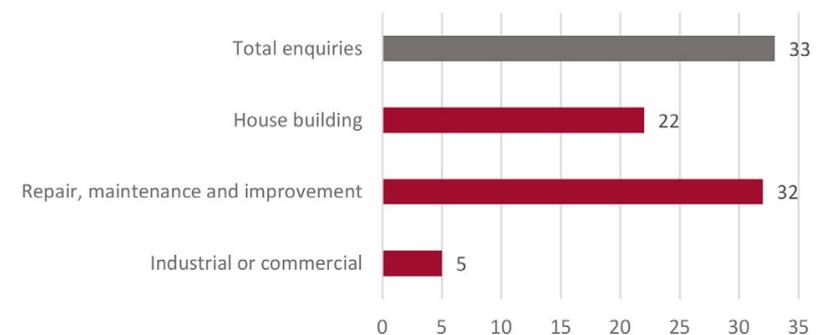


Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period October - December 2021, compare to that in July - September 2021, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=440); House building (n=244); Repair, maintenance and improvement (n=413); Industrial or commercial (n=220). Excluding N/As. Net balance of change.

Enquiries



Graph 3 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period October - December 2021 compared to July - September 2021? Base: Total workload (n=440); House building (n=265); Repair, maintenance and improvement (n=423); Industrial or commercial (n=235). Excluding N/As. Net balance of change.

Employment and skills shortages

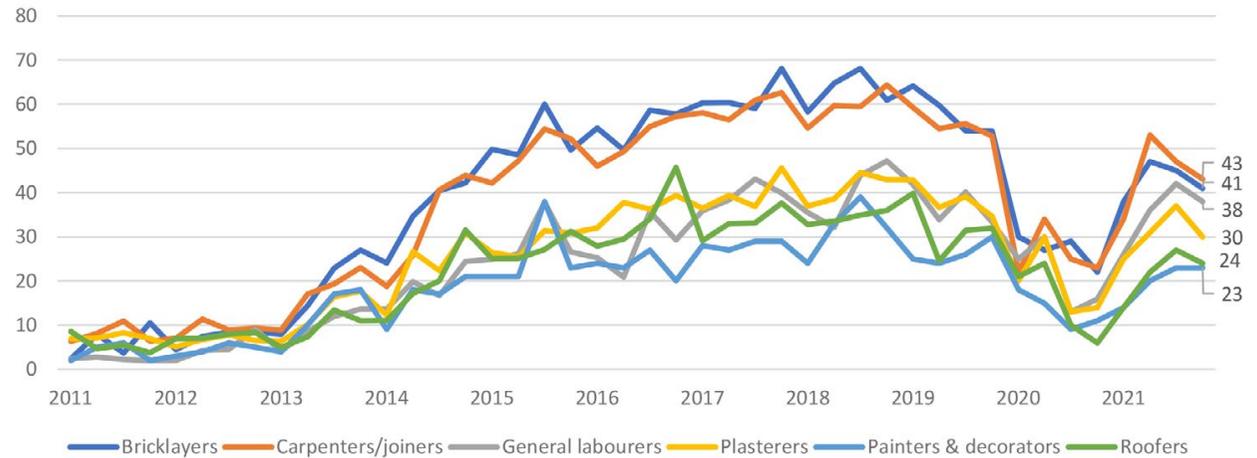
FMB members report a slight net increase in overall employment in Q4 compared to Q3. Key trades such as carpenters/joiners and bricklayers continue to be the most difficult occupations to recruit in Q4, with FMB members reporting difficulty recruiting either occupation (43% and 41% respectively) though the picture has continued to improve since difficulties peaked in Q2.

The struggle to hire general labourers, plasterers, roofers and painters and decorators has also eased, this easing of recruitment could indicate a cooling off of the market, which spiked earlier in 2021 along with workloads following the easing of pandemic restriction. The lack of readily available skills in the industry is a long running trend.

The industry, as indicated in graph 4, has seen a significant rise in the difficulty to hire trades people for some years, with some parts of the country feeling the effects of losing EU labour, particularly in the Southeast. There has been long-term underinvestment in attracting new talent from the UK and subsequently the industry has not been training the needed numbers of newcomers into the various construction professions.

Both Government and the construction industry need to do more to improve the visibility and viability of being a builder. It can no longer be seen as the last resort for school leavers. In February 2022, the National Apprenticeship Week takes place focussing on 'Build the Future' and this will be a great opportunity for industry to rally Government support to boost skills into construction and it can be used as a platform to make the first steps to change the image of the industry for school leavers.

Difficulty in recruiting for each of the following occupations



Graphs 4 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of October - December 2021? Base: Total (n=440)



Prices and costs

Nearly all FMB members (95%) report an increase in material costs in Q4, compared to Q3, and 62% report a rise in wages and salaries on balance. 74% of members have said the prices they are charging for work have increased.

Most FMB members expect this trend to continue, nine in ten (91%) say they expect material costs to increase in Q1 of 2022 and almost two thirds (64%) are expecting an increase in wages and salaries. Three quarters (76%) are expecting to increase the prices they charge for work.

We have seen rising costs as a major concern for builders for some time now. But the issue of rising prices and wages has been brought into sharp focus as a result of rocketing inflation. This creates an unfortunate pincer movement for builders - on the one hand they have to increase prices and on the other, they face a consumer base tightening their belts as a rise in cost of living hits their pockets.

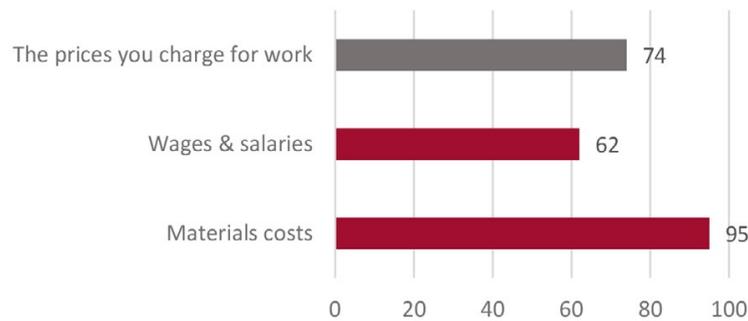
Inevitably this puts SME builders under immense financial pressure, but it also could force consumers to search out the cheapest route. This route will likely be rogue traders who are offering unrealistically low prices and quick turnaround times. This means lost work for a legitimate builder and shoddy, possibly dangerous outcomes for the customer.



“Continuing material cost increases are having a crippling effect on profit margins as quoted and started works are having to be continually delayed and renegotiated”

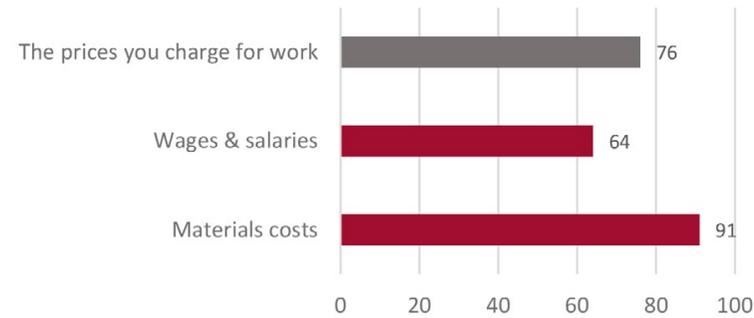
– FMB members

Prices and costs



Graph 5 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of October – December 2021? Base: The prices you charge for work (n=434); Wages & salaries (n=434); Materials costs (n=438) Excl N/As. Net balance of change

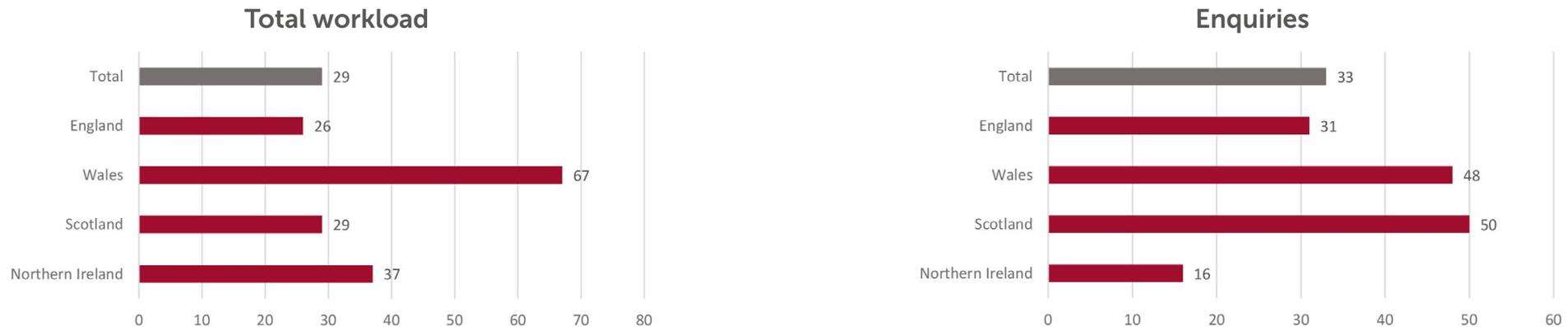
Expected prices and costs



Graph 6 – Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of January – March 2022? Base: The prices you charge for work (n=433); Wages & salaries (n=429); Materials costs (n=434) Excl N/As. Net balance of change

Key indicators in the home nations

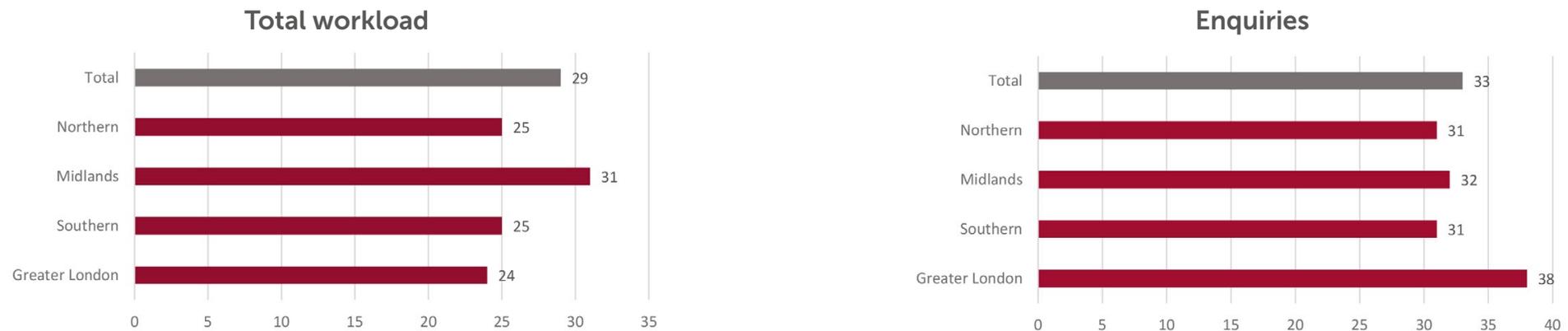
Workloads have had a slower rise compared to Q3 in each of the home nations, with the exception of Wales which has seen an increase on Q3. This decline was particularly pronounced in Scotland where 29% report an increase in Q4 on balance, compared to 61% in Q3. Enquiries have held steady in England, but appeared to have decreased across the board in the other home nations. The data indicates that this drop off is particularly pronounced in Wales and Northern Ireland – compared to the enquiry rates in Q3.



Graphs 7 and 8 -. Q3/Q6. Base: England (n=366); Wales* (n=21); Scotland (n=34), Northern Ireland* (n=19) *Caution: Results should be treated as indicative due to limited base size. Net balance of change.

Key indicators in the English regions

Within England workload is down significantly across all regions compared to Q3, with the exception of the Midlands which has remained stable. Workload in the North and Greater London is reported to have slowed by around half on balance compared to Q3. Enquires are relatively flat across the regions and down on Q3, apart from the Midlands which has increased from 24% in Q3. FMB members in London are slightly more likely to report an increase (38%) in Q4 compared to the other regions, but this is down from 52% in Q3. These figures could be indicative of return to normal for the market, following a peak in early 2021. However, the overall drop across workload and enquiries compared to Q3 may be the result of materials and skills shortages that were particularly severe in late 2021.



Graphs 9 and 10 - Q3/Q6. Base: Northern (n=79); Midlands (n=72); Southern (n=215); Greater London (n=58). Net balance of change.

For more information

This quarter, the survey was issued between 4 and 14 January 2022 and received 440 completes. It was published in January 2022.

For more information about the FMB please visit

www.fmb.org.uk

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