

Q3
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 **July to September 2021**. It casts ahead to **October to December 2021**





BRIAN BERRY, Chief Executive,
Federation of Master Builders

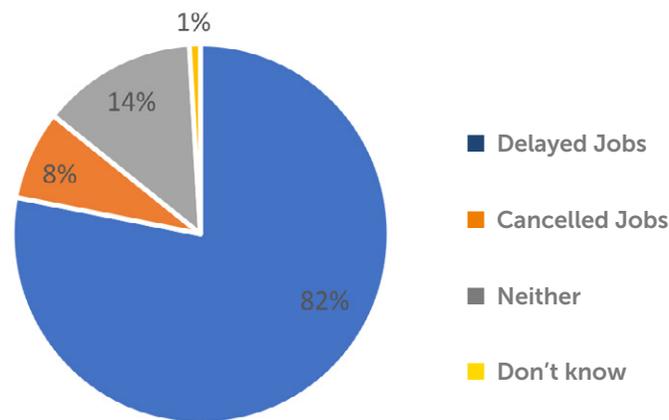
View from the Chief Executive

This quarter's State of Trade data reflects the ongoing pressure faced by the UK's small builders, with the cost of building materials and the price of labour remaining stubbornly high. 97% of respondents to our survey reported an increase in material costs in Q3 compared to Q2, and 93% expect the prices to keep on rising into Q4. While the struggle to hire a bricklayer or carpenter has eased slightly, shortages of general labourers, plasters and roofers are on the rise. I cannot help but be struck by the sobering comments that we receive from our members who take part in this survey, about the impacts of these shortages on their businesses, and in some cases, on their mental health. The FMB will continue to do all it can to support all of its members, especially those considering closing their businesses as a consequence of the current market.

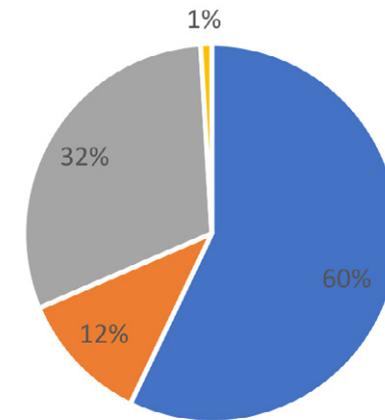
Dramatic delays to jobs

We had been hearing for some time that jobs have been delayed or sites left dormant due to the lack of materials and skills in the industry, but we wanted to quantify this.

What has been the impact of a lack of materials?



What has been the impact of a lack of skilled tradespeople?



Base: All respondents (n=307) Questions asked Lack of materials: How, if at all, have each of the following impacted your company's work over the period of July - September 2021 and Lack of skilled tradespeople available: How, if at all, have each of the following impacted your company's work over the period of July - September 2021?

"As a new SME in the construction field this whole situation has made it a struggle to keep surviving."

– FMB member



BRIAN BERRY, Chief Executive,
Federation of Master Builders

“Chasing trades and materials has made our business inefficient and stressful. For the first time in 15 years, I have considered closing the business”

– FMB member

View from the Chief Executive

Dramatic delays to jobs (continued)

So this quarter we asked that question directly, and the results are shocking. 82% of respondents reported delayed jobs due to a lack of materials; 60% delayed jobs because of a lack of skilled tradespeople. Combining the impacts of both of these constraints shows shows 89% of members have experienced delays. This is stifling any return to normality for the industry following the pandemic and will not help the country to ‘build back better’.

Severe delays risk rise in rogue traders

As the fall in workloads and enquiries reported in this quarter’s survey indicates, some of the post-pandemic heat may be beginning to come out of the market naturally. This should ease the demand on key inputs, but perhaps not quickly enough to arrest some of the consequences that I fear may come from the current crises. With wait times for jobs high, homeowners may feel the pull of unscrupulous builders who seek to exploit the situation. To avoid the rise in rogue trading that my members are already reporting, I urge all customers to be patient. As this data shows, almost all good builders are facing severe delays. The FMB has sought to help members and their clients with new clauses inserted into our suite of draft contracts to reflect current market instabilities.

We know we’re not the only industry affected by haulage issues limiting the supply of materials, and skills shortages, but we do require the Government to come up with a comprehensive response. It should start by using the Spending Review and Budget to back a national skills strategy for the construction sector. We must overturn decades of neglect when it comes to encouraging young people towards a career in construction, and we need greater support for SMEs to help train up new talent. Small, local builders punch above their weight when it comes to supporting people into the trades according to our Home Builders’ Survey with 71% of apprentices in construction trained by SMEs. We stand ready to work with the Government and industry partners to do more to attract school leavers into the industry and promote taking up a trade in construction as an attractive prospect.



BRIAN BERRY, Chief Executive,
Federation of Master Builders

“We have lost some good people returning to Europe and the domestic labour market either is unwilling to fill the gap or untrained to fill the gap. The demand and expectations of clients are rising and becoming very frustrated in the current climate making relationships difficult to build and maintain”

– FMB member

View from the Chief Executive

Heat and Buildings Strategy doesn't go far enough

One of the ways to bring long-term stability and steady business opportunities to small builders, would be for the Government to back the Construction Leadership Council's National Retrofit Strategy, which the FMB has championed. It was therefore disappointing that the recently released and much-anticipated Heat and Buildings Strategy failed to deliver a comprehensive plan for retrofitting the UK's 29 million leaky and draft prone homes.

The Government must do more to demonstrate that it recognises that the fabric of homes needs to be dealt with first – or at least simultaneously – before we make the leap to heat pumps or hydrogen boilers. That would stimulate the domestic RMI market, and create long-term incentives to upskill the existing workforce. We are going to need 500,000 more workers in construction to meet the net zero challenge. The FMB will continue to make the case that grappling with this properly could be the shot in the arm the industry needs to get more budding tradespeople through the doors.



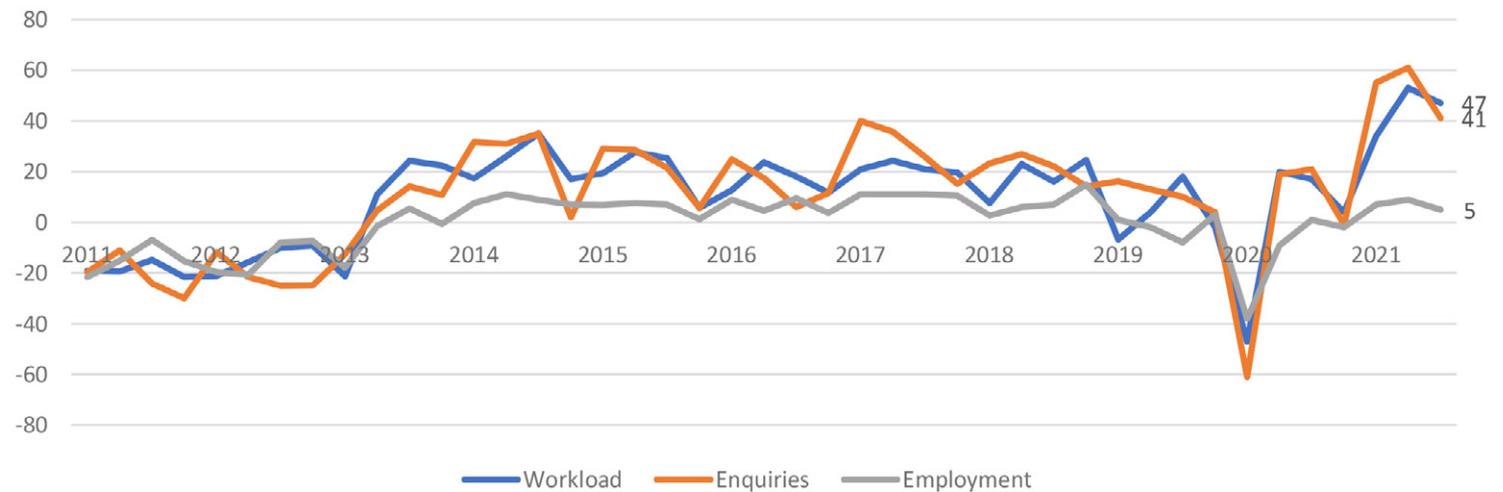
Key indicators

Workload has dipped slightly in the third quarter of 2021, accompanied by a small drop in employment, though overall employment levels are still increasing. The fall in enquiries, however, has been sharper.

55% of FMB members report a higher workload in Q3 of 2021 than in Q2 (April-June 2021), while 8% say their workload has fallen. A quarter (25%) report their company's workforce grew in Q3, but 21% reporting lower numbers of staff. The slight drop in employment likely tracks the fall in workload. However, it is unclear the extent to which material and labour shortages are impacting our key indicators. A degree of volatility is also reflected in the enquiries data, with 56% of FMB members reporting a higher level of enquiries in Q3 compared to Q2, though 15% report this to be lower.

After a recent upturn with a post pandemic burst of work for the industry we're starting to see enquiries and workload make a downward turn towards pre-pandemic levels.

Key indicators



Graph 1 - Q3. Looking back, how does your company's workload in the period July – September 2021 compare to April – June 2021 Base: Total excl N/A 2021 Q3 (n=307) Q6. Looking back, how has the level of enquiries regarding future work changed in the period July - September 2021 compared to April - June 2021 Base: Total excl N/A 2021 Q3 (n= 307) Q8. How has the number of employees within your company's workforce changed during July - September 2021 compared to April - June 2021 Base: Total excl N/A 2021 Q3 (n= 307) Net balance of change

"This has been one of the most stressful periods we can remember since we formed the company. There's an abundance of work but a distinct lack of labour and the continued increase [in cost] of all materials. It makes the planning of projects and the expectation of clients very difficult indeed."

– FMB member

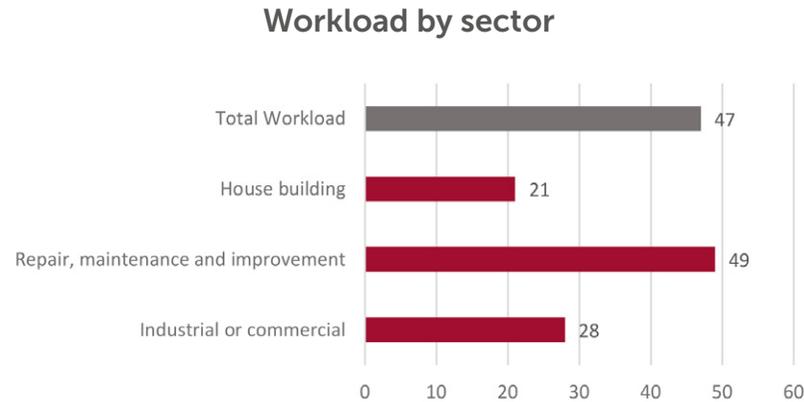


Workload and enquiries by sector

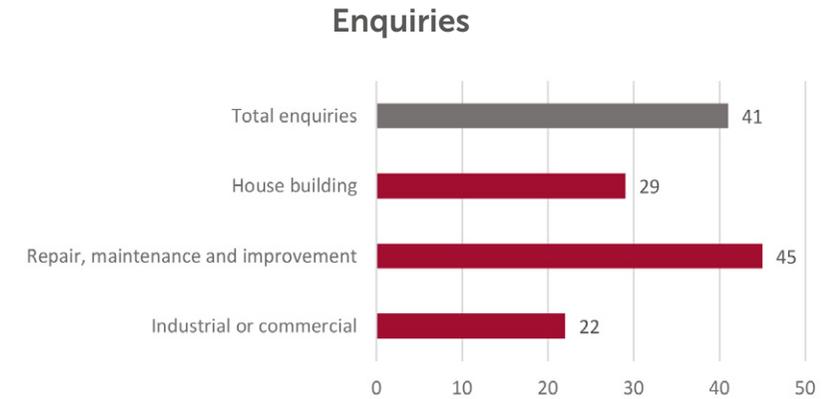
Workload and enquiries have increased in all sectors in Q3.

The repair, maintenance and improvement (RMI) sector is performing most strongly. Just under half of FMB members in this sector are seeing a net increase in workload, while 45% report a net increase in enquiries compared to Q2.

The slow recovery for house building is a concern due to the desperate need for more homes. The FMB has called on the Chancellor to use the Budget to back local house builders by investing in council planning departments.



Graph 2 - Q3. Looking back, how does your company's workload in the period July – September 2021 compare to that in April – June 2021, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=307); House building (n=146); Repair, maintenance and improvement (n=282); Industrial or commercial (n=128). Excluding N/As. Net balance of change

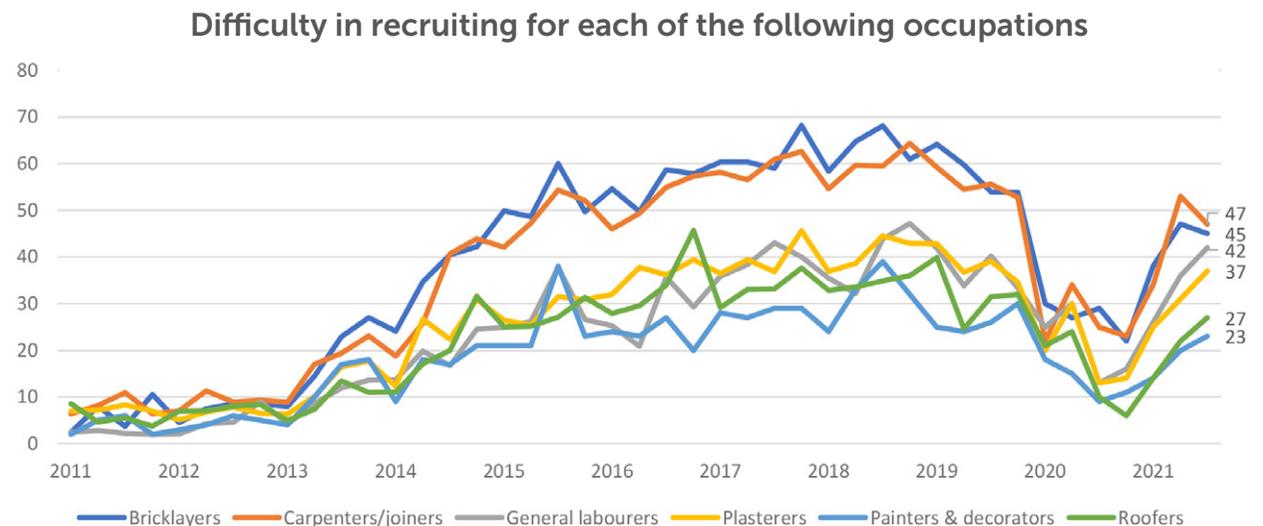


Graph 3 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period July – September 2021 compared to April – June 2021? Base: Total workload (n=307); House building (n=157); Repair, maintenance and improvement (n=286); Industrial or commercial (n=139). Excluding N/As. Net balance of change

Employment and skills shortages

47% and 45% of FMB members, respectively, reported difficulty hiring the key trades of carpenters/joiners and bricklayers. This is a slightly improved picture compared to Q2. However, the struggles to recruit general labourers, plasterers, roofers and painters and decorators continue to rise.

The continued lack of skilled labour is putting increasing pressure on builders and as we have seen causing job delays and cancellations.



Graph 4 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period July - September 2021? Base: Total (n=307)

Prices and costs

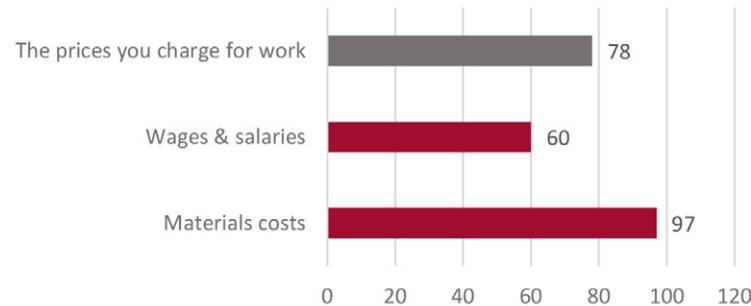
Most FMB members report an increase in prices and costs in Q3. Nearly all FMB members (97%) report an increase in material costs in Q3, compared to Q2, and 60% report a rise in wages and salaries. 78% say the prices they are charging for work have increased.

Most FMB members expect this trend to continue; nine in ten (93%) say they expect material costs to increase in Q4 and three in five (60%) expecting an increase in wages and salaries. Three quarters (77%) are expecting to increase the prices they charge for work.

Prices remain a major concern for SME builders, especially as they often work to tight margins. We have seen that this is causing frustration for consumers as quotes are rarely staying stable because of the fluctuations in material prices. As ever a rise in prices can lead to rogue traders exploiting the situation and builders have reported seeing more unscrupulous behaviour in which cowboy builders take advantage of consumer frustration.

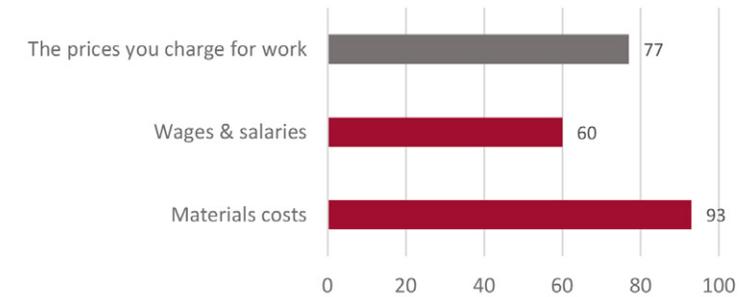
Government and industry must be transparent about the impacts of shortages, and make sure goods are getting through to the smallest firms.

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 July - September 2021? Base: The prices you charge for work (n=305); Wages & salaries (n=303); Materials costs (n=306) Excl N/As. Net balance of change

Expected prices and costs



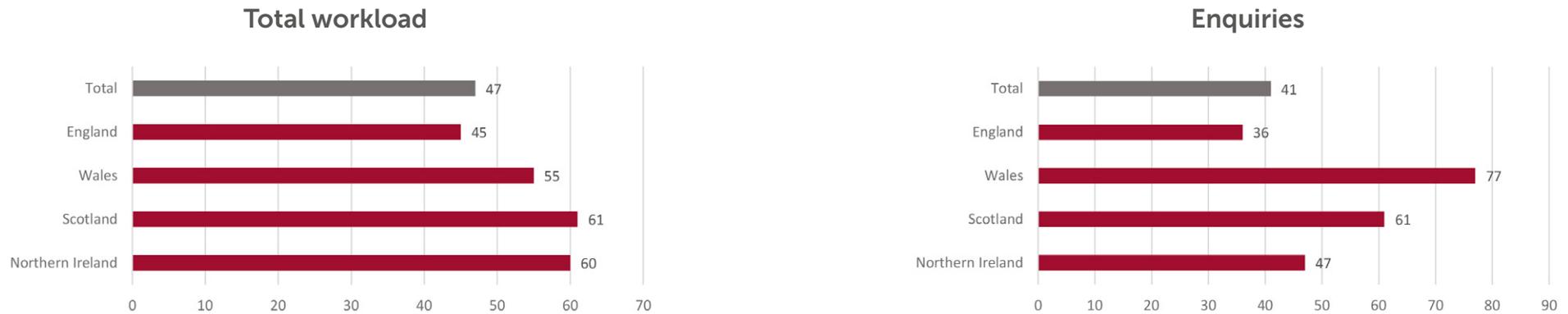
Graph 6 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of October - December 2021 Base: The prices you charge for work (n=301); Wages & salaries (n=303); Materials costs (n=299) Excl N/As. Net balance of change

"Price of materials is crippling cash flow at the moment"
- FMB member



Key indicators in the home nations

Workloads, and especially enquiries, are notably weaker in England this quarter, compared with the indicative experiences of FMB members from Wales, Scotland and Northern Ireland, who report a similar increase in workload on balance. FMB members in Wales appear more likely to report an increase in enquiries for work, compared to those in Scotland and Northern Ireland, and more than double the level of enquiries being reported in England.



Graphs 7 and 8 -. Q3/Q6. Base: England (n=247); Wales* (n=22); Scotland* (n=23), Northern Ireland* (n=15) *Caution: Results should be treated as indicative due to very low base size. Net balance of change

Key indicators in the English regions

Within England, activity is strongest in Greater London and the North. Around half of FMB members in Greater London report higher workload (57%) and enquiries (52%) on balance in Q3, with a similar proportion of FMB members in the North saying the same (55% workload; 47% enquiries). FMB members from the Midlands are least likely of all regions in England to say workload (30%) and enquiries (24%) have increased on balance in Q3.



Graphs 9 and 10 - Q3/Q6. Base: Northern (n=53); Midlands (n=50); Southern (n=144); Greater London (n=46). Net balance of change

For more information

This quarter, the survey was issued between 27 September and 13 October 2021 and received 307 completes. It was published in October 2021.

For more information about the FMB please visit

www.fmb.org.uk

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