

Q1
2024

Savanta:



FEDERATION OF
**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 **January to March 2024** and it casts ahead to **April to June 2024**.





BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

This quarter there has been a stabilisation in most of the metrics, with only minor ups and downs. However, what is worrying is that the numbers, certainly for workloads and enquiries, are settling in negative figures, similar to those seen between 2010 and 2013, when the UK economy was particularly buffeted by austerity measures which impacted spending power. To see these figures now, does suggest all is not right with the UK economy, but this may be an inevitable post-covid dip, following a few years of pent-up household cash reserves. We have, however, seen improvements in some areas, notably availability of skilled workers, with bricklayers and carpenters becoming easier to hire.



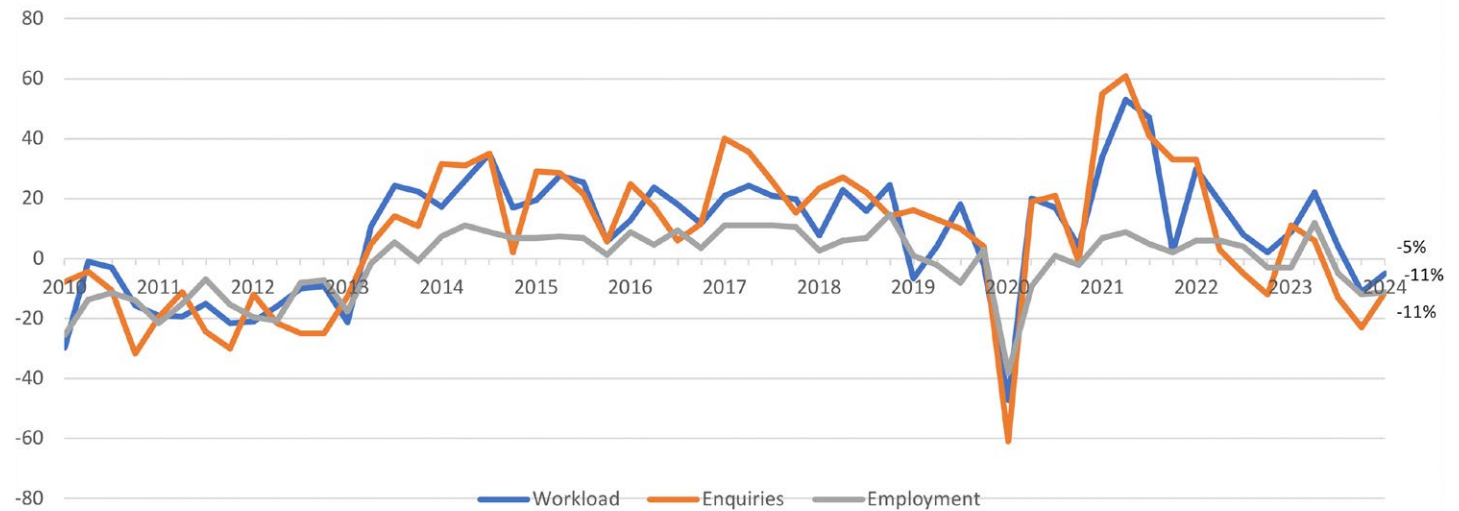
Key indicators

The first quarter (Q1) of 2024 has shown signs of stabilisation in workloads, enquiries and employment compared to the previous quarter, Q4 2023. According to reports from FMB members, the decrease in workloads has lessened, with a net change of -5% compared to Q4 2023 (-11%). This suggests that, while more than half of FMB members are still experiencing reduced workloads, a third (31%) have seen an increase.

The rate of decrease in enquiries has also slowed, with a net change of -11%, which is a notable improvement from -23% in the previous quarter. It indicates that while nearly half of FMB members (44%) are receiving fewer enquiries, a third (33%) have seen an increase.

The employment decrease remains stable with the same net change as in Q4 2023, -11%. While over a quarter of FMB members (28%) have reported a reduction in their workforce, a comparably smaller proportion (17%) have increased employment. More than half of FMB members (56%) reported that they are maintaining their workforce levels.

Key indicators



Graph 1 – Q3. Looking back, how does your company's workload in the period of period January to March 2024 compare to that in October to December 2023? Base: Total excl N/A (n=254) Q6. Looking back, how has the level of enquiries regarding future work changed in the period January to March 2024 compare to that in October to December 2023? Base: Total excl N/A (n= 254) Q8. How has the number of employees within your company's workforce changed during January to March 2024 compare to that in October to December 2023? Base: Total excl N/A (n= 254) Net balance of change.



Workload and enquiries by sector

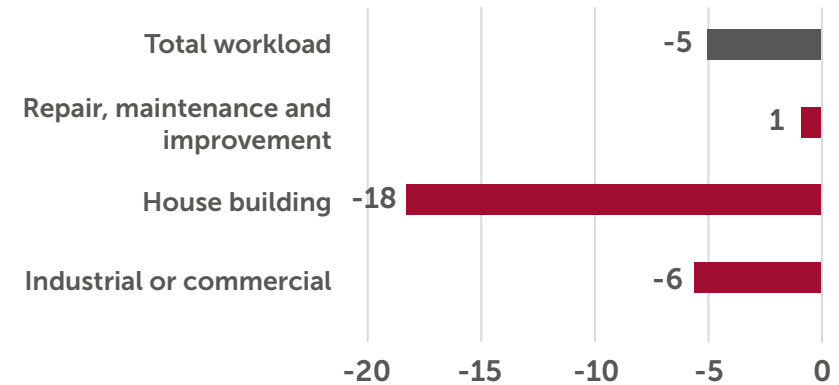
In Q1 2024, FMB members reported a decrease in total workload and total enquiries. The total workload saw a net decrease of -5%, which is an improvement from the -11% decrease reported in Q4 2023. In terms of total enquiries, there was a decrease of -11%, which is also an improvement from the -23% decrease in the previous quarter. Despite decreases in both workload and enquiries across all sectors, the rate of decrease has slowed down in Q1 2024 compared to Q4 2023, indicating signs of a potential stabilisation and/or recovery.

FMB members in the repair, maintenance, and improvement sector reported a slight decrease in workload, with a net balance of -1%, the same as the previous quarter. Enquiries in this sector decreased by -8%, an improvement from the -17% decline in Q4 2023. Members in the housebuilding sector have reported a decrease in workload with a net balance of -18%, showing a slight change from the -21% decline in Q4 2023. Enquiries within this sector also continued to decrease, with -25% of members reporting a decrease, an improvement compared to the -30% decrease in Q4 2023.

Members involved in the industrial or commercial sector also reported a decrease in workload by -6% on net balance, a substantial improvement from the sharp -23% decrease in Q4 2023. Enquiries within this sector have decreased by -23%, showing a slowing of the decrease from the -28% reported in Q4 2023.

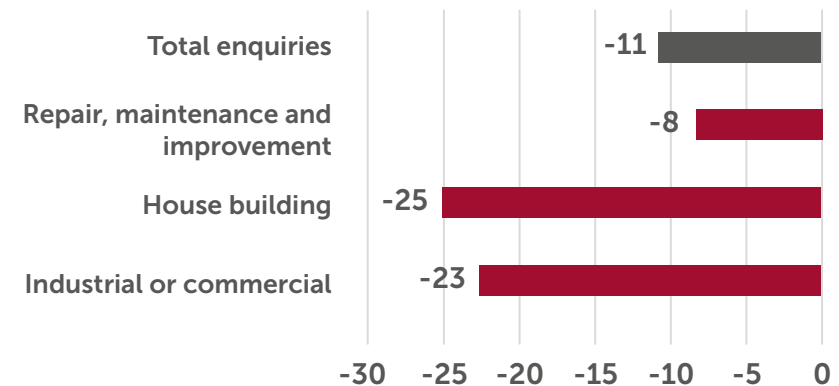


Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period January to March 2024 compared to that in October to December 2023, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=254); House building (n=138); Repair, maintenance and improvement (n=246); Industrial or commercial (n=126). 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 January to March 2024 compared to that in October to December 2023, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=254); House building (n=130); Repair, maintenance and improvement (n=243); Industrial or commercial (n=125). Excluding N/As. Net balance of change.

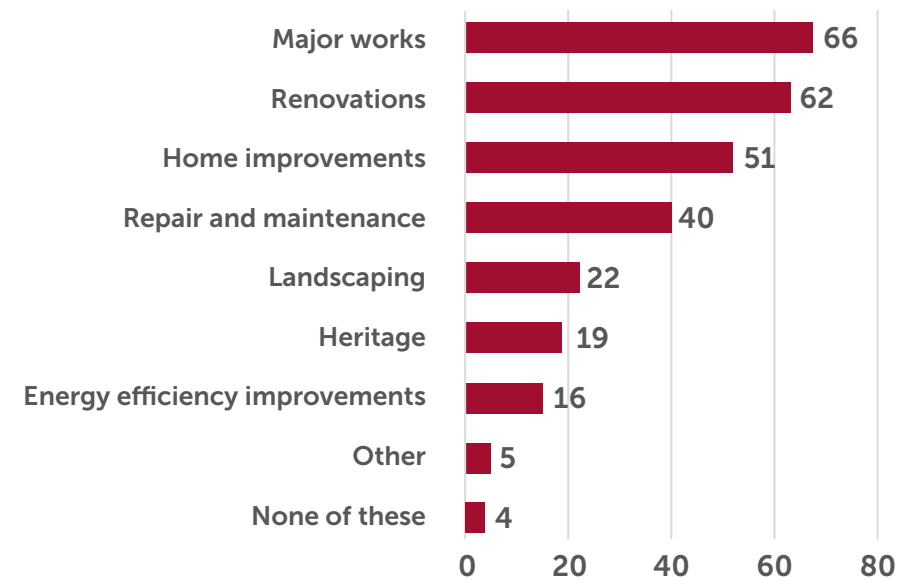
Type of activity by sector

Previously, the most common type of work was renovations, which although still common, the most prevalent type of work delivered among FMB members is now major works, with 66% of members involved in this sector. This is a slight increase compared to the 65% in Q4 2023. Renovations have seen a slight decrease to 62%, compared to the previous 70% in Q4 2023. Home improvements have decreased considerably to 51%, compared to 65% in Q4 2023. The proportion of members involved in repair and maintenance work is now at 40%, indicating a slight decrease in this type of work compared to the previous quarter. For the first time we have tracked heritage work, which shows nearly 1 in 5 members carried out work of this type in the last quarter.

In Q1 2024, although a significant majority of FMB members, 85%, reported initiating 1-5 house starts, this represents a minor decrease from the 89% reported in Q4 2023.

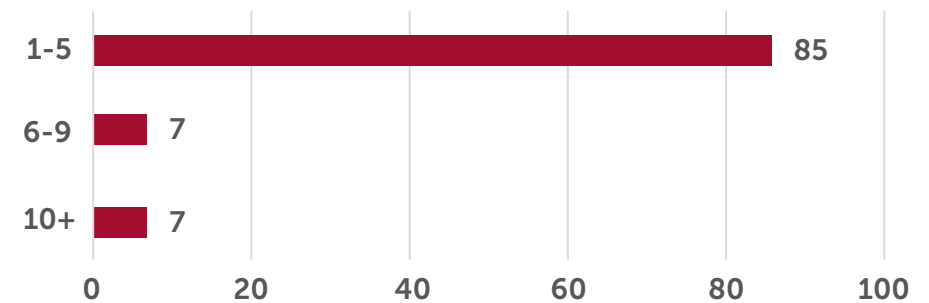


Types of repairs, maintenance and improvement works that has been delivered in the period of January to March 2024



Graph 4 - Q4. Which of the following repair, maintenance and improvement works has your company delivered for existing domestic dwellings in the period of January to March 2024? Base: Total (n=246), All working in the RMI sector.

Number of houses that have been built in the period of January to March 2024



Graph 5 - Q5 W15 2. How many housing starts has your company done in the period of January to March 2024? Base: Total excluding no housing starts and don't know (n=24), All working in the housebuilding sector

Employment and skills shortages

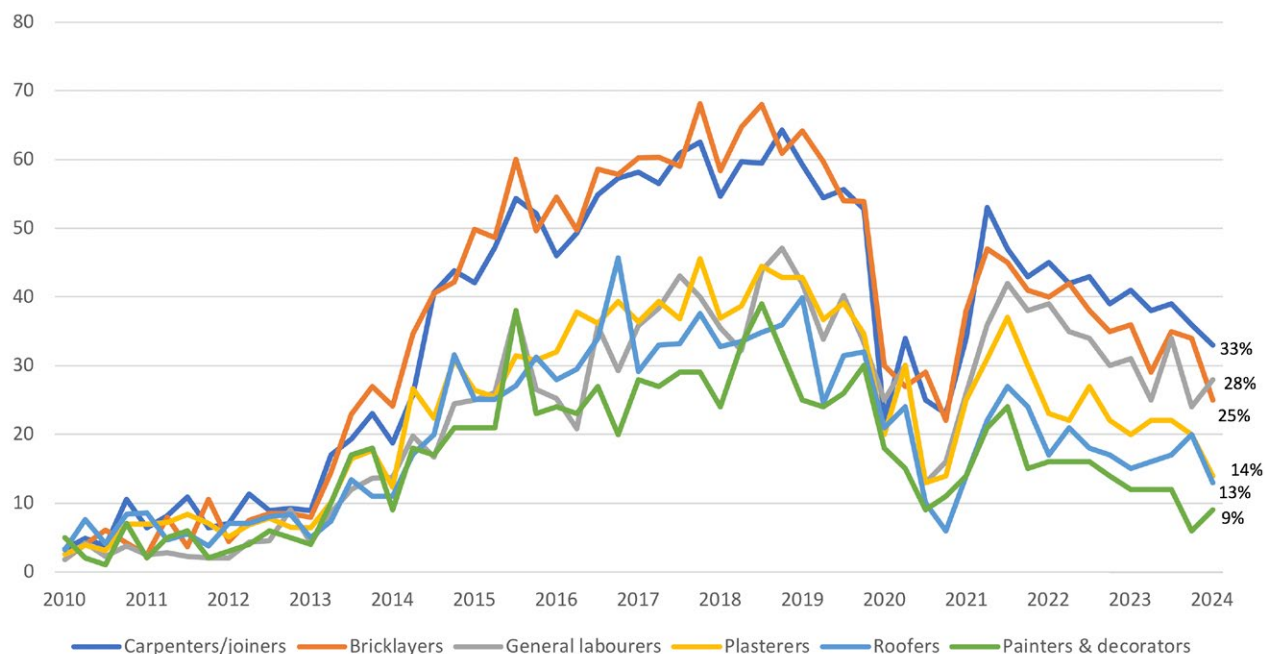
In terms of employment levels, a majority of FMB members (56%) reported no changes during the first quarter of 2024 compared to the fourth quarter of 2023 (61%). In contrast, 28% of members reported a decrease in the number of employees, an increase from the 26% reported in the previous quarter. On a positive note, 17% of members reported an increase in the number of employees in their companies from January to March 2024 when compared to October to December 2023. This is an improvement from the 14% reported in Q4 2023. On balance, this resulted in a marginal improvement with a decrease of 11% in employment for Q1 2024, compared to the 12% decrease in Q4 2023.

During Q1 2024, FMB members continue to find recruiting for specific occupations challenging, though the levels have slightly decreased overall in comparison to Q4 2023. Carpenters continue to be the most difficult roles to fill, with one in three FMB members (33%) experiencing difficulties in hiring for these positions during Q1 2024, which is a slight decrease from 36% in Q4 2023.

Difficulties in recruiting bricklayers have decreased considerably, with 25% of members facing challenges, down from the previous quarter of 34%. For plasterers, the percentage of members reporting their difficulties in recruitment has also decreased from 20% in Q4 2023 to 14% in Q1 2024. Similarly, the recruitment of roofers has seen a decrease in difficulty, with 13% of members encountering challenges, down from 20% in Q4 2023.

FMB members reported that issues with recruiting general labourers have increased, with 28% of members facing difficulties, up from 24% last quarter, meaning it has replaced bricklayers as the second most difficult trade to hire. Lastly, for painters and decorators, recruitment difficulties have increased slightly since Q4 2023, from 6% to 9% in Q1 2024.

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 January to March 2024? Base: Total (n=254). Net balance of change.



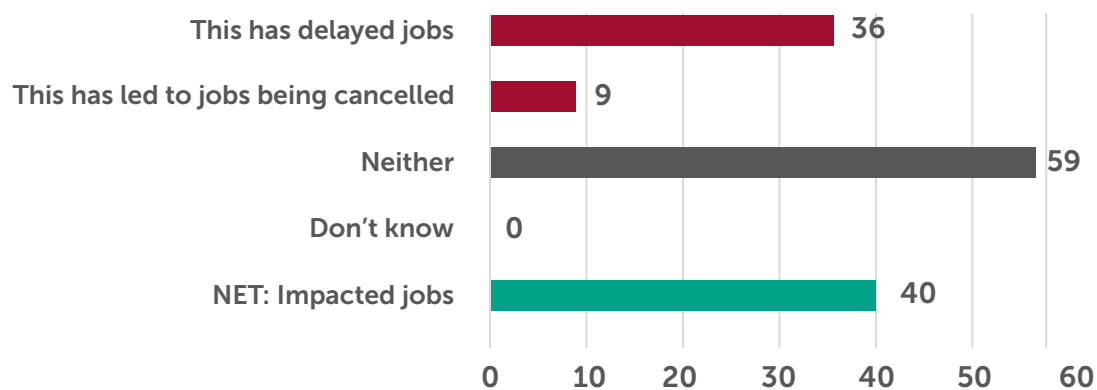
Impact of lack of skilled tradespeople available

In Q1 2024, FMB members reported the impact of the shortage of skilled tradespeople has slightly decreased, with 40% acknowledging that the shortage of skilled tradespeople has had an impact on their jobs – whilst this is still high, it represents a decrease of 10% compared to 50% in Q4 2023.

Despite this, 36% of members reported that this shortage has resulted in job delays. Similarly, while this is a decrease from the 45% reported in Q4 2023, it still represents a considerable proportion, showing that the shortage continues to affect project timelines. The proportion of members reporting that the shortage has led to job cancellations remains stable at 9%, the same as in Q4 2023. This suggests that, while the shortage is an ongoing issue, businesses have managed to prevent further increases in job cancellations due to this. A considerable proportion of FMB members, 59%, reported that the shortage of skilled tradespeople neither impacted nor delayed their jobs.



Impact of lack of skilled tradespeople January to March 2024



Graph 7 - Q13. How, if at all, has the lack of skilled trades people impacted your company's work over the period of January to March 2024? Base: Total (n=254)

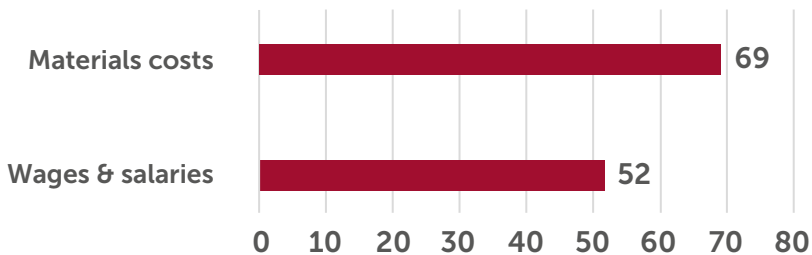
Prices and costs

In Q1 2024, FMB members have continued to experience shifts in their business costs and the prices charged for their services. A majority of FMB members, 52%, reported an upward trend in the prices they charged for their services, slightly down from 55% in Q4 2023. Regarding outgoing costs, FMB members have noted changes in both material costs and wages. A majority of members, 69%, reported a net increase in material costs, an increase from the 63% reported in Q4 2023. Similarly, 52% of members reported a net increase in wages and salaries, down slightly from 55% in Q4 2023.

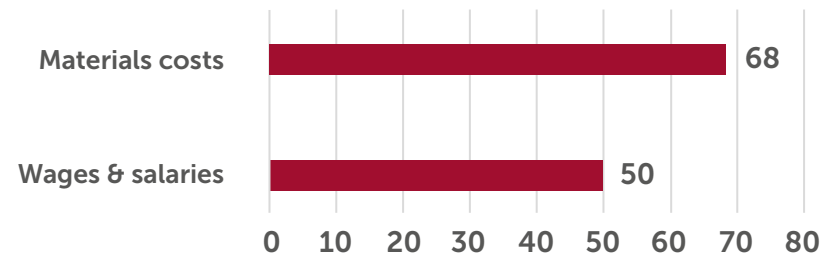
For the upcoming quarter (April - June 2024), FMB members continue to anticipate an upward trajectory in material costs and wages & salaries, although at slightly lower rates than in Q1 2024. Specifically, around 68% of members expect a net increase in material costs, a slight decrease from the 69% reported in Q1 2024. The percentage of members expecting an increase in material costs for the next quarter continues to remain high, despite the gradual fluctuations observed in previous quarters. Furthermore, about 50% of members anticipate a net increase in wages and salaries for Q2 2024, slightly down from the 52% reported in Q1 2024.



**Past quarter costs
January to March 2024**



**Expected costs
April - June 2024**



Graph 8 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of January to March 2024? Base: The prices you charge for work (n=253); Wages & salaries (n=254); Materials costs (n=249) Excl N/As. Net balance of change 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 April to June 2024? (n=249); Wages & salaries (n=249); Materials costs (n=244) Excl N/As. Net balance of change, showing only materials costs and wages & salaries.

Impact of changes in prices and costs

Among the FMB members who experienced an increase in outgoing costs during Q1 2024, several impacts on their businesses were reported. Approximately 65% of these members stated that the cost escalation resulted in an upward adjustment in the prices they charged for their services. This percentage is slightly down from the 66% reported in Q4 2023. In addition, around 44% of these members expressed that their business profits were lower than expected or that they had incurred financial losses. This represents a slight decrease from the 46% reported in Q4 2023. Furthermore, for 27% of members, cost pressures have impeded their plans to recruit new staff, an increase from the 21% reported in the previous quarter. Around 14% of respondents indicated that the viability of their business has been adversely affected, putting them at risk of closure, consistent with the figure from Q4 2023.

Finally, a smaller proportion of members (9%) reported that they have had to make staff redundant or terminate contracts as a consequence of the rising costs. This figure is an increase from the 6% reported in Q4 2023 and suggests an increasing trend of job losses due to cost pressures.

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



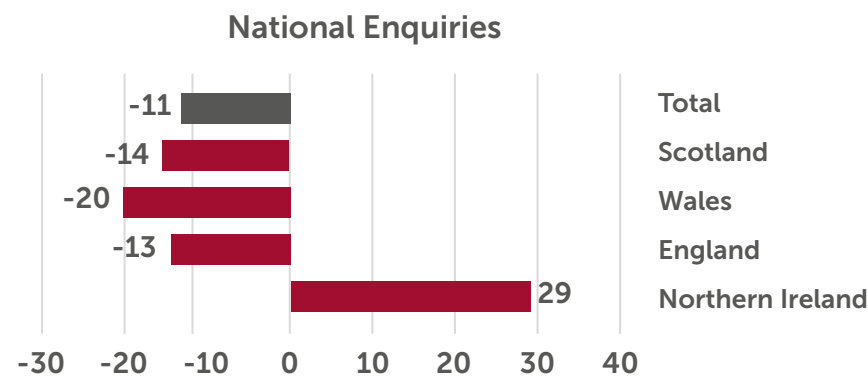
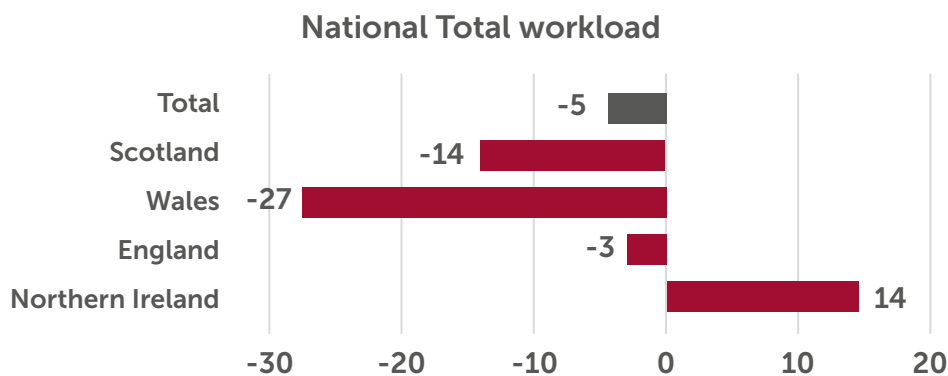
Graph 10 - Q11a. You said that your outgoing costs (wages & salaries and/or material costs) have increased over the period of January to March 2024. How, if at all, has this impacted your company? Base: all who report an increase in outgoing costs this quarter (n=200)



Key indicators in the home nations

Across the UK, the total workload has seen a lesser decrease of -5%, an improvement from the -11% reported in Q4 2023. In terms of regional workload, Northern Ireland experienced a substantial increase in workload compared to Q4 2023, with figures rising from a net change of -17% to a positive 14%. In contrast, England saw a slight decrease in workload from -10% in Q4 2023 to -3% in Q1 2024. Wales also continued to experience a decline in workload, though slightly less severe than in Q4 2023, from -28% to -27%. Scotland witnessed a more significant decrease, dropping from 7% in Q4 2023 to -14% in Q1 2024.

There has been a less significant decline in national enquiries in Q1 2024, with the net change improving from -23% in Q4 2023 to -11% in Q1 2024. Northern Ireland witnessed a substantial increase from a net change of -17% to 29% on balance, marking a reversal in the trend from the previous quarter. In contrast, Wales saw a continued decline in enquiries, though less severe than the previous quarter, with figures improving from -33% to -20% on balance. England also reported a decrease in enquiries, also less severe than in Q4 2023, with figures improving from -23% to -13% on balance. Scotland experienced a slight decrease in enquiries, with figures moving from -13% in Q4 2023 to -14% in Q1 2024.



Graphs 11 and 12 -. Q3/Q6. Base: England (n=204); Wales* (n=15); Scotland* (n=21), Northern Ireland* (n=14) *Caution: Results for Wales, Scotland and Northern Ireland should be interpreted with caution due to very limited base size. Net balance of change.

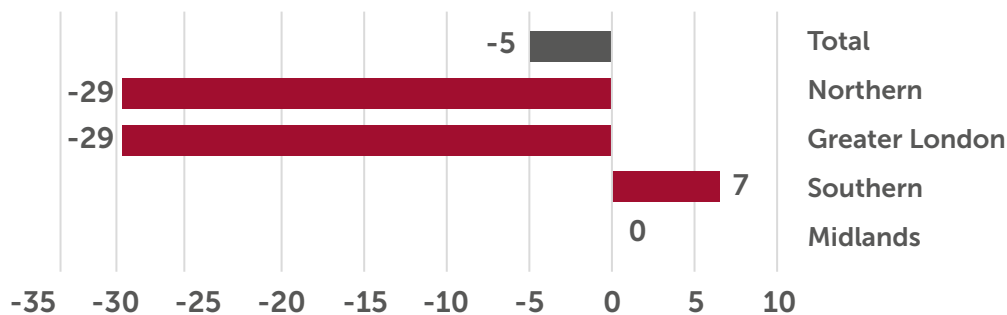
Key Indicators in the English Regions

The total regional workload decreased by -5% in Q1 2024, an improvement from the -11% reported in Q4 2023. In Q1 2024, the Midlands experienced a significant improvement in workload, moving from a decrease of -33% in Q4 2023 to no change in Q1 2024. The Southern region also saw an increase in workload, moving into positive territory with figures rising from 0% in Q4 2023 to 7% in Q1 2024. However, both Greater London and the Northern region experienced significant decreases in workload, with figures dropping to -29% for both regions, a substantial decline from -7% and -19% respectively in Q4 2023.

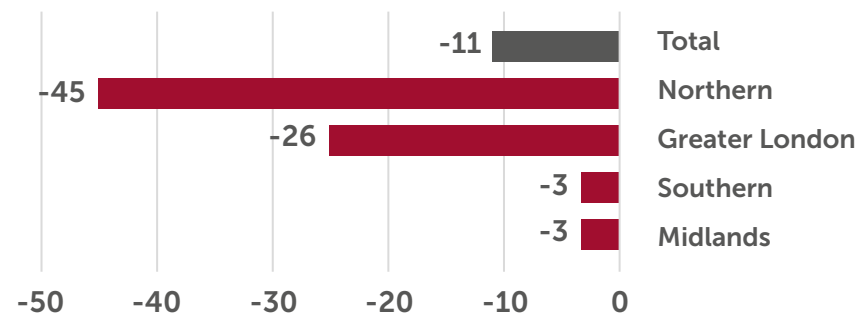
There was a less significant decrease in the overall number of enquiries across the regions, with the total dropping from -23% in Q4 2023 to -11% in Q1 2024. The Midlands and Southern regions both experienced improvements in enquiries, with figures for both regions improving from -52% and -6% in Q4 2023 to -3% and -3% in Q1 2024, respectively. Conversely, both Greater London and the Northern regions experienced decreases in enquiries, with figures dropping from -7% and -51% in Q4 2023 to -26% and -45% in Q1 2024, respectively.



Regional Total Workload



Regional Enquiries



Graphs 13 and 14 - Q3/Q6. Base: Northern (n=51); Midlands* (n=36); Southern (n=117); Greater London* (n=34). *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 March and 3rd April 2024 and received 254 completes. It was published in April 2024.

For more information about the FMB please visit **www.fmb.org.uk**

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