

Q4
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 **October to December 2023**. It casts ahead to **January to March 2024**.



BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

This quarter's State of Trade data shows that the sector didn't end on a high note, the struggles that were reflected throughout the year continued into the last quarter of 2024. The repair, maintenance and improvement (RMI) sector, which had performed relatively well throughout the year has joined other areas of the sector and reported negative figures in workload and enquiries. This was anticipated as enquiries fell in Q3 of 2023 which was the first sign that the market was in decline. However, in other respects there has been an easing of issues, with less reporting an increase in price rises and fewer members having to put prices up for work. It does appear that we're beginning to see a reduction in the high pricing seen in materials over the last year or so. But, despite this, the majority of members are still struggling when it comes to costs incurred on the business.



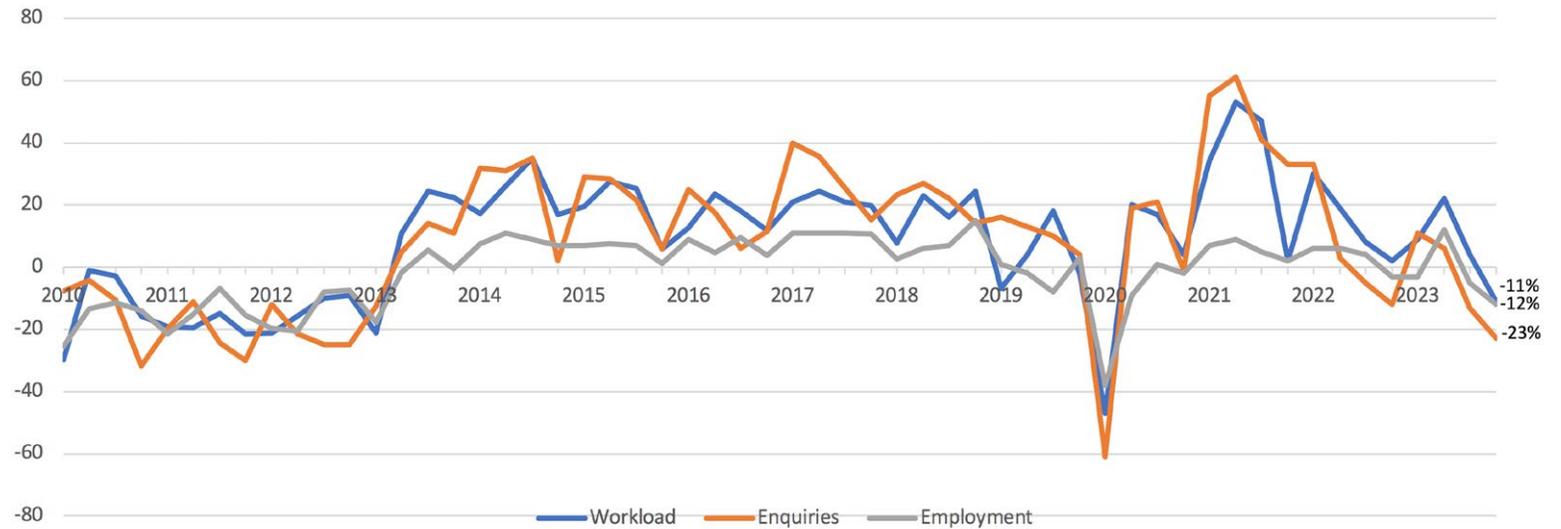
Key indicators

The fourth quarter (Q4) of 2023 has seen a substantial decline in workloads, enquiries, and employment compared to the previous quarter, Q3 2023. According to reports from FMB members, enquiries have decreased by -23%, followed by employment -12% and workloads -11%. Overall, this means there has been a decrease in the net balance of total key indicators (workloads, enquiries and employment) since Q3.

Similar to Q3, 47% of FMB members in Q4 2023 have reported a decrease in the number of enquiries, while 30% reported no change in future job enquiries. Regarding workloads, 44% of members reported no changes, while 33% reported a decrease in their workloads. Overall, workloads are down 15% on the last quarter and enquiries are down 10%.

A significant number of FMB member companies (61%) reported no changes in employment numbers, while 26% 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 October - December 2023 compared to July - September 2023? Base: Total excl N/A (n=218) Q6. Looking back, how has the level of enquiries regarding future work changed in the period October - December 2023 compared to July - September 2023? Base: Total excl N/A (n= 218) Q8. How has the number of employees within your company's workforce changed during October - December 2023 compared to July - September 2023? Base: Total excl N/A (n= 218). Net balance of change.



Workload and enquiries by sector

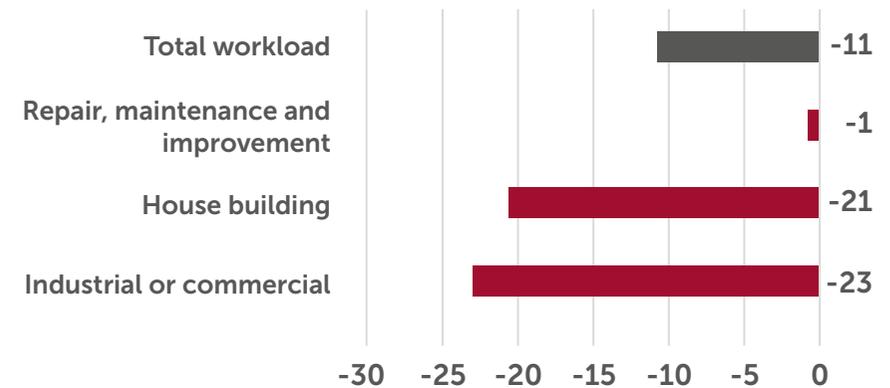
FMB members report that the decrease in total workload is primarily influenced by a strong decrease of -23% observed in the industrial or commercial sector. There has also been a decrease in the net number of enquiries within this sector, specifically by -28%.

Members in the housebuilding sector have reported a net decrease in workload, with a decline of -21% on balance. Enquiries within the housebuilding sector have also continued to decline, with -30% of members reporting a decrease in Q4 2023. This decline is in line with the previous quarters, Q2 and Q3 2023, which saw declines of -13% and -20% in enquiries, respectively.

Similarly, members in the repair, maintenance and improvement sector have reported a decline, with -1% of members reporting a decrease in workload and -17% reporting a decline in enquiries on balance. It's worth noting this is the first time in the year we see a net decrease in workload for this sector with 14% in Q1, 25% in Q2 and 14% in Q3 2023.

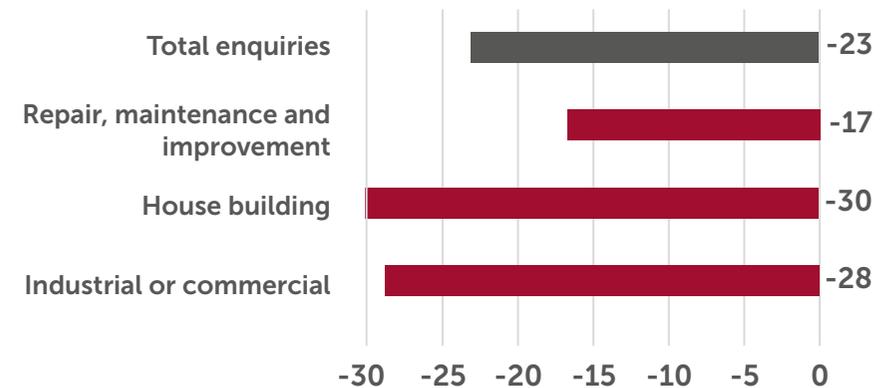


Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period October - December 2023 compared to July - September 2023, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=218); House building (n=107); Repair, maintenance and improvement (n=210); Industrial or commercial (n=92). 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 October - December 2023 compared to July - September 2023, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=218); House building (n=111); Repair, maintenance and improvement (n=210); Industrial or commercial (n=101). Excluding N/As. Net balance of change.

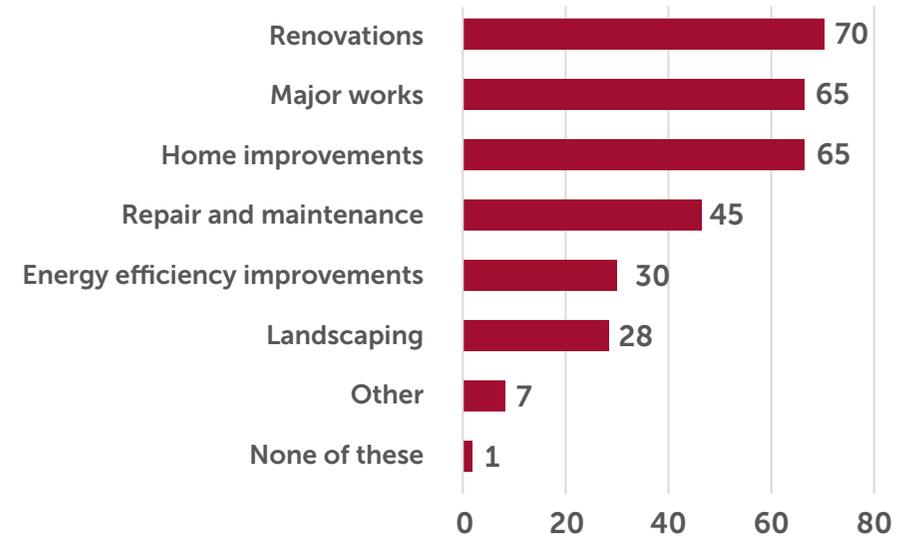
Type of activity by sector

The most prevalent types of work delivered among FMB members are renovations and major works, with 70% and 65% of members involved in these sectors, respectively. Home improvements have now matched major works this quarter at 65%, which is a considerable increase compared to last quarter at 56% for Q3 2023. Another area of note is energy efficiency improvements, which has increased from 26% last quarter.

A significant majority of FMB members (89%) in the house building sector reported initiating 1-5 house starts during the fourth quarter of 2023. These figures are very similar to previous quarters, although a notable decline in those delivering more than 10 homes.

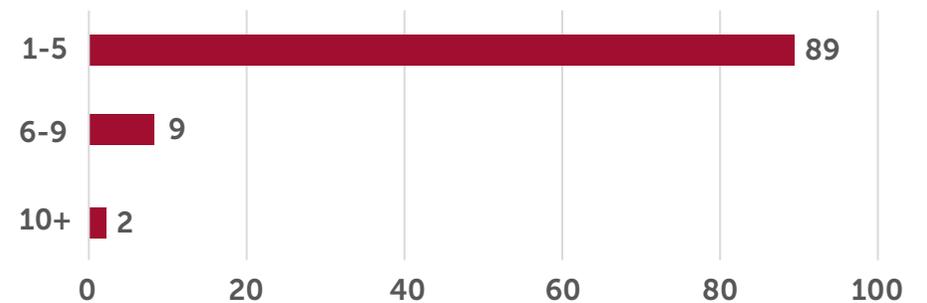


Types of repairs, maintenance and improvement works that has been delivered in the period of October - December 2023



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 October - December 2023? Base: Total (n=210), All working in the RMI sector.

Number of houses that have been built in the period of October-December 2023



Graph 5 - Q5 W15 2. How many housing starts has your company done in the period of October - December 2023? Base: Total excluding no housing starts and don't know (n=47), All working in the housebuilding sector.

Employment and skills shortages

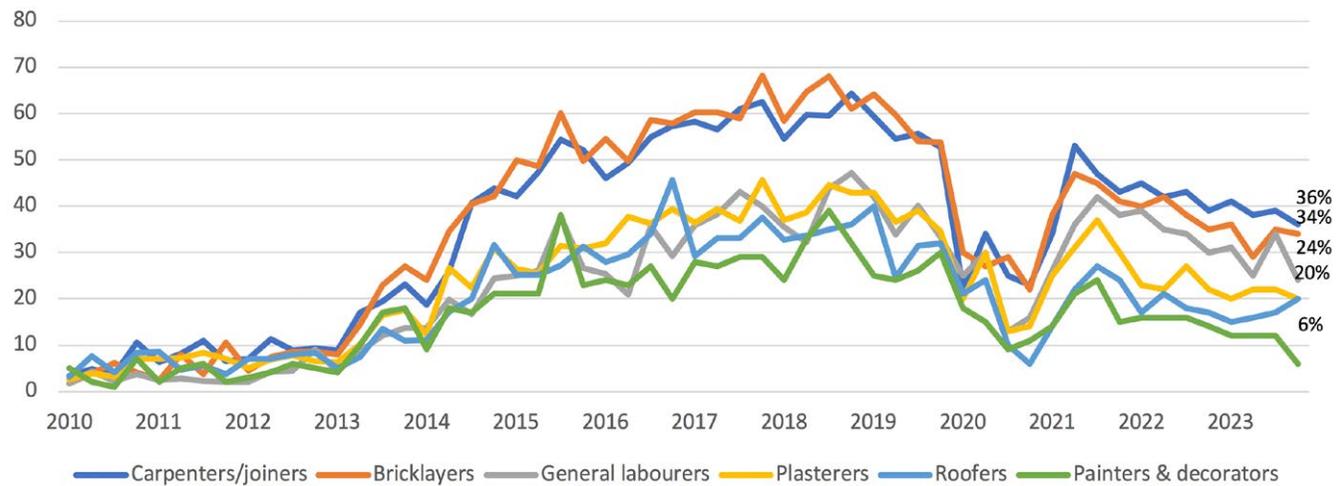
In terms of employment levels, a majority of FMB members (61%) indicated no changes during the fourth quarter of 2023 compared to the third quarter. Meanwhile, 26% reported a decrease in the number of employees. Conversely, only 14% of members reported an increase in the number of employees in their companies from October to December 2023 when compared to July to September 2023. On balance, this resulted in a drop of 12% in employment for this quarter.

Difficulties recruiting for each of the occupations below has decreased slightly overall. Carpenters/joiners and bricklayers 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 Q4 2023 (36% and 34% respectively). The difficulty recruiting general labourers has decreased substantially from 34% to 24% compared to Q3 2023. The percentage of members facing recruitment difficulties for roofers has increased from 17% to 20% compared to Q3 2023 while members encountering difficulties in recruiting plasterers has slightly decreased since Q3 2023 (from 22% to 20%). Lastly for painters and decorators, recruitment difficulties have halved since Q3 2023 from 12% to 6% this quarter.

Impact of lack of skilled tradespeople available

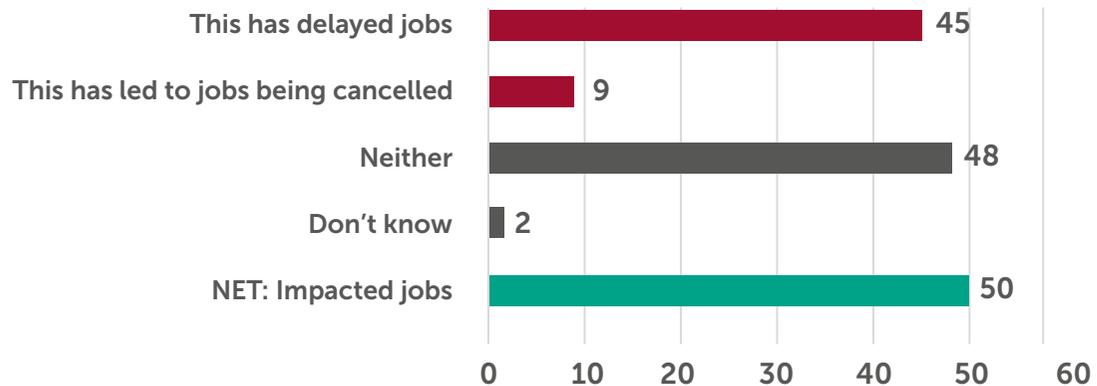
In Q4 2023, half of FMB members (50%) acknowledged that the shortage of skilled tradespeople has had an impact on their jobs. This is a slight decrease compared to 54% in Q3 2023. Moreover, 45% of the members stated that this shortage has resulted in job delays, whilst this represents a slight decrease from the 50% reported in Q3 2023, it is still a considerable proportion. The proportion of members reporting that the shortage has led to job cancellations in Q4 2023 (9%) has slightly decreased compared to Q3 2023 (12%).

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 October - December 2023? Base: Total (n=218). Net balance of change.

Impact of lack of skilled tradespeople October to December 2023

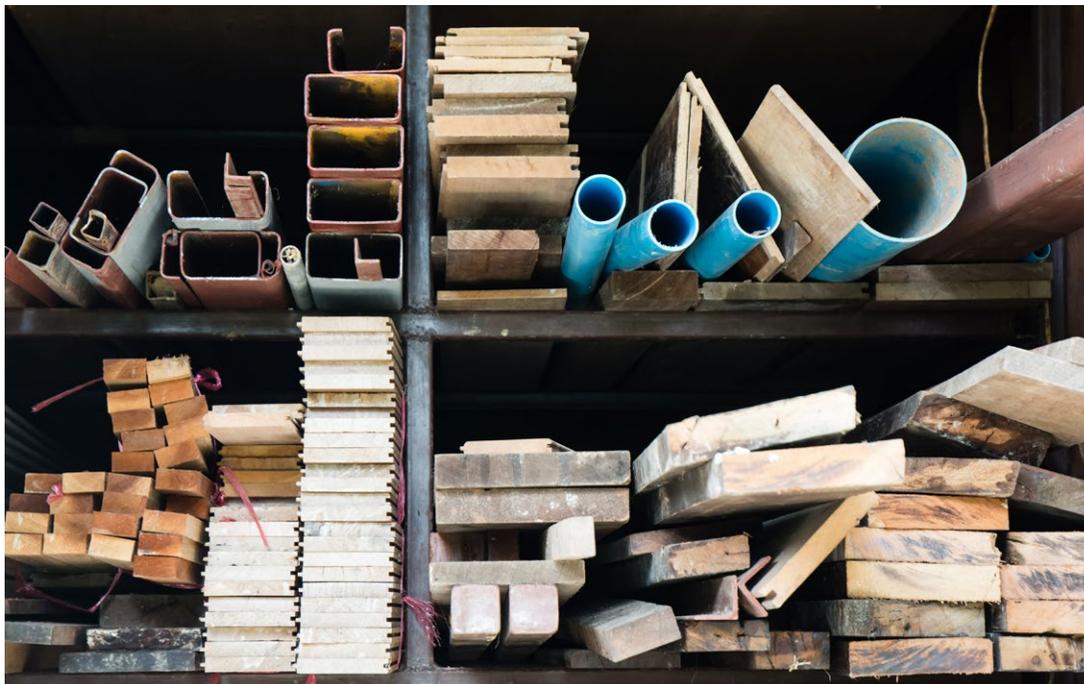


Graph 7 - Q13. How, if at all, has the lack of skilled trades people impacted your company's work over the period of October - December 2023? Base: Total (n=218).

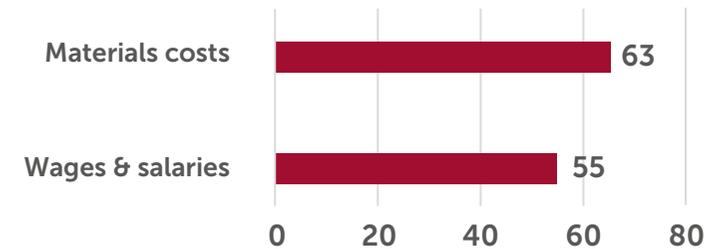
Prices and costs

In Q4 2023, a majority of FMB members (55%) experienced an upward trend in the prices they charged for their services, while 35% reported no change in their pricing structure. Meanwhile, FMB members expressed continued expectations of rising outgoing costs. Around 63% of members reported a net increase in material costs and 55% of members reported a net increase in wages and salaries. Whilst these both represent a decrease from the percentages of 79% and 71% observed in Q2 and Q3 2023 respectively for material costs and 59% in Q3 for wages and salaries, it still represents majority of members.

For the upcoming quarter (January - March 2024), 63% of FMB members anticipate a continued upward trajectory in material costs and wages & salaries. Specifically, around 64% of members expect a net increase in material costs. It is noteworthy that the percentage of members expecting an increase in material costs for the next quarter has exhibited a gradual decline from 79% in Q1 to 72% in Q2, a further decrease to 55% in Q3, and a substantial increase to 64% in Q4 2023. Furthermore, about 43% of members anticipate a net increase in wages and salaries, representing an increase from the 36% reported in Q3 2023.

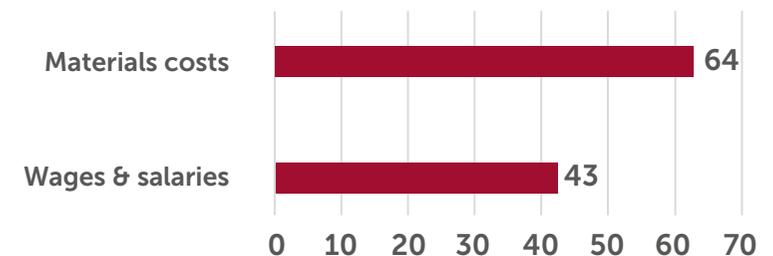


Past quarter costs October-December 2023



Graph 8 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of October - December 2023? Base: The prices you charge for work (n=218); Wages & salaries (n=218); Materials costs (n=217) Excl N/As. Net balance of change.

Expected costs January - March 2024



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 January - March 2024? (n=210); Wages & salaries (n=216); Materials costs (n=212) Excl N/As. Net balance of change, showing only materials costs and wages & salaries.

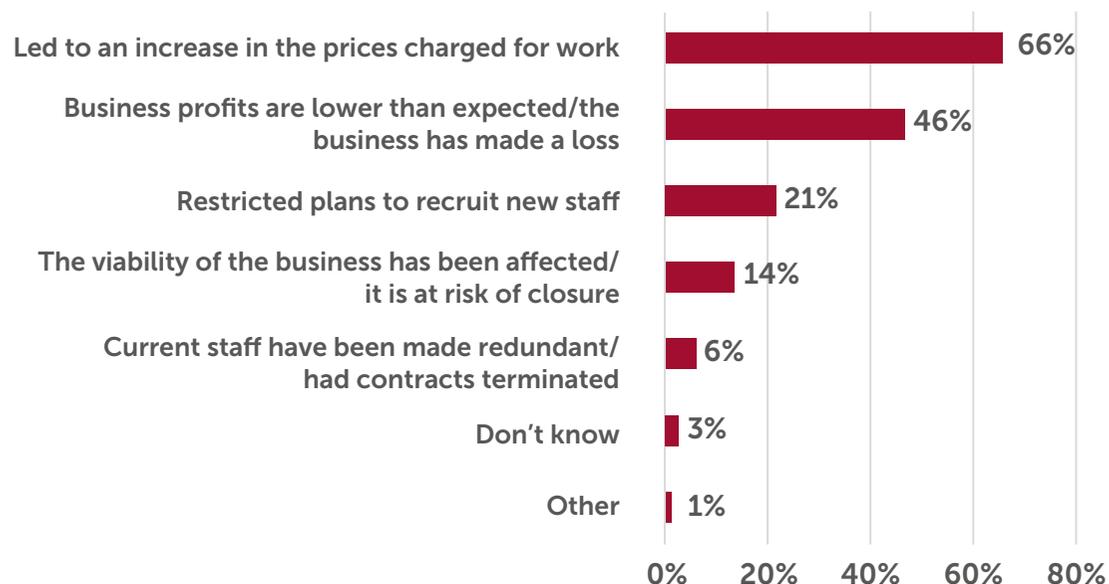
Impact of changes in prices and costs

Among the FMB members who experienced an increase in outgoing costs during Q4 2023, approximately 66% stated that this escalation resulted in an upward adjustment in the prices they charged for their services. This percentage reflects a slight decrease compared to the figure of 71% reported in Q3 2023. Additionally, around 46% of these members expressed lower-than-expected business profits or reported financial losses, which has decreased from 51% in Q3 2023.

Furthermore, 14% of respondents indicated that their business viability has been adversely affected, putting them at risk of closure. For 21% of members, cost pressures have impeded their plans to recruit new staff. A much smaller proportion (6%) have resorted to staff redundancies or contract terminations as a consequence but it's worth noting this has doubled since Q3 2023 (3%).



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 October – December 2023. How, if at all, has this impacted your company? Base: all who report an increase in outgoing costs this quarter (n=173).

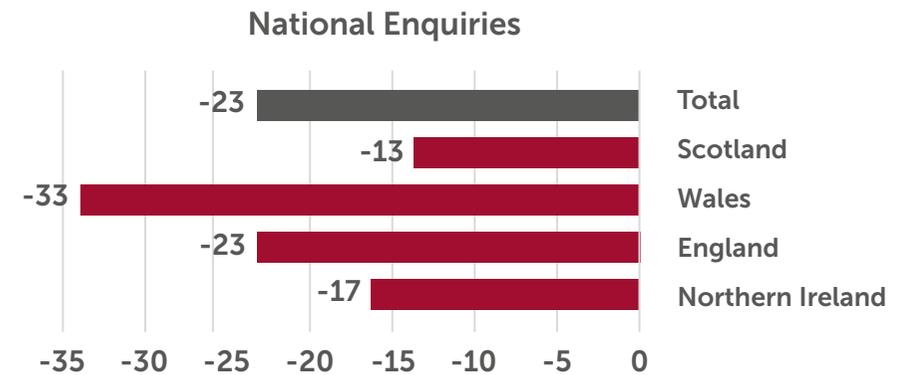
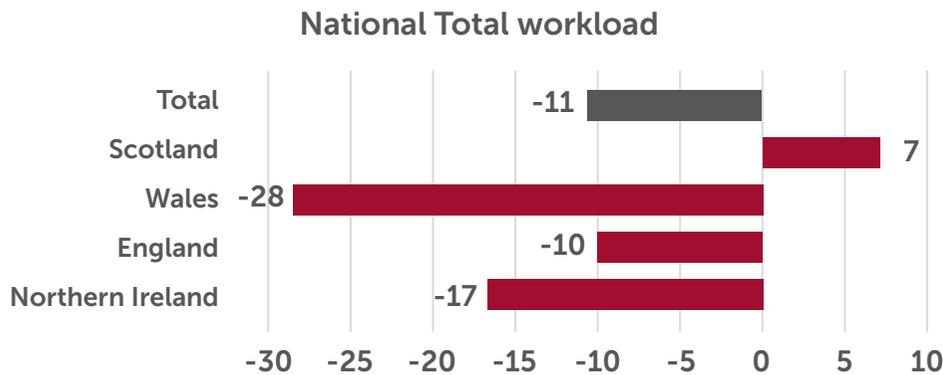


Key indicators in the Home Nations

From Q1 to Q2 2023, there had been a steady increase in overall workload from 9% to 22% respectively. In Q3 2023, this dropped to below Q1 levels at 4% and for Q4, it dropped further to -11%. 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 Q3 2023, with figures dropping from a net change of 14% to -28% and from 0% to -17%, respectively. Similarly, there was a decline in workload reported in England, decreasing from a net change of 3% in Q3 2023 to -10% Q4 2023. Scotland witnessed a slight decrease, dropping from 8% in Q3 2023 to 7% in this quarter, back to Q2 2023 levels.

There has been a notable decline in national enquiries throughout the year, with the percentage of members reporting this decline decreasing from 11% in Q1 2023 to 6% in Q2 2023, further decreasing to -13% in Q3 2023 and finally, decreasing even more to -23% in Q4 2023.

When examining regional variations, there were decreases across the board. Scotland witnessed a decrease from a net change of 8% to -13% on balance, while Wales saw a substantial decline from 0% to -33% on balance. Similarly, there has been a net decrease in enquiries reported in England, falling from -18% to -23% on balance. In Northern Ireland, enquiries have also decreased considerably on from 20% to -17% this quarter.



Graphs 11 and 12 -. Q3/Q6. Base: England (n=179); Wales* (n=18); Scotland* (n=15), Northern Ireland* (n=6) *Caution: Results for Wales, Scotland and Northern Ireland should be interpreted with caution due to very limited base size. Net balance of change.

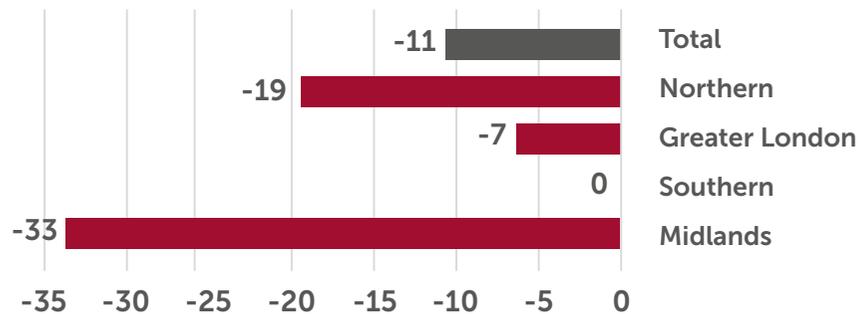
Key indicators in the English regions

In Q4 2023, there has been a decrease in total workload across all regions compared to Q3 2023. Notably, the North region experienced a significant decrease from 18% on balance in Q3 2023 to -19% in Q4 2023. The Midland region also experienced a significant drop, declining from -13% on balance in Q3 2023 to -33% in Q4 2023. Similarly, both Greater London and South regions reported decreases, with figures dropping from 3% for both in Q3 2023 to -7% and 0% in Q4 2023, respectively.

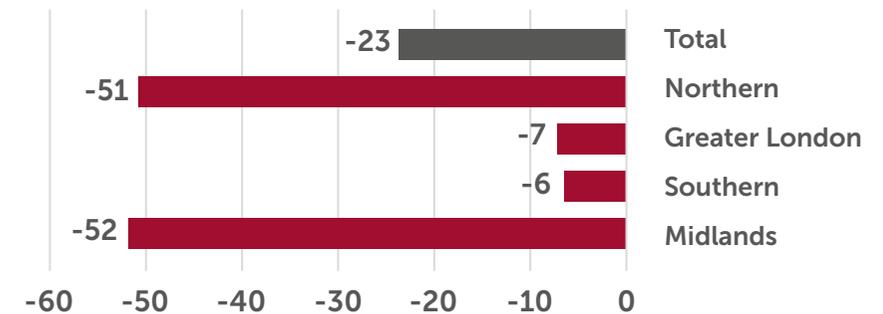
During Q4 2023, there was a notable decrease in the overall number of enquiries, with figures dropping from -13% in Q3 2023 to -23% in Q4 2023. On balance, the North region experienced the largest decline in enquiries, significantly decreasing from -15% in Q3 2023 to -51% in Q4 2023. Similarly, the Midland region observed a decrease, declining from -26% in Q3 2023 to -52% in Q4 2023. Conversely, Greater London and South regions reported an increase of enquiries on balance, increasing from -26% and -17% in Q3 2023 to -7% and -6% in Q4 2023, respectively.



Regional Total Workload



Regional Enquiries



Graphs 13 and 14 - Q3/Q6. Base: Northern* (n=37); Midlands* (n=33); Southern (n=109); Greater London* (n=43). *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 8th January and 22nd January 2024 and received 218 completes. It was published in February 2024.

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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