

Q2
2024

Savanta:



FEDERATION OF
**MASTER
BUILDERS**

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 **April to June 2024**. It casts ahead to **July to September 2024**.



BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

This quarter's data reflects quite a stable environment, particularly when compared to the ups and downs of recent years. Members are continuing to recover from low workloads and enquiries experienced in the latter part of 2023, but the market is still far from positive. This is reflected by a significant rise in the number of businesses reporting lower than expected profits in this quarter. We also see the same issues rearing their head, with challenges in employing certain trades rising, particularly carpenters which saw a sharp rise in their difficulty to recruit. When we look at the different sectors, the repair maintenance and improvement sector is slightly improved, boosting overall workloads and enquiries, but house builders continue to have a tough time and are in need of a boost.



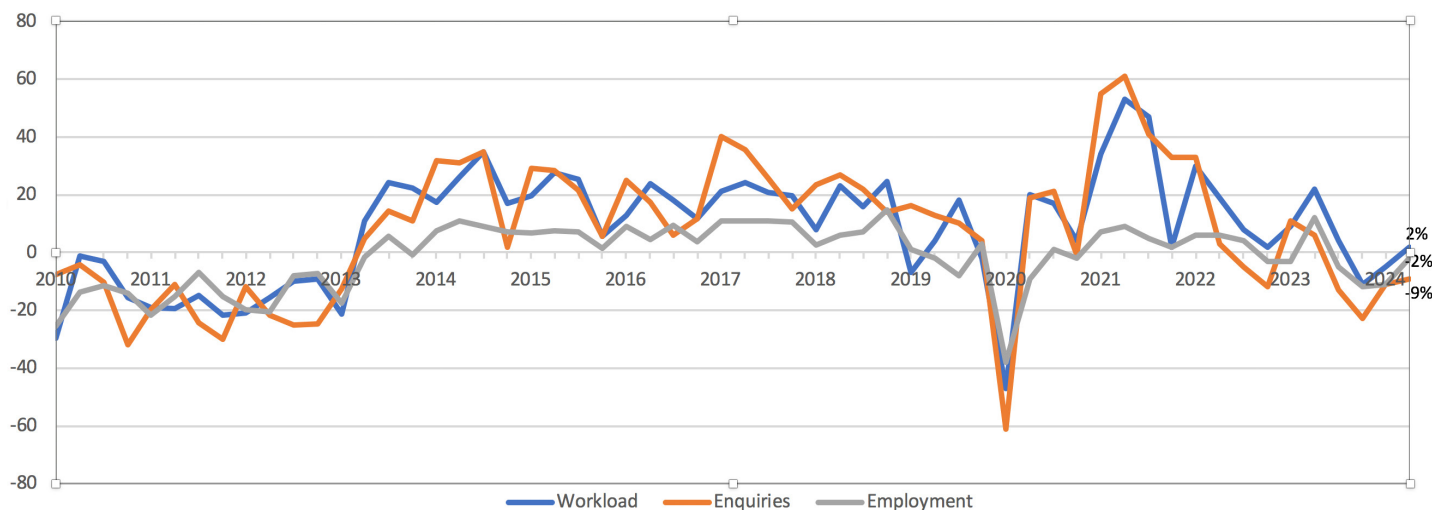
Key indicators

The second quarter (Q2) of 2024 has shown signs of stabilisation and a slight improvement in workloads, enquiries, and employment compared to the previous quarter, Q1 2024. FMB members have reported that workloads have shown a modest increase, with a net change of 2% compared to Q1 2024 (-5%). This suggests that, while a smaller proportion of FMB members are still experiencing reduced workloads, a third (32%) have seen an increase, and 39% have seen no change.

The decline in enquiries has slowed, with a net change of -9%, which is an improvement from -11% in the previous quarter. It indicates that while just over four in ten FMB members (42%) received fewer enquiries, a third (33%) have seen an increase.

Employment levels have shown a significant improvement, with a net change of -2%, from the -11% reported in Q1 2024. Nearly a quarter of FMB members (24%) have reported a decrease in their workforce, while a slightly smaller proportion (22%) have reported an increase from 17% in Q1 2024. Over half of the members (54%) have maintained their current workforce levels.

Key indicators



Graph 1 – Q3. Looking back, how does your company's workload in the period April to June 2024 compared to that in January to March 2024, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=180) Q6. Looking back, how has the level of enquiries regarding future work changed in the period April to June 2024 compared to January to March 2024, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=180); House building (n=87); Repair, maintenance and improvement (n=168).



Workload and enquiries by sector

In Q2 2024, FMB members reported a slight improvement in total workload and a slight decrease in total enquiries compared to Q1 2024. The total workload saw a net increase of 2%, a positive shift from the -5% decrease reported in Q1 2024. In terms of total enquiries, there was a slight uplift to -9%, from the previous quarter's net change of -11%. Despite the continued decrease in both workload and enquiries across sectors, the rate of decrease has shown signs of slowing down in Q2 2024 compared to Q1 2024, indicating potential stabilisation and/or recovery.

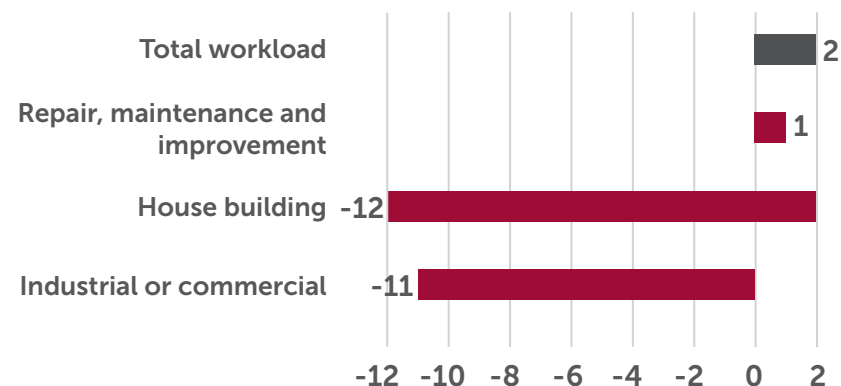
FMB members in the repair, maintenance, and improvement sector reported a slight increase in workload, with a net balance of 1%, an improvement from the stable -1% reported in the previous quarter. There has been a slight uplift in Q2 2024, with enquiries at -7%, slightly better than the -8% decline observed in Q1 2024.

Members in the housebuilding sector reported a decrease in workload with a net balance of -12%, showing an improvement from the -18% decline reported in Q1 2024. Enquiries within this sector also continued to decrease, with -11% of members reporting a decrease, a noticeable improvement compared to the -25% decrease in Q1 2024.

Members involved in the industrial or commercial sector also reported a decrease in workload by -11% on net balance, a decline from the -6% reported in Q1 2024. However, enquiries within this sector decreased by -19%, showing a slowing down of the decrease from the -23% reported in Q1 2024.

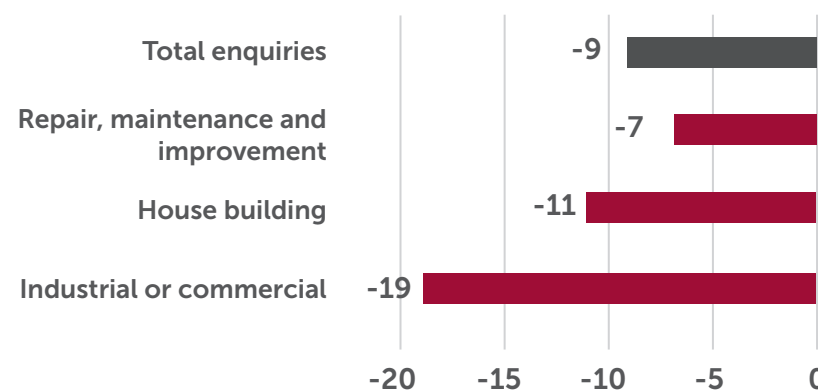


Workload by sector



Graph 2 - Q3. Looking back, how does your company's workload in the period April to June 2024 compared to that in January to March 2024, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=180); House building (n=85); Repair, maintenance and improvement (n=166); Industrial or commercial (n=70). Excluding N/As.

Enquiries by sector



Graph 3 - Q6 Looking back, how has the level of enquiries regarding future work changed in the period April to June 2024 compared to January to March 2024, thinking about total enquiries, and in the specific sectors of the industry that you work in? Base: Total enquiries (n=180); House building (n=87); Repair, maintenance and improvement (n=168); Industrial or commercial (n=80). Excluding N/As.

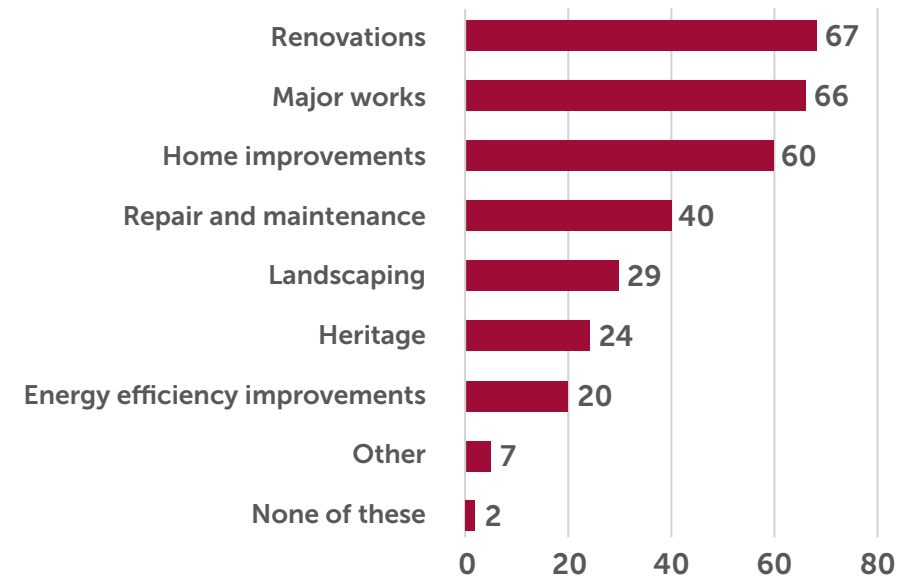
Type of activity by sector

Renovations are the most common type of work delivered by FMB members, 67% of members have reported this type of work, which is up from 62% in Q1 2024. Major works still account for 66% of types of works carried out by FMB members and is consistent with the previous quarter. Home improvements have increased to 60%, an increase from the 51% reported in Q1 2024. The proportion of members involved in repair and maintenance work remains steady at 40%. Other types of work include landscaping (29%), heritage projects (24%), and energy efficiency improvements (20%).

In Q2 2024, the majority of FMB members, 88%, reported initiating 1-5 house starts, up by 3% from the previous quarter and returning to levels in Q4 2023 (89%).

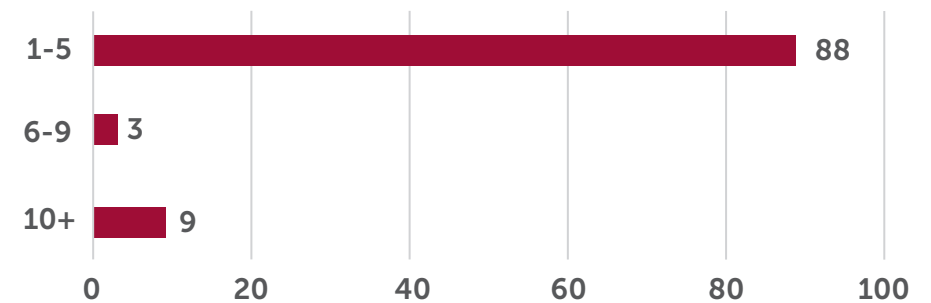


Types of repairs, maintenance and improvement works that has been delivered in the period of April to June 2024



Graph 4 - Q4. Which of the following repair, maintenance and improvement works has your company delivered for existing domestic dwellings in the period of April to June 2024? Base: Total (n=166), All working in the RMI sector.

Number of houses that have been built in the period of April to June 2024



Graph 5 - Q5. How many housing starts has your company done in the period of April to June 2024? Base: Total excluding no housing starts and don't know (n=15), All working in the housebuilding sector (n=32).

Employment and skills shortages

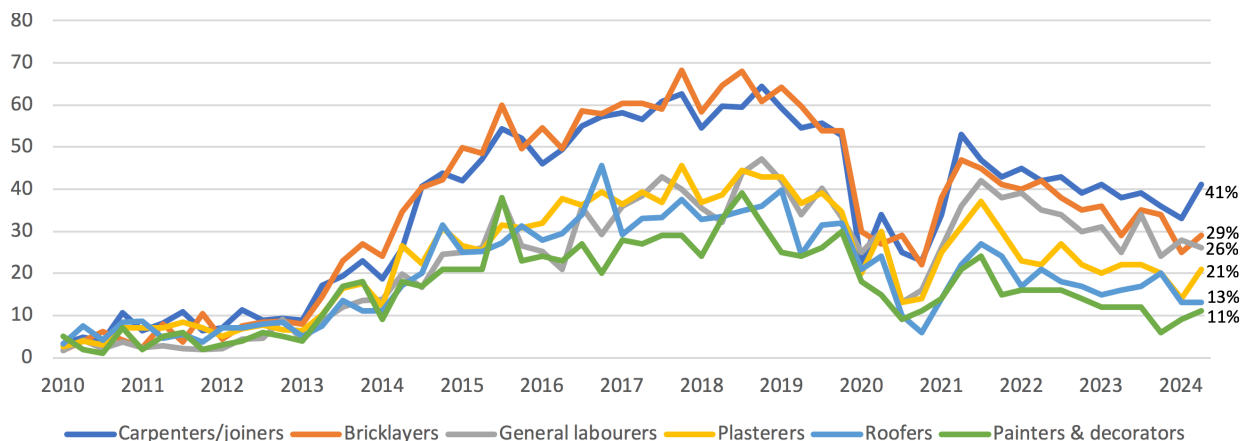
In terms of employment levels, a majority of FMB members (54%) reported no changes during the second quarter of 2024 compared to the first quarter of 2024 (56%). In contrast, 24% of members reported a decrease in the number of employees, a slight decrease from the previous quarter (28%). On a positive note, 22% of members reported an increase in the number of employees in their companies from April to June 2024 when compared to January to March 2024. This resulted in a net change in the workforce of -2%, showing a significant improvement when compared to the -11% reported in Q1 2024.

During Q2 2024, FMB members continued to find recruiting for specific occupations challenging, with some roles experiencing increased difficulties compared to Q1 2024. Carpenters remain the most difficult role to fill, with 41% of FMB members experiencing difficulties in hiring for these positions, an increase from 33% in Q1 2024.

Difficulties in recruiting bricklayers have also increased, with 29% of members facing challenges, up from 25% in the previous quarter. FMB members reported that issues with recruiting general labourers have slightly decreased, with 26% of members facing difficulties, down from 28% in Q1 2024.

For plasterers, the percentage of members reporting difficulties in recruitment has increased to 21% in Q2 2024, up from 14% in Q1 2024. The recruitment of roofers has remained stable, with 13% of members encountering challenges. Painters and decorators have seen a slight increase in recruitment difficulty, with 11% of members encountering challenges, up from 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 April to June 2024? Base: Total (n=180)



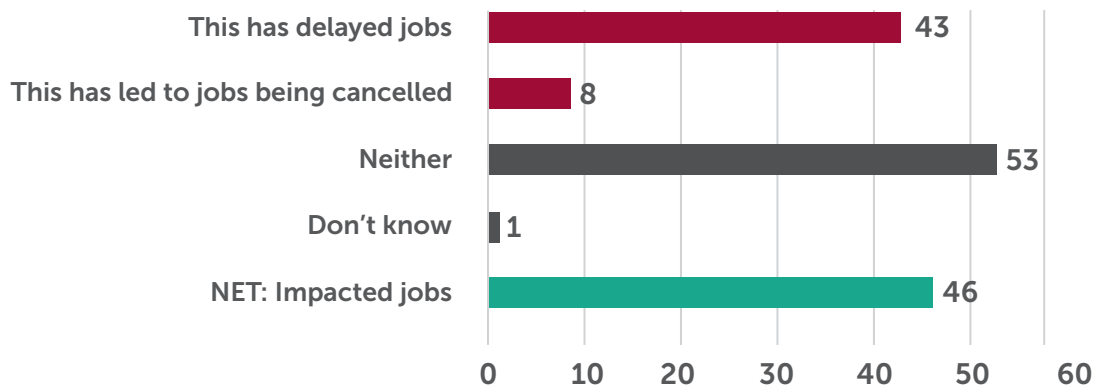
Impact of lack of skilled tradespeople available

In Q2 2024, FMB members reported that the impact of the shortage of skilled tradespeople has increased slightly, with 46% of members reporting that the shortage has affected their jobs. This represents a rise from the 40% reported in Q1 2024. Due to this increase, 43% of members reported that the shortage has resulted in job delays, a rise from the 36% reported in Q1 2024, indicating that the shortage continues to significantly impact project timelines.

The percentage of members reporting that the shortage has led to job cancellations remains relatively stable at 8%, compared to 9% in Q1 2024. This suggests that, while the shortage is an ongoing issue, businesses have managed to prevent further increases in job cancellations. Additionally, a notable 53% of FMB members reported that the shortage of skilled tradespeople neither impacted nor delayed their jobs, while 1% were unsure.



Impact of lack of skilled tradespeople April to June 2024



Graph 7 - Q13. How, if at all, has the lack of skilled trades people impacted your company's work over the period of April to June 2024? Base: Total (n=180).

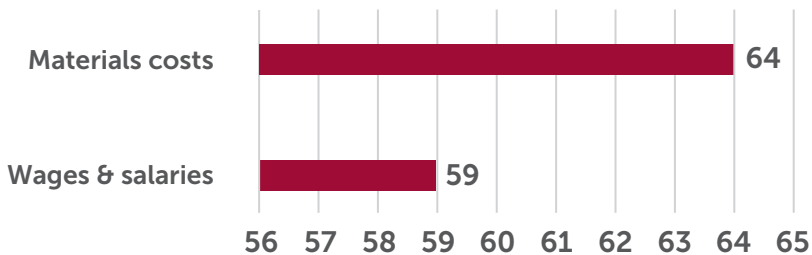
Prices and costs

In Q2 2024, FMB members have continued to experience shifts in their business costs and the prices charged for their services. A majority of FMB members, 54%, reported an upward trend in the prices they charged for their services, an increase from 52% in Q1 2024. Concerning outgoing costs, members reported changes in both material costs and wages. A majority, 66%, observed a rise in material costs, increasing from the 63% reported in Q1 2024. Additionally, 60% of members reported an increase in wages and salaries, higher than the 52% reported in the previous quarter. These trends reflect ongoing pressures on both pricing and cost structures within the industry. For the past quarter (April to June 2024), FMB members reported continued increases in both wages and material costs. Specifically in terms of net-change, 59% of members saw a rise in wages and salaries, while 64% experienced higher material costs.

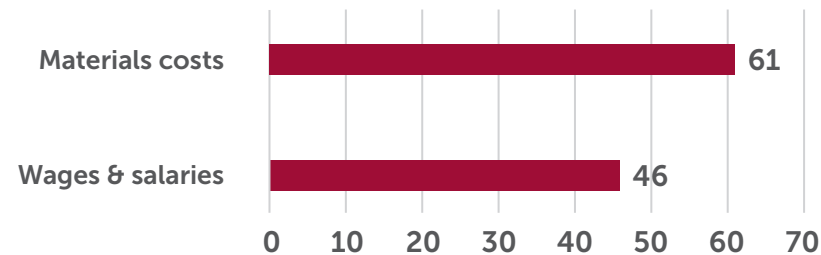
Looking ahead to the upcoming quarter (Q3, July to September 2024), members continue to anticipate upward trends in these costs, though at slightly reduced rates. Approximately 61% of members expect an increase in material costs, a decrease from the previous quarter (68%). Conversely, 46% of members anticipate higher wages and salaries, down from 50% in the past quarter. These ongoing cost pressures remain a significant concern for FMB members as they prepare for the next quarter, despite the slight moderation in the expected rates of increase.



**Past quarter costs
April to June 2024**



**Expected costs
April - June 2024**

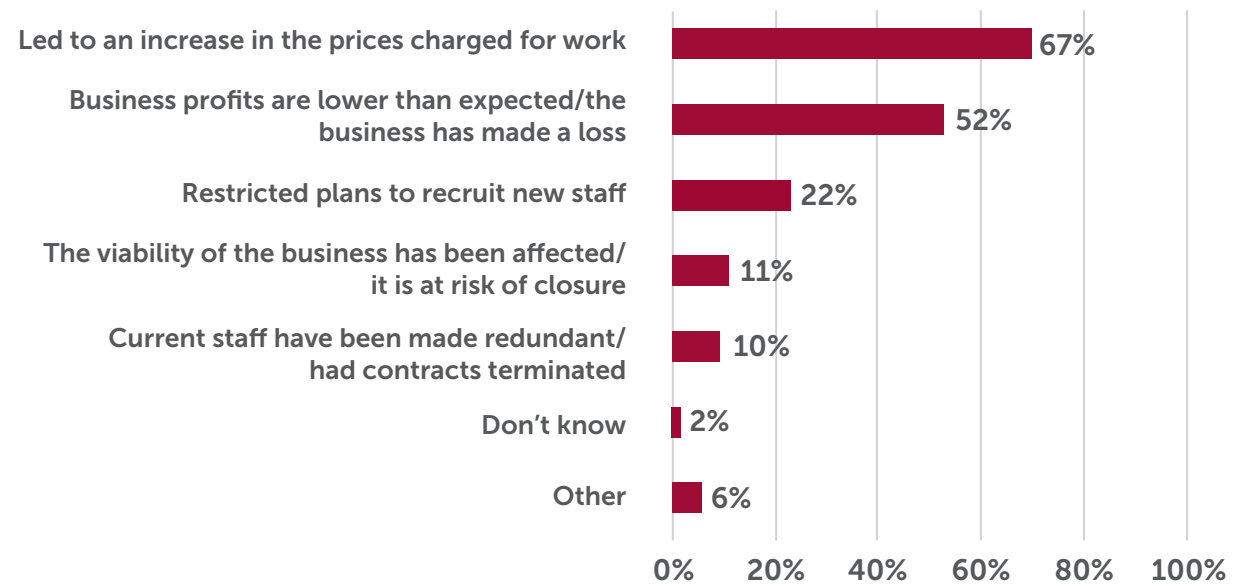


Graph 8 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of April to June 2024? Base: Wages & salaries (n=180); Materials costs (n=178) Excl N/As. Net balance of change. Graph 9 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of July to September 2024? Wages & salaries (n=175); Materials costs (n=170) Excl N/As. Net balance of change, showing only materials costs and wages & salaries.

Impact of changes in prices and costs

During Q2 2024, FMB members who faced increased outgoing costs reported numerous impacts on their businesses. Approximately, 67% of these members indicated that rising costs imposed a higher price for their services, a slight increase from 65% in Q1 2024. Additionally, 52% reported lower-than-expected business profits or financial losses, a significant rise from 44% in the previous quarter. Cost pressures also led to 22% of respondents to restrict their recruitment plans, down from 27% in Q1 2024. Around 11% revealed that their business viability was compromised, putting them at risk of closure, down from 14% previously. Furthermore, 10% of members had to make staff redundant or terminate contracts due to cost pressures, a slight increase from 9% in the last quarter, indicating the continued presence of cost pressures leading to continued job losses in the sector.

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 April to June 2024. How, if at all, has this impacted your company? Base: all who report an increase in outgoing costs this quarter (n=138)



Key indicators in the home nations

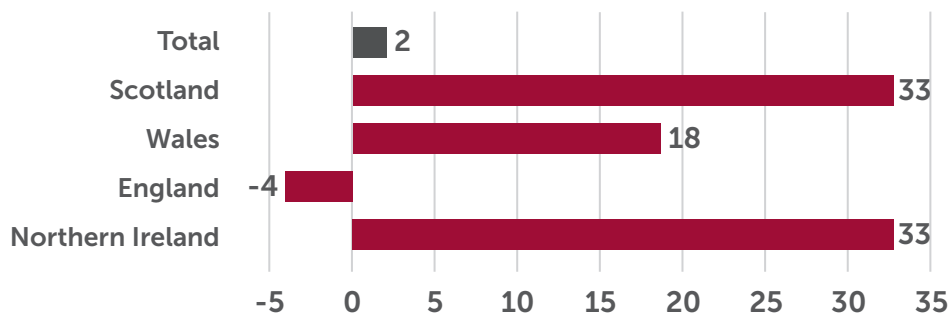
Throughout the UK, the overall workload has seen a slight increase of 2%. This is an improvement from the -5% reported in Q1 2024. Regionally, Wales has shown a positive jump from -27% in Q1 2024 to 18% in Q2 2024. Both Northern Ireland and Scotland have also experienced significant growth, each recording a net change of 33%. On the other hand, England saw a slight decrease, with a net change of -4%.

In terms of national enquiries, while there is still an overall decline, net change has slightly improved to -9%, compared to the -11% reported in Q1 2024. Northern Ireland experienced a substantial drop in enquiries, with a net change of -38%. England also saw a decrease, with enquiries falling to -19%. In contrast, Wales experienced an increase in enquiries, with a net change of 18%, and Scotland saw a notable improvement with a 25% rise in enquiries.

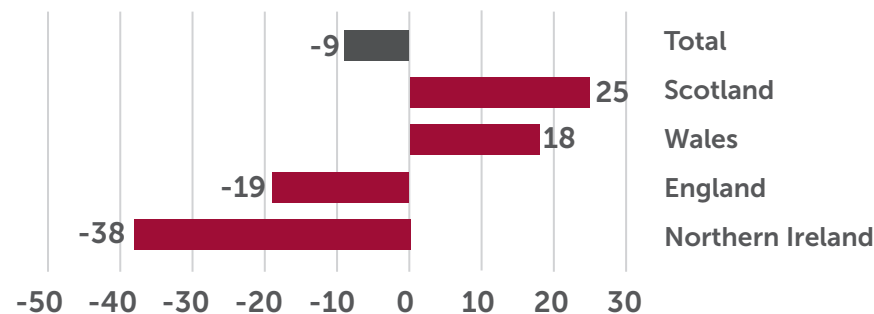
In summary, the total national workload across the UK increased by 2%, with significant improvements in Northern Ireland, Scotland, and Wales, and a slight decline in England. National enquiries showed an overall decline, with notable decreases in Northern Ireland and England, and positive trends in Wales and Scotland.



National Total workload



National Enquiries



Graphs 11 and 12 - Q3/Q6. Base: England (n=142); Wales* (n=17); Scotland* (n=12), Northern Ireland* (n=9) *Caution: Results should be interpreted with caution due to very limited base size. Net balance of change.

Key Indicators in the English Regions

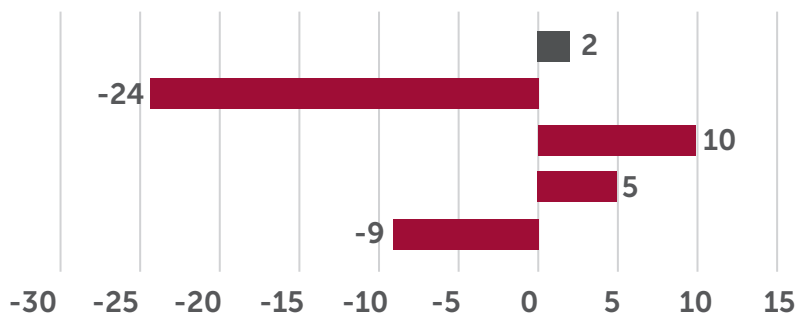
The overall regional workload experienced a slight increase of 2% in Q2 2024, an improvement from the -5% reported in Q1 2024. The Northern region continued to face challenges, with a decline in workload, showing a net change of -24%. The Midlands saw a decline in workload, shifting from no change in Q1 2024 to a net change of -9%. Greater London showed a notable improvement, with workload rising to 10%, up from the -29% recorded in Q1 2024. The Southern region reported a positive shift to 5% in workload.

In terms of regional enquiries, there was an overall decline, with the total net change falling to -9% from -11% in Q1 2024. The Northern region continued to face a substantial decline in enquiries, recording a net change of -38%. The Southern region also saw a decline, with enquiries falling to -15%. The Midlands experienced a decrease in enquiries, with figures dropping to -12%. Greater London showed a slight improvement, with enquiries only decreasing to -5%, a recovery from the significant drop in the previous quarter (-26%).

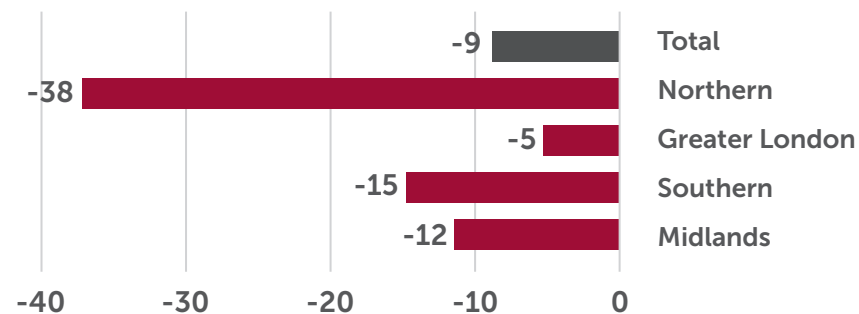
In summary, while the total regional workload saw a slight increase, regional enquiries continued to decline, with this taking place to different degrees across the different regions. The Northern and Midlands regions faced decreases in both workload and enquiries, whereas the Southern and Greater London regions experienced improvements in workload but continued to encounter challenges in enquiries.



Regional Total Workload



Regional Enquiries



Graphs 13 and 14 - Q3/Q6. Base: Northern* (n=29); Midlands* (n=33); Southern (n=80); Greater London* (n=21). *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 24th June and 9th July 2024 and received 180 completes. It was published in July 2024.

For more information about the FMB please visit [**www.fmb.org.uk**](http://www.fmb.org.uk)

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