Q3
2020

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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.

This report looks at activity in **September and October 2020**.

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BRIAN BERRY, Chief Executive, Federation of Master Builders

View from the Chief Executive

Bounce back from the pandemic has slowed

After a year of unprecedent shocks but encouraging signs of a bounce back in the summer, it is sobering to learn from SME builders across the country that the strength of the recovery has weakened. My members have reported decreasing workloads this autumn, and a slower rise in future enquiries than would be hoped for.

The repair, maintenance and improvement (RMI) sector is showing resilience despite stopping work entirely during the first lockdown. With all of us having to spend more time at home this year, my members have felt the benefits of decisions to bring forward domestic building projects. I am hopeful that the Government's commitment to the RMI sector through measures such as the Green Homes Grant scheme will continue to help.

It is the fall in activity of small and micro house builders, however, that is of greatest concern, especially considering the stimulus of the Stamp Duty cut. If the Government is to meet its house building targets, it needs a more diverse housing market. We must reverse the decline of the SME, by ensuring that they have the land, finance and skills they need to build. Forty years ago, SMEs built 40% of all new homes in England; today it's just 12%. We welcome proposals to make the planning system easier for SMEs to navigate; but we're clear that any reform must not compromise quality build and design.

Clouds on the horizon

At a time when all sectors must play their part to offer new job opportunities to those who have lost their jobs due to the pandemic, it is good news that the autumn months saw employment in building firms increase for the first time in almost a year. Key shortages like bricklayers and carpenters remain, however, and my members are unclear what the impact of new immigration rules will be.

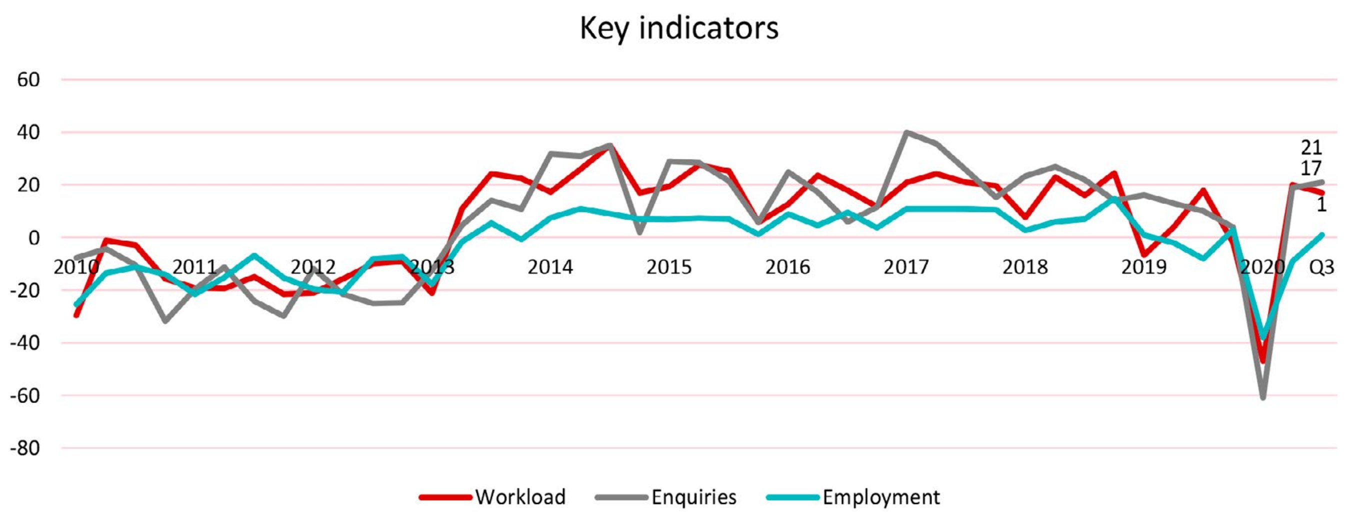
It is the cost of materials, however, that is the critical message from this survey. Nine in ten respondents said costs are on the rise. This is up from eight in ten in the summer. FMB members have faced rolling shortages of key building materials such as timber, plaster, and roof tiles. With some plastics and appliances now also in short supply, the Government must ensure smooth trading arrangements after 31 December, so as not to risk our ability to build back better.

"It is good news that the autumn months saw employment increase"

Key indicators

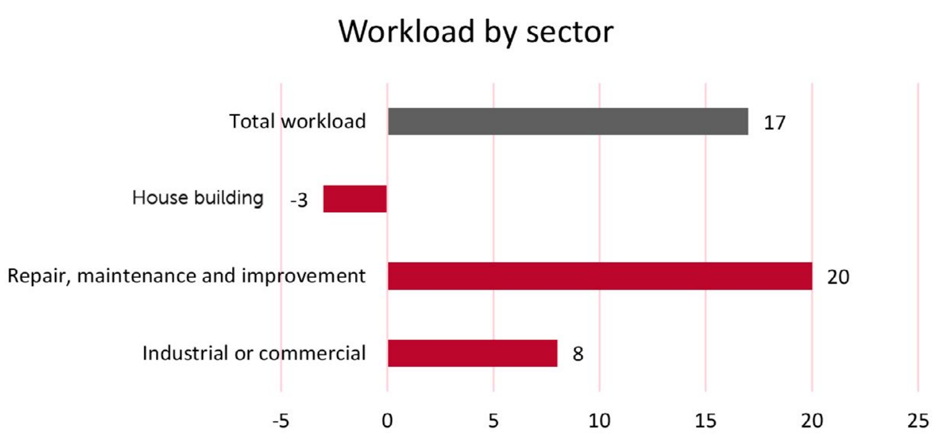
39% of respondents reported higher workloads in September and October compared to the summer, while 21% reported lower workloads. Builders told us that their clients' anxieties about the future, including their own job security, is holding them back from embarking on new building projects at this time.

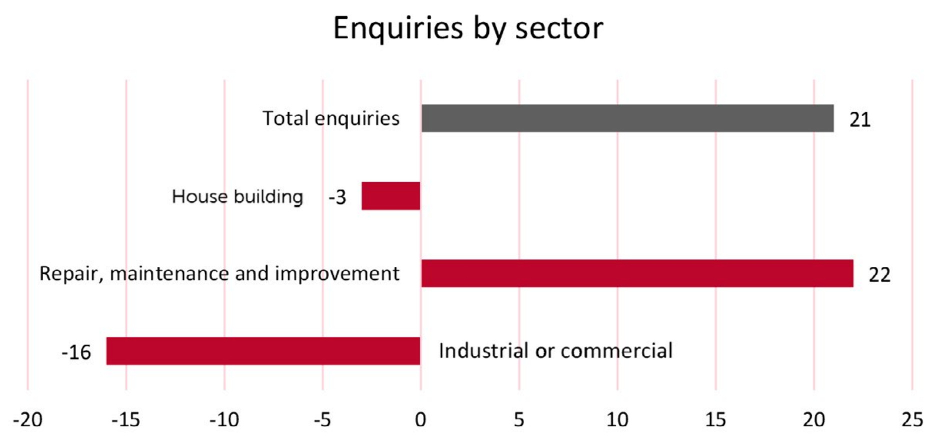
> **"Whilst there has been a higher demand for domestic projects in the past few months this may prove to be a relatively short term situation"**
> - FMB member, November



Workload and enquiries by sector

The repair, maintenance and improvement sector reported strong activity and order books, while new house building saw workloads and enquiries contract. House builders noted that planning delays continue to pose an issue. While the industrial or commercial sector enjoyed busy months in autumn, plummeting enquiries indicate a more concerning future.



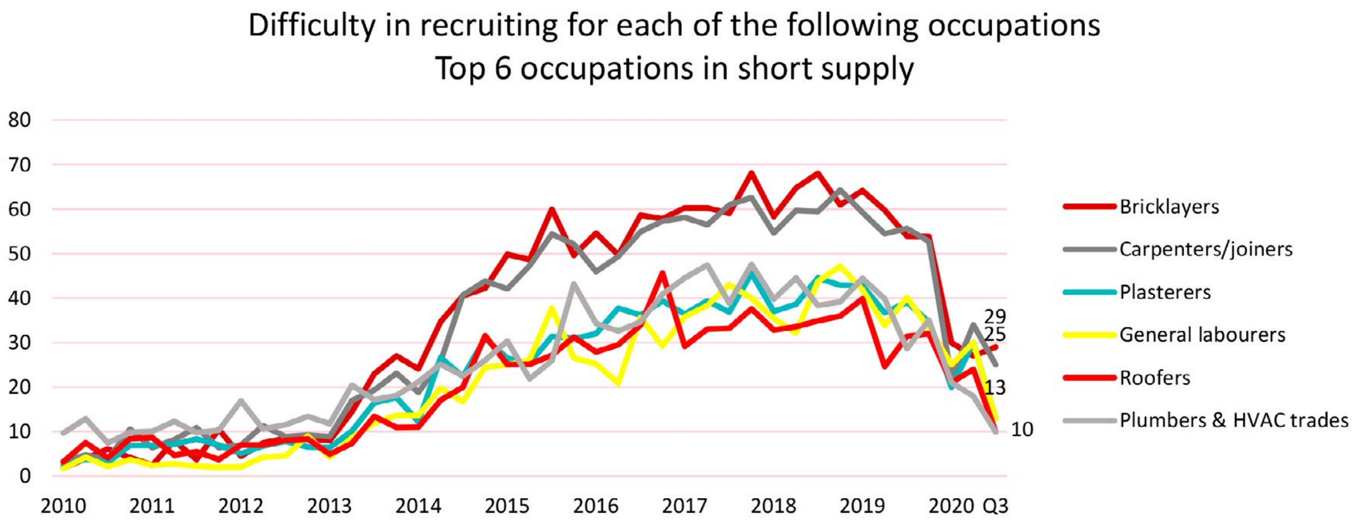


Employment and skills shortages

The autumn months saw employment in building firms increase for the first time since Q4 2019. Although many respondents continued to raise concerns over the skills shortage, others reported improvements in workforce availability. 29% of builders struggled to hire bricklayers while 25% struggled to hire carpenters.

29%

of builders are struggling to hire bricklayers

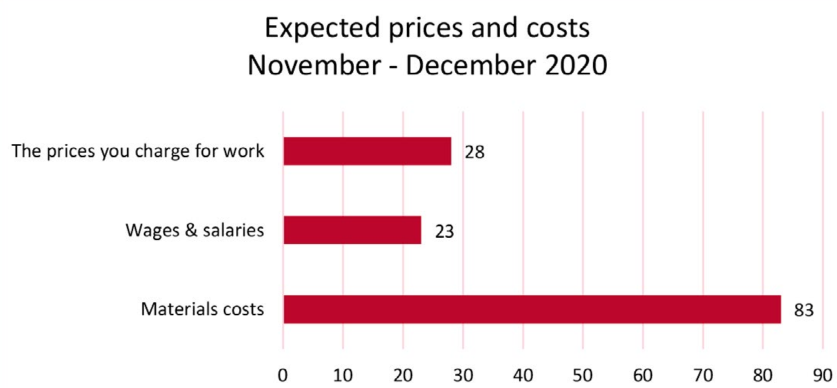


"Poor apprenticeship employment will impact our future" - FMB member, November 2020

"There is a lot of skilled staff but they have little experience" - FMB member, November 2020

Prices and costs

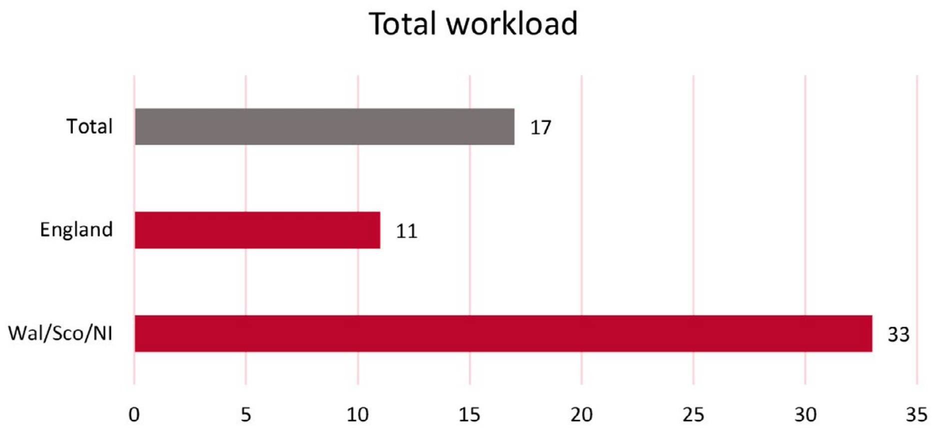
87% of respondents said material prices increased in September and October, compared to the summer, while the prices builders charge for their work did not keep pace. Availability of materials has been a major problem for builders throughout 2020, and the survey shows that things are predicted to remain tough into the new year.

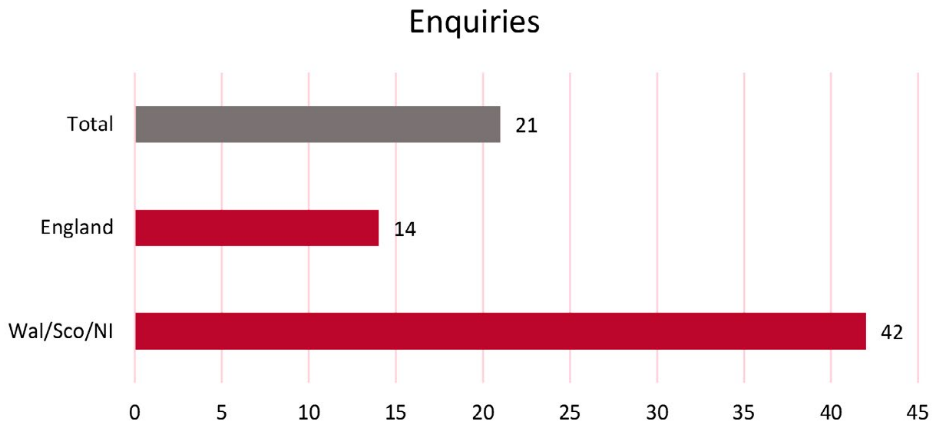


"The biggest problem we have faced is the availability of materials" – FMB member, November 2020

Key indicators across the devolved nations

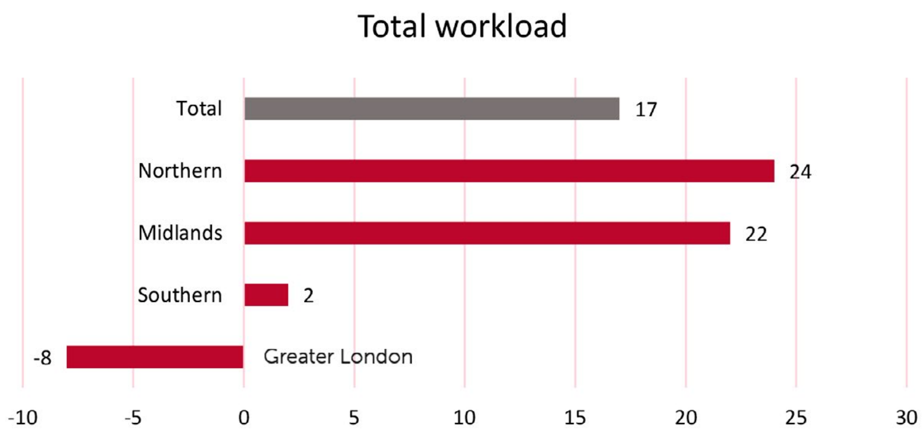
Builders in the devolved nations were more optimistic about activity during September and October compared to their English counterparts. This is set to continue into the winter months, with enquiries skyrocketing for respondents in Wales, Scotland and Northern Ireland. The FMB is working with construction groups across the devolved nations to ensure recovery plans are in place for the sector.

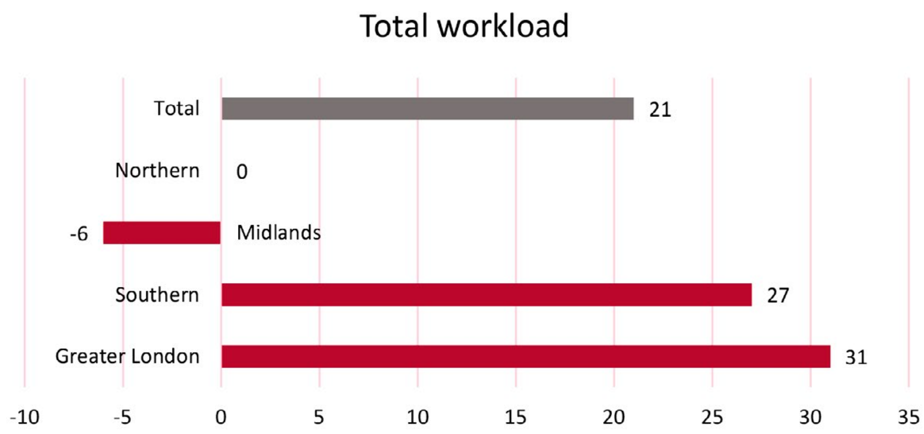




Key indicators across the English regions

Builders in the North of England and the Midlands enjoyed a more significant climb in workloads than those in London and the South, however the latter two regions are set to catch-up in the winter months as enquiries are reported to be much higher here.





For more information

This survey was conducted between 11 November and 2 December and received 135 responses.

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

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