



STATE OF TRADE SURVEY

Q1 2016



FEDERATION OF
**MASTER
BUILDERS**

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Summary

Balances only reflect the percentage of responses reporting higher workloads against those reporting lower workloads. In some cases, though the total workload chart may suggest that activity has risen or fallen strongly, a large proportion of respondents indicated there had been no change in workloads compared with the previous quarter.

In the three months to March 2016 SME workloads continued to experience rising activity as more firms reported higher workloads (33% vs 29%). In contrast, those indicating lower workloads fell to 21% from 23% in the previous quarter.

Over the next three months businesses are predicting an increase in activity levels. Firms anticipating lower workloads declined to 12% from 19% in Q4 2015. However the number of respondents forecasting higher workloads went up to 38% from 22%.

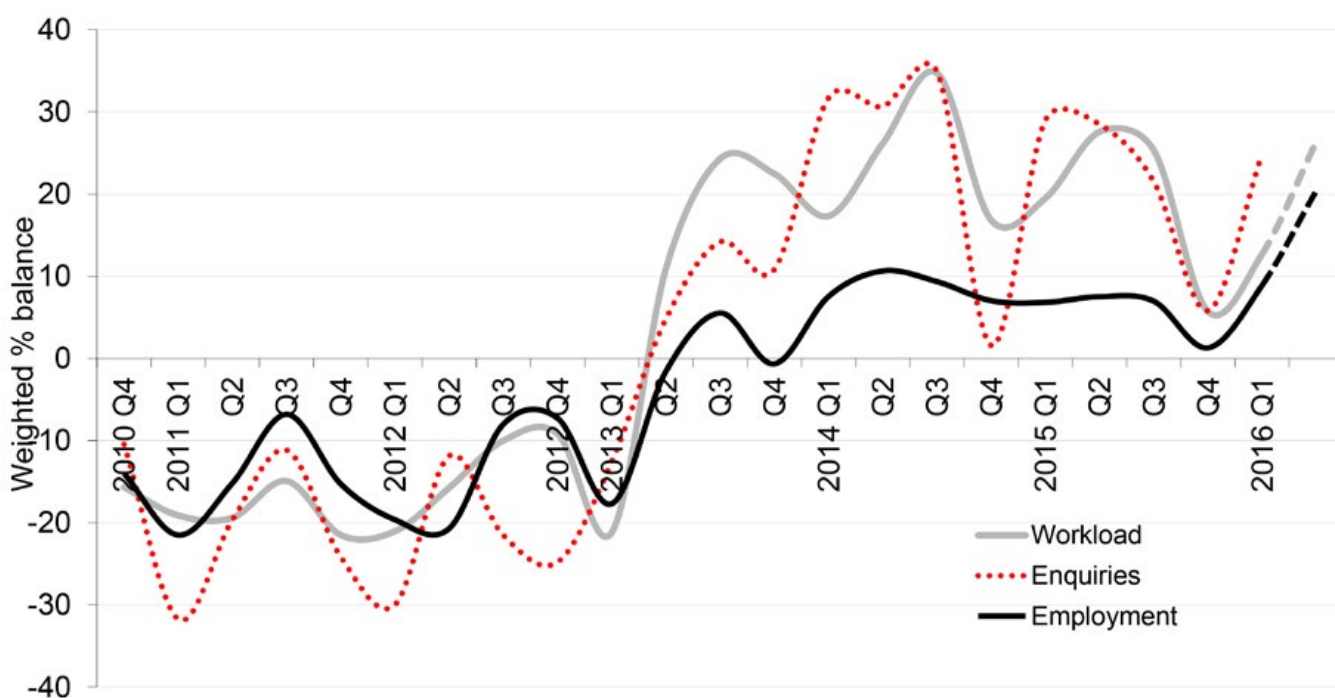
The Q1 2016 regional composite indicators show declining activity in Wales: Of the four home nations, Wales' net balance was the only negative

one, at -6 as it saw the only decrease, of 13 percentage points. Once again, Northern Ireland posted the highest positive reading.

Over the coming six months, output prices, wages and salaries and material costs are all projected to rise: However the net balance for material costs did post a fall, of 6 percentage points, as a smaller proportion of respondents (63% vs 70%) anticipate an increase in prices.

Employment indicators improved in the three months to March 2016: While fewer respondents stated that their workforce had decreased (10% vs 18%), around 71% of firms stated no change in their workforce, up on the 62% registered three months earlier.

Key indicators



Please note: Q2 2016 reflects respondents' expectations for workload and employment



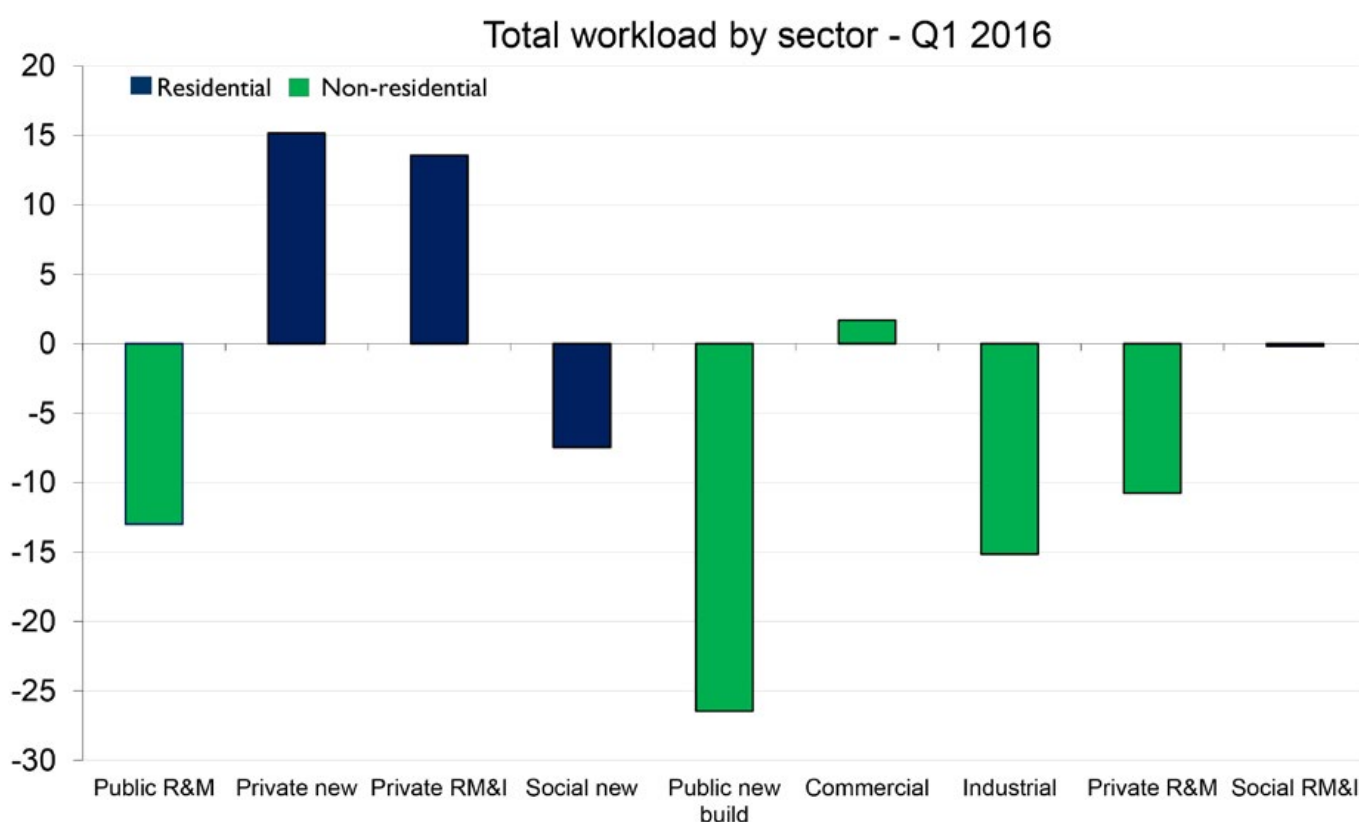
Workload

The net balance for overall workloads remained in positive territory for the twelfth consecutive quarter as it went up by 7 percentage points to +13 in Q1 2016. Approximately a third of firms reported higher workloads, up from 29%, while fewer respondents stated lower workloads (21% vs 23%) compared with three months earlier.

Most sectors saw a rise in their net balance with the private new residential sector registering the largest jump of 20 percentage points to +15, taking it back into positive territory. The share of businesses stating higher workloads increased, to 32% from 21%, while those reporting lower levels went down to 17% from 26%. The majority of firms (52%) stated no change in workloads.

The public R&M sector posted the smallest improvement in its net balance, of 2 percentage points to -13. The share of businesses indicating no change in workloads went up to 69% from 67%, whereas those reporting lower workloads declined to 22% from 24%.

The overall housing sector's net balance was +22. Around 28% of respondents stated higher workloads while 6% indicated lower workloads. Most firms (65%) reported no change in workloads. At +5, the net balance for the non-residential sector was also positive. Just under a fifth of firms (19%) stated higher workloads while 14% reported lower workloads. More than half (67%) of respondents stated no change in workloads.



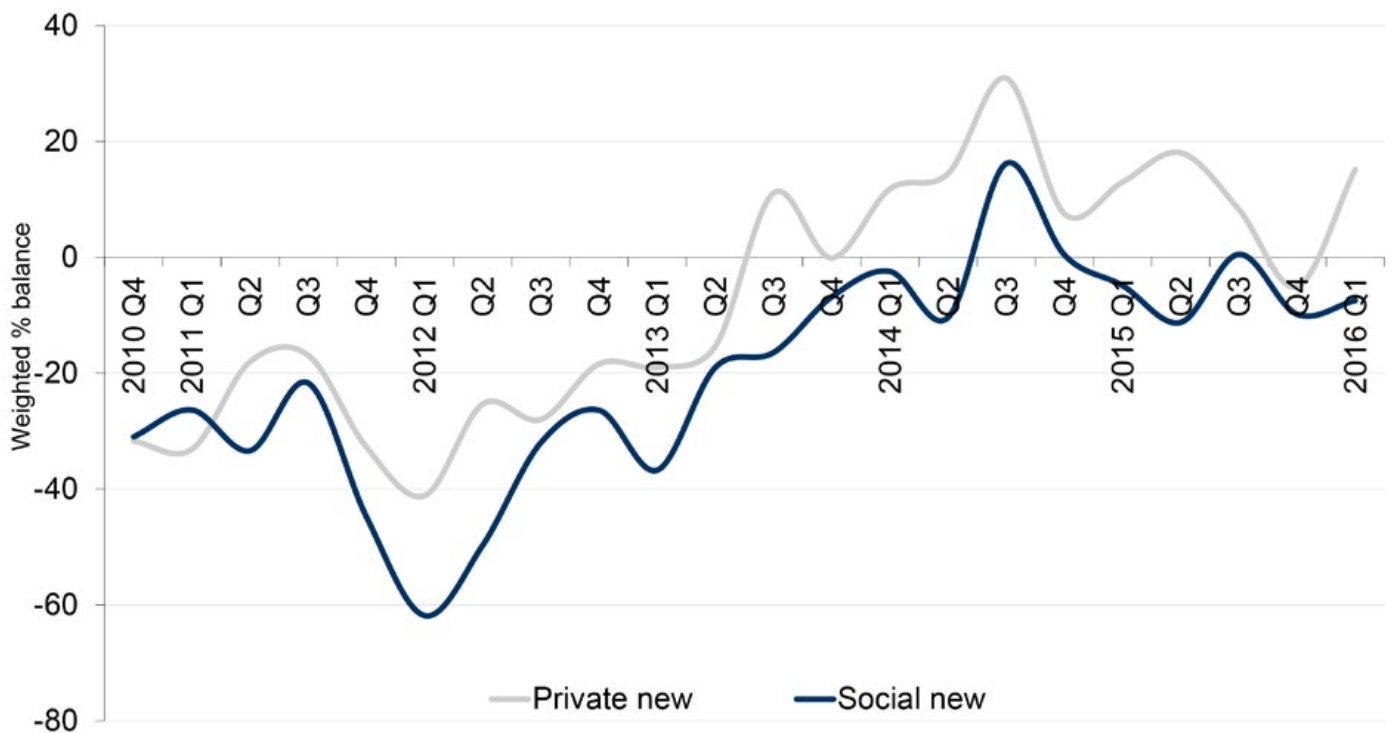
Residential workload

| Workload | Weighted % balances | | | | | | | |
|--------------------------|---------------------|-----|-----|---------|-----|-----|-----|------------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Private new | +14 | +31 | +8 | +13 | +18 | +8 | -5 | +15 |
| Private RM&I | +21 | +24 | +9 | +18 | +22 | +19 | +7 | +14 |
| Social new | -10 | +16 | 0 | -5 | -11 | +1 | -10 | -7 |
| Social RM&I | -5 | -21 | -10 | -9 | -9 | -7 | -11 | 0 |
| Total Residential | | | | | | | | +22 |

The net balance for the **private new** housing market moved back into positive territory as it experienced the greatest rise of 20 percentage points, to +15. Around 17% of businesses reported lower workloads, down from 26%, while more firms indicated higher workloads (32% vs 21%).

The **social new** housing sector's net balance improved by 3 percentage points to -7. Approximately 18% of businesses stated lower workloads, down from 24% in the previous quarter, while the bulk of respondents (71%) stated no change in workloads, up from 61%.

Residential historical weighted % balance - new build

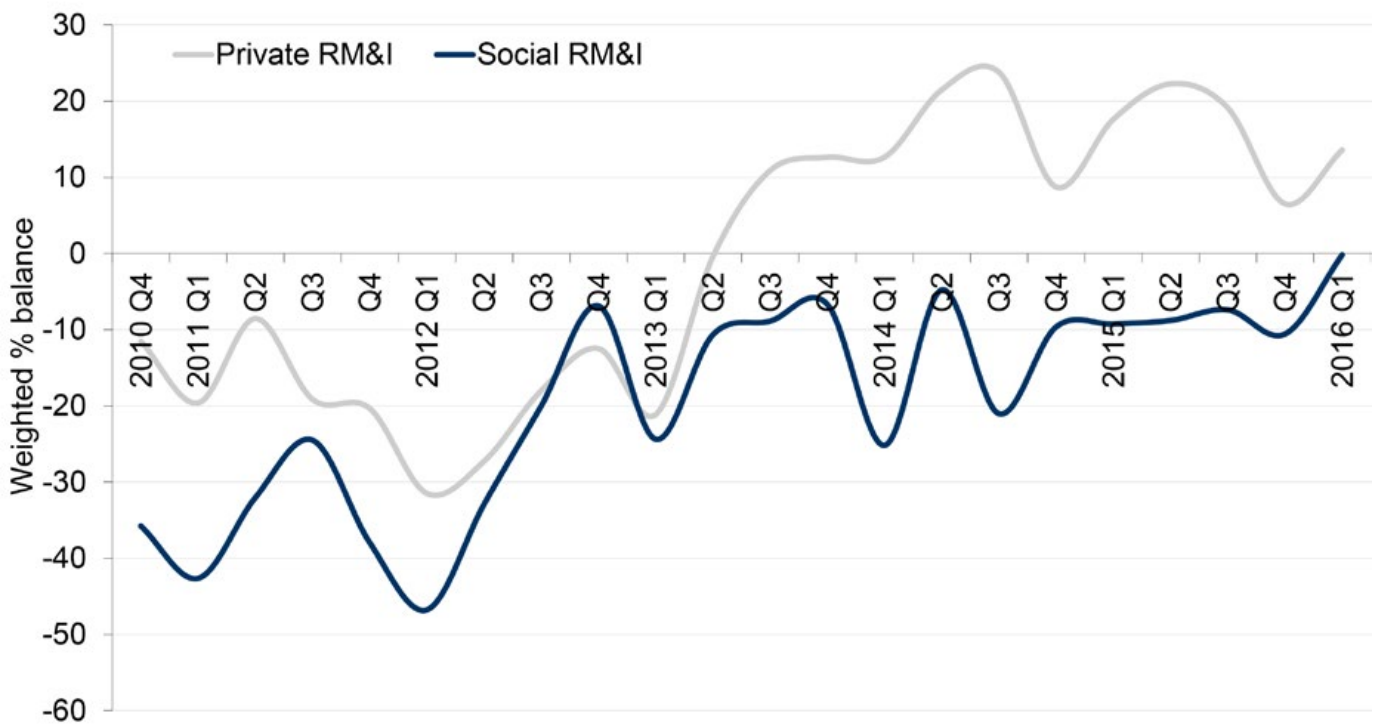


The net balance for the **social RM&I** sector rose by 11 percentage points to 0, indicating that overall activity is unchanged from the previous quarter. Around 56% of firms stated no change in workloads, down from 70% while approximately 22% of respondents reported higher workloads, up from 10% three months earlier.

An increase of 7 percentage points to +14 allowed the net balance for the **private RM&I** sector to remain in positive territory for the eleventh successive quarter. Around a quarter of firms reported higher levels of workloads, slightly up from 24%, while those stating lower workloads fell to 11% from the 17% reported between October and December last year.

Residential / non-residential workload

Residential historical weighted % balance - RM&I



Non-residential workload

| Workload | <i>Weighted % balances</i> | | | | | | | |
|------------------------------|----------------------------|-----|-----|---------|-----|-----|-----|-----------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Public new build | -22 | -5 | -7 | -14 | +15 | 0 | -10 | -26 |
| Public R&M | -5 | +11 | -19 | -9 | +1 | +1 | -15 | -13 |
| Industrial | -8 | +8 | +1 | -8 | -1 | -2 | -11 | -15 |
| Commercial | +7 | +26 | +13 | +2 | +2 | +6 | -4 | +2 |
| Private R&M | +7 | +25 | +6 | -1 | +3 | +11 | +5 | -11 |
| Total Non-Residential | | | | | | | | +5 |

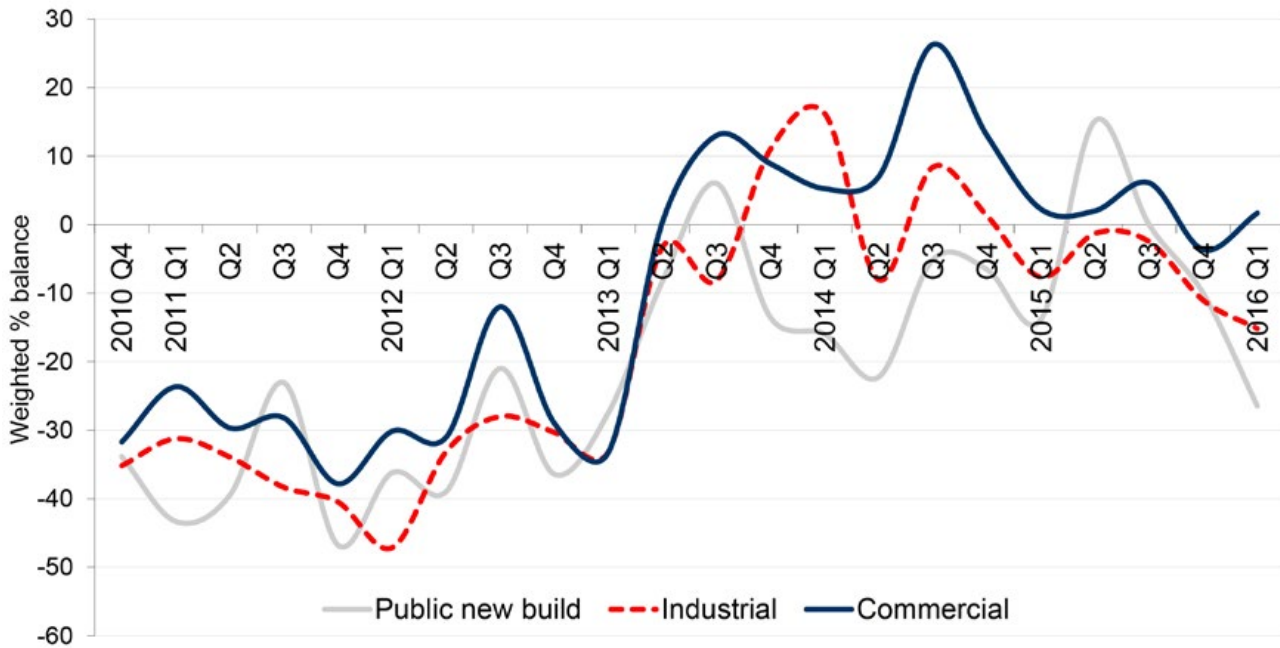
The **public new-build** sector's net balance deteriorated by 16 percentage points to -26, the worst reading since 2013 Q1. Just 6% of respondents stated higher workloads down from 15% while the proportion of firms reporting lower workloads increased to 32% from 25%.

An increase of 6 percentage points to +2 took the net balance for the **commercial** sector back into positive territory. Firms stating lower workloads fell to 21% from 26% while over half of respondents (57%) indicated no change in workloads.

The net balance for the **industrial** sector remained in negative territory for the fifth quarter running as it went down by 4 percentage points to -15. A smaller share of firms registered higher workloads (14% vs 20%), while at 57% just under half of firms indicated no change in workloads.

Non-residential workload

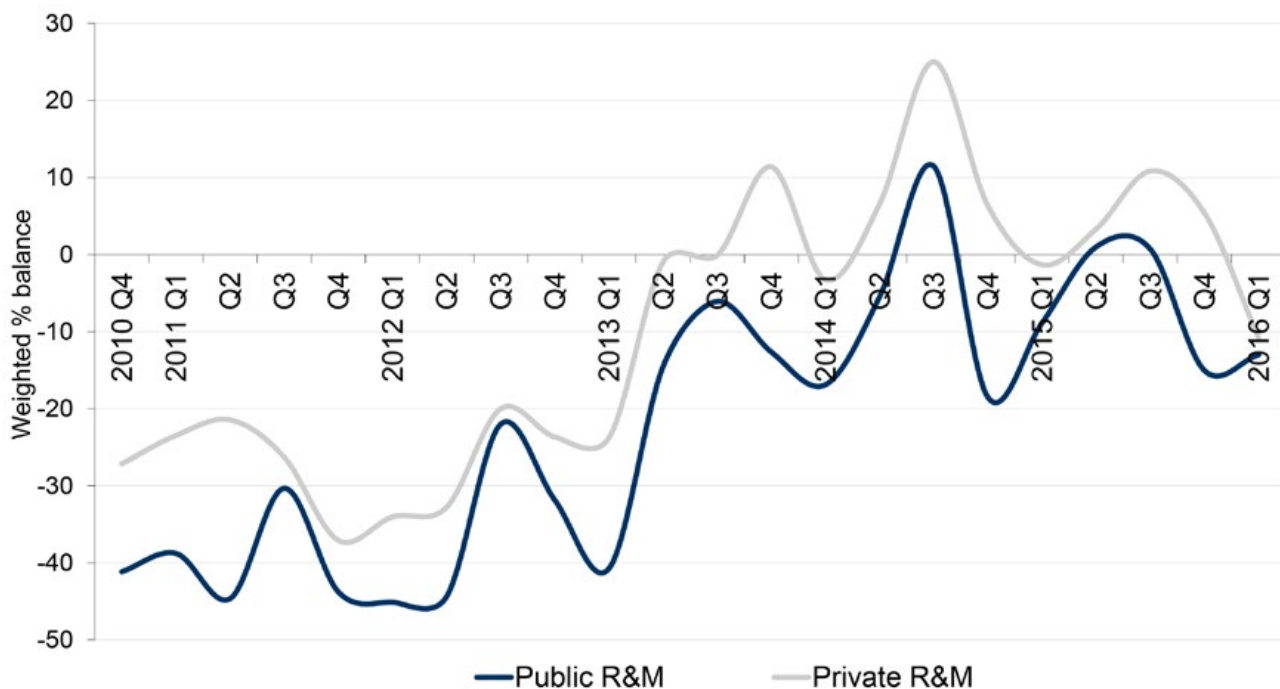
Non-residential historical weighted % balance chart - new work



Despite improving by 2 percentage points, the **public R&M** sector's net balance (-13) remained in negative territory for the second consecutive quarter. Approximately 22% of businesses reported lower workloads, down from 24% in the previous quarter, while most firms (69%) reported no change in workloads.

The **private R&M** sectors net balance moved back into negative territory as it plummeted by 16 percentage points to -11. Just 9% of businesses stated higher workloads compared with 22% three months earlier. In contrast, those reporting lower workloads went up from 17% to 20%.

Non-residential historical weighted % balance chart - R&M



Expected workload and enquiries

The net balance for total enquiries surged by 19 percentage points to +25, remaining in positive territory for the twelfth consecutive quarter. Fewer firms (14% vs 25%) stated lower levels of enquiries, while businesses registering a higher level of enquiries increased to 39% from 31%.

A jump of 23 percentage points to +26 allowed the total expected workload's net balance to remain in positive territory, for the twelfth quarter running. The proportion of businesses with negative expectations went down to 12% from 19%, while those predicting higher workloads, went up from 22% to 38%.

Residential expected workload

The residential sector's net balance was +25. Approximately 35% of firms are predicting higher workloads over the next three months while just 10% of businesses expect lower workloads. At 55%, the bulk of respondents envisage no change in workloads.

The **private new** housing market's net balance went up by 10 percentage points to +10. The proportion of firms with positive expectations for workloads rose to 27% from 23% while fewer businesses (17% vs 23%) anticipate lower workloads.

An improvement of 11 percentage points to +6 took the net balance for the **social new** housing sector back into positive territory. A fifth of respondents foresee higher workloads, up from 11% in Q4 2015 while fewer firms (14% vs 16%) forecast lower workloads.

The net balance for the **social RM&I** sector remained in negative territory for the second quarter running as went down by 14 percentage points to -17. More respondents (23% vs 15%) expect workloads to fall over the coming three months, while only 6% of firms anticipate higher workloads, down from 13%.

A rise of 23 percentage points took the **private RM&I** sector's net balance to +19. Those respondents predicting lower workloads decreased from 18% to 14%, while those expecting higher workloads, went up from 15% to 32% compared with the previous quarter.

| | <i>Weighted % balances</i> | | | | | | | |
|--------------------------|----------------------------|-----|-----|---------|-----|-----|----|------------|
| Expected Workload | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Private new | +25 | +28 | +6 | +30 | +16 | +6 | 0 | +10 |
| Private RM&I | +25 | +11 | -1 | +24 | +21 | +17 | -4 | +19 |
| Social new | +1 | +11 | -6 | +7 | -6 | -12 | -5 | +6 |
| Social RM&I | +7 | -7 | -22 | -2 | +3 | +2 | -3 | -17 |
| Total Residential | | | | | | | | +25 |
| Enquiries | | | | | | | | |
| Private new | +17 | +25 | -4 | +20 | +16 | +14 | -4 | +6 |
| Private RM&I | +27 | +27 | +4 | +24 | +25 | +16 | +1 | +15 |
| Social new | +3 | +1 | -5 | -5 | -3 | -1 | -9 | +12 |
| Social RM&I | +9 | -3 | -14 | -14 | +2 | +8 | -1 | +1 |
| Total Residential | | | | | | | | +30 |



Expected workload and enquiries

Non-residential expected workload

The net balance for non-residential expected workloads was +14. Around 17% of respondents predict positive expectations whereas at 80%, the vast majority of firms forecast no change in workloads.

Despite rising by 3 percentage points, the **public R&M** sector's net balance (-11) remained in negative territory for the second successive quarter. Approximately 17% of firms predict lower workloads over the next three months, down from 21%, while most businesses (77%) anticipate no change in workloads, up from 71%.

The net balance for the **private R&M** sector moved into positive territory as it rose by 10 percentage points to +6. Just 8% of firms forecast lower workloads, down from 18%, while the proportion of firms anticipating no change in workloads grew to 77% from 67%.

The **industrial** sector's net balance deteriorated by 4 percentage points to -10. The share of firms expecting higher workloads declined (9% vs 15%) while around 72% of respondents predict no change in workloads.

An increase of 6 percentage points took the net balance for expected workloads in the **public new build** sector to -6. Around 13% of businesses reported higher workload expectations for the coming three months, up from 9% while the share of firms anticipating lower workloads went down to 18% from 21%.

The **commercial** sector's net balance moved back into positive territory as it jumped by 22 percentage points to +18. Approximately 13% of respondents anticipate lower workloads, down from 23% while more than half of businesses (55%) predict no change in workloads.

| Expected Workload | Weighted % balances | | | | | | | |
|-----------------------|---------------------|-----|-----|---------|-----|-----|-----|---------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Public new build | -16 | -12 | -13 | +3 | +9 | -3 | -12 | -6 |
| Public R&M | +6 | -2 | -25 | +2 | +9 | +9 | -14 | -11 |
| Industrial | +13 | +14 | -2 | -1 | -2 | -1 | -6 | -10 |
| Commercial | +13 | +15 | -1 | +7 | +3 | +5 | -4 | +18 |
| Private R&M | +17 | +10 | -6 | +12 | +20 | +13 | -4 | +6 |
| Total Non-Residential | | | | | | | | +14 |
| Enquiries | | | | | | | | |
| Public new build | -15 | -10 | -21 | +8 | -5 | -12 | -14 | -6 |
| Public R&M | -2 | -5 | -20 | -5 | 0 | -4 | -23 | -3 |
| Industrial | +9 | +24 | +1 | +7 | -3 | 0 | 0 | +1 |
| Commercial | +12 | +19 | -5 | +8 | -8 | +2 | +2 | +4 |
| Private R&M | +6 | +22 | -3 | +12 | +9 | +7 | -5 | -1 |
| Total Non-Residential | | | | | | | | +8 |



Prices and costs

| | <i>Weighted % balances</i> | | | | | | | |
|------------------|----------------------------|-----|-----|---------|-----|-----|-----|---------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Output prices | +23 | +32 | +32 | +30 | +29 | +37 | +23 | +29 |
| Wages & salaries | +35 | +38 | +41 | +44 | +43 | +56 | +44 | +44 |
| Materials costs | +83 | +75 | +72 | +77 | +73 | +68 | +60 | +64 |

| | <i>Weighted % balances</i> | | | | | | | |
|------------------|----------------------------|-----|-----|---------|-----|-----|-----|---------|
| Expected | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Output prices | +46 | +45 | +47 | +47 | +42 | +44 | +42 | +43 |
| Wages & salaries | +50 | +40 | +43 | +51 | +55 | +44 | +46 | +51 |
| Materials costs | +74 | +72 | +75 | +70 | +67 | +63 | +69 | +63 |

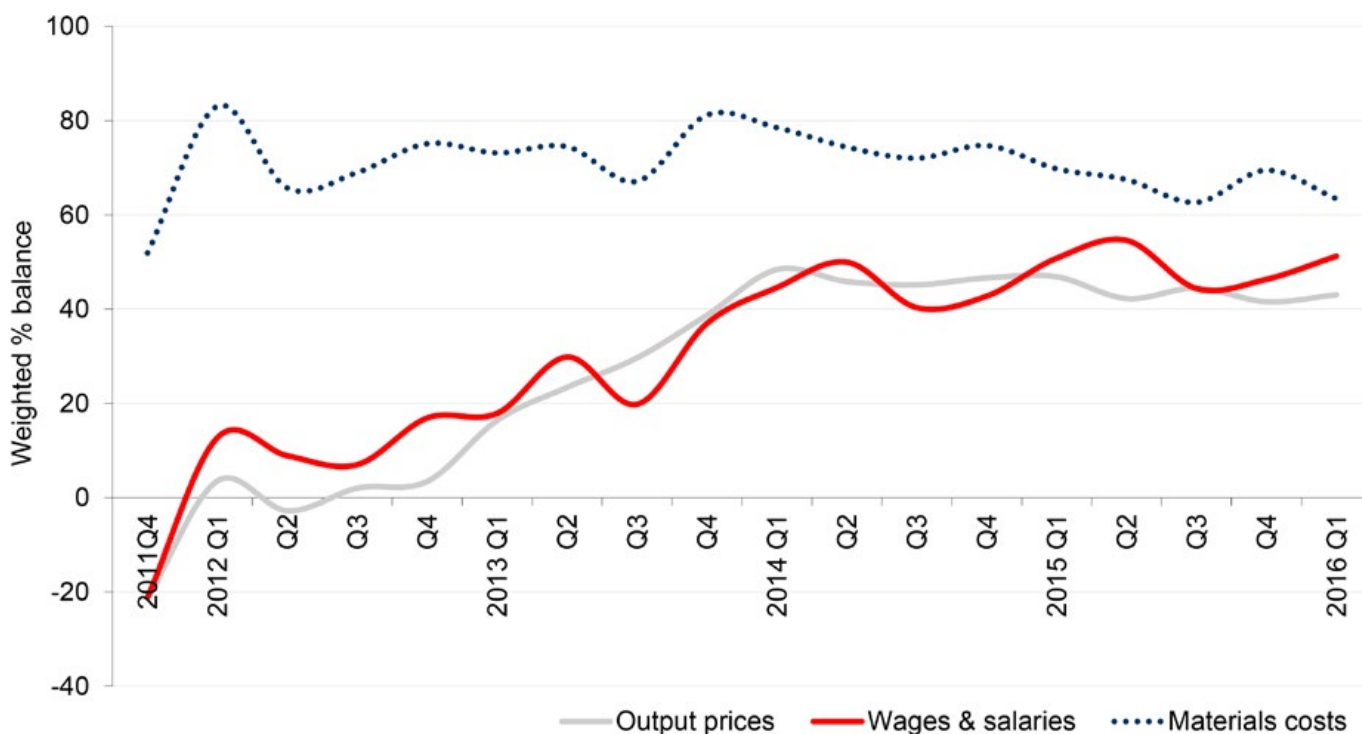
The net balance for expected output prices edged up by 1 percentage point to +43. Slightly more firms (46% vs 45%) expect an increase in output prices over the next six months while half of businesses anticipate no change in prices.

A rise of 5 percentage points took the net balance for expected wages and salaries to +51. Over half (53%) of respondents anticipate increasing wages and salaries, up from 49%. In contrast, just 1% of

firms forecast decreasing wages and salaries over the next six months, marginally down from 2%.

The net balance for expected materials costs dropped by 6 percentage points, to +63. Approximately 63% of firms expect material costs to increase over the coming six months, down from 70% while around 37% of businesses expect costs to remain unchanged, up from 29%.

Prices & costs weighted % balance chart



Employment and labour

| Employment | Weighted % balances | | | | | | | |
|-------------------------|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| All builders | +12 | +10 | +8 | +8 | +8 | +9 | 0 | +9 |
| All specialists | +9 | +9 | -1 | 0 | +12 | -3 | +6 | +8 |
| Total Employment | +11 | +9 | +7 | +7 | +8 | +7 | +1 | +9 |

| Expected employment | Weighted % balances | | | | | | | |
|-------------------------|---------------------|------------|------------|------------|------------|------------|------------|------------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| All builders | +30 | +26 | +11 | +23 | +23 | +19 | +18 | +26 |
| All specialists | +23 | +15 | +32 | +24 | -5 | +24 | -2 | +14 |
| Total Employment | +29 | +24 | +13 | +23 | +19 | +20 | +16 | +20 |

The total employment net balance remained in positive territory for the ninth consecutive quarter as it increased by 8 percentage points to +9. Fewer firms indicated that staffing levels had decreased (10% vs 18%) while respondents stating no change in employment levels went up to 71% from 62%.

The net balance for all builders improved by 9 percentage points to +9. Just over a fifth of firms (21%) indicated an increase in their workforce, up from 18% in the three months to December last year. In contrast, 12% of businesses stated a decline in staffing levels, down from 18% while just over two thirds of respondents (67%) reported no change in workloads.

A rise of 2 percentage points took the all specialists' net balance to +8. Just 8% of businesses stated that their workforce had decreased, down from 22% while three quarters of respondents indicated no change in their labour force.

After declining by 4 percentage points to +16 in Q4 2015, in the latest three months, the net balance for overall employment expectations went up by the same amount, to +20. Approximately 5% of businesses indicated that their staffing levels are likely to decrease over the next six months, down from 11%. In contrast, 69% of respondents foresee no change in staffing levels, up from 63%.

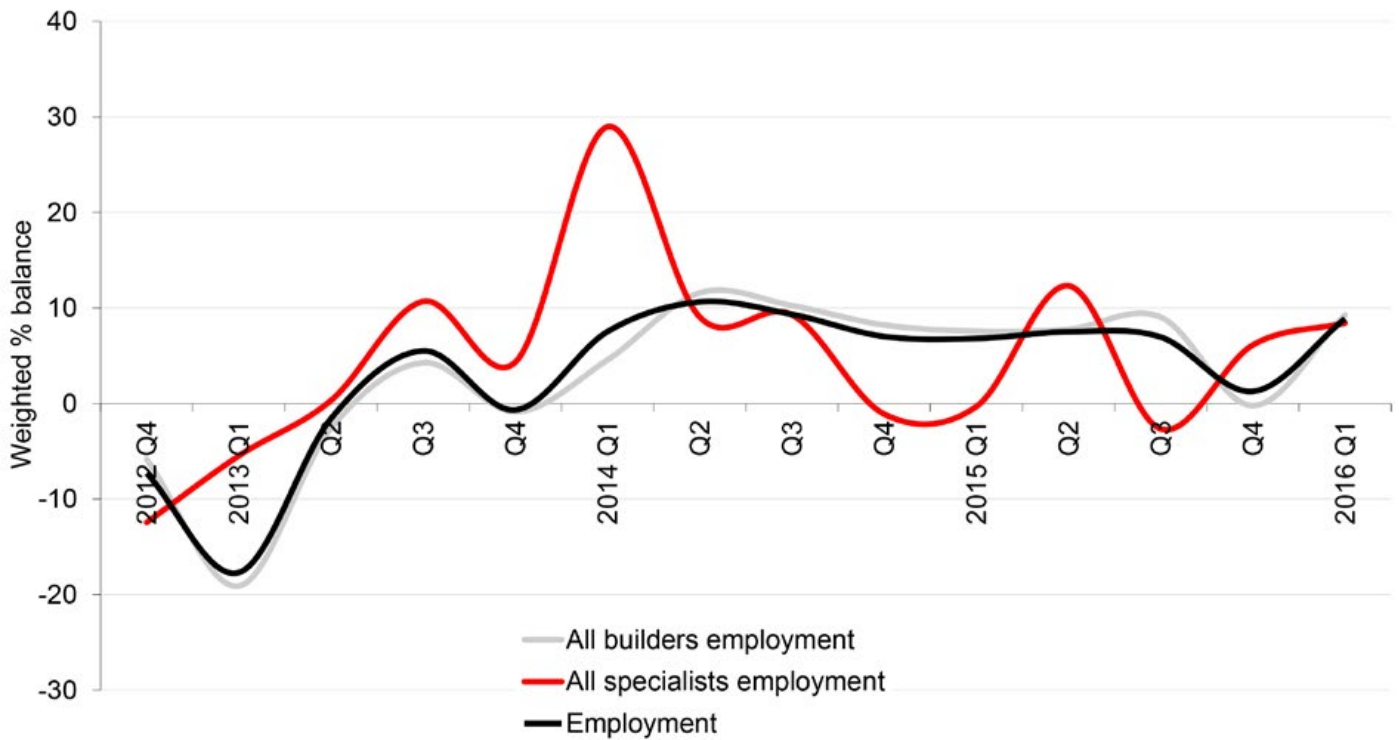
The all builders' expected employment net balance went up by 8 percentage points to +26. Around 4% of respondents reported a negative outlook, a fall from 9% three months earlier while approximately 30% of businesses predict an increasing workforce, up from 27%. However, the majority of firms (66%) predict no change in their labour force.

The specialists' expected employment net balance jumped by 16 percentage points to +14, moving back into positive territory. Approximately 21% of respondents forecast a rising workforce, marginally up from 20% posted in the final quarter of 2015 while just 6% of firms predict a fall in their workforce, down from 22%.



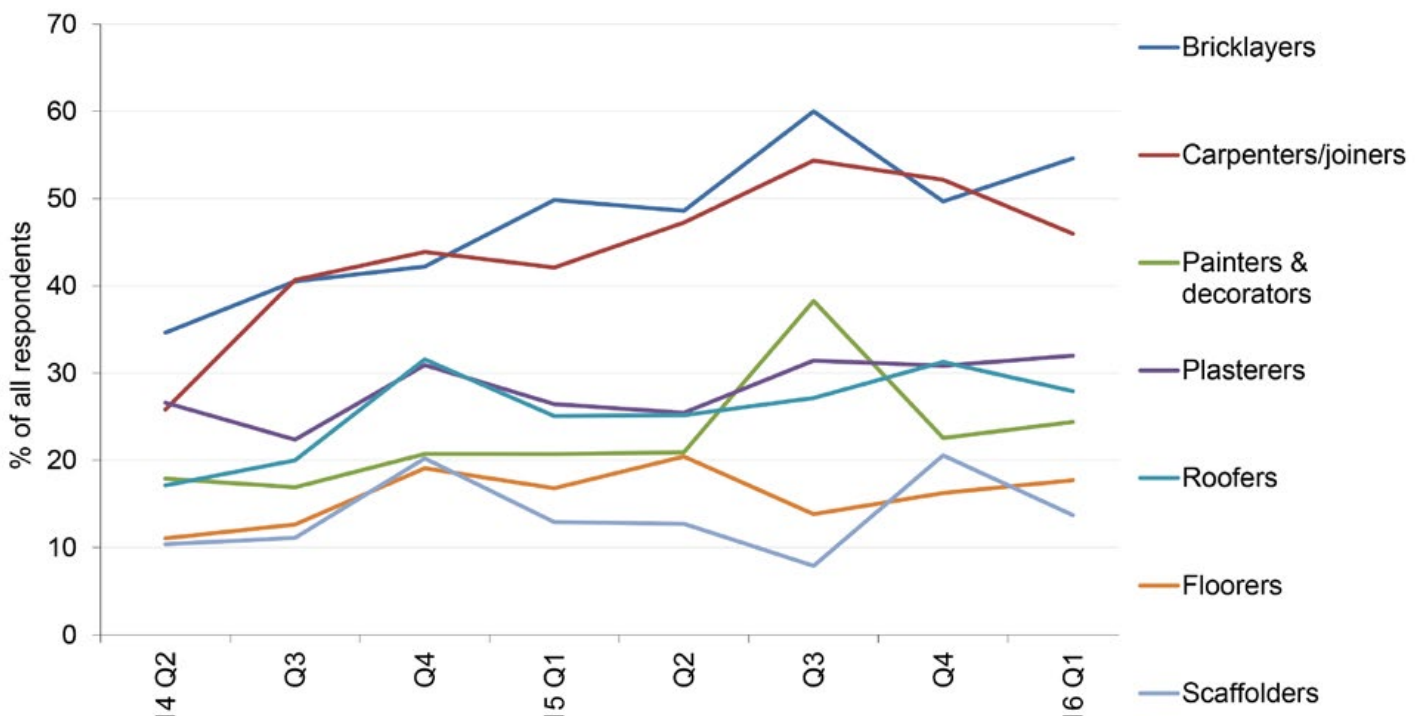
Employment and labour

Employment weighted % balance chart



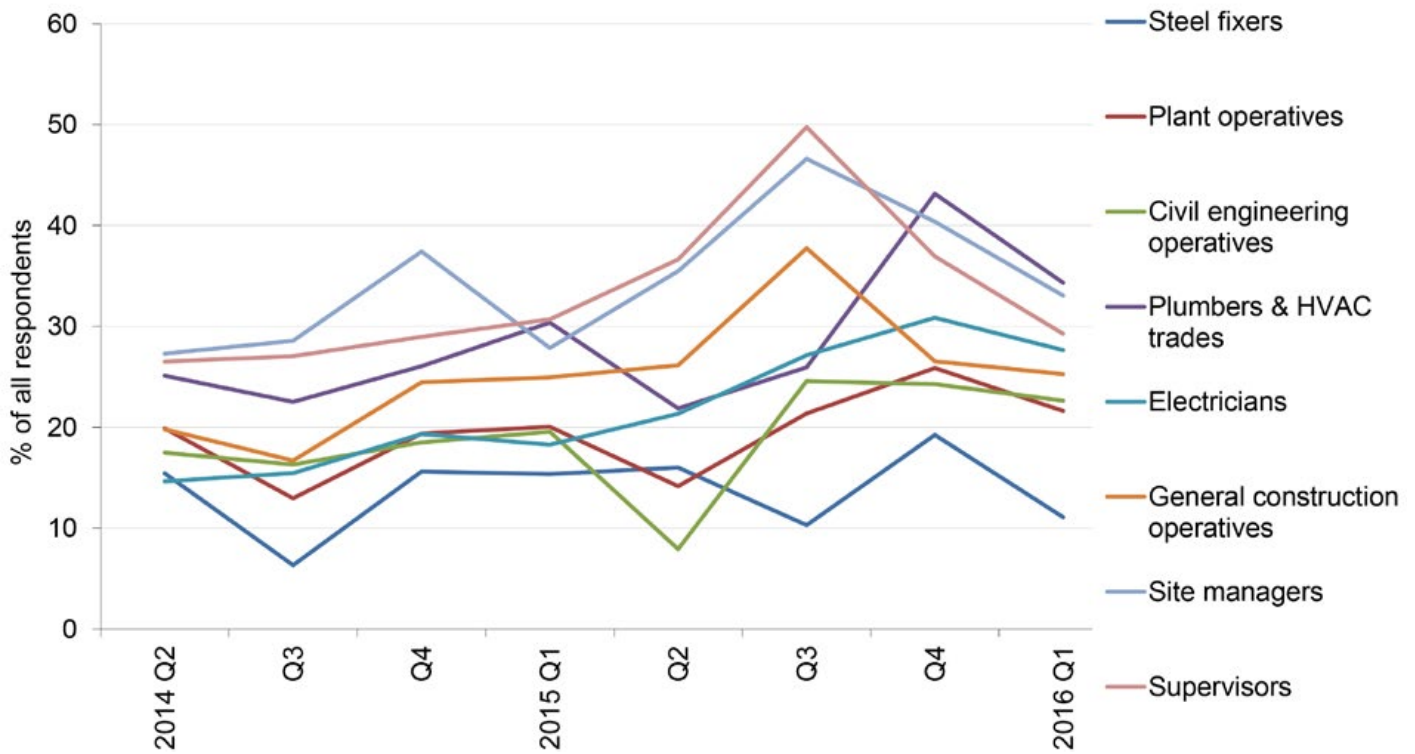
Firms reported the greatest difficulty in recruiting bricklayers in the three months to March 2016. Carpenters/joiners, plumbers & HVAC trades and site managers were also hard to come by, whereas respondents found steel fixers the least difficult occupation to hire.

% of respondents reporting difficulty recruiting selected skills chart 1



Employment and labour

% of respondents reporting difficulty recruiting selected skills chart 2



| Trades | % reporting difficulty | | | | | | | |
|---------------------------------|------------------------|----|----|---------|----|----|----|---------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| Bricklayers | 35 | 41 | 42 | 50 | 49 | 60 | 50 | 55 |
| Carpenters/joiners | 26 | 41 | 44 | 42 | 47 | 54 | 52 | 46 |
| Painters & decorators | 18 | 17 | 21 | 21 | 21 | 38 | 23 | 24 |
| Plasterers | 27 | 22 | 31 | 26 | 25 | 31 | 31 | 32 |
| Roofers | 17 | 20 | 32 | 25 | 25 | 27 | 31 | 28 |
| Floorers | 11 | 13 | 19 | 17 | 20 | 14 | 16 | 18 |
| Scaffolders | 10 | 11 | 20 | 13 | 13 | 8 | 21 | 14 |
| Steel fixers | 15 | 6 | 16 | 15 | 16 | 10 | 19 | 11 |
| Plant operatives | 20 | 13 | 19 | 20 | 14 | 21 | 26 | 22 |
| Civil engineering operatives | 17 | 16 | 18 | 20 | 8 | 25 | 24 | 23 |
| Plumbers & HVAC trades | 25 | 23 | 26 | 30 | 22 | 26 | 43 | 34 |
| Electricians | 15 | 15 | 19 | 18 | 21 | 27 | 31 | 28 |
| General construction operatives | 20 | 17 | 24 | 25 | 26 | 38 | 27 | 25 |
| Site managers | 27 | 29 | 37 | 28 | 35 | 47 | 40 | 33 |
| Supervisors | 27 | 27 | 29 | 31 | 37 | 50 | 37 | 29 |

Regional perspective

Regional figures are based on a composite indicator combining workload, expected workload and enquiries questions, weighted by firm's size. The net balance shows the difference between those saying higher and those saying lower for the three questions.

The **UK's** net balance jumped by 11 percentage points to +15, remaining in positive territory for the twelfth quarter running. The proportion of weighted responses which were negative dropped to 14% from 20%, while around 29% of weighted responses were positive, up from 24% three months earlier. The majority (57%) of weighted responses were neutral, marginally up from 56%.

Scotland's net balance moved back into positive territory as it increased by 19 percentage points to +6. A fifth of weighted responses were negative, down from 34% while the share of weighted responses which were positive went up to 26% from 21%. The majority of weighted responses (54%) were neutral, up on the 45% posted three months earlier.

The net balance for **England** remained in positive territory for the twelfth successive quarter as it rose by 11 percentage points to +16. The share of weighted responses which were positive went up to 29% from 24%, while those which were negative decreased to 13% from 19%. Over half of weighted responses (58%) were neutral, edging up from 57%.

Northern Ireland's net balance soared by 16 percentage points to +34. Around 38% of weighted responses were positive, up from 30% while the share of weighted responses which were negative fell to just 4% from 12%. The bulk of weighted responses were neutral (58%), their share unchanged compared with the previous quarter.

Wales's net balance was the only one to deteriorate, by 13 percentage points to -6. The proportion of weighted responses which were negative grew to 23% from 21%, while those weighted responses which were positive dropped, to 17% from 28%. The majority (60%) of weighted responses were neutral, up from 51% registered between October and December last year.

| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
|------------------|---------|-----|-----|---------|-----|-----|-----|---------|
| England | +30 | +28 | +10 | +20 | +22 | +17 | +5 | +16 |
| Northern Ireland | +3 | +15 | -12 | +5 | +28 | +35 | +18 | +34 |
| Scotland | +2 | -5 | +4 | +4 | +14 | +14 | -13 | +6 |
| Wales | +23 | +28 | +15 | +26 | +16 | +9 | +7 | -6 |
| UK | +25 | +24 | +8 | +18 | +21 | +17 | +4 | +15 |



Regional perspective

| | <i>Weighted % balances</i> | | | | | | | |
|----------------|----------------------------|-----|-----|---------|-----|-----|-----|---------|
| | 2014 Q2 | Q3 | Q4 | 2015 Q1 | Q2 | Q3 | Q4 | 2016 Q1 |
| East Midlands | +11 | +22 | -6 | +13 | +27 | +32 | +19 | +4 |
| Eastern | +44 | +25 | +8 | +28 | +38 | +9 | -9 | +18 |
| London | +51 | +57 | +24 | +34 | +4 | +27 | +24 | +25 |
| North East | +23 | +8 | -13 | -2 | -2 | +3 | +2 | +22 |
| North West | +9 | +15 | +7 | +17 | +13 | +7 | +3 | -2 |
| South East | +36 | +36 | +11 | +22 | +30 | +16 | +10 | +17 |
| South West | +45 | +31 | +29 | +18 | +26 | +8 | -10 | +19 |
| West Midlands | -2 | +29 | +6 | +18 | +30 | +40 | -1 | +9 |
| Yorks & Humber | +49 | +47 | +8 | +38 | +16 | +38 | +13 | +26 |



The net balance incorporates recent workloads, expected workloads and enquiries. It shows the difference between those reporting higher and those reporting lower.



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ABOUT THE FEDERATION OF MASTER BUILDERS (FMB) AND THE STATE OF TRADE SURVEY

For more than 20 years the 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 industry. The survey is dispatched to a rolling stratified sample of 2,000 FMB members each quarter. Over 400 responses are received and they are weighted according to turnover.

The typical firm responding is either a general builder or building contractor directly employing ten or fewer people, and turning over between £100,000 and £500,000 per annum. Results are generally reported as percentage balances, as results from qualitative surveys traditionally are. This is the difference between the percentage of respondents stating 'higher' and those replying 'lower' to questions. The magnitude of the balance does not indicate the scale of the change. Instead, the larger the balance, the greater the number of respondents stating either 'higher' or 'lower'.

The FMB is the largest trade association in the UK construction industry representing thousands of firms in England, Scotland, Wales and Northern Ireland. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for members' interests at both the national and local level. The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business building services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free service to consumers called 'Find a Builder'.

Please visit www.fmb.org.uk

For more information about the FMB State of Trade Survey please contact Sarah McMonagle at the Federation of Master Builders via **020 7025 2901** or sarah@fmb.org.uk.

